

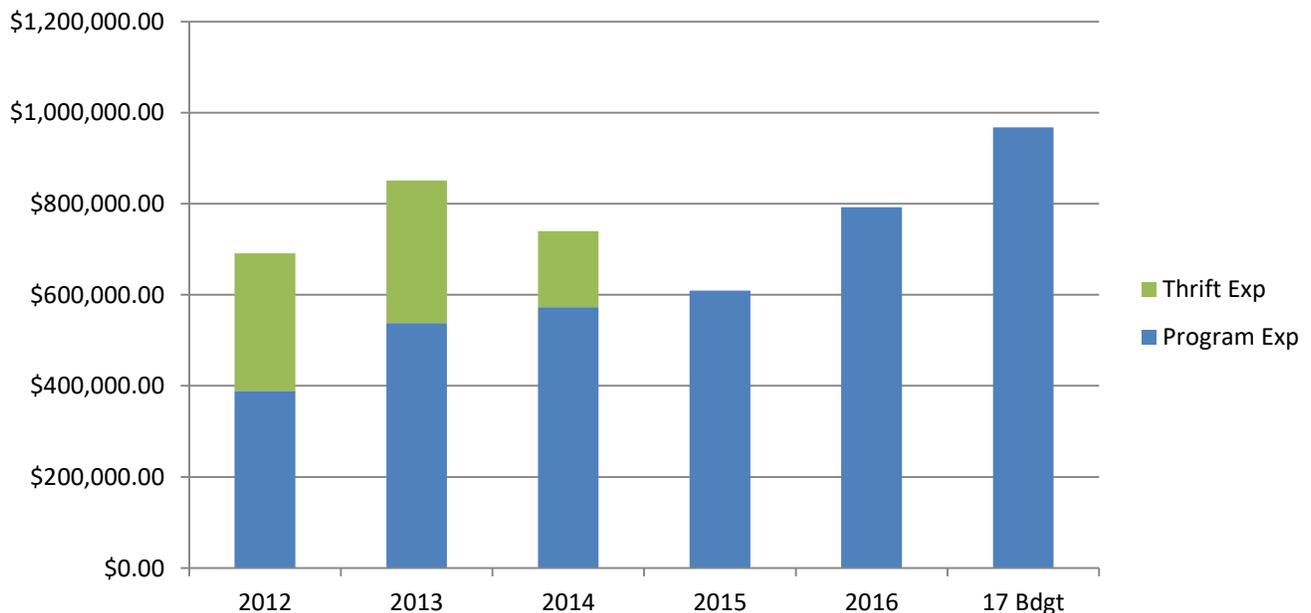
How investing in revenue growth has built LRM's program capacity

We are so grateful for each and every contribution to the Lexington Rescue Mission, and we strive to be faithful stewards of the resources that God has entrusted to us. As such, we are investing in the growth of this ministry to be able to meet more needs in our community. Investing in growth means that we are spending 30% of our revenue to raise more money, 8% on administration, and 62% on programming. *Why would we do such a thing? Why not cut our fund-raising expenses to spend more on programs?*

Every year, 35% of our donors stop giving. (Our donor attrition rate is much lower than the national average for non-profits, which is 54%)¹. In order to make up for this loss of gift revenue and sustain and grow our current programming, we invest in mailing potential new donors in our community. Bringing new donors into the fold is expensive, costing an average of \$10 per donor; however, over the course of the years they will give to the Mission, each donor will give an average of \$482.59. We also invest in reactivating donors whose giving has lapsed by sending them targeted mailings and making phone calls to reengage them in donating. Finally, we work to build relationships with our current donors through regular mailings, special events, and personal communication, and through these efforts, we have been able to keep our high donor retention rate of 65%.

What are the results? Over the past five years of investing in growth, we have increased our charitable giving revenue by an average of 8.58% annually. By comparison, overall charitable giving in the United States increased by 2.26% annually during the same time period; 1.94% for large non-profits (\$10M+), 2.04% for medium non-profits (\$1M – \$9M), and 4.44% for small non-profits (under \$1M).² **Even more importantly, we have been able to increase our spending on programs from \$389,066 in 2012 to \$967,932 in 2017.**³

The chart below shows our program spending over the last five years and projected spending this year.



¹ Levis, Miller, Williams, *2016 Fundraising Effectiveness Report*, Association of Fundraising Professionals (5/19/16)

² *Annual Charitable Giving Reports (2012-2016)*, Blackbaud Institute

³ This does not include thrift store operational costs from 2012 to 2014 (when our thrift store was open), which when combined with our other program costs, totaled \$691,033 in 2012. However, when you add thrift store expenses to our program expenses, our total program spending has still grown by 40%.

As you can see, by investing significantly in fund-raising, we have been able to increase our spending on programs at a much quicker pace than the average non-profit organization. This has made it possible for us to expand the reach of our core services and help thousands more hurting people in our community.

	<u>2011</u>	<u>2016</u>
	24,017 meals	42,274 meals
	1,985 nights of lodging for residents	3,553 nights of lodging for residents
	873 sessions of life skill classes	2,811 sessions of employment and life-skill classes
	874 people connected to community resources	1,004 people connected to community resources

Beyond these numbers, our growing revenue is enabling us to undertake a significant expansion in our services this next year. We have just purchased a building that will serve as a community center that will increase our capacity to train and place job-seekers in employment, and it will add 20 transitional housing beds for men.

Although we believe it is vital to continue to invest in fund-raising, our Board's goal is to reach the Better Business Bureau's benchmark of spending 65% of our revenue on programs within the next two years. In 2013, we were meeting that goal, but when we closed our thrift store in 2014, our program expenses took a hit. It was necessary to close the store as it was losing a significant amount of money, and we could not afford to continue subsidizing its operations with charitable donations. Since then, we have been rebuilding, balancing the need to allocate a larger portion of our funds to programming and the need to invest in effective strategies that will increase our programming revenue at a much faster rate.

We are grateful that our donors value faithful stewardship as we do, and we hope they too will recognize the importance of investing for growth so we can serve more people. This conversation has been at the center of a national discussion about nonprofit overhead, and we encourage donors who want to learn more to read *The Overhead Myth*⁴ and *The Nonprofit Starvation Cycle*.⁵ We also respect our donors' rights for their gifts to be used as they intended, which is why donors may always choose to restrict their gift to a particular purpose. For instance, if a donor wants 100% of their contribution to go toward food, they just need to say it is restricted for that purpose, and we will honor their wishes.

We assure you that we are committed to upholding the highest standards of fiscal transparency and accountability, demonstrated by our accreditation by the Evangelical Council for Financial Accountability (ECFA) and the Association of Gospel Rescue Missions (AGRM). We were early adopters of GoodGiving.net, and we have earned the Platinum Seal from Guidestar, its highest designation. Our financial statements are audited annually by Kring, Ray, Farley, and Riddle, PSC, and our auditor's report and IRS Form 990 are on our website at www.lexingtonrescue.org. If you have any questions about how your gifts are being used or would like to visit the Mission so you can see first-hand the direct impact your donations are making, please contact Laura Carr at (859) 381-9600, ext. 227 or laura@lexingtonrescue.org. Thank you for your support!

⁴ http://5770-presscdn-21-69.pagely.netdna-cdn.com/wp-content/uploads/2014/10/Overhead-Myth_Letter-to-the-Nonprofits-of-America.pdf

⁵ https://ssir.org/articles/entry/the_nonprofit_starvation_cycle