

CHESAPEAKE CLIMATE ACTION  
NETWORK, INC.  
AUDIT REPORT ON FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021

DRAFT

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## *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, 2021, 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, 2021 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

January 21, 2022

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**CHESAPEAKE CLIMATE ACTION NETWORK, INC.**  
**Statement of Financial Position**  
**June 30, 2021**

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Assets

Cash and cash equivalents	\$1,724,042
Accounts receivable	7,729
Contributions and grants receivable	452,000
Property and equipment at cost (net of accumulated depreciation and amortization of \$24,732)	-0-
Investments	600,637
Other assets	<u>16,120</u>
Total assets	<u><u>\$2,800,528</u></u>

Liabilities and net assets

Accounts payable	\$ 10,027
Accruals and other payables	29,821
Deferred revenue	<u>7,500</u>
Total liabilities	<u>47,348</u>

Net assets

Without donor restrictions	1,745,342
With donor restrictions	<u>1,007,838</u>
Total net assets	<u>2,753,180</u>
Total liabilities and net assets	<u><u>\$2,800,528</u></u>

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

**CHESAPEAKE CLIMATE ACTION NETWORK, INC.**  
**Statement of Activities**  
**Year Ended June 30, 2021**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>Support</u>			
Contributions	\$ 517,040	\$ -0-	\$ 517,040
In-kind	12,097	-0-	12,097
Grants	<u>329,856</u>	<u>1,026,500</u>	<u>1,356,356</u>
Total support	<u>858,993</u>	<u>1,026,500</u>	<u>1,885,493</u>
 <u>Revenue</u>			
Program income	264,053	-0-	264,053
Interest & dividend income	7,219	-0-	7,219
Realized and unrealized gains and losses, net	<u>194,715</u>	<u>-0-</u>	<u>194,715</u>
Total revenue	<u>465,987</u>	<u>-0-</u>	<u>465,987</u>
 Net assets released from restrictions			
	842,340	(842,340)	-0-
Total support and revenue	<u>2,167,320</u>	<u>184,160</u>	<u>2,351,480</u>
 <u>Expenses</u>			
Program:			
Climate control	<u>1,188,828</u>	-0-	<u>1,188,828</u>
Support:			
Fundraising	228,417	-0-	228,417
General & administrative	<u>164,083</u>	<u>-0-</u>	<u>164,083</u>
Total expenses	<u>1,581,328</u>	<u>-0-</u>	<u>1,581,328</u>
Change in net assets	585,992	184,160	770,152
 Net assets, beginning of year			
	<u>1,159,350</u>	<u>823,678</u>	<u>1,983,028</u>
 Net assets, end of year			
	<u>\$1,745,342</u>	<u>\$1,007,838</u>	<u>\$2,753,180</u>

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

**CHESAPEAKE CLIMATE ACTION NETWORK, INC.**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2021**

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<u>Expenses</u>	<u>Program</u>	<u>Support</u>		<u>Total</u>
	<u>Climate Control</u>	<u>Fundraising</u>	<u>General &amp; Administrative</u>	
Salaries	\$ 842,342	\$ 146,432	\$ 80,381	\$1,069,155
Payroll taxes	69,668	12,434	6,376	88,478
Fringe benefits	107,034	19,096	11,215	137,345
Payroll & benefit fees	-0-	-0-	5,069	5,069
Professional fees	10,660	8,676	40,399	59,735
Contributions and grants	15,000	-0-	13,494	28,494
Community outreach	2,240	265	3,433	5,938
Event expenses	2,074	3,382	543	5,999
Postage and printing	7,467	2,569	2,228	12,264
Travel	4,521	84	2,625	7,230
Staff development	2,116	381	294	2,791
Communication				
On-line tools	22,119	10,293	3,911	36,323
Office expenses	7,105	998	7,782	15,885
Subscriptions	3,864	686	3,314	7,864
Financial transaction fees	-0-	7,830	1,450	9,280
Insurance and taxes	9,463	1,418	745	11,626
Rent	75,836	12,628	6,760	95,224
Utilities	7,319	1,245	2,175	10,739
Cost sharing recovery	-0-	-0-	(28,111)	(28,111)
Total expenses	<u>\$1,188,828</u>	<u>\$ 228,417</u>	<u>\$ 164,083</u>	<u>\$1,581,328</u>

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

**CHESAPEAKE CLIMATE ACTION NETWORK, INC.**  
**Statement of Cash Flows**  
**Year Ended June 30, 2021**

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Cash flow from operating activities:	
Change in net assets	\$ 770,152
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Unrealized (gain) loss on investments	(143,678)
(Increase) decrease in operating assets:	
Accounts receivable	19,023
Grants receivable	(174,622)
Other assets	(7,243)
Increase (decrease) in operating liabilities:	
Accounts payable	(21,124)
Accruals and other payables	1,431
Deferred revenue	<u>7,500</u>
Cash flow provided by operating activities	<u>451,439</u>
Cash flow from investing activities:	
Sale of investments	61,777
Purchase of investments	(118,536)
Cash held for investments (increase)/decrease	<u>(108)</u>
Cash flow used by investing activities	<u>(56,867)</u>
Cash flow from financing activities:	
Loans payable	<u>(174,856)</u>
Cash flow used by financing activities	<u>(174,856)</u>
Net increase in cash and cash equivalents	219,716
Cash and cash equivalents, beginning of year	<u>1,504,326</u>
Cash and cash equivalents, end of year	<u>\$1,724,042</u>

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



**CHESAPEAKE CLIMATE ACTION NETWORK, INC.**  
**Notes to Financial Statements**

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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 net assets without donor restrictions 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 net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions.

The donor restricted amount of \$1,007,838 is primarily for grants whereas the grant period has not expired.

*In-kind Support*

In-kind investments are recorded at market value when received from the donor. The investments are immediately sold. Unless restricted by donor, the funds are recorded as without donor restricted.

**CHESAPEAKE CLIMATE ACTION NETWORK, INC.**  
**Notes to Financial Statements**

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Statement of Financial Position

*Accounts Receivable*

Accounts receivable are stated at unpaid balances. 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.

*Contribution and Grants Receivable*

CCAN considers all receivables to be fully collectible. Accordingly, no provision has been made for allowance for uncollectible promises receivable. Receivables are due as follows:

Within one year	\$ 407,000
One to five years	45,000
	\$ 452,000

*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 \$1,500 and greater.

*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**

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*Fair value Measurement*

Generally accepted accounting principles establish 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, 2021.

*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 2018, 2019 and 2020 are subject to examination by the IRS. The examination period is generally for three years after they were filed.

**CHESAPEAKE CLIMATE ACTION NETWORK, INC.**  
**Notes to Financial Statements**

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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. Program satellite office expenses are allocated based on the salary and wage expenses applicable to the locations. Indirect expenses are allocated based on salary and wage expenses applicable to a given functional area. Such expenses include utilities, insurance and rent.

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*

CCAN's management has evaluated subsequent events through the date that the financial statements were available to be issued on January 21, 2022, and determined there are no material transactions to disclose.

*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 \$17,469.

**CHESAPEAKE CLIMATE ACTION NETWORK, INC.**  
**Notes to Financial Statements**

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*Operating Lease Commitments*

CCAN has two occupancy leases. The lease periods range from one to two years. The leases expire December 2021 and August 2022 with no provision for renewal. Future minimum lease payments are as follows:

June 2022	\$42,146
June 2023	\$ 600

Occupancy expense for the fiscal year totaled \$93,673.

CCAN has a three-year operating lease for a copier in the amount of \$23,400. There is no option to purchase. Future minimum payments are as follows:

June 2022	\$7,800
June 2023	\$ 650

Lease payments for the fiscal year ended totaled \$7,654.

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 \$1,460,666.

*Liquidity and Availability*

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and cash equivalents	\$ 1,724,042
Receivables	<u>459,729</u>
	<u>\$ 2,183,771</u>

As part of CCAN's liquidity management plan, all cash received are maintained in designated checking and savings accounts.

**CHESAPEAKE CLIMATE ACTION NETWORK, INC.**  
**Notes to Financial Statements**

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*Investments*

The following is a summary of the inputs used as of June 30, 2021, 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-	\$ 3,790
Equities	560,845	-0-	-0-	560,845
Real Estate Investment Trust	36,002	-0-	-0-	36,002
Total	<u>\$ 596,847</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 600,637</u>

Investment income for the year ended June 30, 2021 consisted of the following:

Interest and dividends	\$ 7,219
Realized gains/(losses)	55,878
Unrealized gains/(losses)	143,678
Investment fees	<u>(4,841)</u>
	<u>\$ 201,934</u>

*Property and Equipment*

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

Furniture and equipment	\$ 19,532
Software	5,200
	24,732
Less: accumulated depreciation and amortization	24,732
	\$ -0-

**CHESAPEAKE CLIMATE ACTION NETWORK, INC.**  
**Notes to Financial Statements**

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5. STATEMENT OF ACTIVITIES

*Mission Activities*

Current activities are summarized as follows:

Clean Energy: CCAN educates residents and decision makers in Maryland, Virginia, and Washington, D.C. about the benefits of clean energy and pushes for the enactment of strong local, state, and federal clean-energy policies.

Fossil Fuel Infrastructure: CCAN educates residents of Maryland, Virginia, and Washington, D.C. about the threat that fossil fuels pose to the environment and mobilizes the public in opposition to proposed fossil fuel projects.

Polluter Accountability: CCAN educates residents of Maryland, Virginia, and Washington, D.C. about fossil fuel companies' contribution to climate change and works to hold polluters accountable for the costs of climate change.

*Sponsorship Activities*

Administrative support is provided for an organization whose activities are consistent with the mission of CCAN. Funding and related expenses are included in climate control activities.

**In-kind Support**

**In-kind support represents marketable securities received from donors.**