

**CHESAPEAKE MULTICULTURAL  
RESOURCE CENTER, INC.**

**FINANCIAL STATEMENTS**

**JUNE 30, 2023**

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## INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors of  
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, 2023 and 2022 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.

We are required to be independent of Chesapeake Multicultural Resource Center, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

### **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  
January 22, 2024

**CHESAPEAKE MULTICULTURAL RESOURCE CENTER, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2023 AND 2022**

<b><u>ASSETS</u></b>	<b><u>2023</u></b>	<b><u>2022</u></b>
<b><u>CURRENT ASSETS</u></b>		
Cash and Cash Equivalents	\$ 278,800	\$ 370,562
Accounts Receivable	12,273	17,720
Grants Receivable	64,030	28,513
Prepaid Expenses	4,108	3,170
TOTAL CURRENT ASSETS	<u>359,211</u>	<u>419,965</u>
<b><u>FIXED ASSETS</u></b>		
Land	221,946	221,946
Building and Improvements	362,657	362,657
Construction in Progress	25,231	-
FIXED ASSETS, AT COST	<u>609,834</u>	<u>584,603</u>
Less: Accumulated Depreciation	(41,938)	(31,420)
TOTAL FIXED ASSETS, AT COST, LESS ACCUMULATED DEPRECIATION	<u>567,896</u>	<u>553,183</u>
<b><u>OTHER ASSETS</u></b>		
Other Investments	137,990	86,010
Endowment Investments	13,089	11,951
TOTAL OTHER ASSETS	<u>151,079</u>	<u>97,961</u>
TOTAL ASSETS	<u>\$ 1,078,186</u>	<u>\$ 1,071,109</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b><u>CURRENT LIABILITIES</u></b>		
Current Maturities of Long-Term Debt	\$ 28,096	\$ 25,725
Accounts Payable	4,675	2,230
Rental Security Deposits	901	901
Payroll Taxes Payable	7,443	3,051
Accrued Payroll	26,058	20,510
Deferred Revenue	7,428	7,428
TOTAL CURRENT LIABILITIES	<u>74,601</u>	<u>59,845</u>
<b><u>LONG-TERM DEBT</u></b>		
Mortgage Payable	<u>79,447</u>	<u>139,973</u>
TOTAL LONG-TERM DEBT	<u>79,447</u>	<u>139,973</u>
TOTAL LIABILITIES	<u>154,048</u>	<u>199,818</u>
<b><u>NET ASSETS</u></b>		
Without Donor Restrictions	878,409	731,921
With Donor Restrictions	45,729	139,370
TOTAL NET ASSETS	<u>924,138</u>	<u>871,291</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,078,186</u>	<u>\$ 1,071,109</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 ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

	<u>2023</u>			<u>2022</u>		
	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
<b><u>REVENUES</u></b>						
Contributed Revenue	\$ 315,007	\$ 19,650	\$ 334,657	\$ 316,406	\$ 167,005	\$ 483,411
Grant Revenue	76,511	125,343	201,854	134,137	86,881	221,018
Contracts for Services	93,452	-	93,452	159,749	-	159,749
Event Income	45,462	-	45,462	-	-	-
Rental Income	30,300	-	30,300	36,500	-	36,500
Interest & Dividend Income	614	140	754	300	122	422
Realized and Unrealized Gains/(Losses)	22,537	431	22,968	(1,037)	(1,046)	(2,083)
Other Income	4,986	-	4,986	10,305	-	10,305
TOTAL REVENUES	<u>588,869</u>	<u>145,564</u>	<u>734,433</u>	<u>656,360</u>	<u>252,962</u>	<u>909,322</u>
<b><u>EXPENSES</u></b>						
Program Expenses:						
Youth Development	104,616	-	104,616	107,039	-	107,039
Family Fund	5,144	-	5,144	10,446	-	10,446
Information and referral	478,621	-	478,621	433,260	-	433,260
Total Program Expenses	<u>588,381</u>	<u>-</u>	<u>588,381</u>	<u>550,745</u>	<u>-</u>	<u>550,745</u>
Supporting Services:						
Management and general	70,389	-	70,389	51,871	-	51,871
Fundraising	22,816	-	22,816	10,233	-	10,233
Total Supporting Services	<u>93,205</u>	<u>-</u>	<u>93,205</u>	<u>62,104</u>	<u>-</u>	<u>62,104</u>
TOTAL EXPENSES	<u>681,586</u>	<u>-</u>	<u>681,586</u>	<u>612,849</u>	<u>-</u>	<u>612,849</u>
<b><u>EXCESS OF REVENUE OVER EXPENSES</u></b>						
<u>BEFORE TRANSFER</u>	(92,717)	145,564	52,847	43,511	252,962	296,473
<u>NET ASSETS RELEASED FROM RESTRICTIONS</u>	<u>239,205</u>	<u>(239,205)</u>	<u>-</u>	<u>270,795</u>	<u>(270,795)</u>	<u>-</u>
<u>CHANGE IN NET ASSETS</u>	146,488	(93,641)	52,847	314,306	(17,833)	296,473
<u>NET ASSETS AT BEGINNING OF YEAR</u>	<u>731,921</u>	<u>139,370</u>	<u>871,291</u>	<u>417,615</u>	<u>157,203</u>	<u>574,818</u>
<u>NET ASSETS AT END OF YEAR</u>	<u>\$ 878,409</u>	<u>\$ 45,729</u>	<u>\$ 924,138</u>	<u>\$ 731,921</u>	<u>\$ 139,370</u>	<u>\$ 871,291</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, 2023 AND 2022**

	<b>2023</b>				<b>2022</b>			
	<b>Program Services</b>	<b>Management &amp; General</b>	<b>Fundraising</b>	<b>Total</b>	<b>Program Services</b>	<b>Management &amp; General</b>	<b>Fundraising</b>	<b>Total</b>
Accounting Fees	\$ -	\$ 6,000	\$ -	\$ 6,000	\$ -	\$ 6,100	\$ -	\$ 6,100
Advertising and Marketing	254	1,937	-	2,191	49	-	-	49
Bank Service Fees	616	218	564	1,398	311	556	372	1,239
Conferences and Meetings	1,008	-	-	1,008	1,026	-	-	1,026
Depreciation Expense	8,414	1,578	526	10,518	8,414	1,578	526	10,518
Dues and Subscriptions	2,538	-	-	2,538	2,363	-	-	2,363
Employee Benefit	40,520	11,710	10	52,240	33,909	537	10	34,456
Information Technology	8,384	229	980	9,593	3,415	184	1,518	5,117
Insurance	5,864	2,699	230	8,793	2,408	6,964	-	9,372
Loan & Property Fees	-	-	-	-	25	-	-	25
Mortgage Interest	4,509	845	282	5,636	9,014	1,690	563	11,267
Occupancy	4,528	2,407	-	6,935	5,641	518	-	6,159
Office Expense	5,051	355	-	5,406	4,308	-	-	4,308
Payroll Processing	-	1,597	-	1,597	-	1,759	-	1,759
Printing & Copying	1,460	200	11,621	13,281	1,377	-	2,961	4,338
Supply & Activity Expense	80,460	39	6,663	87,162	74,607	55	2,828	77,490
Postage & Shipping	7,707	30	-	7,737	2,072	-	312	2,384
Professional Development	60	-	50	110	-	-	-	-
Payroll Taxes	30,795	2,965	53	33,813	26,130	2,942	74	29,146
Property Taxes	3,985	747	249	4,981	2,996	533	178	3,707
Professional Fees	2,671	1,310	900	4,881	8,397	4,240	172	12,809
Repairs & Maintenance	6,950	2,020	-	8,970	31,467	-	-	31,467
Telecommunications	8,286	-	-	8,286	8,626	-	-	8,626
Travel	76	92	-	168	82	-	-	82
Salaries	364,245	33,411	688	398,344	324,108	24,215	719	349,042
<b>Total Functional Expenses</b>	<b>\$ 588,381</b>	<b>\$ 70,389</b>	<b>\$ 22,816</b>	<b>\$ 681,586</b>	<b>\$ 550,745</b>	<b>\$ 51,871</b>	<b>\$ 10,233</b>	<b>\$ 612,849</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, 2023 AND 2022**

	<b>2023</b>	<b>2022</b>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Change in Net Assets	\$ 52,847	\$ 296,473
Adjustments to Reconcile Change in Net Assets to Net Cash and Cash Equivalents Provided by (Used In) Operating Activities:		
Depreciation	10,518	10,518
(Gain) Loss and (Appreciation)/ Depreciation of Investments	(22,968)	2,083
(Increase) Decrease in Assets:		
Accounts Receivable	5,447	(12,335)
Grants Receivable	(35,517)	(28,513)
Prepaid Expenses	(938)	364
(Decrease) Increase in Liabilities:		
Accounts Payable	2,445	(3,074)
Payroll Taxes Payable	4,392	1,808
Accrued Liabilities	5,548	3,127
Deferred Revenue	-	(52)
Rental Security Deposits	-	1
NET CASH AND CASH EQUIVALENTS PROVIDED BY OPERATING ACTIVITIES	21,774	270,400
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Purchase of Property, Plant & Equipment	(25,231)	-
Purchase of Investments	(114,624)	(89,756)
Proceeds from Sale of Investments	84,474	3,555
NET CASH AND CASH EQUIVALENTS USED IN INVESTING ACTIVITIES	(55,381)	(86,201)
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>		
Repayment of Long Term Borrowings	(58,155)	(227,525)
NET CASH AND CASH EQUIVALENTS USED IN FINANCING ACTIVITIES	(58,155)	(227,525)
Net Decrease in Cash and Cash Equivalents	(91,762)	(43,326)
Cash and Cash Equivalents, Beginning of Year	370,562	413,888
Cash and Cash Equivalents, End of Year	\$ 278,800	\$ 370,562
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Cash Paid for:		
Interest	\$ 5,636	\$ 11,267
Income Taxes	\$ -	\$ -

See Independent Accountants' Review Report  
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**CHESAPEAKE MULTICULTURAL RESOURCE CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

**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.

**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 at Easton Elementary School and the ChesMRC Scholarship program. After-school programs are funded through private donations and small grants. The program provides enrichment programming from 3:30-5:30 that includes Healthy Habits, STEM activities, arts and crafts, and Scout programs. 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 ChesMRC scholarship fund is designed to identify and assist students with the most need.

**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. The most frequent requests are 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. ChesMRC is an accredited organization through the Department of Justice and can represent clients before US Citizenship & Immigration 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.



**CHESAPEAKE MULTICULTURAL RESOURCE CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

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

**BASIS OF PRESENTATION**

The Organization follows 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.

**REVENUE RECOGNITION**

The Organization follows two Financial Accounting Standards Board (FASB) Accounting Standards Updates (ASU) that affect the Organization's revenue recognition.

The first, FASB ASU 2014-09, *Revenue from Contracts with Customers* requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The second, FASB ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, establishes standards for characterizing grants and similar contracts with resource providers as either exchange transactions or conditional contributions.

Contribution Revenue – The Organization records contributions (including pledges) when the contribution is deemed unconditional. Contributions are reflected in the financial statements at the earlier of the transfer of the asset or at the time an unconditional pledge is made.

Contracts for Services – Income is recognized when earned; therefore, over the period the service was provided.

Rental Income – Income is recognized when earned; therefore, over the period the service was provided.

Grant Income – Grants are awarded to support the Organization's activities that are conditioned on performing certain services or incurring certain reimbursable expenditures. Cost reimbursement grants are recognized as revenue in the period the qualifying expenditures are incurred. Grants receivables consist of outstanding amounts due for grants in which the allowable expenditures have been incurred but the funding has not been reimbursed to the Organization. Grant amounts collected in advance but unearned are reflected as unearned revenue. Unearned revenue applies to services to be rendered in future periods and revenue is recognized in the year when the services are earned. Certain unexpended grants could be required under the grant terms to be returned to the funding entity.

See Independent Accountants' Review Report

**CHESAPEAKE MULTICULTURAL RESOURCE CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

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

**CASH AND CASH EQUIVALENTS**

The Organization 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 \$286,490 and \$367,921 (carrying amounts of \$278,800 and \$370,562) for the years ended June 30, 2023 and 2022, respectively. Of the cash in bank, \$250,000 was insured by the Federal Deposit Insurance Company for the years ended June 30, 2023 and 2022, respectively. The remaining balances of \$36,490 and \$117,921 were uninsured for the years ended June 30, 2023 and 2022, respectively.

**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 C 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.

**FIXED ASSETS**

Fixed assets are carried at cost. Assets and accumulated depreciation accounts are relieved when properties are retired or otherwise disposed. Gains and losses on the sale of property are included in revenue.

**CONTRIBUTED SERVICES**

Contributed services are reflected in the accompanying statements at their estimated fair values at the date of receipt to the extent that they create or enhance nonfinancial assets or require specialized skills which, if not provided by donation, would have to be purchased by the Organization.

A substantial number of unpaid volunteers make contributions of their time, particularly to the afterschool, scouting and adult literacy programs, approximately fifteen people during fiscal years ending June 30, 2023 and 2022. The value of these contributed services is not included in the accompanying financial statements because the criteria for recognition under FASB-ASC 958-605 has not been satisfied.

**CHESAPEAKE MULTICULTURAL RESOURCE CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

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

**DEPRECIATION**

Depreciation is calculated using the straight-line method over the estimated useful lives of the fixed assets as follows:

Building and Improvements                                      15 to 39 Years

Fixed asset activity for ChesMRC for the years ended June 30, 2023 and 2022 was as follows:

	<u>Balance as of June 30, 2022</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balance as of June 30, 2023</u>
Buildings and Improvements	\$ 362,657	\$ -	\$ -	\$ 362,657
Construction in Progress	-	25,231	-	25,231
Land	<u>221,946</u>	<u>-</u>	<u>-</u>	<u>221,946</u>
Totals	<u>\$ 584,603</u>	<u>\$ 25,231</u>	<u>\$ -</u>	<u>\$ 609,834</u>

  

	<u>Balance as of June 30, 2021</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balance as of June 30, 2022</u>
Buildings and Improvements	\$ 362,657	\$ -	\$ -	\$ 362,657
Land	<u>221,946</u>	<u>-</u>	<u>-</u>	<u>221,946</u>
Totals	<u>\$ 584,603</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 584,603</u>

Depreciation expenses on all fixed assets was \$10,518 for the years ended June 30, 2023 and 2022.

**INCOME TAXES**

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

In accordance with FASB ASC 740-10, *Accounting for Uncertainty in Income Taxes*, the Organization has assessed the likelihood that all tax positions are more likely than not to be sustained upon examination. The Organization's federal and state filings are subject to examination by the IRS and/or state authorities, generally, for the three years after they have been filed.

**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.

See Independent Accountants' Review Report

**CHESAPEAKE MULTICULTURAL RESOURCE CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

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

**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 charged 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 January 22, 2024 which is the date the financial statements were available to be issued.

**NOTE B. INVESTMENTS/MARKETABLE SECURITIES**

The Organization maintains investments in two accounts with Mid-Shore Community Foundation and one account with Wye Financial & Trust. Investments are stated at fair market value and are composed of the following:

	<u>MARKET</u>	<u>COST</u>
<b><u>Balances at June 30, 2023:</u></b>		
Without Donor Restrictions	\$ 144,585	\$ 119,463
With Donor Restrictions – Endowment	<u>\$ 6,494</u>	<u>\$ 6,050</u>
<b><u>Balances at June 30, 2022:</u></b>		
Without Donor Restrictions	\$ 92,038	\$ 91,850
With Donor Restrictions – Endowment	<u>\$ 5,923</u>	<u>\$ 5,728</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	<u>2023</u>	<u>2022</u>
	\$ 25,133	\$ (2,173)
Realized gain (loss) for the year	<u>(2,165)</u>	<u>90</u>
Total gain (loss) for the year	<u>\$ 22,968</u>	<u>\$ (2,083)</u>

**NOTE C. 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.

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**NOTE C. FAIR VALUE MEASUREMENTS (CONTINUED)**

The Organization has determined the fair values of assets and liabilities measured on a recurring basis at June 30, 2023 and 2022 are as follows:

<b><u>As of June 30, 2023</u></b>	<b><u>Fair Market Value</u></b>	<b><u>Quoted Prices in Markets (Level 1)</u></b>	<b><u>Other Observable Inputs (Level 2)</u></b>	<b><u>Unobservable Inputs (Level 3)</u></b>
Marketable Securities/ Traded Funds	<u>\$151,079</u>	<u>\$ 137,990</u>	<u>\$ 13,089</u>	<u>\$ -</u>
<b><u>As of June 30, 2022</u></b>	<b><u>Fair Market Value</u></b>	<b><u>Quoted Prices in Markets (Level 1)</u></b>	<b><u>Other Observable Inputs (Level 2)</u></b>	<b><u>Unobservable Inputs (Level 3)</u></b>
Marketable Securities/ Traded Funds	<u>\$ 97,961</u>	<u>\$ 86,010</u>	<u>\$ 11,951</u>	<u>\$ -</u>

**NOTE D. DEBT**

Line of Credit

ChesMRC has an unsecured line of credit with Shore United Bank with a maximum borrowing limit of \$50,000 and an adjustable interest rate, 9.25% and 5.75% at June 30, 2023 and 2022, respectively. No borrowings were made against this line of credit for the years ended June 30, 2023 or 2022.

Long-Term Debt

Long-term debt consists of the following:

	<b><u>2023</u></b>	<b><u>2022</u></b>
Mortgage Payable – Shore United Bank; Monthly Principal and Interest Installments of \$2,659; Matures April 20, 2044, Interest at 4.00% per Annum; Secured by Commercial Real Estate	<u>\$ 107,543</u>	<u>\$ 165,698</u>
Less Current Maturities	<u>(28,096)</u>	<u>(25,725)</u>
<b>TOTAL LONG-TERM DEBT</b>	<b><u>\$ 79,447</u></b>	<b><u>\$ 139,973</u></b>

Long-Term debt is scheduled to mature as follows:

2024	\$ 28,096
2025	29,241
2026	30,433
2027	<u>19,773</u>
<b>TOTAL</b>	<b><u>\$ 107,543</u></b>

Interest under all debt agreements amounted to \$5,636 and \$11,267 for the years ended June 30, 2023 and 2022, respectively.

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**NOTE E. DONOR RESTRICTED NET ASSETS**

During the years ended June 30, 2023 and 2022, donor restricted contributions were as follows:

	<u>2023</u>	<u>2022</u>
Youth Development	\$ 63,843	\$ 176,760
Scholarship	52,000	50,582
Facilities and Capital	25,000	25,000
Family Fund	4,650	1,544
Endowment Income	<u>571</u>	<u>(924)</u>
Total	<u>\$ 145,564</u>	<u>\$ 252,962</u>

Net assets released from donor restrictions during the year ended June 30, 2022 and 2021, by incurring qualified expenses or by the occurrence of events specified by the donors were as follows:

	<u>2023</u>	<u>2022</u>
Youth Development	\$ 156,664	\$ 57,574
Scholarship	52,891	38,932
Facilities and Capital	25,000	166,335
Family Fund	<u>4,650</u>	<u>7,954</u>
Total	<u>\$ 239,205</u>	<u>\$ 270,795</u>

Net assets with donor restrictions at year end are comprised of the following:

	<u>2023</u>	<u>2022</u>
Youth Development	\$ 25,865	\$ 119,186
Scholarship	10,759	11,650
Interpreter Training	2,611	2,611
Endowment	<u>6,494</u>	<u>5,923</u>
Total	<u>\$ 45,729</u>	<u>\$ 139,370</u>

**NOTE F. 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:**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b><u>June 30, 2023</u></b>			
Donor-restricted			
Endowment Funds	\$ -	\$ 6,494	\$ 6,494
Board Designated			
Endowment Funds	<u>6,595</u>	<u>-</u>	<u>6,595</u>
Total Funds	<u>\$ 6,595</u>	<u>\$ 6,494</u>	<u>\$ 13,089</u>
<b><u>June 30, 2022</u></b>			
Donor-restricted			
Endowment Funds	\$ -	\$ 5,923	\$ 5,923
Board Designated			
Endowment Funds	<u>6,028</u>	<u>-</u>	<u>6,028</u>
Total Funds	<u>\$ 6,028</u>	<u>\$ 5,923</u>	<u>\$ 11,951</u>

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**NOTE F. ENDOWMENT FUNDS (CONTINUED)**

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 function as a Board-Designated endowment fund.

**Changes in Endowment Net Assets:**

	<b><u>Without Donor Restrictions</u></b>	<b><u>With Donor Restrictions</u></b>	<b><u>Total</u></b>
Endowment Funds			
June 30, 2021	\$ 6,945	\$ 6,847	\$ 13,792
Investment Return:			
Investment Income	165	167	332
Net Appreciation	(1,082)	(1,091)	(2,173)
Contributions	-	-	-
Appropriations—			
Operating	-	-	-
Endowment Funds			
June 30, 2022	6,028	5,923	11,951
Investment Return:			
Investment Income	321	322	332
Net Appreciation	246	249	(2,173)
Contributions	-	-	-
Appropriations—			
Operating	-	-	-
Endowment Funds			
June 30, 2023	<u>\$ 6,595</u>	<u>\$ 6,494</u>	<u>\$ 13,089</u>

**NOTE G. RENTAL INCOME**

ChesMRC leases office spaces and residential apartments to unrelated companies. The amount of rental income received was \$30,300 and \$36,500 for the years ended June 30, 2023 and 2022, respectively.

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**NOTE H. 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, 2023 and 2022:

	<b>2023</b>	<b>2022</b>
Cash and cash equivalents	\$ 278,800	\$ 370,562
Investments	151,079	97,961
Grants and Accounts Receivable	76,303	46,233
Prepaid Expenses	<u>4,108</u>	<u>3,170</u>
Total financial assets available within one year	510,290	517,926
Less:		
Amounts unavailable for general expenditures within one year, due to:		
Restricted by donors with purpose restrictions	40,729	134,370
Restricted by donors in perpetuity	<u>5,000</u>	<u>5,000</u>
Total amounts unavailable for general expenditures within one year	45,729	139,370
Amounts unavailable for management without Board's approval		
Board Designated	<u>6,595</u>	<u>6,028</u>
Total financial assets available to management for general expenditure within one year	<u>\$ 457,966</u>	<u>\$ 372,528</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. The Organization has an available line of credit with borrowing up to \$50,000 which it can utilize to meet short-term liquidity needs.

**NOTE I. SUBSEQUENT EVENT**

In September 2023, employee misappropriation was discovered through ChesMRC internal control procedures. It was discovered that the employee had misappropriated approximately \$13,000. The Board, with the guidance of an attorney Board member, issued notice to the former employee of the discovery and demanded restitution to ChesMRC. To date, the former employee has not met the demands of restitution. The Board is reviewing the facts, with the guidance of the same attorney (who is no longer a Board member), to determine the best option for recouping the misappropriated funds from the former employee. One of those options may be for the Board to retain legal counsel for civil action against the former employee.