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

<table>
<thead>
<tr>
<th>Section</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent Auditor’s Report</td>
<td>1-2</td>
</tr>
<tr>
<td>Statement of Financial Position</td>
<td>3</td>
</tr>
<tr>
<td>Statement of Activities</td>
<td>4</td>
</tr>
<tr>
<td>Statement of Functional Expenses</td>
<td>5</td>
</tr>
<tr>
<td>Statement of Cash Flows</td>
<td>6</td>
</tr>
<tr>
<td>Notes to Financial Statements</td>
<td>7-12</td>
</tr>
</tbody>
</table>
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.
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

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Support</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions</td>
<td>$ 262,709</td>
<td>$ 0</td>
<td>$ 262,709</td>
</tr>
<tr>
<td>Grants</td>
<td>148,000</td>
<td>1,129,500</td>
<td>1,277,500</td>
</tr>
<tr>
<td>Total support</td>
<td>410,709</td>
<td>1,129,500</td>
<td>1,540,209</td>
</tr>
<tr>
<td>Revenue</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest &amp; dividend income</td>
<td>3,730</td>
<td>$ 0</td>
<td>3,730</td>
</tr>
<tr>
<td>Realized and unrealized gains and losses</td>
<td>(19,504)</td>
<td>$ 0</td>
<td>(19,504)</td>
</tr>
<tr>
<td>Total revenue</td>
<td>(15,774)</td>
<td>$ 0</td>
<td>(15,774)</td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>895,328</td>
<td>(895,328)</td>
<td>$ 0</td>
</tr>
<tr>
<td>Total support and revenue</td>
<td>1,290,263</td>
<td>234,172</td>
<td>1,524,435</td>
</tr>
</tbody>
</table>

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

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
(I) 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:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 2017</td>
<td>$87,958</td>
</tr>
<tr>
<td>June 2018</td>
<td>$51,064</td>
</tr>
<tr>
<td>June 2019</td>
<td>$16,246</td>
</tr>
<tr>
<td>June 2020</td>
<td>$16,733</td>
</tr>
<tr>
<td>June 2021</td>
<td>$17,235</td>
</tr>
</tbody>
</table>

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:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 2017</td>
<td>$ 943</td>
</tr>
<tr>
<td>June 2018</td>
<td>$1,356</td>
</tr>
<tr>
<td>June 2019</td>
<td>$1,573</td>
</tr>
</tbody>
</table>

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:

<table>
<thead>
<tr>
<th>Description</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equities</td>
<td>209,465</td>
<td>-0-</td>
<td>-0-</td>
</tr>
<tr>
<td>Real Estate Investment Trust</td>
<td>-0-</td>
<td>-0-</td>
<td>23,541</td>
</tr>
<tr>
<td>Total</td>
<td>209,465</td>
<td>-0-</td>
<td>23,541</td>
</tr>
</tbody>
</table>

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)

Total: $(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
- Less: accumulated depreciation and amortization: $14,413
- Total: $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.