RUFUS INGRAM

P.A.

CERTIFIED PUBLIC ACCOUNTANTS

CHESAPEAKE CLIMATE ACTION NETWORK, INC.
AUDIT REPORT ON FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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Member, American Institute of Certified Public Accountants

TABLE OF CONTENTS

R U F U S   I N G R A M

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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Chesapeake Climate Action Network, Inc.

We have audited the accompanying financial statements of Chesapeake Climate Action Network, Inc. (a nonprofit organization) which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

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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 Chesapeake Climate Action Network, Inc. as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Rufus Ingram, P.A.

February 16, 2017

CHESAPEAKE CLIMATE ACTION NETWORK, INC.
Statement of Financial Position
June 30, 2016

Assets	
Cash and cash equivalents	$ 367,878
Grants receivable	230,000
Property and equipment at cost (net of accumulated depreciation and amortization of $14,413)	11,463
Investments	233,005
Other assets	13,823
Total assets	$ 856,169
Liabilities and net assets	
Accounts payable	$ 15,202
Accrued vacation	9,761
Capital lease	3,872
Other liabilities	4,370
Total liabilities	33,205
Net assets	
Unrestricted	310,877
Temporarily restricted	512,087
Total net assets	822,964
Total liabilities and net assets	$ 856,169

See auditor's report and accompanying notes to financial statements.

CHESAPEAKE CLIMATE ACTION NETWORK, INC.
Statement of Activities
Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Total
Support			
Contributions	$ 262,709	$ -0-	$ 262,709
Grants	148,000	1,129,500	1,277,500
Total support	410,709	1,129,500	1,540,209
Revenue			
Interest & dividend income	3,730	-0-	3,730
Realized and unrealized gains and losses	(19,504)	-0-	(19,504)
Total revenue	(15,774)	-0-	(15,774)
Net assets released from restrictions	895,328	(895,328)	-0-
Total support and revenue	1,290,263	234,172	1,524,435
Expenses			
Program:			
Climate control	1,105,123	-0-	1,105,123
Support:			
Fundraising	86,947	-0-	86,947
General & administrative	116,053	-0-	116,053
Total expenses	1,308,123	-0-	1,308,123
Change in net assets	(17,860)	234,172	216,312
Net assets, beginning of year	328,737	277,915	606,652
Net assets, end of year	$ 310,877	$ 512,087	$ 822,964

See auditor's report and accompanying notes to financial statements.

CHESAPEAKE CLIMATE ACTION NETWORK, INC.
Statement of Functional Expenses
Year Ended June 30, 2016

Expenses	Program Climate Control	Support Fundraising	 General & Administrative	Total
Computer repairs	$ 1,852	$ 123	$ 234	$ 2,209
On-line tools	16,870	1,105	841	18,816
Advertising	10,827	-0-	358	11,185
Subscriptions	200	-0-	3,119	3,319
Contributions	-0-	-0-	1,000	1,000
Depreciation and amortization	-0-	-0-	2,179	2,179
Staff development	404	55	586	1,045
Salaries	677,553	45,170	25,113	747,836
Payroll taxes	55,440	3,696	2,053	61,189
Fringe benefits	100,762	6,718	4,478	111,958
Interest	-0-	-0-	243	243
Financial transaction fees	-0-	-0-	2,975	2,975
Fundraising expenses	14,316	21,669	-0-	35,985
Insurance and taxes	10,205	677	451	11,333
Miscellaneous	264	-0-	1,393	1,657
Office expenses	6,154	319	2,580	9,053
Postage and delivery	1,041	113	804	1,958
Printing and reproduction	3,445	16	192	3,653
Professional fees	53,329	216	50,474	104,019
Payroll fees	-0-	-0-	4,933	4,933
Event expenses	16,581	24	550	17,155
Rent	82,417	4,533	2,968	89,918
Retreat	-0-	-0-	1,500	1,500
Travel	37,725	1,630	3,955	43,310
Utilities	15,738	883	3,074	19,695
Total expenses	$ 1,105,123	$ 86,947	$ 116,053	$ 1,308,123

See auditor's report and accompanying notes to financial statements.

CHESAPEAKE CLIMATE ACTION NETWORK, INC.
Statement of Cash Flows
Year Ended June 30, 2016

Cash flow from operating activities:	
Change in net assets	$ 216,312
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation expense	2,179
Unrealized loss on investments	17,058
(Increase) decrease in operating assets:	
Grants receivable	(132,500)
Other assets	(4,406)
Increase (decrease) in operating liabilities:	
Accounts payable	11,735
Accrued vacation	(9,718)
Other liabilities	1,048
Cash flow provided by operating activities	101,708
Cash flow from investing activities:	
Sale of investments	91,324
Purchase of investments	(90,270)
Purchase of property and equipment	(11,591)
Cash flow used for investing activities	(10,537)
Cash flow from financing activities:	
Capital lease	3,872
Cash flow provided by financing activities	3,872
Net increase in cash and cash equivalents	95,043
Cash and cash equivalents, beginning of year	272,835
Cash and cash equivalents, end of year	$ 367,878

See auditor's report and accompanying notes to financial statements.

1. MISSION/PURPOSE

The Chesapeake Climate Action Network, Inc. (CCAN) is the first grassroots, non-profit organization dedicated exclusively to fighting global warming in Maryland, Virginia, and Washington, D.C. Our mission is to build and mobilize a powerful grassroots movement in this unique region that surrounds our nation's capital to call for state, national and international policies that will put us on a path to climate stability.

The Mission is carried out primarily through contributions and grants from foundations and the general public.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Use of Estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Support
Support that is unrestricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

The temporarily restricted amount of $512,087 is primarily for grants whereas the line-item budgets have not been expended.

Investments
Investments in marketable securities with readily determinable fair values are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Statement of Financial Position

Property and Equipment
Property and equipment are recorded at cost and are depreciated using the straight-line method of depreciation. Items are depreciated over a period of three to five years. CCAN capitalizes items with a cost of $500 and greater.

Income Taxes
CCAN is classified under Internal Revenue Service code section 501(c)(3) and is exempt from federal income taxes.

CANN's Forms 990, Organization Exempt from Income Tax, for the years 2014, 2015 and 2016 are subject to examination by the IRS. The examination period is generally for three years after they were filed.

Statement of Cash Flow

Cash and Cash Equivalents
For the purpose of the statements of cash flow, CCAN considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

3. GENERAL

Subsequent Events
Management has evaluated events and transactions that occurred after the statement of financial position date but before the date the financial statements are available to be issued. Subsequent events that provide evidence about conditions that arose after the statement of financial position date should be disclosed if the financial statements would otherwise be misleading. CCAN's management has evaluated subsequent events through the date that the financial statements were available to be issued on February 16, 2017, and determined there are no material transactions to disclose.

Retirement Plan
CCAN participates in a 403b plan for employees. All full-time employees are eligible for participation after one year of employment. After the second year of employment CCAN matches the employees contribution up to 3% of employee salaries. The CCAN employer match for the fiscal year totaled $9,917.

Operating Lease Commitments
CCAN has three occupancy leases. The leases periods range from one to five years. One expires May 2020, and contains a four-year renewal option. The others expire June 2017 and December 2017 with no provision for renewal. Future minimum lease payments are as follows:

June 2017	$87,958
June 2018	$51,064
June 2019	$16,246
June 2020	$16,733
June 2021	$17,235

CCAN has one sublease agreement. The sublease is for a period of two years, which July 2017. Future minimum sublease receipts are $4,759.

Occupancy (rent) expense for the fiscal year ended totaled $89,919.

Capital Lease Commitments
CCAN has capital lease a copier in the amount of $3,999. The lease is for three years with an option to purchase. Future minimum principle payments are as follows:

June 2017	$ 943
June 2018	$ 1,356
June 2019	$ 1,573

Amortization expenses and accumulated amortization total $333.

4. STATEMENT OF FINANCIAL POSITION

Cash/Concentration of Credit Risk
Bank accounts in financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. CCAN's accounts in a financial institution exceeded FDIC insured limits by $117,168.

Grants Receivable
CCAN considers all receivables to be fully collectible, accordingly, no provision has been made for allowance for doubtful accounts. All receivables are due within one year.

Investments & Fair value Measurement
Generally accepted accounting principles establishing a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are described below:

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

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 investments include any investment that does not fall in levels 1 or 2. This category includes hedge funds, limited partnerships, real estate investments and other alternative investments.

The carrying value of the CCAN financial instruments approximates their respective fair values as of June 30, 2016.

Investments & Fair value Measurement (continued)
The following is a summary of the inputs used as of June 30, 2016, in valuing investments carried at fair value:

Description	Level 1	Level 2	Level 3
Equities	$ 209,465	$ -0-	$ -0-
Real Estate Investment Trust	-0-	-0-	23,541
Total	$ 209,465	$ -0-	$ 23,541

Investment income for the year ended June 30, 2016 consisted of the following:

Interest and dividends	$ 3,730
Realized gains/(losses)	(2,446)
Unrealized gains/(losses)	(17,057)
	$ (15,773)

Property and Equipment
Property consists of furniture and computer equipment and are summarized as follows:

Furniture and equipment	$ 17,662
Software	8,214
	25,876
Less: accumulated depreciation and amortization	14,413
	$ 11,463

Depreciation and amortization expense for the year totaled $2,179.

5. STATEMENT OF CASH FLOW

Interest Expense
Interest expense paid during the fiscal year totaled $243.

6. STATEMENT OF FUNCTIONAL EXPENSES

Functional Allocation of Expenses
Expenses are reported within major classes of program services and supporting activities. Expenses directly associated with a given activity are charged accordingly. Indirect expenses are allocated based on salary and wage expenses applicable to a given area. Such expenses include utilities, insurance, rent and repairs.