MCE Empowering Our Clean Energy Future

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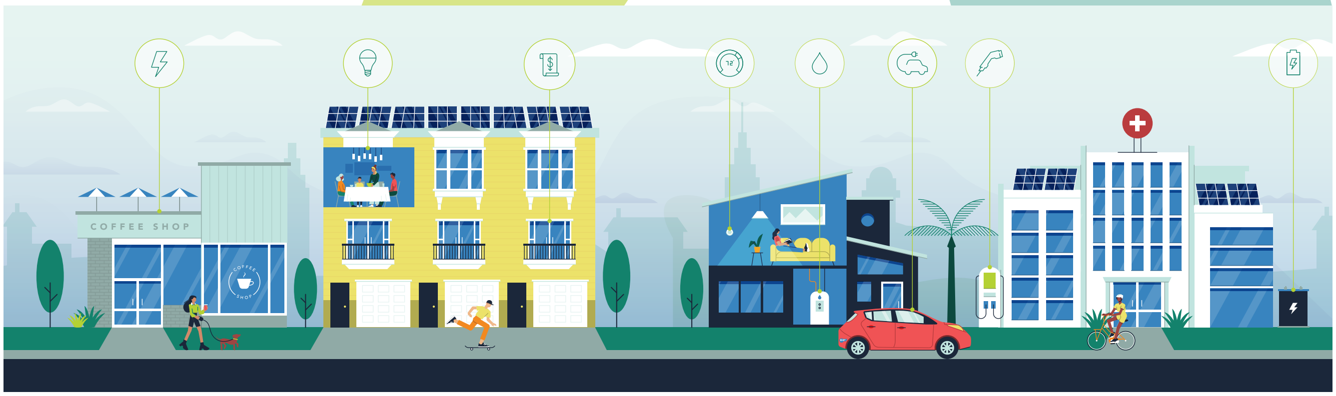
Financial Statements

Years Ended March 31, 2022 & 2021
with Report of Independent Auditors



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MARIN CLEAN ENERGY
YEARS ENDED MARCH 31, 2022 AND 2021

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Independent Auditors' Report

To the Board of Directors of
Marin Clean Energy

Report on the Audit of the Financial Statements Opinion

We have audited the accompanying financial statements of Marin Clean Energy, as of and for the years ended March 31, 2022 and 2021 and the related notes to the financial statements, which collectively comprise the Marin Clean Energy's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Marin Clean Energy as of March 31, 2022 and 2021 and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (GAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Marin Clean Energy and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Marin Clean Energy's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and GAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and GAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Marin Clean Energy's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Marin Clean Energy's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 16, 2022 on our consideration of Marin Clean Energy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of Marin Clean Energy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Marin Clean Energy's internal control over financial reporting and compliance.

Baker Tilly US, LLP

Madison, Wisconsin
August 16, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED MARCH 31, 2022 AND 2021

The Management's Discussion and Analysis provides an overview of Marin Clean Energy's (MCE) financial activities as of and for the years ended March 31, 2022, and 2021. The information presented here should be considered in conjunction with the audited financial statements.

BACKGROUND

The formation of MCE was made possible by the passage, in 2002, of California Assembly Bill 117, enabling communities to purchase power on behalf of their residents and businesses and creating competition in power generation.

MCE was created as a California Joint Powers Authority (JPA) on December 19, 2008. MCE was established to provide electric power and related benefits within MCE's service area, including developing a wide range of renewable energy sources and energy efficiency programs. Governed by an appointed board of directors, MCE has the rights and powers to set rates and charges for electricity and services it furnishes, incur indebtedness, and issue bonds or other obligations. MCE is responsible for the acquisition of electric power for its service area.

Financial Reporting

MCE presents its financial statements as an enterprise fund under the economic resources measurement focus and accrual basis of accounting, in accordance with Generally Accepted Accounting Principles (GAAP) for proprietary funds, as prescribed by the Governmental Accounting Standards Board (GASB).

Contents of this Report

This report is divided into the following sections:

- Management discussion and analysis.

- The Basic Financial Statements:

    - The *Statements of Net Position* include all of MCE's assets, liabilities, deferred inflows of resources and net position and provides information about the nature and amount of resources and obligations at a specific point in time.

    - The *Statements of Revenues, Expenses, and Changes in Net Position* report all of MCE's revenue and expenses for the years shown.

    - The *Statements of Cash Flows* report the cash provided and used by operating activities, as well as other sources and uses, such as capital and investing activities.

    - Notes to the Basic Financial Statements, which provide additional details and information related to the basic financial statements.

FINANCIAL HIGHLIGHTS

The following table is a summary of MCE's assets, liabilities, deferred inflows of resources and net position and a discussion of significant changes for the years ending March 31:

	2022	2021	2020
Current assets	$ 271,986,377	$ 252,069,094	$ 211,708,945
Noncurrent assets			
Capital assets, net	765,730	958,569	1,142,836
Other noncurrent assets	15,204,092	15,360,190	10,881,417
Total noncurrent assets	15,969,822	16,318,759	12,024,253
Total assets	287,956,199	268,387,853	223,733,198
Current liabilities	69,676,986	64,037,546	51,359,862
Noncurrent liabilities	-	-	67,796
Total liabilities	69,676,986	64,037,546	51,427,658
Deferred inflows of resources	15,000,000	15,000,000	10,500,000
Net position:			
Investment in capital assets	765,730	958,569	1,142,836
Unrestricted	202,513,483	188,391,738	160,662,704
Total net position	$ 203,279,213	$ 189,350,307	$ 161,805,540

Current assets

Current assets were approximately $272,000,000 at the end of 2022 and were primarily comprised of cash of $169,600,000, accounts receivable of $46,300,000, and accrued revenue of $20,500,000, Cash decreased from 2021 to 2022 mostly due to increasing costs and MCE's decision to delay increasing customer rates. Accounts receivable and accrued revenue experienced moderate increases due to attributable to territorial expansion in previous years as well as a small increase in the length of the collections cycle attributable to Covid-19. Accrued revenue differs from accounts receivable in that it is the result of electricity use by MCE customers before invoicing to those customers has occurred.

Capital assets

Capital assets are presented net of depreciation. Capital assets held by MCE include leasehold improvements, furniture and equipment. MCE does not own assets used for electric generation or distribution.

Other noncurrent assets

Other noncurrent assets increased in 2021 primarily due to a transfer of $4,500,000 to an Operating Reserve Fund to defer revenue for later years when financial results may not be as strong or are stressed. By postponing revenue recognition to future years, MCE will be positioned to avoid sudden rate increases to address unanticipated spikes in energy costs and other unforeseen circumstances.

Current liabilities

The largest component of current liabilities is the cost of electricity delivered to customers that is not yet paid by MCE. Current liabilities increased each year due to the increased demand from customers added as well as price increases of certain energy products. Other components include trade accounts payable, taxes and surcharges due to governments, advances from grantors, and various other accrued liabilities.

The following table is a summary of MCE's results of operations and a discussion of significant changes for years ending March 31:

	2022	2021	2020
Operating revenues	$487,119,311	$ 452,955,192	$416,119,323
Interest income	584,054	1,784,590	2,957,808
Total income	487,703,365	454,739,782	419,077,131
Operating expenses	473,592,066	427,014,543	348,716,887
Nonoperating expenses	182,393	180,472	131,319
Total expenses	473,774,459	427,195,015	348,848,206
Change in net position	$ 13,928,906	$ 27,544,767	$ 70,228,925

Operating revenues

Operating revenues increased each year from 2020 to 2022, primarily from territory expansion. This expansion covered unincorporated Contra Costa county, as well as the cities and towns of Concord, Martinez, Oakley, Pinole, Pittsburg, San Ramon, Danville and Moraga.

MCE also receives revenues from sources other than retail customer sales. These sources include wholesale energy sales to other suppliers, as well as grant income used to assist with various customer programs.

Interest income decreased as a result of a reduction in market interest rates.

Operating expenses

Operating expenses increased each year, primarily due to the rising cost for certain products in the energy market.

MCE procures energy from a variety of sources to minimize this risk and maintain a balanced renewable power portfolio.

ECONOMIC OUTLOOK

In the normal course of business, MCE enters into various agreements, including renewable energy agreements and other power purchase agreements to purchase power and electric capacity. MCE enters into power purchase agreements in order to comply with state law and elevated voluntary targets for renewable and greenhouse gas (GHG) free products as described in its Integrated Resource Plans. California law established a Renewable Portfolio Standard (RPS) that requires load-serving entities ("LSEs"), such as MCE, to gradually increase the amount of renewable energy they deliver to their customers. Senate Bill ("SB") 100, signed by California's Governor in September 2018, directs LSEs to supply 60% of their retail sales with RPS-eligible resources by 2030. MCE began supplying its retail sales with 60% RPS-eligible resources in 2017, 13 years ahead of the SB 100 schedule. MCE has been supplying 90% GHG free energy since 2017 and anticipates reaching 95% by 2023 and continuing to do so into the future In addition, pursuant to California SB 350 (signed into law in October 2015), at least 65 percent of the procurement a retail seller, such as MCE, counts toward its renewables portfolio standard requirement for each compliance period shall be from contracts of ten years or more in duration ("long-term contracts"), starting with compliance period 4 (which began January 1, 2021). As of March 31, 2021, MCE has executed RPS contracts of ten years or more in duration that are projected to meet MCE's SB 350 long-term contracting requirement through 2027, and MCE is planning to continue its long-term RPS procurement as opportunities arise.

MCE manages risks associated with these commitments by aligning purchase commitments with expected demand for electricity and by securing a diversity of technologies, geographical locations, and suppliers. Expected obligations under power purchase agreements totaled approximately $2.50 billion as of March 31, 2021 and $2.77 billion as of March 31, 2022.

Management intends to continue its conservative use of financial resources and expects ongoing operating surpluses.

REQUEST FOR INFORMATION

This financial report is designed to provide MCE's board members, stakeholders, customers and creditors with a general overview of the MCE's finances and to demonstrate MCE's accountability for the funds under its stewardship.

Please address any questions about this report or requests for additional financial information to the Director of Finance, 1125 Tamalpais Avenue, San Rafael, CA 94901.

BASIC FINANCIAL STATEMENTS

MARIN CLEAN ENERGY

STATEMENTS OF NET POSITION

MARCH 31, 2022 AND 2022

	2022	2021
ASSETS		
Current assets		
Cash and cash equivalents	$ 169,627,430	$ 183,177,074
Accounts receivable, net of allowance	46,297,848	34,374,473
Accrued revenue	20,513,811	16,132,750
Other receivables	2,317,347	2,556,349
Prepaid expenses	4,814,302	1,051,125
Deposits	12,363,407	4,353,382
Restricted cash	16,052,232	10,423,941
Total current assets	271,986,377	252,069,094
Noncurrent assets		
Unrestricted cash and cash equivalents	15,000,000	15,000,000
Capital assets, net of depreciation	765,730	958,569
Deposits	204,092	360,190
Total noncurrent assets	15,969,822	16,318,759
Total assets	287,956,199	268,387,853
LIABILITIES		
Current liabilities		
Accrued cost of electricity	41,701,034	43,409,420
Accounts payable	3,010,634	2,910,914
Other accrued liabilities	1,748,318	1,229,500
User taxes and energy surcharges due to other governments	2,151,268	1,578,271
Security deposits from energy suppliers	5,013,500	4,632,500
Advances from grantors - restricted	16,052,232	10,276,941
Total current liabilities	69,676,986	64,037,546
DEFERRED INFLOWS OF RESOURCES		
Operating Reserve Fund	15,000,000	15,000,000
NET POSITION		
Net position		
Investment in capital assets	765,730	958,569
Unrestricted	202,513,483	188,391,738
Total net position	$ 203,279,213	$ 189,350,307

The accompanying notes are an integral part of these financial statements

MARIN CLEAN ENERGY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEARS ENDED MARCH 31, 2022 AND 2021

	2022	2021
OPERATING REVENUES		
Electricity sales, net	$ 458,935,624	$ 438,638,872
Rate stabilization	-	(4,500,000)
Grant revenue	16,046,801	5,040,193
Wholesale resource sales	11,780,033	13,693,041
Other revenue	356,853	83,086
Total operating revenues	487,119,311	452,955,192
OPERATING EXPENSES		
Cost of electricity	433,302,800	393,477,405
Contract services	19,777,790	17,301,213
Staff compensation	14,263,357	12,249,940
General and administration	6,040,053	3,715,602
Depreciation	208,066	270,383
Total operating expenses	473,592,066	427,014,543
Operating income	13,527,245	25,940,649
NONOPERATING REVENUES (EXPENSES)		
Interest income	584,054	1,784,590
Loan fee expense	(182,393)	(180,472)
Nonoperating revenues (expenses), net	401,661	1,604,118
CHANGE IN NET POSITION	13,928,906	27,544,767
Net position at beginning of year	189,350,307	161,805,540
Net position at end of year	$ 203,279,213	$ 189,350,307

The accompanying notes are an integral part of these financial statements

MARIN CLEAN ENERGY

STATEMENTS OF CASH FLOWS

YEARS ENDED MARCH 31, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 462,539,471	$ 452,135,582
Receipts from market settlements	641,446	12,066,813
Receipts from grantors	28,493,751	10,645,491
Other operating receipts	516,965	1,919,049
Payments to suppliers for electricity	(446,651,804)	(390,928,169)
Payments for other goods and services	(32,669,997)	(25,317,043)
Payments for staff compensation	(13,990,493)	(12,086,731)
Payments of tax and surcharges to other governments	(7,180,093)	(5,612,924)
Net cash provided (used) by operating activities	(8,300,754)	42,822,068
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Loan fee expense	(180,910)	(137,454)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments to acquire capital assets	(22,218)	(83,529)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	582,529	1,776,759
Net change in cash and cash equivalents	(7,921,353)	44,377,844
Cash and cash equivalents at beginning of year	208,601,015	164,223,171
Cash and cash equivalents at end of year	$ 200,679,662	$ 208,601,015
Reconciliation to the Statement of Net Position		
Current assets		
Cash and cash equivalents (unrestricted)	$ 169,627,430	$ 183,177,074
Restricted cash	16,052,232	10,423,941
Noncurrent assets		
Cash and cash equivalents (unrestricted)	15,000,000	15,000,000
Cash and cash equivalents	$ 200,679,662	$ 208,601,015

The accompanying notes are an integral part of these financial statements

MARIN CLEAN ENERGY

STATEMENTS OF CASH FLOWS (CONTINUED)

YEARS ENDED MARCH 31, 2022 AND 2021

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES

	2022	2021
Operating income	$ 13,527,245	$ 25,940,649
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation expense	208,066	270,383
Provision for uncollectible accounts	1,259,349	(789,762)
(Increase) decrease in:		
Accounts receivable	(13,182,724)	(3,783,648)
Other receivables	239,002	323,103
Accrued revenue	(4,381,061)	(374,477)
Prepaid expenses	(3,763,177)	404,309
Deposits	(7,852,402)	3,767,227
Increase (decrease) in:		
Accrued cost of electricity	(1,708,386)	10,414,274
Accounts payable	105,228	598,918
Other accrued liabilities	518,818	65,363
Security deposits from energy suppliers	381,000	82,500
User taxes due to other governments	572,997	242,035
Operating Reserve Fund	-	4,500,000
Advances from grantor	5,775,291	1,161,194
Net cash provided (used) by operating activities	$ (8,300,754)	$ 42,822,068

The accompanying notes are an integral part of these financial statements

1. REPORTING ENTITY

Marin Clean Energy (MCE) is a California joint powers authority created on December 19, 2008. As of March 31, 2022, parties to its Joint Powers Agreement consist of the following local governments:

Counties	Cities and Towns		
Contra Costa	Belvedere	Martinez	San Anselmo
Marin	Benicia	Mill Valley	San Pablo
Napa	Concord	Moraga	San Rafael
Solano	Corte Madera	Novato	San Ramon
	Danville	Oakley	Sausalito
	El Cerrito	Pinole	Tiburon
	Fairfax	Pittsburg	Vallejo
	Fairfield	Pleaseant Hill	Walnut Creek
	Lafayette	Richmond	
	Larkspur	Ross	

MCE is separate from and derives no financial support from its members. MCE is governed by a Board of Directors whose membership is composed of elected officials representing one or more of the parties.

MCE's mission is to address climate change by reducing energy-related greenhouse gas emissions through renewable energy supply and energy efficiency at stable and competitive rates for customers while providing local economic and workforce benefits. MCE provides electric service to retail customers as a Community Choice Aggregation Program (CCA) under the California Public Utilities Code Section 366.2.

Electricity is acquired from commercial suppliers and delivered through existing physical infrastructure and equipment managed by Pacific Gas and Electric Company. MCE administers energy efficiency programs that support the development, coordination, and implementation of energy efficiency projects in and around MCE's service area. The funding for energy efficiency programs are provided from ratepayers and regulated by the California Public Utilities Commission.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

MCE's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements.

MCE's operations are accounted for as a governmental enterprise fund and are reported using the economic resources measurement focus and the accrual basis of accounting – similar to business enterprises. Accordingly, revenues are recognized when they are earned, and expenses are recognized at the time liabilities are incurred. Enterprise fund-type operating statements present increases (revenues) and decreases (expenses) in total net position. Reported net position is segregated into three categories – investment in capital assets, restricted, and unrestricted.

When both restricted and unrestricted resources are available for use, it is MCE's policy to use restricted resources first, then unrestricted resources as they are needed.

CASH AND CASH EQUIVALENTS

For purpose of the Statements of Cash Flows, MCE defines cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with an original maturity of three months or less. The Statement of Net Position presents restricted cash balances separately. Restricted cash reported on the Statements of Net Position includes funding advanced from grantors.

DEPOSITS

Various energy contracts entered into by MCE require MCE to provide a supplier with a security deposit. These deposits are generally held for the term of the contract. Deposits are classified as current or noncurrent depending on the length of the time the deposits are expected to be held. While these energy contract related deposits make up the majority of this item, other components include deposits for regulatory and other operating purposes.

CAPITAL ASSETS AND DEPRECIATION

MCE's policy is to capitalize furniture and equipment valued over $5,000 that is expected to be in service for over one year. Depreciation is computed according to the straight-line method over estimated useful lives of three years for electronic equipment, seven years for furniture, and ten years for leasehold improvements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

SECURITY DEPOSITS FROM ENERGY SUPPLIERS

Various energy contracts entered into by MCE require the supplier to provide MCE with a security deposit. These deposits are generally held for the term of the contract or until the completion of certain benchmarks. Deposits are classified as current or noncurrent depending on the length of the time the deposits will be held.

ADVANCES FROM GRANTORS

MCE received grant funding from various grantors. The amount in this category represents funds received by MCE, but not yet expended to carry out specific goals.

OPERATING RESERVE FUND

In March 2020, MCE created an Operating Reserve Fund to allow MCE to defer revenue in years when financial results are strong to be used in future years when financial results are stressed. In accordance with GASB Statement No. 62, the amount deposited into the fund is shown as a reduction of operating revenues and reported on the statements of net position as a deferred inflow of resources.

MCE transferred $0 and $4,500,000 to the Operating Reserve Fund for the years ended March 31, 2022 and 2021, respectively. The total balance at March 31, 2022 and 2021 is $15,000,000.

NET POSITION

Net position is presented in the following components:

Investment in capital assets: This component of net position consists of capital assets, net of accumulated depreciation and reduced by outstanding borrowings that are attributable to the acquisition, construction, or improvement of those assets. MCE did not have any outstanding borrowings as of March 31, 2022, and 2021.

Restricted: This component of net position represents net asset use subject to external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted: This component of net position consists of net position that does not meet the definitions of “investment in capital assets” or “restricted.”

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

OPERATING AND NON-OPERATING REVENUE

Operating revenues include energy sales to retail and wholesale customers, grant revenue earned from the delivery of program activities, and liquidated damages from suppliers that fail to meet delivery commitments. Operating revenues also include contributions to or distributions from the Operating Reserve Fund.

Interest income is considered "non-operating revenue."

REVENUE RECOGNITION

MCE recognizes revenue on the accrual basis. This includes invoices issued to customers during the reporting period and electricity estimated to have been delivered but not yet billed. Management estimates that a portion of the billed amounts will be uncollectible. Accordingly, an allowance for uncollectible accounts has been recorded.

OPERATING AND NON-OPERATING EXPENSES

Operating expenses include the cost of sales and services, administrative expenses and depreciation of capital assets. Expenses not meeting this definition are reported as non-operating expenses.

ELECTRICAL POWER PURCHASED

During the normal course of business MCE purchases electrical power from numerous suppliers. Electricity costs include the cost of energy and capacity arising from bilateral contracts with energy suppliers as well as generation credits, and load and other charges arising from MCE's participation in the California Independent System Operator's centralized market. The cost of electricity and capacity is recognized as "Cost of Electricity" in the Statements of Revenues, Expenses and Changes in Net Position.

To comply with the State of California's Renewable Portfolio Standards (RPS) and self-imposed benchmarks, MCE acquires RPS eligible renewable energy evidenced by Renewable Energy Certificates (Certificates) recognized by the Western Renewable Energy Generation Information System. MCE obtains Certificates with the intent to retire them and does not sell or build surpluses of Certificates with a profit motive. An expense is recognized at the point that the cost of the Certificate is due and payable to the supplier. MCE purchases capacity commitments from qualifying generators to comply with the California Energy Commission's Resource Adequacy Program.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ELECTRICAL POWER PURCHASED (CONTINUED)

The goals of the Resource Adequacy Program are to provide sufficient resources to the California Independent System Operator to ensure the safe and reliable operation of the energy grid in real-time and to provide appropriate incentives for the siting and construction of new resources needed for reliability in the future. MCE is in compliance with external mandates and self-imposed benchmarks.

STAFFING COSTS

MCE pays employees semi-monthly and fully pays its obligation for health benefits and contributions to its defined contribution retirement plan each month. MCE is not obligated to provide post-employment healthcare or other fringe benefits and, accordingly, no related liability is recorded in these financial statements. MCE provides compensated time off, and the related liability is recorded in these financial statements.

INCOME TAXES

MCE is a joint powers authority under the provision of the California Government Code and is not subject to federal or state income or franchise taxes.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

RECLASSIFICATIONS

Certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation of the current-year financial statements. These reclassifications did not result in any change in previously reported net position or change in net position.

3. CASH AND CASH EQUIVALENTS

MCE maintains its cash in both interest-bearing and non-interest-bearing demand and term deposit accounts at River City Bank of Sacramento, California. MCE's deposits with River City Bank are subject to California Government Code Section 16521 which requires that River City Bank provide collateral of 110% for public funds in excess of the Federal Deposit Insurance Corporation limit of $250,000. MCE monitors its risk exposure to River City Bank on an ongoing basis. MCE's Investment Policy permits the investment of funds in depository accounts, certificates of deposit and the Local Agency Investment Fund (LAIF) program operated by the California State Treasury, United States Treasury obligations, Federal Agency Securities, commercial paper, money market funds and FDIC insured placement service deposits.

4. ACCOUNTS RECEIVABLE

Accounts receivable were as follows as of March 31:

	2022	2021
Accounts receivable from customers	$ 55,274,823	$ 42,092,099
Allowance for uncollectible accounts	(8,976,975)	(7,717,626)
Net accounts receivable	$ 46,297,848	$ 34,374,473

The majority of account collections occur within the first few months following customer invoicing. MCE estimates that a portion of the billed accounts will not be collected. MCE continues collection efforts on accounts in excess of *de minimis* balances regardless of the age of the account. Although collection success generally decreases with the receivable's age, MCE continues to have success collecting older accounts. The allowance for uncollectible accounts at the end of a period includes amounts billed during the current and prior fiscal years.

5. CAPITAL ASSETS

Capital asset activity for the years ended March 31, 2022 and 2021, was as follows:

	Furniture & Equipment	Leasehold Improvements	Accumulated Depreciation	Net
Balances at March 31, 2020	$ 858,010	$ 1,033,217	$ (748,391)	$ 1,142,836
Additions	54,948	31,168	(270,383)	(184,267)
Balances at March 31, 2021	912,958	1,064,385	(1,018,774)	958,569
Additions	7,584	7,643	(208,066)	(192,839)
Balances at March 31, 2022	$ 920,542	$ 1,072,028	$ (1,226,840)	$ 765,730

6. DEBT

LINE OF CREDIT AND LETTERS OF CREDIT

In November 2019, MCE entered into a revolving credit agreement with JPMorgan Chase Bank. The available credit line under this agreement is $40 million and enhances MCE’s overall liquidity for potential working capital needs, collateral requirements, and enhances MCE’s investment credit grade rating. This agreement terminates in November 2022.

MCE had no standby Letters of Credit or amounts outstanding under its line of credit agreement as of March 31, 2022, and 2021. Any unused balance is subject to a 0.45% fee per annum.

Fees related to opening and renewal of the line of credit and posting any letters of credit are reported as interest and related expenses.

7. GRANTS

MCE administers various grants from the California Public Utilities Commission (CPUC), California Energy Commission and Marin Community Foundation. Grant revenues are recognized when a corresponding eligible expense is incurred.

MCE also administers a grant from the California Arrearage Payment Program (CAPP) that offers financial assistance for California energy utility customers to help reduce past due energy bill balances that increased during the COVID-19 pandemic. This program is funded through the federal American Rescue Plan Act (ARPA) with Coronavirus State and Local Fiscal Recovery Funds.

The following is a summary grant revenue for the years ending March 31:

	2022	2021
CAPP	$ 6,216,069	$ -
EE	7,623,941	4,125,440
DAC	1,866,322	-
Other	340,469	914,753
Total grant revenue	$ 16,046,801	$ 5,040,193

Legend	
CAPP	California Arrearage Payment Plan
EE	Energy Efficiency - Public Purpose Program (multiple programs)
DAC	Disadvantaged Community - Green Access

8. DEFINED CONTRIBUTION RETIREMENT PLAN

The Marin Clean Energy Plan (Plan) is a defined contribution retirement plan established by MCE to provide benefits at retirement to its employees. The Plan is administered by Nationwide Retirement Solutions. As of March 31, 2022, there were 79 plan members. MCE is required to contribute 10% of annual covered payroll to the Plan and contributed $1,007,000 and $886,000 during the years ended March 31, 2022 and 2021, respectively. The Plan includes vesting provisions intended to encourage employee retention. Plan provisions and contribution requirements are established and may be amended by the Board of Directors.

9. RISK MANAGEMENT

MCE is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; and errors and omissions. During the year, MCE purchased insurance policies from commercial carriers to mitigate risks that include those associated with earthquakes, theft, general liability, errors and omissions, and property damage. There were no significant reductions in coverage compared to the prior year. From time to time, MCE may be party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and MCE's legal counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect on MCE's financial position or results of operations.

MCE maintains risk management policies, procedures and systems that help mitigate credit, liquidity, market, operating, regulatory and other risks that arise from participation in the California energy market. Credit guidelines include a preference for transacting with investment-grade counterparties, evaluating counterparties' financial condition and assigning credit limits as applicable. These credit limits are established based on risk and return considerations under terms customarily available in the industry. In addition, MCE enters into netting arrangements whenever possible and where appropriate obtains collateral and other performance assurances from counterparties.

10. PURCHASE COMMITMENTS

POWER AND ELECTRIC CAPACITY

In the ordinary course of business, MCE enters into various power purchase agreements to acquire renewable and other energy and electric capacity. The price and volume of purchased power may be fixed or variable. Variable pricing is generally based on the market price of either natural gas or electricity at the date of delivery. Variable volume is generally associated with contracts to purchase energy from as-available resources such as solar, wind and hydro-electric facilities.

MCE enters into power purchase agreements to comply with state law and voluntary targets for renewable and greenhouse gas free products and to ensure stable and competitive electric rates for its customers.

10. PURCHASE COMMITMENTS (continued)

The following table represents the expected, undiscounted, contractual obligations outstanding as of March 31, 2022:

Year ended March 31,	
2023	$ 380,000,000
2024	270,000,000
2025	200,000,000
2026	190,000,000
2027	150,000,000
2028-44	1,580,000,000
	$ 2,770,000,000

11. OPERATING LEASE

Rental expense for MCE's office space was $850,000 and $807,000 for the years ended March 31, 2022 and 2021, respectively. On March 9, 2015, MCE entered into a ten-year non-cancelable lease for its San Rafael, California office premise. The rental agreement includes an option to renew the lease for five additional years. On December 12, 2017, MCE entered into a 68-month non-cancelable lease for its Concord, California office location.

Future minimum lease payments under these leases are as follows:

Year ended March 31,	
2023	$ 866,000
2024	799,000
2025	539,000
	$ 2,204,000

12. JOINT VENTURE

MCE participates in a joint powers agreement (JPA) through the California Community Choice Financing Authority (CCCFA). CCCFA was formed to assist its members by undertaking the financing or refinancing of energy prepayments that can be financed with tax advantaged bonds on behalf of one or more of the members by, among other things, issuing or incurring bonds and entering into related contracts with its members. Each member of CCCFA is responsible to pay a portion of CCCFA's general and administrative costs as determined by its board. During the year ended March 31, 2022, MCE contributed approximately $40,000 to CCCFA to assist in its operating activities.

In November 2021, CCCFA issued bonds in the amount of $602,655,000, excluding original issue premium. The proceeds were used to finance energy purchases that will flow to MCE. No debt, liability, or obligation of CCCFA is considered a debt, liability, or obligation of any member of CCCFA. MCE will purchase energy from CCCFA in the same manner as they purchase energy from other suppliers. The outstanding purchase commitments related to these financings are included in Note 10.

The financial statements of CCCFA, when available, will be at the office of Marin Clean Energy, 1125 Tamalpais Avenue, San Rafael, CA 94901. CCCFA was created on June 25, 2021, and financial statements have not been produced.

13. FUTURE GASB PRONOUNCEMENTS

The requirements of the following GASB Statements are effective for future fiscal years ending after March 31, 2022:

GASB has approved GASB Statement No. 87, *Leases*, GASB 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements, GASB 96, Subscription-Based Information Technology Arrangements,* GASB No. 97, *Certain Component Unit Criteria and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, GASB No. 99, *Omnibus 2022*, GASB No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*, and GASB No. 101, *Compensated Absences*. When they become effective, application of these standards may restate portions of these financial statements.

14. CONTINGENCIES

MCE faces a potential regulatory fine assessed by the CPUC for non-compliant clerical language included in certain Renewable Portfolio Standards contracts. The reasonably possible outcome ranges from no fine to a fine with an upward limit of $5,000,000.