



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

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

**For the Years Ended December 31, 2025 and 2024**

**FREDERICK RESCUE MISSION, INC. & SUBSIDIARIES**  
**Consolidated Financial Statements**  
**December 31, 2025 and 2024**

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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 (the financial statements) of ***Frederick Rescue Mission, Inc. and Subsidiaries*** (a nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2025 and 2024, 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, 2025 and 2024, 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 Consolidated 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 consolidated 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 consolidated 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 Consolidated 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 consolidated 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about **Frederick Rescue Mission, Inc. 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 15, 2026**

**FREDERICK RESCUE MISSION, INC. & SUBSIDIARIES**  
**Consolidated Statements of Financial Position**  
**December 31, 2025 and 2024**

**ASSETS**

	<b>2025</b>	<b>2024</b>
<b>Current assets:</b>		
Cash and cash equivalents:		
Cash and cash equivalents	\$ 1,110,244	\$ 1,077,124
Residents' savings accounts, restricted	3,448	3,031
Total cash and cash equivalents	1,113,692	1,080,155
Investments	1,107,360	866,770
Accounts receivable	23,456	17,360
Unconditional promises to give	156,999	30,553
Inventory	83,906	53,626
Prepaid expenses and deposits on fixed assets	13,343	19,757
<b>Total current assets</b>	<b>2,498,756</b>	<b>2,068,221</b>
<b>Property and equipment:</b>		
Land	482,207	482,207
Buildings	3,240,158	3,240,158
Furniture and equipment	746,724	750,330
Improvements	3,130,017	2,709,815
Vehicles	475,726	475,726
Construction in progress	-	232,314
	8,074,832	7,890,550
Less: accumulated depreciation	(3,393,690)	(3,132,000)
<b>Total property and equipment, net</b>	<b>4,681,142</b>	<b>4,758,550</b>
<b>Other assets:</b>		
Security deposits	6,110	6,550
Investments, quasi-endowment fund	45,056	40,657
Unconditional promises to give, long-term	126,000	-
Website development costs (less accumulated amortization of \$25,495 and \$20,356, respectively)	-	5,139
Right of use asset, net - finance lease	8,099	12,762
Right of use asset, net - operating lease	56,077	128,976
<b>Total other assets</b>	<b>241,342</b>	<b>194,084</b>
<b>Total assets</b>	<b>\$ 7,421,240</b>	<b>\$ 7,020,855</b>

**FREDERICK RESCUE MISSION, INC. & SUBSIDIARIES**  
**Consolidated Statements of Financial Position (Continued)**  
**December 31, 2025 and 2024**

**LIABILITIES AND NET ASSETS**

	<b>2025</b>	<b>2024</b>
<b><u>Liabilities:</u></b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 18,595	\$ 17,590
Accrued expenses	128,050	119,485
Amounts due to residents	3,440	3,127
Current portion of finance lease liability	3,345	4,742
Current portion of operating lease liability	45,798	73,845
<b>Total current liabilities</b>	199,228	218,789
<b>Other liabilities:</b>		
Long-term portion of finance lease liability	4,963	8,308
Long-term portion of operating lease liability	-	45,798
<b>Total other liabilities</b>	4,963	54,106
<b>Total liabilities</b>	204,191	272,895
<b><u>Net assets:</u></b>		
<b>Net assets without donor restrictions:</b>		
Undesignated	5,886,264	5,859,289
Board designated	895,056	870,657
<b>Total net assets without donor restrictions</b>	6,781,320	6,729,946
<b>Net assets with donor restrictions</b>	435,729	18,014
<b>Total net assets</b>	7,217,049	6,747,960
<b>Total liabilities and net assets</b>	\$ 7,421,240	\$ 7,020,855

**FREDERICK RESCUE MISSION, INC. & SUBSIDIARIES**  
**Consolidated Statements of Activities**  
**Years Ended December 31, 2025 and 2024**

	2025			2024		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
<b>Support and Revenue:</b>						
Contributions	\$ 2,111,154	\$ 999,468	\$ 3,110,622	\$ 1,636,144	\$ 697,483	\$ 2,333,627
In-kind contributions	3,138,049	-	3,138,049	3,061,052	-	3,061,052
Special events	166,521	162,067	328,588	339,456	-	339,456
Program service revenue	44,984	-	44,984	54,900	-	54,900
Miscellaneous	3,466	-	3,466	854	-	854
Net assets released from restrictions	743,820	(743,820)	-	697,242	(697,242)	-
Total revenue	6,207,994	417,715	6,625,709	5,789,648	241	5,789,889
<b>Net sales:</b>						
Recycling and other sales revenue	219,294	-	219,294	231,634	-	231,634
Less costs of sales	(219,294)	-	(219,294)	(231,634)	-	(231,634)
Gross profit	-	-	-	-	-	-
<b>Total support, revenue, and net sales</b>	6,207,994	417,715	6,625,709	5,789,648	241	5,789,889

**FREDERICK RESCUE MISSION, INC. & SUBSIDIARIES**  
**Consolidated Statements of Activities (Continued)**  
**Years Ended December 31, 2025 and 2024**

	2025			2024		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
<b>Expenses:</b>						
Program services:						
Food Service	\$ 3,008,993	\$ -	\$ 3,008,993	\$ 3,370,772	\$ -	\$ 3,370,772
Changed Life Recovery	502,923	-	502,923	497,128	-	497,128
Faith House	641,717	-	641,717	606,454	-	606,454
Community Outreach	170,960	-	170,960	125,364	-	125,364
Rescued Treasures	<u>1,360,162</u>	<u>-</u>	<u>1,360,162</u>	<u>1,029,641</u>	<u>-</u>	<u>1,029,641</u>
Total program services	<u>5,684,755</u>	<u>-</u>	<u>5,684,755</u>	<u>5,629,359</u>	<u>-</u>	<u>5,629,359</u>
Supporting services:						
Management and general	309,794	-	309,794	295,784	-	295,784
Fundraising	<u>322,711</u>	<u>-</u>	<u>322,711</u>	<u>354,416</u>	<u>-</u>	<u>354,416</u>
Total supporting services	<u>632,505</u>	<u>-</u>	<u>632,505</u>	<u>650,200</u>	<u>-</u>	<u>650,200</u>
<b>Total expenses</b>	<u>6,317,260</u>	<u>-</u>	<u>6,317,260</u>	<u>6,279,559</u>	<u>-</u>	<u>6,279,559</u>
<b>Change in net assets before other items</b>	(109,266)	417,715	308,449	(489,911)	241	(489,670)
Investment income, net	<u>160,640</u>	<u>-</u>	<u>160,640</u>	<u>162,432</u>	<u>-</u>	<u>162,432</u>
Total investment income, net	<u>160,640</u>	<u>-</u>	<u>160,640</u>	<u>162,432</u>	<u>-</u>	<u>162,432</u>
<b>Change in net assets</b>	51,374	417,715	469,089	(327,479)	241	(327,238)
<b>Net assets:</b>						
Beginning 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>
<b>End of year</b>	<u>\$ 6,781,320</u>	<u>\$ 435,729</u>	<u>\$ 7,217,049</u>	<u>\$ 6,729,946</u>	<u>\$ 18,014</u>	<u>\$ 6,747,960</u>

**FREDERICK RESCUE MISSION, INC. & SUBSIDIARIES**  
**Consolidated Statement of Functional Expenses**  
**Year Ended December 31, 2025**

	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
<b>Expenses:</b>										
Food and kitchen supplies	\$ 1,872,868	\$ -	\$ -	\$ -	\$ -	\$ 1,872,868	\$ -	\$ -	\$ -	\$ 1,872,868
Salaries	512,535	220,713	376,574	99,836	158,020	1,367,678	210,225	122,805	333,030	1,700,708
Clothing	-	-	-	-	1,076,214	1,076,214	-	-	-	1,076,214
Payroll taxes and employee benefits	143,491	59,228	78,517	13,794	33,878	328,908	47,034	36,794	83,828	412,736
Depreciation and amortization	148,168	54,043	48,703	2,637	22,006	275,557	1,772	4,398	6,170	281,727
Utilities	81,901	57,911	31,352	3,090	3,843	178,097	3,480	3,392	6,872	184,969
Repairs and maintenance	63,010	34,172	38,477	288	10,770	146,717	1,615	1,264	2,879	149,596
Travel	44,674	8,918	205	-	33,467	87,264	-	122	122	87,386
Lease expense	77,652	-	-	-	-	77,652	-	-	-	77,652
Information technology	12,097	15,531	18,538	3,754	5,424	55,344	6,064	14,323	20,387	75,731
Fundraising events	-	-	-	-	-	-	-	73,141	73,141	73,141
Insurance	19,617	16,087	16,242	1,669	2,904	56,519	3,958	2,236	6,194	62,713
Professional fees	710	304	406	101	169	1,690	28,515	30,999	59,514	61,204
Program activities and events	2,840	11,593	1,348	26,219	468	42,468	-	-	-	42,468
Newsletter and website	7,573	3,246	4,328	1,082	1,803	18,032	-	18,032	18,032	36,064
Training and meetings	8,117	4,962	5,539	2,238	2,143	22,999	4,831	1,220	6,051	29,050
Supplies	5,995	2,213	2,808	1,495	2,352	14,863	1,835	12,275	14,110	28,973
Equipment	5,619	3,929	12,446	1,530	195	23,719	-	-	-	23,719
Community care	90	39	51	12,936	21	13,137	-	-	-	13,137
Resident care	-	3,872	3,308	-	-	7,180	-	-	-	7,180
Promotion	2,036	873	1,163	291	485	4,848	-	1,710	1,710	6,558
Rent	-	-	-	-	6,000	6,000	-	-	-	6,000
Education	-	4,497	1,030	-	-	5,527	-	-	-	5,527
Property taxes	-	764	588	-	-	1,352	-	-	-	1,352
Interest	-	28	94	-	-	122	465	-	465	587
<b>Total expenses</b>	<b>\$ 3,008,993</b>	<b>\$ 502,923</b>	<b>\$ 641,717</b>	<b>\$ 170,960</b>	<b>\$ 1,360,162</b>	<b>\$ 5,684,755</b>	<b>\$ 309,794</b>	<b>\$ 322,711</b>	<b>\$ 632,505</b>	<b>\$ 6,317,260</b>

**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
<b>Expenses:</b>										
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
<b>Total expenses</b>	<b>\$ 3,370,772</b>	<b>\$ 497,128</b>	<b>\$ 606,454</b>	<b>\$ 125,364</b>	<b>\$ 1,029,641</b>	<b>\$ 5,629,359</b>	<b>\$ 295,784</b>	<b>\$ 354,416</b>	<b>\$ 650,200</b>	<b>\$ 6,279,559</b>

See Accompanying Notes to Consolidated Financial Statements

**FREDERICK RESCUE MISSION, INC. & SUBSIDIARIES**  
**Consolidated Statement of Cash Flows**  
**Years Ended December 31, 2025 and 2024**

	<b>2025</b>	<b>2024</b>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 469,089	\$ (327,238)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	271,925	286,316
Amortization of website development costs	5,139	6,167
Amortization of right-of-use asset - operating lease	72,899	69,023
Amortization of right-of-use asset - finance lease	4,663	5,055
Realized and unrealized gain on investments	(115,543)	(79,969)
Bad debts	-	1,534
Changes in assets and liabilities:		
Accounts receivable	(6,096)	19,801
Unconditional promises to give	(252,446)	(12,553)
Inventory	(30,280)	9,404
Prepaid expenses and deposits on fixed assets	6,414	20,196
Accounts payable	1,005	(20,994)
Accrued expenses	8,565	10,932
Amounts due to residents	313	(1,160)
Operating lease liability	(73,845)	(67,683)
<b>Net cash provided by (used in) operating activities</b>	<b>361,802</b>	<b>(81,169)</b>
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(194,076)	(197,165)
Construction in progress costs	-	(232,346)
Proceeds from sales of investments	371,915	1,277,649
Purchases of investments	(501,361)	(1,326,754)
<b>Net cash used in investing activities</b>	<b>(323,522)</b>	<b>(478,616)</b>
<b>Cash flows from financing activities:</b>		
Reduction of finance lease liability	(4,743)	(4,923)
<b>Net cash used in financing activities</b>	<b>(4,743)</b>	<b>(4,923)</b>
<b>Net increase (decrease) in cash, cash equivalents, and restricted cash</b>	<b>33,537</b>	<b>(564,708)</b>
<b>Cash, cash equivalents, and restricted cash:</b>		
Beginning of the year	1,080,155	1,644,863
End of the year	\$ 1,113,692	\$ 1,080,155
<b>Supplemental disclosures of cash flow information:</b>		
Cash paid for interest	\$ 587	\$ 853

**FRDERICK RESCUE MISSION, INC. & SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2025 and 2024**

**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 substance 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, 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 visit monthly 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 Consolidated Financial Statements**  
**December 31, 2025 and 2024**

**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. No allowance was considered necessary and the overall discount on long-term pledges was immaterial.

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**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, 2025 and 2024 was \$271,925 and \$286,316, 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 \$5,139 and \$6,167 for years ended December 31, 2025 and 2024, 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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**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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**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 transferred to the recipient, 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 clothing recycling sales 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 consolidated 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 \$10,603 and \$17,062 for the years ended December 31, 2025 and 2024, respectively and are included in fundraising events in the accompanying consolidated statements of functional expenses.

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

*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, 2025 and 2024. 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, 2025 and 2024.

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 2022 through 2024 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, 2025 and 2024, the Organization had \$126,042 and \$230,230 in excess of insured limits.

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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:

	<b>2025</b>	<b>2024</b>
Cash and cash equivalents	\$ 1,113,692	\$ 1,080,155
Investments	1,152,416	907,427
Accounts receivable	23,456	17,360
Unconditional promises to give	<u>282,999</u>	<u>30,553</u>
Financial assets as of December 31	<u>2,572,563</u>	<u>2,035,495</u>
<u>Less those unavailable for general expenditures within one year, due to:</u>		
Contractual or donor-imposed restrictions:		
Residents' savings accounts	(3,448)	(3,031)
Donor restricted - Project Expansion Fund	(400,000)	-
Unconditional promises to give - long term	(126,000)	-
Board designated, quasi-endowment fund, primarily for long-term investing	<u>(45,056)</u>	<u>(40,657)</u>
<b>Financial assets available to meet cash needs for general expenditures within one year</b>	<u><u>\$ 1,998,059</u></u>	<u><u>\$ 1,991,807</u></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 \$45,056 and \$40,657 as of December 31, 2025 and 2024, 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 \$850,000 and \$830,000 as of December 31, 2025 and 2024, 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 purpose of this fund is to provide operational support to the Organization.

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, 2025 and 2024.

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**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>2025</u>	<u>2024</u>
Investment, quasi-endowment, beginning of year	\$ 40,657	\$ 35,147
Investment income:		
Interest and dividends, net	1,950	2,638
Net appreciation	<u>1,949</u>	<u>872</u>
	3,899	3,510
Principal additions	<u>500</u>	<u>2,000</u>
Investment, quasi-endowment, end of year	<u>\$ 45,056</u>	<u>\$ 40,657</u>

**Note 5 - Investments:**

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

	<u>2025</u>	<u>2024</u>
Interest and dividends	\$ 54,681	\$ 91,303
Realized gain (loss)	(5,840)	84,382
Unrealized gain (loss)	<u>121,383</u>	<u>(4,413)</u>
	170,224	171,272
Less: investment fees	<u>(9,584)</u>	<u>(8,840)</u>
	<u>\$ 160,640</u>	<u>\$ 162,432</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, 2025 and 2024: 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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**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: 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, 2025:

	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
Beneficial interest in assets held by the Foundation	\$ -	\$ 45,056	\$ 45,056
<u>Equity securities:</u>			
Mutual funds	722,473	-	722,473
ETF's and CEF's	384,887	-	384,887
Unconditional promises to give	-	282,999	282,999
	<u>\$ 1,107,360</u>	<u>\$ 328,055</u>	<u>\$ 1,435,415</u>

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**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, 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>

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	40,657	30,553	71,210
Additions	500	422,392	422,892
Investment income, net	3,899	-	3,899
Payments received	-	(167,553)	(167,553)
December 31, 2025	<u>\$ 45,056</u>	<u>\$ 285,392</u>	<u>\$ 330,448</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 for the years ended December 31, 2025 and 2024, respectively.

The remaining lease term is 7 months and the discount rate is 5.5%.

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**Note 7 - Commitments (Continued):**

Future maturities of the operating lease liability as of December 31, 2025 are as follows:

Year Ending December 31,	
2026	\$ 46,641
	<u>46,641</u>
Less: present value discount	<u>(843)</u>
	<u>\$ 45,798</u>

*Finance lease commitment:*

The Organization leases two copiers under separate non-cancellable finance leases expiring between February 2027 and November 2028 with monthly payments ranging from \$82 to \$227.

The weighted-average remaining lease term is 29 months and the weighted average discount rate is 5.50%.

Future maturities of the finance lease liabilities as of December 31, 2025 are as follows:

Year Ending December 31,	
2026	\$ 3,717
2027	2,870
2028	<u>2,356</u>
	8,943
Less: interest	<u>(635)</u>
	<u>\$ 8,308</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, 2025 and 2024, the reserve fund was \$850,000 and \$830,000, 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, 2025 and 2024, the quasi-endowment fund had investment balances of \$45,056 and \$40,657, respectively.

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

*Donor-Restricted Net Assets:*

Net assets with donor restrictions consisted of the following purpose and time restrictions as of December 31:

	<u>2025</u>	<u>2024</u>
Project Expansion Fund	\$ 400,000	\$ -
Summer Enrichment Camp Expansion	20,000	-
Diapers	10,137	12,014
Summer Enrichment Camp STEAM Materials	3,500	-
Changed Life Recovery Improvements	2,092	-
Faith House furniture	-	6,000
	<u>\$ 435,729</u>	<u>\$ 18,014</u>

**Note 9 - In-Kind Contributions:**

For the years ended December 31, 2025 and 2024, in-kind contributions recognized within the consolidated statements of activities included:

	<u>2025</u>						
	<u>Food</u>	<u>Clothing</u>	<u>Clothing</u>	<u>Professional</u>	<u>Rent</u>	<u>Other Goods</u>	<u>Total</u>
	<u>(Utilized)</u>	<u>(Monetized)</u>	<u>(Utilized)</u>	<u>Services</u>	<u>(Utilized)</u>	<u>(Utilized)</u>	
<u>Program services:</u>							
Food Service	\$ 1,788,831	\$ -	\$ -	\$ -	\$ -	\$ 83	\$ 1,788,914
Changed Life Recovery	-	-	-	-	-	83	83
Community Outreach	-	-	-	3,392	-	-	3,392
Rescued Treasures	-	219,294	1,076,214	-	-	-	1,295,508
	<u>1,788,831</u>	<u>219,294</u>	<u>1,076,214</u>	<u>3,392</u>	<u>-</u>	<u>166</u>	<u>3,087,897</u>
<u>Supporting services:</u>							
Management and general	-	-	-	3,791	-	-	3,791
Fundraising	-	-	-	16,080	-	-	16,080
	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,871</u>	<u>-</u>	<u>-</u>	<u>19,871</u>
	<u>\$ 1,788,831</u>	<u>\$ 219,294</u>	<u>\$ 1,076,214</u>	<u>\$ 23,263</u>	<u>\$ -</u>	<u>\$ 166</u>	<u>3,107,768</u>
Change in food and clothing inventory							<u>30,281</u>
Total in-kind contributions							<u>\$ 3,138,049</u>

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**Note 9 - In-Kind Contributions (Continued):**

	<b>2024</b>						
	<b>Food (Utilized)</b>	<b>Clothing (Monetized)</b>	<b>Clothing (Utilized)</b>	<b>Professional Services (Utilized)</b>	<b>Rent (Utilized)</b>	<b>Other Goods (Utilized)</b>	<b>Total</b>
<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>
Change in food and clothing inventory							<u>(9,404)</u>
Total in-kind contributions							<u>\$ 3,061,052</u>

**Note 10 - Unconditional Promises to Give:**

Unconditional promises to give are recorded as receivables and revenue when received. The Organization distinguishes between contributions received for each net asset category in accordance with donor-imposed restrictions. Promises to give are comprised of the following at December 31:

	<b>2025</b>	<b>2024</b>
<u>Unconditional promises to give expected in:</u>		
Less than one year	\$ 156,999	\$ 30,553
One to five years	126,000	-
	<u>\$ 282,999</u>	<u>\$ 30,553</u>

**Note 11 - 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 4% of the employee's salary. The Organization contributed \$49,213 and \$46,915 for the years ended December 31, 2025 and 2024, respectively.

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**Note 12 - Related Parties:**

During the year ended December 31, 2025, a member of the Organization's Board of Directors, through a privately owned foundation, made contributions totaling approximately \$231,200 to the Organization. At December 31, 2025, amounts due from the board member's private foundation totaled \$133,000, which are included in unconditional promises to give in the accompanying consolidated statements of financial position.

**Note 13 - Subsequent Events:**

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through April 15, 2026, the date the consolidated financial statements were available to be issued.

In April 2026, the Organization executed a lease amendment for its warehouse property. The amendment commences on August 1, 2026 and ends on July 31, 2028 for a total commitment of \$196,214 which includes the rental payments and estimated CAM expenses for the twenty four month term