

**CHESAPEAKE CLIMATE ACTION NETWORK
ACTION FUND, 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 Action Fund, Inc.

Opinion

We have audited the accompanying financial statements of Chesapeake Climate Action Network Action Fund, Inc. (CCAF), 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 CCAF 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 CCAF 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 CCAF's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

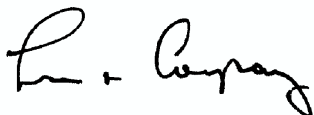
Auditor's Responsibilities for the Audit of the Financial Statements

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 CCAF'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 CCAF'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 11, 2024

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

	<u>2023</u>	<u>2022</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 1,177,815	\$ 558,925
Accounts receivable	5,702	-
Prepaid expenses	<u>38,334</u>	<u>203,682</u>
 Total Assets	 <u>\$ 1,221,851</u>	 <u>\$ 762,607</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Accounts payable	\$ 102,715	\$ 85,561
Deferred revenue	<u>246,140</u>	<u>280,420</u>
 Total Liabilities	 <u>348,855</u>	 <u>365,981</u>
 Net Assets		
Without donor restrictions	772,996	327,460
With donor restrictions	<u>100,000</u>	<u>69,166</u>
 Total Net Assets	 <u>872,996</u>	 <u>396,626</u>
 Total Liabilities and Net Assets	 <u>\$ 1,221,851</u>	 <u>\$ 762,607</u>

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

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

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Raffle income	\$ 1,120,500	\$ -	\$ 1,120,500
Grants	-	273,000	273,000
Contributions	47,905	-	47,905
Net assets released from restrictions	242,166	(242,166)	-
	<u>1,410,571</u>	<u>30,834</u>	<u>1,441,405</u>
Total Revenue and Support			
Expenses			
Program Services	459,239	-	459,239
Supporting Services			
Fundraising	466,328	-	466,328
General and administrative	39,468	-	39,468
	<u>505,796</u>	<u>-</u>	<u>505,796</u>
Total Supporting Services			
Total Expenses	<u>965,035</u>	<u>-</u>	<u>965,035</u>
Change in Net Assets	445,536	30,834	476,370
Net Assets, Beginning of Year	<u>327,460</u>	<u>69,166</u>	<u>396,626</u>
Net Assets, End of Year	<u>\$ 772,996</u>	<u>\$ 100,000</u>	<u>\$ 872,996</u>

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

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

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Raffle income	\$ 703,809	\$ -	\$ 703,809
Grants	-	250,000	250,000
Contributions	80,389	-	80,389
Net assets released from restrictions	230,834	(230,834)	-
	<u>1,015,032</u>	<u>19,166</u>	<u>1,034,198</u>
Total Revenue and Support			
Expenses			
Program Services	437,345	-	437,345
Supporting Services			
Fundraising	297,317	-	297,317
General and administrative	10,797	-	10,797
	<u>308,114</u>	<u>-</u>	<u>308,114</u>
Total Supporting Services			
Total Expenses	<u>745,459</u>	<u>-</u>	<u>745,459</u>
Change in Net Assets	269,573	19,166	288,739
Net Assets, Beginning of Year	<u>57,887</u>	<u>50,000</u>	<u>107,887</u>
Net Assets, End of Year	<u>\$ 327,460</u>	<u>\$ 69,166</u>	<u>\$ 396,626</u>

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

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

	<u>Program Services</u>	<u>Fundraising</u>	<u>General and Administrative</u>	<u>Total Supporting Services</u>	<u>Totals</u>
Raffle expenses	\$ -	\$ 374,052	\$ -	\$ 374,052	\$ 374,052
Contract services	262,666	41,170	32,582	73,752	336,418
Event expenses	121,291	-	-	-	121,291
Office expenses	38,055	5,635	1,010	6,645	44,700
Financial transaction fees	-	42,072	361	42,433	42,433
Cost sharing expenses	27,825	3,246	158	3,404	31,229
Meetings and travel	9,402	153	-	153	9,555
Fines and penalties	-	-	5,357	5,357	5,357
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Totals	<u>\$ 459,239</u>	<u>\$ 466,328</u>	<u>\$ 39,468</u>	<u>\$ 505,796</u>	<u>\$ 965,035</u>

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

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

	Program Services	Fundraising	General and Administrative	Total Supporting Services	Totals
Raffle expenses	\$ -	\$ 176,505	\$ -	\$ 176,505	\$ 176,505
Contract services	310,014	27,736	9,679	37,415	347,429
Event expenses	76,706	-	-	-	76,706
Office expenses	6,498	22,478	429	22,907	29,405
Financial transaction fees	-	67,636	203	67,839	67,839
Cost sharing expenses	35,545	2,962	468	3,430	38,975
Meetings and travel	5,572	-	18	18	5,590
Contributions	3,010	-	-	-	3,010
Totals	\$ 437,345	\$ 297,317	\$ 10,797	\$ 308,114	\$ 745,459

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

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

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Change in net assets	\$ 476,370	\$ 288,739
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Change in assets and liabilities		
Accounts receivable	(5,702)	-
Prepaid expenses	165,348	(203,682)
Other assets	-	50
Accounts payable	17,154	76,829
Deferred revenue	(34,280)	175,195
	618,890	337,131
Net cash provided by operating activities	618,890	337,131
Net increase in cash and cash equivalents	618,890	337,131
Cash and cash equivalents, beginning of year	558,925	221,794
Cash and cash equivalents, end of year	\$ 1,177,815	\$ 558,925

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

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

1. ORGANIZATION

Chesapeake Climate Action Network Action Fund, Inc. (CCAF) works to effect change in public policy at local, state, and national levels to directly address the threat of global warming. Through voter education, lobbying, and participation in the electoral process, we seek to move our country into a leadership position on the most urgent global issue of our time – the climate crisis. Together with our sister organization, the Chesapeake Climate Action Network (CCAN), we focus most of our efforts in the Chesapeake Bay states of Maryland, Virginia, and the District of Columbia. CCAF’s activities are primarily funded through grants, contributions, and raffle ticket sales.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

CCAF’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 the 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.

Revenue Recognition

Grants and contributions are recognized as revenue when received or when a legally binding pledge is communicated, whichever occurs first. CCAF 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 CCAF’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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition (continued)

Raffle income is considered an exchange transaction and is recognized when the raffle drawing occurs. Raffle ticketholders provide cash to CCAF in exchange for the opportunity to win a tangible prize at the drawing date—historically an electric vehicle. Cash received for raffle tickets in advance of the drawing is considered deferred revenue and comprises the balances of deferred revenue for the statements of financial position as of June 30, 2023 and 2022.

Cash and Cash Equivalents

Cash and cash equivalents include a checking account and funds in transit. For the purpose of the statement of cash flows, CCAF considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Classification of Net Assets

CCAF's net assets are reported as follows:

- Net assets without donor restrictions represent the portion of expendable funds that are available for support of CCAF'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.

Concentrations of Credit Risk

CCAF maintains its cash balance at one financial institution. This account is insured by the Federal Deposit Insurance Corporation up to \$250,000. Management continually monitors its position with, and credit quality of, the financial institution with which it places its cash and cash equivalents and believes this amount is not subject to significant credit risk.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Allocation of Expenses

The costs of providing CCAF'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 and on a cost sharing agreement with CCAN.

Newly Adopted Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The new standard requires a lessee to recognize a right-of-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. CCAF has no leasing arrangements impacted by this standard.

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 a NFP to disclose information disaggregating nonfinancial assets by type as well as the methods of valuation and donor-imposed restrictions. During the years ended June 30, 2023 and 2022, CCAF did not recognize any contributed nonfinancial assets.

3. LIQUIDITY

CCAF monitors liquidity required to meet its operating needs and other contractual commitments. The organization's primary source of liquidity at its disposal consists of cash and cash equivalents.

The following table reflects CCAF'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 dates.

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

3. LIQUIDITY (continued)

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 1,177,815	\$ 558,925
Accounts receivable	<u>5,702</u>	<u>--</u>
Total financial assets	1,185,517	558,925
Less:		
Accounts payable	(102,715)	(85,561)
Net assets with donor restrictions	<u>(100,000)</u>	<u>(69,166)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 980,802</u>	<u>\$ 404,198</u>

4. 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	\$ 100,000	\$ --
Time-restricted	<u>--</u>	<u>69,166</u>
Total Net Assets with Donor Restrictions	<u>\$ 100,000</u>	<u>\$ 69,166</u>

5. PROGRAM SERVICES

Clean Energy: CCAF advocates for the enactment of strong local, state, and federal clean-energy laws and regulations.

Advancing Federal Leadership on Climate: We work to educate citizens of Maryland, Virginia, and Washington, DC about the climate stance of federal candidates and provide ways to take action, including letter-writing and phone banking.

Polluter Accountability: CCAF works on Capitol Hill to advance legislation to hold polluters accountable for the costs of climate change.

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

6. INCOME TAXES

CCAF is classified under Internal Revenue Service code section 501(c)(4) and is exempt from federal income taxes. As of June 30, 2023 and 2022, no provision for income taxes was made as CCAF 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.

7. RELATED PARTY TRANSACTIONS

CCAF is related to Chesapeake Climate Action Network, Inc. (CCAN), a 501(c)(3) organization. CCAF shares board members and management with CCAN 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, CCAF recognized \$313,912 and \$376,575 in expenses from a cost-sharing agreement with CCAN, reported as contract services on the accompanying statements of functional expenses. As of June 30, 2023 and 2022, receivables from CCAN totaling \$5,702 and \$0, respectively, are reported as accounts receivable on the accompanying statements of financial position. Payables to CCAN totaling \$90,416 and \$76,528, respectively, are reported as accounts payable in the accompanying statements of financial position.

8. SUBSEQUENT EVENTS

In preparing these financial statements, CCAF has evaluated events and transactions for potential recognition through January 11, 2024, the date the financial statements were available to be issued. There were no additional events or transactions that were discovered during the evaluation that required further disclosure.