



**FREDERICK RESCUE MISSION, INC.
& SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT**

For the Years Ended December 31, 2023 and 2022

FREDERICK RESCUE MISSION, INC. & SUBSIDIARIES
Consolidated Financial Statements
December 31, 2023 and 2022

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INDEPENDENT AUDITORS' 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. and Subsidiaries*** (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ***Frederick Rescue Mission, Inc. and Subsidiaries*** as of December 31, 2023, and the changes in their net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Prior Period Consolidated Financial Statements

The consolidated financial statements of ***Frederick Rescue Mission, Inc. and Subsidiaries*** as of December 31, 2022 were audited by other auditors whose report dated May 17, 2023 expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

FREDERICK RESCUE MISSION, INC.

& SUBSIDIARIES

Independent Auditors' Report

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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 the Organizations' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 generally accepted auditing standards 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards, 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 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. and Subsidiaries'** 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 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. and Subsidiaries'** 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.

DeLeon & Stang

DeLeon & Stang, CPAs and Advisors

Frederick, Maryland

May 23, 2024

FREDERICK RESCUE MISSION, INC. & SUBSIDIARIES
Consolidated Statements of Financial Position
December 31, 2023 and 2022

ASSETS

	2023	2022
Current assets:		
Cash and cash equivalents:		
Cash and cash equivalents	\$ 1,641,106	\$ 1,673,978
Residents' savings accounts, restricted	3,757	4,552
Total cash and cash equivalents	1,644,863	1,678,530
Investments	743,206	660,200
Accounts receivable	38,695	25,598
Unconditional promises to give	18,000	44,494
Inventory	63,030	34,188
Prepaid expenses and deposits on fixed assets	39,953	23,356
Total current assets	2,547,747	2,466,366
Property and equipment:		
Land	482,207	482,207
Buildings	3,240,158	3,240,158
Furniture and equipment	705,907	561,315
Improvements	2,639,065	2,417,850
Vehicles	407,226	407,226
	7,474,563	7,108,756
Less: accumulated depreciation	(2,859,209)	(2,560,253)
Total property and equipment	4,615,354	4,548,503
Other assets:		
Security deposits	6,550	945
Investments, quasi-endowment fund	35,147	32,550
Unconditional promises to give, restricted to purchase property and equipment	-	97,006
Website development costs (less accumulated amortization of \$14,189 and \$5,691, respectively)	11,306	19,804
Right of use asset - finance lease	17,817	8,793
Right of use asset - operating lease	197,999	-
Total other assets	268,819	159,098
Total assets	\$ 7,431,920	\$ 7,173,967

FREDERICK RESCUE MISSION, INC. & SUBSIDIARIES
Consolidated Statements of Financial Position (Continued)
December 31, 2023 and 2022

LIABILITIES AND NET ASSETS

	2023	2022
Liabilities:		
Current liabilities:		
Accounts payable	\$ 38,584	\$ 55,169
Accrued expenses	108,553	83,299
Amounts due to residents	4,287	4,613
Current portion of finance lease liability	4,010	3,032
Current portion of operating lease liability	67,683	-
Total current liabilities	223,117	146,113
Other liabilities:		
Long-term portion of finance lease liability	13,962	6,357
Long-term portion of operating lease liability	119,643	-
Total other liabilities	133,605	6,357
Total liabilities	356,722	152,470
Net assets:		
Net assets without donor restrictions:		
Undesignated	6,192,278	6,171,941
Board designated	865,147	732,550
Total net assets without donor restrictions	7,057,425	6,904,491
Net assets with donor restrictions	17,773	117,006
Total net assets	7,075,198	7,021,497
Total liabilities and net assets	\$ 7,431,920	\$ 7,173,967

FREDERICK RESCUE MISSION, INC. & SUBSIDIARIES
Consolidated Statements of Activities
Years Ended December 31, 2023 and 2022

	2023			2022		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
<u>Support and Revenue:</u>						
Contributions	\$ 1,733,960	\$ 690,778	\$ 2,424,738	\$ 1,695,132	\$ 948,423	\$ 2,643,555
In-kind contributions	3,043,507	-	3,043,507	3,136,134	-	3,136,134
Special events	258,425	-	258,425	13,956	-	13,956
Program service revenue	144,067	-	144,067	47,100	-	47,100
Miscellaneous	270	-	270	356	-	356
Net assets released from restrictions	<u>790,011</u>	<u>(790,011)</u>	<u>-</u>	<u>(938,095)</u>	<u>938,095</u>	<u>-</u>
Total revenue	<u>5,970,240</u>	<u>(99,233)</u>	<u>5,871,007</u>	<u>3,954,583</u>	<u>1,886,518</u>	<u>5,841,101</u>
<u>Net sales:</u>						
Recycling and other sales revenue	234,621	-	234,621	242,132	-	242,132
Less costs of sales	<u>(234,621)</u>	<u>-</u>	<u>(234,621)</u>	<u>(242,132)</u>	<u>-</u>	<u>(242,132)</u>
Gross profit	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total support, revenue, and net sales	<u>5,970,240</u>	<u>(99,233)</u>	<u>5,871,007</u>	<u>3,954,583</u>	<u>1,886,518</u>	<u>5,841,101</u>

FREDERICK RESCUE MISSION, INC. & SUBSIDIARIES
Consolidated Statements of Activities (Continued)
Years Ended December 31, 2023 and 2022

	<u>2023</u>			<u>2022</u>		
	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Expenses:						
Program services:						
Food Service	\$ 3,248,661	\$ -	\$ 3,248,661	\$ 3,633,886	\$ -	\$ 3,633,886
Changed Life Recovery	465,662	-	465,662	422,128	-	422,128
Faith House	553,296	-	553,296	546,524	-	546,524
Community Outreach	121,852	-	121,852	79,643	-	79,643
Rescued Treasures	<u>969,872</u>	<u>-</u>	<u>969,872</u>	<u>232,467</u>	<u>-</u>	<u>232,467</u>
Total program services	<u>5,359,343</u>	<u>-</u>	<u>5,359,343</u>	<u>4,914,648</u>	<u>-</u>	<u>4,914,648</u>
Supporting services:						
Management and general	289,872	-	289,872	248,000	-	248,000
Fundraising	<u>302,051</u>	<u>-</u>	<u>302,051</u>	<u>263,524</u>	<u>-</u>	<u>263,524</u>
Total supporting services	<u>591,923</u>	<u>-</u>	<u>591,923</u>	<u>511,524</u>	<u>-</u>	<u>511,524</u>
Total expenses	<u>5,951,266</u>	<u>-</u>	<u>5,951,266</u>	<u>5,426,172</u>	<u>-</u>	<u>5,426,172</u>
Change in net assets before other items	18,974	(99,233)	(80,259)	(1,471,589)	1,886,518	414,929
Other items:						
Investment income (loss), net	133,960	-	133,960	(140,181)	-	(140,181)
Loss on asset disposal	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,940)</u>	<u>-</u>	<u>(2,940)</u>
Total other items	<u>133,960</u>	<u>-</u>	<u>133,960</u>	<u>(143,121)</u>	<u>-</u>	<u>(143,121)</u>
Change in net assets	152,934	(99,233)	53,701	(1,614,710)	1,886,518	271,808
Net assets:						
Beginning of year	<u>6,904,491</u>	<u>117,006</u>	<u>7,021,497</u>	<u>8,519,201</u>	<u>(1,769,512)</u>	<u>6,749,689</u>
End of year	<u>\$ 7,057,425</u>	<u>\$ 17,773</u>	<u>\$ 7,075,198</u>	<u>\$ 6,904,491</u>	<u>\$ 117,006</u>	<u>\$ 7,021,497</u>

See Accompanying Notes to Financial Statements
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FREDERICK RESCUE MISSION, INC. & SUBSIDIARIES
Consolidated Statement of Functional Expenses
Year Ended December 31, 2023

	Program services					Supporting services			Total functional expenses	
	Food Service	Changed Life Recovery	Faith House	Community Outreach	Rescued Treasures	Total Program	Management and general	Fundraising		Total Supporting
Expenses:										
Salaries	\$ 480,977	\$ 205,198	\$ 325,035	\$ 63,036	\$ 139,653	\$ 1,213,899	\$ 196,625	\$ 116,642	\$ 313,267	\$ 1,527,166
Payroll taxes and employee benefits	110,156	50,646	65,520	9,504	28,878	264,704	41,860	32,418	74,278	338,982
Clothing	-	-	-	-	678,239	678,239	-	-	-	678,239
Community care	116	45	53	4,179	28	4,421	-	-	-	4,421
Depreciation and amortization	178,950	60,031	55,127	2,427	15,361	311,896	1,488	4,514	6,002	317,898
Education	-	3,311	496	-	-	3,807	-	-	-	3,807
Equipment	19,880	4,852	3,856	405	10,716	39,709	247	87	334	40,043
Food and kitchen supplies	2,154,924	-	-	-	-	2,154,924	-	-	-	2,154,924
Fundraising events	-	-	-	-	-	-	-	63,705	63,705	63,705
Information technology	10,273	12,608	15,719	2,265	5,154	46,019	2,394	8,900	11,294	57,313
Insurance	17,822	14,464	14,161	1,306	2,940	50,693	3,787	2,242	6,029	56,722
Interest	-	123	286	-	-	409	91	-	91	500
Lease Expense	32,355	-	-	-	-	32,355	-	-	-	32,355
Newsletter and website	2,713	1,062	1,239	236	649	5,899	-	5,898	5,898	11,797
Professional fees	1,409	357	449	86	208	2,509	37,107	16,630	53,737	56,246
Program activities and events	4,284	12,052	1,899	33,232	829	52,296	-	-	-	52,296
Promotion	1,996	781	911	174	477	4,339	-	33,045	33,045	37,384
Property taxes	-	764	588	-	-	1,352	-	-	-	1,352
Rent	32,518	-	-	-	6,000	38,518	-	-	-	38,518
Repairs and maintenance	53,681	30,891	27,880	398	19,391	132,241	704	617	1,321	133,562
Resident care	-	5,334	2,607	-	-	7,941	-	-	-	7,941
Supplies	7,651	2,520	3,134	1,152	4,127	18,584	1,913	12,450	14,363	32,947
Training and meetings	8,112	3,546	5,971	1,443	2,399	21,471	450	1,455	1,905	23,376
Travel	53,008	12,259	2,920	-	52,264	120,451	-	-	-	120,451
Utilities	77,836	44,818	25,445	2,009	2,559	152,667	3,206	3,448	6,654	159,321
Total expenses	\$ 3,248,661	\$ 465,662	\$ 553,296	\$ 121,852	\$ 969,872	\$ 5,359,343	\$ 289,872	\$ 302,051	\$ 591,923	\$ 5,951,266

See Accompanying Notes to Financial Statements

FREDERICK RESCUE MISSION, INC. & SUBSIDIARIES
Consolidated Statement of Functional Expenses
Year Ended December 31, 2022

	Program services					Supporting services			Total functional expenses
	Food Service	Changed Life Recovery	Faith House	Community Outreach	Rescued Treasures	Total program	Management and general	Fundraising	
Expenses:									
Salaries	\$ 387,521	\$ 175,892	\$ 316,503	\$ 48,210	\$ 116,046	\$ 1,044,172	\$ 166,464	\$ 103,049	\$ 1,313,685
Payroll taxes and employee benefits	92,461	43,357	64,564	6,693	24,528	231,603	33,988	28,864	294,455
Bad debt expense (recovery)	-	-	-	-	-	-	(1,203)	-	(1,203)
Community care	-	-	-	914	-	914	-	-	914
Conferences and meetings	6,484	2,009	2,750	951	1,174	13,368	2,093	1,182	16,643
Depreciation and amortization	154,747	69,311	52,162	837	22,576	299,633	1,199	1,802	302,634
Education	-	5,254	904	3,098	-	9,256	-	-	9,256
Equipment	6,690	1,591	3,530	2,594	1,437	15,842	403	550	16,795
Food and kitchen supplies	2,762,681	-	579	-	-	2,763,260	-	-	2,763,260
Fundraising events	-	-	-	-	-	-	-	59,648	59,648
Information technology	15,087	7,682	20,449	1,782	3,935	48,935	3,905	9,801	62,641
Insurance	15,712	13,196	13,076	1,001	2,475	45,460	3,626	1,618	50,704
Interest	-	167	343	-	-	510	86	-	596
Newsletter and website	2,506	1,222	1,865	193	644	6,430	-	6,430	12,860
Professional fees	3,902	1,859	3,032	303	963	10,059	31,879	12,544	54,482
Program activities and events	3,969	14,481	292	8,570	434	27,746	-	-	27,746
Promotion	5,305	2,584	4,050	408	1,360	13,707	-	19,365	33,072
Property taxes	-	764	588	-	-	1,352	-	-	1,352
Rent	15,000	-	-	-	6,000	21,000	-	-	21,000
Repairs and maintenance	39,022	17,247	27,296	114	11,241	94,920	712	761	96,393
Resident care	-	6,490	1,864	-	-	8,354	-	-	8,354
Supplies	9,033	3,313	6,103	2,334	3,885	24,668	1,993	14,517	41,178
Travel	55,407	12,028	435	-	32,935	100,805	-	-	100,805
Utilities	58,359	43,681	26,139	1,641	2,834	132,654	2,855	3,393	138,902
Total expenses	\$ 3,633,886	\$ 422,128	\$ 546,524	\$ 79,643	\$ 232,467	\$ 4,914,648	\$ 248,000	\$ 263,524	\$ 5,426,172

See Accompanying Notes to Financial Statements

FREDERICK RESCUE MISSION, INC. & SUBSIDIARIES
Consolidated Statement of Cash Flows
Year Ended December 31, 2023

	2023
Cash flows from operating activities:	
Change in net assets	\$ 53,701
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	315,024
Realized and unrealized (gain) loss on investments	(67,554)
Amortization of right-of-use asset - operating lease	27,693
Amortization of right-of-use asset - finance lease	2,874
Capital asset donations	(57,209)
Changes in assets and liabilities:	
Accounts receivable	(13,097)
Unconditional promises to give	123,500
Inventory	(28,842)
Prepaid expenses and deposits on fixed assets	(16,597)
Deposits	(5,605)
Accounts payable	(16,585)
Accrued expenses	25,254
Amounts due to residents	(326)
Operating lease liability	(26,744)
Net cash provided by operating activities	315,487
Cash flows from investing activities:	
Purchases of property and equipment	(327,790)
Proceeds from sales of investments	444,635
Purchases of investments	(462,684)
Net cash used in investing activities	(345,839)
Cash flows from financing activities:	
Reduction of finance lease liability	(3,315)
Net cash used in financing activities	(3,315)
Net increase (decrease) in cash, cash equivalents, and restricted cash	(33,667)
Cash, cash equivalents, and restricted cash:	
Beginning of the year	1,678,530
End of the year	\$ 1,644,863
<u>Non-cash investing and financing transactions:</u>	
Purchase of equipment with capital lease	\$ 11,898
Donated property and equipment and related services	\$ 57,209

FREDERICK RESCUE MISSION, INC. & SUBSIDIARIES
Consolidated Statement of Cash Flows
Year Ended Year Ended December 31, 2022

	2022
<u>Cash flows from operating activities:</u>	
Inflows:	
Receipts from contributions	\$ 2,385,105
Special events	13,956
Recycling and other receipts	276,297
Interest and dividend income received	25,311
	<u>2,700,669</u>
Outflows:	
Payments to:	
Employees	1,316,818
Suppliers	1,008,946
Payments for interest	596
	<u>2,326,360</u>
Net cash provided by operating activities	<u>374,309</u>
<u>Cash flows from investing activities:</u>	
Inflows:	
Proceeds from sale of:	
Investments	573,037
	<u>573,037</u>
Outflows:	
Purchase of:	
Investments	694,278
Investments, quasi-endowment fund	2,786
Property and equipment	336,650
	<u>1,033,714</u>
Net cash used by investing activities	<u>(460,677)</u>

FREDERICK RESCUE MISSION, INC. & SUBSIDIARIES
Consolidated Statement of Cash Flows
Year Ended December 31, 2022

	2022
<u>Cash flows from financing activities:</u>	
Inflows:	
Donor-restricted contributions for property and equipment	\$ 141,000
Outflows:	
Payments on financing lease liabilities	4,763
Net cash provided by financing activities	136,237
Net increase in cash, cash equivalents and restricted cash	49,869
Cash, cash equivalents and restricted cash:	
Beginning of year	1,628,661
End of year	<u><u>\$ 1,678,530</u></u>
Noncash investing and financing transactions:	
Purchase of equipment with capital lease	\$ 4,343
Donated property and equipment and related services	<u>\$ 95,392</u>

FRDERICK RESCUE MISSION, INC. & SUBSIDIARIES
Notes to the Financial Statements
December 31, 2023 and 2022

Note 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 whose vision is to change lives now and for eternity. The Organization's mission is to rescue people from hunger, poverty, and chemical addiction through Christ's Love. Services are provided within Frederick County, Maryland, and 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. The Organization receives food from Maryland Food Bank, 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.

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.

**FREDERICK RESCUE MISSION, INC.
& SUBSIDIARIES**
Notes to the Financial Statements
December 31, 2023 and 2022

Note 1 - Nature of Organization and Summary of Accounting Policies (Continued):

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 credit losses is required.

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.

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Notes to the Financial Statements
December 31, 2023 and 2022

Note 1 - Nature of Organization and Summary of Accounting Policies (Continued):

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, 2023 and 2022 was \$311,731 and \$299,275, 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 \$8,499 and \$3,359 for years ended December 31, 2023 and 2022, respectively.

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.

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Note 1 - Nature of Organization and Summary of Accounting Policies (Continued):

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.

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 nonfinancial 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 as contributions in the consolidated financial statements since the recognition criteria has not been met.

The estimated fair value techniques for donated goods and services are as follows;

Fair value techniques

Food (utilized)	Estimated average wholesale price per pound for each food category and estimated value provided from third party
Clothing (monetized)	Based on actual sale price per pound of clothing as determined by third parties when excess clothing is sold immediately upon receipt
Clothing (utilized)	Estimated value of clothing by type based on two separate thrift pricing guides of established third parties
Professional services (utilized)	Estimated costs provided by third parties for services performed at reduced pricing
Rent (utilized)	Estimated by considering the State's historical assessment of the property and rental price per square foot of comparable properties
Other goods (utilized)	Estimated prices of similar services provided at the time of the contribution

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Note 1 - Nature of Organization and Summary of Accounting Policies (Continued):

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 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.

Advertising:

The Organization expenses advertising costs as they are incurred. Total advertising expenses were \$9,585 and \$17,516 for the years ended December 31, 2023 and 2022, 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. There is no material net unrelated business income tax liability for the years ended December 31, 2023 and 2022. The Organization follows accounting standards for dealing with uncertainty in accounting for income tax provisions. The Organization has determined that it does not have any material unrecognized tax benefits or obligations as of December 31, 2023 and 2022.

**FREDERICK RESCUE MISSION, INC.
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Note 1 - Nature of Organization and Summary of Accounting Policies (Continued):

Tax returns are subject to examination by federal and state taxing authorities, generally for three years after filing. The Organization's returns for the years ended 2020 through 2022 are subject to such examination.

Leases:

The Organization assesses whether an arrangement qualifies as a lease (i.e., conveys the right to control the use of an identified asset for a period of time in exchange for consideration) at inception and only reassesses its determination if the terms and conditions of the arrangement are changed.

The Organization combines and accounts for lease and non-lease components as a single lease component for equipment leases. The discount rates related to the Organization's lease liabilities are generally based on estimates of the Organization's incremental borrowing rate, as the discount rates implicit in the Organization's leases cannot be readily determined.

Operating lease expense is recognized on a straight-line basis over the lease term. The Organization has elected the short-term lease exceptions to not recognize leases with a lease term of 12 months or less on the Statements of Financial Position.

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.

Note 2 - Concentration of Credit Risk:

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, 2023 and 2022, the Organization had no amounts in excess of insured limits.

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, 2023 and 2022, the Organization's investments at the institution exceeded the limit by \$541,877 and \$160,200, respectively, representing the maximum loss risk.

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Note 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>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 1,644,863	\$ 1,678,530
Investments	778,353	692,750
Accounts receivable	38,695	25,598
Unconditional promises to give	<u>18,000</u>	<u>44,494</u>
Financial assets as of December 31	<u>2,479,911</u>	<u>2,441,372</u>
<u>Less those unavailable for general expenditures within one year, due to:</u>		
Contractual or donor-imposed restrictions:		
Restricted by donor with time or purpose restrictions	-	(20,000)
Residents' savings accounts	(3,757)	(4,552)
Board designated, quasi-endowment fund, primarily for long-term investing	<u>(35,147)</u>	<u>(32,550)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,441,007</u>	<u>\$ 2,384,270</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 \$35,147 and \$32,550 as of December 31, 2023 and 2022, respectively. Although the Organization does not intend to spend from its quasi-endowment other than amounts appropriated for general expenditures 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 \$830,000 and \$700,000 as of December 31, 2023 and 2022, 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.

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Note 4 - 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, 2023 and 2022.

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>2023</u>	<u>2022</u>
Investment, quasi-endowment, beginning of year	\$ 32,550	\$ 37,142
Investment income:		
Interest and dividends	923	2,786
Net appreciation (depreciation)	<u>1,674</u>	<u>(7,628)</u>
	2,597	(4,842)
Principal additions	<u>-</u>	<u>250</u>
Investment, quasi-endowment, end of year	<u>\$ 35,147</u>	<u>\$ 32,550</u>

Note 5 - Investments:

Investment income (loss) was comprised of the following for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Interest and dividends	\$ 73,770	\$ 25,311
Realized loss	(35,645)	(96,365)
Unrealized gain (loss)	<u>103,199</u>	<u>(61,644)</u>
	141,324	(132,698)
Less: investment fees	<u>(7,364)</u>	<u>(7,483)</u>
	<u>\$ 133,960</u>	<u>\$ (140,181)</u>

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Note 6 - 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, 2023 and 2022: 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.

Stocks: 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 4): Valued at amounts reported directly by the Foundation, a Level 3 input. The Organization believes this method appropriately values the beneficial interest.

Unconditional promises to give: The carrying amount of unconditional promises to give from individuals is reduced by a valuation allowance of 5%. 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.

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Note 6 - Fair Value Measurements (Continued) :

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:

	2023		
	Level 1	Level 3	Total
Beneficial interest in assets held by the Foundation	\$ -	\$ 35,147	\$ 35,147
<u>Equity securities:</u>			
Mutual funds	461,744	-	461,744
ETF's and CEF's	178,893	-	178,893
Stocks	95,883	-	95,883
Stocks	5,063	-	5,063
Unconditional promises to give	-	18,000	18,000
	<u>\$ 741,583</u>	<u>\$ 53,147</u>	<u>\$ 794,730</u>
	2022		
	Level 1	Level 3	Total
Beneficial interest in assets held by the Foundation	\$ -	\$ 32,550	\$ 32,550
<u>Equity securities:</u>			
Mutual funds	396,050	-	396,050
ETF's and CEF's	138,066	-	138,066
Stocks	119,750	-	119,750
Stocks	6,334	-	6,334
Unconditional promises to give	-	141,500	141,500
	<u>\$ 660,200</u>	<u>\$ 174,050</u>	<u>\$ 834,250</u>

Note 7 - Commitments:

Operating lease commitment:

During the year ended December 31, 2023, the Organization entered into a lease agreement for warehouse space. The lease agreement began on August 1, 2023, requires minimum monthly payments of \$6,281 with annual escalations of 3%, and expires on July 31, 2026 with an option.

Rent expense under the lease agreement was \$32,355 for the year ended December 31, 2023.

The remaining lease term is 31 months and the discount rate is 5.5%.

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Notes to the Financial Statements
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Note 7 - Commitments (Continued):

Future maturities of the operating lease liability as of December 31, 2023 are as follows:

Year Ending December 31,		
2024	\$	76,312
2025		78,598
2026		<u>46,641</u>
		201,551
Less: present value discount		<u>(14,225)</u>
	\$	<u><u>187,326</u></u>

Finance lease commitment:

The Organization leases four copiers under separate non-cancellable finance leases expiring between August 2025 and February 2027 with monthly payments ranging from \$82 to \$227.

The weighted-average remaining lease term is 49 months and the weighted average discount rate is 5.41%.

Future maturities of the finance lease liabilities as of December 31, 2023 are as follows:

Year Ending December 31,		
2024	\$	5,775
2025		5,329
2026		3,717
2027		2,870
2028		<u>2,356</u>
		20,047
Less: interest		<u>(2,075)</u>
	\$	<u><u>17,972</u></u>

Note 8 - 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, 2023 and 2022, the reserve fund was \$830,000 and \$700,000, respectively.

The Organization’s Board of Directors oversees a quasi-endowment fund with the Foundation, as further described in Note 4. The Board of Directors approves any draws on the quasi-endowment fund. As of December 31, 2023 and 2022, the quasi-endowment fund had investment balances of \$35,147 and \$32,550, respectively.

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Note 8 - Net Assets, Restrictions and Designations (Continued):

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

	<u>2023</u>	<u>2022</u>
Changed Life Recovery program case manager	\$ -	\$ 20,000
Diapers	16,573	-
Food service - FDC Kid Zone	1,200	-
Paving project	-	97,006
	<u>\$ 17,773</u>	<u>\$ 117,006</u>

Note 9 - In-Kind Contributions:

For the year ended December 31, 2023, in-kind contributions recognized within the statement of activities included:

	<u>Food (Utilized)</u>	<u>Clothing (Monetized)</u>	<u>Clothing (Utilized)</u>	<u>Services (Utilized)</u>	<u>Rent (Utilized)</u>	<u>Other Goods (Utilized)</u>	<u>Total</u>
<u>Program services:</u>							
Food Service	\$ 1,982,381	\$ -	\$ -	\$ 4,452	\$ 30,000	\$ -	\$ 2,016,833
Community Outreach	-	-	-	-	-	5,075	5,075
Rescued Treasures	-	234,621	678,239	-	-	-	912,860
	<u>1,982,381</u>	<u>234,621</u>	<u>678,239</u>	<u>4,452</u>	<u>30,000</u>	<u>5,075</u>	<u>2,934,768</u>
<u>Supporting services:</u>							
Management and general	-	-	-	7,500	-	-	7,500
Fundraising	-	-	-	14,568	-	620	15,188
	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,068</u>	<u>-</u>	<u>620</u>	<u>22,688</u>
	<u>\$ 1,982,381</u>	<u>\$ 234,621</u>	<u>\$ 678,239</u>	<u>\$ 26,520</u>	<u>\$ 30,000</u>	<u>\$ 5,695</u>	<u>2,957,456</u>
Capitalized property, equipment, and related services							57,209
Change in food inventory							<u>28,842</u>
Total in-kind contributions							<u>\$ 3,043,507</u>

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Note 9 - In-Kind Contributions (Continued):

For the year ended December 31, 2022, in-kind contributions recognized within the statement of activities included:

	Food (Utilized)	Clothing (Monetized)	Clothing (Utilized)	Professional Services (Utilized)	Rent (Utilized)	Other Goods (Utilized)	Total
<u>Program services:</u>							
Food Service	\$ 2,719,855	\$ -	\$ -	\$ 4,540	\$ 15,000	\$ -	\$ 2,739,395
Changed Life Recovery	-	-	-	610	-	300	910
Faith House	-	-	-	65	-	-	65
Community Outreach	-	-	-	1,267	-	3,340	4,607
Rescued Treasures	-	242,132	-	23	-	-	242,155
	<u>2,719,855</u>	<u>242,132</u>	<u>-</u>	<u>6,505</u>	<u>15,000</u>	<u>3,640</u>	<u>2,987,132</u>
<u>Supporting services:</u>							
Management and general	-	-	-	6,210	-	-	6,210
Fundraising	-	-	-	19,145	-	1,780	20,925
	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,355</u>	<u>-</u>	<u>1,780</u>	<u>27,135</u>
	<u>\$ 2,719,855</u>	<u>\$ 242,132</u>	<u>\$ -</u>	<u>\$ 31,860</u>	<u>\$ 15,000</u>	<u>\$ 5,420</u>	<u>3,014,267</u>
Capitalized property, equipment, and related services							95,392
Change in food inventory							<u>26,475</u>
Total in-kind contributions							<u>\$ 3,136,134</u>

Note 10 - 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 \$26,116 and \$26,746 for the years ended December 31, 2023 and 2022, respectively.

Note 11 - Subsequent Events:

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 23, 2024, the date the consolidated financial statements were available to be issued. There were no events or transactions requiring disclosure.