



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

**YEARS ENDED
DECEMBER 31, 2019 AND 2018**



CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

A Professional Corporation

FREDERICK RESCUE MISSION, INC. AND SUBSIDIARIES

YEARS ENDED DECEMBER 31, 2019 AND 2018

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Independent Auditor's Report

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Frederick Rescue Mission, Inc. (a nonprofit organization) and Subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2019 and the related consolidated statements of activities, functional expenses and cash flows for the year then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Frederick Rescue Mission, Inc. and Subsidiaries as of December 31, 2019, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Adjustments to Prior Period Financial Statements

The financial statements of Frederick Rescue Mission, Inc. and Subsidiaries as of and for the year ended December 31, 2018 were audited by RLH CPAs & Business Advisors, LLC, who merged with Brown Schultz Sheridan & Fritz as of June 1, 2019, and whose report dated May 23, 2019 expressed a qualified opinion on those statements because \$485,840 of forgivable debt obligations related to the purchase of the property used by Faith House of Frederick, LLC were not recorded on the statement of financial position. This caused an understatement of both assets and liabilities of \$485,840 as of December 31, 2018. These loans were forgiven in February 2019. Their report also included an emphasis-of-matter paragraph describing the implementation of new accounting guidance included in Financial Accounting Standards Board Accounting Standards Update 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*.

As discussed in Note 16 to the financial statements, the Organization has adjusted its 2018 financial statements to correct an error for an unconditional promise to give that had not been recorded as of December 31, 2018. Accordingly, the 2018 statements of net position and activities have been restated and an adjustment has been made to net assets with and without donor restrictions as of December 31, 2018 to correct the error. RLH CPAs & Business Advisors, LLC reported on the financial statements before the restatement.

As part of our audit of the 2019 financial statements, we also audited the adjustments to the 2018 financial statements to correct the error described in Note 16. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review or apply any procedures to Frederick Rescue Mission, Inc. and Subsidiaries' 2018 financial statements other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on their 2018 financial statements as a whole.

Brown Schultz Sheridan & Fritz

Frederick, Maryland
June 25, 2020

FREDERICK RESCUE MISSION, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

ASSETS

	2019	2018 (as restated)
	<u>2019</u>	<u>(as restated)</u>
Current assets:		
Cash and cash equivalents:		
Cash and cash equivalents	\$ 847,321	\$ 878,428
Residents' savings accounts, restricted	3,202	4,670
Total cash and cash equivalents	850,523	883,098
Investments	1,074	
Accounts receivable	28,740	33,281
Unconditional promises to give (less allowance for uncollectible promises of \$100 for each year)	201,900	289,182
Inventory	19,817	11,948
Prepaid expenses	2,058	8,858
Total current assets	1,104,112	1,226,367
Property and equipment:		
Construction in progress	34,617	
Land	482,207	482,207
Buildings	3,240,158	3,240,158
Furniture and equipment	564,459	530,514
Improvements	1,942,840	1,911,729
Vehicles	269,975	316,877
	6,534,256	6,481,485
Less accumulated depreciation	1,888,898	1,702,837
Total property and equipment	4,645,358	4,778,648
Other assets:		
Deposits		586
Investments	27,196	25,324
Unconditional promises to give, restricted to purchase of property and equipment		200,000
Website development costs, (less accumulated amortization of \$16,469 and \$10,823, respectively)	471	6,117
Total other assets	27,667	232,027
Total assets	\$ 5,777,137	\$ 6,237,042

See notes to consolidated financial statements.

FREDERICK RESCUE MISSION, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

LIABILITIES AND NET ASSETS

	2019	2018 (as restated)
Liabilities:		
Current liabilities:		
Accounts payable	\$ 18,458	\$ 73,450
Accrued expenses	96,719	62,442
Amounts due to residents	3,265	4,813
Deferred revenue	4,575	5,869
Line of credit		455,678
Current portion of:		
Capital lease obligations	2,919	2,782
Notes payable	25,273	24,149
	<u>151,209</u>	<u>629,183</u>
Total current liabilities	151,209	629,183
Long-term liabilities:		
Tenant security deposits		8,508
Capital lease obligations	5,824	8,743
Notes payable	123,259	148,686
	<u>129,083</u>	<u>165,937</u>
Total long-term liabilities	129,083	165,937
Total liabilities	280,292	795,120
Net assets:		
Net assets without donor restrictions:		
Undesignated	5,132,949	4,881,057
Board designated	126,485	277,791
	<u>5,259,434</u>	<u>5,158,848</u>
Total net assets without donor restrictions	5,259,434	5,158,848
Net assets with donor restrictions	237,411	283,074
	<u>5,496,845</u>	<u>5,441,922</u>
Total net assets	5,496,845	5,441,922
Total liabilities and net assets	\$ 5,777,137	\$ 6,237,042

See notes to consolidated financial statements.

FREDERICK RESCUE MISSION, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019			2018 (as restated)		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Support, revenue and gains:						
Contributions	\$ 1,245,853	\$ 509,761	\$ 1,755,614	\$ 1,148,386	\$ 1,211,386	\$ 2,359,772
In-kind contributions	1,624,802		1,624,802	2,034,873		2,034,873
Special events	48,968		48,968	62,519		62,519
Recycling and other sales revenue	234,282		234,282	229,594		229,594
Affordable housing income	79,090		79,090	110,386		110,386
Program service revenue	29,268		29,268	31,033		31,033
Net investment income	7,469		7,469	7,562		7,562
Miscellaneous	3,170		3,170	9,809		9,809
Total support, revenue and gains	3,272,902	509,761	3,782,663	3,634,162	1,211,386	4,845,548
Net assets released from restrictions	555,424	(555,424)	-	1,290,039	(1,290,039)	-
Total support, revenue and gains	3,828,326	(45,663)	3,782,663	4,924,201	(78,653)	4,845,548
Expenses and losses:						
Program services:						
Food Service	2,145,304		2,145,304	2,477,884		2,477,884
Changed Life Recovery	386,306		386,306	374,360		374,360
Faith House	468,997		468,997	368,716		368,716
Affordable Housing Units	42,786		42,786	51,418		51,418
Community Outreach	78,449		78,449	78,674		78,674
Rescued Treasures	144,709		144,709	171,493		171,493
Total program services	3,266,551		3,266,551	3,522,545		3,522,545

(continued)

FREDERICK RESCUE MISSION, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF ACTIVITIES (CONTINUED)
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019			2018		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Expenses and losses (continued):						
Supporting services:						
Management and general	\$ 192,197		\$ 192,197	\$ 177,327		\$ 177,327
Fundraising	246,575		246,575	272,482		272,482
Total supporting services	438,772		438,772	449,809		449,809
Loss on asset disposal	22,417		22,417	2,988		2,988
Total expenses and losses	3,727,740		3,727,740	3,975,342		3,975,342
Change in net assets	100,586	\$ (45,663)	54,923	948,859	\$ (78,653)	870,206
Net assets:						
Beginning of year (as restated)	5,158,848	283,074	5,441,922	4,209,989	361,727	4,571,716
End of year	\$ 5,259,434	\$ 237,411	\$ 5,496,845	\$ 5,158,848	\$ 283,074	\$ 5,441,922

See notes to consolidated financial statements.

FREDERICK RESCUE MISSION, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2019 AND 2018

2019

	Program services						Supporting services		Total Functional Expenses	
	Food Service	Changed Life Recovery	Faith House	Affordable Housing Units	Community Outreach	Rescued Treasures	Total Program	Management and General		Fundraising
Expenses:										
Salaries	\$ 231,056	\$ 140,871	\$ 241,513		\$ 34,093	\$ 59,498	\$ 707,031	\$ 121,417	\$ 63,886	\$ 892,334
Payroll taxes and employee benefits	56,318	37,340	49,578		6,395	15,627	165,258	28,049	19,001	212,308
Bad debt expense								99		99
Community care					5,793	450	6,243			6,243
Conferences and meetings	962	10,217	5,286		207	31	16,703	1,863		18,566
Depreciation and amortization	108,458	61,508	46,313		1,030	19,859	237,168	1,027	4,063	242,258
Education		2,455	1,775		23,701		27,931			27,931
Equipment	1,472		299				1,771			1,771
Event entertainment and awards									11,166	11,166
Event facility costs									9,669	9,669
Food and kitchen supplies	1,612,821		556				1,613,377		25,675	1,639,052
Information technology	6,270	4,937	2,750		1,986	490	16,433	1,833	3,040	21,306
Insurance	12,532	11,438	12,151		1,285	1,825	39,231	2,981	1,593	43,805
Interest	5,769	5,381	85	\$ 547		1,527	13,309	420		13,729
Newsletter and website	844	639	742		102	230	2,557		2,558	5,115
Professional fees	2,389	1,583	1,836	540	253	670	7,271	29,704	29,763	66,738
Program activities and events	1,582	7,581	176		316	121	9,776			9,776
Promotion	219	166	184		26	60	655		29,689	30,344
Property management				18,783			18,783			18,783
Property taxes		722	588				1,310			1,310
Rent						6,000	6,000			6,000
Repairs and maintenance	19,873	24,307	52,086	5,703	19	13,629	115,617	464	196	116,277
Resident care		6,188	31,442				37,630			37,630
Supplies	6,234	3,958	4,207	247	1,256	3,840	19,742	1,294	42,608	63,644
Travel	33,055	16,998	3,039			17,934	71,026	138	476	71,640
Utilities	45,450	50,017	14,391	16,966	1,987	2,918	131,729	2,908	3,192	137,829
Total expenses	\$ 2,145,304	\$ 386,306	\$ 468,997	\$ 42,786	\$ 78,449	\$ 144,709	\$ 3,266,551	\$ 192,197	\$ 246,575	\$ 3,705,323

(continued)

FREDERICK RESCUE MISSION, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)
YEARS ENDED DECEMBER 31, 2019 AND 2018

2018

	Program services						Supporting services		Total Functional Expenses	
	Food Service	Changed Life Recovery	Faith House	Affordable Housing Units	Community Outreach	Rescued Treasures	Total Program	Management and General		Fundraising
Expenses:										
Salaries	\$ 226,162	\$ 135,578	\$ 228,011		\$ 38,421	\$ 66,502	\$ 694,674	\$ 118,187	\$ 88,901	\$ 901,762
Payroll taxes and employee benefits	60,584	33,761	39,545		7,277	16,983	158,150	27,109	26,657	211,916
Bad debt expense								388		388
Community care					2,415	6,530	8,945			8,945
Conferences and meetings	355	1,398	1,390		307	274	3,724	486	1,355	5,565
Depreciation and amortization	62,402	63,113	46,346		1,244	17,770	190,875	1,111	4,126	196,112
Education		1,391	465		20,383		22,239			22,239
Equipment	2,154		970			3,313	6,437			6,437
Event entertainment and awards									11,185	11,185
Event facility costs									9,375	9,375
Food and kitchen supplies	1,999,774		233				2,000,007		24,442	2,024,449
Information technology	2,898	2,875	4,826	\$ 383	829	465	12,276	2,440	4,340	19,056
Insurance	10,137	10,154	10,960		1,324	2,911	35,486	2,647	2,013	40,146
Interest	2,463	5,941	115	113		1,868	10,500	460		10,960
Newsletter and website	2,652	2,104	2,396		360	965	8,477		4,613	13,090
Professional fees	457	125	142	591	21	57	1,393	20,071	16,013	37,477
Program activities and events	735	6,743	90		180	56	7,804			7,804
Promotion	226	179	243		31	82	761		33,534	34,295
Property management				20,510			20,510			20,510
Property taxes		722	588				1,310			1,310
Rent						6,000	6,000			6,000
Repairs and maintenance	25,185	26,018	9,159	16,310	173	10,254	87,099	102	291	87,492
Resident care		24,144	2,676				26,820			26,820
Supplies	4,125	2,713	4,326	325	3,768	4,581	19,838	1,631	42,127	63,596
Travel	37,474	15,371	1,650	662		29,760	84,917	134	402	85,453
Utilities	40,101	42,030	14,585	12,524	1,941	3,122	114,303	2,561	3,108	119,972
Total expenses	\$ 2,477,884	\$ 374,360	\$ 368,716	\$ 51,418	\$ 78,674	\$ 171,493	\$ 3,522,545	\$ 177,327	\$ 272,482	\$ 3,972,354

See notes to consolidated financial statements.

FREDERICK RESCUE MISSION, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Inflows:		
Receipts from:		
Contributions	\$ 1,690,436	\$ 1,535,996
Special events	48,968	62,519
Affordable housing receipts	67,740	82,934
Recycling and other receipts	271,261	269,203
Interest income received	8,141	4,634
	<u>2,086,546</u>	<u>1,955,286</u>
 Outflows:		
Payments to:		
Employees	858,057	913,333
Suppliers	1,002,675	809,204
Payments for interest	13,729	10,960
	<u>1,874,461</u>	<u>1,733,497</u>
 Net cash provided by operating activities	 <u>212,085</u>	 <u>221,789</u>
 Cash flows from investing activities:		
Inflows:		
Proceeds from sale of:		
Property and equipment	27,645	4,050
Investments	16,761	40,474
	<u>44,406</u>	<u>44,524</u>
 Outflows:		
Purchase of:		
Investments	2,293	1,806
Property and equipment	138,384	981,645
	<u>140,677</u>	<u>983,451</u>
 Net cash used by investing activities	 <u>(96,271)</u>	 <u>(938,927)</u>

(continued)

FREDERICK RESCUE MISSION, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Cash flows from financing activities:		
Inflows:		
Donor-restricted contributions for property and equipment	\$ 334,374	\$ 321,895
Net proceeds from line of credit		455,678
Proceeds from long-term liabilities		42,500
	<u>334,374</u>	<u>820,073</u>
Outflows:		
Payments on:		
Capital lease obligations	2,782	2,869
Line of credit	455,678	
Long-term liabilities	24,303	22,420
	<u>482,763</u>	<u>25,289</u>
Net cash provided (used) by financing activities	<u>(148,389)</u>	<u>794,784</u>
Net increase (decrease) in cash, cash equivalents and restricted cash	<u>(32,575)</u>	<u>77,646</u>
Cash, cash equivalents and restricted cash:		
Beginning of year	<u>883,098</u>	<u>805,452</u>
End of year	<u><u>\$ 850,523</u></u>	<u><u>\$ 883,098</u></u>
Noncash investing and financing transactions:		
Trade-in value of disposed asset	\$ 2,594	\$ 2,000
Purchase of equipment with capital lease		10,443
Donated property and equipment and related services	15,000	38,709
Donated securities	18,086	20,150

See notes to consolidated financial statements.

FREDERICK RESCUE MISSION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2019 AND 2018

1. Nature of Organization and summary of accounting policies:

Nature of activities:

Frederick Rescue Mission, Inc. and Subsidiaries (the Organization) is a Christ-centered ministry providing residential recovery programs to the homeless or chemically addicted, food to the hungry, clothing and furniture to the needy and connection within Frederick County, Maryland, through relationships. Operations are funded through cash and in-kind contributions, special events and textile sales.

The Bread of Life Food Ministries provide meals and groceries to anyone in need. The Organization serves warm and nutritious meals for breakfast and lunch 365 days a year. The Organization's Food Distribution Center offers individuals and families the ability to receive food from a selection of meat, bread, produce, dairy and other grocery items to take home and provide for themselves and their families. The Food Distribution Center is open five days a week, including weekend and evening hours. The Organization receives food from local grocery stores, restaurants and other community partners six 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 can house approximately 40 men at a time. During a six-month program, the men regularly participate in recovery classes, Bible studies and work therapy. Following graduation from the six-month program, men have the ability to move to transitional housing and continue their involvement with the Organization. The Changed Life Recovery Program provides opportunities for men to obtain a GED or higher education, develop career aspirations, gain life skills and pursue reconciliation with their families and communities.

Faith House provides a loving, Christ-centered place for homeless women and children in Frederick. 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. These apartments serve families and individuals that qualify through Affordable Housing guidelines. In June 2019, the Organization sent notice to all tenants that they would not be renewing their leases in order to open the apartment complex to transition housing units for the Faith House program. All apartment units were vacant by December 31, 2019.

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.

FREDERICK RESCUE MISSION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2019 AND 2018

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

Nature of activities:

The Rescued Treasures program provides the community with free, gently-used clothing. Each guest may visit once a month to request the items they need and search a clothing storeroom adjacent to the Organization. All items distributed are donated to the Organization.

Principles of consolidation:

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

Cash and cash equivalents:

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

Investments:

Investments in marketable securities with readily determinable market values and all investments in debt 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. Donated securities are recognized at fair value upon receipt. 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.

Accounts receivable:

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

FREDERICK RESCUE MISSION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2019 AND 2018

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

Unconditional promises to give:

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

Inventory:

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

Property and equipment:

The Organization capitalizes all property and equipment purchases over \$2,500. Property and equipment is depreciated using the straight-line method over the estimated useful life of each asset. Depreciation expense for years ended December 31, 2019 and 2018 was \$236,611 and \$190,465, 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 \$5,647 for both years ended December 31, 2019 and 2018.

FREDERICK RESCUE MISSION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2019 AND 2018

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

Deferred revenue:

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

Net assets:

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

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

Net assets with donor restrictions - Net assets with donor restrictions are resources that may be utilized only in accordance with the restricted purpose established by the donor. The restriction may require the passage of time or the occurrence of a specific event in order 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.

In-kind contributions:

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

FREDERICK RESCUE MISSION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2019 AND 2018

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

Revenue recognition:

Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* Accounting Standard Codification (ASC-606) is effective for the Organization's 2019 year end and identifies specific steps to be applied to properly recognize revenue from customer contracts. Under the standard, revenue recognition is determined using a five-step model which identifies customer contracts, identifies performance obligations in each contract, determines transaction price, allocates transaction price to performance obligations and recognizes revenue when or as the performance obligations are satisfied. Support from nonexchange transactions (contributions) are excluded from the scope of this standard.

Revenue recognition is determined through the following steps:

- Identification of the contract, or contracts, with the customer
- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contract
- Recognition of revenue when, or as, the Organization satisfies a performance obligation

The Organization generates revenue from clothing and accessory sales, affordable housing rentals 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. Leasing income for affordable housing units is recognized over the term of the lease based on the agreed-upon rental rate. Tickets and registrations for fundraising events are recognized as revenue the date the event takes place.

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

FREDERICK RESCUE MISSION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2019 AND 2018

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

Revenue recognition:

Revenue from sales of clothing and accessories is billed when the goods are shipped and are generally due within 30 days. Leasing arrangements are generally for a term of one year and can be renewed if mutually agreed upon by the Organization and its tenants. Lease payments are due on the first of the month for the month being rented. In June 2019, the Organization sent notice to its tenants that they would not be renewing the leases to make room for transitional housing to be used for the Faith House program. Tickets and registrations for special events are paid in advance and are recorded as deferred revenue until the event occurs. The Organization has determined that contracts do not include a significant financing component.

The Organization offers no warranties on its goods.

Functional expenses:

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

Advertising:

The Organization expenses advertising costs as they are incurred. Total advertising expenses were \$21,522 and \$22,551 for the years ended December 31, 2019 and 2018, respectively, including \$-0- and \$402 of in-kind advertising for the years ended December 31, 2019 and 2018, respectively.

Tax-exempt status

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

FREDERICK RESCUE MISSION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2019 AND 2018

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

Estimates:

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

Reclassifications:

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

2. Adoption of new pronouncements:

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* Accounting Standard Codification (ASC-606), which amends previous guidance. The core principle of ASC 606 is that any entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Additionally, the guidance requires improved disclosures to help users of financial statements better understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

Effective January 1, 2019, the Organization adopted ASU 2014-09 using the full retrospective method applied to those contracts which were not completed as of January 1, 2019. The Organization's impact of the adoption on the statements was enhanced disclosures; however, no quantitative impact on the financial statements.

Effective January 1, 2019, the Organization adopted the requirements of FASB ASU 2016-18, *Restricted Cash*, which requires amounts generally described as restricted cash and restricted cash equivalents to be included with cash and cash equivalents when reconciling the beginning of year and end of year total amounts shown on the statements of cash flows. The Organization applied the standard retrospectively to the year ended December 31, 2018 with no changes to financial statement presentation or disclosure.

Effective January 1, 2019, the Organization early adopted the requirements to FASB ASU 2018-13, *Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement*, which modified the disclosure requirements on fair value measurements in Topic 820, *Fair Value Measurement*, based on the consideration of costs and benefits. The Organization applied the standard retrospectively to the year ended December 31, 2018, which resulted in the removal of the disclosure of the rollforward for Level 3 fair value measurements; however, there was no quantitative impact on the financial statements.

FREDERICK RESCUE MISSION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2019 AND 2018

2. Adoption of new pronouncements (continued):

Effective January 1, 2019, the Organization adopted the requirements of FASB ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which assists entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and determining whether a contribution is conditional. The Organization applied the standard on a modified prospective basis to agreements that were not completed as of January 1, 2019 or entered into after January 1, 2019, with no changes to financial statement presentation or disclosure.

3. Concentrations:

The Organization maintains its cash deposits in a financial institution located in Frederick, Maryland. Cash deposits are insured by the FDIC up to \$250,000. As of December 31, 2019, the cash deposits exceeded the limit by \$512,070, representing the maximum loss risk.

FREDERICK RESCUE MISSION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2019 AND 2018

4. 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>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 850,523	\$ 883,098
Investments	28,270	25,324
Accounts receivable	28,740	33,281
Promises to give available for current use	<u>201,900</u>	<u>289,182</u>
Financial assets as of December 31	1,109,433	1,230,885
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Restricted by donor with time or purpose restrictions	(237,411)	(283,074)
Residents' savings accounts	(3,202)	(4,670)
Tenant security deposits		(8,508)
Board designations, Quasi-endowment fund, primarily for long-term investing	<u>(27,196)</u>	<u>(25,324)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 841,624</u>	<u>\$ 909,309</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 \$27,196 and \$25,324 as of December 31, 2019 and 2018, respectively. Although the Organization does not intend to spend from its quasi-endowment other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its quasi-endowment could be made available if necessary.

FREDERICK RESCUE MISSION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

5. Contract assets and liabilities:

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

	Accounts receivable		Deferred revenue		Tenant security deposits	
	2019	2018	2019	2018	2019	2018
Beginning of year	\$ 33,281	\$ 32,048	\$ 5,869	\$ 30,129	\$ 8,508	\$ 8,378
End of year	28,740	33,281	4,575	5,869		8,508

6. Investments:

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

	2019	2018
Community Foundation investment (see Note 7)	\$ 27,196	\$ 25,324
Donated securities	1,074	
	<u>\$ 28,270</u>	<u>\$ 25,324</u>

The donated securities represent securities received during the last two weeks of the fiscal year and were not liquidated by December 31. Per the Organization's investment policy, the donated securities were liquidated within the first two weeks of the next fiscal year.

7. 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.

FREDERICK RESCUE MISSION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

7. Quasi-endowment fund (continued):

The agreement with the Foundation was revised to release the restriction and allow for distributions at the request of the Organization. There were \$-0- and \$16,828 distributions made during the years ended December 31, 2019, and 2018, respectively.

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>2019</u>	<u>2018</u>
Quasi-endowment net assets, beginning of year	<u>\$ 25,324</u>	<u>\$ 38,689</u>
Investment income:		
Interest and dividends	2,043	1,556
Net appreciation (depreciation)	<u>(421)</u>	<u>1,657</u>
	<u>1,622</u>	<u>3,213</u>
Principal additions	<u>250</u>	<u>250</u>
Distribution		<u>(16,828)</u>
Community Foundation investment (Note 6)	<u><u>\$ 27,196</u></u>	<u><u>\$ 25,324</u></u>

FREDERICK RESCUE MISSION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2019 AND 2018

8. Unconditional promises to give:

The Organization has received unconditional promises to give over time to benefit the Organization. The following collections were expected pertaining to multi-year commitments as of December 31:

	2019	2018 (as restated)
Less than one year	\$ 202,000	\$ 289,282
One to five years		200,000
	202,000	489,282
Less allowance for uncollectible promises to give (see Note 9)	(100)	(100)
Net unconditional promises to give	<u>\$ 201,900</u>	<u>\$ 489,182</u>

9. 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, 2019 and 2018: those using quoted prices in active markets for identical assets (Level 1); significant other observable inputs (Level 2) and significant unobservable inputs (Level 3). The Organization has no assets or liabilities categorized as Level 2.

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

Donated securities (see Note 6): Valued at the quoted price in the active market for identical securities, a Level 1 input.

Beneficial interest in assets held by the Community Foundation (see Notes 6 and 7): Valued at amounts reported directly by the Foundation, a Level 3 input. The Organization believes this method appropriately values the beneficial interest.

FREDERICK RESCUE MISSION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

9. Fair value measurements (continued):

Unconditional promises to give (see Note 8): The carrying amount of unconditional promises to give from individuals is reduced by a valuation allowance of 5% as of December 31, 2019 and 2018. 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 (Level 3 inputs).

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:

	2019		
	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
Beneficial interest in assets held by the Community Foundation		\$ 27,196	\$ 27,196
Donated securities	\$ 1,074		1,074
Unconditional promises to give		<u>201,900</u>	<u>201,900</u>
	<u>\$ 1,074</u>	<u>\$ 229,096</u>	<u>\$ 230,170</u>
	2018 (as restated)		
	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
Beneficial interest in assets held by the Community Foundation		\$ 25,324	\$ 25,324
Donated securities			
Unconditional promises to give		<u>489,182</u>	<u>489,182</u>
		<u>\$ 514,506</u>	<u>\$ 514,506</u>

FREDERICK RESCUE MISSION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

10. Long-term notes payable:

Long-term notes payable consist of the following notes payable as of December 31:

	<u>2019</u>	<u>2018</u>
Note payable to Revere Bank; secured by land and building with a book value of \$64,297; payable in monthly installments of \$767, including principal and interest at 4.00%; matures July 2023.	\$ 59,341	\$ 66,114
Note payable to Revere Bank; secured by land and building with a book value of \$93,252; payable in monthly installments of \$830, including principal and interest at 4.00%; matures July 2023.	65,940	73,183
Note payable to Revere Bank; secured by a vehicle with a book value of \$49,870; payable in monthly installments of \$985, including principal and interest at 5.25%; matures January 2022.	<u>23,251</u>	<u>33,538</u>
Notes payable	148,532	172,835
Less current maturities	<u>25,273</u>	<u>24,149</u>
	<u>\$ 123,259</u>	<u>\$ 148,686</u>

Debt obligations of \$593,360 were assumed by the Organization as part of the purchase of the Faith House property. The loan documents require Faith House of Frederick, LLC to use the property to provide affordable housing to low income tenants. A management agreement between the seller and the Organization was entered into to ensure the affordable housing requirements continue to be met. Such requirements were met and the debt obligations were forgiven entirely in April 2019.

In addition, an indemnification and hold harmless agreement was executed at the time of the purchase of the property. This agreement states that the seller of the property shall remain solely and fully liable for any and all obligations with respect to the debt and loan documents that were assumed and shall have sole and full responsibility for the compliance of the terms and conditions thereof, including without limitation, the obligations that the property be used to provide low income housing until termination of the loan documents.

An Irrevocable Letter of Credit was issued in July 2015 for a period of one year in the amount of \$593,360, which lists the Organization and its bank as the beneficiaries. This Letter of Credit was provided by the seller as a guaranty in the event of default. This Letter of Credit automatically renewed without amendment for successive one-year periods from the initial expiration date through the date the debt obligations were forgiven.

FREDERICK RESCUE MISSION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2019 AND 2018

10. Long-term notes payable (continued):

The debt obligations that were assumed are not reflected in the accompanying consolidated financial statements, as management believes these obligations remain with the seller as a result of the signed indemnification and hold harmless agreement. The balance of the assumed debt obligations was \$-0- and \$485,840 as of December 31, 2019 and 2018, respectively.

Aggregate maturities of long-term debt are as follows for the years ending December 31:

2020	\$ 25,273
2021	26,445
2022	16,584
2023	<u>80,230</u>
	<u>\$ 148,532</u>

11. Line of credit:

In July 2018, the Organization obtained a line of credit of up to \$1,000,000 to assist with payments related to the kitchen renovation project. The line of credit was paid off and closed in April 2019.

12. Capital leases:

The Organization leases two copiers under separate non-cancellable capital leases expiring in January 2022 and February 2023, with total cost of \$14,575; ending accumulated depreciation of \$6,065 and \$3,151 and net carrying value of \$8,509 and \$11,424 as of December 31, 2019 and 2018, respectively. Depreciation expense was \$2,915 and \$2,393 for the years ended December 31, 2019 and 2018, respectively.

FREDERICK RESCUE MISSION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

12. Capital leases (continued):

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

2020	\$ 3,287
2021	3,287
2022	2,455
2023	<u>396</u>
Total minimum lease payments	9,425
Less amounts representing interest	<u>682</u>
Present value of net minimum lease payments	8,743
Less current portion	<u>2,919</u>
Long-term portion of capital lease	<u><u>\$ 5,824</u></u>

13. Net assets, restrictions and designations:

The Board of Directors established a reserve fund with the goal of having three months of operating costs in the reserve fund. As of December 31, 2019 and 2018, the reserve fund was \$99,289 and \$252,467, respectively.

The Organization's Board of Directors oversees a quasi-endowment fund with the Community Foundation, as further described in Note 7. The Board of Directors approves any draws on the quasi-endowment fund. As of December 31, 2019 and 2018, the endowment fund had investment balances of \$27,196 and \$25,324, respectively.

FREDERICK RESCUE MISSION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

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

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

	2019	2018 (as restated)
Additional Changed Life Recovery program case manager	\$ 42,095	
Faith House	156,316	\$ 238,897
Food service, skid loader		10,000
Food service truck	25,000	
Kitchen renovations		20,177
Residential laundry room	14,000	14,000
	<u>\$ 237,411</u>	<u>\$ 283,074</u>

14. In-kind contributions:

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

	2019	2018
Food	\$ 1,574,130	\$ 1,953,631
Professional services	34,288	15,958
Other goods	16,384	65,284
	<u>\$ 1,624,802</u>	<u>\$ 2,034,873</u>

FREDERICK RESCUE MISSION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2019 AND 2018

14. In-kind contributions (continued):

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

	<u>2019</u>	<u>2018</u>
Program services:		
Food Service	\$ 1,572,149	\$ 1,958,668
Changed Life Recovery	2,947	3,824
Faith House	1,531	1,245
Community Outreach	9,317	4,809
Rescued Treasures	494	6,607
	<u>1,586,438</u>	<u>1,975,153</u>
Supporting services:		
Management and general	4,704	3,996
Fundraising	10,791	15,360
	<u>15,495</u>	<u>19,356</u>
	<u>\$ 1,601,933</u>	<u>\$ 1,994,509</u>

In addition, the increase in donated food inventory of \$7,869 and \$1,655 is reflected as a decrease to in-kind food services expenses for the years ended December 31, 2019 and 2018, respectively. For the years ended December 31, 2019 and 2018, the Organization received donated property and equipment and related services of \$15,000 and \$38,709, respectively.

15. Retirement plan:

The Organization operates a SIMPLE IRA retirement plan for the benefit of its employees. The plan covers substantially all employees. Employees may contribute a portion of their compensation not to exceed the limits of the plan. The Organization will match the employees' elective deferral up to a limit of 3% of the employee's salary. The Organization contributed \$21,301 and \$23,207 for the years ended December 31, 2019 and 2018, respectively.

FREDERICK RESCUE MISSION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

16. Correction of an error:

The statements of financial position and activities have been restated to correct an error. From time to time, the Organization receives contributions that are conditional on raising funds from other donors prior to receiving funds from the resource provider (commonly referred to as a matching contribution). Therefore, the promises to give becomes unconditional at the time the Organization receives contributions eligible for the match. As of December 31, 2018, the Organization had received contributions eligible for a match from a resource provider in the amount of \$74,157 and one additional promise to give in the amount of \$13,125, both restricted for the kitchen renovation project. The Organization already incurred kitchen renovation expenses of \$67,105 at December 31, 2018 used towards these funds.

This correction resulted in the following restatement on the December 31, 2018 financial statements:

	<u>As originally stated</u>	<u>Correction for unconditional promises to give</u>	<u>As restated</u>
Statement of financial position:			
Current assets,			
unconditional promises to give	\$ 201,900	\$ 87,282	\$ 289,182
Net assets:			
Without donor restrictions	5,091,743	67,105	5,158,848
With donor restrictions	262,897	20,177	283,074
Statement of activities:			
Support, revenue and gains,			
contributions with donor restrictions	1,124,104	87,282	1,211,386
Net assets released from restrictions	1,222,934	67,105	1,290,039
Change in net assets	782,924	87,282	870,206

FREDERICK RESCUE MISSION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2019 AND 2018

17. Subsequent events:

In December 2019, a novel strain of coronavirus ("COVID-19") was reported to have surfaced in China. The World Health Organization has declared COVID-19 to constitute a "Public Health Emergency of International Concern" and characterized COVID-19 as a pandemic. The U.S. government has also implemented enhanced screenings, quarantine requirements and travel restrictions in connection with the COVID-19 outbreak. The spread of this virus has the potential to cause business disruption to the Organization beginning in March 2020, due to state government-imposed shutdowns of businesses and other results of the illness. The Organization is considered essential and has continued modified operations in accordance with federal and state guidelines; however, the Organization is funded by substantial charitable contributions from businesses, individuals and charitable foundations, all of whom are expected to be negatively impacted by this matter. While the Organization expects this matter may negatively impact its results, the extent of the impact of the COVID-19 on the Organization's operational and financial performance will depend on future developments, including the duration and spread of the outbreak and related travel advisories and restrictions and the impact of the COVID-19 on overall economy, all of which are highly uncertain and cannot be predicted.

In April 2020, the Organization secured and received funding totaling \$221,500 from the Paycheck Protection Program, a government program authorizing loans to small businesses to cover payroll, rent and utility costs over a 24-week period. The loan is forgivable provided the Organization uses the funds for qualifying payroll, rent and utility costs. The loan may become due if the Organization uses funds for anything besides these costs or does not incur enough of the qualified costs.

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through June 25, 2020, the date the consolidated financial statements were available to be issued.