



CHESAPEAKE CHURCH

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023



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, 2023, 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 Chesapeake 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 2022 Financial Statements

The accompanying 2022 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 October 21, 2023. A review is less in scope than an audit. The accompanying 2022 financial statements were not audited and there was no expression of an opinion.

Bethesda, Maryland
August 23, 2024

Certified Public Accountants

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Chesapeake Church

Statement of Financial Position

December 31, 2023

With Comparative Totals As of December 31, 2022

	2022	2023
Assets		
Cash and Cash Equivalents	\$ 342,751	\$ 499,217
Accounts Receivable	30,357	-
Notes Receivable	75,105	100,358
Prepaid Expenses	965	-
Donated Food Inventory	5,679	9,353
Property and Equipment - Net	5,588,065	4,896,366
Total Assets	\$ 6,042,922	\$ 5,505,294
Liabilities and Net Assets		
Accounts Payable	\$ 64,830	\$ 78,332
Accrued Expenses	42,240	80,091
Deferred Revenue	-	975
Line of Credit	75,000	-
Finance Lease Payable	2,228	-
Long-Term Debt	2,254,652	1,408,578
Total Liabilities	2,438,950	1,567,976
Net Assets		
Without Donor Restrictions	3,545,999	3,886,467
With Donor Restrictions	57,973	50,851
Total Net Assets	3,603,972	3,937,318
Total Liabilities and Net Assets	\$ 6,042,922	\$ 5,505,294

See Accompanying Notes to Financial Statements

See Independent Accountant's Review Report

Chesapeake Church

**Statement of Activities
For The Year Ended December 31, 2023
With Comparative Totals For the Year Ended December 31, 2022**

	2022		2023	
	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues				
Contributions	\$ 2,421,537	\$ 2,678,054	\$ 103,894	\$ 2,781,948
Contribution - ERC	12,982	-	-	-
Food Donations	954,347	1,143,272	-	1,143,272
Ministry	169,200	243,517	-	243,517
Rental	54,040	57,875	-	57,875
Other Income	33,492	68,395	-	68,395
Gain on Disposal of Property	-	89,492	-	89,492
Net Assets Released from Restriction	-	111,016	(111,016)	-
 Total Support and Revenues	 3,645,598	 4,391,621	 (7,122)	 4,384,499
Expenses				
Program Services - Ministry	3,977,243	3,806,965	-	3,806,965
General & Administrative	258,019	244,188	-	244,188
 Total Expenses	 4,235,262	 4,051,153	 -	 4,051,153
Changes in Net Assets	(589,664)	340,468	(7,122)	333,346
Net Assets, Beginning of Year	4,193,636	3,545,999	57,973	3,603,972
 Net Assets, End of Year	 \$ 3,603,972	 \$ 3,886,467	 50,851	 \$ 3,937,318

See Accompanying Notes to Financial Statements

See Independent Accountant's Review Report

Chesapeake Church

**Statement of Functional Expenses
For The Year Ended December 31, 2023
With Comparative Totals For the Year Ended December 31, 2022**

	2022	2023		
	Total	Ministry	Management and General	Total
Personnel Costs	\$ 1,802,324	\$ 1,542,047	\$ 171,339	\$ 1,713,386
Worship, Pantry, and Care	1,655,082	1,609,277	-	1,609,277
Interest	86,499	50,530	5,614	56,144
Management and Finance	301,165	265,171	29,464	294,635
Depreciation and Amortization	337,406	294,496	32,722	327,218
Facilities and Management	52,786	45,444	5,049	50,493
 Total Expenses	 \$ 4,235,262	 \$ 3,806,965	 \$ 244,188	 \$ 4,051,153

See Accompanying Notes to Financial Statements

See Independent Accountant's Review Report

Chesapeake Church

**Statement of Cash Flows
For The Year Ended December 31, 2023
With Comparative Totals For the Year Ended December 31, 2022**

	2022	2023
Cash Flows from Operating Activities		
Change in Net Assets	\$ (589,664)	\$ 333,346
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities		
Depreciation and Amortization	337,406	327,218
Note Receivable (Reinstatement) Forgiveness	11,223	(28,996)
Gain on Disposal of Property and Equipment	-	(89,492)
Net Debt Issuance Cost Amortization (Issuance)	1,348	(301)
<u>(Increase) Decrease in Assets</u>		
Accounts Receivable	294,249	30,357
Prepaid Expenses	2,635	965
Donated Food Inventory	7,349	(3,674)
<u>Increase (Decrease) in Liabilities</u>		
Accounts Payable	(6,755)	13,502
Accrued Expenses	10,645	37,851
Deferred Revenue	-	975
Net Cash Provided by (Used in) Operating Activities	68,436	621,751
Cash Flows from Investing Activities		
Proceeds from Sale of Property and Equipment	-	557,000
Purchases of Property and Equipment	(39,418)	(103,027)
Net Cash Provided by (Used in) Investing Activities	(39,418)	453,973
Cash Flows from Financing Activities		
Line of Credit Net Activity	75,000	(75,000)
Payments on Notes Receivable	-	3,743
Principal payments on Long-Term Debt	(235,554)	(845,773)
Principal payments on Capital Leases	(6,924)	(2,228)
Net Cash Provided by (Used in) Investing Activities	(167,478)	(919,258)
Increase (Decrease) in Cash and Cash Equivalents	(138,460)	156,466
Cash and Cash Equivalents, Beginning of Year	481,211	342,751
Cash and Cash Equivalents, End of Year	\$ 342,751	\$ 499,217
Supplemental Disclosure of Cash Flow Information		
Cash Paid for Interest	\$ 86,499	\$ 56,144

See Accompanying Notes to Financial Statements

See Independent Accountant's Review Report

Chesapeake Church

Notes to Financial Statements December 31, 2023

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, 2023

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, 2023.

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, 2023

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. All donated food is utilized in the Church's ministry program.

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, the categories of expenses that are attributable to more than one program or supporting function 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, 2023, 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, 2023.

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

Chesapeake Church

Notes to Financial Statements December 31, 2023

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, 2022, from which the summarized information was derived.

New Accounting Pronouncements

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. This standard was adopted in the current fiscal year and did not have a significant impact on the financial statements.

Subsequent Events

Management has evaluated subsequent events through August 23, 2024, 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 is non-interest bearing and calls for principal payments in the amount of \$935 until June 2031 when the loan will be paid off. During the year and in prior years, the Church forgave monthly payments. All of these previously forgiven principal amounts were reinstated by Honduras Compassion Partners and repaid in January 2024. Beginning January 2024, monthly payments of \$935 resumed..

As of December 31, 2023, the outstanding amount was \$100,358.

Chesapeake Church

Notes to Financial Statements December 31, 2023

4. PROPERTY AND EQUIPMENT

Property and equipment and accumulated depreciation at December 31, 2023, are as follows:

Building and Improvements	\$ 7,981,660
Land and Improvements	368,950
Equipment	683,808
Vehicles	30,739
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	9,065,157
Accumulated Depreciation and Amortization	<hr/> (4,168,791)
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Property and Equipment - Net	\$ 4,896,366

Depreciation and amortization expense totaled \$327,218 for the year ended December 31, 2023.

5. 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%. As of December 31, 2023, the interest rate was 8.5% and there was no balance outstanding on the line of credit.

6. 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.

In November 2023, the Church modified its obligation in the amount of \$1,270,000 to provide interest only payments through May 2024 at which point principal and interest payments in the amount \$7,990 are due. Interest on the obligation is charged at a rate of 5.75% per annum and the obligation matures in April 2049. This note is collateralized by a Deed of Trust, constituting a lien on all of the Church's property and equipment. As part of its notes, the Church incurred debt issuance costs of \$14,418, which are being amortized straight-line over the life of the note and offset long-term debt on the Statement of Financial Position.

At December 31, 2023, the balance on the note was \$1,270,000.

Chesapeake Church

Notes to Financial Statements December 31, 2023

6. LONG-TERM DEBT (CONTINUED)

Aggregate maturities of long-term debt, including the EIDL note payable, as of December 31, 2023, are due in future years as follows:

2024	\$	17,910
2025		27,500
2026		29,039
2027		30,665
2028		32,384
Thereafter		1,282,502
Less Unamortized Debt Issuance Costs		<u>(11,422)</u>
	\$	<u>1,408,578</u>

Interest expense on long-term debt for the year ended December 31, 2023, amounted to \$56,144.

7. NET ASSETS

Net assets with donor restrictions activity during the year ended December 31, 2023 was as follows:

	Beginning of Year	Additions	Releases	End of Year
Food Pantry	\$ 57,973	\$ 103,894	\$ (111,016)	\$ 50,851

Net assets without donor restrictions for the year ended December 31, 2023 were undesignated.

8. 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.

9. 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, 2023, was \$57,875.

Chesapeake Church

Notes to Financial Statements December 31, 2023

9. RENTAL INCOME (CONTINUED)

As of December 31, 2023, the Church expects the following minimum payments for the years ending December 31:

2024	\$ <u>38,968</u>
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10. RELATED PARTY

The Church is affiliated with End Hunger in Calvert County, Inc. (the Corporation). At December 31, 2023, the Corporation did not owe the Church for office or program expenditures.

During the year ended December 31, 2023, End Hunger reimbursed the Church approximately \$75,011 for expenses paid on End Hunger's behalf. During the year ended December 31, 2023, End Hunger received approximately \$162,000 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, 2023, the outstanding amount was \$100,358. During the year ended December 31, 2023, the Church provided approximately \$45,918 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.

11. AVAILABILITY AND LIQUIDITY

The following represents the Church's financial assets at December 31, 2023:

Financial Assets at Year End:

Cash and Cash Equivalents	\$ <u>499,217</u>
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Total Financial Assets	499,217
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Less Amounts Not Available To Be Used Within One Year:

Net Assets With Donor Restrictions	50,851
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Less: Net Assets With Purpose Restrictions To Be Met in Less Than a Year	<u>(50,851)</u>
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Financial Assets Available to Meet General Expenditures

Over the Next Twelve Months	\$ <u>499,217</u>
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As part of the Church's liquidity management plan, cash in excess of daily requirements is transferred to income generating accounts when available.