

DRAFT

MISSION LEXINGTON, INC.
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2017

ENDERLE BESTEN DIERUF, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Mission Lexington, Inc.
Lexington, Kentucky

We have audited the accompanying financial statements of Mission Lexington, Inc. (a nonprofit organization), which comprise the statement of assets, liabilities, and net assets – cash basis as of June 30, 2017, and the related statement of support, revenue, and expenses – cash basis for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting as described in Note A; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of Mission Lexington, Inc. as of June 30, 2017, and its support, revenue, and expenses for the year then ended in accordance with the cash basis of accounting as described in Note A.

Basis of Accounting

We draw attention to Note A of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Emmanuel Beaton Dieruf

October xx, 2017

MISSION LEXINGTON, INC
STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS - CASH BASIS
JUNE 30, 2017

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 205,776
TOTAL CURRENT ASSETS	<u>205,776</u>
TOTAL ASSETS	<u>\$ 205,776</u>
LIABILITIES AND NET ASSETS	
NET ASSETS	
Unrestricted	\$ 124,666
Temporarily restricted	<u>81,110</u>
TOTAL NET ASSETS	<u>205,776</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 205,776</u>

See Independent Auditors' Report and Notes to Financial Statements.

MISSION LEXINGTON, INC
STATEMENT OF SUPPORT, REVENUES, AND EXPENSES - CASH BASIS
YEAR ENDED JUNE 30, 2017

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT				
Grants	\$ 7,500	\$ -	\$ -	\$ 7,500
Contributions	129,847	84,187	-	214,034
Interest and dividends	10	-	-	10
Other	4,109	-	-	4,109
Denture revenue	11,227	-	-	11,227
Fundraising	67,044	26,350	-	93,394
Sponsorships	3,430	-	-	3,430
Clinics and pharmacy	220,138	-	-	220,138
Net assets released from restrictions	29,427	(29,427)	-	-
TOTAL REVENUE AND SUPPORT	<u>472,732</u>	<u>81,110</u>	<u>-</u>	<u>553,842</u>
EXPENSES				
Program services:				
Salaries	104,799	-	-	104,799
Medical and dental fees	11,461	-	-	11,461
Medical, vision, and dental supplies and equipment	57,313	-	-	57,313
Faith pharmacy	99,950	-	-	99,950
Dispensary	2,860	-	-	2,860
Other medical, vision, and dental expenses	3,204	-	-	3,204
Philanthropy	1,247	-	-	1,247
Kentucky Cancer Link	17,744	-	-	17,744
Denture lab fees	11,695	-	-	11,695
TOTAL PROGRAM SERVICES	<u>310,273</u>	<u>-</u>	<u>-</u>	<u>310,273</u>
Management and General:				
Salaries	66,860	-	-	66,860
Office	3,313	-	-	3,313
Legal and professional	9,960	-	-	9,960
Advertising and promotion	5,709	-	-	5,709
Miscellaneous	116	-	-	116
Telephone	4,510	-	-	4,510
Bank charges and fees	245	-	-	245
Insurance	6,260	-	-	6,260
Rent	22,917	-	-	22,917
Utilities	11,101	-	-	11,101
Repairs, renovations, and security	8,943	-	-	8,943
TOTAL MANAGEMENT AND GENERAL	<u>139,934</u>	<u>-</u>	<u>-</u>	<u>139,934</u>
Fundraising	<u>50,936</u>	<u>-</u>	<u>-</u>	<u>50,936</u>
TOTAL EXPENSES	<u>501,143</u>	<u>-</u>	<u>-</u>	<u>501,143</u>
CHANGE IN NET ASSETS	(28,411)	81,110	-	52,699
NET ASSETS, BEGINNING OF YEAR	<u>153,077</u>	<u>-</u>	<u>-</u>	<u>153,077</u>
NET ASSETS, END OF YEAR	<u>\$ 124,666</u>	<u>\$ 81,110</u>	<u>\$ -</u>	<u>\$ 205,776</u>

See Independent Auditors' Report and Notes to Financial Statements.

MISSION LEXINGTON, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Organization

Mission Lexington, Inc. (the Organization), is a religious charitable organization that provides medical and dental services to individuals in need in Lexington, Kentucky.

The Organization operates a dental clinic which provides free dental care to adults who do not have insurance and who cannot afford to get dental care otherwise. Additionally, the Organization operates a medical clinic which provides primary care, at no cost, to working adults who do not have insurance and whose income is less than 185% of the poverty level.

Basis of Accounting

The Organization's policy is to prepare its financial statements on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under that basis, the only asset recognized is cash, and no liabilities are recognized. Consequently, contributions and other revenues are recognized when received rather than when promised or earned, and certain expenses and purchases of assets are recognized when cash is disbursed rather than when the obligation is incurred. Noncash transactions are not recognized in the financial statements.

Contributions

Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction. Restricted contributions whose restrictions are satisfied in the period the contributions are received are reported as unrestricted contributions. In accordance with applicable standards the Organization records grant revenue when the award is given. The award is reflected as an increase in unrestricted or restricted net assets depending on the nature of any donor-imposed restrictions.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. It is, however, subject to income taxes on "unrelated business income," of which management has determined there was none for the year ended June 30, 2017.

Management has analyzed the tax positions taken by the Organization, and has concluded that as of June 30, 2017 there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying financial statements. The Organization is subject to routine audits by taxing jurisdictions. The Organization's federal exempt information return (Form 990) for the years ended 2017, 2016, and 2015 are subject to examination by the IRS, generally for three years after they were filed.

Functional Allocation of Expenses

The costs of providing the various program and support services have been summarized on a functional basis in the statement of support, revenues, and expenses – cash basis. Accordingly, certain costs are allocated among the programs and supporting services benefited.

MISSION LEXINGTON, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Financial Statement Presentation

Unrestricted Net Assets - Unrestricted cash receipts generally result from providing services, receiving unrestricted contributions and receiving dividends and interest from income-producing assets. Unrestricted cash distributions are incurred in providing services, raising contributions and performing administrative functions. The only limits on the assets resulting from these transactions are the broad limits resulting from the nature of the Organization, the environment in which it operates and the purposes specified in the Articles of Incorporation.

Temporarily Restricted Net Assets - Temporarily restricted cash receipts result from receiving contributions that may be expended only for specific purposes or in specific future periods.

Permanently Restricted Net Assets - Permanently restricted cash receipts are permanently restricted by the donor with Income appreciation available to support the general operations of the Organization.

Date of Management's Review

The Organization has evaluated subsequent events through October xx, 2017, which is the date the financial statements were available to be issued.

NOTE B – DESIGNATED AND RESTRICTED FUNDS

The Organization's cash can be restricted through the actions of the Board of Directors and/or through donor imposed restrictions for use in various ministries and special projects. There were no designated funds as of June 30, 2017. Temporarily restricted funds were \$81,110 and there were no permanently restricted funds as of June 30, 2017.

NOTE C – DONATED MATERIAL AND SERVICES

Contributions of donated non-cash assets are recorded at their fair market values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

The Organization also received donated medical supplies. The value of these in-kind donations is not determined and is not recorded in the financial statements. Management believes the value of these in-kind donations to be immaterial to the financial statements as a whole.

NOTE D – RELATED PARTIES

The Organization received \$30,221 in support from the member churches of the Organization. These churches are Calvary Baptist Church, Faith Lutheran Church, Good Shepherd Episcopal Church, Maxwell Street Presbyterian Church, First Presbyterian Church and South Elkhorn Christian Church.

NOTE E – OPERATING LEASE

The Organization leases its medical clinic premises from a related party under a three-year operating agreement which commencing September 1, 2015 and expiring in August 31, 2018 and requires monthly rental payments of \$2,083. Premises rent expense was \$22,917 for the year ended June 30, 2017. Future minimum rental commitments under this lease agreement are \$16,664 in 2018.

MISSION LEXINGTON, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE F – CONCENTRATIONS

The Organization has a concentration of credit risk in that it periodically maintains cash deposits in single financial institutions in excess of amounts insured by the FDIC. The Organization has not experienced any losses on such accounts and does not believe that it is subject to significant credit risk related to the accounts.

Although the Organization is directly affected by economic conditions in the geographic area, management does not believe significant credit risk exists as of June 30, 2017.

The Organization received \$192,471 or 35% of its total revenue from Good Samaritan Foundation as of June 30, 2017. The Organization does not believe this concentration in revenue creates significant risk to the Organization as of June 30, 2017.

NOTE G - RETIREMENT PLAN

In 2014 the Organization established a 403(b) retirement account. As of June 30, 2017 there is only one employee who meets eligibility requirements. Initial annual contributions of \$5,000 were made to the plan. This amount increased by 3% of the employee's salary when the Board approved an additional annual employer contribution in 2015. Total employer contributions to the Plan for the year ended June 30, 2017 were \$0.

NOTE H – BLUE GRASS COMMUNITY FOUNDATION FUNDS

The Organization has an account with Blue Grass Community Foundation in the amount of \$70,700 as of June 30, 2017. The Organization receives an annual distribution of these funds held by Blue Grass Community Foundation. Since these funds are the property of Blue Grass Community Foundation, they have been excluded from these financial statements. Blue Grass Community Foundation records the balance of these funds as temporarily restricted net assets on their books.