



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

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

For the Years Ended December 31, 2024 and 2023

FREDERICK RESCUE MISSION, INC. & SUBSIDIARIES
Consolidated Financial Statements
December 31, 2024 and 2023

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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 statements of financial position as of December 31, 2024 and 2023, 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 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, 2024 and 2023, and the changes in their net assets and its 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. 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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.

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.

FREDERICK RESCUE MISSION, INC.

& SUBSIDIARIES

Independent Auditors' Report

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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 audits, significant audit findings, and certain internal control related matters that we identified during the audits.

DeLeon & Stang

DeLeon & Stang, CPAs and Advisors

Frederick, Maryland

April 24, 2025

FREDERICK RESCUE MISSION, INC. & SUBSIDIARIES
Consolidated Statements of Financial Position
December 31, 2024 and 2023

ASSETS

	2024	2023
Current assets:		
Cash and cash equivalents:		
Cash and cash equivalents	\$ 1,077,124	\$ 1,641,106
Residents' savings accounts, restricted	3,031	3,757
Total cash and cash equivalents	1,080,155	1,644,863
Investments	866,770	743,206
Accounts receivable	17,360	38,695
Unconditional promises to give	30,553	18,000
Inventory	53,626	63,030
Prepaid expenses and deposits on fixed assets	19,757	39,953
Total current assets	2,068,221	2,547,747
Property and equipment:		
Land	482,207	482,207
Buildings	3,240,158	3,240,158
Furniture and equipment	750,330	705,907
Improvements	2,709,815	2,639,065
Vehicles	475,726	407,226
Construction in progress	232,314	-
	7,890,550	7,474,563
Less: accumulated depreciation	(3,132,000)	(2,859,209)
Total property and equipment, net	4,758,550	4,615,354
Other assets:		
Security deposits	6,550	6,550
Investments, quasi-endowment fund	40,657	35,147
Website development costs (less accumulated amortization of \$20,356 and \$14,189, respectively)	5,139	11,306
Right of use asset - finance lease	12,762	17,817
Right of use asset - operating lease	128,976	197,999
Total other assets	194,084	268,819
Total assets	\$ 7,020,855	\$ 7,431,920

FREDERICK RESCUE MISSION, INC. & SUBSIDIARIES
Consolidated Statements of Financial Position (Continued)
December 31, 2024 and 2023

LIABILITIES AND NET ASSETS

	2024	2023
<u>Liabilities:</u>		
Current liabilities:		
Accounts payable	\$ 17,590	\$ 38,584
Accrued expenses	119,485	108,553
Amounts due to residents	3,127	4,287
Current portion of finance lease liability	4,742	4,010
Current portion of operating lease liability	73,845	67,683
Total current liabilities	218,789	223,117
Other liabilities:		
Long-term portion of finance lease liability	8,308	13,962
Long-term portion of operating lease liability	45,798	119,643
Total other liabilities	54,106	133,605
Total liabilities	272,895	356,722
<u>Net assets:</u>		
Net assets without donor restrictions:		
Undesignated	5,859,289	6,192,278
Board designated	870,657	865,147
Total net assets without donor restrictions	6,729,946	7,057,425
Net assets with donor restrictions	18,014	17,773
Total net assets	6,747,960	7,075,198
Total liabilities and net assets	\$ 7,020,855	\$ 7,431,920

FREDERICK RESCUE MISSION, INC. & SUBSIDIARIES
Consolidated Statements of Activities
Years Ended December 31, 2024 and 2023

	2024			2023		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
<u>Support and Revenue:</u>						
Contributions	\$ 1,636,144	\$ 697,483	\$ 2,333,627	\$ 1,828,168	\$ 690,778	\$ 2,518,946
In-kind contributions	3,061,052	-	3,061,052	3,043,507	-	3,043,507
Special events	339,456	-	339,456	258,425	-	258,425
Program service revenue	54,900	-	54,900	49,859	-	49,859
Miscellaneous	854	-	854	270	-	270
Net assets released from restrictions	<u>697,242</u>	<u>(697,242)</u>	<u>-</u>	<u>790,011</u>	<u>(790,011)</u>	<u>-</u>
Total revenue	<u>5,789,648</u>	<u>241</u>	<u>5,789,889</u>	<u>5,970,240</u>	<u>(99,233)</u>	<u>5,871,007</u>
<u>Net sales:</u>						
Recycling and other sales revenue	231,634	-	231,634	234,621	-	234,621
Less costs of sales	<u>(231,634)</u>	<u>-</u>	<u>(231,634)</u>	<u>(234,621)</u>	<u>-</u>	<u>(234,621)</u>
Gross profit	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total support, revenue, and net sales	<u><u>5,789,648</u></u>	<u><u>241</u></u>	<u><u>5,789,889</u></u>	<u><u>5,970,240</u></u>	<u><u>(99,233)</u></u>	<u><u>5,871,007</u></u>

FREDERICK RESCUE MISSION, INC. & SUBSIDIARIES
Consolidated Statements of Activities (Continued)
Years Ended December 31, 2024 and 2023

	<u>2024</u>			<u>2023</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	\$ 3,370,772	\$ -	\$ 3,370,772	\$ 3,248,661	\$ -	\$ 3,248,661
Changed Life Recovery	497,128	-	497,128	465,662	-	465,662
Faith House	606,454	-	606,454	553,296	-	553,296
Community Outreach	125,364	-	125,364	121,852	-	121,852
Rescued Treasures	<u>1,029,641</u>	<u>-</u>	<u>1,029,641</u>	<u>969,872</u>	<u>-</u>	<u>969,872</u>
Total program services	<u>5,629,359</u>	<u>-</u>	<u>5,629,359</u>	<u>5,359,343</u>	<u>-</u>	<u>5,359,343</u>
Supporting services:						
Management and general	295,784	-	295,784	289,872	-	289,872
Fundraising	<u>354,416</u>	<u>-</u>	<u>354,416</u>	<u>302,051</u>	<u>-</u>	<u>302,051</u>
Total supporting services	<u>650,200</u>	<u>-</u>	<u>650,200</u>	<u>591,923</u>	<u>-</u>	<u>591,923</u>
Total expenses	<u>6,279,559</u>	<u>-</u>	<u>6,279,559</u>	<u>5,951,266</u>	<u>-</u>	<u>5,951,266</u>
Change in net assets before other items	(489,911)	241	(489,670)	18,974	(99,233)	(80,259)
Other items:						
Investment income, net	<u>162,432</u>	<u>-</u>	<u>162,432</u>	<u>133,960</u>	<u>-</u>	<u>133,960</u>
Total other items	<u>162,432</u>	<u>-</u>	<u>162,432</u>	<u>133,960</u>	<u>-</u>	<u>133,960</u>
Change in net assets	(327,479)	241	(327,238)	152,934	(99,233)	53,701
Net assets:						
Beginning 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>
End of year	<u>\$ 6,729,946</u>	<u>\$ 18,014</u>	<u>\$ 6,747,960</u>	<u>\$ 7,057,425</u>	<u>\$ 17,773</u>	<u>\$ 7,075,198</u>

FREDERICK RESCUE MISSION, INC. & SUBSIDIARIES
Consolidated Statement of Functional Expenses
Year Ended December 31, 2024

	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:										
Food and kitchen supplies	\$ 2,210,973	\$ -	\$ -	\$ -	\$ -	\$ 2,210,973	\$ -	\$ -	\$ -	\$ 2,210,973
Salaries	517,024	215,881	353,530	74,584	150,859	1,311,878	202,290	120,318	322,608	1,634,486
Clothing	-	-	-	-	733,116	733,116	-	-	-	733,116
Payroll taxes and employee benefits	123,735	55,025	80,252	10,207	32,469	301,688	45,434	35,858	81,292	382,980
Depreciation and amortization	156,907	58,237	49,142	2,454	24,157	290,897	1,750	4,891	6,641	297,538
Utilities	82,879	52,201	31,508	2,795	3,348	172,731	3,448	3,517	6,965	179,696
Repairs and maintenance	76,590	45,806	31,465	336	12,243	166,440	1,242	581	1,823	168,263
Travel	56,907	12,284	1,064	1	47,958	118,214	-	80	80	118,294
Lease expense	77,652	-	-	-	-	77,652	-	-	-	77,652
Fundraising events	-	-	-	-	-	-	-	70,785	70,785	70,785
Information technology	13,234	11,398	15,440	3,434	4,974	48,480	3,058	10,907	13,965	62,445
Insurance	19,244	15,352	15,617	1,478	2,980	54,671	3,948	2,316	6,264	60,935
Promotion	6,071	2,484	3,459	552	1,518	14,084	-	44,180	44,180	58,264
Professional fees	1,006	330	422	73	202	2,033	25,623	25,887	51,510	53,543
Program activities and events	4,735	10,612	2,633	21,597	898	40,475	-	-	-	40,475
Supplies	7,467	3,657	3,412	1,503	4,670	20,709	1,922	16,998	18,920	39,629
Training and meetings	6,116	2,765	6,913	643	1,944	18,381	4,950	4,432	9,382	27,763
Newsletter and website	6,013	2,460	3,143	547	1,503	13,666	-	13,666	13,666	27,332
Equipment	4,066	107	4,917	20	764	9,874	-	-	-	9,874
Education	-	5,752	1,970	-	-	7,722	-	-	-	7,722
Rent	-	-	-	-	6,000	6,000	-	-	-	6,000
Community care	153	63	80	5,140	38	5,474	-	-	-	5,474
Resident care	-	1,873	708	-	-	2,581	-	-	-	2,581
Bad debt expense	-	-	-	-	-	-	1,534	-	1,534	1,534
Property taxes	-	764	588	-	-	1,352	-	-	-	1,352
Interest	-	77	191	-	-	268	585	-	585	853
Total expenses	\$ 3,370,772	\$ 497,128	\$ 606,454	\$ 125,364	\$ 1,029,641	\$ 5,629,359	\$ 295,784	\$ 354,416	\$ 650,200	\$ 6,279,559

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:										
Food and kitchen supplies	\$ 2,154,924	\$ -	\$ -	\$ -	\$ -	\$ 2,154,924	\$ -	\$ -	\$ -	\$ 2,154,924
Salaries	480,977	205,198	325,035	63,036	139,653	1,213,899	196,625	116,642	313,267	1,527,166
Clothing	-	-	-	-	678,239	678,239	-	-	-	678,239
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
Depreciation and amortization	178,950	60,031	55,127	2,427	15,361	311,896	1,488	4,514	6,002	317,898
Utilities	77,836	44,818	25,445	2,009	2,559	152,667	3,206	3,448	6,654	159,321
Repairs and maintenance	53,681	30,891	27,880	398	19,391	132,241	704	617	1,321	133,562
Travel	53,008	12,259	2,920	-	52,264	120,451	-	-	-	120,451
Lease expense	32,355	-	-	-	-	32,355	-	-	-	32,355
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
Promotion	1,996	781	911	174	477	4,339	-	33,045	33,045	37,384
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
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
Newsletter and website	2,713	1,062	1,239	236	649	5,899	-	5,898	5,898	11,797
Equipment	19,880	4,852	3,856	405	10,716	39,709	247	87	334	40,043
Education	-	3,311	496	-	-	3,807	-	-	-	3,807
Rent	32,518	-	-	-	6,000	38,518	-	-	-	38,518
Community care	116	45	53	4,179	28	4,421	-	-	-	4,421
Resident care	-	5,334	2,607	-	-	7,941	-	-	-	7,941
Property taxes	-	764	588	-	-	1,352	-	-	-	1,352
Interest	-	123	286	-	-	409	91	-	91	500
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

FREDERICK RESCUE MISSION, INC. & SUBSIDIARIES
Consolidated Statement of Cash Flows
Years Ended December 31, 2024 and 2023

	2024	2023
Cash flows from operating activities:		
Change in net assets	\$ (327,238)	\$ 53,701
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	286,316	306,526
Amortization of website development costs	6,167	8,498
Amortization of right-of-use asset - operating lease	69,023	27,693
Amortization of right-of-use asset - finance lease	5,055	2,874
Realized and unrealized gain on investments	(79,969)	(67,554)
Capital asset donations	-	(57,209)
Bad debts	1,534	-
Changes in assets and liabilities:		
Accounts receivable	19,801	(13,097)
Unconditional promises to give	(12,553)	123,500
Inventory	9,404	(28,842)
Prepaid expenses and deposits on fixed assets	20,196	(16,597)
Deposits	-	(5,605)
Accounts payable	(20,994)	(16,585)
Accrued expenses	10,932	25,254
Amounts due to residents	(1,160)	(326)
Operating lease liability	(67,683)	(26,744)
Net cash provided by (used in) operating activities	(81,169)	315,487
Cash flows from investing activities:		
Purchases of property and equipment	(197,165)	(327,790)
Construction in progress costs	(232,346)	-
Proceeds from sales of investments	1,277,649	444,635
Purchases of investments	(1,326,754)	(462,684)
Net cash used in investing activities	(478,616)	(345,839)
Cash flows from financing activities:		
Reduction of finance lease liability	(4,923)	(3,315)
Net cash used in financing activities	(4,923)	(3,315)
Net decrease in cash, cash equivalents, and restricted cash	(564,708)	(33,667)
Cash, cash equivalents, and restricted cash:		
Beginning of the year	1,644,863	1,678,530
End of the year	\$ 1,080,155	\$ 1,644,863
Non-cash investing and financing transactions:		
Purchase of equipment with capital lease	\$ -	\$ 11,898
Donated property and equipment and related services	\$ -	\$ 57,209
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ 853	\$ 500

FRDERICK RESCUE MISSION, INC. & SUBSIDIARIES
Notes to the Financial Statements
December 31, 2024 and 2023

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, 2024 and 2023

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 the 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. All unconditional promises were considered collectible within one year and no allowance or discount was necessary.

**FREDERICK RESCUE MISSION, INC.
& SUBSIDIARIES**
Notes to the Financial Statements
December 31, 2024 and 2023

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

Inventory:

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

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 the years ended December 31, 2024 and 2023 was \$297,538 and \$317,898, 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 \$6,167 and \$8,499 for years ended December 31, 2024 and 2023, 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.

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Notes to the Financial Statements
December 31, 2024 and 2023

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

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.

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

	<u>Fair value techniques</u>
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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December 31, 2024 and 2023

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. Most costs are direct charges to the relative programs and supporting services benefited. Certain costs are allocated by an estimated allocation of volunteer hours by program and public relation costs are allocated by a percentage of salary time by program.

Advertising:

The Organization expenses advertising costs as they are incurred. Total advertising expenses were \$17,062 and \$9,585 for the years ended December 31, 2024 and 2023, 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 unrelated business income for the years ended December 31, 2024 and 2023. The Organization follows accounting standards for dealing with uncertainty in accounting for income tax provisions.

**FREDERICK RESCUE MISSION, INC.
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Notes to the Financial Statements
December 31, 2024 and 2023

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

The Organization has determined that it does not have any material unrecognized tax benefits or obligations as of December 31, 2024 and 2023.

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 2021 through 2023 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 consolidated 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.

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, 2024 and 2023, the Organization had \$230,230 and \$261,056 in excess of insured limits.

**FREDERICK RESCUE MISSION, INC.
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Notes to the Financial Statements
December 31, 2024 and 2023**

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>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 1,080,155	\$ 1,644,863
Investments	907,427	778,353
Accounts receivable	17,360	38,695
Unconditional promises to give	<u>30,553</u>	<u>18,000</u>
Financial assets as of December 31	<u>2,035,495</u>	<u>2,479,911</u>
<u>Less those unavailable for general expenditures within one year, due to:</u>		
Contractual or donor-imposed restrictions:		
Residents' savings accounts	(3,031)	(3,757)
Board designated, quasi-endowment fund, primarily for long-term investing	<u>(40,657)</u>	<u>(35,147)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,991,807</u>	<u>\$ 2,441,007</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 \$40,657 and \$35,147 as of December 31, 2024 and 2023, 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 as of December 31, 2024 and 2023, 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.

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, 2024 and 2023.

**FREDERICK RESCUE MISSION, INC.
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Notes to the Financial Statements
December 31, 2024 and 2023

Note 4 - Quasi-Endowment Fund (Continued):

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>2024</u>	<u>2023</u>
Investment, quasi-endowment, beginning of year	\$ 35,147	\$ 32,550
Investment income:		
Interest and dividends, net	2,638	923
Net appreciation	<u>872</u>	<u>1,674</u>
	3,510	2,597
Principal additions	<u>2,000</u>	<u>-</u>
Investment, quasi-endowment, end of year	<u>\$ 40,657</u>	<u>\$ 35,147</u>

Note 5 - Investments:

Investment income, net was comprised of the following for the years ended December 31:

	<u>2024</u>	<u>2023</u>
Interest and dividends	\$ 91,303	\$ 73,770
Realized gain (loss)	84,382	(35,645)
Unrealized gain (loss)	<u>(4,413)</u>	<u>103,199</u>
	171,272	141,324
Less: investment fees	<u>(8,840)</u>	<u>(7,364)</u>
	<u>\$ 162,432</u>	<u>\$ 133,960</u>

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, 2024 and 2023: 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.

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Notes to the Financial Statements
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Note 6 - Fair Value Measurements (Continued):

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.

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, 2024:

	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
Beneficial interest in assets held by the Foundation	\$ -	\$ 40,657	\$ 40,657
<u>Equity securities:</u>			
Mutual funds	549,763	-	549,763
ETF's and CEF's	317,007	-	317,007
Unconditional promises to give	-	30,553	30,553
	<u>\$ 866,770</u>	<u>\$ 71,210</u>	<u>\$ 937,980</u>

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Notes to the Financial Statements
December 31, 2024 and 2023

Note 6 - Fair Value Measurements (Continued):

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:

	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
Beneficial interest in assets held by the Foundation	\$ -	\$ 35,147	\$ 35,147
<u>Equity securities:</u>			
Mutual funds	463,367	-	463,367
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>\$ 743,206</u>	<u>\$ 53,147</u>	<u>\$ 796,353</u>

The changes in level 3 investments consist of the following;

	<u>Beneficial Interest</u>	<u>Unconditional Promises to Give</u>	<u>Total</u>
December 31, 2023	\$ 35,147	\$ 18,000	\$ 53,147
Additions	2,000	20,553	22,553
Investment income, net	3,510	-	3,510
Payments received	-	(8,000)	(8,000)
December 31, 2024	<u>\$ 40,657</u>	<u>\$ 30,553</u>	<u>\$ 71,210</u>

	<u>Beneficial Interest</u>	<u>Unconditional Promises to Give</u>	<u>Total</u>
December 31, 2022	\$ 32,550	\$ 141,500	\$ 174,050
Additions	-	18,000	18,000
Investment income, net	2,597	-	2,597
Payments received	-	(141,500)	(141,500)
December 31, 2023	<u>\$ 35,147</u>	<u>\$ 18,000</u>	<u>\$ 53,147</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 to renew.

Rent expense under the lease agreement was \$77,652 and \$32,355 for the years ended December 31, 2024 and 2023, respectively.

The remaining lease term is 19 months and the discount rate is 5.5%.

**FREDERICK RESCUE MISSION, INC.
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 Notes to the Financial Statements
 December 31, 2024 and 2023**

Note 7 - Commitments (Continued):

Future maturities of the operating lease liability as of December 31, 2024 are as follows:

Year Ending December 31,		
2025	\$	78,598
2026		<u>46,641</u>
		125,239
Less: present value discount		<u>(5,596)</u>
	\$	<u><u>119,643</u></u>

Finance lease commitment:

The Organization leases four copiers under separate non-cancellable finance leases expiring between August 2025 and November 2028 with monthly payments ranging from \$82 to \$227.

The weighted-average remaining lease term is 36 months and the weighted average discount rate is 5.40%.

Future maturities of the finance lease liabilities as of December 31, 2024 are as follows:

Year Ending December 31,		
2025	\$	5,329
2026		3,717
2027		2,870
2028		<u>2,356</u>
		14,272
Less: interest		<u>(1,222)</u>
	\$	<u><u>13,050</u></u>

Note 8 - Net Assets, Restrictions and Designations:

Board Designated Net Assets:

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, 2024 and 2023, the reserve fund was \$830,000.

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, 2024 and 2023, the quasi-endowment fund had investment balances of \$40,657 and \$35,147, respectively.

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

Donor-Restricted Net Assets:

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

	<u>2024</u>	<u>2023</u>
Diapers	\$ 12,014	\$ 16,573
Faith House furniture	6,000	-
Food service - FDC Kid Zone	-	1,200
	<u>\$ 18,014</u>	<u>\$ 17,773</u>

Note 9 - In-Kind Contributions:

For the years ended December 31, 2024 and 2023, in-kind contributions recognized within the consolidated statements of activities included:

	<u>2024</u>						<u>Total</u>
	<u>Food (Utilized)</u>	<u>Clothing (Monetized)</u>	<u>Clothing (Utilized)</u>	<u>Professional Services (Utilized)</u>	<u>Rent (Utilized)</u>	<u>Other Goods (Utilized)</u>	
<u>Program services:</u>							
Food Service	\$ 2,084,507	\$ -	\$ -	\$ -	\$ -	\$ 17	\$ 2,084,524
Changed Life Recovery	-	-	-	-	-	870	870
Faith House	-	-	-	-	-	435	435
Community Outreach	-	-	-	4,857	-	292	5,149
Rescued Treasures	-	231,634	733,116	-	-	-	964,750
	<u>2,084,507</u>	<u>231,634</u>	<u>733,116</u>	<u>4,857</u>	<u>-</u>	<u>1,614</u>	<u>3,055,728</u>
<u>Supporting services:</u>							
Management and general	-	-	-	2,668	-	-	2,668
Fundraising	-	-	-	12,060	-	-	12,060
	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,728</u>	<u>-</u>	<u>-</u>	<u>14,728</u>
	<u>\$ 2,084,507</u>	<u>\$ 231,634</u>	<u>\$ 733,116</u>	<u>\$ 19,585</u>	<u>\$ -</u>	<u>\$ 1,614</u>	<u>3,070,456</u>
Capitalized property, equipment, and related services							-
Change in food and clothing inventory							<u>(9,404)</u>
Total in-kind contributions							<u>\$ 3,061,052</u>

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Note 9 - In-Kind Contributions (Continued):

	2023						
	Food (Utilized)	Clothing (Monetized)	Clothing (Utilized)	Professional Services (Utilized)	Rent (Utilized)	Other Goods (Utilized)	Total
<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 and clothing inventory							<u>28,842</u>
Total in-kind contributions							<u>\$ 3,043,507</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 would match the employees' elective deferral up to a limit of 3% of the employee's salary. Beginning in 2024, the Organization will match the employees' elective deferral up to a limit of 4% of the employee's salary. The Organization contributed \$46,915 and \$31,441 for the years ended December 31, 2024 and 2023, respectively.

Note 11 - Subsequent Events:

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through April 24, 2025, the date the consolidated financial statements were available to be issued. There were no events or transactions requiring disclosure.