



LEXINGTON RESCUE MISSION, INC.

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2021 AND 2020

LEXINGTON RESCUE MISSION, INC.
LEXINGTON, KENTUCKY

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Lexington Rescue Mission, Inc.
Lexington, Kentucky

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Lexington Rescue Mission, Inc., which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Lexington Rescue Mission, Inc. as of December 31, 2021 and 2020, and the results of its operations 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 (GAAS). 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 Lexington Rescue Mission, Inc. 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 Lexington Rescue Mission, Inc.'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 Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, 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 Lexington Rescue Mission, Inc.'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 Lexington Rescue Mission, Inc.'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.

r + r CPAs, PSC

April 7, 2022
Lexington, Kentucky

LEXINGTON RESCUE MISSION, INC.

Statements of Financial Position

December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Current assets:		
Cash	\$ 1,474,258	\$ 1,169,814
Accounts receivable:		
Trade	427	-
Grants	45,441	87,478
Pledges	-	3,306
Prepaid expenses and other current assets	21,338	27,050
	<hr/>	<hr/>
Total current assets	1,541,464	1,287,648
Property and equipment, net	2,146,227	2,145,564
	<hr/>	<hr/>
Total assets	<u>\$ 3,687,691</u>	<u>\$ 3,433,212</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 68,557	\$ 83,160
Payroll liabilities	25,586	27,781
	<hr/>	<hr/>
Total current liabilities	94,143	110,941
	<hr/>	<hr/>
Total liabilities	94,143	110,941
Net assets:		
Without donor restrictions	3,508,546	3,239,634
With donor restrictions	85,002	82,637
	<hr/>	<hr/>
Total net assets	3,593,548	3,322,271
	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 3,687,691</u>	<u>\$ 3,433,212</u>

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

LEXINGTON RESCUE MISSION, INC.
 Statements of Activities
 For the years ended December 31, 2021 and 2020

	2021			2020		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, gains and support:						
Program services	\$ 221,569	\$ -	\$ 221,569	\$ 326,010	\$ -	\$ 326,010
Contributions	1,655,080	309,657	1,964,737	1,956,872	94,968	2,051,840
Grants and awards	268,294	255,971	524,265	257,964	1,468,315	1,726,279
Fall banquet	106,954	-	106,954	1,037	-	1,037
In-kind revenue	21,744	-	21,744	5,800	-	5,800
Other revenue (discounts)	(8,120)	-	(8,120)	21,355	-	21,355
Net assets released from restrictions	563,263	(563,263)	-	1,576,845	(1,576,845)	-
Total revenues, gains, and support	<u>2,828,784</u>	<u>2,365</u>	<u>2,831,149</u>	<u>4,145,883</u>	<u>(13,562)</u>	<u>4,132,321</u>
Expenses:						
Program services	1,861,306	-	1,861,306	1,516,322	-	1,516,322
Management and general	205,776	-	205,776	264,693	-	264,693
Fundraising	492,790	-	492,790	436,324	-	436,324
Total expenses	<u>2,559,872</u>	<u>-</u>	<u>2,559,872</u>	<u>2,217,339</u>	<u>-</u>	<u>2,217,339</u>
Change in net assets	<u>268,912</u>	<u>2,365</u>	<u>271,277</u>	<u>1,928,544</u>	<u>(13,562)</u>	<u>1,914,982</u>
Net assets, beginning of year	<u>3,239,634</u>	<u>82,637</u>	<u>3,322,271</u>	<u>1,311,090</u>	<u>96,199</u>	<u>1,407,289</u>
Net assets, end of year	<u>\$ 3,508,546</u>	<u>\$ 85,002</u>	<u>\$ 3,593,548</u>	<u>\$ 3,239,634</u>	<u>\$ 82,637</u>	<u>\$ 3,322,271</u>

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

LEXINGTON RESCUE MISSION, INC.Statement of Functional Expenses
For the year ended December 31, 2021

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries, wages, taxes and benefits	\$1,185,042	\$ 164,373	\$ 140,456	\$ 1,489,871
Advertising and professional fundraising services	40	50	235,662	235,752
Homeless Prevention and Assistance Program	120,067	-	-	120,067
Other program expenses	150,306	2,715	131	153,152
Utilities	56,191	-	-	56,191
Office supplies	56,137	1,396	1,423	58,956
Fall banquet	-	-	55,734	55,734
Insurance	41,084	3,197	3,527	47,808
Depreciation	82,473	1,414	549	84,436
Bank and credit card fees	-	65	160	225
Telephone and internet	1,956	1,096	-	3,052
Computer services and software licenses	42,923	13,002	12,724	68,649
Postage	329	1,336	11,568	13,233
Repairs and maintenance	44,272	891	-	45,163
Printing	460	109	19,956	20,525
Professional services	12,283	10,588	1,225	24,096
Vehicle	24,266	75	-	24,341
Dues and subscriptions	6,628	2,948	3,765	13,341
Travel	8,855	1,894	2,911	13,660
Small equipment	22,133	349	-	22,482
Security expense	4,390	-	-	4,390
Bad debt	400	-	37	437
Miscellaneous	1,071	278	697	2,046
Walk for Warmth	-	-	2,265	2,265
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenses	<u>\$1,861,306</u>	<u>\$ 205,776</u>	<u>\$ 492,790</u>	<u>\$ 2,559,872</u>

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

LEXINGTON RESCUE MISSION, INC.Statement of Functional Expenses
For the year ended December 31, 2020

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries, wages, taxes and benefits	\$ 942,631	\$ 211,219	\$ 140,819	\$ 1,294,669
Advertising and professional fundraising services	400	132	233,370	233,902
Homeless Prevention and Assistance Program	68,915	12,113	-	81,028
Other program expenses	263,276	6,576	17,245	287,097
Utilities	45,488	426	624	46,538
Office supplies	32,856	6,028	1,883	40,767
Fall banquet	-	-	1,348	1,348
Insurance	10,088	709	823	11,620
Depreciation	53,530	1,414	549	55,493
Bank and credit card fees	-	3,044	120	3,164
Interest expense	4,492	1,429	166	6,087
Telephone and internet	17,227	108	162	17,497
Computer services and software licenses	23,103	5,842	12,844	41,789
Postage	550	4,841	10,239	15,630
Repairs and maintenance	24,205	801	-	25,006
Printing	650	14	8,346	9,010
Professional services	1,892	7,795	378	10,065
Vehicle	8,631	2	-	8,633
Dues and subscriptions	4,656	421	1,605	6,682
Travel	1,436	560	-	1,996
Small equipment	3,832	60	562	4,454
Security expense	2,409	178	20	2,607
Miscellaneous	6,055	981	59	7,095
Walk for Warmth	-	-	5,162	5,162
	<u>-</u>	<u>-</u>	<u>5,162</u>	<u>5,162</u>
Total expenses	<u>\$ 1,516,322</u>	<u>\$ 264,693</u>	<u>\$ 436,324</u>	<u>\$ 2,217,339</u>

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

LEXINGTON RESCUE MISSION, INC.
 Statements of Cash Flows
 For the years ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 271,277	\$ 1,914,982
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	84,436	55,493
(Increase) decrease in operating assets:		
Accounts receivable, net	44,916	(44,972)
Prepaid expenses and other current assets	5,712	(2,749)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(14,603)	55,148
Payroll liabilities	(2,195)	(15,750)
Net cash provided by operating activities	<u>389,543</u>	<u>1,962,152</u>
Cash flows from investing activities:		
Purchases of property and equipment	<u>(85,099)</u>	<u>(861,605)</u>
Net cash used in investing activities	<u>(85,099)</u>	<u>(861,605)</u>
Cash flows from financing activities:		
Principal payments on note payable	<u>-</u>	<u>(180,244)</u>
Net cash provided by (used in) financing activities	<u>-</u>	<u>(180,244)</u>
Net increase (decrease) in cash	304,444	920,303
Cash, beginning of year	<u>1,169,814</u>	<u>249,511</u>
Cash, end of year	<u><u>\$ 1,474,258</u></u>	<u><u>\$ 1,169,814</u></u>
Supplemental Disclosure:		
Cash paid for interest	<u>\$ -</u>	<u>\$ 6,087</u>
Noncash donation of vehicle	<u>\$ -</u>	<u>\$ 5,800</u>

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

LEXINGTON RESCUE MISSION, INC.

Notes to the Financial Statements

December 31, 2021 and 2020

Note A - Summary of Significant Accounting Policies

Nature of Mission

Lexington Rescue Mission, Inc. (the "Mission"), was incorporated on April 2, 2001, for charitable, educational and scientific purposes including, without limitation of the foregoing, the proclamation of the Gospel of Jesus Christ by conducting compassionate rescue mission work in the City of Lexington, Kentucky, and the surrounding area. The Mission provides food, clothing, education, employment, financial assistance, health care, and spiritual care to those in need.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis and have been prepared with a focus on the entity as a whole. Net assets, support, revenues, gains, and losses are classified based on the existence or absence of donor restrictions. Accordingly, the net assets of the Mission are classified and reported as follows:

Net assets without donor restrictions: Net assets that are currently available for operating purposes under the direction of the board or designated by board for specific use.

Net assets with donor restrictions: Net assets subject to donor stipulations for specific operating purposes or time restrictions. These include donor restrictions requiring the net assets be held in perpetuity or for a specified term with investment return available for operations or specific purposes.

Cash and Cash Equivalents

The Mission considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

Accounts Receivable

The Mission's accounts receivable at December 31, 2021 and 2020, include pledges receivable, grants receivable, and employment service charges. The Mission provides an allowance for doubtful accounts on receivables, based on a review of the current status of existing receivables and management's evaluation of collection. As of December 31, 2021 and 2020, management determined an allowance for doubtful accounts on receivables was not necessary. There was no bad debt expense for the year ended December 31, 2021, and \$437 for the year ended December 31, 2020, respectively.

Property and Equipment

Property and equipment are stated at cost and donated items are stated at fair value at the time of donation. When items are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts with any resulting gain or loss reflected in the accompanying Statements of Activities. Depreciation and amortization are provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives on a straight-line basis. Maintenance and repairs are expensed as incurred.

LEXINGTON RESCUE MISSION, INC.

Notes to the Financial Statements

December 31, 2021 and 2020

Revenue and Revenue Recognition

Revenue Accounted for in Accordance with Contribution Accounting

Contributions that are nonreciprocal are recognized as revenue when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. The Mission reports gifts of cash and other assets as restricted support if they are received or promised with donor stipulations that limit the use of the donated funds to one of the Mission's programs or to a future year. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are classified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

The Mission received certain promises to give, collected over multiple periods, and classified the portion receivable in future accounting periods as restricted revenue. The Mission discounts the promises to give using an appropriate discount rate over the contribution period, if material.

Conditional contributions contain a donor-imposed condition that represents a barrier that must be overcome before the Mission is entitled to the assets transferred or promised. Failure to overcome the barrier gives the donor a right of return of the assets it has transferred or gives the promisor a right of release from its obligation to transfer its assets. Conditional contributions are recognized as revenue, either with or without donor restrictions, when donor-imposed conditions are substantially met, and any barriers are overcome. Donor restrictions are also satisfied when qualifying expenditures are incurred for the donor-specified program.

Revenue Accounted for as Contracts with Customers

Revenue is recognized when the Mission satisfies a performance obligation by transferring a promised good to, or performing a service for, a customer. The amount of revenue recognized reflects the consideration the Mission expects to receive in exchange for satisfying distinct performance obligations. If a performance obligation does not meet the criteria to be considered distinct, the Mission combines it with other performance obligations until a distinct bundle of goods and services exists. Fees or amounts received in advance of satisfying contractual performance obligations, if any, would be reflected as deferred revenue in the Statement of Financial Position. Revenue is recognized either over time or at the point in time that contractual obligations are met.

Fundraising income is recognized when the events are to be held and services are provided. Any amounts received in advance would be deferred and recognized when the performance obligations are met.

Income Tax

The Mission is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, however, the Mission is not exempt from tax imposed upon unrelated activity income. The Mission currently has no unrelated business income and accordingly, no provision for income taxes has been recorded. The Mission does not believe there are any material uncertain tax positions and, accordingly, it has not recognized any liability for unrecognized tax benefits or possible related interest or penalties. The Mission generally is no longer subject to income tax examinations by tax authorities for years before 2019.

LEXINGTON RESCUE MISSION, INC.

Notes to the Financial Statements

December 31, 2021 and 2020

Estimates

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

Donated Services

The Mission received volunteer services throughout the year that are not recognized as contributions in the accompanying financial statements since these services are not susceptible to objective measurement or valuation.

Compensated Absences

The Mission has a paid time-off pay policy for its employees that work over 20 hours per week (other than temp and Advance Lexington workers) that includes sick time, which allows for a limited carryover of unused time from one year to another. The Mission has not accrued an amount for compensated absences in that the amount to be used, if any, cannot be reasonably estimated.

In-Kind Donations

The Mission receives donations of food, household items, and supplies throughout the year for use in its various programs. Recognition in the accompanying financial statements for these items only occurs when an objective method of valuation exists. Perishable items are not recognized.

Note B - Property and Equipment

At December 31, 2021 and 2020, property and equipment accounts consist of the following balances:

	<u>2021</u>	<u>2020</u>
Non-Depreciating Assets:		
Land	\$ 1,500	\$ 1,500
Property not placed in service (Grace Place)	-	881,430
Glen Arvin rebuild	79,976	86,756
Depreciating Assets:		
Land improvements	4,332	4,332
Buildings	1,953,026	1,112,365
Building improvements	220,827	196,827
Furniture and equipment	191,449	135,159
Vehicles	128,302	75,944
	<u>2,579,412</u>	<u>2,494,313</u>
Less: Accumulated Depreciation	433,185	348,749
	<u>\$ 2,146,227</u>	<u>\$ 2,145,564</u>

LEXINGTON RESCUE MISSION, INC.

Notes to the Financial Statements

December 31, 2021 and 2020

Depreciation expense for the years ended December 31, 2021 and 2020, was \$84,436 and \$55,49, respectively.

In November 2020, the Mission's Glen Arvin Avenue location suffered fire damage. As of December 31, 2021, management of the Mission was evaluating the damage, cost of repairs, and has received insurance claims of approximately \$107,000. Management anticipates the insurance proceeds will substantially cover any loss associated with the fire.

Note C - Line of Credit

The Mission maintained a line of credit with Bank of the Bluegrass & Trust Co. to provide short-term financing during cash flow shortages. The line was authorized up to \$101,000, bore an interest rate of 3.0% over the Wall Street Journal index rate, was set to mature on April 20, 2021, and was secured by a second mortgage and an assignment of rents and leases. There was no balance on the line of credit as of December 31, 2019. This line was closed in August 2020.

The Mission entered into a new line of credit promissory note with Bank of the Bluegrass & Trust Co. that on August 7, 2020. The line was authorized up to \$360,000, bore interest at a rate of 1.0% over the Wall Street Journal index rate (3.25% at December 31, 2021), was set to mature on August 7, 2023, and was secured by a second mortgage and an assignment of rents and leases. There was no balance on this line of credit as of December 31, 2021 and 2020, respectively. Subsequent to December 31, 2021, in February 2022, this line of credit was closed and all associated liens were released.

Note D - Endowment

During 2014, the Foundatiuon was named an income beneficiary of an endowment from Blue Grass Community Foundation, Inc. (the Foundation). The Foundation maintains complete control of the endowment. Accordingly, the Mission does not recognize any activity related to this endowment unless the Foundation releases a portion of the funds to the Mission. The balance of the endowment was approximately \$122,000 and \$72,000, and is all unrestricted as of December 31, 2021 and 2020, respectively.

Note E - Functional Allocation of Expenses

The costs of providing the various programs and support services have been summarized on a functional basis in the Statements of Activities. Accordingly, certain costs are allocated among the programs and supporting services benefited. The method of allocation for these costs has not changed from prior years.

LEXINGTON RESCUE MISSION, INC.

Notes to the Financial Statements

December 31, 2021 and 2020

Expenses associated with the various programs of the Mission for the years ended December 31, 2021 and 2020, are summarized as follows:

	<u>2021</u>	<u>2020</u>
Re-entry Services	\$ 291,826	\$ 154,269
Restorative Ministries (Grace Place, House of Hope, and Potter's House)	589,438	342,764
Outreach Services	660,550	645,943
Employment Services	319,492	370,061
Other	-	3,285
	<hr/>	<hr/>
Total program expenses	<u>\$ 1,861,306</u>	<u>\$ 1,516,322</u>

Note F - Commitments and Contingencies

During the year ended December 31, 2017, the Mission was awarded a grant of \$650,000 from the Affordable Housing Program to purchase property to provide men's rehabilitation services within Lexington, Kentucky (The House of Hope). The Mission completed the purchase and renovations of the property in January 2018. A restriction of the grant requires the Mission to maintain the property for fifteen years as well as comply with other operational requirements during this period. Should the Mission fail to comply with these restrictions, the grantor has the right to request repayment of the grant proceeds.

During the year ended December 31, 2018, the Mission entered into a purchase agreement for real estate in the amount of \$595,000 for a new women's housing facility (Grace Place). According to the agreement, the purchase was contingent upon grant funding, required an initial 5% down payment due at the signing of the contract, 5% due in December 2019, with closing on or before March 30, 2020. During the year ended December 31, 2020, the Organization was awarded a grant of \$750,000 from the Affordable Housing Program, administered by PNC Bank, to finance a portion of the costs of the purchase and renovation of Grace Place. The Mission completed the purchase and renovations of the property in December 2020. A restriction in the grant requires the Mission to maintain the property for fifteen years as well as comply with other operational requirements during this period. Should the Mission fail to comply with these restrictions, the grantor has the right to request repayment of the grant proceeds.

LEXINGTON RESCUE MISSION, INC.

Notes to the Financial Statements

December 31, 2021 and 2020

Note G - Net Assets with Donor Restrictions

Net assets with donor restrictions consisted of the following at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Outreach	\$ 70,002	\$ 48,485
KY Social Welfare Roof Replacement	15,000	-
Potter's House	-	411
Re-entry	-	27,517
Land Improvement	-	6,224
	<u> </u>	<u> </u>
Net assets with donor restrictions	<u>\$ 85,002</u>	<u>\$ 82,637</u>

Note H - Retirement Plan

During 2016, Lexington Rescue Mission, Inc., implemented a 401(k) retirement plan (the Plan) for employees who are 21 years of age and have worked at the Mission for at least 260 hours. The Mission matches contributions up to 3% of each qualified employee's annual gross wages. The matching contributions vest ratably over a 3-year period with all contributions being fully vested after the third year of participation. The Mission's contributions to the Plan during the years ended December 31, 2021 and 2020 were \$19,926 and \$22,870, respectively.

Note I - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the Statement of Financial Position as of December 31, 2021, comprise the following:

Financial assets at year-end:	
Cash	\$ 1,474,258
Accounts receivable	<u>45,868</u>
Total financial assets	1,520,126
Less net assets with donor and purpose restrictions	(85,002)
Less general expenditures due within one year	<u>(94,143)</u>
Net financial assets available for general expenditure within one year	<u>\$ 1,340,981</u>

LEXINGTON RESCUE MISSION, INC.

Notes to the Financial Statements

December 31, 2021 and 2020

Note J – COVID-19 and Payroll Protection Program Impact

The Mission's operations have been affected by the recent and ongoing outbreak of the coronavirus disease 2019 (COVID-19) which was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption caused by the outbreak is uncertain; however, it may result in a material adverse impact on the Mission's future financial position, activities and cash flows.

Management is currently evaluating the potential short-term and long-term implications that COVID-19 may have on its future business. Due to these economic uncertainties, this could result in declines in contributions, grants and awards, and program service revenue. Other financial impacts could occur though such potential impact is unknown at this time. As of the date of this report, the financial statements do not reflect any adjustments as a result of the subsequent increase in economic uncertainty.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security ("CARES") Act was signed into law to provide short-term relief to small businesses to ensure they can sustain operations and keep their workers employed as the economy recovers. A significant portion of the CARES Act is in the form of emergency loan programs overseen by the Small Business Administration ("SBA"). In April 2020, Mission received a \$171,800 loan under the Paycheck Protection Program ("PPP"). In November 2020, the Mission met the criteria set forth under the PPP loan agreement regarding use of the loan proceeds and the SBA forgave the loan. Therefore, the Mission has elected to account for the PPP loan as a grant and to treat the amount as a conditional contribution, donor restricted grant revenue in the December 31, 2020 Statement of Activities.

Note K - New Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the balance sheet at the date of lease commencement. Leases will be classified as either finance or operating. This standard will be effective for the Mission for the year ending December 30, 2022.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses*. The standard requires a financial asset (including trade and grant receivables) measured at amortized cost basis to be presented at the net amount expected to be collected. Thus, the income statement will reflect the measurement of credit losses for newly-recognized financial assets as well as the expected increases or decreases of expected credit losses that have taken place during the period. This standard will be effective for the Mission for the year ending December 31, 2022.

The Mission is currently in the process of evaluating the impact of adoption of ASU 2016-02 and ASU 2016-13 on the financial statements.

Note L - Management's Review of Subsequent Events

The Mission has evaluated and considered the need to recognize or disclose subsequent events through April 7, 2022, which represents the date that these financial statements were available to be issued. Subsequent events past this date, as they pertain to the year ended December 31, 2021, have not been evaluated by the Mission.