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Home For The Aged of Frederick City T/A The Record Street Home

Disclosure Statement
April 2025

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- (1) & (2) The name and address of the **Provider** Is:

Trustees of The Home for the Aged of Frederick City
T/A The Record Street Home
115 Record Street
Frederick, Maryland 21701

- The name and address of the **Facility** Is:

Trustees of The Home for the Aged of Frederick City
T/A The Record Street Home
115 Record Street
Frederick, Maryland 21701

The Record Street Home is located in the heart of historic Frederick. This beautifully maintained Home was founded in 1892. The pleasant family atmosphere envisioned by the founders continues to be the basic concept of this unique facility. The Home is a private, non-profit facility founded "for the purpose of rendering charitable aid" The Home provides lifetime care for up to twenty-nine persons, aged sixty-five and older, who have lived in Frederick County or have connections to the area. The Home and the land upon which it is located is owned by "The Trustees Of The Home For The Aged Of Frederick City," a non-profit, Maryland corporation. The Home is licensed by the Maryland Department of Mental Health as an Assisted Living Program. The Home is licensed to provide care up to and including Level 3 (a high level of care).

- (3) not applicable

- (4) Ownership

The Record Street Home is owned and operated by "The Trustees Of The Home For The Aged Of Frederick City," a non-profit, Maryland corporation. The corporation is tax exempt under section 501(c)(3) of the Internal Revenue Code. The chief executive officer of the corporation is Mr. Kevin M. Quirk.

- (5) Affiliation

The Home For The Aged Of Frederick City is not affiliated with any other organization of any kind.

(6) Fees

The Record Street Home is a private, non-profit facility founded "for the purpose of rendering charitable aid." Most of our residents pay far less than the actual cost of their care. People who meet all our requirements are eligible for admission to the Home regardless of their ability to pay for the full cost of their care. However, all new residents are required to make an advance payment of \$5000.00, payable on the day of entrance. The advance payment partially covers the cost of care during the six month probationary period. New residents are also required to have a minimum of \$150,000.00 in assets available to help fund the cost of their care over their remaining lifetime.

The financial arrangements for the typical new resident are as follows:

(1) Any current regular monthly incomes that the resident receives (social security, pension, annuity or retirement) are conveyed to the Home as a partial payment for the cost of their care. The Home does not assess any other additional monthly or periodic fees.

(2) Any assets (the Property) the new resident has owned during the three years prior to entrance to the Home are conveyed to the Trustees, with the exception of the first ten thousand dollars (\$10,000.00) which the resident retains. All new residents must have a minimum of \$150,000.00 in assets. These assets are used to help fund the new resident's present and future care.

Special financial arrangements will be made for applicants with very high monthly incomes and/or applicants who own a large amount of financial assets. (See exhibit A, the Determination of a "Qualified Applicant" attachment from our admission agreement.)

10-425(a)(25)

As set forth in the Admission Agreement of the Home, any assets (the Property) that are ultimately to be conveyed to the Endowment Fund of the Home for the Aged of Frederick City shall be held in the separate Trust (Attachment A of the Admission Agreement) for a period of six months. The Property shall be held in its original form and in the Resident's name.

At the end of the six months probationary period, if the Resident is satisfied

with the Home and signs the Permanent Resident Agreement (Attachment D of the Admission Agreement), the trust will dissolve and the Property will be permanently transferred to the Endowment Fund of the Home for the Aged of Frederick City.

If the Resident chooses to leave either before or at the end of the six month probationary period, the Trust shall dissolve and, within 30 days, the Property will be returned to the Resident minus the amount (determined on a cost per resident day based on the most recent audited financial statement of the Home), by which the cost of the Resident's care during their probationary stay exceeds the combined sum of the Resident's \$5,000 advance payment and the annuity, Social Security and pension income which the Home has received from the Resident during their tenure as a resident of the Home. The cost of care shall include the cost of the maintenance, support and care of the Resident during their probationary term, and the expenses, if any, incurred for the maintenance and transfer of the Property unto and/or from the Trust. Upon termination of the Trust, the trustees shall provide to the Resident within 30 days, an accounting (copies of receipted bills) of the use of any assets in trust during the probationary period.

10-430

There are no refunds of any “entrance Fees” including the Advance Payment or any of the Assets turned over to the Home after the end of the probationary period. Prospective Residents are encouraged to carefully read the Admission Agreement (especially Attachment A) which sets out the conditions that must be satisfied before the Home For The Aged is required to refund any portion of the Property.

No Property or assets will be held in escrow after the resident signs the Permanent Resident Agreement (Attachment D of the Admission Agreement) and their Trust is dissolved.

- 7) This fee structure has not been changed in the last five years except for the addition of a minimum asset requirement of \$150,000.00. This additional requirement was adopted in July of 2009.

(8) & (9) Operating Reserve Requirements

Based on the audit for the year ended 12/31/2024 the Home is required to have operating reserves of \$506,643.00. The Home for the Aged had

investments with a market value of \$27,427,481.00 as of 12/31/2024 more than providing an adequate level of reserves. The investment portfolio of the Home for the Aged is managed by the Board of Trustees and is reviewed on a quarterly basis. (See Note 5, page 25 of our Certified Financial Statements - exhibit B)

(10) Certified Financial Statements - see exhibit B.

(11) Long Term Financing

The Home for the Aged was founded in 1892, since that time that Home has managed to build up an endowment fund whose market value as of 12/31/2024 was \$27,427,481.00. The interest and dividends generated by this fund provide the large majority of the operating funds of the Home. The Home has no debt, and is also the beneficiary of two trusts funds. (The Home does not control these trust funds.)

Any future expenditures to replace, refurbish or renew the Home's building will be financed out of the Home's endowment fund. No special renewal or replacement fund has been established.

(12) & (13) - not applicable

(14) Cash Flow Forecast Statements - see exhibit C.

(15) Names and occupations of the Corporate Directors - See exhibits D & E.

(16),(17),(18) & (19) - not applicable

(20) Governance

The corporation is governed by two separate boards: The Board of Managers which consists of twenty six members and the Board of Trustees which consists of eight members. The Board of Managers oversees the actual management of the Home (i.e. setting policy, hiring key management personnel, setting salaries, setting the budget, etc.). The Board of Managers meets on the first Tuesday of every month. The Board of Trustees manages the endowment funds of the Home and oversees the financial affairs of the corporation. The Board of Trustees meets quarterly. (See the exhibits D and E for the names of the members of these boards.)

10-427(a)(7)

No officer, director, trustee or manager of corporation has been convicted of a felony or pleaded nolo contendere to a felony of any kind including one relating to fraud, embezzlement, fraudulent conversion, or misappropriation of property.

No officer, director, trustee or manager of corporation has been held liable or enjoined in a civil action by final judgement involving fraud, embezzlement, fraudulent conversion, or misappropriation as a fiduciary.

No officer, director, trustee or manager of corporation has been subject to an effective injunction or restrictive order of a court of record in an action that arose out of or related to business activity or health care, including an action that affected a license to operate a facility or service for senior, impaired or dependent persons.

No officer, director, trustee or manager of corporation has in the past 10 years, had a state or federal license or permit suspended or revoked because a governmental unit brought an action that arose out of or related to business activity or health care, including an action that affected a license to operate a facility or service for senior, impaired or dependent persons.

10-427(a):

This section of the Maryland Annotated Code requires that at one Resident of the Home be a “full and regular” member of the governing Board of the Home. The Resident Member of the Board is to be selected according to the same process and standards as any other member of the Board. The Home is also required to confer with the “resident association” before the Resident member joins the governing Board. However, to date, the Residents of the Home have chosen not to form a “resident association.”

10-425(a)(8):

The Resident Member of the Board shall be selected in compliance with the provisions of 10-427(a).

10-425(a)(9): Selection Process for Members of the Board

The Nominating Committee of the Board of Managers receives recommendations from members of the Board. Prospective candidates are then contacted by the Nominating Committee to ascertain their interest in serving as a member of the Board. After review, the Nominating Committee then formally refers a list of nominees to the full Board. The Board reviews the list of nominees at its next monthly meeting and then votes to select the new member or members. The Resident Member of the Board is selected using the same process in to satisfy the requirements of 10-427. At this time, there is no “resident association” to confer with prior to the selection of the Resident Member.

Regulation .19 Requirements:

Subscriber Meeting Requirements

The Board of Managers certifies that at least ~~once~~ quarterly each year that an authorized officer of the corporation will conduct a meeting open to all the residents of the Home for the Aged. At this meeting, the residents will be provided with a summary of the Home's operations, pointing out the any significant changes from the previous year and setting out the goals and objectives for the Home in the coming year. The residents will be given a opportunity ask questions of the Board of Managers at this meeting.

Select committee to meet with facility residents in some circumstances

Each month two members of the Board of Managers are designated as “Monthly Managers.” During their designated month, the “Monthly Managers” meet individually with every resident of the Home. In these meetings, the Residents are encouraged to share their concerns and opinions regarding the operations of the Home. These concerns and opinions are then reported to (and addresses by) the whole Board of Managers at their next monthly meeting.

In addition, the Board of Managers also has a standing committee, the welfare committee, whose duties include listening to the concerns of the residents. The welfare committee is available to meet with residents upon request. Also, each resident is paired with a member of the Board in a big sister/little sister relationship. The role of the big sister is to be the resident’s special friend and advocate.

The residents of the Home have not exercised their right to form a resident's association.

(22) & (23) - not applicable

(24) & (25) Services provided to Residents.

Services provided and/or paid for by the Home for the Aged are: three meals per day, lodging in a private room, heavy cleaning, laundry, health care, prescription drugs, recreational activities, cable television, a monthly cash stipend and funeral expenses. Health care needs are administered by our qualified nursing staff. A licensed nurse is on duty twenty four hours a day to care for your health needs. The Home's physician will visit you in your room to provide both routine and sick care. Whenever you need to see medical specialists, the Home will arrange your appointments and provide you with transportation. The Home will pay all of your medical bills not covered by Medicare and/or your other medical insurance, including the bills for your prescription medications. All services are provided as part of the basic fee, there are no separate charges.

Residents desiring a personal telephone must arrange for their own connection and will be billed directly by their telephone service provider. Beauty services are provided by an independent hairdresser. Payments for her services are made directly to her.

(26) Amendment of this Disclosure Statement

The Home will amend this disclosure statement, if at any time, in the opinion of either the management of the Home or the Department of Aging, an amendment is necessary either to prevent this disclosure statement from containing any material misstatement of the facts that are required to be included in this disclosure statement or to include any omitted material facts that should have been included in this disclosure statement.

(27) Future expansion or renovation plans

The Home has no expansion plans currently or for the future. No further expansion is possible at our site. We have no plans to ever move to a new location. The last and final expansion was in CY 2000.

The furniture in the front parlors of the home was replaced in 2023.

The front sidewalk on Record Street will be replaced by the City of Frederick in the second half of 2024. The Slate Roof on the Solarium and the Baker Wing of the Home will be replaced in the fall of 2025.

(28) - not applicable

(29) The residents of the Home have not exercised their right to form a resident's association.

(30) Grievance Procedure

The Home for the Aged has established an internal grievance procedure to address Resident grievances. Any Resident, or any group of Residents, may submit a grievance in writing to the Chairman of the Home's Board of Managers, Ms. Connie Mason, 115 Record Street, Frederick, Md 21701. The Board of Managers will send a written acknowledgment to the Resident, or group of Residents, within five days after the receipt of the written grievance. The Board of Managers will assign personnel to investigate the grievance. Any Resident, or group of Residents, who file a written grievance are entitled to a meeting with the management of the Home for the Aged within 30 days after the receipt of the written grievance to afford the Resident, or group of Residents, the opportunity to present their grievance. The Board of Managers of the Home for the Aged will provide a response in writing within 45 days after the receipt of the written grievance as to the investigation and resolution of the grievance. Within 30 days after Home for the Aged provides its written response to the grievance, a resident, a group of Residents or the Board of Managers may seek mediation services from one of the Community Mediation Centers located in the State of Maryland or from another mediation provider. If a Resident, group of Residents or the Board of Managers seek mediation, the mediation shall be nonbinding and no party is permitted to be represented by counsel during the mediation process.

(31) Assisted Living Program Services - Required notices under the annotated Code of Maryland, Title 10, Subtitle 4, 10-425:

(c)(2):

(i) same as items (1) and (2) above.

The name and address of the **Provider** Is:

Trustees of The Home for the Aged of Frederick City
T/A The Record Street Home
115 Record Street
Frederick, Maryland 21701

The name and address of the **Facility** Is:

Trustees of The Home for the Aged of Frederick City
T/A The Record Street Home
115 Record Street
Frederick, Maryland 21701

(ii) same as item (17) above. Not applicable.

(iii) The Home provides its staff with annual training in the care of persons with cognitive impairments, Alzheimer's disease and other forms of dementia.

(iv) Notice of:

1. The availability of locks for storage.

Each resident is assigned a locking storage cabinet for their personal use.

2. The availability of locks, if any, for the subscriber's room.

The residential rooms of the Home do not have operational locks.

3. The security procedures which the provider shall implement to protect the subscriber and the subscriber's room.

The Home is staffed by a least one licensed nurse and one nursing assistant 24 hours a day. All public entrances to the Home are kept locked at all times. Visitors to the Home must sign in and out of the building.

4. The provider's right, if any, to enter a subscriber's room.

The management and staff have an absolute right to enter a resident's room for the purposes of providing services (such as housekeeping, laundry, maintenance and repairs) and to conduct inspections to ensure compliance with fire and life safety codes.

(v) A statement of the obligations of the provider, the subscriber, or the subscriber's agent as to:

1. Arranging for or overseeing medical care.

The Home's physician, the Director of Nursing, and the Licensed Nursing Staff of the Home will oversee and arrange for each resident's medical care.

2. Monitoring the health status of the subscriber.

The health status of each resident is monitored on a daily basis by the Nursing Staff. The Home's physician reviews each resident's medical chart on a weekly basis.

3. Purchasing or renting essential or desired equipment or supplies and

4. Ascertaining the cost of and purchasing durable medical equipment.

The Nursing Staff will arrange for the rental or purchase of any equipment or supplies needed to maintain the resident's health and safety including durable medical equipment. The Home will pay the cost for any of these items not covered by health insurance.

(vi) An explanation of the Home's complaint or grievance procedure.

The Home for the Aged has established an internal grievance procedure to address Resident grievances. Any Resident, or any group of Residents, may submit a grievance in writing to the Chairman of the Home's Board of Managers, Ms. Connie Mason, 115 Record Street, Frederick, Md 21701. The Board of Managers will send a written acknowledgment to the Resident, or group of Residents, within five days after the receipt of the written grievance. The Board of Managers will assign personnel to investigate the grievance. Any Resident, or group of Residents, who file a written grievance are entitled to a meeting with the management of the Home for the Aged within 30 days after the receipt of the written grievance to afford the Resident, or group of Residents, the opportunity to present their grievance. The Board of Managers of the Home for the Aged will provide a response in writing within 45 days after the receipt of the written grievance as to the investigation and resolution of the grievance. Within 30 days after Home for the Aged provides its written response to the grievance, a resident, a group of Residents or the Board of Managers may seek mediation services from one of the Community Mediation Centers located in the State of Maryland or from another mediation provider. If a Resident, group of Residents or the Board of Managers seek mediation, the mediation shall be nonbinding and no party is permitted to be represented by counsel during the mediation process.

(vii) Notice of any material changes in the Assisted Living Program.

None.

(c)(3): The Home Shall:

(i) Furnish annually without cost to each resident revisions to the disclosure statement provisions required under paragraph (2) of this subsection.

(ii) Ensure that each resident, or the residents's agent, initials the revised disclosure statement to indicate acknowledgment of the revisions.

(iii) Make available a copy of each initialed disclosure statement for inspection

by the Department of Health and Mental Hygiene under Title 19, Subtitle 18 of the Health-General Article.

The Record Street Home

Home For The Aged
115 Record Street
Frederick, MD 21701-5459

DETERMINATION OF A "QUALIFIED RESIDENT" AND THE ASSETS REQUIRED

The life expectancy of the Resident is determined, based on current age, using the life expectancy tables from the Internal Revenue Service.

The annual operating cost to the Home per resident is determined, based on actual patient days in the previous year, and using the total costs as expressed in the most recent audit of the Home.

The potential obligation to the Home is determined by multiplying the annual operating cost per resident by the years of life expectancy of the Resident and inflating at a rate of 3% per year for the remainder of years of life expectancy.

The Resident's potential income is determined by multiplying the Resident's current annual income by the number of years of life expectancy and inflating at a rate of 2% per year for the remainder of years of life expectancy.

The potential income is subtracted from the potential obligation to determine the amount of assets required.

A present value computation is done to determine the value of the assets required over the life expectancy of the Resident. The amount of assets required is reduced to that amount.

If the assets required, when subtracted from the Resident's total assets, result in a total to be retained by the Resident of \$10,000 or less, the Resident is not a "Qualified Resident" and the regular procedures will be utilized (e.g. the Resident will make a \$5,000 advance payment for cost of care during the probationary period, will retain the next \$10,000 of assets and transfer all remaining assets in excess of \$10,000 to the Trustees).

If the assets required, when subtracted from the Resident's total assets, result in a total of greater than \$10,000, the Resident is a "Qualified Resident" and the Resident will transfer to the Trustees an amount equal to the assets required minus the advance payment for the cost of care during the probationary period. The Resident will retain all other assets.

**Trustees of the Home for the Aged
of Frederick City
T/A Record Street Home
Audited Financial Statements
December 31, 2024 and 2023**

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Independent Auditor's Report

Board of Trustees and Board of Managers
Trustees of the Home for the Aged of Frederick City
Frederick, Maryland

Opinion

We have audited the accompanying financial statements of Trustees of the Home for the Aged of Frederick City, T/A Record Street Home (a non-profit organization), which comprise the statements of financial position as of December 31, 2024 and 2023, the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Trustees of the Home for the Aged of Frederick City, T/A Record Street Home, as of December 31, 2024 and 2023, and the changes in its 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Trustees of the Home for the Aged of Frederick City, T/A Record Street Home and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Trustees of the Home for the Aged of Frederick City, T/A Record Street Home's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibility for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information on page 28 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

EXHIBIT B

The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

McLean, Koehler, Sparks & Hammond

Frederick, Maryland

April 25, 2025

**Trustees of the Home for the Aged of
Frederick City, T/A Record Street Home**

EXHIBIT B

Statements of Financial Position

December 31,	<u>2024</u>	<u>2023</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 3,312,252	\$ 920,499
Interest and other receivables	97,097	74,177
Prepaid insurance	<u>16,229</u>	<u>14,600</u>
Total current assets	<u>3,425,578</u>	<u>1,009,276</u>
Investments	<u>27,427,481</u>	<u>25,556,137</u>
Property and Equipment:		
Land	5,000	5,000
Building and improvements	3,259,081	3,242,045
Furniture and equipment	<u>333,252</u>	<u>323,688</u>
Total	3,597,333	3,570,733
Less accumulated depreciation	<u>2,402,264</u>	<u>2,317,783</u>
Net property and equipment	<u>1,195,069</u>	<u>1,252,950</u>
Beneficial Interest in Perpetual Trusts	<u>855,153</u>	<u>805,960</u>
Total Assets	<u>\$ 32,903,281</u>	<u>\$ 28,624,323</u>

EXHIBIT B

	<u>2024</u>	<u>2023</u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 28,685	\$ 24,648
Accrued expenses	<u>240,368</u>	<u>228,819</u>
Total current liabilities	269,053	253,467
Unearned Revenue From Entrance Fees	<u>1,880,057</u>	<u>1,641,309</u>
Total liabilities	<u>2,149,110</u>	<u>1,894,776</u>
Net Assets:		
Without donor restrictions	29,899,018	25,923,586
With donor restrictions	<u>855,153</u>	<u>805,961</u>
Total net assets	<u>30,754,171</u>	<u>26,729,547</u>
Total Liabilities and Net Assets	<u>\$ 32,903,281</u>	<u>\$ 28,624,323</u>

The notes to financial statements are an integral part of these statements.

**Trustees of the Home for the Aged of
Frederick City, T/A Record Street Home**

EXHIBIT B

Statements of Activities and Changes in Net Assets

For the year ended December 31, 2024

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue:			
Resident services:			
Admission fees, pensions, social security receipts and insurance proceeds	\$ 646,493	\$ -	\$ 646,493
Entrance fees earned	494,341	-	494,341
Total resident services	<u>1,140,834</u>	<u>-</u>	<u>1,140,834</u>
Investment income:			
Dividends	665,635	-	665,635
Interest	149,493	-	149,493
Income from beneficial interest in perpetual trusts	35,467	-	35,467
Gain on sale of investments	1,332,008	-	1,332,008
Gain on sale of beneficial interest in perpetual trusts	-	16,171	16,171
Unrealized gain on the beneficial interest in perpetual trusts	-	33,021	33,021
Unrealized gain on investments	<u>2,742,627</u>	<u>-</u>	<u>2,742,627</u>
Total investment income	4,925,230	49,192	4,974,422
Net assets released from restrictions	-	-	-
Total investment income and assets released	<u>4,925,230</u>	<u>49,192</u>	<u>4,974,422</u>
Other income - donations, legacies and bequests	<u>20,420</u>	<u>-</u>	<u>20,420</u>
Total revenue	<u>6,086,484</u>	<u>49,192</u>	<u>6,135,676</u>
Expenses:			
Resident care	1,574,374	-	1,574,374
General and administrative	267,202	-	267,202
Depreciation	84,480	-	84,480
Dietary - food	108,978	-	108,978
Plant - repairs and maintenance	51,446	-	51,446
Housekeeping - supplies	<u>24,572</u>	<u>-</u>	<u>24,572</u>
Total expenses	<u>2,111,052</u>	<u>-</u>	<u>2,111,052</u>
Change in net assets	3,975,432	49,192	4,024,624
Net assets, beginning of year	<u>25,923,586</u>	<u>805,961</u>	<u>26,729,547</u>
Net assets, end of year	<u>\$ 29,899,018</u>	<u>\$ 855,153</u>	<u>\$ 30,754,171</u>

The notes to financial statements are an integral part of these statements.

**Trustees of the Home for the Aged of
Frederick City, T/A Record Street Home**

EXHIBIT B

Statements of Activities and Changes in Net Assets

For the year ended December 31, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue:			
Resident services:			
Admission fees, pensions and social security receipts	\$ 496,450	\$ -	\$ 496,450
Entrance fees earned	615,289	-	615,289
Total resident services	<u>1,111,739</u>	<u>-</u>	<u>1,111,739</u>
Investment income:			
Dividends	613,916	-	613,916
Interest	117,358	-	117,358
Income from beneficial interest in perpetual trusts	36,622	-	36,622
Gain on sale of investments	349,124	-	349,124
Loss on sale of beneficial interest in perpetual trusts	-	(43,884)	(43,884)
Unrealized gain on the beneficial interest in perpetual trusts	-	112,788	112,788
Unrealized gain on investments	<u>1,946,984</u>	<u>-</u>	<u>1,946,984</u>
Total investment income	3,064,004	68,904	3,132,908
Net assets released from restrictions	<u>-</u>	<u>-</u>	<u>-</u>
Total investment income and assets released	3,064,004	68,904	3,132,908
Other income - donations, legacies and bequests	<u>48,086</u>	<u>-</u>	<u>48,086</u>
Total revenue	<u>4,223,829</u>	<u>68,904</u>	<u>4,292,733</u>
Expenses:			
Resident care	1,532,539	-	1,532,539
General and administrative	235,506	-	235,506
Depreciation	86,924	-	86,924
Dietary - food	96,680	-	96,680
Plant - repairs and maintenance	56,226	-	56,226
Housekeeping - supplies	<u>22,473</u>	<u>-</u>	<u>22,473</u>
Total expenses	<u>2,030,348</u>	<u>-</u>	<u>2,030,348</u>
Change in net assets	2,193,481	68,904	2,262,385
Net assets, beginning of year	<u>23,730,105</u>	<u>737,057</u>	<u>24,467,162</u>
Net assets, end of year	<u>\$ 25,923,586</u>	<u>\$ 805,961</u>	<u>\$ 26,729,547</u>

The notes to financial statements are an integral part of these statements.

**Trustees of the Home for the Aged of
Frederick City, T/A Record Street Home**

Statement of Functional Expenses

For the years ended December 31,	2024			2023
	Resident Care	General & Admin- istrative	Total Operating Expenses	Total Operating Expenses
Salaries	\$ 1,049,921	\$ 121,645	\$ 1,171,566	\$ 1,111,560
Employee medical insurance	100,193	30,190	130,383	158,343
Dietary - food	108,978	-	108,978	96,680
Payroll taxes	81,286	9,479	90,765	88,659
Depreciation	63,360	21,120	84,480	86,924
Medical services	82,075	-	82,075	68,060
Utilities	46,297	15,432	61,729	65,784
Medical supplies and drugs	64,949	-	64,949	59,483
Repairs & maintenance	38,584	12,862	51,446	56,226
Insurance	54,869	-	54,869	49,291
Residents allotments and expenses	49,739	-	49,739	45,125
Professional fees	-	41,200	41,200	25,050
Funeral service costs	4,966	-	4,966	22,801
Housekeeping - supplies	18,429	6,143	24,572	22,473
Office and miscellaneous	-	23,235	23,235	19,872
Insurance - workmen's compensation	22,029	-	22,029	17,897
SIMPLE retirement plan	18,050	2,478	20,528	15,961
Advertising and printing	-	12,918	12,918	11,034
Officer's compensation	-	9,500	9,500	8,000
Real estate taxes	-	1,125	1,125	1,125
Total	<u>\$ 1,803,725</u>	<u>\$ 307,327</u>	<u>\$ 2,111,052</u>	<u>\$ 2,030,348</u>

The notes to financial statements are an integral part of these statements.

**Trustees of the Home for the Aged of
Frederick City, T/A Record Street Home**

Statement of Functional Expenses

For the year ended December 31, 2023

	Resident Care	General & Admin- istrative	Total Operating Expenses
Salaries	\$ 996,092	\$ 115,468	\$ 1,111,560
Employee medical insurance	130,224	28,119	158,343
Dietary - food	96,680	-	96,680
Payroll taxes	80,421	8,238	88,659
Depreciation	65,193	21,731	86,924
Medical services	68,060	-	68,060
Utilities	49,338	16,446	65,784
Medical supplies and drugs	59,483	-	59,483
Repairs & maintenance	42,169	14,057	56,226
Insurance	49,291	-	49,291
Residents allotments and expenses	45,125	-	45,125
Professional fees	-	25,050	25,050
Funeral service costs	22,801	-	22,801
Housekeeping - supplies	16,855	5,618	22,473
Office and miscellaneous	-	19,872	19,872
Insurance - workmen's compensation	17,897	-	17,897
SIMPLE retirement plan	13,807	2,154	15,961
Advertising and printing	-	11,034	11,034
Officer's compensation	-	8,000	8,000
Real estate taxes	-	1,125	1,125
Total	<u>\$ 1,753,436</u>	<u>\$ 276,912</u>	<u>\$ 2,030,348</u>

The notes to financial statements are an integral part of these statements.

**Trustees of the Home for the Aged of
Frederick City, T/A Record Street Home**

EXHIBIT B

Statements of Cash Flows

For the years ended December 31,	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Change in net assets	\$ 4,024,624	\$ 2,262,385
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Amortization of entrance fees	(494,341)	(615,289)
Depreciation	84,480	86,924
Gain on sale of investments	(1,332,008)	(349,124)
Unrealized gain on investments	(2,742,627)	(1,946,984)
Realized and unrealized gains on beneficial interest in perpetual trusts	(49,192)	(68,904)
Changes in operating assets and liabilities:		
Increase in:		
Interest and other receivables	(22,920)	(58,666)
Prepaid insurance	(1,629)	(689)
Increase in:		
Accounts payable and accrued expenses	15,586	18,906
Unearned revenue from entrance fees	733,090	762,042
Net cash provided by operating activities	<u>215,063</u>	<u>90,601</u>
Cash flows from investing activities:		
Purchase of property and equipment	(26,600)	(32,186)
Purchase of investments	(1,893,972)	(2,795,989)
Proceeds from sale of investments	<u>4,097,262</u>	<u>2,301,406</u>
Net cash provided by (used in) investing activities	<u>2,176,690</u>	<u>(526,769)</u>
Net increase (decrease) in cash and cash equivalents	2,391,753	(436,168)
Cash and cash equivalents, beginning of year	<u>920,499</u>	<u>1,356,667</u>
Cash and cash equivalents, end of year	<u>\$ 3,312,252</u>	<u>\$ 920,499</u>

The notes to financial statements are an integral part of these statements.

Notes to Financial Statements

For the years ended December 31, 2024 and 2023

1. Nature of Organization and Summary of Significant Accounting Policies

Nature of Organization

The Record Street Home (the “Home”) is a Maryland residential care facility providing residential facilities, meals and health care services for its residents. Residents are typically required to pay an advance fee (entrance fee) in return for future services, the use of facilities, meals and health care for the remainder of their lives or until the contract is terminated. There were seventeen and sixteen permanent residents of the Home at December 31, 2024 and 2023, respectively.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting, whereby, revenue is recognized when earned and expenses are recognized when incurred.

Accounting Pronouncements Adopted

On January 1, 2023, the Home adopted the accounting pronouncement originally issued by the Financial Accounting Standards Board (“FASB”) as FASB Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments – Credit Losses* (Topic 326): *Measurement of Credit Losses on Financial Instruments* which significantly changes how entities measure credit losses for most financial assets and certain other instruments that aren’t measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity’s exposure to credit risk and the measurement of credit losses. Financial assets held by the Home that are subject to the guidance in FASB ASC 326 were trade accounts receivable. The Home adopted the standard effective January 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in new and enhanced disclosures only.

Basis of Presentation

The financial statement presentation follows generally accepted accounting principles for a not-for-profit organization and reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions - Net assets without donor restrictions are available for use at the discretion of the Board of Directors (the “Board”) and/or management for general operating purposes.

Notes to Financial Statements

For the years ended December 31, 2024 and 2023

1. Nature of Organization and Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

Net Assets With Donor Restrictions - Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions. The Home reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restriction and reported in the statements of activities as net assets released from restrictions. Some net assets with donor restrictions can include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Home to expend the income generated by the assets in accordance with the provisions of additional donor imposed stipulations.

Revenue Recognition

The Home's primary source of revenue from contracts is derived from monthly pension and social security benefits and earned entrance fees that it receives from its residents. The Home's residents are elderly women that are unmarried or widowed. In general, revenue is recognized when performance obligations under the terms of a contract with a resident, which is written, are satisfied.

To determine the proper revenue recognition method for contracts, the Home evaluates whether two or more contracts should be combined and accounted for as one single contract and whether the combined contract should be accounted for as one performance obligation. It is rare that multiple contracts are combined into a single performance obligation due to the Home being an elderly care facility and contracts entered into are with a single person and involves a specific and unchanging set of performance obligation that deals with the care and wellbeing of that individual as well as a place to stay. Contracts are considered to have a single performance obligation if the promise to transfer the individual goods or services is not separately identifiable from other promises in the contracts, which is mainly because the Home provides one specific type of service which is the care of its residents.

The Home enters primarily into one type of contract with its residents: fixed price. The fixed price revenue consists of two components within the same contract: 1) assets turned over to the Home and 2) monthly pension and social security benefits. Revenue is typically recognized over time due to the continuous transfer of control to the resident. Revenue allocated to performance obligations is recognized as the obligations to the resident are satisfied. All of the Home's fixed price contracts involve a high degree of similar effort and are have relatively similar performance obligations, thereby lowering the risks of not properly recognizing revenue.

When a resident is admitted into the Home, the Trustees calculate the net present value of the resident's expected lifetime cost of care. This expected cost of care amount is compared to their expected monthly social security and pension payments.

Notes to Financial Statements

For the years ended December 31, 2024 and 2023

1. Nature of Organization and Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

If the cost of care is greater than the monthly payments, the resident signs an agreement to turn over enough of their solely owned property, both real and personal to the Home, in order to cover their cumulative expected cost of care. If the resident has less than their cumulative expected cost of care and is admitted, they keep \$10,000 and turn over the remainder of their real and personal property to the Home. The newly admitted resident enters into a six month probationary period. At the end of this probationary period, if the resident is accepted as a permanent resident, then the Trustees will transfer the property to the Home. Assets that are turned over are generally transferred within a few months of the resident's permanent acceptance into the Home, and thus there are generally no payment terms related to those assets once the transfers are completed.

During their probationary period, residents pay only their social security and pension income to the Home. Payment terms for all social security and pension income for all residents generally range from 1 to 30 days. Revenue for the property transferred to the Home, amounts that are billed but not earned (if any) is deferred, and such deferred revenue is referred to as unearned entrance fees which are assets turned over by the resident per signed contract. These unearned fees are then recognized over time based on amortization calculations that use the life expectancy tables. When a resident dies, the entire unearned entrance fee is immediately recognized for that particular resident.

Revenue earned from pension and social security income represented 56% and 45% of total revenue for the years ended December 31, 2024 and 2023, respectively. Revenue from amortized unearned entrance fees represented 44% and 55% of total revenue for the years ended December 31, 2024 and 2023, respectively.

Under ASC Topic 606, variable consideration should be considered when determining the transaction price, and estimates should be made for the variable consideration component of the transaction price, as well as assessing whether an estimate of variable consideration is constrained. If variable consideration is constrained, the estimated amounts must be adjusted downward to account for any amount for which it is probable that a significant reversal will occur. For some contracts, variable consideration could arise from modifications to the scope of services. Although rare, if this occurs, variable consideration is included in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. The Home's estimates of variable consideration and its determination whether to include estimated amounts in the transaction price are based largely on assessments of the Home's performance and all information (historical, current and forecasted) that is reasonably available to the Home.

Notes to Financial Statements

For the years ended December 31, 2024 and 2023

1. Nature of Organization and Summary of Significant Accounting Policies (continued)

Financial Risk

The Home invests in a portfolio that is managed by the investment committee, with input received from outside professionals. The portfolio contains common and preferred shares and bonds of publicly traded companies, U.S. Government obligations, mutual funds and money market funds. Such investments are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the financial statements.

Cash and Cash Equivalents

The Home considers all investments with an original maturity of three months or less to be cash equivalents.

The Home has a potential concentration of credit risk if it maintains deposits with financial institutions in excess of amounts insured by the Federal Deposit Insurance Corporation (FDIC). The maximum deposit insurance amount for interest and noninterest bearing accounts is \$250,000, which is applied per depositor, per insured bank for each account ownership category. The Home's cash is held in noninterest bearing and interest bearing accounts. There was \$304,061 of deposits in excess of the federally insured limits at December 31, 2024. There were no deposits in excess of the federally insured limited at December 31, 2023.

Interest and Other Receivables and Allowance for Credit Losses

The Home's total receivables were \$97,097 and \$74,177 at December 31, 2024 and 2023, respectively. At each balance sheet date, the Home recognizes an expected allowance for credit losses. In addition, also at each reporting date, this estimate is updated to reflect any changes in credit risk since the receivable was initially recorded. This estimate is calculated on a pooled basis where similar risk characteristics exist. The allowance estimate is derived from a review of the Home's historical losses based on aging of receivables. This estimate is adjusted for management's assessment of current conditions, reasonable and supportable forecasts regarding future events, and any other factors deemed relevant by the Home. The Home believes historical loss information is a reasonable starting point in which to calculate the expected allowance for credit losses as the Home's segment of customers has remained constant over time. Typically, the Home has not experienced any losses from receivables from residents due to the nature of the arrangements.

Based on historical experience and future expectations, the Home had no allowance for credit losses recorded on interest and other receivables of \$97,097 and \$74,177, at December 31, 2024 and 2023, as it was deemed immaterial to the financial statements as of the date of adoption and at December 31, 2024. There were no credit loss or bad debt expense write-offs for the years ended December 31, 2024 and 2023, respectively.

Notes to Financial Statements

For the years ended December 31, 2024 and 2023

1. Nature of Organization and Summary of Significant Accounting Policies (continued)

The Home operates in the health care industry and its receivables are primarily derived from three areas: 1) investment portfolio income (accrued interest), 2) employee receivables and 3) resident receivables (typically assets to be turned over). The Home does not accrue interest on its employee and resident receivables. The Home's receivables are typically expected to be collected within one year or typically one month. Risk characteristics considered for interest and other receivables include aging categories and the type of receivable. At each balance sheet date, the Home considers whether an allowance for credit losses is necessary. At that time, the estimate is updated to reflect any changes in credit risk since the receivable was initially recorded. This estimate is calculated on a pooled basis where similar risk characteristics exist. Interest and other receivables are evaluated individually when they do not share similar risk characteristics, which could exist in circumstances where amounts are considered at risk or uncollectible.

Specific risk factors that the Home considers in assessing its expected credit losses include prior collection experience, aging category, industry factors and individual factors. In 2024, the results of the Home's overall credit loss assessment did not differ materially from the prior year's estimate for the allowance for doubtful accounts, so no credit loss adjustment was considered necessary. When necessary, the expense associated with the allowance for expected credit losses will be recognized in general and administrative expenses. The Home writes off receivables when information indicates the debtor is facing significant financial difficulty and there is no possibility of recovery. If any recoveries are made from any accounts previously written off, they will be recognized as an offset to credit loss expense in the year of recovery, in accordance with the entity's accounting policy election.

For the years ended December 31, 2024 and 2023, the Home individually reviewed all interest and other receivable balances that exceeded 90 days from the invoice date and based on an assessment of current creditworthiness, estimated the portion, if any, of the balance that was not expected to be collected. There was no amount to be recorded as an allowance for doubtful accounts.

Contract assets and liabilities are as follows at December 31:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Contract assets:			
Interest and other receivables	\$ 97,097	\$ 74,177	\$ 15,511
Less accrued interest and other	(5,535)	(49,337)	(15,511)
Total contract assets	<u>\$ 91,562</u>	<u>\$ 24,840</u>	<u>\$ -</u>
Contract liabilities:			
Unearned revenue from entrance fees	<u>\$ 1,880,057</u>	<u>\$ 1,641,309</u>	<u>\$ 1,494,556</u>

Notes to Financial Statements

For the years ended December 31, 2024 and 2023

1. Nature of Organization and Summary of Significant Accounting Policies (continued)

Investments

Investments in equity and debt securities are recorded at fair market value based on quoted market prices. The change in the net unrealized value of the portfolio for the year is reflected in the Statements of Activities and Changes in Net Assets (Deficit) as “unrealized gain (loss) on investments.” Realized gains and losses on sales of investments are computed on a specific identification basis and are recorded on the settlement date of the transaction in the appropriate net asset category.

Investment Policies for Investments without Donor Restrictions

Return objectives and risk parameters

The Board of Trustees of the Home has established an investment policy. The policy states that the Board of Trustees of the Home will invest in a portfolio of high grade stocks and bonds for total return. The investment objectives are to outperform the Dow and S&P 500 indexes. The only investments allowed by this policy are marketable securities.

The portfolio performance will be measured against the following benchmarks of DOW 30 and S&P 500.

Spending Policy

With regard to its investments, the Home is allowed to spend all income the portfolio produces plus any additional amounts requested during the year by the Board of Managers.

Strategies employed for achieving objectives

The Home maintains the following asset classifications in order to achieve the objectives listed above:

<u>Category</u>	<u>% Range of Allocation</u>	
	<u>Minimum</u>	<u>Maximum</u>
Equity	75%	90%
Fixed Income	10%	25%
Cash Equivalents	0%	10%

Notes to Financial Statements

For the years ended December 31, 2024 and 2023

1. Nature of Organization and Summary of Significant Accounting Policies (continued)

Investments (continued)

Beneficial Interest in Perpetual Trusts (Endowment Funds)

The Home's endowment funds include its beneficial interest in two perpetual trusts. The Home has received as contributions two split-interest agreements that are beneficial interests in perpetual trusts that are administered by third party trustees. Under the perpetual trust arrangements, the Home has recognized contributions with donor restrictions at the fair value of the Home's beneficial interest in the trust assets in prior years. Distributions in the form of investment income received on the trust assets are recorded within net assets without donor restrictions. The perpetual trusts are revalued to their fair value annually with realized and unrealized gains or losses recorded as net assets with donor restrictions. Both perpetual trusts allow the Home to utilize the investment income for operations.

Interpretation of Relevant Law

The Board of Trustees has determined that the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA), which was enacted by the State of Maryland, applies to the Home's endowment funds. UPMIFA provides guidance and authority to charitable organizations concerning the management and investment of funds held by those organizations, and UPMIFA imposes additional duties on those who manage and invest charitable funds. These duties provide additional protections for charities and also protect the interests of donors who want to see their contributions used wisely.

Endowment Investment and Spending Policy Statement

The perpetual trusts included in endowment funds are administered by third party trustees, thus the Board of Trustees does not determine return objectives and risk parameters or the strategies for achieving return objectives. The Home does not control the investment or spending policies for the principal of the perpetual trusts. The Home is allowed to spend all of its allocated investment income from the perpetual trusts for its operations.

Underwater Endowment Funds

The Home considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and any subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Home complies with UPMIFA and has interpreted it to allow spending from underwater funds in accordance with prudent measures required under the law. Since the perpetual trusts are held by a third party and only investment income is distributed, the Home does not determine policies for making appropriations for expenditures from any underwater endowment funds. The Home has no underwater endowment funds at December 31, 2024 and 2023.

Notes to Financial Statements

For the years ended December 31, 2024 and 2023

1. Nature of Organization and Summary of Significant Accounting Policies (continued)

Property and Equipment and Depreciation

Furniture and equipment are recorded at cost if purchased, and at fair market value if donated. The land is recorded at cost. The Home has a policy of capitalizing items over \$1,000.

The building and improvements were appraised for insurance purposes by an independent appraisal firm who determined the "depreciated reproduction cost" (the cost of reproducing a new duplicate property with the same or similar materials on the basis of current prices, less accumulated depreciation). The building and improvements were recorded at that basis, which was \$701,800, as of December 31, 1980. In 2001, an addition and renovations to the building were placed in service at a total cost of \$1,778,700.

Depreciation on the building and improvements and equipment is provided on the straight-line method in an amount which will amortize the property and equipment over the period of their estimated useful lives as follows:

Building and improvements	30 - 50 years
Furniture and equipment	5 - 10 years

Depreciation expense was \$84,480 and \$86,924 for the years ended December 31, 2024 and 2023, respectively.

Obligation to Provide Future Services

The Home annually calculates the present value of the net cost of future services and the use of facilities to be provided to current residents to determine if a liability exists for the future obligation to provide services.

The liability related to continuing-care contracts is calculated as the present value of future net costs, minus the balance of unamortized deferred revenue plus depreciation of facilities to be charged related to the contracts. Cash inflows used in the Home's calculation include social security and pension income, other third-party payments and investment income.

Cash outflows are composed of operating expenses excluding selling, general and administrative expenses. In the Home's case, the present value of the future net cash flows for current residents is positive, therefore no obligation has been recognized for either year presented.

Notes to Financial Statements

For the years ended December 31, 2024 and 2023

1. Nature of Organization and Summary of Significant Accounting Policies (continued)

Contributed Services

Members of the boards of trustees and managers and other individuals have made significant contributions of their time in daily operations of the Home. In addition, such individuals participate in activities and management of the Home. The value of the contributed time has not been recorded in the financial statements.

Donations

Donations received are recorded as support with or without donor restrictions depending on the existence or nature of any donor restrictions. Donations are recognized when an unconditional promise to give is received. The Home received donations without restrictions of \$18,750 and \$15,884 for the years ended December 31, 2024 and 2023, respectively. Conditional promises to give are recognized in the period the condition is satisfied. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as “net assets released from restrictions.” Donations are recorded as net assets without donor restrictions if the restrictions are satisfied in the same year that the donation is received. There were no conditional promises to give at December 31, 2024 and 2023.

Tax Status

The Home is a non-profit organization exempt from taxation under section 501(c) (3) of the Internal Revenue Code and a similar state statute, and thus is exempt from income and excise taxes.

Advertising

The Home expenses advertising costs as incurred. Advertising costs were \$12,918 and \$11,034 for the years ended December 31, 2024 and 2023, respectively.

Functional Allocation of Expenses

The statements of functional expenses present expenses by function and natural classification. Expenses directly attributable to a specific functional area of the Home are reported as expenses of those functional areas. A portion of general and administrative costs that benefit multiple functional areas have been allocated across programs and other supporting services based on the proportion of full-time employee equivalents of a program or other supporting service versus the total organizational full-time employee equivalents.

Notes to Financial Statements

For the years ended December 31, 2024 and 2023

1. Nature of Organization and Summary of Significant Accounting Policies (continued)

Fair Value of Financial Instruments

Financial instruments include cash, evidence of an ownership interest in an entity or a contract that both 1) imposes on an entity a contractual obligation to deliver or exchange cash or another financial instrument to another entity and 2) conveys to the other entity a contractual right to receive or exchange cash or another financial instrument from the first entity. Financial instruments can include cash equivalents, investments, receivables, payables, revolving credit facilities, short-term and long-term debt, and derivatives such as interest rate swaps, options and foreign currency contracts.

The Home estimates that the carrying amounts of its financial instruments approximate fair value due to the short term nature of those instruments. The estimated fair value amounts have been determined by the Home using available market information and appropriate valuation methodologies. Considerable judgment is required in interpreting market data to develop the estimates of fair value, and accordingly the estimates may not be indicative of the amounts the Home could realize in a current market. The use of different market assumptions or valuation methodologies may have a material effect on the estimated fair value amounts.

Fair Value Measurements

The Home applies fair value measurement standards whenever authoritative literature requires certain assets and liabilities to be measured at fair value. Items carried at fair value on a recurring basis consist primarily of financial instruments which are valued primarily based on quoted prices in active or brokered markets for identical as well as similar assets and liabilities. Items carried at fair value on a non-recurring basis generally consist of assets held for sale. The Home also uses fair value concepts to test long-lived assets for impairment, if applicable.

In accordance with accounting standards, the Home has characterized its investments in securities based on the priority of inputs used to value the investments, based on a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1), and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the investments fall within three different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the investments. Available-for-sale securities recorded in the financial statements are categorized based on the inputs to valuation techniques as follows:

Level 1 – These are investments where values are based on unadjusted quoted prices for identical assets in an active market that the Home has the ability to access. All investments currently held by the Home are considered to be level one, with the exception of the investment in land which was valued at cost.

Notes to Financial Statements

For the years ended December 31, 2024 and 2023

1. Nature of Organization and Summary of Significant Accounting Policies (continued)

Fair Value Measurements (continued)

Level 2 – These are investments where values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the investments. The Home currently has no level two investments.

Level 3 – These are investments where values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect assumptions of management about assumptions market participants would use in pricing the investments. The Home currently has no level three investments.

Following is a description of the valuation methodologies used for investments measured at fair value at December 31, 2024 and 2023:

Certificates of deposit: Valued at the closing price reported in the active market.

Stocks and mutual funds: Valued at the closing price reported in the active market in which the individual securities are traded.

Corporate bonds: Valued at the closing price reported in the active market in which the bond is traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Home believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different fair value measurement at the reporting date.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Notes to Financial Statements

For the years ended December 31, 2024 and 2023

1. Nature of Organization and Summary of Significant Accounting Policies (continued)

Uncertain Tax Positions

The Home follows the accounting guidance for “uncertainty in income taxes.” This guidance requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Home’s tax returns to determine whether any tax positions would “more-likely-than-not” be sustained by the applicable tax authority. Tax positions deemed not to meet the more-likely-than-not threshold would be recorded as a tax benefit or expense in the current year.

Management believes that its income tax filing positions and deductions will be sustained upon examination and, accordingly, has not recorded any reserves, or related accruals for interest and penalties, at December 31, 2024 and 2023 for uncertain income tax positions. Management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law, and new authoritative rulings. Currently, the 2021, 2022 and 2023 tax years are open and subject to examinations by the Internal Revenue Service.

Management has adopted a policy under which, if required to be recognized in the future, it will classify interest related to the underpayment of income taxes as a component of interest expense, and it will classify any related penalties in general and administrative expenses in the Statement of Activities and Changes in Net Assets.

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for purposes to confirm with the presentation in the current year financial statements.

2. Beneficial Interest in Perpetual Trusts (Endowment) and Investments

Beneficial Interest in Perpetual Trusts (Endowment)

The following schedule is the endowment net asset composition by type of fund as of December 31:

2024			
	Without Donor	With Donor	Total
	<u>Restrictions</u>	<u>Restrictions</u>	
Perpetual trusts (level 1)	<u>\$ -</u>	<u>\$ 885,153</u>	<u>\$ 885,153</u>
2023			
	Without Donor	With Donor	Total
	<u>Restrictions</u>	<u>Restrictions</u>	
Perpetual trusts (level 1)	<u>\$ -</u>	<u>\$ 805,960</u>	<u>\$ 805,960</u>

**Trustees of the Home for the Aged of
Frederick City, T/A Record Street Home**

EXHIBIT B

Notes to Financial Statements

For the years ended December 31, 2024 and 2023

2. Beneficial Interest in Perpetual Trusts (Endowment) and Investments (continued)

Unrealized gains and losses within the perpetual trusts at December 31 are as follows:

		2024			
		<u>Cost</u>	<u>Unrealized (Losses)</u>	<u>Unrealized Gains</u>	<u>Market Value</u>
Donor restricted					
Perpetual trusts (Level 1)		<u>\$ 734,770</u>	<u>\$ (11,378)</u>	<u>131,761</u>	<u>\$ 855,153</u>
		2023			
		<u>Cost</u>	<u>Unrealized (Losses)</u>	<u>Unrealized Gains</u>	<u>Market Value</u>
Donor restricted					
Perpetual trusts (Level 1)		<u>\$ 718,598</u>	<u>\$ (16,340)</u>	<u>\$ 103,702</u>	<u>\$ 805,960</u>

The following is the carryforward reconciliation of the endowment net assets as of December 31:

	2024	2023
Donor restricted, beginning balance	\$ 805,961	\$ 737,058
Gain (loss) on sale of investments	16,171	(43,884)
Unrealized appreciation of investments	<u>33,021</u>	<u>112,787</u>
Donor restricted, ending balance	<u>\$ 855,153</u>	<u>\$ 805,961</u>

Investments

Investments consist of general investments that are without donor restrictions. The following types of securities are included in investments at December 31, 2024:

	Cost	Unrealized (Losses)	Unrealized Gains	Market Value
Certificates of deposit (Level 1)	\$ 500,000	\$ -	\$ 1,798	\$ 501,798
Stocks and mutual funds (Level 1)	<u>11,666,557</u>	<u>(496,065)</u>	<u>16,612,898</u>	<u>27,783,390</u>
	<u>\$ 12,166,557</u>	<u>\$ (496,065)</u>	<u>\$ 16,614,696</u>	<u>\$ 28,285,188</u>

Notes to Financial Statements

For the years ended December 31, 2024 and 2023

2. Beneficial Interest in Perpetual Trusts (Endowment) and Investments (continued)

The following types of securities are included in investments at December 31, 2023:

	<u>Cost</u>	<u>Unrealized (Losses)</u>	<u>Unrealized Gains</u>	<u>Market Value</u>
Corporate bonds (Level 1)	\$ 8,064	\$ (103)	\$ -	\$ 7,961
Certificates of deposit (Level 1)	2,100,000	(3,373)	253	2,096,880
Stocks and mutual funds (Level 1)	10,072,069	(374,413)	13,753,640	23,451,296
	<u>\$ 12,180,133</u>	<u>\$ (377,889)</u>	<u>\$ 13,753,893</u>	<u>\$ 25,556,137</u>

Investment returns on general investments and dividend and interest income from the endowment funds are shown in the column titled "Without Donor Restrictions." Realized and unrealized gains on the endowment fund are shown in the column titled "With Donor Restrictions." Investment returns are as follows at December 31, 2024:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Dividend and interest income	\$ 850,595	\$ -	\$ 850,595
Net realized gain	1,332,008	16,171	1,348,179
Net unrealized gain	2,742,627	33,021	2,775,648
Total investment return	<u>\$ 4,925,230</u>	<u>\$ 49,192</u>	<u>\$ 4,974,422</u>

Investment returns are as follows at December 31, 2023:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Dividend and interest income	\$ 767,896	\$ -	\$ 767,896
Net realized gain (loss)	349,124	(43,884)	305,240
Net unrealized gain	1,946,984	112,788	2,059,772
Total investment return	<u>\$ 3,064,004</u>	<u>\$ 68,904</u>	<u>\$ 3,132,908</u>

An investment could be considered impaired if its fair value is less than its cost basis. Investments are reported at their fair market value, thus any impairment losses have already been recognized through unrealized losses in the Statements of Activities. Management feels that all of the investment portfolio losses are temporary and related to normal market fluctuations. Management does not feel that any significant losses other than those already recorded will be recognized on these investments.

Notes to Financial Statements

For the years ended December 31, 2024 and 2023

2. Beneficial Interest in Perpetual Trusts (Endowment) and Investments (continued)

Investments included in the portfolio that have been in a continuous loss position at December 31, 2024 are as follows:

	Less than 12 months		More than 12 months		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Stocks	\$ 528,582	\$ (99,010)	\$ 1,480,374	\$ (397,055)	\$ 2,008,956	\$ (496,065)
Perpetual trusts	171,728	(6,542)	74,539	(4,836)	246,267	(11,378)
	<u>\$ 700,310</u>	<u>\$ (105,552)</u>	<u>\$ 1,554,913</u>	<u>\$ (401,891)</u>	<u>\$ 2,255,223</u>	<u>\$ (507,443)</u>

The Organization does not intend to sell the investments and it is not more likely than not that the Organization will be required to sell the investments before recovery of their amortized cost bases.

There are no corporate bonds held at December 31, 2024. The contractual maturities of the corporate bonds are as follows at December 31, 2023:

<u>Maturity</u>	<u>Cost</u>	<u>Market Value</u>
After 1 year through 5 years	<u>\$ 8,064</u>	<u>\$ 7,961</u>

The contractual maturity dates of the certificates of deposits are as follows:

2025	\$ 250,000
2026	<u>250,000</u>
	<u>\$ 500,000</u>

3. Unearned Revenue From Entrance Fees

The Home's admission policy requires, in most instances, the transfer of essentially all personal assets (entrance fees) to the Home for admittance to the Home. Assets turned over are held in escrow during a probationary period of six months. A \$5,000 advance payment for the cost of new residency care is required at the beginning of the probationary period. If a contract is terminated during the probationary period, assets held in escrow, net of any related costs of care, are returned to the resident upon leaving the Home. These assets are released to the Home from escrow after completion of the probationary period of residency.

These entrance fees are earned and amortized into revenue using the straight-line method over the estimated remaining life expectancy of the resident. The Home recorded \$733,089 and \$762,042 of "unearned revenue from entrance fees" during the years ended December 31, 2024 and 2023, respectively. At December 31, 2024 and 2023, there was one resident in their six month probationary period. The Home recognized \$22,717 and \$173,643 in entrance fees earned due to resident deaths that occurred during the years ended December 31, 2024 and 2023, respectively.

Notes to Financial Statements

For the years ended December 31, 2024 and 2023

4. Defined Contribution Plan

The Home sponsors a defined contribution pension plan (SIMPLE Plan) for all employees earning at least \$5,000 in the current year and at least \$5,000 during any two of the preceding years. Eligible employees may contribute any portion of their earnings up to \$12,000 into the Plan.

The Plan requires the Home to match from one to three percent of employees' elective deferrals or to contribute two percent of each employee's annual compensation to the Plan in lieu of the required match. The Home elected to match employees elective deferrals up to two percent for 2024 and 2023, thus contributing \$20,528 and \$15,961 to the Plan for the years ended December 31, 2024 and 2023, respectively.

5. Required Operating Reserves

The Maryland Office on Aging requires that continuing care retirement communities maintain an operating reserve equal to 25% of the most recent fiscal year's net operating expenses as defined by the law under Title 10 of the Human Services Article. The most recent fiscal year equates to the prior year's audited numbers for the Home. At December 31, 2024 and 2023, the Home met this requirement. The required operating reserve is included in the Home's investments, which have fair market values of \$27,427,481 and \$25,556,137 at December 31, 2024 and 2023, respectively. For both years, this operating reserve requirement was met.

Operating reserve requirements for the years ended December 31 are as follows:

	<u>2024</u>	<u>2023</u>
Operating expenses	\$ 2,111,052	\$ 2,030,348
Less depreciation	<u>(84,480)</u>	<u>(86,924)</u>
Net operating expenses as defined by Article 70B	<u>\$ 2,026,572</u>	<u>\$ 1,943,424</u>
Operating reserve (25% of net operating expenses, repectively)	<u>\$ 506,643</u>	<u>\$ 485,856</u>

**Trustees of the Home for the Aged of
Frederick City, T/A Record Street Home**

EXHIBIT B

Notes to Financial Statements

For the years ended December 31, 2024 and 2023

6. Net Assets

Net assets consist of the following at December 31:

	<u>2024</u>	<u>2023</u>
Without Donor Restrictions:		
General	\$ 29,392,375	\$ 25,437,730
Board designation for operating reserve	<u>506,643</u>	<u>485,856</u>
	<u>\$ 29,899,018</u>	<u>\$ 25,923,586</u>
With Donor Restrictions:		
Perpetual trusts (Stoner and Kolb)	<u>\$ 855,153</u>	<u>\$ 805,961</u>

Net assets without donor restrictions represent funds that are available for support of the Home's operations. The board designation represents the operating reserve required by the Maryland Department of Aging.

Net assets with donor restrictions consist of perpetual trusts, of which the corpus is not available to the Home. Income distributed from these trusts is unrestricted and is available for support of the Home's operations.

7. Liquidity and Availability of Resources

The Home's financial assets available within one year of the statement of financial position at December 31, 2024 for general expenditures are as follows:

Cash and cash equivalents	\$ 3,312,252
Interest and other receivables	97,097
Investments	<u>27,427,481</u>
Total financial assets available within one year	30,836,830
Less:	
Amounts unavailable for general expenditures within one year, due to:	
Board designation for required operating reserve	<u>(506,643)</u>
Total financial assets available to management for general expenditures within one year	<u>\$ 30,330,187</u>

The Home maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Notes to Financial Statements

For the years ended December 31, 2024 and 2023

8. Subsequent Events Evaluation

Subsequent events were evaluated through April 25, 2025, the date the financial statements were available to be issued. As of April 25, 2025, the fair market value of investments experienced a significant decline of approximately 4% which is expected to be temporary in nature. There are no other subsequent events requiring disclosure.

**Trustees of the Home for the Aged for
Frederick City, T/A Record Street Home**

EXHIBIT B

Composition of Cash Balances

December 31,	<u>2024</u>	<u>2023</u>
ACNB Bank:		
Operating Account	\$ 88,112	\$ 56,518
Stout Fund	20,465	19,468
Conley Memorial Fund	17,985	17,982
Royal Bank of Canada - Cash and Treasury Cash Trust	<u>3,185,690</u>	<u>826,531</u>
Total cash	<u>\$ 3,312,252</u>	<u>\$ 920,499</u>

**Trustees of the Home for the Aged
of Frederick City
T/A Record Street Home
Statements of Forecasted Cash Flows
For the Years Ending
December 31, 2025, 2026 and 2027**

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Independent Accountant's Compilation Report

Board of Trustees and Board of Managers
Trustees of the Home for the Aged of Frederick City
Frederick, Maryland

Management is responsible for the accompanying forecasted cash flows of the Trustees of the Home for the Aged of Frederick City (a non-profit organization) which comprise the forecasted statements of cash flows for the years ending December 31, 2025, 2026 and 2027, including the related summaries of significant assumptions and accounting policies in accordance with guidelines for the presentation of a forecast established by the American Institute of Certified Public Accountants (AICPA). We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not examine or review the forecast nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on this forecast.

The forecasted results may not be achieved, as there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and these differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

The accompanying statements of forecasted cash flows and this report are intended solely for the Board of Trustees and Board of Managers of the Home for the Aged and the Maryland Department of Aging and are not intended to be and should not be used by anyone other than these specified parties.

McLean, Koehler, Sparks & Hammond

Frederick, MD
April 25, 2025

**Trustees of the Home for the Aged of Frederick City
T/A Record Street Home**

EXHIBIT C

Statements of Forecasted Cash Flows

For the years ending December 31,	<u>2025</u>	<u>2026</u>	<u>2027</u>
Cash flows from operating activities:			
Increase in net assets	\$ 1,021,155	\$ 739,591	\$ 608,121
Adjustments to reconcile increase in net assets to net cash provided by operating activities:			
Amortization of entrance fees	(985,825)	(728,800)	(693,465)
Depreciation	91,245	94,697	96,326
Proceeds from entrance fees	963,883	840,000	860,000
Gain on sale of investments	(450,000)	(500,000)	(475,000)
Unrealized gain on investments	(240,000)	(265,000)	(265,000)
Changes in operating assets and liabilities:			
Decrease (increase) in - Receivables and prepaid expenses	90,911	(448)	(458)
Increase in - Payables and accrued expenses	5,381	5,489	5,599
Net cash provided by operating activities	<u>496,750</u>	<u>185,529</u>	<u>136,123</u>
Cash flows from investing activities:			
Purchase of property and equipment	(260,000)	(20,000)	(20,000)
Purchase of investments	(875,000)	(900,000)	(925,000)
Proceeds from sale of investments	950,000	925,000	950,000
Net cash (used in) provided by investing activities	<u>(185,000)</u>	<u>5,000</u>	<u>5,000</u>
Net increase (decrease) in cash	311,750	190,529	141,123
Cash, beginning of year	<u>3,312,252</u>	<u>3,624,002</u>	<u>3,814,531</u>
Cash, end of year	<u>\$ 3,624,002</u>	<u>\$ 3,814,531</u>	<u>\$ 3,955,654</u>

See accompanying Nature of the Organization and Significant Assumptions and Independent Accountant's
Compilation Report.

Nature of the Organization and Significant Assumptions

For the years ending December 31, 2025, 2026 and 2027

1. Nature of the Organization

Trustees of the Home for the Aged of Frederick City, T/A Record Street Home (the “Home”), is a Maryland residential care facility providing residential facilities, meals and health care services for residents. Residents are required to pay an advance fee in return for future services, the use of facilities, meals and health care for the remainder of their lives or until the contract is terminated.

2. Income Tax

The Home is a non-profit organization exempt from taxation under section 501(c)(3) of the Internal Revenue Code and a similar state statute, and thus is exempt from income and excise taxes.

3. Significant Assumptions

These forecasts present, to the best of management’s knowledge and belief, the Home’s forecasted cash flows based upon the expected financial position and results of operations for the forecast periods. Accordingly, the forecasts reflect management’s judgment, as of April 25, 2025, the date of these forecasts, of the expected conditions and its expected course of action. The assumptions disclosed herein are those that management believes are significant to the forecasts and are not all-inclusive. Furthermore, there will usually be differences between forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. The presentation is designed to provide information for governmental agencies to use in considering the facility’s license renewal application and to provide information to prospective residents as required by licensing regulations and should not be considered to be a presentation of future results. Accordingly, these forecasts should not be used for other purposes.

Revenues

The advance payment for “cost of new resident care” is \$5,000 for each new resident. The assumption is that four new residents will enter the home in each of 2025, 2026 and 2027, which will result in advance payment income of \$20,000 in each of the years ending December 31, 2025, December 31, 2026 and 2027. The forecasts also assume that four residents will die in each of the years 2025, 2026 and 2027. In 2025, the Home also expects one resident that was in the probationary period at December 31, 2024 to become a permanent resident of the Home. The occupancy assumption is that eighteen of the twenty-nine rooms available will be occupied in each of the years ending December 31, 2025, 2026 and 2027. The Home is at full occupancy with twenty-five residents. The remaining eleven rooms are assumed to be unoccupied or for emergency use.

Nature of the Organization and Significant Assumptions

For the years ending December 31, 2025, 2026 and 2027

3. Significant Assumptions (continued)

Revenues (continued)

The average monthly pension income, social security income, and veterans benefits amounts received per resident as of December 2024 was used as a basis for forecasting income for the new residents. An inflation factor of approximately 3% has been applied to forecast this income for each of the years ending December 31, 2025, 2026 and 2027. The Home is forecasting that approximately \$530,130, \$540,800 and \$551,700 of revenue will be earned, respectively, for each of the forecast years ending December 31, 2025, 2026 and 2027, based on the assumption that the new residents who enter the Home will replace the income of those who die during the year. In addition, the Home expects to collect \$63,023 from long-term care insurance policy in 2025 that is included in revenue.

Entrance fee amortization is a non-cash item that represents amortization of deferred revenues into income over the life expectancy of the resident. The Home has an admission policy which states that all new residents turn over assets of at least \$150,000 to the Home. Cash proceeds from entrance fees per individual are expected to be \$205,000, \$210,000 and \$215,000 for 2025, 2026 and 2027, respectively. Thus, assets turned over (cash collections) from new residents are expected to be as follows: \$820,000 – 2025; \$840,000 – 2026; and \$860,000 – 2027. In addition to the new residents, the Home expects to collect \$143,883 in 2024 from one resident who was in the probationary period at December 31, 2024. Entrance fees from new residents are only recognized after a six month probationary period has expired. The new residents entering the Home in each of the forecast years are assumed to enter the Home at random dates during the year. Revenue earned from entrance fee amortization is expected as follows: \$985,825 – 2025; \$728,800 – 2026; and \$693,456 – 2027.

It is assumed that several residents will die in each year. The chart below summarizes the additional revenues expected by year that would have been amortized into income over their full life expectancy:

Year	Number of resident deaths expected	Number of residents expected to die who had turned assets over to the Home	Additional revenue recognized upon expected death of residents
2025	4	4	\$ 568,363
2026	4	4	\$ 322,731
2027	4	4	\$ 305,438

Nature of the Organization and Significant Assumptions

For the years ending December 31, 2025, 2026 and 2027

3. Significant Assumptions (continued)

Investment Portfolio and Related Income

Assumptions relating to the investment portfolio are particularly sensitive, since they assume that the stock market will produce estimated results. The investment portfolio is expected to change through unrealized gains and losses, realized gains from investment sales, and investment purchases. Unrealized gains of \$240,000 are forecasted for the year 2025; \$265,000 of unrealized gains are forecasted for the year 2026; and \$265,000 of unrealized gains are forecasted for the year 2027. In total, the investment portfolio has projected realized gains of \$450,000 on sales of assets totaling \$950,000 at their market value in 2025. Approximately \$925,000 and \$950,000 of assets at market value are forecasted to be sold in each of the remaining forecast years, resulting in forecasted realized gains of \$500,000 and \$475,000 in 2026 and 2027, respectively.

Dividend and other trust income for 2024 was \$701,102 providing a yield of approximately 6.07%. Management has decided to keep dividend income between 5.5% and 5.7% for the forecasted years to remain conservative. Forecasted dividend and other trust income is expected as follows:

	Forecasted dividend and other trust <u>income</u>
<u>Year</u>	
2025	\$ 739,855
2026	\$ 754,700
2027	\$ 769,900

Interest income in 2024 was \$149,493, which provided a yield of 3.92% on cash, certificates of deposit and other interest bearing investments. Management kept interest income between a 3 to 4% range for the forecasted years to remain conservative. Forecasted interest income is expected as follows:

	Forecasted <u>interest income</u>
<u>Year</u>	
2025	\$ 153,515
2026	\$ 156,600
2027	\$ 159,800

Nature of the Organization and Significant Assumptions

For the years ending December 31, 2025, 2026 and 2027

3. Significant Assumptions (continued)

Expenses

Expenses are estimated to be as follows: \$2,177,793 – 2025; \$2,240,909 – 2026; and \$2,323,344 – 2027. Management expects expenses for the Home to increase approximately 3% in 2025, 2026 and 2027 due to inflation. During all three years of the projection, management has decided to keep various discretionary expenses flat for the forecasted years due to the uncertainty of the economy.

Increase in Net Assets

The increase in net assets represents expected income from continuing operations.

Capital Projects

The Home expects to purchase building improvements and equipment at a cost of \$260,000 for the year ending December 31, 2025 and equipment at a cost of \$20,000 for each of the years ending December 31, 2026 and 2027.

HOME FOR THE AGED OF FREDERICK CITY**BOARD OF TRUSTEES**

Mr. Robert G. Hooper - President 3581 Point of Rocks Rd. Jefferson, MD 21755 301-694-9394		Occupation: Investments
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Mr. Luke Reich - Assistant Treasurer 2120 Collingwood Lane Frederick, MD 21702 240-405-4976		Occupation: Accountant
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Ms. Gerry Baker Hicks 1004 Rosemont Avenue Frederick, Md 21701 301-676-9587	Trustee	Occupation: Small Business Owner
Ms. Dorothy Lenhart 115 Record Street Frederick, MD 21701 301-228-3756	Trustee	Occupation: Retired Property Manager
Ms. Theresa T. Michel 105 Council Street Frederick, MD 20701 301-433-2844	Trustee	Occupation: Small Business Owner
Mr. David Weaver 131 West Patrick Street Frederick, MD 21701 301-694-4949	Trustee	Occupation: Attorney
Mr. Thomas Stauffer 7137 Collingwood Court Elkridge, MD 21075 301-696-0357	Trustee	Occupation: Actuary

THE BOARD OF MANAGERS OF THE HOME FOR THE AGED OF FREDERICK CITY

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Occupation: Mortgage Banker

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Occupation: High School Counselor

Ms. Cara Dragan
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301-524-0500
Occupation: Administrative Secretary FCPS

**THE BOARD OF MANAGERS OF THE HOME
FOR THE AGED OF FREDERICK CITY**

EXHIBIT E

Ms. Rose Graf
7137 Poole Jones Road
Frederick, MD 21702
301-606-2005
Occupation: Homemaker

Ms. Ellen Hendrickson
4714 Puller Drive
Jefferson, MD 21755
301-788-9813
Occupation: Business Owner- Landscaping

Ms. Mary Lebherz
506 Wilson Place
Frederick, MD 21701
301-663-4371
Occupation: Homemaker

Ms. Linda Raiford
703 Holden Road
Frederick, MD 21701
301-655-9303
Occupation: Homemaker

Ms. Melissa Rust
297 Maplewood Place
Walkersville, MD 21793
301-514-1901
Occupation: Retired School Teacher

Ms. Julia Seiler
7104 Autumn Leaf Lane
Frederick, MD 21702
240-626-5967
Occupation: Business Owner

Ms. Jennifer Stillrich
5107 Shookstown Road
Frederick, MD 21702
240-529-4376
Occupation: Business Owner- Retail Clothing

Ms. Sheila Woofert
6715 Balmoral Overlook
New Market, MD 21774
301-304-0785
Occupation: Homemaker