

**CHESAPEAKE MULTICULTURAL  
RESOURCE CENTER, INC.**

**FINANCIAL STATEMENTS**

**JUNE 30, 2019**

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## INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Chesapeake Multicultural Resource Center, Inc.  
Easton, Maryland 21601

We have reviewed the accompanying financial statements of Chesapeake Multicultural Resource Center, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018 and the related statements of activities, functional expenses and cash flows for the years 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 entity 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, we 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**

Our responsibility is to conduct the review engagement in accordance with the Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are 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. We believe that the results of our procedures provide a reasonable basis for our conclusion.

### **Accountant's Conclusion**

Based on our review, we are 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.

*Accounting Strategies Group, LLC*

Preston, Maryland  
November 11, 2019

**CHESAPEAKE MULTICULTURAL RESOURCE CENTER, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2019 AND 2018**

| <b><u>ASSETS</u></b>  | <b><u>2019</u></b> | <b><u>2018</u></b> |
|---|--------------------|--------------------|
| <b><u>CURRENT ASSETS</u></b>  |                    |                    |
| Cash and Cash Equivalents   | \$ 275,901         | \$ 235,156         |
| Accounts Receivable   | 656                | 31,471             |
| Prepaid Expenses  | 3,940              | 4,299              |
| <b>TOTAL CURRENT ASSETS</b>   | <b>280,497</b>     | <b>270,926</b>     |
| <b><u>FIXED ASSETS</u></b>  |                    |                    |
| Land  | 221,946            | -                  |
| Building and Improvements   | 332,919            | -                  |
| <b>FIXED ASSETS, AT COST</b>  | <b>554,865</b>     | <b>-</b>           |
| Less: Accumulated Depreciation  | (1,778)            | -                  |
| <b>TOTAL FIXED ASSETS, AT COST, LESS<br/>ACCUMULATED DEPRECIATION</b> | <b>553,087</b>     | <b>-</b>           |
| <b><u>OTHER ASSETS</u></b>  |                    |                    |
| Security Deposit Paid   | 1,050              | 1,050              |
| Endowment Investments   | 10,019             | -                  |
| <b>TOTAL OTHER ASSETS</b>   | <b>11,069</b>      | <b>1,050</b>       |
| <b>TOTAL ASSETS</b>   | <b>\$ 844,654</b>  | <b>\$ 271,976</b>  |
| <b><u>LIABILITIES AND NET ASSETS</u></b>                              |                    |                    |
| <b><u>CURRENT LIABILITIES</u></b>                                     |                    |                    |
| Current Maturities of Long-Term Debt                                  | \$ 8,873           | \$ -               |
| Accounts Payable  | 4,495              | 3,549              |
| Rental Security Deposits  | 3,900              | -                  |
| Payroll Taxes Payable   | 1,399              | 1,974              |
| Accrued Payroll   | 10,177             | 9,568              |
| Deferred Revenue  | 17,593             | 102,437            |
| <b>TOTAL CURRENT LIABILITIES</b>                                      | <b>46,437</b>      | <b>117,528</b>     |
| <b><u>LONG-TERM DEBT</u></b>  |                    |                    |
| Mortgage Payable  | 425,758            | -                  |
| <b>TOTAL LONG-TERM DEBT</b>   | <b>425,758</b>     | <b>-</b>           |
| <b>TOTAL LIABILITIES</b>  | <b>472,195</b>     | <b>117,528</b>     |
| <b><u>NET ASSETS</u></b>  |                    |                    |
| Without Donor Restrictions  | 291,535            | 145,091            |
| With Donor Restrictions   | 80,924             | 9,357              |
| <b>TOTAL NET ASSETS</b>   | <b>372,459</b>     | <b>154,448</b>     |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>                               | <b>\$ 844,654</b>  | <b>\$ 271,976</b>  |

See Independent Accountants' Review Report  
The Notes to Financial Statements are an integral part of these statements.

**CHESAPEAKE MULTICULTURAL RESOURCE CENTER, INC.**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

|   | <u>2019</u>                          |                                   |                   | <u>2018</u>                              |                                   |                   |
|---|--------------------------------------|-----------------------------------|-------------------|--|-----------------------------------|-------------------|
|   | <u>Without Donor<br/>Restriction</u> | <u>With Donor<br/>Restriction</u> | <u>Total</u>      | <u>Without<br/>Donor<br/>Restriction</u> | <u>With Donor<br/>Restriction</u> | <u>Total</u>      |
| <b><u>REVENUES</u></b>                              |                                      |                                   |                   |  |                                   |                   |
| Contributed Revenue                                 | \$ 198,277                           | \$ 235,860                        | \$ 434,137        | \$ 200,464                               | \$ 5,550                          | \$ 206,014        |
| Grant Revenue                                       | 11,996                               | 63,272                            | 75,268            | 183,510                                  | -                                 | 183,510           |
| Contracts for Services                              | 24,772                               | 21,500                            | 46,272            | 90,082                                   | 20,095                            | 110,177           |
| Rental Income                                       | 9,275                                | -                                 | 9,275             | -  | -                                 | -                 |
| Interest & Dividend Income                          | 133                                  | 15                                | 148               | 100                                      | -                                 | 100               |
| Realized and Unrealized Gains/(Losses)              | -                                    | 12                                | 12                | -  | -                                 | -                 |
| Other Income  | 5,141                                | -                                 | 5,141             | 50                                       | -                                 | 50                |
| TOTAL REVENUES                                      | <u>249,594</u>                       | <u>320,659</u>                    | <u>570,253</u>    | <u>474,206</u>                           | <u>25,645</u>                     | <u>499,851</u>    |
| <b><u>EXPENSES</u></b>                              |                                      |                                   |                   |  |                                   |                   |
| Program Expenses:                                   |                                      |                                   |                   |  |                                   |                   |
| Youth Development                                   | 88,809                               | -                                 | 88,809            | 161,683                                  | -                                 | 161,683           |
| Family Fund   | 1,273                                | -                                 | 1,273             | 3,491                                    | -                                 | 3,491             |
| Information and referral                            | 217,819                              | -                                 | 217,819           | 203,203                                  | -                                 | 203,203           |
| Total Program Expenses                              | <u>307,901</u>                       | <u>-</u>                          | <u>307,901</u>    | <u>368,377</u>                           | <u>-</u>                          | <u>368,377</u>    |
| Supporting Services:                                |                                      |                                   |                   |  |                                   |                   |
| Management and general                              | 34,299                               | -                                 | 34,299            | 34,494                                   | -                                 | 34,494            |
| Fundraising   | 10,042                               | -                                 | 10,042            | 9,025                                    | -                                 | 9,025             |
| Total Supporting Services                           | <u>44,341</u>                        | <u>-</u>                          | <u>44,341</u>     | <u>43,519</u>                            | <u>-</u>                          | <u>43,519</u>     |
| TOTAL EXPENSES                                      | <u>352,242</u>                       | <u>-</u>                          | <u>352,242</u>    | <u>411,896</u>                           | <u>-</u>                          | <u>411,896</u>    |
| <b><u>EXCESS OF REVENUE OVER EXPENSES</u></b>       |                                      |                                   |                   |  |                                   |                   |
| <b><u>BEFORE TRANSFER</u></b>                       | (102,648)                            | 320,659                           | 218,011           | 62,310                                   | 25,645                            | 87,955            |
| <b><u>NET ASSETS RELEASED FROM RESTRICTIONS</u></b> | <u>249,092</u>                       | <u>(249,092)</u>                  | <u>-</u>          | <u>16,506</u>                            | <u>(16,506)</u>                   | <u>-</u>          |
| <b><u>CHANGE IN NET ASSETS</u></b>                  | 146,444                              | 71,567                            | 218,011           | 78,816                                   | 9,139                             | 87,955            |
| <b><u>NET ASSETS AT BEGINNING OF YEAR</u></b>       | <u>145,091</u>                       | <u>9,357</u>                      | <u>154,448</u>    | <u>66,275</u>                            | <u>218</u>                        | <u>66,493</u>     |
| <b><u>NET ASSETS AT END OF YEAR</u></b>             | <u>\$ 291,535</u>                    | <u>\$ 80,924</u>                  | <u>\$ 372,459</u> | <u>\$ 145,091</u>                        | <u>\$ 9,357</u>                   | <u>\$ 154,448</u> |

See Independent Accountants' Review Report

The Notes to Financial Statements are an integral part of these statements.

**CHESAPEAKE MULTICULTURAL RESOURCE CENTER, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

|   | <u>2019</u>                 |                                     |                    |                   | <u>2018</u>                 |                                     |                    |                   |
|---|-----------------------------|-------------------------------------|--------------------|-------------------|-----------------------------|-------------------------------------|--------------------|-------------------|
|   | <b>Program<br/>Services</b> | <b>Management<br/>&amp; General</b> | <b>Fundraising</b> | <b>Total</b>      | <b>Program<br/>Services</b> | <b>Management<br/>&amp; General</b> | <b>Fundraising</b> | <b>Total</b>      |
| <b>Instructional and Student Activities</b>       |                             |                                     |                    |                   |                             |                                     |                    |                   |
| Salaries - Director                               | \$ 60,665                   | \$ -                                | \$ -               | \$ 60,665         | \$ 56,959                   | \$ 216                              | \$ -               | \$ 57,175         |
| Salaries - Program Staff                          | 139,944                     | 160.00                              | -                  | 140,104           | 128,271                     | 4,536                               | -                  | 132,807           |
| Salaries - Certified Teachers                     | -                           | -                                   | -                  | -                 | 37,790                      | -                                   | -                  | 37,790            |
| Salaries - Admin Staff                            | 8,849                       | 17,764                              | 3,331              | 29,944            | 14,978                      | 13,155                              | 5,836              | 33,969            |
| Instructional Assistants                          | -                           | -                                   | -                  | -                 | 14,594                      | -                                   | -                  | 14,594            |
| Program Evaluation                                | 10,000                      | -                                   | -                  | 10,000            | 10,000                      | -                                   | -                  | 10,000            |
| Program and Activity Expense                      | 15,350                      | -                                   | -                  | 15,350            | 35,229                      | 74                                  | 176                | 35,479            |
| Payroll Taxes                                     | 18,238                      | 1,503                               | 279                | 20,020            | 20,113                      | 1,036                               | 458                | 21,607            |
| <b>Total Instructional and Student Activities</b> | <b>253,046</b>              | <b>19,427</b>                       | <b>3,610</b>       | <b>276,083</b>    | <b>317,934</b>              | <b>19,017</b>                       | <b>6,470</b>       | <b>343,421</b>    |
| <b>General and Administrative</b>                 |                             |                                     |                    |                   |                             |                                     |                    |                   |
| Accounting Fees                                   | -                           | 5,350                               | -                  | 5,350             | -                           | 5,350                               | -                  | 5,350             |
| Advertising and Marketing                         | -                           | -                                   | -                  | -                 | 236                         | -                                   | -                  | 236               |
| Bank Service Fees                                 | 25                          | 209                                 | -                  | 234               | 363                         | 238                                 | -                  | 601               |
| Conferences and Meetings                          | 169                         | -                                   | -                  | 169               | 5,276                       | -                                   | -                  | 5,276             |
| Depreciation Expense                              | 1,778                       | -                                   | -                  | 1,778             | -                           | -                                   | -                  | -                 |
| Dues and Subscriptions                            | 150                         | 575                                 | -                  | 725               | 332                         | 508                                 | -                  | 840               |
| Employee Benefit                                  | 16,223                      | 1,270                               | 250                | 17,743            | 12,230                      | 6,394                               | -                  | 18,624            |
| Filing Fees                                       | 44                          | 400                                 | -                  | 444               | -                           | -                                   | -                  | -                 |
| Information Technology                            | 1,548                       | 735                                 | 660                | 2,943             | 1,895                       | 2,332                               | 605                | 4,832             |
| Insurance   | 4,484                       | 212                                 | 30                 | 4,726             | 5,198                       | -                                   | -                  | 5,198             |
| Loan & Property Fees                              | 75                          | -                                   | -                  | 75                | -                           | -                                   | -                  | -                 |
| Mortgage Interest                                 | 3,949                       | -                                   | -                  | 3,949             | -                           | -                                   | -                  | -                 |
| Occupancy   | 16,876                      | 5,078                               | -                  | 21,954            | 16,792                      | 113                                 | -                  | 16,905            |
| Office Expense                                    | 738                         | 191                                 | 218                | 1,147             | 360                         | 48                                  | -                  | 408               |
| Payroll Processing                                | 576                         | 54                                  | 8                  | 638               | 605                         | 165                                 | -                  | 770               |
| Printing & Copying                                | 1,452                       | 227                                 | 2,960              | 4,639             | 1,063                       | 99                                  | 1,372              | 2,534             |
| Postage & Shipping                                | 1,199                       | 164                                 | 746                | 2,109             | 1,282                       | 230                                 | 578                | 2,090             |
| Professional Development                          | 50                          | 407                                 | -                  | 457               | 311                         | -                                   | -                  | 311               |
| Property Taxes                                    | 1,117                       | -                                   | -                  | 1,117             | -                           | -                                   | -                  | -                 |
| Professional Fees                                 | 1,000                       | -                                   | 1,560              | 2,560             | -                           | -                                   | -                  | -                 |
| Telecommunications                                | 3,045                       | -                                   | -                  | 3,045             | 3,068                       | -                                   | -                  | 3,068             |
| Travel  | 357                         | -                                   | -                  | 357               | 1,432                       | -                                   | -                  | 1,432             |
| <b>Total General and Administrative</b>           | <b>54,855</b>               | <b>14,872</b>                       | <b>6,432</b>       | <b>76,159</b>     | <b>50,443</b>               | <b>15,477</b>                       | <b>2,555</b>       | <b>68,475</b>     |
| <b>Total Functional Expenses</b>                  | <b>\$ 307,901</b>           | <b>\$ 34,299</b>                    | <b>\$ 10,042</b>   | <b>\$ 352,242</b> | <b>\$ 368,377</b>           | <b>\$ 34,494</b>                    | <b>\$ 9,025</b>    | <b>\$ 411,896</b> |

See Independent Accountants' Review Report  
The Notes to Financial Statements are an integral part of these statements.

**CHESAPEAKE MULTICULTURAL RESOURCE CENTER, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

|   | <b>2019</b>  | <b>2018</b> |
|---|--------------|-------------|
| <b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>  |              |             |
| Change in Net Assets  | \$ 218,011   | \$ 87,955   |
| Adjustments to Reconcile Change in Net Assets to<br>Net Cash and Cash Equivalents Provided by Operating Activities: |              |             |
| Depreciation  | 1,778        | -           |
| (Gain) Loss and (Appreciation)/ Depreciation of Investments   | (12)         | -           |
| (Increase) Decrease in Assets:  |              |             |
| Accounts Receivable   | 30,815       | (21,855)    |
| Prepaid Expenses  | 359          | (98)        |
| (Decrease) Increase in Liabilities:   |              |             |
| Accounts Payable  | 946          | 2,750       |
| Payroll Taxes Payable   | (575)        | (110)       |
| Accrued Liabilities   | 609          | 1,432       |
| Deferred Revenue  | (84,844)     | 26,518      |
| Rental Security Deposits  | 3,900        | -           |
| NET CASH AND CASH EQUIVALENTS<br>PROVIDED BY OPERATING ACTIVITIES   | 170,987      | 96,592      |
| <b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>  |              |             |
| Purchase of property, plant & equipment   | (118,866)    | -           |
| Purchase of Investments   | (10,011)     | -           |
| Proceeds from sale of investments   | 4            | -           |
| NET CASH AND CASH EQUIVALENTS USED IN<br>INVESTING ACTIVITIES   | (128,873)    | -           |
| <b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>  |              |             |
| Repayment of Long Term Borrowings   | (1,369)      | -           |
| NET CASH AND CASH EQUIVALENTS USED IN<br>FINANCING ACTIVITIES   | (1,369)      | -           |
| Net Increase in Cash and Cash Equivalents   | 40,745       | 96,592      |
| Cash and Cash Equivalents, Beginning of Year  | 235,156      | 138,564     |
| Cash and Cash Equivalents, End of Year  | \$ 275,901   | \$ 235,156  |
| <b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>  |              |             |
| Cash Paid for:  |              |             |
| Interest  | \$ 3,949     | \$ -        |
| Income Taxes  | \$ -         | \$ -        |
| <b><u>NON-CASH ACTIVITIES</u></b>   |              |             |
| Purchase of property, plant & equipment   | \$ (436,000) | \$ -        |
| Long Term Borrowings  | 436,000      | -           |
|   | \$ -         | \$ -        |

See Independent Accountants' Review Report  
The Notes to Financial Statements are an integral part of these statements.

**CHESAPEAKE MULTICULTURAL RESOURCE CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

**NOTE A. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**ORGANIZATION**

Chesapeake Multicultural Resource Center, Inc. (ChesMRC) was incorporated on August 23, 2012 as a Maryland non-stock corporation to operate exclusively for charitable, religious, scientific, literary, or educational purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code.

From its inception through December 2013, the Organization functioned as a program of Mid-Shore Community Foundation (MSCF), subject to the terms of a Fiscal Sponsorship Agreement. Under the terms of this agreement, MSCF acted as the fiscal sponsor of ChesMRC until it was able to obtain its own 501(c)(3) tax-exempt status. Except as outlined below, MSCF controlled all receipts and disbursements of ChesMRC and this activity was consolidated in MSCF's financial statements and public reporting.

On November 12, 2013, the Internal Revenue Service issued a determination letter classifying ChesMRC as a public charity, exempting it from federal income taxes and allowing it to collect tax-deductible contributions. In January 2014, the Organization assumed responsibility for its own financial affairs.

**NATURE OF ACTIVITIES**

ChesMRC empowers individuals from different cultures to become successful and engaged members of the community through education and information. Through its programs, ChesMRC strives to break down barriers that arise from differences in language, appearances, cultural and ethnic traditions, and to help newcomers understand and navigate through unfamiliar educational, health, social and legal structures. The Organization's initial focus was in Talbot County, Maryland, however it is increasingly serving clients across the Maryland Mid-Shore region. All programs are provided free of charge; however, client donations are accepted.

**Youth Development:**

Youth Development programs include after-school programs for both elementary and high school, Boy Scouts, Girl Scouts, and health-literacy programs. After-school programs are funded through private donations and the Talbot Family Network Healthy Habits Grant. The after-school program provides a formal two-hour academic program for 100 students in grades 1 to 5 at Easton Elementary School. Instruction is provided by certified teachers and instructional assistants supported by community volunteers. The program is free of charge and open to any student; preference is given to children from low income households with the greatest academic need.

The high school after-school program consists of volunteers who mentor high school students preparing for college as well as a program to mentor new arrival students who need assistance with English Language Learning (ELL).

**Adult Education Program:**

ChesMRC in partnership with a number of public and private service providers. The Organization provides workshops and programs including: English as a second language (ESL), Adult Literacy, Parenting, and a series of Health Programs which include prenatal care, family health, teen health and dental hygiene. ChesMRC engages participates to attend programs and assists partners in making program content culturally relevant. Health programs are funded by a state grant, which is designed to outreach to the minority and at-risk population to help address persistent health care disparities, expand access to health care services and reduce health care costs by lowering preventable hospital admissions.



**CHESAPEAKE MULTICULTURAL RESOURCE CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

**NOTE A. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

Resource Center:

The Resource Center provides a one-stop information and referral service to help people from different cultures adapt to their new community. Anyone can access the Center for general assistance, help with translations, completing documents and referrals to service providers. At the end of 2019, the Center had 3,539 registered clients, who made a total of 2,842 visits during the year. The most frequent requests were for help in immigration law, obtaining driver's licenses, payment of income taxes, education and training, general legal aid, and family support. This activity is funded primarily through unrestricted donor contributions.

The Resource Center was awarded a grant to implement an immigration clinic to assist clients with immigration issues and assistance with obtaining US Citizenship for DACA, DAPA and Family Based Applications & Petitions. ChesMRC became of Board of Immigration Appeals (BIA) accredited Organization. This accreditation allows for the center to provide all US Citizenship & Immigrations Services (USCIS) without the need of an attorney and affords legal services at little or no cost to qualifying candidates. The Center also offers citizenship classes and workshops to help prepare clients with taking the formal citizenship tests.

Community Awareness:

Through outreach to government agencies, service providers, and the general public, ChesMRC seeks to develop and disseminate information about the current and potential impact of new immigrants on the community. ChesMRC promotes activities and initiatives that create positive community awareness of the growing non-English speaking population.

**BASIS OF ACCOUNTING**

The financial statements of ChesMRC have been prepared on the accrual basis of accounting; which is U.S. Generally Accepted Accounting Principles. Under this method of accounting, revenue is recognized when amounts are earned and expenses are recognized when they are incurred.

**BASIS OF PRESENTATION**

The Organization implemented Financial Accounting Standards Board Accounting Standard Codification (FASB ASC) 958-210, *Presentation of Financial Statements of Not-for-Profit Organizations*. Under FASB ASC 958-210, the Organization is required to report information regarding its financial position and activities according to two classes of net assets (net assets without donor restrictions and net assets with donor restrictions) based on existence or absence of donor-imposed restrictions:

A description of the two categories of net assets is as follows:

Net Assets without Donor Restrictions – are free from donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets are presently available for use by the Organization at the discretion of the Board of Directors.

Net Assets with Donor Restrictions – are subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions will be met by the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

See Independent Accountants' Review Report

**CHESAPEAKE MULTICULTURAL RESOURCE CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

**NOTE A. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)**

**CONTRIBUTIONS AND COST RECOGNITION**

The Organization follows FASB ASC 958-605, *Accounting for Contributions Received and Contributions Made*, whereby contributions received are recorded when received as either net assets with donor restrictions or net assets without donor restrictions depending upon the existence of any donor restrictions. Contributions are also recognized when the donor makes a promise to give to the School that is, in substance, unconditional. Contributions of cash and other assets are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

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

**CASH AND CASH EQUIVALENTS**

The School considers all highly liquid debt investments with an original maturity of three months or less to be cash equivalents.

**CONCENTRATION OF CREDIT RISKS**

Cash in the bank amounted to \$261,053 and \$234,997 (carrying amounts of \$275,727 and \$235,066) for the years ended June 30, 2019 and 2018, respectively. Of the cash in bank \$250,000 was insured by the Federal Deposit Insurance Company for the years ended June 30, 2019 and 2018, respectively. The remaining balances of \$11,053 were uninsured for the year ended June 30, 2019. Cash in the bank was fully insured for the year ended June 30, 2018.

**ACCOUNTS RECEIVABLE**

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

**INVESTMENTS IN MARKETABLE SECURITIES**

The Organization follows FASB ASC 958-320, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. Investments consist of money market funds, and mutual fund shares with readily determinable fair values. Investments are reported at fair value based on quoted market prices in the Statements of Financial Position. Donated securities are also reported at fair market value as of the date of receipt. Unrealized gains and losses are recognized currently in the Statements of Activities. See Note D for further explanation of fair market value.

Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is possible that changes in values of investment securities could occur in the near-term, and those changes could materially affect investment balances and activity included in the financial statements.

**DEFERRED REVENUE**

Funds received as advances under grant and contract agreements in excess of expenditures are classified as deferred revenue.



**CHESAPEAKE MULTICULTURAL RESOURCE CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

**NOTE A. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

**USE OF ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain 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.

**ALLOCATION OF FUNCTIONAL EXPENSES**

Accounting principles generally accepted in the United States of America require all not for profit entities to present their expenses on a functional basis, separating program services from management and general expenses and fundraising expenses. Functional expenses are either charges directly to program services as incurred or allocated based on usage for items such as occupancy, depreciation and administrative salaries.

**SUBSEQUENT EVENTS EVALUATION**

Subsequent events were evaluated through November 11, 2019 which is the date the financial statements were available to be issued.

**NOTE B. ACCOUNTING PRONOUNCEMENT ADOPTED**

The FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The ASU amends the current reporting model for nonprofit Organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions and net assets with donor restrictions, (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expiration of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct investment expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The Organization has adopted this ASU as of and for the year ended June 30, 2019 with retrospective application for the 2018 financial statements. The Organization opted to not disclose liquidity and availability information for 2018 as permitted under the ASU in the year of adoption. As a result, the investment expenses are netted against investment return in the statement of activities. In addition, the Organization changed its presentation of its net assets and expanded the footnote disclosures as required by the ASU.

Certain accounts in the 2018 financial statements have been reclassified to conform to the current year financial statement presentation.

**CHESAPEAKE MULTICULTURAL RESOURCE CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

**NOTE C. INVESTMENTS/MARKETABLE SECURITIES**

The Organization maintains investments in two accounts with Mid-Shore Community Foundation. These accounts were opened during the year ended June 30, 2019. Investments are stated at fair market value and are composed of the following:

|                                     | <u>MARKET</u>   | <u>COST</u>     |
|-------------------------------------|-----------------|-----------------|
| Balances at June 30, 2019:          |                 |                 |
| Without Donor Restrictions          | <u>\$ 4,992</u> | <u>\$ 4,992</u> |
| With Donor Restrictions – Endowment | <u>\$ 5,027</u> | <u>\$ 5,027</u> |

The net increase in unrealized appreciation has been reflected as current year income. Investment income has been allocated to each fund based upon the fair market values at the end of each month. Certain investments are not insured from risk of loss.

The following tabulation summarizes the unrealized and realized gains (losses) of investment assets:

|                                     |                    |
|-------------------------------------|--------------------|
| Increase in unrealized appreciation | <b><u>2019</u></b> |
|                                     | \$ 8               |
| Realized gain (loss) for the year   | <u>4</u>           |
| Total gain (loss) for the year      | <u>\$ 12</u>       |

**NOTE D. FAIR VALUE MEASUREMENTS**

The Organization adopted FASB ASC 820, *Fair Value Measurements*, which establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. 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. This hierarchy consists of three broad levels:

*Level 1* – Inputs to the valuation methodology are unadjusted, quoted market prices for identical instruments in active markets.

*Level 2* – Inputs to the valuation methodology include quoted market prices for similar instruments in active markets, and inputs that are observable for the instrument, either directly or indirectly, for substantially the full term of the financial instrument.

*Level 3* – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The Organization has determined the fair values of assets and liabilities measured on a recurring basis at June 30, 2019 and 2018 are as follows:

|  | Fair<br>Active<br>Value | Quoted<br>Prices In<br>Markets<br>(Level 1) | Other<br>Observable<br>Inputs<br>(Level 2) | Unobservable<br>Inputs<br>(Level 3) |
|--|-------------------------|---|--|-------------------------------------|
| <b><u>As of June 30, 2019</u></b>      |                         |   |  |                                     |
| Marketable Securities/<br>Traded Funds | \$ 10,019               | \$ -  | \$ 10,019                                  | \$ -                                |
| Totals                                 | <u>\$ 10,019</u>        | <u>\$ -</u>                                 | <u>\$ 10,019</u>                           | <u>\$ -</u>                         |

**CHESAPEAKE MULTICULTURAL RESOURCE CENTER, INC.**  
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**NOTE E.**

**DEBT**

Long-Term Debt

Long-term debt as of June 30, 2019 consisted of the following:

|  | <b><u>2019</u></b> |
|--|--------------------|
| Mortgage Payable – Shore United Bank; Payable in Monthly Principal and Interest Installments of \$2,659; Matures April 20, 2044, Interest at 5.350% per Annum; Secured by Commercial Real Estate | \$ 434,631         |
| Total  | 434,631            |
| Less Current Maturities  | <u>( 8,873)</u>    |
| TOTAL LONG-TERM DEBT   | <u>\$ 425,758</u>  |

Long-Term debt is scheduled to mature as follows:

|            |    |                   |
|------------|----|-------------------|
| 2020       | \$ | 8,873             |
| 2021       |    | 9,360             |
| 2022       |    | 9,873             |
| 2023       |    | 10,415            |
| 2024       |    | 10,986            |
| Thereafter |    | <u>385,124</u>    |
| TOTAL      |    | <u>\$ 434,631</u> |

Interest under all debt agreements amounted to \$3,949 and \$0 for the year ended June 30, 2019. There was no long-term debt or related interest for the year ended June 30, 2018.

**NOTE F.**

**DONOR RESTRICTED NET ASSETS**

During the years ended June 30, 2019 and 2018, donor restricted contributions were as follows:

|                         | <b><u>2019</u></b> | <b><u>2018</u></b> |
|-------------------------|--------------------|--------------------|
| Youth Development       | \$ 96,865          | \$ -               |
| Resource Center         | 5,000              | -                  |
| Cultural Competency     | 30,907             | -                  |
| Interpreter Training    | -                  | 20,095             |
| Facilities and Capital  | 180,150            | -                  |
| Family Fund             | 2,710              | 5,550              |
| Endowment Contributions | 5,000              | -                  |
| Endowment Income        | <u>27</u>          | <u>-</u>           |
| Total                   | <u>\$ 320,659</u>  | <u>\$ 25,645</u>   |

Net assets released from donor restrictions during the year ended June 30, 2019 and 2018, by incurring qualified expenses or by the occurrence of events specified by the donors were as follows:

|                        | <b><u>2019</u></b> | <b><u>2018</u></b> |
|------------------------|--------------------|--------------------|
| Youth Development      | \$ 84,349          | \$ -               |
| Resource Center        | 5,000              | 12,797             |
| Cultural Competency    | 30,907             | -                  |
| Interpreter Training   | 2,812              | 218                |
| Facilities and Capital | 124,751            | -                  |
| Family Fund            | <u>1,273</u>       | <u>3,491</u>       |
| Total                  | <u>\$ 249,092</u>  | <u>\$ 16,506</u>   |

See Independent Accountants' Review Report

**CHESAPEAKE MULTICULTURAL RESOURCE CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE G. ENDOWMENT FUNDS**

ChesMRC received endowment contributions during the fiscal year ended June 30, 2019, and established the Chesapeake Multicultural Resource Center Fund of the Mid-Shore Community Foundation.

**Endowment composition by type of fund at June 30, 2019:**

|                                     | <u>Without Donor<br/>Restrictions</u> | <u>With Donor<br/>Restrictions</u> | <u>Total</u>     |
|-------------------------------------|---------------------------------------|------------------------------------|------------------|
| Donor-restricted<br>Endowment Funds | \$ -                                  | \$ 5,027                           | \$ 5,027         |
| Board Designated<br>Endowment Funds | <u>4,992</u>                          | <u>-</u>                           | <u>4,992</u>     |
| Total Funds                         | <u>\$ 4,992</u>                       | <u>\$ 5,027</u>                    | <u>\$ 10,019</u> |

Under the terms of the contribution, the principal is to remain in perpetuity, however the income earned on the contributions is restricted for general operating expenses. Additionally, the Board designated a sum of \$5,000, to act as a Board-Designated endowment fund.

**Changes in Endowment Net Assets for the year ended June 30, 2019:**

|                                      | <u>Without<br/>Donor<br/>Restrictions</u> | <u>With Donor<br/>Restrictions</u> | <u>Total</u>     |
|--------------------------------------|---|------------------------------------|------------------|
| Endowment Funds<br>Beginning of Year | \$ -                                      | \$ -                               | \$ -             |
| Investment Return:                   |   |                                    |                  |
| Investment Income                    | -   | 23                                 | -                |
| Net Appreciation                     | -   | 12                                 | -                |
| Contributions                        | 5,000                                     | 5,000                              | 10,000           |
| Appropriations—<br>Operating         | <u>(8)</u>                                | <u>(8)</u>                         | <u>-</u>         |
| Endowment Funds<br>End of Year       | <u>\$ 4,992</u>                           | <u>\$ 5,027</u>                    | <u>\$ 10,019</u> |

**NOTE H - LEASE OBLIGATIONS**

The Organization has a lease that expires on September 30, 2019 for real property located on Bay Street, Easton, MD. The organization has moved operations from this location effective July 2019. Terms of the lease require monthly payments of \$1,100. Lease expenses related to this agreement totaled \$13,200 and \$13,050 for the years ended June 30, 2019 and 2018, respectively.

Estimated future minimum lease payments required under the operating lease agreements are as follows:

|                       |          |
|-----------------------|----------|
| Years ending June 30: |          |
| 2020                  | \$ 3,300 |
| 2021                  | -        |
| 2022                  | -        |

**NOTE I. RENTAL INCOME**

ChesMRC leases office spaces and residential apartments to unrelated companies. The amount of rental income received was \$9,275 for the year ended June 30, 2019.

**CHESAPEAKE MULTICULTURAL RESOURCE CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE J. LIQUIDITY AND AVAILABILITY OF RESOURCES**

The Organization's financial assets available within one year of the statement of financial position date for general expenditures are as follows as of June 30, 2019:

|  |                       |
|--|-----------------------|
| Cash and cash equivalents  | \$ 275,901            |
| Investments  | 10,019                |
| Accounts Receivable  | 656                   |
| Prepaid Expenses   | <u>3,940</u>          |
| Total financial assets available within one year   | 290,516               |
| <br>Less:  |                       |
| Amounts unavailable for general expenditures within one year, due to:                      |                       |
| Restricted by donors with purpose restrictions   | 75,897                |
| Restricted by donors in perpetuity   | <u>5,027</u>          |
| Total amounts unavailable for general expenditures within one year                         | 80,924                |
| Amounts unavailable for management without Board's approval                                |                       |
| Board Designated   | <u>4,992</u>          |
| <br>Total financial assets available to management for general expenditure within one year | <br><u>\$ 199,573</u> |

As part of the Organization's liquidity management, it has a policy to structure its financial resources to be available as its general expenditures, liabilities, and other obligations come due.