

THE CHESAPEAKE BAY TRUST
FINANCIAL STATEMENTS
JUNE 30, 2015

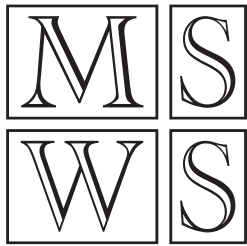


MULLEN SONDBERG WIMBISH & STONE, PA

CERTIFIED PUBLIC ACCOUNTANTS

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CERTIFIED PUBLIC ACCOUNTANTS

2553 Housley Road • Suite 200 • Annapolis, Maryland 21401

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The Chesapeake Bay Trust
Annapolis, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of The Chesapeake Bay Trust (a non-profit Organization), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

To the Board of Directors of
The Chesapeake Bay Trust

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 The Chesapeake Bay Trust as of June 30, 2015, 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.

Report on Summarized Comparative Information

We have previously audited The Chesapeake Bay Trust 2014 financial statements, and our report dated October 23, 2014, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

To the Board of Directors of
The Chesapeake Bay Trust

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2015, on our consideration of The Chesapeake Bay Trust's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Chesapeake Bay Trust's internal control over financial reporting and compliance.



MULLEN, SONDBERG, WIMBISH & STONE, P.A.

Annapolis, Maryland
October 29, 2015

The Chesapeake Bay Trust
STATEMENT OF FINANCIAL POSITION
June 30, 2015

ASSETS		2015	2014
CURRENT ASSETS			
Cash and cash equivalents	\$	850,002	\$ 155,518
Investments		7,482,929	7,726,451
Contributions, pledges and grants receivable		2,387,376	2,430,950
Interest receivable		25,348	29,508
Prepaid expenses		20,009	16,833
Total current assets		10,765,664	10,359,260
PROPERTY AND EQUIPMENT			
Net of accumulated depreciation		32,226	45,763
Total assets	\$	10,797,890	\$ 10,405,023
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable	\$	115,890	\$ 822,466
Accrued salaries and related liabilities		144,724	128,267
Deferred revenue		895,731	218,319
Total current liabilities		1,156,345	1,169,052
NET ASSETS			
Unrestricted		2,571,269	2,526,457
Unrestricted - board designated operating reserve		5,000,000	5,000,000
Unrestricted - reserve for awarded grants		1,514,897	1,262,987
Temporarily restricted		555,379	446,527
Total net assets		9,641,545	9,235,971
Total liabilities and net assets	\$	10,797,890	\$ 10,405,023

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

The Chesapeake Bay Trust
STATEMENT OF ACTIVITIES
Year Ended June 30, 2015
With Summarized Financial Information for the Year Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Totals	
			2015	2014
REVENUES, GAINS AND OTHER SUPPORT				
Grants	\$ 4,329,253	\$ -	\$ 4,329,253	\$ 2,592,341
Contributions				
Bayplate	3,609,808	-	3,609,808	3,641,610
CBFN	337,912	179,712	517,624	906,629
Tax checkoff	496,016	-	496,016	462,718
Other	186,259	-	186,259	216,337
Special events	114,941	-	114,941	101,996
Investment income, net	98,398	-	98,398	186,044
	9,172,587	179,712	9,352,299	8,107,675
Net assets released from restrictions	70,860	(70,860)	-	-
	9,243,447	108,852	9,352,299	8,107,675
EXPENSES:				
Program services:				
Program grants	7,062,143	-	7,062,143	6,269,239
Program management	1,194,439	-	1,194,439	1,042,638
	8,256,582	-	8,256,582	7,311,877
Supporting services:				
Management and general	327,620	-	327,620	283,436
Fundraising	362,523	-	362,523	359,955
	690,143	-	690,143	643,391
Total expenses	8,946,725	-	8,946,725	7,955,268
Change in net assets	296,722	108,852	405,574	152,407
NET ASSETS, BEGINNING OF YEAR	8,789,444	446,527	9,235,971	9,083,564
NET ASSETS, END OF YEAR	\$ 9,086,166	\$ 555,379	\$ 9,641,545	\$ 9,235,971

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

The Chesapeake Bay Trust
STATEMENT OF CASH FLOWS
Year Ended June 30, 2015

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 405,574	\$ 152,407
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	13,537	15,176
Unrealized loss on investments	82,541	62,296
Realized gain on investments	(14,905)	(46,855)
(Increase) decrease in operating assets:		
Contributions, pledges and grants receivable	43,574	(265,958)
Interest receivable	4,160	6,723
Prepaid expenses	(3,176)	(1,282)
Increase (decrease) in operating liabilities:		
Accounts payable	(706,576)	612,154
Accrued salaries and related liabilities	16,457	16,877
Deferred revenue	677,412	(15,745)
Net cash provided by operating activities	518,598	535,793
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments, including reinvestments	(3,707,865)	(4,323,078)
Proceeds from sale and maturity of investments	3,883,751	3,874,818
Net cash provided by (used in) investing activities	175,886	(448,260)
Net increase in cash and cash equivalents	694,484	87,533
Cash and cash equivalents, beginning of year	155,518	67,985
Cash and cash equivalents, end of year	\$ 850,002	\$ 155,518

The Chesapeake Bay Trust
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 1 - Summary of Significant Accounting Policies

Nature and Organization

The Chesapeake Bay Trust (the "Trust") is a body corporate that was created July 1, 1985 by the General Assembly of the State of Maryland. The Trust was organized for the general benefit of the citizens of Maryland and has the statutory mission to solicit and accept gifts, grants, legacies and endowments for the advancement, restoration and protection of the water quality, land and aquatic resources of the Chesapeake Bay.

Basis of Accounting

The financial statements are presented on the accrual basis of accounting; consequently, revenue is recorded when earned and expenses are recorded when incurred.

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.

Use of Estimates

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

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Trust considers all highly liquid investments available for current use with an initial maturity of ninety days or less to be cash equivalents.

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor-imposed restrictions. Support that is restricted 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 (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Chesapeake Bay Trust
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 1 - Summary of Significant Accounting Policies (Cont.)

Property and Equipment

Property and equipment acquisitions are recorded at cost and consist of computers, office equipment, and leasehold improvements, which have a useful life ranging from five to fifteen years and are depreciated using the straight-line method, with half-year depreciation in the year of acquisition. The Trust capitalizes individual assets with a cost equal to or greater than \$1,000.

Allocation of Functional Expenses

The costs of providing various program and supporting services has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and the supporting services which benefited.

Contributions, Pledges and Grants Receivable

Management believes the full amount of contributions, pledges and grants receivable to be collectible within one year of the statement of financial position date. Therefore, there is no allowance for doubtful accounts.

Income Taxes

The Trust is exempt under Section 501(c)(3) of the Internal Revenue Code and is classified as other than a private foundation. The Trust is exempt from paying federal income tax on any income except unrelated business income. No provision has been made for income taxes as the Trust has had no unrelated business income.

The Trust follows the guidance of ASC 740-10, *Accounting for Uncertainty in Income Taxes* which clarifies the accounting for the recognition and measurement of the benefits of individual tax positions in the financial statements, including those of non-profit organizations. Tax positions must meet a recognition threshold of more-likely-than-not in order for the benefit of those tax positions to be recognized in the Trust's financial statements.

The Trust analyzes tax positions taken, including those related to the requirements set forth in IRC Sec. 501(c) to qualify as a tax exempt organization, activities performed by volunteers and board members, the reporting of unrelated business income, and its status as a tax-exempt organization under Maryland state statute. The Trust does not know of any tax benefits arising from uncertain tax positions and there was no effect on the Trust's financial position or changes in net assets as a result of analyzing its tax positions. Fiscal years ending on or after June 30, 2012 remain subject to examination by federal and state authorities.

The Chesapeake Bay Trust
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 2 - Investments

Investments, measured at fair value, are summarized as follows:

	June 30, 2015		
	Cost	Fair Market Value	Unrealized Gain/(Loss)
Money markets	\$ 518,988	\$ 518,988	\$ -
U.S. Treasury obligations	2,597,141	2,613,241	16,100
U.S. Government agency bonds	294,641	309,531	14,890
Corporate obligations	4,125,889	4,041,169	(84,720)
Total investments	\$ 7,536,659	\$ 7,482,929	\$ (53,730)

	June 30, 2014		
	Cost	Fair Market Value	Unrealized Gain/(Loss)
Money markets	\$ 814,399	\$ 814,399	\$ -
U.S. Treasury obligations	1,876,860	1,876,426	(434)
U.S. Government agency bonds	348,408	376,674	28,266
Corporate obligations	4,657,973	4,658,952	979
Total investments	\$ 7,697,640	\$ 7,726,451	\$ 28,811

Note 3 - Fair Value Measurement

ASC 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC 820-10 are as follows:

- Level 1: Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Trust has the ability to access at the measurement date.
- Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3: Inputs that are unobservable and supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Chesapeake Bay Trust
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 3 - Fair Value Measurement (Cont.)

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the Trust. The Trust considers observable data to be that market data, which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the Trust's perceived risk of that instrument.

Investments whose values are based on quoted market prices in active markets, and are, therefore classified with Level 1, include active listed money market funds.

Investments that trade in markets that are not considered to be active, but are valued based on quoted market prices, dealer quotations, or alternative pricing sources supported by observable inputs are classified within Level 2. These include certain U.S. government obligations, bonds, and corporate bonds. As Level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect liquidity and/or non-transferability, which are generally based on available market information.

The table below presents the balances of assets measured at fair value on a recurring basis by level within the hierarchy at June 30, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money markets	\$ 518,988	\$ -	\$ -	\$ 518,988
U.S. Treasury obligations	-	2,613,241	-	2,613,241
U.S. Government agency bonds	-	309,531	-	309,531
Corporate bonds	-	4,041,169	-	4,041,169
	<u>\$ 518,988</u>	<u>\$ 6,963,941</u>	<u>\$ -</u>	<u>\$ 7,482,929</u>

The Chesapeake Bay Trust
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 3 - Fair Value Measurement (Cont.)

The table below presents the balances of assets measured at fair value on a recurring basis by level within the hierarchy at June 30, 2014:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money markets	\$ 814,399	\$ -	\$ -	\$ 814,399
U.S. Treasury obligations	-	1,876,426	-	1,876,426
U.S. Government agency bonds	-	376,674	-	376,674
Corporate bonds	-	4,658,952	-	4,658,952
	<u>\$ 814,399</u>	<u>\$ 6,912,052</u>	<u>\$ -</u>	<u>\$ 7,726,451</u>

Note 4 - Contributions, Pledges and Grants Receivable

Contributions, pledges and grants receivable consisted of the following at June 30:

	<u>2015</u>	<u>2014</u>
Grants receivable	\$ 1,296,567	\$ 1,349,493
Bayplate revenue receivable	665,860	647,020
Tax checkoff revenue receivable	374,949	434,437
Pledges receivable	<u>50,000</u>	<u>-</u>
	<u>\$ 2,387,376</u>	<u>\$ 2,430,950</u>

Note 5 - Property and Equipment

Property and equipment consisted of the following at June 30:

	<u>Useful Life</u>	<u>2015</u>	<u>2014</u>
Leasehold improvements	15 years	\$ 40,167	\$ 40,167
Furniture and equipment	5 years	<u>74,822</u>	<u>74,822</u>
		114,989	114,989
Less: accumulated depreciation		<u>(82,763)</u>	<u>(69,226)</u>
Net property and equipment		<u>\$ 32,226</u>	<u>\$ 45,763</u>

Depreciation expense for the years ended June 30, 2015 and 2014 was \$13,537 and \$15,176, respectively

The Chesapeake Bay Trust
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

Note 6 - Maryland State Income Tax Check-Off and Bay License Plate Contributions

Maryland taxpayers can elect to make charitable contributions with the filing of their State income tax returns. Such contributions are distributed equally between the Trust and the Wildlife and Heritage Division of Maryland Department of Natural Resources. Contributions revenue allocated to the Trust under this program amounted to \$496,016 and \$462,718 for the years ending June 30, 2015 and 2014, respectively. This program continues through the upcoming fiscal year.

Residents of the State of Maryland may also purchase the special Chesapeake Bay commemorative license plate for their vehicle for a total amount of \$20, of which \$10 goes directly to the Trust. Contribution revenue allocated to the Trust under this program amounted to \$501,559 and \$464,200 for the years ended June 30, 2015 and 2014, respectively. In March 2004, the Trust began receiving a portion of renewal fees collected by the Maryland Vehicle Administration when the Chesapeake Bay commemorative license plates are renewed. The Trust received \$3,108,249 and \$3,177,410 in plate renewal fees for the years ended June 30, 2015 and 2014, respectively.

Note 7 - State of Maryland Support

The Trust employees participate in the Maryland Environmental Services 401(k) retirement plan and Maryland state health insurance benefits program. Retirement expense was \$39,935 and \$49,284 for the years ended June 30, 2015 and 2014, respectively.

Note 8 - Investment Income

Investment income consisted of the following for the years ended June 30:

	2015	2014
Interest income	\$ 166,034	\$ 201,485
Realized gain on investments	14,905	46,855
Unrealized loss on investments	(82,541)	(62,296)
	\$ 98,398	\$ 186,044

The Chesapeake Bay Trust
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 9 - Compensated Absences

As of June 30, 2015 and 2014 the Trust accrued \$77,873 and \$68,818, respectively, in compensated absences. Employees accrue leave based on years of service. Comp time leave may be accumulated up to a maximum of sixteen hours after which remaining days will be forfeited. Annual leave may be accrued to a maximum of 280 hours, after which remaining hours will be forfeited.

Note 10 - Operating Lease Commitments

The Trust leases office space and parking under a cancelable operating lease terminating August 31, 2017. Rent expense was \$108,872 and \$105,149 for the years ended June 30, 2015 and 2014, respectively.

Future minimum lease payments for the fiscal years ending June 30 are as follows:

2016	\$ 85,811
2017	88,385
2018	<u>14,803</u>
	<u>\$ 188,999</u>

Note 11 - Contingency

The Trust receives grants from various agencies of the United States Government. Such grants are subject to audit under the provisions of OMB Circular A-133. The ultimate determination of amounts received under the United States Government grants is based upon the allowance of costs reported to and accepted by the United States Government as a result of the audits. Audits in accordance with the provisions of OMB Circular A-133 have been completed for all required fiscal years through 2015. Until such audits have been accepted by the United States Government, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

The Chesapeake Bay Trust
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 12 - Related Party Transactions

The Trust awarded several grants or contracts in fiscal years 2015 and 2014 to organizations related to the Trust, primarily through common Board membership.

Grants or contracts awarded to related parties during the years ended June 30 are as follows:

	2015	2014
Blue Water Baltimore	\$ 494,407	\$ -
Baltimore Tree Trust	258,165	-
West/Rhode Riverkeeper	250,587	175,691
Alliance for the Chesapeake Bay	150,001	82,339
South River Federation	106,528	143,083
Chester River Association	89,661	121,350
University of MD Center for Environmental Science	71,474	43,256
University of Maryland, College Park	70,758	-
Living Classrooms Foundation	68,558	-
Prince George's County Public Schools	51,236	16,286
Carroll County Government	43,799	-
Calvert County Public Schools	27,000	-
Second Chance	27,000	-
Pickering Creek Audubon Center	26,778	-
Chesapeake Conservation Corps	25,834	-
National Aquarium in Baltimore	24,147	-
Maryland Department of Natural Resources	17,468	56,816
Sassafras River Association	9,990	-
Anacostia Riverkeeper	8,306	15,000
Audubon Naturalist Society	7,900	-
Lower Shore Land Trust	4,554	-
St. Mark School	3,500	-
The Nature Conservancy	1,250	-
Midshore Riverkeeper Conservancy, Inc.	-	139,900
Chizuk Amuno Congregation	-	35,000
Prince George's County, Maryland	-	35,000
Smithsonian Environmental Research Center	-	24,192
City of Frederick Maryland	-	20,000
Captain Avery Museum	-	2,495
Johns Hopkins University	-	2,075

The Chesapeake Bay Trust
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 12 - Related Party Transactions (Cont.)

A Trustee who has an actual or potential conflict of interest with respect to a proposed action or transaction of the Trust does not participate in any way in, nor is present during, the deliberations and decision making of the Trust with respect to such action or transaction. The disinterested members of the Board of Trustees may approve the proposed action or transaction upon finding that it is in the best interest of the Trust.

Note 13 - Board Designated Net Assets

The Trust's Board of Trustees has established a designated operating reserve of \$5,000,000 to help perpetuate the existence of the Trust and protect against future conditions which may alter its ability to support Chesapeake Bay restoration and educational projects. This reserve is a result of an internal designation and not restrictions placed by donors. Accordingly, income earned on investments related to the designated reserve is not restricted and is used by the Trust to fund annual operating expenses.

As of June 30, 2015 the Board has also established a reserve for awarded grants. At June 30, 2015 and 2014 this reserve amounted to \$1,514,897 and \$1,262,987, respectively.

Note 14 - Temporarily restricted net assets

Net assets are restricted for the following purposes at June 30:

	<u>2015</u>	<u>2014</u>
Capacity building grants	\$ 379,488	\$ 337,172
Constellation energy	82,142	80,000
Town Creek BRCEs Project	45,000	-
Chesapeake Conservation Corps	25,749	6,355
Nabit grants	20,000	20,000
Watershed assistance grants	<u>3,000</u>	<u>3,000</u>
	<u>\$ 555,379</u>	<u>\$ 446,527</u>

Note 15 - Commitments

At June 30, 2015 and 2014 the Trust has conditionally awarded grants to organizations in the amounts of \$8,433,487 and \$5,655,801, respectively. These organizations must meet certain criteria to receive the awarded grant funding.

The Chesapeake Bay Trust
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

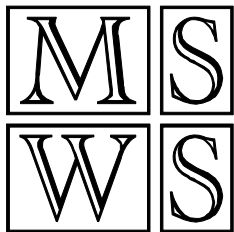
Note 16 - Subsequent Events

Subsequent events and transactions have been evaluated for potential recognition in the financial statements through October 29, 2015, the day the financial statements were available to be issued.

The Chesapeake Bay Trust
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2015

Federal Grantor/Pass-Through Grantor/Program Title*	CFDA #	Program	Federal Expenditures
U.S. Department of Commerce			
National Oceanic & Atmospheric Administration	11.454	Unallied Management Projects	\$ 258
National Oceanic & Atmospheric Administration	11.463	Habitat Conservation	99,289
National Oceanic & Atmospheric Administration	11.457	Chesapeake Bay Studies	165,154
U.S. Department of the Interior			
Fish and Wildlife Service	15.631	Partners for Fish and Wildlife	8,032
National Park Service	15.931	Conservation Activities by Youth Service Organizations	21,562
U.S. Environmental Protection Agency			
Office of Water			
National Fish and Wildlife Foundation	66.466	Chesapeake Bay Program	232,004
Maryland Department of Natural Resources	66.466	Chesapeake Bay Program	1,188,861
			<u>\$ 1,715,160</u>

* The schedule of expenditures of federal awards includes the federal grant activity of the Trust and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.



MULLEN & SONDBERG
WIMBISH & STONE, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

2553 Housley Road • Suite 200 • Annapolis Maryland 21401

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of
The Chesapeake Bay Trust
Annapolis, Maryland

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Chesapeake Bay Trust (a nonprofit Organization), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 29, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Chesapeake Bay Trust's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Chesapeake Bay Trust's internal control. Accordingly, we do not express an opinion on the effectiveness of the Trust's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

To the Board of Directors of
The Chesapeake Bay Trust

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Chesapeake Bay Trust's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

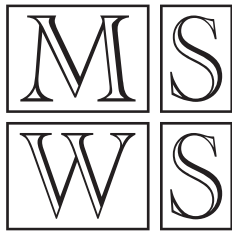
Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



MULLEN, SONDBERG, WIMBISH & STONE, P.A.

Annapolis, Maryland
October 29, 2015



MULLEN & SONDBERG
WIMBISH & STONE, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

2553 Housley Road • Suite 200 • Annapolis, Maryland 21401

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Directors of
The Chesapeake Bay Trust
Annapolis, Maryland

We have audited The Chesapeake Bay Trust's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of The Chesapeake Bay Trust's major federal programs for the year ended June 30, 2015. The Chesapeake Bay Trust's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of The Chesapeake Bay Trust's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about The Chesapeake Bay Trust's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of The Chesapeake Bay Trust's compliance.

To the Board of Directors of
The Chesapeake Bay Trust

Opinion on Each Major Federal Program

In our opinion, The Chesapeake Bay Trust complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of The Chesapeake Bay Trust is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered The Chesapeake Bay Trust's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of The Chesapeake Bay Trust's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



MULLEN, SONDBERG, WIMBISH & STONE, P.A.

Annapolis, Maryland
October 29, 2015

The Chesapeake Bay Trust
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015

SUMMARY OF AUDIT RESULTS:

1. The auditor's report expresses an unmodified opinion on the financial statements of The Chesapeake Bay Trust.
2. No significant deficiencies relating to the audit of the financial statements are reported in this report.
3. No instances of noncompliance material to the financial statements of The Chesapeake Bay Trust were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in this report.
5. The auditor's report on compliance for the major federal award programs expresses an unmodified opinion on all major federal programs.
6. There are no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The program tested as a major program was EPA – Chesapeake Bay Program – CFDA #66.466.
8. The threshold used for distinguishing between Type A and Type B programs was \$300,000.
9. The The Chesapeake Bay Trust qualified as a low-risk auditee.

FINDINGS – FINANCIAL STATEMENT AUDIT:

None

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT:

None