



CHESAPEAKE CHURCH

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022



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, 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. 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.

I am required to be independent of Church and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements related to my review.

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 2021 Financial Statements

The accompanying 2021 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 November 1, 2022. A review is less in scope than an audit. The accompanying 2021 financial statements were not audited and there was no expression of an opinion.

Bethesda, Maryland
October 21, 2023

Certified Public Accountants

7625 Wisconsin Avenue, Suite 317 | Bethesda, Maryland 20814

202.770.6371

| www.mullinspc.com

| john@mullinspc.com

Chesapeake Church

Statement of Financial Position

December 31, 2022

With Comparative Totals As of December 31, 2021

	2021	2022
Assets		
Cash and Cash Equivalents	\$ 481,211	\$ 342,751
Accounts Receivable	324,606	30,357
Notes Receivable	86,328	75,105
Prepaid Expenses	3,600	965
Donated Food Inventory	13,028	5,679
Other Assets	12,469	11,121
Property and Equipment - Net	5,886,053	5,588,065
Total Assets	\$ 6,807,295	\$ 6,054,043
Liabilities and Net Assets		
Accounts Payable	\$ 71,585	\$ 64,830
Accrued Expenses	31,595	42,240
Line of Credit	-	75,000
Finance Lease Payable	9,152	2,228
Long-Term Debt	2,501,327	2,265,773
Total Liabilities	2,613,659	2,450,071
Net Assets		
Without Donor Restrictions	4,060,863	3,545,999
With Donor Restrictions	132,773	57,973
Total Net Assets	4,193,636	3,603,972
Total Liabilities and Net Assets	\$ 6,807,295	\$ 6,054,043

See Accompanying Notes to Financial Statements

See Independent Accountant's Review Report

Chesapeake Church

**Statement of Activities
For The Year Ended December 31, 2022
With Comparative Totals For the Year Ended December 31, 2021**

	2021		2022	
	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues				
Contributions	\$ 2,955,023	\$ 2,364,777	\$ 56,760	\$ 2,421,537
Contribution - PPP Loan	282,400	-	-	-
Contribution - ERC	323,742	12,982	-	12,982
Food Donations	1,084,670	954,347	-	954,347
Ministry	328,407	169,200	-	169,200
Rental	54,600	54,040	-	54,040
Other Income	10,055	33,492	-	33,492
Loss on Disposal of Property	(2,446)	-	-	-
Net Assets Released from Restriction	-	131,560	(131,560)	-
Total Support and Revenues	5,036,451	3,720,398	(74,800)	3,645,598
Expenses				
Program Services - Ministry	4,311,236	3,977,243	-	3,977,243
General & Administrative	277,614	258,019	-	258,019
Total Expenses	4,588,850	4,235,262	-	4,235,262
Changes in Net Assets	447,601	(514,864)	(74,800)	(589,664)
Net Assets, Beginning of Year	3,746,035	4,060,863	132,773	4,193,636
Net Assets, End of Year	\$ 4,193,636	\$ 3,545,999	57,973	\$ 3,603,972

See Accompanying Notes to Financial Statements

See Independent Accountant's Review Report

Chesapeake Church

**Statement of Functional Expenses
For The Year Ended December 31, 2022
With Comparative Totals For the Year Ended December 31, 2021**

	2021	2022		
	Total	Ministry	Management and General	Total
Personnel Costs	\$ 2,005,422	\$ 1,622,092	\$ 180,232	\$ 1,802,324
Worship, Pantry, and Care	1,812,711	1,655,082	-	1,655,082
Interest	78,815	77,849	8,650	86,499
Management and Finance	279,196	271,048	30,117	301,165
Depreciation and Amortization	347,232	303,665	33,741	337,406
Facilities and Management	65,474	47,507	5,279	52,786
Total Expenses	\$ 4,588,850	\$ 3,977,243	\$ 258,019	\$ 4,235,262

See Accompanying Notes to Financial Statements

See Independent Accountant's Review Report

Chesapeake Church

**Statement of Cash Flows
For The Year Ended December 31, 2022
With Comparative Totals For the Year Ended December 31, 2021**

	2021	2022
Cash Flows from Operating Activities		
Change in Net Assets	\$ 447,601	\$ (589,664)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities		
Depreciation and Amortization	347,232	337,406
Loss on Disposal of Property and Equipment	2,446	-
Contribution from Forgiveness of PPP	(282,400)	
<u>(Increase) Decrease in Assets</u>		
Accounts Receivable	(269,408)	294,249
Prepaid Expenses	(3,600)	2,635
Donated Food Inventory	(7,721)	7,349
Other Assets	(12,469)	1,348
<u>Increase (Decrease) in Liabilities</u>		
Accounts Payable	(23,679)	(6,755)
Accrued Expenses	5,868	10,645
Net Cash Provided by (Used in) Operating Activities	203,870	57,213
Cash Flows from Investing Activities		
Purchases of Property and Equipment	(251,289)	(39,418)
Net Cash Provided by (Used in) Investing Activities	(251,289)	(39,418)
Cash Flows from Financing Activities		
Principal payments on Line of Credit	-	75,000
Payments on Notes Receivable	11,223	11,223
Principal payments on Long-Term Debt	(227,284)	(235,554)
Principal payments on Capital Leases	(6,648)	(6,924)
Net Cash Provided by (Used in) Investing Activities	(222,709)	(156,255)
Increase (Decrease) in Cash and Cash Equivalents	(270,128)	(138,460)
Cash and Cash Equivalents, Beginning of Year	751,339	481,211
Cash and Cash Equivalents, End of Year	\$ 481,211	\$ 342,751
Supplemental Disclosure of Cash Flow Information		
Cash Paid for Interest	\$ 78,815	\$ 86,499

See Accompanying Notes to Financial Statements

See Independent Accountant's Review Report

Chesapeake Church

Notes to Financial Statements December 31, 2022

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 statement 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.

Chesapeake Church

Notes to Financial Statements December 31, 2022

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.

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, 2022.

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.

Right of Use Asset and Lease Liability

The right of use asset and lease liability are recognized at the commencement date of the lease agreement based on the present value of lease payments over the lease term using Church's estimated incremental borrowing rate or implicit rate, when readily determinable. The asset is amortized on a straight-line basis over the lease term and is reflected as occupancy expense in the accompanying financial statements. The lease liability is reduced as cash payments are made under the terms of the lease. Interest is charged to occupancy expense for the difference. Short-term operating leases, which have an initial term of twelve months or less, are not recorded on the statements of financial position.

Chesapeake Church

Notes to Financial Statements December 31, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2022, the Church recognized \$12,982 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 presents 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, 2022, 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, 2022.

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

Chesapeake Church

Notes to Financial Statements December 31, 2022

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, 2021, from which the summarized information was derived.

New Accounting Pronouncements

In 2016, FASB issued ASU 2016-02, Leases (Topic 842). Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than twelve months. The new standard applies to finance and operating leases entered into after the standard was issued. The Church adopted this standard in 2022.

In September 2020, the FASB issued ASU 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. The standard requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit entity has received. This standard was adopted in the current fiscal year and did not have a significant impact on the financial statements, with the exception of increased disclosure.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments – Credit Losses (Topic 326). This guidance requires The Church to measure all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. The guidance is effective beginning in 2023.

Subsequent Events

Management has evaluated subsequent events through October 21, 2023 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 until February 2023 and will not require the amounts to be paid.

As of December 31, 2022, the outstanding amount was \$75,105.

Chesapeake Church

Notes to Financial Statements December 31, 2022

4. PROPERTY AND EQUIPMENT

Property and equipment and accumulated depreciation at December 31, 2022, are as follows:

Building and Improvements	\$ 8,631,405
Land and Improvements	442,395
Equipment	706,291
Vehicles	30,739
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	9,810,830
Accumulated Depreciation	(4,222,765)
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Property and Equipment - Net	\$ 5,588,065

Depreciation and amortization expense totaled \$337,406 for the year ended December 31, 2022.

5. Finance Lease Payable

The Church leases equipment totaling \$33,240 under the provisions of two finance leases, which are included in equipment in Note 4. Accumulated depreciation totaled \$29,849 at December 31, 2022 for the leased assets and depreciation expense totaled \$5,761 for the year ended December 31, 2022. The leases expire at various dates through November 2023 with monthly payments of principal and interest totaling approximately \$555.

Future minimum payments applicable to these leases at December 31, 2022, are as follows:

2023	\$ 2,241
Less Amount Representing Interest	(13)
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	\$ 2,228

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, 2022. As of December 31, 2022, the balance outstanding on the line of credit was \$75,000.

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. Payments were deferred for thirty months with interest accruing over this time. Monthly principal and interest payments of \$641 began in December 2022.

The Church is obligated under a note with 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, 2022, the balance on the note was \$2,098,539.

Chesapeake Church

Notes to Financial Statements December 31, 2022

7. LONG-TERM DEBT (CONTINUED)

The Church is obligated under 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. Monthly payments of principal and interest are \$1,537 through maturity. The note matures on January 1, 2025, when the outstanding principal and accrued and unpaid interest shall be payable in full.

At December 31, 2022, the outstanding balance on the note was \$17,234.

Aggregate maturities of long-term debt, including the EIDL note payable, as of December 31, 2022, are due in future years as follows:

2023	\$	240,613
2024		233,691
2025		240,533
2026		249,197
2027		258,174
Thereafter		<u>1,043,565</u>
	\$	<u>2,265,773</u>

Interest expense on long-term debt for the year ended December 31, 2022, amounted to \$86,499.

8. NET ASSETS

Net assets with donor restrictions activity during the year ended December 31, 2022 was as follows:

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Releases</u>	<u>End of Year</u>
Food Pantry	\$ 132,773	\$ 56,760	\$ (131,560)	\$ 57,973

Net assets without donor restrictions for the year ended December 31, 2022 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.

Chesapeake Church

Notes to Financial Statements December 31, 2022

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, 2022, was \$54,040.

As of December 31, 2022, the Church expects the following minimum payments for the years ending December 31:

2023	\$	38,203
2024		<u>38,968</u>
	\$	<u>77,171</u>

11. RELATED PARTY

The Church is affiliated with End Hunger in Calvert County, Inc. (the Corporation). At December 31, 2022, the Corporation did not owe the Church for office or program expenditures.

During the year ended December 31, 2022, End Hunger reimbursed the Church approximately \$121,000 for expenses paid on End Hunger's behalf. During the year ended December 31, 2022, End Hunger received approximately \$185,000 of additional 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, 2022, the outstanding amount was \$75,105. During the year ended December 31, 2022, the Church provided approximately \$95,000 of support to HCP in the form of staff time dedicated to HCP operations. HCP did not owe the Church for office or program expenditures.

Chesapeake Church

**Notes to Financial Statements
December 31, 2022**

12. AVAILABILITY AND LIQUIDITY

The following represents the Church's financial assets at December 31, 2022:

Financial Assets at Year End:

Cash and Cash Equivalents	\$ 342,751
Accounts Receivable	30,357
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Total Financial Assets	373,108

Less Amounts Not Available To Be Used Within One Year:

Net Assets With Donor Restrictions	57,973
Less: Net Assets With Purpose Restrictions To Be Met in Less Than a Year	(57,973)
Quasi Endowment Established by the Board	-
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	-
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Financial Assets Available to Meet General Expenditures
Over the Next Twelve Months

\$ 373,108

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