

**CHESAPEAKE CLIMATE
ACTION NETWORK, INC.**

FINANCIAL STATEMENTS

**For the Years Ended
June 30, 2023 and 2022
and
Report Thereon**

Independent Auditor's Report

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

Opinion

We have audited the accompanying financial statements of Chesapeake Climate Action Network, Inc. (CCAN), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CCAN as of June 30, 2023 and 2022, and the changes in its net assets and its 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of CCAN and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 these 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 CCAN's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

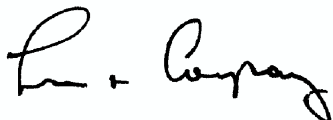
Auditor's Responsibilities for the Audit of the Financial Statements

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 auditor's report that includes our opinion. 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 generally accepted auditing standards 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 generally accepted auditing standards, 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 CCAN'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 CCAN'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.



Washington, D.C.
January 18, 2024

CHESAPEAKE CLIMATE ACTION NETWORK, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u> <u>(as restated)</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 970,049	\$ 1,598,904
Accounts receivable	95,532	76,639
Grants receivable	479,000	385,000
Prepaid expenses	11,000	52,006
Investments	1,033,035	464,459
Property and equipment, net	6,449	6,680
Right-of-use asset - office leases	68,044	-
Security deposit	6,433	8,183
	<u>6,433</u>	<u>8,183</u>
Total Assets	<u>\$ 2,669,542</u>	<u>\$ 2,591,871</u>
<u>LIABILITIES AND NET ASSETS</u>		
Accounts payable and accrued expenses	\$ 85,549	\$ 60,931
Lease liability	68,918	-
Deferred revenue	437	-
	<u>437</u>	<u>-</u>
Total Liabilities	<u>154,904</u>	<u>60,931</u>
Net Assets		
Without donor restrictions	2,040,639	1,677,209
With donor restrictions	473,999	853,731
	<u>473,999</u>	<u>853,731</u>
Total Net Assets	<u>2,514,638</u>	<u>2,530,940</u>
Total Liabilities and Net Assets	<u>\$ 2,669,542</u>	<u>\$ 2,591,871</u>

The accompanying notes are an integral part of these financial statements.

CHESAPEAKE CLIMATE ACTION NETWORK, INC.
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Grants and contributions	\$ 1,195,002	\$ 902,643	\$ 2,097,645
Contract revenue	317,085	-	317,085
Special events, net	13,330	-	13,330
Investment income, net	73,849	-	73,849
Net assets released from restrictions	1,282,375	(1,282,375)	-
Total Revenue and Support	<u>2,881,641</u>	<u>(379,732)</u>	<u>2,501,909</u>
Expenses			
Program Services	2,001,384	-	2,001,384
Supporting Services			
Fundraising	292,547	-	292,547
Management and general	224,280	-	224,280
Total Supporting Services	<u>516,827</u>	<u>-</u>	<u>516,827</u>
Total Expenses	<u>2,518,211</u>	<u>-</u>	<u>2,518,211</u>
Change in Net Assets	<u>363,430</u>	<u>(379,732)</u>	<u>(16,302)</u>
Net Assets, Beginning of Year	<u>1,677,209</u>	<u>853,731</u>	<u>2,530,940</u>
Net Assets, End of Year	<u>\$ 2,040,639</u>	<u>\$ 473,999</u>	<u>\$ 2,514,638</u>

The accompanying notes are an integral part of these financial statements.

CHESAPEAKE CLIMATE ACTION NETWORK, INC.
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2022

	Without Donor Restrictions (as restated)	With Donor Restrictions (as restated)	Total
Revenue and Support			
Grants and contributions	\$ 696,192	\$ 1,094,000	\$ 1,790,192
Contract revenue	347,336	-	347,336
Investment loss, net	(134,829)	-	(134,829)
Net assets released from restrictions	1,285,607	(1,285,607)	-
	<u>2,194,306</u>	<u>(191,607)</u>	<u>2,002,699</u>
Expenses			
Program Services	1,680,758	-	1,680,758
Supporting Services			
Fundraising	308,771	-	308,771
Management and general	280,410	-	280,410
	<u>589,181</u>	<u>-</u>	<u>589,181</u>
Total Expenses	<u>2,269,939</u>	<u>-</u>	<u>2,269,939</u>
Change in Net Assets	<u>(75,633)</u>	<u>(191,607)</u>	<u>(267,240)</u>
Net Assets, Beginning of Year	<u>1,752,842</u>	<u>1,045,338</u>	<u>2,798,180</u>
Net Assets, End of Year	<u>\$ 1,677,209</u>	<u>\$ 853,731</u>	<u>\$ 2,530,940</u>

The accompanying notes are an integral part of these financial statements.

CHESAPEAKE CLIMATE ACTION NETWORK, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2023

	Program Services	Supporting Services		Total Supporting Services	Totals
		Fundraising	Management and General		
Personnel and related	\$ 1,653,084	\$ 209,788	\$ 163,107	\$ 372,895	\$ 2,025,979
Professional fees	75,521	19,541	25,751	45,292	120,813
Occupancy	95,994	9,454	7,674	17,128	113,122
Events	64,530	18,406	472	18,878	83,408
Website and technology	40,278	10,167	11,163	21,330	61,608
Office expenses	22,118	3,310	6,230	9,540	31,658
Travel	23,424	2,700	2,549	5,249	28,673
Postage and printing	10,543	6,903	1,263	8,166	18,709
Insurance	10,633	2,909	2,517	5,426	16,059
Bank and transaction fees	-	9,369	912	10,281	10,281
Advertising and marketing	1,597	-	2,412	2,412	4,009
Contributions	3,662	-	-	-	3,662
Depreciation	-	-	230	230	230
Totals	\$ 2,001,384	\$ 292,547	\$ 224,280	\$ 516,827	\$ 2,518,211

The accompanying notes are an integral part of these financial statements.

CHESAPEAKE CLIMATE ACTION NETWORK, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2022

	Program Services	Supporting Services		Total Supporting Services	Totals
		Fundraising	Management and General		
Personnel and related	\$ 1,414,813	\$ 220,112	\$ 209,786	\$ 429,898	\$ 1,844,711
Professional fees	65,644	27,476	39,840	67,316	132,960
Occupancy	85,867	10,860	8,866	19,726	105,593
Events	12,399	16,337	776	17,113	29,512
Website and technology	38,424	14,505	6,115	20,620	59,044
Office expenses	29,256	3,844	6,072	9,916	39,172
Travel	12,557	1,057	1,953	3,010	15,567
Postage and printing	8,240	3,224	1,560	4,784	13,024
Insurance	9,303	1,852	355	2,207	11,510
Bank and transaction fees	-	9,504	1,043	10,547	10,547
Advertising and marketing	210	--	3,814	3,814	4,024
Contributions	4,045	-	-	-	4,045
Depreciation	-	-	230	230	230
Totals	\$ 1,680,758	\$ 308,771	\$ 280,410	\$ 589,181	\$ 2,269,939

The accompanying notes are an integral part of these financial statements.

CHESAPEAKE CLIMATE ACTION NETWORK, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u> <u>(as restated)</u>
Cash flows from operating activities		
Change in net assets	\$ (16,302)	\$ (267,240)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Unrealized and realized loss/(gain) on investments	(56,338)	137,043
Depreciation	230	230
Effect of prior period adjustment	-	45,000
Change in assets and liabilities		
Accounts receivable	(18,893)	(68,910)
Grants receivable	(94,000)	67,000
Prepaid expenses	41,006	(40,720)
Security deposit	1,750	(3,349)
Right-of-use asset - lease	(68,044)	-
Accounts payable and accrued expenses	24,618	21,083
Lease liability	68,918	-
Deferred revenue	437	(7,500)
Net cash used in operating activities	<u>(116,618)</u>	<u>(117,363)</u>
Cash flows used in investing activities		
Purchase of fixed assets	-	(6,910)
Purchase of investments	(632,103)	(79,480)
Proceeds from sale of investments	119,866	78,615
Net cash used in investing activities	<u>(512,237)</u>	<u>(7,775)</u>
Net decrease in cash and cash equivalents	(628,855)	(125,138)
Cash and cash equivalents, beginning of year	<u>1,598,904</u>	<u>1,724,042</u>
Cash and cash equivalents, end of year	<u>\$ 970,049</u>	<u>\$ 1,598,904</u>
Supplemental disclosure:		
Donated securities:	<u>\$ 12,747</u>	<u>\$ 12,083</u>
Non-cash Investing and Financing Activities:		
Additions to right-of-use assets obtained from new lease liabilities	<u>\$ 158,441</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

CHESAPEAKE CLIMATE ACTION NETWORK, INC.
Notes to Financial Statements
For the Years Ended June 30, 2023 and 2022

1. ORGANIZATION

Chesapeake Climate Action Network, Inc. (CCAN) is a publicly supported 501(c)(3) non-profit organization incorporated in the state of Maryland. CCAN is the first grassroots, nonprofit 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 the path to climate stability.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

CCAN's financial statements are presented on the accrual basis of accounting, which presents financial position, activities, functional expenses, and cash flows in accordance with accounting principles generally accepted in the United States of America as promulgated by FASB ASC 958, *Not-for-Profit Entities*.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of funds in checking and savings accounts. 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.

Continued

CHESAPEAKE CLIMATE ACTION NETWORK, INC.
Notes to Financial Statements
For the Years Ended June 30, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

Acquisitions of property and equipment are recorded at cost. Depreciation is recorded using the straight-line method over estimated useful lives ranging from three to five years. It is CCAN's policy to capitalize property and equipment over \$1,000. Expenditures for major repairs and improvements are capitalized and expenditures for minor repairs and maintenance costs are expensed as incurred in line with the capitalization policy.

Classification of Net Assets

CCAN's net assets are reported as follows:

- Net assets without donor restrictions represent the portion of expendable funds that are available for support of CCAN's operations.
- Net assets with donor restrictions represent amounts that are specifically restricted by donors or grantors for various purposes or for use in future time periods.

Revenue Recognition

Grants and contributions are recorded as revenue and support upon the earlier of receipt or communication of a legally binding pledge. CCAN reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets to one of CCAN's programs or to future periods. When a donor restriction is met, that is, when a purpose restriction is accomplished or a time restriction expires, net assets with donor restrictions are reclassified to net assets without restrictions and reported in the accompanying statements of activities as net assets released from restrictions. Support that is restricted by the donor is reported as an increase in net assets without restrictions if the restriction expires in the reporting period in which the support is recognized. Revenue recognized on grants and contributions that have been earned or committed to CCAN, but have not been received, is reflected as grants receivable in the accompanying statements of financial position.

CCAN also performs advocacy and education services that further its mission in the form of contract revenue with various parties. These services are exchange transactions in nature and involve a bundle of services that are recognized ratably over the course of the contract to which the services relate.

Continued

CHESAPEAKE CLIMATE ACTION NETWORK, INC.
Notes to Financial Statements
For the Years Ended June 30, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition (continued)

During the year ended June 30, 2023, CCAN hosted a special event to celebrate its 20th anniversary. Revenue from this event is reported net of related direct event expenses on the accompanying statement of activities. Event revenue includes two components: a reciprocal exchange amount representing the fair market value of tangible benefits received by paid attendees in exchange for their ticket purchase, and a nonreciprocal contribution amount representing either a) contributions by paid attendees in excess of the benefit received, or b) contributions from non-attendees that received no tangible benefit in exchange. Below is a disaggregation of special event revenues for the year ending June 30, 2023:

Special event - contributions	\$ 58,697
Special event – exchanges	<u>21,630</u>
Subtotal	80,327
Less: Special event direct expenses:	<u>(66,997)</u>
Special event, net	<u>\$ 13,330</u>

Concentrations of Credit Risk

CCAN maintains cash balances at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000 per depositor per institution. Management continually monitors its positions with, and credit quality of, the financial institutions with which it places its cash and cash equivalents and believes these amounts are not subject to significant credit risk.

Income Taxes

CCAN is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. At June 30, 2023 and 2022, no provision for income taxes was made as CCAN had no net unrelated business income. Management annually reviews its tax positions and has determined that there are no material uncertain tax positions that require recognition on the financial statements.

Continued

CHESAPEAKE CLIMATE ACTION NETWORK, INC.
Notes to Financial Statements
For the Years Ended June 30, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Expenses

The costs of providing CCAN's various programs and supporting services have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been directly allocated to programs and supporting services based on the nature of the expenses and certain indirect costs have been proportionately allocated among the programs and supporting services benefited based on a percentage of personnel costs across departments.

Newly Adopted Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases*. The update requires a lessee to recognize a right-to-use asset and lease liability, initially measured at the present value of the lease payments, in its statements of financial position. The guidance also expands the required quantitative and qualitative lease disclosures.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities* (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The update requires that a Not-for-Profit (NFP) present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. It also requires an NFP to disclose information disaggregating nonfinancial assets by type as well as the methods of valuation and donor-imposed restrictions.

3. LIQUIDITY

CCAN monitors liquidity required to meet its operating needs and other contractual commitments. The organization's primary sources of liquidity at its disposal consist of cash and cash equivalents, accounts and grants receivable and investments.

The following table reflects CCAN's financial assets as of June 30, 2023 and 2022, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date.

Continued

CHESAPEAKE CLIMATE ACTION NETWORK, INC.
Notes to Financial Statements
For the Years Ended June 30, 2023 and 2022

3. LIQUIDITY (continued)

CCAN expects to receive additional contributions and commitments sufficient to fund general operating needs over the next 12 months.

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 970,049	\$ 1,598,904
Accounts receivable	95,532	76,639
Grants receivable	479,000	385,000
Investments	<u>1,033,035</u>	<u>464,459</u>
Total financial assets	2,577,616	2,525,002
Less:		
Accounts payable and accrued expenses	(85,549)	(60,931)
Net assets with donor restrictions	<u>(473,999)</u>	<u>(853,731)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,018,068</u>	<u>\$ 1,610,340</u>

4. ACCOUNTS RECEIVABLE

Accounts receivable are stated at unpaid balances and represent services and costs billed for contract revenue. CCAN considers all receivables fully collectible. Accordingly, no provision has been made for an allowance for doubtful accounts. All receivables are due within one year.

5. GRANTS RECEIVABLE

Grants receivable represent amounts due from individual donors and foundations. CCAN considers all receivables to be fully collectible. Accordingly, no provision has been made for an allowance for doubtful accounts. CCAN has determined that any discount to present value for long-term grants receivable due between one to five years from the statement of financial position date is immaterial, and therefore, has opted not to recognize. Grants receivable as of June 30, 2023 and 2022 are due as follows:

	<u>2023</u>	<u>2022</u>
Within one year	\$ 404,000	\$ 385,000
One to five years	<u>75,000</u>	<u>-</u>
Grants receivable	<u>\$ 479,000</u>	<u>\$ 385,000</u>

Continued

CHESAPEAKE CLIMATE ACTION NETWORK, INC.
Notes to Financial Statements
For the Years Ended June 30, 2023 and 2022

6. INVESTMENTS

Investments at June 30, 2023 and 2022 consisted of the following:

	2023		2022	
	Cost	Market	Cost	Market
Equity securities	\$ 359,711	\$ 500,661	\$ 335,950	\$ 432,259
Fixed income	500,002	494,070	-	-
Real estate investment trusts (REITs)	17,834	25,457	17,558	31,245
Cash held for investments	12,847	12,847	955	955
Total investments	\$ 890,394	\$ 1,033,035	\$ 354,463	\$ 464,459

Investment income for the years ended June 30, 2023 and 2022 is summarized as follows:

	<u>2023</u>	<u>2022</u>
Interest and dividends	\$ 22,204	\$ 8,183
Realized gain/(loss)	26,481	12,973
Unrealized gain/(loss)	29,857	(150,017)
Less: investment fees	(4,693)	(5,968)
Investment income/(loss), net	\$ 73,849	\$ (134,829)

7. FAIR VALUE MEASUREMENTS

CCAN has implemented Accounting Standards Codification (ASC) 820. ASC 820 defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. ASC 820 uses the following prioritized input levels to measure fair value. The input levels used for valuing investments and cash equivalents are not necessarily an indication of risk.

Level 1 – Observable inputs that reflect quoted prices for identical assets or liabilities in active markets such as stock quotes;

Level 2 – Includes inputs other than level 1 inputs that are directly or indirectly observable in the marketplace such as yield curves or other market data;

Continued

CHESAPEAKE CLIMATE ACTION NETWORK, INC.
Notes to Financial Statements
For the Years Ended June 30, 2023 and 2022

7. FAIR VALUE MEASUREMENTS (continued)

Level 3 – Unobservable inputs which reflect the reporting entity’s assessment of the assumptions that market participants would use in pricing the asset or liability including assumptions about risk such as bid/ask spreads and liquidity discounts.

Investments, stated at fair value, consisted of the following at June 30:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>2023</u>				
Equity securities	\$ 500,661	\$ -	\$ -	\$ 500,661
Fixed income	-	494,070	-	494,070
REITs	25,457	-	-	25,457
Cash held for investments	<u>12,847</u>	<u>-</u>	<u>-</u>	<u>12,847</u>
Total	<u>\$ 538,965</u>	<u>\$ 494,070</u>	<u>\$ -</u>	<u>\$1,033,035</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>2022</u>				
Equity securities	\$ 432,259	\$ -	\$ -	\$ 432,259
REITs	31,245	-	-	31,245
Cash held for investments	<u>955</u>	<u>-</u>	<u>-</u>	<u>955</u>
Total	<u>\$ 464,459</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 464,459</u>

8. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Furniture and equipment	\$ 23,428	\$ 26,442
Software	8,214	5,200
Less: accumulated depreciation and amortization	<u>(25,193)</u>	<u>(24,962)</u>
Property and Equipment, Net	<u>\$ 6,449</u>	<u>\$ 6,680</u>

Total depreciation expense for the years ended June 30, 2023 and 2022 was \$230.

CHESAPEAKE CLIMATE ACTION NETWORK, INC.
Notes to Financial Statements
For the Years Ended June 30, 2023 and 2022

9. NET ASSETS WITH DONOR RESTRICTIONS

As of June 30, 2023 and 2022, net assets with donor restrictions were subject to the following restrictions:

	<u>2023</u>	<u>2022</u>
Program-restricted	\$ 375,799	\$ 466,128
Time-restricted	<u>98,200</u>	<u>387,603</u>
Total Net Assets with Donor Restrictions	<u>\$ 473,999</u>	<u>\$ 853,731</u>

10. LEASES AND RIGHT-OF-USE ASSETS

CCAN leases office space at its locations in Virginia (Norfolk and Richmond) and Maryland (Takoma Park), meeting space at Gryphon Scientific in Maryland, and ad hoc coworking space as needed. The Takoma Park, Gryphon Scientific, and Richmond leases include a noncancelable rent period, while the Norfolk leases are month to month. CCAN has elected the practical expedient not to capitalize any leases with original terms of 12 months or less—this includes the Gryphon Scientific and Norfolk leases. For the Richmond and Takoma Park leases that qualify for capitalization on the balance sheet, CCAN has recognized both a lease liability, consisting of the present value of future cash outflows related to these leases, and a resulting right-of-use lease asset on its accompanying consolidated statements of financial position. No capitalized leases meet any of the five criteria of finance leases and as a result all are classified as operating leases.

CCAN elected the practical expedient package to use the risk-free rate in calculating the present value of future cash outflows and the resulting lease liability for its office leases. These right-of-use assets are depreciated on the straight-line basis over the remaining terms of the leases. Each monthly lease payment also includes a component which decreases the balance of the lease liability.

Lease costs and other qualitative information regarding the above leases for the year ended June 30, 2023 are as follows:

	<u>2023</u>
Lease costs	
Operating office lease cost (Takoma Park, Richmond)	\$ 92,997
Short-term lease cost (Gryphon Scientific, Norfolk)	<u>20,420</u>
Total lease cost	<u>\$ 113,417</u>

Continued

CHESAPEAKE CLIMATE ACTION NETWORK, INC.
Notes to Financial Statements
For the Years Ended June 30, 2023 and 2022

10. LEASES AND RIGHT-OF-USE ASSETS (continued)

Other information

Weighted-average remaining lease term (in months):	9.62
Weighted-average discount rate:	2.6%

The future minimum lease payments as of June 30, 2023 under these leases are as follows:

<u>Year</u>	<u>Amount</u>
2024	73,338
Less: short-term lease	(3,600)
Less: interest	<u>(820)</u>
Present value of lease liability	<u>\$ 68,918</u>

11. PENSION PLAN

CCAN has a defined contribution plan under Section 401(k) of the Internal Revenue Code. Substantially all of CCAN's employees are eligible to participate in the plan. For the years ended June 30, 2023 and 2022, employer matching contributions totaled \$42,584 and \$24,251, respectively.

12. RELATED PARTY TRANSACTIONS

CCAN is related to Chesapeake Climate Action Network Action Fund, Inc. (CCAF) a 501(c)(4) organization. CCAN shares board members and management with the Fund but does not meet the requirements to consolidate due to insufficient control and economic interest.

Additionally, CCAN receives revenue from CCAF in the form of staff time and incidental costs incurred in service of CCAF. During the years ended June 30, 2023 and 2022, CCAN recognized \$313,912 and \$347,336 in revenue from a cost-sharing agreement with CCAF reported as contract revenue on the accompanying statements of activities. As of June 30, 2023 and 2022, receivables from CCAF totaled \$90,416 and \$76,528, respectively, and are reported with accounts receivable in the accompanying statements of financial position. As of June 30, 2023 and 2022, payables to CCAF totaled \$5,702 and \$0, respectively, and are reported with accounts payable and accrued expenses in the accompanying statements of financial position.

Continued

CHESAPEAKE CLIMATE ACTION NETWORK, INC.
Notes to Financial Statements
For the Years Ended June 30, 2023 and 2022

13. RESTATEMENT OF PRIOR PERIOD FINANCIAL STATEMENTS

CCAN historically interpreted revenues from the Center for Climate Integrity as exchange transactions recognized ratably over the course of the agreement term. Upon further review, CCAN determined that this revenue stream is more accurately treated as contributions revenue. A prior period adjustment has been recorded to correct this material misstatement. The effect of the restatement on the accompanying financial statements as of and for the year ended June 30, 2022 is as follows:

	<u>Previously Reported</u>	<u>Restated</u>
Grants receivable	\$ 347,500	\$ 385,000
Deferred revenue	7,500	-
Net assets – with donor restrictions	808,731	853,731
Grants and contributions – with donor restrictions	1,019,000	1,094,000
Contract revenue – without donor restrictions	422,336	347,336
Net assets released from restrictions	1,218,107	1,285,607
June 30, 2022 net assets, beginning of year		
Without donor restrictions	1,745,342	1,752,842
With donor restrictions	1,007,838	1,045,338

14. RECLASSIFICATIONS

Certain amounts in the June 30, 2022 statement of functional expenses have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations.

15. SUBSEQUENT EVENTS

In preparing these financial statements, CCAN has evaluated events and transactions for potential recognition or disclosure through January 18, 2024, the date the financial statements were available for issue. There were no additional events or transactions that were discovered during the evaluation that required further disclosure.