



**YEARS ENDED
DECEMBER 31, 2021 AND 2020**



CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

A Professional Corporation

FREDERICK RESCUE MISSION, INC. AND SUBSIDIARIES

YEARS ENDED DECEMBER 31, 2021 AND 2020

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Independent Auditor's Report

Board of Directors
Frederick Rescue Mission, Inc. and Subsidiaries
Frederick, Maryland

Opinion

We have audited the accompanying consolidated financial statements of Frederick Rescue Mission, Inc. (a nonprofit organization) and Subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2021 and 2020 and the related consolidated statements of activities, functional expenses and cash flows for the years then ended and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Frederick Rescue Mission, Inc. and Subsidiaries as of December 31, 2021 and 2020, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Frederick Rescue Mission, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Frederick Rescue Mission, Inc.'s ability to continue as a going concern for one year after the date the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance; and therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Frederick Rescue Mission, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Frederick Rescue Mission, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control related matters that we identified during the audit.

Brown Schultz Steidman & Fritz

Frederick, Maryland
May 12, 2022

FREDERICK RESCUE MISSION, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020

ASSETS		2021	2020
		<u> </u>	<u> </u>
Current assets:			
Cash and cash equivalents:			
Cash and cash equivalents		\$ 1,626,622	\$ 1,990,558
Residents' savings accounts, restricted		2,039	2,580
		<u> </u>	<u> </u>
Total cash and cash equivalents		1,628,661	1,993,138
Investments		697,075	
Investments, donated securities			2,531
Accounts receivable		9,558	14,379
Unconditional promises to give (less allowance for uncollectible promises of \$1,203 and \$1,250, respectively)		22,847	23,750
Inventory		7,714	5,735
Prepaid expenses		8,744	8,782
		<u> </u>	<u> </u>
Total current assets		2,374,599	2,048,315
Property and equipment:			
Construction in progress		21,561	
Land		482,207	482,207
Buildings		3,240,158	3,240,158
Furniture and equipment		584,957	570,215
Improvements		2,024,258	2,002,909
Vehicles		407,226	397,372
		<u> </u>	<u> </u>
		6,760,367	6,692,861
Less accumulated depreciation		2,308,026	2,105,492
		<u> </u>	<u> </u>
Total property and equipment		4,452,341	4,587,369
Other assets:			
Deposits		1,481	
Investments, quasi-endowment fund		37,142	28,323
Website development costs and software, (less accumulated amortization of \$19,272)		4,663	
		<u> </u>	<u> </u>
Total other assets		43,286	28,323
		<u> </u>	<u> </u>
Total assets		\$ 6,870,226	\$ 6,664,007
		<u> </u>	<u> </u>

See notes to consolidated financial statements.

FREDERICK RESCUE MISSION, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020

LIABILITIES AND NET ASSETS

	<u>2021</u>	<u>2020</u>
Liabilities:		
Current liabilities:		
Accounts payable	\$ 22,432	\$ 14,441
Accrued expenses	86,432	79,679
Amounts due to residents	1,864	2,602
Deferred revenue		4,690
Current portion of:		
Capital lease obligations	4,098	3,925
Paycheck Protection Program		121,610
	<u>114,826</u>	<u>226,947</u>
Total current liabilities	114,826	226,947
Long-term liabilities:		
Capital lease obligations	5,711	6,250
Paycheck Protection Program		99,890
	<u>5,711</u>	<u>106,140</u>
Total long-term liabilities	5,711	106,140
Total liabilities	120,537	333,087
Net assets:		
Net assets without donor restrictions:		
Undesignated	6,020,869	5,597,870
Board designated	622,142	544,139
	<u>6,643,011</u>	<u>6,142,009</u>
Total net assets without donor restrictions	6,643,011	6,142,009
Net assets with donor restrictions	106,678	188,911
	<u>6,749,689</u>	<u>6,330,920</u>
Total net assets	6,749,689	6,330,920
Total liabilities and net assets	<u>\$ 6,870,226</u>	<u>\$ 6,664,007</u>

See notes to consolidated financial statements.

FREDERICK RESCUE MISSION, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021			2020		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Support, revenue and gains:						
Contributions	\$ 1,539,746	\$ 669,597	\$ 2,209,343	\$ 2,074,903	\$ 759,396	\$ 2,834,299
In-kind contributions	2,515,466		2,515,466	2,463,834		2,463,834
Recycling and other sales revenue	188,660		188,660	111,619		111,619
Program service revenue	37,178		37,178	26,389		26,389
Paycheck Protection Program forgiveness	221,500		221,500			
Net investment income	18,525		18,525	7,624		7,624
Miscellaneous	12,545		12,545	5,089		5,089
Gain on asset disposal	2,500		2,500	900		900
Total support, revenue and gains	4,536,120	669,597	5,205,717	4,690,358	759,396	5,449,754
Net assets released from restrictions	751,830	(751,830)	-	807,896	(807,896)	-
Total support, revenue and gains	5,287,950	(82,233)	5,205,717	5,498,254	(48,500)	5,449,754
Expenses and losses:						
Program services:						
Food Service	3,257,729		3,257,729	3,129,782		3,129,782
Changed Life Recovery	412,284		412,284	449,755		449,755
Faith House	482,982		482,982	427,324		427,324
Community Outreach	41,002		41,002	34,280		34,280
Rescued Treasures	188,254		188,254	146,648		146,648
Total program services	4,382,251		4,382,251	4,187,789		4,187,789

(continued)

FREDERICK RESCUE MISSION, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF ACTIVITIES (CONTINUED)
YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021			2020		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Expenses and losses (continued):						
Supporting services:						
Management and general	\$ 224,223		\$ 224,223	\$ 201,716		\$ 201,716
Fundraising	180,474		180,474	226,174		226,174
Total supporting services	404,697		404,697	427,890		427,890
Total expenses and losses	4,786,948		4,786,948	4,615,679		4,615,679
Change in net assets	501,002	\$ (82,233)	418,769	882,575	\$ (48,500)	834,075
Net assets:						
Beginning of year	6,142,009	188,911	6,330,920	5,259,434	237,411	5,496,845
End of year	\$ 6,643,011	\$ 106,678	\$ 6,749,689	\$ 6,142,009	\$ 188,911	\$ 6,330,920

See notes to consolidated financial statements.

FREDERICK RESCUE MISSION, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021

	Program services					Total program	Supporting services		Total functional expenses
	Food Service	Changed Life Recovery	Faith House	Community Outreach	Rescued Treasures		Management and general	Fundraising	
Expenses:									
Salaries	\$ 333,889	\$ 179,081	\$ 273,834	\$ 24,660	\$ 82,310	\$ 893,774	\$ 153,456	\$ 79,618	\$ 1,126,848
Payroll taxes and employee benefits	85,664	51,744	60,858	3,567	19,424	221,257	30,594	15,563	267,414
Community care				1,313		1,313			1,313
Conferences and meetings	3,598	2,603	1,176	305	426	8,108	2,460	214	10,782
Depreciation and amortization	142,534	70,123	49,529	678	22,109	284,973	849	849	286,671
Education		5,280	452	5,005		10,737			10,737
Equipment	7,770	1,334	1,130	180	305	10,719	3,751		14,470
Event entertainment and awards								6,610	6,610
Food and kitchen supplies	2,512,085		290			2,512,375		14,616	2,526,991
Information technology	8,374	5,735	17,414	1,895	1,629	35,047	1,997	8,182	45,226
Insurance	16,616	14,580	14,079	995	2,174	48,444	3,799	1,797	54,040
Interest		209	229			438	204		642
Newsletter and website	2,450	1,348	1,593	123	613	6,127		6,610	12,737
Professional fees	231	127	150	12	58	578	23,117	13,403	37,098
Program activities and events	5,172	6,763	176	15	46	12,172			12,172
Promotion	2,098	1,154	1,364	105	525	5,246		17,679	22,925
Property taxes		764	588			1,352			1,352
Rent					6,000	6,000			6,000
Repairs and maintenance	32,377	11,871	19,735	30	16,344	80,357	159	225	80,741
Resident care		5,337	4,126			9,463			9,463
Supplies	5,992	2,656	3,447	761	3,061	15,917	1,291	12,038	29,246
Travel	44,770	9,378	347		30,908	85,403	77		85,480
Utilities	54,109	42,197	32,465	1,358	2,322	132,451	2,469	3,070	137,990
Total expenses	\$ 3,257,729	\$ 412,284	\$ 482,982	\$ 41,002	\$ 188,254	\$ 4,382,251	\$ 224,223	\$ 180,474	\$ 4,786,948

See notes to consolidated financial statements.

FREDERICK RESCUE MISSION, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020

	Program services					Total program	Supporting services		Total functional expenses
	Food Service	Changed Life Recovery	Faith House	Community Outreach	Rescued Treasures		Management and general	Fundraising	
Expenses:									
Salaries	\$ 265,671	\$ 201,081	\$ 235,305	\$ 22,106	\$ 64,323	\$ 788,486	\$ 131,076	\$ 108,090	\$ 1,027,652
Payroll taxes and employee benefits	69,560	51,353	49,632	3,730	16,811	191,086	28,187	20,669	239,942
Bad debt expense							3,200		3,200
Community care	62	47	45	2,250	16	2,420			2,420
Conferences and meetings	1,521	5,253	936	380	248	8,338	5,897	428	14,663
Depreciation and amortization	122,810	66,825	46,661	715	23,903	260,914	955	1,400	263,269
Education		5,176	316	752		6,244			6,244
Equipment	3,495	1,382	4,543		119	9,539			9,539
Food and kitchen supplies	2,491,002		1,524			2,492,526			2,492,526
Grants to others	40,000					40,000			40,000
Information technology	5,365	3,178	5,226	616	802	15,187	1,377	13,176	29,740
Insurance	14,353	13,976	12,735	1,125	1,764	43,953	3,031	2,102	49,086
Interest		2,480	154		104	2,738	314		3,052
Newsletter and website	1,692	1,269	1,223	95	423	4,702		4,700	9,402
Professional fees	2,301	1,689	1,626	125	563	6,304	22,597	19,545	48,446
Program activities and events	580	10,642	403	48	48	11,721			11,721
Promotion	161	120	116	9	40	446		21,938	22,384
Property taxes		764	588			1,352			1,352
Rent					6,000	6,000			6,000
Repairs and maintenance	24,111	23,439	20,290	207	9,662	77,709	154	54	77,917
Resident care		4,922	2,502			7,424			7,424
Supplies	6,095	3,899	11,288	642	2,600	24,524	1,976	30,369	56,869
Travel	31,093	10,337	851		16,723	59,004	71	134	59,209
Utilities	49,910	41,923	31,360	1,480	2,499	127,172	2,881	3,569	133,622
Total expenses	\$ 3,129,782	\$ 449,755	\$ 427,324	\$ 34,280	\$ 146,648	\$ 4,187,789	\$ 201,716	\$ 226,174	\$ 4,615,679

See notes to consolidated financial statements.

FREDERICK RESCUE MISSION, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Inflows:		
Receipts from contributions	\$ 2,195,246	\$ 2,994,252
Recycling and other receipts	237,776	156,910
Interest and dividend income received	24,176	8,093
	<u>2,457,198</u>	<u>3,159,255</u>
Outflows:		
Payments to:		
Employees	1,120,095	1,044,692
Suppliers	864,952	867,981
Payments for interest	642	3,052
	<u>1,985,689</u>	<u>1,915,725</u>
Net cash provided by operating activities	<u>471,509</u>	<u>1,243,530</u>
Cash flows from investing activities:		
Inflows:		
Proceeds from sale of:		
Investments	251,735	
Property and equipment	2,500	900
	<u>254,235</u>	<u>900</u>
Outflows:		
Purchase of:		
Investments	956,039	
Investments, quasi-endowment fund	4,710	1,531
Property and equipment	144,106	183,463
	<u>1,104,855</u>	<u>184,994</u>
Net cash used by investing activities	<u>(850,620)</u>	<u>(184,094)</u>

(continued)

FREDERICK RESCUE MISSION, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Cash flows from financing activities:		
Inflows:		
Donor-restricted contributions for property and equipment	\$ 15,000	\$ 13,475
Proceeds from long-term liabilities		221,500
	<u>15,000</u>	<u>234,975</u>
Outflows:		
Payments on:		
Capital lease obligations	366	3,264
Long-term liabilities		148,532
	<u>366</u>	<u>151,796</u>
Net cash provided by financing activities	<u>14,634</u>	<u>83,179</u>
Net increase (decrease) in cash, cash equivalents and restricted cash	(364,477)	1,142,615
Cash, cash equivalents and restricted cash:		
Beginning of year	<u>1,993,138</u>	<u>850,523</u>
End of year	<u>\$ 1,628,661</u>	<u>\$ 1,993,138</u>
Noncash investing and financing transactions:		
Purchase of equipment with capital lease		\$ 4,696
Donated property and equipment and related services	\$ 12,200	16,650
Paycheck Protection Program loan forgiveness	221,500	

See notes to consolidated financial statements.

FREDERICK RESCUE MISSION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2021 AND 2020

1. Nature of Organization and summary of accounting policies:

Nature of activities:

Frederick Rescue Mission, Inc. and Subsidiaries (the Organization) is a Christ-centered ministry providing residential recovery programs for those experiencing homelessness or chemical addiction; food to the hungry, clothing and personal care items to those in need and connection within Frederick County, Maryland, through relationships. Operations are funded through cash and in-kind contributions, special events and textile sales.

The Bread of Life Food Ministries provide meals and groceries to anyone in need. The Organization serves warm and nutritious meals for breakfast and lunch 365 days a year. The Organization's Food Distribution Center offers individuals and families the ability to receive food from a selection of meat, bread, produce, dairy and other grocery items to take home and provide for themselves and their families. Additionally, the Organization supplies food for food banks, churches, ministries and other nonprofit organizations throughout Frederick County. In 2020, the Organization established F.O.O.D. (Frederick Organizations Optimizing Distribution) to increase awareness of the availability of food for those in need and more effectively reach all areas of Frederick County. The Organization receives food from local grocery stores, restaurants and other community partners five days a week for meals and for the Food Distribution Center.

The Changed Life Recovery Program is a Christ-centered residential recovery program designed to help men reclaim their lives over addiction and/or homelessness. The Organization hopes to restore residents back to their families and communities as upstanding, influential men, leading lives of integrity. The Changed Life Recovery Program is one year, split into a six-month residential period and a six-month transitional period. The men participate in Bible studies, recovery classes, work therapy, chapel and field trips. During the transitional period, men can work outside of the Organization, obtain higher education and/or work as an intern.

Faith House provides a loving, Christ-centered place for women and women with children experiencing homelessness. The program duration ranges from 90 to 270 days depending on the needs of the individual or family. The Faith House program meets physical, emotional and spiritual needs while promoting self-sufficiency. Each woman in the program has a personal development plan, which includes goals for employment and obtaining safe and affordable housing. The Organization owns an apartment building adjacent to the Faith House property used for the Faith House Transitional Living Program. Women and women with children who have successfully completed the Faith House program or a comparable program can live in an apartment for up to one year and continue to receive programming as they further their way to self-sufficiency.

FREDERICK RESCUE MISSION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2021 AND 2020

1. Nature of Organization and summary of accounting policies (continued):

Nature of activities:

The Organization operates several Community Outreach programs, including showers, health and hygiene care, haircuts, Bible studies and support groups. The Community Outreach program hosts a Summer Enrichment Camp every year, which involves games, Bible teaching, lunch and math and reading lessons for Frederick County students in need of support.

The Rescued Treasures program provides the community with free, gently-used clothing. Guests can schedule appointments to request needed items from a clothing storeroom adjacent to the Organization. All items distributed are donated to the Organization.

Principles of consolidation:

The consolidated financial statements of Frederick Rescue Mission, Inc. (the Organization) include the activities of Frederick Rescue Mission, Inc. and its Subsidiaries: Faith House, LLC and Faith House of Frederick, LLC. All intra-entity transactions have been eliminated in consolidation.

Cash and cash equivalents:

The Organization considers all highly liquid instruments available for current use with an initial maturity of three months or less to be cash equivalents.

Investments:

Investments in marketable securities with readily determinable market values and all investments in debt and equity securities are valued at their market values, which is the market value based on quoted market prices, when available, or market prices provided by recognized broker-dealers, with gains and losses included in the consolidated statements of activities. Investment income is recorded as income with or without donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Unrealized gains and losses are included in the change in net assets in the accompanying consolidated statements of activities.

Donated securities are recognized at fair value upon receipt. Donated securities received near year end and not liquidated by December 31, are liquidated immediately after year end.

Accounts receivable:

Accounts receivable consist of amounts due from funding sources for recycling program revenue. The Organization considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required.

FREDERICK RESCUE MISSION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2021 AND 2020

1. Nature of Organization and summary of accounting policies (continued):

Unconditional promises to give:

Contributions are recognized at their fair value when the donor makes a promise to give to the Organization that is, in substance, unconditional. Gains and losses from changes in fair value are included in contributions line of the consolidated financial statements of activities. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, which is measured as the present value of their future cash flows, as management believes that this is the most accurate method of reporting the receivables and related revenues. Annually, management uses an allowance method to estimate allowance for uncollectible promises to give.

Inventory:

Donated food inventory maintained by the Organization is stated at its estimated fair market value on the date received.

Property and equipment:

The Organization capitalizes all property and equipment purchases over \$2,500. Property and equipment is depreciated using the straight-line method over the estimated useful life of each asset. Depreciation expense for years ended December 31, 2021 and 2020 was \$284,339 and \$262,798, respectively.

Donations of property and equipment are recorded as revenue (support) at their estimated fair value at the date of donation. Such donations are reported as revenue (support) without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as revenue (support) with donor restrictions.

Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Website development costs:

Website development costs are carried at cost, net of accumulated amortization. These costs are amortized using the straight-line method over the estimated useful life of the website of three years. Amortization expense totaled \$2,332 and \$471 for years ended December 31, 2021 and 2020, respectively.

FREDERICK RESCUE MISSION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2021 AND 2020

1. Nature of Organization and summary of accounting policies (continued):

Deferred revenue:

When funds from special events are received before the event occurs, the appropriate amount is recorded as deferred revenue until the related event is held. Amounts will typically be recognized within one year.

Net assets:

The Organization reports information regarding its financial position and activities according to two classes of net assets as follows:

Net assets without donor restrictions - Net assets without donor restrictions are resources that are currently available for support of the Organization's operations and are not subject to donor-imposed restrictions.

Net assets with donor restrictions - Net assets with donor restrictions are resources that may be utilized only in accordance with the restricted purpose established by the donor. The restriction may require the passage of time or the occurrence of a specific event to trigger the release of the restriction. The Organization considers all contributions that are designated to a particular program to be transferred to net assets without donor restrictions when the terms of the restrictions have been met.

Contributions:

Contributions are recorded as support with or without donor restrictions, depending on the existence and/or nature of any donor restrictions. All contributions are considered to be available for use without donor restrictions unless specifically restricted by the donor. All donor-restricted contributions received that are designated for future periods or for specific purposes are reported as support with donor restrictions that increases net assets with donor restrictions. When a restriction expires in the fiscal year in which the contribution is recognized, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restriction.

All income, gains and losses recognized from the investment of contributions are recognized as unrestricted unless otherwise specified by the donor.

Management has determined the Organization's contributions are considered nonexchange transactions, and therefore, are recognized when a promise to give becomes unconditional.

FREDERICK RESCUE MISSION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2021 AND 2020

1. Nature of Organization and summary of accounting policies (continued):

In-kind contributions:

Donated food and other donated goods are recorded at their estimated fair value as of the date of the donation. Donated services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills that are performed by people with those skills and would otherwise be purchased by the Organization. The Organization also receives substantial volunteer hours throughout the year that are essential to the Organization's operations, but are not recognized as contributions in the consolidated financial statements since the recognition criteria has not been met.

Revenue recognition:

The Organization generates revenue from clothing and accessory sales and tickets and registrations for fundraising events. The Organization recognizes revenue when control of the clothing and accessories are shipped to the customer, in an amount that reflects the consideration expected in exchange for the goods. Tickets and registrations for fundraising events are recognized as revenue the date the event takes place.

The Organization accounts for a customer contract when both parties have approved the contract and are committed to perform their respective obligations, each party's rights are identified, payment terms can be identified, the contract has legal substance and it is at least probable that the Organization will collect the consideration to which it is entitled. Revenue is recognized upon the transfer of control of the promised goods and services to the customers.

Revenue from sales of clothing and accessories is billed when the goods are shipped and are generally due within 30 days. Tickets and registrations for special events are paid in advance and are recorded as deferred revenue until the event occurs.

The Organization has determined that contracts do not include a significant financing component. The Organization offers no warranties on its goods.

Functional expenses:

The costs of providing the various program and supporting services have been summarized on a functional basis in the statements of functional expenses. The consolidated statements of functional expenses present natural classification of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

FREDERICK RESCUE MISSION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2021 AND 2020

1. Nature of Organization and summary of accounting policies (continued):

Advertising:

The Organization expenses advertising costs as they are incurred. Total advertising expenses were \$15,276 and \$13,916 for the years ended December 31, 2021 and 2020, respectively.

Tax-exempt status

Frederick Rescue Mission, Inc. is incorporated under the laws of the State of Maryland as a nonprofit organization. Frederick Rescue Mission, Inc. has elected under provisions of Internal Revenue Code (IRC) Section 501(c)(3) and state income tax statutes to be excluded from taxes on exempt function income. Faith House, LLC and Faith House of Frederick, LLC are disregarded entities for tax purposes as Frederick Rescue Mission, Inc. is the sole corporate member of both organizations. Therefore, no provision is made for taxes on income.

Estimates:

Management uses estimates and assumptions in preparing the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Reclassifications:

Certain accounts in the prior year consolidated financial statements have been reclassified for comparative purposes to conform to the presentation in the current year consolidated financial statements.

New Financial Accounting Standards Board (FASB) pronouncements:

FASB Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, is effective for the Organization as of January 1, 2022. The objective of this standard is to improve transparency by requiring lessees to recognize a lease liability for the obligation to make lease payments and an associated right-of-use asset measured at the present value of the lease payments for leases with a term of more than 12 months. This standard will improve the usefulness of information provided to consolidated financial statement users through qualitative and quantitative disclosures. Management has not currently determined what, if any, impact implementation of this standard may have on the consolidated financial statements of the Organization.

FREDERICK RESCUE MISSION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2021 AND 2020

1. Nature of Organization and summary of accounting policies (continued):

New Financial Accounting Standards Board (FASB) pronouncements:

FASB Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures for Not-for-Profit Entities for Contributed Nonfinancial Assets*, is effective for the Organization as of January 1, 2022. The standard will require contributed nonfinancial assets to be a separate line item in the statement of activities and enhanced disclosures. The required disclosures include a disaggregation of the amount of contributed nonfinancial assets recognized in the statement of activities by category that depicts the type of contributed nonfinancial assets and for each category of contributed nonfinancial assets: 1) qualitative information regarding utilization or monetization of the contributed nonfinancial assets, 2) the programs or activities the contributed nonfinancial assets were utilized for, 3) the entity's policy for monetizing rather than utilizing contributed nonfinancial assets (if applicable), 4) a description of any donor-imposed restrictions on the nonfinancial assets, 5) a description of the valuation techniques and inputs used to arrive at the fair market value assigned to the contributed nonfinancial assets and 6) the principal market used to arrive at a fair value measure if it is a market in which the recipient not-for-profit is prohibited by a donor-imposed restriction from selling or using the contributed nonfinancial asset. Management has not currently determined what, if any, impact implementation of this standard may have on the consolidated financial statements of the Organization.

2. Concentrations:

The Organization maintains its cash deposits in a financial institution located in Frederick, Maryland. Cash deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of December 31, 2021, the cash deposits exceeded the limit by \$48,885, representing the maximum loss risk.

The institution holding the Community Foundation of Frederick County's investments is a member of the Securities Investor Protection Corporation (SIPC). SIPC insures the cash and securities in each investor's account up to \$500,000 against loss in the case of a failed brokerage firm or misappropriation of assets by the broker; however, only up to \$250,000 of the total coverage can be applied to cash. As of December 31, 2021, the Organization has over \$500,000 in investments at the institution, which would be insured up to \$500,000 by the SIPC in the event of such failure or misappropriation occurs.

FREDERICK RESCUE MISSION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2021 AND 2020

3. Financial assets and liquidity resources:

The following reflects the Organization's financial assets, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of December 31:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 1,628,661	\$ 1,993,138
Investments	734,217	30,854
Accounts receivable	9,558	14,379
Promises to give available for current use	<u>22,847</u>	<u>23,750</u>
Financial assets as of December 31	2,395,283	2,062,121
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Restricted by donor with time or purpose restrictions	(106,678)	(188,911)
Residents' savings accounts	(2,039)	(2,580)
Board designations, quasi-endowment fund, primarily for long-term investing	<u>(37,142)</u>	<u>(28,323)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,249,424</u>	<u>\$ 1,842,307</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. Additionally, the Organization has a quasi-endowment of \$37,142 and \$28,323 as of December 31, 2021 and 2020, respectively. Although the Organization does not intend to spend from its quasi-endowment other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its quasi-endowment could be made available if necessary. The Board of Directors has also designated \$585,000 and \$515,816 as of December 31, 2021 and 2020, respectively, as a reserve fund to hold three months of operating expenses. As this fund is to be used to provide liquidity to the Organization, the fund has been included in financial assets available to meet cash needs for general expenditures within one year.

FREDERICK RESCUE MISSION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2021 AND 2020

4. Contract assets and liabilities:

Accounts receivable and deferred revenue from contracts with customers were as follows for the years ended December 31:

	<u>Accounts receivable</u>		<u>Deferred revenue</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Beginning of year	\$ 14,379	\$ 28,740	\$ 4,690	\$ 4,575
End of year	9,558	14,379		4,690

5. Quasi-endowment fund:

The Organization's Board of Directors oversees a quasi-endowment fund with the Community Foundation of Frederick County (the Foundation). The original contribution was \$5,000. The purpose of this fund is to provide operational support to the Organization. It was the intent of the Board of Directors that no distributions from the fund shall be made until the market value of the fund reaches \$25,000, which occurred in 2011.

The agreement with the Foundation was revised to release the restriction and allow for distributions at the request of the Organization. There were no distributions made during the years ended December 31, 2021 and 2020.

The Foundation has the right to accept subsequent contributions to the fund from the Organization and other individuals, corporations, associations, trusts, partnerships and other entities. Should the Organization cease to exist, the fund shall be used to support another charitable organization with goals similar to those of the Organization. Composition of and changes in endowment net assets were as follows for the years ended December 31:

	<u>2021</u>	<u>2020</u>
Investment, quasi-endowment, beginning of year	<u>\$ 28,323</u>	<u>\$ 27,196</u>
Investment income:		
Interest and dividends	4,710	1,531
Net appreciation (depreciation)	<u>4,109</u>	<u>(404)</u>
	<u>8,819</u>	<u>1,127</u>
Investment, quasi-endowment, end of year	<u><u>\$ 37,142</u></u>	<u><u>\$ 28,323</u></u>

FREDERICK RESCUE MISSION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2021 AND 2020

6. Investments:

Investments are stated at fair market value and consisted of the following at December 31:

	2021		2020	
	Cost	Market	Cost	Market
Mutual funds	\$ 679,246	\$ 670,159		
ETF's & CEF's	26,035	26,916		
Donated stock			\$ 2,531	\$ 2,531
	<u>\$ 705,281</u>	<u>\$ 697,075</u>	<u>\$ 2,531</u>	<u>\$ 2,531</u>

7. Fair value measurements:

The Organization uses a framework for measuring fair value that prioritizes the inputs to valuation techniques used to measure fair value using a fair value hierarchy. The following are the major categories of assets measured at fair value on a recurring basis during the years ended December 31, 2021 and 2020: those using quoted prices in active markets for identical assets (Level 1); significant other observable inputs (Level 2) and significant unobservable inputs (Level 3). The Organization has no assets or liabilities categorized as Level 2.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Following is a description of the valuation methodologies used for assets measured at fair value:

Donated securities: Valued at the quoted price in the active market for identical securities, a Level 1 input.

Exchange-traded funds (ETF's) and Closed-end funds (CEF's): Valued at the quoted price in the active market for identical securities, a Level 1 input.

Mutual Funds: Valued at the quoted price in the active market for identical securities, a Level 1 input.

Beneficial interest in assets held by the Foundation (see Note 5): Valued at amounts reported directly by the Foundation, a Level 3 input. The Organization believes this method appropriately values the beneficial interest.

FREDERICK RESCUE MISSION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020

7. Fair value measurements (continued):

Unconditional promises to give: The carrying amount of unconditional promises to give from individuals is reduced by a valuation allowance of 5% as of December 31, 2021 and 2020. Unconditional promises to give from charitable foundations are deemed to be fully collectible; therefore, no valuation allowance is deemed necessary for Foundation pledges. This reflects the Organization's best estimate of collectability, determined principally on the basis of historical experience while also recognizing the good faith and reliability of its donors, a Level 3 input.

The preceding methods described may produce a fair value calculation that may not be indicative of the net realizable value or reflective of future fair values.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets measured at fair value as of December 31:

	2021		Total
	Level 1	Level 3	
Beneficial interest in assets held by the Foundation		\$ 37,142	\$ 37,142
Equity securities:			
Mutual funds	\$ 549,632		549,632
ETF's & CEF's	26,916		26,916
Mutual funds:			
Fixed income securities	99,512		99,512
Alternative securities	21,015		21,015
Unconditional promises to give		22,847	22,847
	<u>\$ 697,075</u>	<u>\$ 59,989</u>	<u>\$ 757,064</u>
	2020		Total
	Level 1	Level 3	
Beneficial interest in assets held by the Foundation		\$ 28,323	\$ 28,323
Donated securities	\$ 2,531		2,531
Unconditional promises to give		23,750	23,750
	<u>\$ 2,531</u>	<u>\$ 52,073</u>	<u>\$ 54,604</u>

FREDERICK RESCUE MISSION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2021 AND 2020

8. Paycheck Protection Program:

In April 2020, the Organization qualified for and received a loan pursuant to the Paycheck Protection Program, a program implemented by the U.S. Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified lender (the PPP lender), for an aggregate principal amount of \$221,500 (the PPP loan). The PPP loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, has a term of two years and is unsecured and guaranteed by the U.S. Small Business Administration. The principal and interest amount of the PPP loan is subject to forgiveness under the Paycheck Protection Program upon the Organization's request to the extent that the PPP loan proceeds are used to pay expenses permitted by the Paycheck Protection Program. The Organization received full forgiveness of the PPP loan with respect to these covered expenses in March 2021.

9. Capital leases:

The Organization leases four copiers under separate non-cancellable capital leases expiring between January 2022 and December 2025, with total cost of \$23,609 and \$19,270; ending accumulated depreciation of \$14,021 and \$9,371 and net carrying value of \$9,588 and \$9,899 as of December 31, 2021 and 2020, respectively. Depreciation expense was \$4,649 and \$3,306 for the years ended December 31, 2021 and 2020, respectively.

The future minimum lease payments under capital leases are as follows for the years ending December 31:

2022	\$ 4,513
2023	2,455
2024	2,058
2025	<u>1,613</u>
Total minimum lease payments	10,639
Less amounts representing interest	<u>830</u>
Present value of net minimum lease payments	9,809
Less current portion	<u>4,098</u>
Long-term portion of capital lease	<u><u>\$ 5,711</u></u>

10. Net assets, restrictions and designations:

The Board of Directors established a reserve fund with the goal of having three months of operating costs in the reserve fund. As of December 31, 2021 and 2020, the reserve fund was \$585,000 and \$515,816, respectively.

FREDERICK RESCUE MISSION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2021 AND 2020

10. Net assets, restrictions and designations (continued):

The Organization's Board of Directors oversees a quasi-endowment fund with the Foundation, as further described in Note 5. The Board of Directors approves any draws on the quasi-endowment fund. As of December 31, 2021 and 2020, the endowment fund had investment balances of \$37,142 and \$28,323, respectively.

Donor-restricted net assets were available for the following purposes as of December 31:

	<u>2021</u>	<u>2020</u>
Changed Life Recovery program case manager	\$ 20,000	\$ 20,000
Faith House	82,178	116,430
Food manager		52,481
Summer enrichment	4,500	
	<u>\$ 106,678</u>	<u>\$ 188,911</u>

11. In-kind contributions:

Donated materials and equipment are reflected as contributions in the accompanying consolidated financial statements at their estimated fair values at the date of receipt. The donated items and professional services received were as follows for the years ended December 31:

	<u>2021</u>	<u>2020</u>
Food	\$ 2,467,204	\$ 2,425,213
Professional services	28,605	31,985
Other goods	19,657	6,636
	<u>\$ 2,515,466</u>	<u>\$ 2,463,834</u>

FREDERICK RESCUE MISSION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2021 AND 2020

11. In-kind contributions (continued):

In-kind expenses were reported in the following programs and supporting services on the consolidated statements of functional expenses for the years ended December 31:

	<u>2021</u>	<u>2020</u>
Program services:		
Food Service	\$ 2,479,609	\$ 2,448,523
Changed Life Recovery	1,075	3,116
Faith House	15,060	1,343
Community Outreach	28	1,485
Rescued Treasures	29	968
	<u>2,495,801</u>	<u>2,455,435</u>
Supporting services:		
Management and general	5,343	5,300
Fundraising	143	531
	<u>5,486</u>	<u>5,831</u>
	<u><u>\$ 2,501,287</u></u>	<u><u>\$ 2,461,266</u></u>

In addition, the increase in donated food inventory of \$1,979 is reflected as a decrease to in-kind food services expenses for the year ended December 31, 2021. The decrease in donated food inventory of \$14,082 is reflected as an increase to in-kind food services expenses for the year ended December 31, 2020. For the years ended December 31, 2021 and 2020, the Organization received donated property and equipment and related services of \$12,200 and \$16,650, respectively.

12. Retirement plan:

The Organization operates a SIMPLE IRA retirement plan for the benefit of its employees. The plan covers substantially all employees. Employees may contribute a portion of their compensation not to exceed the limits of the plan. The Organization will match the employees' elective deferral up to a limit of 3% of the employee's salary. The Organization contributed \$24,233 and \$23,263 for the years ended December 31, 2021 and 2020, respectively.

FREDERICK RESCUE MISSION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2021 AND 2020

13. Risks and uncertainties:

On March 11, 2020, the World Health Organization (WHO) recognized COVID-19 as a global pandemic, prompting many national, regional and local governments to implement preventative or protective measures, such as travel and business restrictions, temporary store closures and wide-spread quarantines and stay-at-home orders. As a result, COVID-19 and the related restricted measures have had a significant adverse impact for many sectors of the economy.

The Organization is considered essential and has continued modified operations in accordance with federal and state guidelines; however, the Organization is funded by substantial charitable contributions from businesses, individuals and charitable foundations, all of whom are expected to be negatively impacted by this matter. Whereas most state and local governments have begun to ease restrictions, it is possible that a resurgence in COVID-19 cases could prompt a return to tighter restrictions in certain areas of the country. Furthermore, the economic recession brought on by the pandemic may have a continuing impact on demand for our services, as well as our funding sources. As such, there is uncertainty remaining regarding the ongoing impact of the COVID-19 impact on future results of operations.

14. Subsequent events:

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 12, 2022, the date the consolidated financial statements were available to be issued.