



LEXINGTON RESCUE MISSION, INC.

**CONSOLIDATED FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

DECEMBER 31, 2023 AND 2022

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 Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Lexington Rescue Mission, Inc. (a nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2023 and 2022, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Lexington Rescue Mission, Inc. as of December 31, 2023 and 2022, 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 19, 2024
Lexington, Kentucky

LEXINGTON RESCUE MISSION, INC.
Consolidated Statements of Financial Position
December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Current assets:		
Cash - unrestricted	\$ 1,006,711	\$ 867,509
Cash - donor restricted	18,916	66,736
Cash - interest reserve	155,513	150,112
Accounts receivable - trade	205,407	95,571
Current portion of pledges receivable	675,984	547,852
Intangible asset, net	12,025	15,725
Prepaid expenses and other current assets	<u>3,869</u>	<u>10,100</u>
 Total current assets	 2,078,425	 1,753,605
Long-term assets:		
Pledges receivable, net of current portion	1,106,629	1,292,259
Property and equipment, net	<u>6,560,079</u>	<u>5,997,041</u>
 Total long-term assets	 <u>7,666,708</u>	 <u>7,289,300</u>
 Total assets	 <u>\$ 9,745,133</u>	 <u>\$ 9,042,905</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 145,037	\$ 35,074
Payroll liabilities	34,919	27,578
Current portion of mortgage payable	<u>350,000</u>	<u>350,000</u>
 Total current liabilities	 529,956	 412,652
Long-term liabilities:		
Mortgage payable, net of current portion	<u>2,474,000</u>	<u>3,120,000</u>
 Total liabilities	 3,003,956	 3,532,652
Net assets:		
Without donor restrictions	4,939,648	3,603,406
With donor restrictions	<u>1,801,529</u>	<u>1,906,847</u>
 Total net assets	 <u>6,741,177</u>	 <u>5,510,253</u>
 Total liabilities and net assets	 <u>\$ 9,745,133</u>	 <u>\$ 9,042,905</u>

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

LEXINGTON RESCUE MISSION, INC.
Consolidated Statements of Activities
For the years ended December 31, 2023 and 2022

	<u>2023</u>			<u>2022</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	\$ 164,136	\$ -	\$ 164,136	\$ 285,988	\$ -	\$ 285,988
Contributions	1,803,258	69,935	1,873,193	1,829,955	143,003	1,972,958
Grants and awards	96,506	504,163	600,669	202,101	310,988	513,089
Fall banquet	73,885	-	73,885	111,948	-	111,948
Capital campaign	-	1,924,857	1,924,857	-	2,156,652	2,156,652
Rental income	223,934	-	223,934	277,169	-	277,169
Other revenue (discounts)	48,833	-	48,833	(646)	-	(646)
Net assets released from restrictions	2,604,273	(2,604,273)	-	788,798	(788,798)	-
Total revenues, gains, and support	<u>5,014,825</u>	<u>(105,318)</u>	<u>4,909,507</u>	<u>3,495,313</u>	<u>1,821,845</u>	<u>5,317,158</u>
Expenses:						
Program services	2,271,994	-	2,271,994	2,408,839	-	2,408,839
Management and general	632,111	-	632,111	494,929	-	494,929
Fundraising	774,478	-	774,478	496,685	-	496,685
Total expenses	<u>3,678,583</u>	<u>-</u>	<u>3,678,583</u>	<u>3,400,453</u>	<u>-</u>	<u>3,400,453</u>
Change in net assets	<u>1,336,242</u>	<u>(105,318)</u>	<u>1,230,924</u>	<u>94,860</u>	<u>1,821,845</u>	<u>1,916,705</u>
Net assets, beginning 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>
Net assets, end of year	<u>\$ 4,939,648</u>	<u>\$1,801,529</u>	<u>\$ 6,741,177</u>	<u>\$ 3,603,406</u>	<u>\$1,906,847</u>	<u>\$ 5,510,253</u>

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

LEXINGTON RESCUE MISSION, INC.
Consolidated Statement of Functional Expenses
For the year ended December 31, 2023

	Program Services	Management and General	Fundraising	Total
Salaries, wages, taxes and benefits	\$ 1,544,034	\$ 166,784	\$ 274,245	\$ 1,985,063
Advertising and professional fundraising services	19,301	24	232,200	251,525
Homeless Prevention and Assistance Program	121,312	336	6,645	128,293
Other program expenses	155,353	1,475	2,708	159,536
Utilities	59,249	63,487	-	122,736
Office supplies	35,305	7,350	1,766	44,421
Fall banquet	-	-	41,262	41,262
Insurance	81,783	7,815	6,812	96,410
Depreciation and amortization	114,298	99,577	438	214,313
Bank and credit card fees	204	638	60	902
Interest	-	119,354	-	119,354
Telephone and internet	23,949	7,284	437	31,670
Computer services and software licenses	27,231	7,855	24,303	59,389
Postage	227	1,678	13,361	15,266
Repairs and maintenance	44,579	40,606	-	85,185
Printing	4,589	-	34,254	38,843
Professional services	-	99,125	120,412	219,537
Vehicle	11,858	253	212	12,323
Dues and subscriptions	6,500	4,418	2,473	13,391
Travel	6,812	3,371	3,943	14,126
Small equipment	3,899	16	768	4,683
Security expense	1,563	-	-	1,563
Bad debt	-	-	-	-
Miscellaneous	9,948	665	2,307	12,920
Walk for Warmth	-	-	5,872	5,872
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenses	<u>\$ 2,271,994</u>	<u>\$ 632,111</u>	<u>\$ 774,478</u>	<u>\$ 3,678,583</u>

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

LEXINGTON RESCUE MISSION, INC.
Consolidated Statement of Functional Expenses
For the year ended December 31, 2022

	Program Services	Management and General	Fundraising	Total
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	101,470	74,052	549	176,071
Bank and credit card fees	1,403	251	30	1,684
Interest expense	-	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
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 consolidated financial statements.

LEXINGTON RESCUE MISSION, INC.
Consolidated Statements of Cash Flows
For the years ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,230,924	\$ 1,916,705
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
(Loss) gain on disposal of property and equipment	(16,469)	500
Depreciation and amortization	214,313	176,071
(Increase) decrease in operating assets:		
Accounts receivable - trade, net	(109,836)	(49,703)
Pledges receivable, net of discount to present value	57,498	(1,840,111)
Intangible asset	-	(18,500)
Prepaid expenses and other current assets	6,231	11,238
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	109,963	(33,483)
Payroll liabilities	7,341	1,992
Net cash provided by operating activities	<u>1,499,965</u>	<u>164,709</u>
Cash flows from investing activities:		
Purchases of property and equipment	<u>(757,182)</u>	<u>(4,024,610)</u>
Net cash used in investing activities	<u>(757,182)</u>	<u>(4,024,610)</u>
Cash flows from financing activities:		
Proceeds from issuance of debt	-	3,500,000
Principal payments on debt	<u>(646,000)</u>	<u>(30,000)</u>
Net cash (used in) provided by financing activities	<u>(646,000)</u>	<u>3,470,000</u>
Net increase (decrease) in cash	96,783	(389,901)
Cash, beginning of year	<u>1,084,357</u>	<u>1,474,258</u>
Cash, end of year	<u><u>\$ 1,181,140</u></u>	<u><u>\$ 1,084,357</u></u>
Reconciliation of unrestricted and restricted cash to the Statements of Financial Position:		
Cash - unrestricted	\$ 1,006,711	\$ 867,509
Cash - donor restricted	18,916	66,736
Cash - interest reserve	<u>155,513</u>	<u>150,112</u>
Total unrestricted and restricted cash	<u><u>\$ 1,181,140</u></u>	<u><u>\$ 1,084,357</u></u>
Supplemental Disclosure:		
Cash paid for interest	<u><u>\$ 119,354</u></u>	<u><u>\$ 104,763</u></u>

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

LEXINGTON RESCUE MISSION, INC.
Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

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.

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. Therefore, since the Mission has a controlling interest in LIH, with common board members, and has an economic interest in LIH as LIH's purpose is to hold and use significant resources and properties only for the use of the Mission, consolidated financial statements of the Mission and LIH are presented.

Basis of Presentation

The accompanying consolidated 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, 2023 and 2022, 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, 2023 and 2022, management determined an allowance for doubtful accounts on receivables was not necessary. Bad debt expense for the years ended December 31, 2023 and 2022 was \$0 and \$837, respectively.

LEXINGTON RESCUE MISSION, INC.
Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

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 as of and for the years ended December 31, 2023 and 2022 was \$3,700 and \$2,775, respectively. Accumulated amortization as of and for the years ended December 31, 2023 and 2022 was \$6,475 and \$2,775, 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 Consolidated 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.

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 Consolidated Statements 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 Consolidated Statement of Financial Position. Revenue is recognized either over time or at the point in time that contractual obligations are met.

LEXINGTON RESCUE MISSION, INC.
Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

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.

- 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 2021.

Estimates

The preparation of consolidated 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 consolidated 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 consolidated 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.

LEXINGTON RESCUE MISSION, INC.
Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

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 consolidated financial statements for these items only occurs when an objective method of valuation exists. Perishable items are not recognized.

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, 2023 and 2022 was \$1,924,857 and \$2,156,652, respectively, net of a discount to present value. Pledges receivable relating to the capital campaign as of December 31, 2023 and 2022, respectively, are expected to be collected as follows:

	<u>2023</u>	<u>2022</u>
In one year or less	\$ 675,984	\$ 547,852
Between one year and five years	<u>1,256,617</u>	<u>1,477,115</u>
	1,932,601	2,024,967
Less: Discount to present value of 4%	<u>(149,988)</u>	<u>(184,856)</u>
Pledges receivable, less discount to present value	<u>\$ 1,782,613</u>	<u>\$ 1,840,111</u>

Pledges receivable from board members as of and during the year ended December 31, 2023 and 2022 was \$151,650 and \$150,900, respectively.

Note C - Property and Equipment

At December 31, 2023 and 2021, property and equipment accounts consist of the following balances:

	<u>2023</u>	<u>2022</u>
Non-Depreciating Assets:		
Land	\$ 301,500	\$ 301,500
Construction	672,673	-
Depreciating Assets:		
Glen Arvin rebuild	79,976	79,976
Land improvements	4,332	4,332
Buildings	5,553,621	5,553,621
Building improvements	304,844	282,247
Furniture and equipment	208,008	208,008
Vehicles	<u>230,250</u>	<u>168,338</u>
	7,355,204	6,598,022
Less: Accumulated depreciation	<u>(795,125)</u>	<u>(600,981)</u>
	<u>\$ 6,560,079</u>	<u>\$ 5,997,041</u>

LEXINGTON RESCUE MISSION, INC.
Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

Depreciation expense for the years ended December 31, 2023 and 2022, was \$210,613 and \$173,296, respectively.

In November 2020, the Mission's Glen Arvin Avenue location suffered fire damage. The insurance proceeds recovered in 2022 and 2023 substantially covered any loss associated with the fire.

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, 2022), was set to mature on August 7, 2023, and was secured by a second mortgage and an assignment of rents and leases. 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, 2023 and 2022 was \$2,824,000 and \$3,470,000, respectively.

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

	<u>Total</u>
2024	\$ 350,000
2025	350,000
2026	350,000
2027	<u>1,774,000</u>
Total	<u>\$ 2,824,000</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.

LEXINGTON RESCUE MISSION, INC.
Notes to the Consolidated Financial Statements
December 31, 2023 and 2022

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, 2023 and 2022 was \$223,934 and \$277,169, respectively.

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 \$155,000 and \$130,000, and is all unrestricted as of December 31, 2023 and 2022, 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 Consolidated 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, 2023 and 2022, are summarized as follows:

	<u>2023</u>	<u>2022</u>
Re-entry Services	\$ 337,342	\$ 328,612
Restorative Ministries (Grace Place, House of Hope, and Potter's House)	649,354	652,950
Outreach Services	1,031,418	983,373
Employment Services	235,340	433,683
Other	24,412	10,221
	<hr/>	<hr/>
Total program expenses	<u>\$ 2,277,866</u>	<u>\$ 2,408,839</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

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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.

Note I - Net Assets with Donor Restrictions

Net assets with donor restrictions consisted of the following at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Outreach:		
Anthem Hygiene Closet Grant	\$ 8,917	\$ 4,092
Crestwood Rent Assistance	4,627	12,257
Crestwood School Assistance	5,372	7,726
HPP/HIP	-	6,890
KY Social Welfare Roof Replacement	-	1,430
Capital Campaign – Walk-in Cooler	-	34,341
Capital Campaign – Various	1,782,613	1,840,111
Net assets with donor restrictions	<u>\$ 1,801,529</u>	<u>\$ 1,906,847</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, 2023 and 2022 were \$44,895 and \$44,811, 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, 2023 and 2022, respectively, comprise the following:

	<u>2023</u>	<u>2022</u>
Financial assets at year-end:		
Cash - unrestricted	\$ 1,006,711	\$ 867,509
Accounts receivable - trade	<u>205,407</u>	<u>95,571</u>
Net financial assets available for general expenditure within one year	<u>\$ 1,212,118</u>	<u>\$ 963,080</u>

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Note L - Management's Review of Subsequent Events

The Mission has evaluated and considered the need to recognize or disclose subsequent events through April 19, 2024, which represents the date that these consolidated financial statements were available to be issued. Subsequent events past this date, as they pertain to the year ended December 31, 2023, have not been evaluated by the Mission.