

R U F U S I N G R A M

P.A.
CERTIFIED PUBLIC ACCOUNTANTS

*CHESAPEAKE CLIMATE ACTION
NETWORK, INC.
AUDIT REPORT ON FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018*

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1-2
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7-12

R U F U S I N G R A M

P.A.

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, 2018, 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, 2018 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.

Baltimore, Maryland

February 15, 2019

CHESAPEAKE CLIMATE ACTION NETWORK, INC.
Statement of Financial Position
June 30, 2018

Assets

Cash and cash equivalents	\$ 503,307
Grants receivable	176,972
Property and equipment at cost (net of accumulated depreciation and amortization of \$25,261)	3,470
Investments	321,342
Other assets	<u>20,053</u>
Total assets	<u>\$1,025,144</u>

Liabilities and net assets

Accounts payable	\$ 15,216
Accrued vacation	14,283
Capital lease	1,573
Other liabilities	<u>2,107</u>
Total liabilities	<u>33,179</u>

Net assets

Unrestricted	556,936
Temporarily restricted	<u>435,029</u>
Total net assets	<u>991,965</u>
Total liabilities and net assets	<u>\$1,025,144</u>

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

CHESAPEAKE CLIMATE ACTION NETWORK, INC.
Statement of Activities
Year Ended June 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>Support</u>			
Contributions	\$ 284,955	\$ -0-	\$ 284,955
Grants	<u>87,500</u>	<u>1,169,472</u>	<u>1,256,972</u>
Total support	<u>372,455</u>	<u>1,169,472</u>	<u>1,541,927</u>
 <u>Revenue</u>			
Program income	116,852	-0-	116,852
Interest & dividend income	6,845	-0-	6,845
Realized and unrealized gains and losses	<u>38,197</u>	<u>-0-</u>	<u>38,197</u>
Total revenue	<u>161,894</u>	<u>-0-</u>	<u>161,894</u>
 Net assets released from restrictions			
	<u>1,008,702</u>	<u>(1,008,702)</u>	<u>-0-</u>
Total support and revenue	1,543,051	160,770	1,703,821
 <u>Expenses</u>			
Program:			
Climate control	1,112,795	-0-	1,112,795
Support:			
Fundraising	190,959	-0-	190,959
General & administrative	<u>128,645</u>	<u>-0-</u>	<u>128,645</u>
Total expenses	<u>1,432,399</u>	<u>-0-</u>	<u>1,432,399</u>
Change in net assets	110,652	160,770	271,422
 Net assets, beginning of year			
	<u>446,284</u>	<u>274,259</u>	<u>720,543</u>
 Net assets, end of year			
	<u>\$ 556,936</u>	<u>\$ 435,029</u>	<u>\$ 991,965</u>

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

CHESAPEAKE CLIMATE ACTION NETWORK, INC.
Statement of Functional Expenses
Year Ended June 30, 2018

<u>Expenses</u>	<u>Program</u>	<u>Support</u>		<u>Total</u>
	<u>Climate</u>	<u>Fundraising</u>	<u>General & Administrative</u>	
	<u>Control</u>			
Sponsorship expenses	\$ 1,500	\$ -0-	\$ -0-	\$ 1,500
Depreciation and amortization	-0-	-0-	5,101	5,101
Salaries	651,373	115,487	39,434	806,294
Payroll taxes	53,723	9,581	3,099	66,403
Fringe benefits	78,510	14,008	4,466	96,984
Payroll & benefit fees	-0-	-0-	4,348	4,348
Professional fees	60,154	382	42,766	103,302
Contributions	60,585	5	-0-	60,590
Advertising	5,553	208	288	6,049
Event expenses	16,961	11,940	825	29,726
Postage and delivery	873	1,313	329	2,515
Printing and reproduction	5,200	1,091	293	6,584
Travel	38,172	3,554	5,275	47,001
Staff development	10,873	2,130	960	13,963
Communication				
On-line tools	16,220	5,395	1,130	22,745
Office expenses	7,966	2,533	6,717	17,216
Subscriptions	838	151	3,080	4,069
Interest	-0-	-0-	864	864
Financial transaction fees	-0-	8,367	3,413	11,780
Insurance and taxes	6,683	1,316	640	8,639
Miscellaneous	26	-0-	1,133	1,159
Rent	83,105	11,596	3,863	98,564
Utilities	14,480	1,902	621	17,003
Total expenses	<u>\$ 1,112,795</u>	<u>\$ 190,959</u>	<u>\$ 128,645</u>	<u>\$ 1,432,399</u>

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

CHESAPEAKE CLIMATE ACTION NETWORK, INC.
Statement of Cash Flows
Year Ended June 30, 2018

Cash flow from operating activities:	
Change in net assets	\$ 271,422
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation expense	5,101
Unrealized (gain) loss on investments	(13,730)
(Increase) decrease in operating assets:	
Grants receivable	(146,972)
Other assets	(9,113)
Increase (decrease) in operating liabilities:	
Accounts payable	(18,061)
Accrued vacation	2,146
Other liabilities	<u>(1,310)</u>
Cash flow provided by operating activities	<u>89,483</u>
 Cash flow from investing activities:	
Sale of investments	68,688
Purchase of investments	(88,826)
Cash held for investments (increases)/decreases	<u>(9,065)</u>
Cash flow used by investing activities	<u>(29,203)</u>
 Cash flow from financing activities:	
Capital lease	<u>(1,356)</u>
Cash flow used by financing activities	<u>(1,356)</u>
Net increase in cash and cash equivalents	58,924
 Cash and cash equivalents, beginning of year	<u>444,383</u>
Cash and cash equivalents, end of year	<u>\$ 503,307</u>

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

CHESAPEAKE CLIMATE ACTION NETWORK, INC.
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 \$435,029 is primarily for grants whereas the line-item budgets have not been expended and the grant period has not expired.

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.

CHESAPEAKE CLIMATE ACTION NETWORK, INC.
Notes to Financial Statements

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 increased its' capitalization policy from capitalizing items with a cost of \$500 to \$1,500 and greater. No items were purchased in fiscal year 2018.

Income Taxes

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

CCAN'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 Flows

Cash and Cash Equivalents

For the purpose of the statement of cash flows, 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 15, 2019, and determined there are no material transactions to disclose.

CHESAPEAKE CLIMATE ACTION NETWORK, INC.
Notes to Financial Statements

Retirement Plan

CCAN participates in a 401k 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 4% of employee salaries. The CCAN employer match for the fiscal year totaled \$12,905.

Operating Lease Commitments

CCAN has three occupancy leases. The leases periods range from one to three years. One expires May 2020, and contains a two-year renewal option. The others expire August 2019 and December 2020 with no provision for renewal. Future minimum lease payments are as follows:

June 2019	\$93,399
June 2020	\$91,870
June 2021	\$38,564

CCAN has one sublease agreement. The sublease extends through May 2019. Future minimum sublease receipts are as follows:

June 2019	\$4,507
-----------	---------

Occupancy expense for the fiscal year, net of subleasing of \$4,429, totaled \$98,564.

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 2019	\$ 1,573
-----------	----------

Amortization expense for fiscal year ended totaled \$1,333.

CHESAPEAKE CLIMATE ACTION NETWORK, INC.
Notes to Financial Statements

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 \$115,335.

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, 2018.

CHESAPEAKE CLIMATE ACTION NETWORK, INC.
Notes to Financial Statements

Investments & Fair value Measurement (continued)

The following is a summary of the inputs used as of June 30, 2018, in valuing investments carried at fair value:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash	\$ -0-	\$ -0-	\$ -0-	\$ 9,065
Equities	302,764	-0-	-0-	302,764
Real Estate Investment Trust	<u>-0-</u>	<u>-0-</u>	<u>9,513</u>	<u>9,513</u>
Total	<u>\$ 302,764</u>	<u>\$ -0-</u>	<u>\$ 9,513</u>	<u>\$ 321,342</u>

Investment income for the year ended June 30, 2018 consisted of the following:

Interest and dividends	\$ 6,845
Realized gains/(losses)	24,467
Unrealized gains/(losses)	<u>13,730</u>
	<u>\$ 45,042</u>

Related investment fees totaled \$3,006.

Property and Equipment

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

Furniture and equipment	\$ 19,532
Leased equipment	3,999
Software	<u>5,200</u>
	28,731
Less: accumulated depreciation and amortization	<u>25,261</u>
	<u>\$ 3,470</u>

Depreciation and amortization expense for the year totaled \$5,101.

5. STATEMENT OF ACTIVITIES

Sponsorship Activities

Administrative support is provided for two organizations whose activities are consistent with the mission of CCAN. Support related to the organizations totaled \$685. Expenses totaled \$1,500.

CHESAPEAKE CLIMATE ACTION NETWORK, INC.
Notes to Financial Statements

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.

7. STATEMENT OF CASH FLOWS

Interest Expense

Interest expense paid during the fiscal year totaled \$864.