

**CHESAPEAKE CLIMATE ACTION NETWORK
ACTION FUND, INC.**

FINANCIAL STATEMENTS

**For the Year Ended
June 30, 2022
and
Report Thereon**

LANE & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

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. (CCAN Action Fund, a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year 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 Action Fund as of June 30, 2022, 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.

Basis for Opinion

We conducted our audit 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 Action Fund and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 Action Fund's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

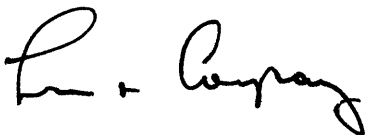
Auditor's Responsibilities for the Audit of the Financial Statements

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, including omissions, 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 Action Fund'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 Action Fund'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.
May 18, 2023

**CHESAPEAKE CLIMATE ACTION NETWORK
ACTION FUND, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2022**

ASSETS

Cash and cash equivalents	\$ 558,925
Prepaid expenses	<u>203,682</u>
Total Assets	<u><u>\$ 762,607</u></u>

LIABILITIES AND NET ASSETS

Accounts payable	\$ 85,561
Deferred revenue	<u>280,420</u>
Total Liabilities	<u>365,981</u>
Net Assets	
Without donor restrictions	327,460
With donor restrictions	<u>69,166</u>
Total Net Assets	<u>396,626</u>
Total Liabilities and Net Assets	<u><u>\$ 762,607</u></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, 2022**

	<u>Program Services</u>	<u>Fundraising</u>	<u>General and Administrative</u>	<u>Total Supporting Services</u>	<u>Totals</u>
Contract services	\$ 310,014	\$ 27,736	\$ 9,679	\$ 37,415	\$ 347,429
Raffle expenses	-	176,505	-	176,505	176,505
Financial transaction fees	-	67,636	203	67,839	67,839
Community outreach	42,017	-	-	-	42,017
Cost sharing expenses	35,545	2,962	468	3,430	38,975
Event expenses	34,689	-	-	-	34,689
Office expenses	6,498	22,478	429	22,907	29,405
Meetings and travel	5,572	-	18	18	5,590
Contributions	3,010	-	-	-	3,010
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Totals	<u>\$ 437,345</u>	<u>\$ 297,317</u>	<u>\$ 10,797</u>	<u>\$ 308,114</u>	<u>\$ 745,459</u>

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

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

Cash flows from operating activities	
Change in net assets	\$ 288,739
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Change in assets and liabilities	
Prepaid expenses	(203,682)
Other assets	50
Accounts payable	76,829
Deferred revenue	<u>175,195</u>
Net cash provided by operating activities	<u>337,131</u>
Net increase in cash and cash equivalents	337,131
Cash and cash equivalents, beginning of year	<u>221,794</u>
Cash and cash equivalents, end of year	<u><u>\$ 558,925</u></u>

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

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

1. Organization

The mission of the Chesapeake Climate Action Network Action Fund, Inc. (CCAN Action Fund) is 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. We believe positive solutions exist and must be embraced now to preserve our planet for future generations.

The Mission is carried out primarily through contributions and grants from foundations and the general public as well as from raffle income.

2. Summary of Significant Accounting Policies

Basis of Accounting

CCAN Action Fund's policy is to prepare its financial statements 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 effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Support and Raffle Income

Support that is restricted 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 restriction, 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 net assets amount of \$69,166 is for time-restricted grants where the grant period has not yet expired.

Continued

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

2. Summary of Significant Accounting Principles (continued)

Support and Raffle Income (continued)

Raffle income is recognized when the raffle drawing occurs. Cash received for raffle tickets in advance of the drawing is considered deferred revenue and comprises the balance of deferred revenue for the statement of financial position as of June 30, 2022. Raffle income is a special event income considered a contribution for financial reporting purposes.

Cash and Cash Equivalents

Cash and cash equivalents include a checking account and funds in transit. CCAN Action Fund 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

CCAN Action Fund'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 Action Fund'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

CCAN Action Fund 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.

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 a cost sharing agreement with CCAN. Cost sharing expenses include items such as utilities, insurance, rent, etc.

Continued

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

2. Summary of Significant Accounting Principles (continued)

Recent 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. The guidance is effective beginning in fiscal year 2023.

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. The guidance is effective beginning in fiscal year 2023.

3. Liquidity

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:

	<u>2022</u>
Cash and cash equivalents	\$ 558,925
Less:	
Accounts payable	(85,561)
Net assets with donor restrictions	<u>(69,166)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 404,198</u>

Continued

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

4. Program Services

Clean Energy: CCAN 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; CCAN Action Fund works on Capitol Hill to advance legislation to hold polluters accountable for the costs of climate change.

5. Income Taxes

CCAN Action Fund is classified under Internal Revenue Service code section 501(c)(4) and is exempt from federal income taxes. At June 30, 2022, no provision for income taxes was made as CCAN Action Fund 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.

6. Related Party Transactions

CCAN Action Fund is related to Chesapeake Climate Action Network, Inc. (CCAN), a 501(c)(3) organization. CCAN Action Fund shares board members and management with CCAN but does not meet the requirements to consolidate due to a lack of majority board voting interest.

Additionally, CCAN receives revenue from CCAN Action Fund in the form of reimbursements of staff time and incidental costs incurred in service of CCAN Action Fund. During the year ended June 30, 2022, CCAN Action Fund recognized \$347,336 in expenses from a cost-sharing agreement with CCAN reported as contract services on the accompanying statement of functional expenses. Payables to CCAN totaled \$76,528 and are reported with accounts payable in the accompanying statement of financial position.

7. Subsequent Event

In preparing these financial statements, CCAN Action Fund has evaluated events and transactions for potential recognition through May 18, 2023, 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.