



FINANCIAL STATEMENTS
Years Ended December 31, 2021 and 2020

MOSAIC CHRISTIAN CHURCH
Elkridge, Maryland

BOARD OF OVERSEERS

Carl Kuhl – Lead Pastor
Eric Cole, Chairman
Jeff Hill, Treasurer
Darin Mirante, Secretary
Eugene DePorter
Bill Johnson
Brian Nguy

FINANCE TEAM

Aiden Bailey
Jeff Hill
Brian Nguy

MOSAIC CHRISTIAN CHURCH
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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Finance Team
Mosaic Christian Church
Elkridge, Maryland

We have reviewed the accompanying financial statements of Mosaic Christian Church, which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Church 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 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 Mosaic Christian Church 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 acceptable in the United States of America.

Summarized Comparative Information

We previously reviewed Mosaic Christian Church's 2020 financial statements and in our conclusion dated October 21, 2020, stated that based on our review, we were not aware of any material modifications that should be made to the 2020 financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America. We are not aware of any material modifications that should be made to the summarized comparative information presented herein as of and for the year ended December 31, 2020, for it to be consistent with the reviewed financial statements from which it has been derived.

Updegrave, McDaniel, McMullen & Chiccehitto, PLC

Updegrave, McDaniel, McMullen & Chiccehitto, PLC
Leesburg, Virginia

October 6, 2022



MOSAIC CHRISTIAN CHURCH
Statements of Financial Position
December 31, 2021 and 2020

ASSETS		
	<u>2021</u>	<u>2020</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,700,819	\$ 1,260,857
Prepaid expenses	<u>6,234</u>	<u>9,571</u>
TOTAL CURRENT ASSETS	<u>1,707,053</u>	<u>1,270,428</u>
 PROPERTY AND EQUIPMENT, net	 <u>8,591,867</u>	 <u>8,995,852</u>
	<u><u>\$10,298,920</u></u>	<u><u>\$10,266,280</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 262,578	\$ 75,861
Accounts payable and other liabilities	<u>90,341</u>	<u>76,830</u>
TOTAL CURRENT LIABILITIES	<u>352,919</u>	<u>152,691</u>
 LONG-TERM LIABILITIES		
Long-term debt, less current maturities	6,513,802	6,979,329
Paycheck Protection Program (PPP) loan	<u>-</u>	<u>81,138</u>
	<u>6,513,802</u>	<u>7,060,467</u>
 NET ASSETS		
Without donor restrictions	3,409,040	3,035,308
With donor restrictions	<u>23,159</u>	<u>17,814</u>
TOTAL NET ASSETS	<u>3,432,199</u>	<u>3,053,122</u>
	<u><u>\$ 10,298,920</u></u>	<u><u>\$10,266,280</u></u>

See independent accountant's review report and accompanying notes.

MOSAIC CHRISTIAN CHURCH
Statement of Activities
Year Ended December 31, 2021
(with comparative totals for Year Ended December 31, 2020)

	Without Donor	With Donor Restrictions	Totals	
			2021	2020
REVENUE AND SUPPORT				
Tithes and offerings	\$ 2,997,919	\$ 156,049	\$ 3,153,968	\$ 2,774,550
Other support	21,732	-	21,732	46,027
Net assets released from restriction	150,704	(150,704)	-	-
Total revenue and support	3,170,355	5,345	3,175,700	2,820,577
EXPENSES				
Program services				
Ministry expenses	1,732,758	-	1,732,758	1,533,514
Outreach	427,277	-	427,277	313,676
Total program services	2,160,035	-	2,160,035	1,847,190
Supporting services				
Management and general	714,888	-	714,888	724,298
Fundraising	2,838	-	2,838	1,641
Total support services	717,726	-	717,726	725,939
Total expenses	2,877,761	-	2,877,761	2,573,129
Change in net assets from operations	292,594	5,345	297,939	247,448
Non-operating activities				
Gain on extinguishment of debt (PPP)	81,138	-	81,138	-
Change in net assets	373,732	5,345	379,077	
Net assets, beginning of year	3,035,308	17,814	3,053,122	2,805,674
Net assets, end of year	\$ 3,409,040	\$ 23,159	\$ 3,432,199	\$ 3,053,122

See independent accountant's review report and accompanying notes.

MOSAIC CHRISTIAN CHURCH
Statement of Functional Expenses
Year Ended December 31, 2021
(with comparative totals for Year Ended December 31, 2020)

	Program Services		Supporting Services		Totals	
	Ministry	Outreach	Management & General	Fundraising	2021	2020
Bank and merchant fees	\$ -	\$ -	\$ 44,356	\$ -	\$ 44,356	\$ 30,999
Depreciation	334,814	-	111,604	-	446,418	437,151
Equipment and supplies	111,293	-	7,845	-	119,138	98,634
Event costs	92,867	-	-	-	92,867	87,488
Facility maintenance	63,387	-	21,129	-	84,516	56,153
Giving	-	214,032	-	-	214,032	181,239
Information technology	14,195	14,195	5,678	2,838	36,906	23,790
Insurance	-	-	18,250	-	18,250	15,989
Interest	241,235	-	80,412	-	321,647	391,132
Marketing and promotion	-	13,916	-	-	13,916	12,314
Missions	-	133,954	-	-	133,954	66,129
Outside services	81,320	-	54,573	-	135,893	84,334
Printing and postage	-	-	14,292	-	14,292	10,576
Rent	9,399	-	-	-	9,399	9,125
Salaries and benefits	678,012	46,791	326,154	-	1,050,957	949,917
Staff development	63,602	4,389	30,595	-	98,586	90,564
Volunteer appreciation	42,634	-	-	-	42,634	27,595
	<u>\$ 1,732,758</u>	<u>\$ 427,277</u>	<u>\$ 714,888</u>	<u>\$ 2,838</u>	<u>\$ 2,877,761</u>	<u>\$ 2,573,129</u>

See independent accountant's review report and accompanying notes.

MOSAIC CHRISTIAN CHURCH
Statements of Cash Flows
Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 379,077	\$ 247,448
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	446,418	437,151
Amortization of debt issuance costs	7,515	33,450
Gain on extinguishment of debt	(81,138)	-
(Increase) decrease in:		
Prepaid expenses	3,337	379
Refund receivable	-	4,955
Increase (decrease) in:		
Accounts payable and other liabilities	13,511	1,273
	<u>768,720</u>	<u>724,656</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(42,433)</u>	<u>(95,689)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on long-term debt	(286,325)	(269,897)
Proceeds from PPP loan	-	81,138
Payment of loan costs	-	(32,243)
	<u>(286,325)</u>	<u>(221,002)</u>
INCREASE IN CASH	439,962	407,965
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,260,857</u>	<u>852,892</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 1,700,819</u></u>	<u><u>\$ 1,260,857</u></u>
SUPPLEMENTAL DISCLOSURES		
Cash paid for interest	<u><u>\$ 316,017</u></u>	<u><u>\$ 361,798</u></u>

See independent accountant's review report and accompanying notes.

MOSAIC CHRISTIAN CHURCH
Notes to Financial Statements
Years Ended December 31, 2021 and 2020

NOTE A – NATURE OF ACTIVITIES

Mosaic Christian Church (the Church) operates as a non-stock, nonprofit religious corporation organized in the state of Maryland. The purpose for which this organization is formed is to glorify God by forming a local congregation of the church of Christ which will carry out the great commission of the Lord Jesus Christ as revealed in the New Testament of the Word of God. The Church is supported primarily through contributions from the congregation, which is concentrated primarily in the Washington, D.C. – Baltimore, Maryland area. The Church's programs consist of its worship and ministry programs, mission programs, and children's educational programs.

NOTE B – SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared using the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America. Under this method, revenues are recorded when earned and expenses are recorded when incurred.

The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Basis of Presentation

The Church reports 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.

- Net assets without donor restrictions 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 subject to self-imposed limits if designated for specific purposes by action of the Board of Overseers, or the Leadership Team for future programs, investment, contingencies, purchase or construction of fixed assets or other uses.
- Net assets with donor restrictions are subject to donor-imposed stipulations either for purpose or time, that may be fulfilled by actions of the Church to meet the stipulations or that become unrestricted at the date specified by the donor. Donor-imposed restrictions may include stipulations that funds be retained and invested permanently by the Church to use all or part of the investment return on these net assets for specified or unspecified purposes.

MOSAIC CHRISTIAN CHURCH
Notes to Financial Statements

NOTE B – 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 and disclosures. Accordingly, actual results could differ from those estimates.

Measure of Operations

The statements of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Church's ongoing activities. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

Comparative Financial Information

The accompanying financial statements include certain prior-year summarized comparative information in total but not by net asset class or functional expense category. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with our reviewed financial statements for the year ended December 31, 2020, from which the summarized information is derived.

Cash and Cash Equivalents

For purposes of the statement of financial position and the statement of cash flows, cash and cash equivalents consist of cash and other highly liquid resources, such as investments in certificates of deposit and money market or mutual funds, with an original maturity of one year or less when purchased.

Contributed Services

While the Church receives services from a large number of volunteers who give significant amounts of their time to perform a variety of tasks including campaign solicitations, leadership, governance, and various committee assignments, these services do not meet the criteria for financial statement recognition. Therefore, no amounts have been reflected in the financial statements for donated services.

MOSAIC CHRISTIAN CHURCH
Notes to Financial Statements

NOTE B – SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue and Revenue Recognition

The Church recognizes contributions when cash, securities or other assets are received. All contributions are considered available for the Church's general programs unless specifically restricted by the donor. The Church administers various programs in support of their mission. Fees for mission trips, retreats, or other outreach activities, collected in advance of the event are deferred and revenue recognized, along with the offsetting expenses, when the event takes place.

Property and Equipment

Property and equipment are stated at cost at the date of purchase or, for donated assets, at fair value at the date of donation, less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. The useful lives range from three to forty years. The Church's policy is to capitalize improvements and replacement of property acquired for greater than \$1,000 and expense normal repairs and maintenance as incurred. The Church's management periodically evaluates whether events or circumstances have occurred indicating that the carrying amount of long-lived assets may not be recovered.

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

Expense	Method of Allocation
Depreciation	Square footage
Facility maintenance	Square footage
Information technology	Web usage
Interest	Square footage
Salaries and benefits	Job description
Staff development	Job description

MOSAIC CHRISTIAN CHURCH
Notes to Financial Statements

NOTE B – SIGNIFICANT ACCOUNTING POLICIES (continued)

Advertising

The Church uses advertising to promote its services and programs among the audiences it serves. The production costs of advertising are expensed the first time the advertising takes place. Advertising expense is considered a program expense included on the statement of functional expenses with marketing and promotion as outreach. Total advertising expense for the years ended December 31, 2021 and 2020 was \$13,916 and \$12,314, respectively.

Income Taxes

The Church qualifies as a religious organization exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code, and exempt from filing federal Form 990, (*Return of Organization Exempt from Income Tax*). Accordingly no provision for income taxes is included in the financial statements. However, income from certain activities not directly related to the Church's tax-exempt purpose is subject to taxation as unrelated business income. The Church had no unrelated business taxable income during the years ended December 31, 2021 and 2020.

Reclassifications

Certain reclassifications have been made to the 2020 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

Pending Accounting Guidance

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842), wherein a lessee is required to record a right-of-use asset and lease liability for all leases with a term of greater than 12 months. Leases with a term of 12 months or less will be accounted for similar to the existing guidance for operating leases today. Management is evaluating the effect that the standard will have on the financial statements. The standard is effective January 1, 2022, with early adoption permitted.

NOTE C – CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Church to concentrations of credit risk consist principally of cash and cash equivalents and investments. The Church's cash and investment accounts are held in commercial banks and with Christian Financial Resources, Inc. All cash accounts held at commercial banks are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The total amount by which cash held in commercial banks exceeded the federally insured limit was \$591,725 and \$304,577 at December 31, 2021 and 2020, respectively.

MOSAIC CHRISTIAN CHURCH
Notes to Financial Statements

NOTE C – CONCENTRATIONS OF CREDIT RISK (continued)

Ready Cash Accounts held at Christian Financial Resources, Inc. (CFR) are neither bank deposits nor obligations, and are not insured by the Federal Deposit Insurance Corporation (FDIC), the Securities Investor Protection Corporation (SIPC) or any other federal or state agency. The amount of funds held and uninsured at CFR was \$868,252 and \$703,976 at December 31, 2021 and 2020, respectively.

NOTE D – AVAILABILITY AND LIQUIDITY

The Church receives significant contributions, some of which may be restricted by donors for programs or projects which are ongoing, major, and central to its annual operations. Additionally, the Church may self-designate unrestricted funds for programs or projects of similar nature. The Church manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. To achieve these targets, the Church forecasts its future cash flows and monitors its liquidity quarterly and annually. During the years ended December 31, 2021 and 2020, the level of liquidity and reserves was managed within the guiding principles.

The following represents the Church's financial assets at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Financial assets at year end:		
Cash and cash equivalents	<u>\$ 1,700,819</u>	<u>\$ 1,260,857</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	<u>(23,159)</u>	<u>(17,814)</u>
Financial assets available to meet general expenditures over the next twelve months:	<u><u>\$ 1,677,660</u></u>	<u><u>\$ 1,243,043</u></u>

NOTE E – LEASE COMMITMENTS

The Church holds an operating lease agreement for extra parking space that expires in July 2023. The agreement includes a provision for maintenance and repairs in addition to rent as well as an annual 3% escalation clause. The Church has the option to extend the lease by five years in one year increments. Total expense under this operating lease agreement was \$9,399 and \$9,125 for the years ended December 31, 2021 and 2020, respectively.

MOSAIC CHRISTIAN CHURCH
Notes to Financial Statements

NOTE E – LEASE COMMITMENTS (continued)

In addition, the Church leases an office copier under a non-cancelable operating lease agreement requiring annual payments of \$7,008 plus taxes and excess usage fees, and expiring in August 2023. Lease expense under this operating lease for the years ended December 31, 2021 and 2020 was \$7,845 and \$6,171, respectively. Due to the COVID-19 pandemic the original term was extended three months and the associated payments suspended in 2020.

Future minimum payments under these leases are as follows:

<u>Years ending December 31</u>	
2022	\$ 16,689
2023	16,980
2024	14,943
2025	10,579
2026	10,896
Thereafter	<u>17,883</u>
	<u>\$ 87,970</u>

NOTE F – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	<u>2021</u>	<u>2020</u>
Land	\$ 656,100	\$ 656,100
Building and improvements	8,112,395	8,096,495
Computers and equipment	1,114,518	1,093,917
Furniture and fixtures	<u>259,471</u>	<u>259,471</u>
	10,142,484	10,105,983
Accumulated depreciation	<u>(1,550,617)</u>	<u>(1,110,131)</u>
	<u>\$ 8,591,867</u>	<u>\$ 8,995,852</u>

MOSAIC CHRISTIAN CHURCH
Notes to Financial Statements

NOTE G – LONG-TERM DEBT

In June 2016 the Church obtained a \$800,000 unsecured, non-interest bearing loan from Southeast Christian Church of Jefferson County, Kentucky, Inc., a Kentucky nonprofit corporation. Proceeds from the loan were used toward the purchase and building of the Church's permanent facility. The loan requires monthly principal payments of \$4,897 through February 1, 2032, or until paid in full. Southeast Christian Church temporarily suspended payments in April 2020 in response to the COVID-19 pandemic. Scheduled payments resumed in August 2020.

In addition, the Church obtained a construction loan in 2018. Principal advances at December 31, 2019 totaled approximately \$6.6 million payable in monthly interest only payments until maturity. In November 2020, the loan was refinanced as a ten year note bearing interest at 4.95% on the total outstanding balance of \$6.4 million. Monthly interest only payments were due through November 2021, at which point monthly principal and interest payments, based on a 19-year amortization schedule, became due. All principal, interest and associated costs are due November 1, 2030. Approximately six months prior to maturity, the Church will be given information regarding items needed to review the loan for renewal. Interest expense for the years ended December 31, 2021 and 2020 was \$321,647 and \$391,132, respectively, including annual amortization of debt issuance costs (described below) of \$7,515 and \$33,450, respectively.

The note is secured by a Deed of Trust on the land, building and improvements known as the Deerpath property, and a \$1 million life insurance policy on the senior pastor, as well as all equipment, fixtures and other personal property owned by the Church. In addition, the note requires that general Church savings accounts are maintained with the lender.

The Church reports debt issuance costs as a direct deduction from the face amount of the related debt (as shown in the table below) and amortization of such costs over the term of the loan in the statement of activities as interest expense.

At December 31, 2021 and 2020 the Church's long-term debt consisted of the following:

	2021	2020
Christian Financial Resources	\$ 6,194,578	\$ 6,422,135
Southeast Christian Church	617,077	675,846
Less unamortized debt issuance costs	<u>(35,275)</u>	<u>(42,791)</u>
	6,776,380	7,055,190
Less current maturities	<u>(262,578)</u>	<u>(75,861)</u>
	<u><u>\$ 6,513,802</u></u>	<u><u>\$ 6,979,329</u></u>

MOSAIC CHRISTIAN CHURCH
Notes to Financial Statements

NOTE G – LONG-TERM DEBT (continued)

Future maturities of long-term debt at December 31, 2021 for the next five years are as follows:

2022	\$ 262,578
2023	272,898
2024	283,741
2025	295,638
2026	316,669
Thereafter	<u>5,380,131</u>
	<u>\$ 6,811,655</u>

NOTE H – PAYCHECK PROTECTION PROGRAM (PPP) LOAN

In response to the COVID-19 pandemic, the Paycheck Protection Program (PPP) was established under the Coronavirus Aid, Relief and Economic Security (CARES) Act and administered by the Small Business Administration (SBA). Organizations who met the eligibility requirements set forth by the PPP could qualify for loans. If the loan proceeds were fully utilized to pay qualified expenses, the full principal amount of the loan, along with accrued interest, would qualify for loan forgiveness, subject to potential reduction based on the level of full-time employees maintained by the organization. In May 2020 the Church received a loan of \$81,138 under the PPP. The loan was entirely forgiven in January 2021.

NOTE I – NET ASSETS

Net assets with donor restrictions are derived from Church capital campaigns launched at various times for the purpose of raising money for campus expansion, new building acquisition, and construction, or from funds designated by the donor for specific mission trips or other specific purposes. Donor-designated giving generally occurs throughout the year.

Net assets with donor restrictions at December 31 relate to salary support for a staff member that was hired in September 2020.

MOSAIC CHRISTIAN CHURCH
Notes to Financial Statements

NOTE I – NET ASSETS (continued)

During the years ended December 31, 2021 and 2020, net assets were released from donor restrictions by incurring expenses satisfying restricted purposes or by the occurrence of other events specified by the donors as follows:

	2021	2020
Building expansion and renovation	\$ 103,744	\$ 145,743
Missions	-	25,140
Salary support	46,960	14,113
	<u>\$ 150,704</u>	<u>\$ 184,996</u>

NOTE J – EMPLOYEE RETIREMENT ANNUITY

The Church participates in a 403(b)(9) Retirement Plan owned by Church and Clergy Alliance and administered by AXA. Under the plan employees are eligible to make salary reduction contributions and receive employer contributions to the plan. The Church has elected to contribute an amount up to 6% of the employees' salary. Retirement contribution expense under this plan for the years ended December 31, 2021 and 2020 amounted to \$48,941 and \$36,902, respectively.

NOTE K – SUBSEQUENT EVENTS

In evaluating subsequent events, the Church identified the on-going effects of the 2020 outbreak of the COVID-19 pandemic as a potential risk factor. In-person services have resumed since late 2020, however, the pandemic has resulted in suspension of some global travel, particularly mission trips in 2021. The Church does not expect lingering effects of COVID-19 to have any severe impact on future financial conditions or results of operations. Subsequent to year-end the Church transitioned to a new lead pastor.

Subsequent events were evaluated through October 6, 2022, which is the date the financial statements were available to be issued.