



# **CHESAPEAKE CHURCH**

## FINANCIAL STATEMENTS

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FOR THE YEAR ENDED  
DECEMBER 31, 2021



## **Independent Accountant's Review Report**

The Board of Directors  
Chesapeake Church

I have reviewed the accompanying financial statements of Chesapeake Church (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, I do not express such an opinion.

### **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.

### **Accountant's Responsibility**

My responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require me to perform procedures to obtain limited assurance as a basis for reporting whether I am aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. I believe that the results of my procedures provide a reasonable basis for my conclusion.

### **Accountant's Conclusion**

Based on my review, I am not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

### **Report on 2020 Financial Statements**

The accompanying 2020 financial statements of Chesapeake Church were previously reviewed by us, and we stated that we were not aware of any material modifications that should be made to those statements in order for them to be in conformity with accounting principles generally accepted in the United States of America in our report dated August 20, 2021. A review is less in scope than an audit. The accompanying 2020 financial statements were not audited and there was no expression of an opinion.

A handwritten signature in black ink that reads "Mullins PC". The signature is written in a cursive, flowing style.

Bethesda, Maryland  
November 1, 2022

Certified Public Accountants

**Chesapeake Church**

**Statement of Financial Position  
December 31, 2021  
With Comparative Totals As of December 31, 2020**

	2020	2021
<b>Assets</b>		
Cash and Cash Equivalents	\$ 751,339	\$ 481,211
Accounts Receivable	55,198	324,606
Notes Receivable	97,551	86,328
Prepaid Expenses	-	3,600
Donated Food Inventory	5,307	13,028
Other Assets	-	12,469
Property and Equipment - Net	5,984,442	5,886,053
<b>Total Assets</b>	<b>\$ 6,893,837</b>	<b>\$ 6,807,295</b>
<b>Liabilities and Net Assets</b>		
Accounts Payable	\$ 95,264	\$ 71,585
Accrued Expenses	25,727	31,595
Forgivable Loan - PPP	282,400	-
EIDL Note Payable	150,000	150,000
Capital Lease Payable	15,800	9,152
Long-Term Debt	2,578,611	2,351,327
<b>Total Liabilities</b>	<b>3,147,802</b>	<b>2,613,659</b>
<b>Net Assets</b>		
Without Donor Restrictions	3,692,561	4,060,863
With Donor Restrictions	53,474	132,773
<b>Total Net Assets</b>	<b>3,746,035</b>	<b>4,193,636</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 6,893,837</b>	<b>\$ 6,807,295</b>

*See Accompanying Notes to Financial Statements*

*See Independent Accountant's Review Report*

**Chesapeake Church**

**Statement of Activities  
For The Year Ended December 31, 2021  
With Comparative Totals For the Year Ended December 31, 2020**

	2020		2021	
	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and Revenues</b>				
Contributions	\$ 3,116,527	\$ 2,688,185	\$ 266,838	\$ 2,955,023
Contribution - PPP Loan	-	282,400	-	282,400
Contribution - ERC	-	323,742	-	323,742
Food Donations	986,519	1,084,670	-	1,084,670
Ministry	456,177	328,407	-	328,407
Rental	36,000	54,600	-	54,600
Other Income	14,960	10,055	-	10,055
Loss in Disposal of Property	-	(2,446)	-	(2,446)
Net Assets Released from Restriction	-	187,539	(187,539)	-
<b>Total Support and Revenues</b>	<b>4,610,183</b>	<b>4,957,152</b>	<b>79,299</b>	<b>5,036,451</b>
<b>Expenses</b>				
Program Services - Ministry	4,198,931	4,311,236	-	4,311,236
General & Administrative	275,011	277,614	-	277,614
<b>Total Expenses</b>	<b>4,473,942</b>	<b>4,588,850</b>	<b>-</b>	<b>4,588,850</b>
Changes in Net Assets	136,241	368,302	79,299	447,601
Net Assets, Beginning of Year	3,609,794	3,692,561	53,474	3,746,035
<b>Net Assets, End of Year</b>	<b>\$ 3,746,035</b>	<b>\$ 4,060,863</b>	<b>132,773</b>	<b>\$ 4,193,636</b>

*See Accompanying Notes to Financial Statements*

*See Independent Accountant's Review Report*

Chesapeake Church

Statement of Functional Expenses  
For The Year Ended December 31, 2021  
With Comparative Totals For the Year Ended December 31, 2020

	2020	2021		
	Total	Ministry	Management and General	Total
Personnel Costs	\$ 2,022,163	\$ 1,804,880	\$ 200,542	\$ 2,005,422
Worship, Pantry, and Care	1,723,824	1,812,711	-	1,812,711
Interest	135,270	70,933	7,882	78,815
Management and Finance	228,944	251,276	27,920	279,196
Depreciation and Amortization	318,763	312,509	34,723	347,232
Facilities and Management	44,978	58,927	6,547	65,474
Total Expenses	\$ 4,473,942	\$ 4,311,236	\$ 277,614	\$ 4,588,850

*See Accompanying Notes to Financial Statements*

*See Independent Accountant's Review Report*

**Chesapeake Church**

**Statement of Cash Flows  
For The Year Ended December 31, 2021  
With Comparative Totals For the Year Ended December 31, 2020**

	2020	2021
<b>Cash Flows from Operating Activities</b>		
Change in Net Assets	\$ 136,241	\$ 447,601
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities		
Depreciation and Amortization	318,763	347,232
Loss on Disposal of Property and Equipment	-	2,446
<u>(Increase) Decrease in Assets</u>		
Accounts Receivable	(2,345)	(269,408)
Prepaid Expenses	11,566	(3,600)
Donated Food Inventory	2,145	(7,721)
Other Assets	-	(12,469)
<u>Increase (Decrease) in Liabilities</u>		
Accounts Payable	8,930	(23,679)
Accrued Expenses	14,364	5,868
Forgivable Loan - PPP	-	(282,400)
Net Cash Provided by (Used in) Operating Activities	489,664	203,870
<b>Cash Flows from Investing Activities</b>		
Purchases of Property and Equipment	(295,956)	(251,289)
Net Cash Provided by (Used in) Investing Activities	(295,956)	(251,289)
<b>Cash Flows from Financing Activities</b>		
Principal payments on Line of Credit	(50,000)	-
Proceeds from Forgivable Loan - PPP	282,400	-
Proceeds from EIDL Forgivable Note Payable	150,000	-
Payments on Notes Receivable	11,225	11,223
Principal payments on Long-Term Debt	(82,106)	(227,284)
Principal payments on Capital Leases	(6,648)	(6,648)
Net Cash Provided by (Used in) Investing Activities	304,871	(222,709)
Increase (Decrease) in Cash and Cash Equivalents	498,579	(270,128)
Cash and Cash Equivalents, Beginning of Year	252,760	751,339
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 751,339</b>	<b>\$ 481,211</b>
Supplemental Disclosure of Cash Flow Information		
Cash Paid for Interest	\$ 119,493	\$ 78,815

***See Accompanying Notes to Financial Statements***

***See Independent Accountant's Review Report***

# Chesapeake Church

## Notes to Financial Statements December 31, 2021

### 1. ORGANIZATION AND PURPOSE

Chesapeake Church (the Church) is a not-for-profit organization established in 1984 exclusively for religious purposes. The Church shall consist of professing Christians who voluntarily associate themselves together for divine worship and Godly living agreeable to the Holy Scripture.

Under the Church's not-for-profit exemption, it operates the Chesapeake Cares Food Pantry (the Pantry) and the Chesapeake Care Center (the Care Center). The Pantry supplies food and meals for the disadvantaged in the local area.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Presentation

The accompanying financial statements are presented in accordance with the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when incurred.

The financial statements of the Church have been prepared in accordance with U.S. generally accepted accounting principles (US GAAP), which requires the Church to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Church. These net assets may be used at the discretion of management and the Board of Directors.

Net Assets With Donor Restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Church or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

#### Use of Estimates

The preparation of financial statements in conformity with US GAAP 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Cash Equivalents

The Church considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

***See Independent Accountant's Review Report***

## **Chesapeake Church**

### **Notes to Financial Statements December 31, 2021**

#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **Accounts Receivable**

The accounts receivable balance represents amounts billed before year-end for which the payment from various sources is expected to be received in the subsequent period. Included in accounts receivable as of December 31, 2021 was \$323,742 of funding from the Employee Retention Credit (ERC).

##### **Promises to Give**

Unconditional promises to give are carried at present value after providing an estimate for doubtful promises to give based on a review of all outstanding promises to give on a monthly basis.

Management determines the allowance for doubtful promises to give by using the historical experience applied to an aging of promises. Promises are written off when deemed uncollectible.

There were no promises to give as of December 31, 2021.

##### **Notes Receivable**

Notes receivable represent funds advanced to a related party. Loans are stated at unpaid principal balances. The loan is uncollateralized.

##### **Donated Food Inventory**

Donated food inventory is reported at fair value based on an average value per pound estimate calculated by the Maryland Food Bank.

##### **Property and Equipment**

Donated assets are recorded at their fair value on the date of the gift, and other assets are recorded at cost. Depreciation is provided using the straight-line method over the estimated useful life of 3 to 39 years. The Church capitalizes all property and equipment with a cost of \$2,500 or more.

##### **Revenue Recognition**

Unconditional contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

***See Independent Accountant's Review Report***



## **Chesapeake Church**

### **Notes to Financial Statements December 31, 2021**

#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **Revenue Recognition (Continued)**

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Donated food from food drives and local organizations, as well as event fundraisers, are recorded as a contribution at its estimated fair market value, which is based on an average value per pound provided by the local food bank and is recorded as revenue at the date of donation.

During the year ended December 31, 2021, the Church recognized a \$282,400 forgivable loan contribution from the Small Business Administration's (SBA) Paycheck Protection Program (PPP) that was received in 2020. The forgivable loan was a conditional contribution that could be recognized as revenue when the underlying conditions were met. The Church elected to treat the legal forgiveness as the condition. During the year ended December 31, 2021, the Church received legal forgiveness and recognized \$282,400 as contribution revenue.

Additionally, during the year ended December 31, 2021, the Church recognized \$323,742 of funding from the Employee Retention Credit (ERC). The ERC provides refundable credits to eligible employers. The ERC is a conditional contribution and the Church has met the conditions to recognize the contribution revenue.

##### **Functional Allocation of Expenses**

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses present the natural classification detail of expenses by function. Accordingly, occupancy and office expenses, depreciation, information technology costs, and insurance have been allocated among the programs and supporting services on the basis of employee time and effort.

##### **Income Taxes**

The Church is generally exempt from federal and state income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code. In addition, the Church has been determined by the Internal Revenue Service not to be a private foundation. Income which is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. During the year ended December 31, 2021, the Church had no taxable unrelated business income, and accordingly, no provision for income taxes is required in the accompanying financial statements.

The Church has adopted the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. The Church had no such positions recorded in the financial statements at December 31, 2021.

The Church is exempt from the annual IRS Form 990 filing requirements.

***See Independent Accountant's Review Report***

**Chesapeake Church**

**Notes to Financial Statements  
December 31, 2021**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Comparative Information**

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Church's financial statements for the year ended December 31, 2020, from which the summarized information was derived.

**Recently Issued Accounting Pronouncement**

In February 2016, the FASB issued ASU 2016-02, *Leases*. The update 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 statement of financial position. The guidance also expands the required quantitative and qualitative lease disclosures. The guidance is effective beginning in 2022.

**Subsequent Events**

Management has evaluated subsequent events through November 1, 2022 the date which the financial statements were available to be issued. The accompanying financial statements recognize the effects of subsequent events that provided evidence about conditions that existed at the statement of financial position date, including the estimates inherent in the process of preparing financial statements. The accompanying financial statements do not recognize the effect of subsequent events with conditions that did not exist at the statement of financial position date, but disclosures of such events, if any, are included in the accompanying notes.

**3. NOTES RECEIVABLE**

In December 2018, the Church loaned Honduras Compassion Partners \$125,000 to purchase a property in Honduras. The loan calls for principal and interest payments in the amount of \$935 until June 2031 when the loan will be paid off. During 2021, the Church forgave monthly payments from June 2021 to December 2021.

As of December 31, 2021, the outstanding amount was \$86,328.

**4. PROPERTY AND EQUIPMENT**

Property and equipment and accumulated depreciation at December 31, 2021, are as follows:

Building and Improvements	\$ 8,611,405
Land and Improvements	442,395
Equipment	689,108
Vehicles	30,739
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	9,773,647
Accumulated Depreciation	<hr/> (3,887,594)
Property and Equipment - Net	<hr/> \$ 5,886,053

Depreciation and amortization expense totaled \$347,232 for the year ended December 31, 2021.

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## Chesapeake Church

### Notes to Financial Statements December 31, 2021

#### 5. Capital Leases Payable

The Church leases equipment totaling \$33,240 under the provisions of two capital leases, which are included in equipment in Note 4. Accumulated depreciation totaled \$24,088 at December 31, 2021 for the leased assets and depreciation expense totaled \$6,648 for the year ended December 31, 2021. The leases expire at various dates through November 2023 with monthly payments of principal and interest totaling approximately \$6,648.

Future minimum payments applicable to these leases at December 31, 2021, are as follows:

2022	\$	6,648
2023		2,504
		<hr/>
	\$	9,152
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#### 6. LINE OF CREDIT

The Church entered into a line of credit in October 2013 that provides for maximum borrowings of \$200,000. The line of credit is secured by substantially all of the Church's assets. The interest rate is based on the Prime Rate, with a minimum rate of 5%, which was the rate at December 31, 2021. There was no balance outstanding on the line of credit as of December 31, 2021.

#### 7. LONG-TERM DEBT

During the year ended December 31, 2021, the Church received a \$150,000 loan from the Economic Injury Disaster Loan (EIDL) program from the SBA. The interest rate for nonprofit organizations is 2.75% and repayable over a term up to thirty years. Monthly principal and interest payments are expected to begin in 2022.

During 2021, the Church refinanced two of its loans originally secured in 2005 and 2007. The refinanced note has a 3.55% fixed interest rate with monthly payments of \$24,342.89 until April 2031 when the unpaid principal and interest is due in full. This note is collateralized by a Deed of Trust, constituting a lien on all of the Church's property and equipment.

At December 31, 2021, the balance on the note was \$2,317,861.

On December 31, 2009, the Church obtained a residential loan from a bank in the amount of \$200,000. This loan is collateralized by a Deed of Trust, constituting a first lien on all of the Church's interest in the building and property located at 6021 Solomons Island Road. The note bears interest at a variable rate. In September 2013, the Church modified its payment plan for the outstanding debt to reduce the monthly payments to \$1,537 through January 2025. The note matures on January 1, 2025, when the outstanding principal and accrued and unpaid interest shall be payable in full.

At December 31, 2021, the outstanding balance on the note was \$33,466.

***See Independent Accountant's Review Report***

## Chesapeake Church

### Notes to Financial Statements December 31, 2021

#### 7. LONG-TERM DEBT (CONTINUED)

Aggregate maturities of long-term debt, including the EIDL note payable, as of December 31, 2021, are due in future years as follows:

2022	\$	231,126
2023		240,613
2024		233,691
2025		240,533
2026		249,197
Thereafter		<u>1,306,167</u>
	\$	<u>2,501,327</u>

Interest expense on long-term debt for the year ended December 31, 2021, amounted to \$78,815.

#### 8. NET ASSETS

Net assets with donor restrictions activity during the year ended December 31, 2021 was as follows:

	Beginning of Year	Additions	Releases	End of Year
Food Pantry	\$ 53,474	\$ 266,838	\$ (187,539)	\$ 132,773

Net assets without donor restrictions for the year ended December 31, 2021 were undesignated.

#### 9. LEASE COMMITMENT

In June 2014, the Church entered into an agreement to lease property located at 6035 Solomons Island Road which expired in May 2016. The lease is on a month-to-month basis with monthly rent payments of \$953 plus applicable property taxes and insurance.

In March 2018, the Church entered into an agreement to lease property located at 6011 Solomons Island Road which expires in February 2019. The lease calls for monthly payments of \$906. After the expiration of the lease, a month-to-month arrangement has been agreed to.

#### 10. RENTAL INCOME

During 2019, the Church entered into an amendment with the Maryland Transit Administration (MTA) to extend the agreement for a period of five years granting the MTA non-exclusive access to the parking lot and use of a maximum of 150 parking spaces for MTA commuter patrons in relation to commuter bus service to Washington, D.C. In return, the MTA agreed to pay a monthly service fee of \$3,000 to the Church. The monthly amount will increase by 2% on an annual basis. The lease is being accounted for as an operating lease.

Rental income for the year ended December 31, 2021, was \$54,600.

***See Independent Accountant's Review Report***

## Chesapeake Church

### Notes to Financial Statements December 31, 2021

#### 10. RENTAL INCOME (CONTINUED)

As of December 31, 2021, the Church expects the following minimum payments for the years ending December 31:

2022	\$	37,454
2023		38,203
2024		38,968
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	\$	114,625
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#### 11. RELATED PARTY

The Church is affiliated with End Hunger in Calvert County, Inc. (the Corporation). At December 31, 2021, the Corporation did not owe the Church for office or program expenditures.

During the year ended December 31, 2021, End Hunger reimbursed the Church \$24,449 for expenses paid on End Hunger's behalf. During the year ended December 31, 2021, End Hunger received \$9,734 in support from the Church.

During 2019, End Hunger entered into a 40-year lease with the Church to rent the Church's land for a warehouse for \$1 a year.

The Church is also affiliated with Honduras Compassion Partners (HCP). As disclosed in Note 3, the Church loaned Honduras Compassion Partners \$125,000 to purchase a property in Honduras. As of December 31, 2021, the outstanding amount was \$86,328. At December 31, 2021, HCP did not owe the Church for office or program expenditures.

#### 12. AVAILABILITY AND LIQUIDITY

The following represents the Church's financial assets at December 31, 2021:

Financial Assets at Year End:

Cash and Cash Equivalents	\$	481,211
Accounts Receivable		324,606
		<hr/>
Total Financial Assets		805,817

Less Amounts Not Available To Be Used Within One Year:

Net Assets With Donor Restrictions		132,773
Less: Net Assets With Purpose Restrictions To Be Met in Less Than a Year		(132,773)
Quasi Endowment Established by the Board		-
		<hr/>
		-
		<hr/>

Financial Assets Available to Meet General Expenditures  
Over the Next Twelve Months

\$ 805,817

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***See Independent Accountant's Review Report***

**Chesapeake Church**

**Notes to Financial Statements  
December 31, 2021**

**12. AVAILABILITY AND LIQUIDITY (CONTINUED)**

As part of the Church's liquidity management plan, cash in excess of daily requirements is transferred to income generating accounts when available.

***See Independent Accountant's Review Report***