



LEXINGTON RESCUE MISSION, INC.

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2022 AND 2021

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 Audits of the Financial Statements

Opinion

We have audited the financial statements of Lexington Rescue Mission, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, 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, 2022 and 2021, and the results of its activities 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

May 16, 2023
Lexington, Kentucky

LEXINGTON RESCUE MISSION, INC.

Statements of Financial Position

December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Current assets:		
Cash - unrestricted	\$ 867,509	\$ 1,389,256
Cash - donor restricted	66,736	85,002
Cash - interest reserve	150,112	-
Accounts receivable - trade	95,571	45,868
Current portion of pledges receivable	547,852	-
Intangible asset, net	15,725	-
Prepaid expenses and other current assets	10,100	21,338
	<hr/>	<hr/>
Total current assets	1,753,605	1,541,464
Long-term assets:		
Pledges receivable, net of current portion	1,292,259	-
Property and equipment, net	5,997,041	2,146,227
	<hr/>	<hr/>
Total long-term assets	7,289,300	2,146,227
	<hr/>	<hr/>
Total assets	\$ 9,042,905	\$ 3,687,691
	<hr/> <hr/>	<hr/> <hr/>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 35,074	\$ 68,557
Payroll liabilities	27,578	25,586
Current portion of mortgage payable	350,000	-
	<hr/>	<hr/>
Total current liabilities	412,652	94,143
Long-term liabilities:		
Mortgage payable, net of current portion	3,120,000	-
	<hr/>	<hr/>
Total liabilities	3,532,652	94,143
Net assets:		
Without donor restrictions	3,603,406	3,508,546
With donor restrictions	1,906,847	85,002
	<hr/>	<hr/>
Total net assets	5,510,253	3,593,548
	<hr/>	<hr/>
Total liabilities and net assets	\$ 9,042,905	\$ 3,687,691
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The accompanying notes are an integral part of these financial statements.

LEXINGTON RESCUE MISSION, INC.
 Statements of Activities
 For the years ended December 31, 2022 and 2021

	<u>2022</u>			<u>2021</u>		
	<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	\$ 285,988	\$ -	\$ 285,988	\$ 221,569	\$ -	\$ 221,569
Contributions	1,829,955	143,003	1,972,958	1,655,080	309,657	1,964,737
Grants and awards	202,101	310,988	513,089	268,294	255,971	524,265
Fall banquet	111,948	-	111,948	106,954	-	106,954
In-kind revenue	-	-	-	21,744	-	21,744
Capital campaign	-	2,156,652	2,156,652	-	-	-
Rental income	277,169	-	277,169	-	-	-
Other revenue (discounts)	(646)	-	(646)	(8,120)	-	(8,120)
Net assets released from restrictions	788,798	(788,798)	-	563,263	(563,263)	-
Total revenues, gains, and support	<u>3,495,313</u>	<u>1,821,845</u>	<u>5,317,158</u>	<u>2,828,784</u>	<u>2,365</u>	<u>2,831,149</u>
Expenses:						
Program services	2,408,839	-	2,408,839	1,861,306	-	1,861,306
Management and general	494,929	-	494,929	205,776	-	205,776
Fundraising	496,685	-	496,685	492,790	-	492,790
Total expenses	<u>3,400,453</u>	<u>-</u>	<u>3,400,453</u>	<u>2,559,872</u>	<u>-</u>	<u>2,559,872</u>
Change in net assets	<u>94,860</u>	<u>1,821,845</u>	<u>1,916,705</u>	<u>268,912</u>	<u>2,365</u>	<u>271,277</u>
Net assets, beginning 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>
Net assets, end of year	<u>\$ 3,603,406</u>	<u>\$1,906,847</u>	<u>\$ 5,510,253</u>	<u>\$ 3,508,546</u>	<u>\$ 85,002</u>	<u>\$ 3,593,548</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, 2022

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries, wages, taxes and benefits	\$1,626,794	\$ 128,414	\$ 106,103	\$ 1,861,311
Advertising and professional fundraising services	1,733	930	230,538	233,201
Homeless Prevention and Assistance Program	167,066	1,280	642	168,988
Other program expenses	168,227	636	729	169,592
Utilities	59,568	48,983	-	108,551
Office supplies	29,554	4,340	19,833	53,727
Fall banquet	-	28	17,840	17,868
Insurance	58,929	3,970	3,970	66,869
Depreciation and amortization	101,470	74,052	549	176,071
Bank and credit card fees	1,403	251	30	1,684
Interest	-	104,763	-	104,763
Telephone and internet	23,646	5,103	-	28,749
Computer services and software licenses	57,019	-	-	57,019
Postage	541	498	13,769	14,808
Repairs and maintenance	40,617	34,180	22	74,819
Printing	1,616	-	5,468	7,084
Professional services	12,668	48,503	84,472	145,643
Vehicle	24,340	257	25	24,622
Dues and subscriptions	5,962	3,174	3,035	12,171
Travel	16,787	1,212	6,979	24,978
Small equipment	6,151	622	150	6,923
Security expense	1,891	-	-	1,891
Bad debt	169	427	241	837
Miscellaneous	2,638	33,306	2,290	38,234
Walk for Warmth	50	-	-	50
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenses	<u>\$2,408,839</u>	<u>\$ 494,929</u>	<u>\$ 496,685</u>	<u>\$ 3,400,453</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
Interest expense	1,956	1,096	-	3,052
Telephone and internet	42,923	13,002	12,724	68,649
Computer services and software licenses	329	1,336	11,568	13,233
Postage	44,272	891	-	45,163
Repairs and maintenance	460	109	19,956	20,525
Printing	12,283	10,588	1,225	24,096
Professional services	24,266	75	-	24,341
Vehicle	6,628	2,948	3,765	13,341
Dues and subscriptions	8,855	1,894	2,911	13,660
Travel	22,133	349	-	22,482
Small equipment	4,390	-	-	4,390
Security expense	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.
 Statements of Cash Flows
 For the years ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,916,705	\$ 271,277
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Gain on disposal of property and equipment	500	-
Depreciation and amortization	176,071	84,436
(Increase) decrease in operating assets:		
Accounts receivable - trade, net	(49,703)	44,916
Pledges receivable, net of discount to present value	(1,840,111)	-
Intangible asset	(18,500)	-
Prepaid expenses and other current assets	11,238	5,712
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(33,483)	(14,603)
Payroll liabilities	1,992	(2,195)
Net cash provided by operating activities	<u>164,709</u>	<u>389,543</u>
Cash flows from investing activities:		
Purchases of property and equipment	<u>(4,024,610)</u>	<u>(85,099)</u>
Net cash used in investing activities	<u>(4,024,610)</u>	<u>(85,099)</u>
Cash flows from financing activities:		
Proceeds from debt	3,500,000	-
Principal payments on debt	<u>(30,000)</u>	<u>-</u>
Net cash provided by financing activities	<u>3,470,000</u>	<u>-</u>
Net (decrease) increase in cash	(389,901)	304,444
Cash, beginning of year	<u>1,474,258</u>	<u>1,169,814</u>
Cash, end of year	<u>\$ 1,084,357</u>	<u>\$ 1,474,258</u>
Supplemental Disclosure:		
Cash paid for interest	<u>\$ 104,763</u>	<u>\$ 3,052</u>

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

LEXINGTON RESCUE MISSION, INC.

Notes to the Financial Statements

December 31, 2022 and 2021

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, 2022 and 2021, 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, 2022 and 2021, management determined an allowance for doubtful accounts on receivables was not necessary. Bad debt expense for the year ended December 31, 2022 was \$837. There was no bad debt expense for the year ended December 31, 2021.

Intangible Asset

Intangible asset consists of the capitalization of \$18,500 in closing costs associated with property purchased in 2022, detailed in Note E below. Amortization expense and accumulated amortization as of and for the year ended December 31, 2022 was \$2,775.

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

LEXINGTON RESCUE MISSION, INC.

Notes to the Financial Statements

December 31, 2022 and 2021

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.

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. Rental income is recognized monthly over the life of the lease.

Revenue from non-exchange transactions consist of the following:

- Contributions – gifts received without donor stipulations are reported as revenue and net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor-stipulated time restriction ends, or purpose restriction is accomplished, 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. Contributions that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as revenue and net assets without donor restriction.

LEXINGTON RESCUE MISSION, INC.

Notes to the Financial Statements

December 31, 2022 and 2021

- Grants – Grants are conditional upon the incurrence of allowable qualifying expenses. Revenue is recorded as allowable qualifying expenses are incurred.

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 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.

LEXINGTON RESCUE MISSION, INC.

Notes to the Financial Statements

December 31, 2022 and 2021

Note B – Capital Campaign Revenue and Pledges Receivable

During late 2022, the Mission began a capital campaign to raise funds for the purchase of new Community Center facilities (as detailed in Note E), its expansion, remodeling, new equipment, among other needed items. Capital campaign revenue, including pledges, during the year ended December 31, 2022 was \$2,156,652, net of a discount to present value. Pledges receivable relating to the capital campaign as of December 31, 2022, are expected to be collected as follows:

In one year or less	\$ 547,852
Between one year and five years	<u>1,477,115</u>
	2,024,967
Less: Discount to present value of 4%	<u>(184,856)</u>
Pledges receivable, less discount to present value	<u>\$ 1,840,111</u>

Pledges receivable from board members as of and during the year ended December 31, 2022 was \$150,900.

Note C - Property and Equipment

At December 31, 2022 and 2021, property and equipment accounts consist of the following balances:

	<u>2022</u>	<u>2021</u>
Non-Depreciating Assets:		
Land	\$ 301,500	\$ 1,500
Depreciating Assets:		
Glen Arvin rebuild	79,976	79,976
Land improvements	4,332	4,332
Buildings	5,553,621	1,953,026
Building improvements	282,247	220,827
Furniture and equipment	208,008	191,449
Vehicles	168,338	128,302
	<u>6,598,022</u>	<u>2,579,412</u>
Less: Accumulated depreciation	<u>(600,981)</u>	<u>(433,185)</u>
	<u>\$ 5,997,041</u>	<u>\$ 2,146,227</u>

Depreciation expense for the years ended December 31, 2022 and 2021, was \$173,296 and \$84,436, 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. The insurance proceeds substantially covered any loss associated with the fire.

LEXINGTON RESCUE MISSION, INC.

Notes to the Financial Statements

December 31, 2022 and 2021

Note D - Line of Credit

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, 2022 and 2021, respectively. Subsequent to December 31, 2021, in February 2022, this line of credit was closed and all associated liens were released.

Note E - Purchase of Properties, Associated Mortgage, and Rental Income

On March 31, 2022, the Mission purchased commercial properties located at 215-217 Jefferson Street and 535 West Second Street in Lexington, Kentucky for \$3,868,000. With nearly a \$400,000 down payment, the Organization took out a mortgage with Whitaker Bank in the amount of \$3,500,000 with a fixed interest rate of 3.95%, should the loan amount be reduced to \$3,000,000 or less the fixed rate would be reduced to 3.75% on the next anniversary date, and should the loan amount be reduced to \$2,500,000 or less the fixed rate would be reduced to 3.55% on the next anniversary date. The mortgage requires annual principal payments of \$350,000 due on the notes anniversary date of years two, three, and four, with principal and interest due in full at maturity on March 31, 2027, and secured by a mortgage on the properties at 215-217 Jefferson Street, 535 West Second Street, 444 Glen Arvin Avenue, and 649-653 North Limestone in Lexington, Kentucky, assignment of rents and leases on the properties, assignment of an interest reserve account at Whitaker Bank with minimum funding requirement of \$150,000, and assignment and pledge of capital campaign accounts. The balance of the Whitaker Bank mortgage at December 31, 2022 was \$3,470,000.

Minimum future principal payments for this mortgage over the next five years is as follows:

	<u>Total</u>
2023	\$ 350,000
2024	350,000
2025	350,000
2026	350,000
2027	<u>2,070,000</u>
Total	<u>\$ 3,470,000</u>

In May 2022, Lexington Rescue Mission, Inc. formed a title holding corporation, Living Image Holdings, Inc. (LIH), as exempt from federal income taxes pursuant to Section 501(c)(2) of the Internal Revenue Code. Subsequently, in August 2022, the Mission transferred the title of 444 Glen Arvin Avenue, 649 and 653 North Limestone Avenue, 215-217 Jefferson Street, and 535 West Second Street to LIH. A subsequent loan modification was made to add LIH as a co-borrower, transfer title of the aforementioned properties to LIH, and serve as primary agent for all matter related to the loan.

In relation to the purchase of 215-217 Jefferson Street and 535 West Second Street, the Mission inherited several leases of office space within those buildings. Lease terms range from month-to-month to six-year term lengths. Rental income for the year ended December 31, 2022 was \$277,169. Annualized rental income is expected to be approximately \$385,000.

LEXINGTON RESCUE MISSION, INC.

Notes to the Financial Statements

December 31, 2022 and 2021

Note F - Endowment

During 2014, the Foundation 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 \$130,000 and \$122,000, and is all unrestricted as of December 31, 2022 and 2021, respectively.

Note G - 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.

Expenses associated with the various programs of the Mission for the years ended December 31, 2022 and 2021, are summarized as follows:

	<u>2022</u>	<u>2021</u>
Re-entry Services	\$ 328,612	\$ 291,826
Restorative Ministries (Grace Place, House of Hope, and Potter's House)	652,950	589,438
Outreach Services	983,373	660,550
Employment Services	433,683	319,492
Other	10,221	-
	<u> </u>	<u> </u>
Total program expenses	<u>\$ 2,408,839</u>	<u>\$ 1,861,306</u>

Note H - 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

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Mission fail to comply with these restrictions, the grantor has the right to request repayment of the grant proceeds.

Note I - Net Assets with Donor Restrictions

Net assets with donor restrictions consisted of the following at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Outreach:		
Anthem Hygiene Closet Grant	\$ 4,092	\$ 10,000
Cralle Foundation Community Meals	-	7,500
Crestwood Rent Assistance	12,257	15,012
Crestwood School Assistance	7,726	15,607
EFSP Phase 38 2021 T1	-	11,264
HPP/HIP	6,890	10,619
KY Social Welfare Roof Replacement	1,430	15,000
Capital Campaign – Walk-in Cooler	34,341	-
Capital Campaign – Various	1,840,111	-
Net assets with donor restrictions	<u>\$ 1,906,847</u>	<u>\$ 85,002</u>

Note J - 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, 2022 and 2021 were \$44,811 and \$19,926, respectively.

Note K - 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, 2022 and 2021, respectively, comprise the following:

Financial assets at year-end:	<u>2022</u>	<u>2021</u>
Cash - unrestricted	\$ 867,509	\$ 1,389,256
Accounts receivable - trade	<u>95,571</u>	<u>45,868</u>
Net financial assets available for general expenditure within one year	<u>\$ 963,080</u>	<u>\$ 1,435,124</u>

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Note L - New Accounting Pronouncements Adopted

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 was effective for the Mission for the year ending December 31, 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 reflects 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 was effective for the Mission for the year ending December 31, 2022.

Neither pronouncement's adoption had a significant impact on the Mission.

Note M - Management's Review of Subsequent Events

The Mission has evaluated and considered the need to recognize or disclose subsequent events through May 16, 2023, 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, 2022, have not been evaluated by the Mission.