

San Diego Rescue Mission and Subsidiaries

**Consolidated Financial Statements with Report of Independent Auditors
September 30, 2025
(with comparative totals for the year ended September 30, 2024)**

Report of Independent Auditors

To the Board of Directors of
San Diego Rescue Mission and Subsidiaries:

Opinion

We have audited the accompanying consolidated financial statements of San Diego Rescue Mission and Subsidiaries, which comprise the consolidated statement of financial position as of September 30, 2025, and the related consolidated statement of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of San Diego Rescue Mission and Subsidiaries as of September 30, 2025, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of San Diego Rescue Mission and Subsidiaries and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these 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 San Diego Rescue Mission and Subsidiaries' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated 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 auditors' 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 generally accepted auditing standards 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 there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, 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 San Diego Rescue Mission and Subsidiaries' 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 San Diego Rescue Mission and Subsidiaries' 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited San Diego Rescue Mission and Subsidiaries' 2024 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated February 13, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2024 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.



Long Beach, California
January 29, 2026

SAN DIEGO RESCUE MISSION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2025
(with comparative totals as of September 30, 2024)

	2025	2024
ASSETS		
Current assets		
Cash and cash equivalents	\$ 2,634,555	\$ 1,406,824
Investments	5,655,228	5,241,711
Current portion of pledges receivable, net	315,387	2,280,466
Current portion of note receivable	-	2,300,000
Contributions receivable	2,000,000	-
Accounts receivable	529,310	331,126
Prepaid expenses	549,182	450,766
Other current assets	110	835
Inventory, net	270,473	246,374
Total current assets	11,954,245	12,258,102
Property and equipment, net	29,846,432	25,777,766
Other assets		
Restricted cash	625,385	2,457,633
Scholarship fund	90,005	117,618
Construction in progress	2,010,728	6,314,656
Notes receivable	13,580,160	13,580,160
Pledges receivable, net	16,885	535,751
Right-of-use asset, net	204,468	48,915
Other long-term assets	29,209	25,946
Total other assets	16,556,840	23,080,679
Total assets	\$ 58,357,517	\$ 61,116,547
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	\$ 1,056,175	\$ 1,425,723
Compensated absences	308,317	263,820
Deferred revenue	235,582	78,030
Deposits	5,625	5,525
Current portion of lease liability	36,545	44,517
Current portion of notes payable, net	5,360,533	591,666
Total current liabilities	7,002,777	2,409,281
Long-term liabilities		
Notes payable, net	22,263,717	27,591,477
Interest payable	1,280,000	1,221,230
Lease liability	173,187	9,827
Total long-term liabilities	23,716,904	28,822,534
Total liabilities	30,719,681	31,231,815
NET ASSETS		
Without donor restrictions	27,305,564	27,068,515
With donor restrictions	332,272	2,816,217
Total net assets	27,637,836	29,884,732
Total liabilities and net assets	\$ 58,357,517	\$ 61,116,547

see accompanying notes

SAN DIEGO RESCUE MISSION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2025
(with comparative totals for the year ended September 30, 2024)

	2025			2024
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUE AND OTHER SUPPORT				
Contributions	\$ 16,198,313	\$ -	\$ 16,198,313	\$ 15,535,828
Donated food	7,276,213	-	7,276,213	5,500,879
Grants and contracts	1,158,715	-	1,158,715	1,855,441
Donated material	1,194,032	-	1,194,032	1,134,814
Rental income	351,421	-	351,421	290,850
Program fees	1,292,040	-	1,292,040	137,500
Interest income	131,101	-	131,101	226,688
Warehouse	3,240	-	3,240	2,402
Vehicle donation sales	32,225	-	32,225	47,825
Other	260,202	-	260,202	100,329
Net assets released from restrictions by specific purpose	2,483,945	(2,483,945)	-	-
Total revenue and other support	30,381,447	(2,483,945)	27,897,502	24,832,556
EXPENDITURES				
Program services				
Men, women, and children's services	13,292,778	-	13,292,778	12,251,026
Mission services	-	-	-	343,809
Partners for Hunger Relief	3,237,673	-	3,237,673	2,474,466
North County Lighthouse	1,716,017	-	1,716,017	1,478,164
Church partnership	449,448	-	449,448	578,850
South County Lighthouse	3,756,647	-	3,756,647	865,150
Outreach	902,137	-	902,137	398,472
New markets tax credit	290,432	-	290,432	167,452
Special events	157,136	-	157,136	35,404
Total program service	23,802,268	-	23,802,268	18,592,793
Management and general	1,908,039	-	1,908,039	1,541,799
Fundraising	4,725,364	-	4,725,364	4,269,705
Total expenditures	30,435,671	-	30,435,671	24,404,297
Change in net assets from operations	(54,224)	(2,483,945)	(2,538,169)	428,259
NONOPERATING ACTIVITIES				
Investment interest and dividends	129,833	-	129,833	122,935
Realized investment gain (loss)	(6,239)	-	(6,239)	402,548
Unrealized investment gain	167,679	-	167,679	370,368
Total nonoperating activities	291,273	-	291,273	895,851
CHANGE IN NET ASSETS	237,049	(2,483,945)	(2,246,896)	1,324,110
NET ASSETS AT BEGINNING OF YEAR	27,068,515	2,816,217	29,884,732	28,560,622
NET ASSETS AT END OF YEAR	\$ 27,305,564	\$ 332,272	\$ 27,637,836	\$ 29,884,732

see accompanying notes

SAN DIEGO RESCUE MISSION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2025
(with comparative totals for the year ended September 30, 2024)

EXPENDITURES	2025				2024
	Program Services	Management and General	Fundraising	Total	Total
Salaries and wages	\$ 6,966,228	\$ 906,516	\$ 1,390,052	\$ 9,262,796	\$ 7,717,203
Employee benefits	736,908	85,503	137,968	960,379	694,653
Payroll tax expense	550,402	40,974	102,716	694,092	615,761
Donated food and materials	8,363,777	40,930	40,930	8,445,637	6,631,002
Fundraising	26,412	15,360	2,533,798	2,575,570	2,285,329
Facilities allocated costs	1,491,520	60,490	60,490	1,612,500	1,669,945
Food services allocated costs	928,740	-	-	928,740	846,507
Depreciation and amortization	1,081,645	71,038	17,759	1,170,442	1,019,062
Lease expense	76,365	-	-	76,365	69,570
Outside services	197,280	309,433	4,182	510,895	543,196
Interest	574,399	6,206	6,206	586,811	457,903
Rent	156,450	-	-	156,450	107,400
Supplies	95,004	11,042	21,412	127,458	168,189
Professional fees	563	176,133	-	176,696	128,125
Client services	276,262	-	-	276,262	258,719
Public relations	6,798	-	94,228	101,026	112,440
Other	1,472,792	36,140	9,996	1,518,928	54,733
Auto expense	118,485	3,648	2,432	124,565	101,620
Bank fees	-	13,845	93,281	107,126	96,499
Meal, travel, and entertainment	34,687	33,876	42,047	110,610	106,360
Security	198,030	-	-	198,030	223,276
Communications	99,004	84,084	115,392	298,480	230,007
Dues and subscriptions	20,393	10,130	12,082	42,605	63,494
Utilities	165,560	-	-	165,560	84,803
Postage	1,907	1,087	39,332	42,326	52,254
Repairs and maintenance	109,023	-	-	109,023	40,820
Insurance	-	1,592	1,061	2,653	2,653
Permit/license	2,117	12	-	2,129	498
Equipment rental	20,315	-	-	20,315	14,619
Food	31,202	-	-	31,202	6,486
Loan fees	-	-	-	-	1,171
Total expenditures	\$ 23,802,268	\$ 1,908,039	\$ 4,725,364	\$ 30,435,671	\$ 24,404,297

see accompanying notes

SAN DIEGO RESCUE MISSION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2025
(with comparative totals for the year ended September 30, 2024)

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (2,246,896)	\$ 1,324,110
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Depreciation	1,268,534	1,083,739
Interest expense - debt issuance costs	32,756	13,094
Lease expense	63,265	62,409
Beneficial interest in charitable gift annuity	(3,263)	(4,701)
In-kind (distribution) donation of inventory, net	(24,099)	30,310
Net unrealized and realized gain on investments	(167,679)	(370,368)
Change in assets:		
Contributions receivable	(2,000,000)	-
Accounts receivable	(198,184)	525,979
Prepaid expenses	(98,416)	(20,247)
Pledges receivable, net	2,483,945	1,364,777
Other current assets	725	(275)
Change in liabilities:		
Accounts payable and accrued liabilities	(369,548)	33,275
Compensated absences	44,497	51,980
Deferred revenue	157,552	(56,833)
Deposits	100	(15,135)
Interest payable	58,770	61,230
Net cash (used in) provided by operating activities	(997,941)	4,083,344
CASH FLOWS FROM INVESTING ACTIVITIES		
(Purchase) sale of investments	(245,838)	1,473,292
Withdrawal from scholarship fund	27,613	8,073
Purchase of property and equipment	(1,033,272)	(4,617,052)
Repayment of loans from (loans made to) borrowers	2,300,000	(6,532,200)
Net cash provided by (used in) investing activities	1,048,503	(9,667,887)
CASH FLOWS FROM FINANCING ACTIVITIES		
(Payments on) proceeds from notes payable	(591,649)	7,819,082
Principal payments on lease liability	(63,430)	(65,763)
Net cash (used in) provided by financing activities	(655,079)	7,753,319
Net change in cash, cash equivalents, and restricted cash	(604,517)	2,168,776
Cash, cash equivalents, and restricted cash at beginning of year	3,864,457	1,695,681
Cash, cash equivalents, and restricted cash at end of year	\$ 3,259,940	\$ 3,864,457

see accompanying notes

SAN DIEGO RESCUE MISSION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2025
(with comparative totals for the year ended September 30, 2024)

	2025	2024
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	\$ 494,055	\$ 401,971
In-kind contributions:		
Stock	\$ -	\$ 181,032
Supplemental disclosures of non-cash investing and financing activities		
Disposal of fixed assets	\$ 28,473	\$ 5,914
Increase in right-of-use asset and lease liability	\$ 218,818	\$ 191,013

see accompanying notes

SAN DIEGO RESCUE MISSION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2025
(with comparative totals for the year ended September 30, 2024)

1. Organization

The accompanying consolidated financial statements of the San Diego Rescue Mission and Subsidiaries (the “Organization” or the “Mission”) include the accounts of the following entities:

San Diego Rescue Mission, Inc.

San Diego Rescue Mission, Inc. (“SDRM”) is a Christian nonprofit public benefit organization classified by the Internal Revenue Service as tax-exempt under Section 501(c)(3) of the Internal Revenue Code of 1986. SDRM was organized in 1955 to care for the homeless and destitute men, women, and children of San Diego by providing shelter, food, clothing, medical care, education, counseling, rehabilitation, and spiritual guidance. The following is a list of descriptions of SDRM’s programs.

Mission Academy

The residential program is a holistic year long program. It serves single men, women, and single parents. Those in the program are referred to as students. It is structured around three semesters and five goals. Semester one is focused on wellness. Semester two is focused on job training and placement and semester three is designed for the student to find housing and prepare to transition to a life of stability. The five goals are to encounter God, experience recovery, engage in job training, establish housing, and enlist a support network. Upon graduation they are invited to participate in an Alumni program where they are invited to volunteer and serve in the community.

Nueva Vida Haven/Downtown Navigation Center

Nueva Vida Haven provides emergency shelter services for single women and women with children experiencing homelessness. Each night, up to 60 women and children use the Nueva Vida Haven facility for a warm, safe place to sleep, a place to shower and obtain clean clothes and a nutritious breakfast. Residents also have access to therapists and social workers to help them to determine the best course of action for life improvement. This often includes entry into the Organization’s Mission Academy. This officially closed at the end of Fiscal Year 2024.

Therapy Services

Therapeutic services are offered to people served in all the Mission’s programs. Treatment is provided by licensed therapists, or by interns with supervision.

Children’s Resource Center

The Children’s Resource Center (CRC) provides assistance in connecting families to educational and childcare services that they are eligible for. This includes school enrollment and benefit management. In addition, the CRC helps families access behavioral health services for children and provides training and mentorship on topics of parenting and planning.

Partners for Hunger Relief

Partners for Hunger Relief is a program of SDRM which was formed to bolster food recovery efforts in San Diego and serve a broad base of agencies and people. SDRM has developed a successful system of locating, recovering, and distributing donated food. This food is not only used by SDRM program members, but a large percentage of this food is shared at no cost with the network of nonprofit feeding programs and food pantries throughout San Diego County.

SAN DIEGO RESCUE MISSION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2025
(with comparative totals for the year ended September 30, 2024)

1. Organization (continued)

North County Lighthouse

The North County Lighthouse (NCL) provides emergency shelter services for people experiencing homelessness. This is a partnership with the City of Oceanside. SDRM funds the day-to-day operations through donations and grants while the City owns the building. NCL is designed to serve single men, single women and families. Those being served are referred to as guests. Each night, up to 50 men, women and children use the facility for a warm, safe place to sleep, a place to shower and obtain clean clothes and a place to receive nutritious meals. Residents also have access to case managers to help them determine the best course of action for life improvement. The NCL partners with other agencies and government entities such as the County of San Diego to provide access to additional resources for the guests. This includes entry into the Organization's Mission Academy.

Outreach Services

The Outreach Department executed two contracts with the City of Vista. The first contract is for citywide outreach efforts. The second contract is an encampment resolution contract focused on a specific geographic area in the City of Vista. Outreach also operates two shower trailers. These trailers offer showers with the opportunity to connect with services. Food and clothing are also provided. The Outreach Department also provided street case management services to people experiencing homelessness in the Little Italy area of San Diego through June of 2025.

South County Lighthouse

The South County Lighthouse (SCL) provides emergency shelter services for people experiencing homelessness. The San Diego Rescue Mission funds the day-to-day operations through donations and grants. SCL is designed to serve single men, single women and families. Those being served are referred to as guests. Each night, up to 125 men, women and children use the facility for a warm, safe place to sleep, a place to shower and obtain clean clothes and a place to receive nutritious meals. Residents also have access to case managers to help them determine the best course of action for life improvement. The SCL partners with other agencies and government entities such as the County of San Diego to provide access to additional resources for the guests. This includes entry into the Organization's Mission Academy.

In December of 2024 SDRM entered into a contract with the San Diego Housing Commission that expanded the SCL to 162 beds.

Development and Community Engagement

The Development and Community Engagement department is responsible for two primary objectives: 1) Raising the funds necessary to support an annual budget of approximately \$20 million and 2) igniting a movement that empowers the community to address homelessness through giving, service, and advocacy. The department secures resources through multiple channels, including direct mail and digital marketing, planned giving, grants, corporate, churches, individual giving, business development, and local government contracts.

SDRM believes homelessness is not a government problem to fix, but a community issue to address, which is why it partners with more than 20,000 individuals, 100 churches, 1,000 businesses, and numerous other organizations to change the narrative and help guide individuals off the streets immediately through its Lighthouse programs and permanently through Mission Academy. SDRM's partnerships within the community are always two-way, meaning it takes on the role of education and offers impactful opportunities to experience the power of its work first-hand, while the community supports SDRM with time, talents, and material and financial resources. This department is completely relationship-driven, propelled by robust strategies around engaging the public and sharing stories of lives transformed.

SAN DIEGO RESCUE MISSION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2025
(with comparative totals for the year ended September 30, 2024)

1. Organization (continued)

San Diego Rescue Mission Foundation

San Diego Rescue Mission Foundation (the “Foundation”) was incorporated in 2022 as a supporting organization controlled by SDRM to facilitate New Market Tax Credit (“NMTC”) and to manage the Barbara Lee Scholarship Fund program.

2. Summary of significant accounting policies

Basis of accounting

The Organization prepares its consolidated financial statements on the accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

Basis of presentation

The Organization is required to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization’s management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature, which will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statements of activities.

Principles of consolidation

The Organization’s consolidated financial statements include SDRM and the accounts of its wholly-owned, controlled subsidiary, the Foundation.

All material intercompany balances and transactions have been eliminated.

Estimates

The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents include all cash balances on deposit with financial institutions and highly liquid investments with a maturity of three months or fewer at the date of acquisition.

Restricted cash is not considered cash and cash equivalents, and includes cash held with financial institutions for NMTC purposes. Restricted cash does not fall under the criteria for net assets with donor restrictions as these funds are held for operational purposes rather than donor-imposed restrictions.

SAN DIEGO RESCUE MISSION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2025
(with comparative totals for the year ended September 30, 2024)

2. Summary of significant accounting policies (continued)

Cash and cash equivalents (continued)

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the consolidated statement of financial position that sum to the total of the same such amounts shown on the consolidated statement of cash flows as of September 30:

	2025	2024
Cash and cash equivalents	\$ 2,634,555	\$ 1,406,824
Restricted cash	625,385	2,457,633
Total cash, cash equivalents and restricted cash	\$ 3,259,940	\$ 3,864,457

Concentration of credit risk

The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

Accounts receivable

Accounts receivable is stated at the amount management expects to collect from outstanding balances. Management closely monitors outstanding balances and provides for expected uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that remain outstanding after management has used reasonable collection efforts are generally written off through a charge to the valuation allowance and a credit to accounts receivable. As of both September 30, 2025 and 2024, there was no allowance for credit losses.

Pledges receivable

Pledges receivable consist of various pledges made for the Organization’s capital campaign, which ended during the year ended September 30, 2025, and for operations. The Board of Directors of the Organization approved the capital campaign, the proceeds of which will be used to fund the conversion of two buildings located in National City, California that will provide shelter and services for 162 people in addition to room renovations at 120 Elm Street and operations at the Oceanside Navigation Center. Unconditional pledges to give are recorded as contributions when pledged, at the net present value of the amounts expected to be collected. Accounting principles generally accepted in the United States of America require that unconditional pledges to give that are expected to be received in future periods are discounted annually using the current interest rate the funds would earn.

Conditional promises to give are not included as support until the conditions are met.

Management closely monitors outstanding balances and provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual pledges. Balances that remain outstanding after management has used reasonable collection efforts are generally written off through a charge to the valuation allowance and a credit to pledges receivable. As of September 30, 2025 and 2024, the balance of the allowance for doubtful accounts was \$18,689 and \$151,098, respectively. During the year ended September 30, 2025, pledges in the amount of \$1,507,195 were deemed uncollectable and were written off to bad debt expense, which is included in other expenditures on the consolidated statement of functional expenses.

SAN DIEGO RESCUE MISSION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2025
(with comparative totals for the year ended September 30, 2024)

2. Summary of significant accounting policies (continued)

Fair value measurements

The Organization applies the accounting provisions related to fair value measurements. These provisions define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, establish a hierarchy that prioritizes the information used in developing fair value estimates and require disclosure of fair value measurements by level within the fair value hierarchy. The hierarchy gives the highest priority to quoted prices in active markets (Level 1 measurements) and the lowest priority to unobservable data (Level 3 measurements), such as the reporting entity's own data. These provisions also provide valuation techniques, such as the market approach (comparable market prices), the income approach (present value of future income or cash flows) and the cost approach (cost to replace the service capacity of an asset or replacement cost).

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels of valuation hierarchy are defined as follows:

Level 1: Observable inputs such as quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2: Inputs other than quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3: Unobservable inputs that reflect the Organization's own assumptions.

The following tables present the Organization's assets and liabilities that are measured and recognized at fair value on a recurring basis classified under the appropriate level of the fair value hierarchy as of September 30:

	2025	2024
Cash/money accounts	\$ 90,011	\$ 222,730
Money market accounts	-	551,240
Equities	-	711,433
Mutual funds	-	911,800
ETFs & CEFs	5,655,222	2,962,126
Total	\$ 5,745,233	\$ 5,359,329

Investments

Investment purchases and sales are accounted for on a trade-date basis. Realized gains and losses are calculated based upon the underlying cost of individual lots. Interest income is recorded when earned and dividends are recorded on the ex-dividend date.

Investments are made according to the finance policy adopted by the Organization's Board of Directors. The guidelines provide for investment in equities, fixed income, and other securities with performance measured against appropriate indices. Outside advisors are utilized by the Organization for the purpose of providing investment and consulting advice.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain long-term investments, it is reasonably possible that changes in the values of these investments will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

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2. Summary of significant accounting policies (continued)

Investments (continued)

Effective February 1, 2025, the Organization implemented changes to its investment strategy to emphasize diversification, liquidity, and cost efficiency. As part of this strategy, investment holdings are primarily comprised of exchange-traded funds (ETFs), closed-end funds (CEFs) and mutual funds. The strategy aligns with the Organization's Investment Policy Statement and fiduciary responsibilities.

Inventories

Inventories of in-kind contributions are valued at thrift store values based on published guidelines for donated goods.

Fixed assets and depreciation

Land, buildings, and equipment costing more than \$5,000 and an expected life of three years or more are recorded at cost. Donations of land, buildings, and equipment are recorded as support at their estimated fair value in the consolidated statement of activities. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire buildings and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expiration of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Depreciation is computed on the straight-line method over the estimated useful lives of the assets. Assets under construction are not depreciated until placed in service. Depreciation for the years ended September 30, 2025 and 2024 was \$1,268,534 and \$1,083,739, respectively. For the years ended September 30, 2025 and 2024, depreciation was allocated on the accompanying consolidated statement of functional expenses as follows: Depreciation: \$1,201,948 and \$1,019,062, respectively; facilities allocated costs: \$60,490 and \$64,677, respectively. The useful lives of the assets are estimated as follows:

Building and improvements	5 – 40 years
Equipment	5 — 7 years
Furniture and fixture	5 — 7 years
Autos and truck	5 — 7 years
Software	5 years

Impairment of long-lived assets

The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the asset to the future net undiscounted cash flows expected to be generated and any estimated proceeds from the eventual disposition. If the long-lived assets are considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the asset exceeds the fair value as determined from an appraisal, discounted cash flow analysis, or other valuation techniques. There were no impairment losses recognized during of the years ended September 30, 2025 and 2024.

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2. Summary of significant accounting policies (continued)

Notes receivable and allowance for loan losses

Notes receivable are measured at amortized cost basis and presented at the amount expected to be collected, net of deferred loan origination fees and unearned discounts, as applicable. The Organization records an allowance for credit losses based on losses expected to arise over the contractual term of the financial asset. Assets are written off when the Organization deems the loan receivable to be uncollectable. Write-offs are recognized as a deduction from the allowance for credit losses. Expected recoveries of amounts previously written off, which do not exceed the aggregate of previous write-offs, are included in determining the allowance account. As of September 30, 2025 and 2024, management believes that the Organization's loans receivable are fully collectable and as such, the allowance for credit losses is zero.

In developing estimates for expected credit losses, management considers historical loss information updated for current conditions and reasonable and supportable forecasts that affect expected collectability using a discounted cash flow method. Management considers factors such as the borrower's financial condition, the borrower's ability to make scheduled interest or principal payments based on the current and forecasted direction of the economic and business environment, the remaining payment terms of the loan, the remaining time to maturity, and the value of underlying collateral.

Although management uses many factors to estimate credit losses, because of uncertainties associated with local economic conditions, collateral values, and future cash flows, it is reasonably possible that a material change could occur in the allowance for credit loan losses in the near term. However, the amount of the change that is reasonably possible cannot be estimated.

Loans that are 90 days or more past due, based on the contractual terms of the loan, are classified on nonaccrual status. Uncollectable interest previously accrued is charged off, or an allowance is established by a charge to interest income. Interest income on nonaccrual loans is recognized only to the extent cash payments are received and the principal balance is believed to be collectable. A loan previously classified on nonaccrual status will resume accruing interest based on the contractual terms of the loan when payments on the loan become current. There were no loans on nonaccrual status as of September 30, 2025 and 2024.

Debt issuance costs

The Organization presents debt issuance costs as an offset against debt on its consolidated financial statements. Debt issuance costs are amortized to interest expense using the effective interest method over the life of the associated loan.

Revenue recognition

When monies or other assets are received, the Organization classifies the transaction as either a contribution (i.e., a nonreciprocal transaction) or an exchange (i.e., a reciprocal transaction).

Contributed revenue - In accordance with ASU 2016-14, Not for Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities ("ASU 2016-14"), when a transaction is determined to be a contribution, the Organization then determines whether it is conditional or unconditional. According to ASU 2018-08, Not for Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made ("ASU 2018-08"), conditional contributions contain i) donor-imposed barrier(s) that must be overcome before the Organization is entitled to the assets transferred or promised and ii) a right of return to the contributor for assets transferred or a right of release of the promisor from its obligation to transfer assets. When the condition(s) are substantially met, the contribution becomes unconditional.

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2. Summary of significant accounting policies (continued)

Revenue recognition (continued)

Contributed revenue (continued) - Unconditional contributions are those that are absent of any indication that the Organization is only entitled to the transfer of assets or a future transfer of assets if it has overcome a barrier, or that the agreement does not contain a right of return of assets transferred or a right of release from obligation.

Unconditional contributions are classified as either net assets with donor restrictions or net assets without donor restrictions and are recorded in accordance with the guidelines outlined in Subtopic 958-605, Not-for-Profit Entities – Revenue Recognition. Unconditional contributions are recognized when the donor makes a promise to give to the Organization. Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. All contributions are considered available for unrestricted use unless specifically restricted by the donor or subject to other legal restrictions. Expenses are recorded when incurred in accordance with the accrual basis of accounting. Contributions received with restrictions that are met in the same reporting period as received are reported as unrestricted support and increase net assets without donor restrictions.

Grant revenue is recognized in the period that the related work is performed in accordance with the terms of the grant. Grants receivable are recorded when revenue earned under a grant exceeds the cash received. Deferred revenue is recorded when cash received under a grant exceeds the revenue earned.

Donated property and equipment are recorded at fair market value at the date of gift. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

The Organization receives substantial donations of materials, clothing, and food at the National City Warehouse where they are sorted and distributed. The Organization values the materials, clothing and food based on comparable cost estimates.

The Mission receives contributions from sponsors for the Organization's special events. Unless specified as restricted at the time of donation, these contributions are recorded as increases in net assets without donor restrictions at the point in time the event takes place. Sponsorships that have been purchased as of September 30 for which events have not yet taken place are recorded as deferred revenues in the consolidated statement of financial position. Sponsorship revenue for special events amounted to \$164,928 and \$123,855 for the years ended September 30, 2025 and 2024, respectively, and is recorded as contribution revenue in the consolidated statement of activities. Deferred sponsorship revenue for special events was \$35,582 and \$63,530 as of September 30, 2025 and 2024, respectively.

The nature and extent of donated and contributed services received by the Organization range from the limited participation of many individuals in fundraising activities to active participation in the Organization's management and service programs during 2025 and 2024. The valuation of contributed time is not reflected in these statements since they do not require specialized skills.

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2. Summary of significant accounting policies (continued)

Revenue recognition (continued)

The following is a summary of revenue and expenses related to donated items for the years ended September 30:

	2025	2024
Revenue		
Donated food	\$ 7,276,213	\$ 5,500,879
Donated material	1,194,032	1,134,814
Total revenue	\$ 8,470,245	\$ 6,635,693
Expenses		
Food services	\$ 7,276,213	\$ 5,500,879
Distribution center	1,169,424	1,130,124
Total expense	\$ 8,445,637	\$ 6,631,003

Exchange Transactions – The Organization accounts for exchange transactions in accordance with ASU No. 2014-09 (ASC Topic 606), *Revenue from Contracts with Customers*.

The organization determines if a contract is a lease or contains a lease at inception. Rental income is recognized on a monthly basis in accordance with the lease agreements. The difference between recognizing actual rents received and recognizing rental income using the straight-line method under which contractual rent increases are recognized equally over the lease term are immaterial for financial statement presentation purposes. Rental income for lease contracts is recognized in accordance with Topic ASC 842: *Leases*.

The Mission maintains investments in marketable securities and a capital project fund. The Organization recognizes investment returns based on the fair value of the funds in accordance with ASU 2016-01, *Financial Instruments – Overall: Recognition and Measurement of Financial Assets and Financial Liabilities*. Investment returns for the marketable securities and the capital project funds are classified as without donor restrictions in the consolidated statements of activities (Notes 4 and 5).

Allocated expenses

Expenses by function have been allocated among program and supporting services classifications on the basis of internal records and estimates made by the Organization’s management. Facility costs are allocated on the basis of square footage occupied. Warehouse costs are allocated to the various departments basis on square footage occupied. Food service costs are allocated 40% to Partners for Hunger Relief and the remaining costs are allocated for the programs based on meals served.

Income taxes

SDRM and the Foundation are exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) and from California income and franchise taxes under Revenue and Taxation Code Section 23701(d). SDRM and the Foundation are not private foundations.

The Organization uses a loss contingencies approach for evaluating uncertain tax positions and continually evaluates changes in tax laws and new authoritative rulings. No loss contingencies were recognized for each of the years ended September 30, 2025 and 2024.

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2. Summary of significant accounting policies (continued)

Income taxes (continued)

The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires the Organization to report information regarding its exposure to various tax positions taken by the Organization. The Organization has determined whether any tax positions have met the recognition threshold and has measured the Organization's exposure to those tax positions. Management believes that the Organization has adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities. Federal and state tax authorities generally have the right to examine and audit the previous three years of tax returns filed. Any interest or penalties assessed to the Organization are recorded in operating expenses. No interest or penalties from federal or state tax authorities were recorded in the accompanying consolidated financial statements.

Prior year summarized information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such financial information should be read in conjunction with the Organization's financial statements for the year ended September 30, 2024, from which the summarized information was derived.

Leases

The Organization determines if an arrangement is a lease at inception. An arrangement is a lease if the arrangement conveys a right to direct the use of and to obtain substantially all of the economic benefits from the use of an asset for a period of time in exchange for consideration.

Operating lease right-of-use assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. The Organization uses its incremental borrowing rate at the commencement date in determining the present value of lease payments. Using the incremental borrowing rate requires judgment and is based on external market factors.

The operating lease right-of-use asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. The lease agreement does not contain any material residual value guarantees or material restrictive covenants. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Reclassifications

Certain reclassifications have been made to the prior year consolidated financial statements to conform to the current year presentation.

Subsequent events

Subsequent events have been evaluated through January 29, 2026, which is the date the consolidated financial statements were available to be issued, and there are no subsequent events requiring disclosure.

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3. Restricted cash

Asset management fee reserve

In accordance with the NMTC loan agreement with NMTC Sub-CDE XIX, LLC, SDRM shall establish a reserve in the amount of \$336,000. The funds shall only be used to pay the asset management fee payable related to the new markets tax credit loan. The balance of the asset management fee reserve was \$169,733 and \$217,733 as of September 30, 2025 and 2024, respectively.

In accordance with the NMTC loan agreement with NMTC Sub-CDE XXVIII, LLC, SDRM shall establish a reserve in the amount of \$315,000. The funds shall only be used to pay the asset management fee payable related to the new markets tax credit loan. The balance of the asset management fee reserve was \$269,500 and \$315,000 as of September 30, 2025 and 2024, respectively.

Compliance cost reimbursement reserve

In accordance with the NMTC loan agreement with NMTC Sub-CDE XIX, LLC, SDRM shall establish a reserve in the amount of \$112,000. The funds shall only be used to pay accounting, audit and tax preparation costs payable related to the new markets tax credit loan. The balance of the compliance cost reimbursement reserve was \$56,000 and \$70,000 as of September 30, 2025 and 2024, respectively.

In accordance with the NMTC loan agreement with NMTC Sub-CDE XXVIII, LLC, SDRM shall establish a reserve in the amount of \$98,000. The funds shall only be used to pay accounting, audit and tax preparation costs payable related to the new markets tax credit loan. The balance of the compliance cost reimbursement reserve was \$84,000 and \$98,000 as of September 30, 2025 and 2024, respectively.

LLC fee reserve

In accordance with the NMTC loan agreement with NMTC Sub-CDE XIX, LLC, SDRM shall establish a reserve in the amount of \$6,400. The funds shall only be used to pay LLC fees/tax costs payable related to the new markets tax credit loan. The balance of the LLC fee reserve was \$3,200 and \$4,000 as of September 30, 2025 and 2024, respectively.

In accordance with the NMTC loan agreement with NMTC Sub-CDE XXVIII, LLC, SDRM shall establish a reserve in the amount of \$5,600. The funds shall only be used to pay LLC fees/tax costs payable related to the new markets tax credit loan. The balance of the LLC fee reserve was \$4,800 and \$5,600 as of September 30, 2025 and 2024, respectively.

Working capital reserve

In accordance with the NMTC loan agreement with NMTC Sub-CDE XIX, LLC, SDRM established a working capital reserve in the amount of \$37,800. The balance of the reserve was \$37,800 and \$37,800 as of September 30, 2025 and 2024, respectively.

In accordance with the NMTC loan agreement with NMTC Sub-CDE XXVIII, LLC, SDRM established a working capital reserve in the amount of \$1,709,500. The balance of the reserve was \$352 and \$1,709,500 as of September 30, 2025 and 2024, respectively.

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4. Investments

Investments in marketable securities are measured at fair value (see Note 2) under Level 1 of the valuation hierarchy and consist of the following as of September 30:

	2025	2024
Cash/money accounts	\$ 6	\$ 105,112
Money market accounts	-	551,240
Equities	-	711,433
Mutual funds	-	911,800
EFTs & CEFs	5,655,222	2,962,126
Total	\$ 5,655,228	\$ 5,241,711

The following schedule summarizes the investment return and is classified as net assets without donor restrictions in the consolidated statement of activities for the years ended September 30, as follows:

	2025	2024
Interest and dividend income	\$ 129,833	\$ 114,091
Realized and unrealized gains/(losses)	162,393	835,613
Management fees	(953)	(33,728)
	\$ 291,273	\$ 915,976

5. Capital project funds

The capital project fund ended during 2024 and all funds were depleted. The following schedule summarizes the investment return for the years ended September 30, 2025 and 2024. The gains on capital project funds are classified as net assets without donor restrictions in the consolidated statements of activities for the years ended September 30, as follows:

	2025	2024
Interest and dividend income	\$ -	\$ 8,837
Realized and unrealized gains/(losses)	-	28,664
Management fees	-	(1,569)
Total	\$ -	\$ 35,932

6. Barbara Lee scholarship fund

In December 2018, the Organization received a donation of \$75,000 from a related party to be invested as a scholarship fund. In November 2019, the same donor contributed an additional \$25,000 to the fund. During 2022, the scholarship fund was transferred from SDRM to the Foundation and deposited into a non-interest-bearing checking account. The scholarship is measured at fair value (see Note 2) under Level 1 of the valuation hierarchy and is classified as net assets without donor restrictions in the consolidated statement of activities for the years ended September 30, 2025 and 2024, and consists of the following as of September 30:

	2025	2024
Cash/Money Accounts	\$ 90,005	\$ 117,618

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7. Notes receivable

Notes receivable - New Market Tax Credit

The Foundation has the following note receivable from Twain Investment Fund 656, LLC as of both September 30, 2025 and 2024:

Note receivable, Interest at 1.00% per annum, interest-only receipts quarterly in arrears until September 2029 when principal payments commence in accordance with the loan amortization schedule, all outstanding principal and interest is due upon maturity in April 2047.

\$ 7,047,960

The Foundation has the following note receivable from Twain Investment Fund 812, LLC as of both September 30, 2025 and 2024:

Note receivable, Interest at 1.00% per annum, interest-only receipts quarterly in arrears until March 2032 when principal payments commence in accordance with the loan amortization schedule, all outstanding principal and interest is due upon maturity in September 2050.

\$ 6,532,200

Note receivable – North Park thrift store sale

On June 3, 2021, the Mission finalized the sale of its North Park thrift store for \$2,800,000. The buyer paid an initial deposit of \$20,000 in April 2021 and \$396,000 in June 2021 upon settlement of the sale. After deducting the commissions and fees, the remaining balance due from the buyer was \$2,300,000. The Mission entered into a note receivable agreement with the buyer, whereby the buyer made interest-only payments at a rate of 5.5% through the maturity of the note on July 1, 2023, when the entire principal and any remaining interest due was payable. The buyer had the option to exercise an extension through July 1, 2024, whereby the buyer will make interest-only payments at a rate of 6.5% through the maturity of the note on July 1, 2024, when the entire principal and any remaining interest due will be paid. On May 23, 2023, the buyer exercised the option to extend the note to July 1, 2024. On August 22, 2024, the maturity of the loan was extended to October 1, 2024, and the loan was paid in full on October 8, 2024. The balance of the note receivable as of September 30, 2025 and 2024 was \$0 and \$2,300,000, respectively. The Mission received interest income from the note receivable in the amount of \$5,459 and \$156,208, respectively, for the years ended September 30, 2025 and 2024, which is recorded as interest income in the consolidated statement of activities.

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8. Pledges receivable

As of September 30, the Organization's pledges receivable consisted of unconditional promises to give in the following amounts:

	2025	2024
Expected to be collected during the year ended:		
September 30, 2025	\$ -	\$ 2,400,491
September 30, 2026	2,333,076	604,805
September 30, 2027	20,000	16,667
Gross pledges receivable	2,353,076	3,021,963
Less: allowance for uncollectible pledges	(18,689)	(151,098)
Less: discount to reflect pledges receivable at present value	(2,115)	(54,648)
Pledges receivable, net	\$ 2,332,272	\$ 2,816,217

As of September 30, 2025 and 2024, the discount rate on the pledges receivable was 6.41% and 7.12%, respectively.

9. Property and equipment

As of September 30, 2025 and 2024, the Organization's fixed assets consist of the following:

	2025	2024
Land	\$ 5,920,396	\$ 5,920,396
Building and improvements	34,428,028	30,090,327
Equipment	826,343	446,875
Furniture and fixtures	1,211,272	749,252
Autos and trucks	561,418	466,048
Software	376,693	342,525
	43,324,150	38,015,423
Less: accumulated depreciation	(13,477,718)	(12,237,657)
Total	\$ 29,846,432	\$ 25,777,766

10. Line of credit

On November 5, 2020, the Mission entered into a revolving line of credit agreement with Bank of Montreal in the amount of \$2,300,000 to fund certain operating activities. Interest of SOFR plus 2.271% accrues from the date of each advance until the repayment of each advance. Monthly payments of all accrued unpaid interest are due beginning December 5, 2020. All outstanding principal plus all accrued unpaid interest shall be due on November 5, 2027, its maturity date. No advances were made from the line of credit during each of the years ended September 30, 2025 and 2024.

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11. Notes payable

Notes payable consists of the following as of September 30:

	2025	2024
<p>Note payable to a commercial bank dated October 11, 2013, secured by a deed of trust, in the original amount of \$6,827,000, which bore interest at 4.5% per annum until the note was refinanced in November 2020 for \$5,000,000 with an interest rate of 3.1%. Payments were interest only until December 2022, at which time principal and interest are payable in monthly installments of \$58,976. The note is due on November 5, 2030.</p>	\$ 3,370,988	\$ 3,962,637
<p>Note payable to the Redevelopment Agency of the City of San Diego dated May 19, 2004, in the original amount of \$2,000,000 and bears interest at 3% annum. Interest is deferred over the term of the loan, and the note and accrued interest will be deemed paid in full at maturity if all covenants, conditions, and restrictions included in the loan agreement are complied with. The note is due in May 2059 and is secured by deed of trust. Accrued interest totaled \$1,280,000 and \$1,220,000 as of September 30, 2025 and 2024, respectively.</p>	2,000,000	2,000,000
<p>Note payable (“NMTC 1A”) to CCP NMTC Sub-CDE XIX, LLC (“CDE XIX”) dated April 14, 2022, in the original amount of \$7,047,960, which bears interest at 1.3331% per annum. Commencing June 5, 2022, interest-only payments in the amount of \$23,489 shall be due and payable in quarterly installments through June 5, 2029. Commencing September 5, 2029, principal and interest payments in the amount of \$89,634 shall be made quarterly. The note is due April 14, 2052 and is secured by a deed of trust. Accrued interest payable totaled \$0 as of both September 30, 2025 and 2024.</p>	7,047,960	7,047,960
<p>Note payable (“NMTC 1B”) to CDE XIX dated April 14, 2022, in the original amount of \$2,312,040, which bears interest at 1.3331% per annum. Commencing June 5, 2022, interest-only payments in the amount of \$7,705 shall be due and payable in quarterly installments through June 5, 2029. Commencing September 5, 2029, principal and interest payments in the amount of \$29,404 shall be made quarterly. The note is due April 14, 2052 and is secured by a deed of trust. Accrued interest payable totaled \$0 as of both September 30, 2025 and 2024.</p>	2,312,040	2,312,040
<p>Note payable (“NMTC 2A”) to CCP NMTC Sub-CDE XXVIII, LLC (“CDE XXVIII”) dated September 27, 2024, in the original amount of \$6,532,200, which bears interest at 1.2617% per annum. Commencing December 5, 2024, interest-only payments in the amount of \$20,604 shall be due and payable in quarterly installments through December 5, 2031. Commencing March 5, 2032, principal and interest payments in the amount of \$82,953 shall be made quarterly. The note is due September 27, 2054 and is secured by a deed of trust. Accrued interest payable totaled \$0 and \$916 as of September 30, 2025 and 2024, respectively.</p>	6,532,200	6,532,200

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11. Notes payable (continued)

Note payable (“NMTC 2B”) to CDE XXVIII dated September 27, 2024, in the original amount of \$2,242,800, which bears interest at 1.2617% per annum. Commencing December 5, 2024, interest-only payments in the amount of \$7,074 shall be due and payable in quarterly installments through December 5, 2031. Commencing March 5, 2032, principal and interest payments in the amount of \$28,481 shall be made quarterly. The note is due September 27, 2054 and is secured by a deed of trust. Accrued interest payable totaled \$0 and \$314 as of September 30, 2025 and 2024, respectively.

	2,242,800	2,242,800
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Note payable to South Bay Community Church of National City dated February 22, 2022, secured by a deed of trust, in the original amount of \$4,750,000 which bears interest at 3% per annum. Interest-only payments are payable monthly in the amount of \$11,875. The note is due February 22, 2026. Accrued interest payable totaled \$0 as of both September 30, 2025 and 2024.

	4,750,000	4,750,000
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	28,255,988	28,847,637
Less: current portion	(5,360,533)	(591,666)
Less: unamortized loan costs	(631,738)	(664,494)
	\$ 22,263,717	\$ 27,591,477

Debt issuance costs related to the refinanced commercial bank note payable of \$6,354 and \$7,604, net of accumulated amortization of \$6,146 and \$4,896 as of September 30, 2025 and 2024, respectively, are presented as a contra-liability offsetting the note payable balance in the consolidated statements of financial position. For each of the years ended September 30, 2025 and 2024, the effective interest rate was 3.20%.

Loan costs related to NMTC 1A and 1B of \$262,588 and \$274,211, net of accumulated amortization of \$40,477 and \$28,854 as of September 30, 2025 and 2024, respectively, are presented as a contra-liability offsetting the note payable balance in the consolidated statement of financial position. For the years ended September 30, 2025 and 2024, the effective interest rate was 1.6697% and 1.4410%, respectively.

Loan costs related to NMTC 2A and 2B of \$362,796 and \$382,679, net of accumulated amortization of \$20,104 and \$221 as of September 30, 2025 and 2024, respectively, are presented as a contra-liability offsetting the note payable balance in the consolidated statement of financial position. For the years ended September 30, 2025 and 2024, the effective interest rate was 1.2617% and 0.4064%, respectively.

These loan costs are amortized using the effective yield method over the term of the associated debt.

Interest expense was \$586,811 and \$476,295 for the years ended September 30, 2025 and 2024, respectively. As of both September 30, 2025 and 2024, the Organization was in substantial compliance with the covenants, conditions, and restrictions included in the loan agreements.

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11. Notes payable (continued)

Future principal payments on the notes payable are as follows:

Years ending September 30,	
2026	\$ 5,360,533
2027	630,001
2028	649,927
2029	846,794
2030	1,047,699
Thereafter	<u>19,721,034</u>
	<u>\$ 28,255,988</u>

12. Net assets

Net assets consist of the following as of September 30:

	2025	2024
Without donor restrictions:		
Undesignated	\$ 27,305,564	\$ 27,068,515
With donor restrictions:		
Capital Campaign projects	<u>332,272</u>	<u>2,816,217</u>
Total net assets	<u>\$ 27,637,836</u>	<u>\$ 29,884,732</u>

13. Lease agreements

Facility and equipment leases

Rent expense under the commercial leases totaled \$156,450 and \$107,400 for the years ended September 30, 2025 and 2024, respectively and is included in rent and facilities allocated costs on the statement of functional expenses.

Finance leases

Equipment under finance lease consists of delivery trucks. As of September 30, 2025 and 2024, the Organization recorded right-of-use assets of \$354,572 and \$177,530, respectively, which are being amortized over the remaining non-cancelable lease terms.

SAN DIEGO RESCUE MISSION AND SUBSIDIARIES
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(with comparative totals for the year ended September 30, 2024)

13. Lease agreements (continued)

Finance leases (continued)

The balances for finance leases are presented as follows on the consolidated statements of financial position as of September 30:

	2025	2024
Finance lease right-of-use asset, net	\$ 204,468	\$ 48,915
Finance lease liability	\$ 209,732	\$ 54,344

Lease expense on the consolidated statements of activities for the years ended September 30 consists of the following:

	2025	2024
Amortization of leased assets	\$ 63,265	\$ 62,409
Interest on lease liabilities	13,100	7,161
Total lease expense	\$ 76,365	\$ 69,570

The remaining lease term for the leases ranges between 1-6 years and the discount rate ranges between 6.61% and 8.24% of September 30, 2025. The discount rate approximated 8.24% as of September 30, 2024. The maturities of finance lease liabilities are summarized as follows as of September 30:

2026	\$ 49,162
2027	39,132
2028	39,132
2029	39,132
2030	39,132
Thereafter	39,132
Total minimum lease payments	244,822
Less: present value adjustment	(35,090)
Present value of lease obligations	\$ 209,732

Rental income

The Organization owns the building located at 120 Elm Street and 1840 First Avenue, San Diego, California and leases space to others in these buildings under operating leases. Rental income under lease agreements totaled \$351,421 and \$289,300 for the years ended September 30, 2025 and 2024, respectively.

14. Retirement plan

The Mission has a defined contribution plan covering employees aged 18 years or over with at least one year of service. The Mission matches employees' contributions equal to 100% of employees' elective deferral contributions which are not over 3% of their pay, plus 50% of their elective deferral contributions which are over 3% of their pay but are not over 5% of their pay. Additionally, on September 15, 2025, the Board of Directors of the Mission approved the establishment of a deferred compensation plan for the Chief Executive Officer under Internal Revenue Code Section 457(b) or 457(f). The plan provides annual contributions equal to 15% of compensation for five years, subject to IRS rules, with vesting over a five-year period. Total employer contributions were \$136,955 and \$115,357 for the years ended September 30, 2025 and 2024, respectively.

SAN DIEGO RESCUE MISSION AND SUBSIDIARIES
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15. Liquidity and funds available

The following table reflect the Organization’s financial assets as of September 30, reduced by amounts not available for general expenditure within one year. Financial assets include assets that are considered unavailable when illiquid or not convertible to cash within one year and receivables not available for general expenditure.

	2025	2024
Financial assets:		
Cash and cash equivalents	\$ 2,479,338	\$ 1,406,824
Restricted cash	625,385	2,457,633
Investments	5,655,228	5,241,711
Pledges receivable, net	2,332,272	2,816,217
Accounts receivable	529,310	331,126
Notes receivable	13,580,160	15,880,160
Financial assets at year-end	25,356,910	28,133,671
Less those unavailable for general expenditure within one year		
Restricted cash	(625,385)	(2,457,633)
Net assets with donor restrictions	(332,272)	(2,816,217)
Pledges receivable, net	(16,885)	(535,751)
Notes receivable	(13,580,160)	(15,880,160)
Financial assets available to meet cash needs for general expenditures within one year	\$ 10,802,208	\$ 6,443,910

The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization’s goal is generally to maintain financial assets to meet six months of operating expenses.

16. New markets tax credit funding

On February 11, 2022, the Foundation, an affiliate nonprofit organization, was established to facilitate the NMTC financing structure. The Foundation is to operate exclusively for the benefit of, to perform the functions of, and/or to carry out the purpose of the Organization.

NMTC #1

On April 14, 2022, in connection to, and concurrent with, the NMTC QLICI financing, the Organization entered into a donation agreement with the Foundation. In accordance with the agreement, the Organization provided financial support in the form of a grant in the amount of \$7,047,960 to the Foundation to assist with the financing of the NMTC transaction. This donation is not from the portion of the Organization’s business that is the QALICB (that is, the donation was from the non-POB portion; see supplemental schedule). The Foundation then used the funds to provide a \$7,047,960 loan to an unrelated entity, Twain Investment Fund 656, LLC (“Fund 1”), the 99.99% member of CDE XIX, the QLICI loan lender.

On April 14, 2022, the Organization secured the QLICI Loans from CDE XIX (see Note 11). As a result of the QLICI Loans, U.S. Bancorp Community Development Corporation (the “Investor”) is eligible for federal income tax credits under the NMTC program implemented by Congress in December 2000 and pursuant to IRC Section 45D to assist eligible businesses in making investments in certain low-income communities.

SAN DIEGO RESCUE MISSION AND SUBSIDIARIES
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(with comparative totals for the year ended September 30, 2024)

16. New markets tax credit funding (continued)

NMTC #1 (continued)

After the expiration of the NMTCs on April 14, 2029, the Investor has until October 14, 2029 to exercise its right, but not an obligation, to require the Foundation to purchase all of the Investor's interest in the Fund for a put exercise price of \$1,000. If the put is not exercised, the Foundation has the option, during the period from October 14, 2029 to April 14, 2030 to purchase the Investor's interest in the Fund equal to the fair market value of the interest, as determined by the terms of the Put and Call Agreement dated April 14, 2022. The Foundation will record any gain or loss associated with either option on the date it is exercised. The options do not represent embedded derivatives.

NMTC #2

On September 27, 2024, in connection to, and concurrent with, the NMTC QLICI financing, the Organization entered into a donation agreement with the Foundation. In accordance with the agreement, the Organization provided financial support in the form of a grant in the amount of \$6,369,200 to the Foundation to assist with the financing of the NMTC transaction. This donation is not from the portion of the Organization's business that is the QALICB (that is, the donation was from the non-POB portion; see supplemental schedule). The Foundation then used the funds to provide a \$6,249,200 loan to an unrelated entity, Twain Investment Fund 812, LLC ("Fund 2"), the 99.99% member of CDE XXVIII, the QLICI loan lender.

On September 27, 2024, the Organization secured the QLICI Loans from CDE XXVIII (see Note 11). As a result of the QLICI Loans, U.S. Bancorp Community Development Corporation (the "Investor") is eligible for federal income tax credits under the NMTC program implemented by Congress in December 2000 and pursuant to IRC Section 45D to assist eligible businesses in making investments in certain low-income communities.

After the expiration of the NMTCs on September 27, 2031, the Investor has until March 27, 2032 to exercise its right, but not an obligation, to require the Foundation to purchase all of the Investor's interest in the Fund for a put exercise price of \$1,000. If the put is not exercised, the Foundation has the option, during the period from March 27, 2032 to October 27, 2032 to purchase the Investor's interest in the Fund equal to the fair market value of the interest, as determined by the terms of the Put and Call Agreement dated September 27, 2024. The Foundation will record any gain or loss associated with either option on the date it is exercised. The options do not represent embedded derivatives.



SUPPLEMENTARY INFORMATION

SAN DIEGO RESCUE MISSION AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2025

	San Diego Rescue Mission			Foundation	Eliminating Activities	Total
	POB 1	POB 2	Non - POB			
ASSETS						
Current assets						
Cash and cash equivalents	\$ 315,107	\$ -	\$ 2,164,231	\$ 155,217	\$ -	\$ 2,634,555
Investments	-	-	5,655,228	-	-	5,655,228
Current portion of pledges receivable, net	15,841	197,382	102,164	-	-	315,387
Contributions receivable	-	-	2,000,000	-	-	2,000,000
Accounts receivable	-	163,569	365,741	-	-	529,310
Prepaid expenses	158,074	334,342	56,766	-	-	549,182
Other current assets	-	-	110	-	-	110
Inventory, net	-	270,473	-	-	-	270,473
Total current assets	<u>489,022</u>	<u>965,766</u>	<u>10,344,240</u>	<u>155,217</u>	<u>-</u>	<u>11,954,245</u>
Property and equipment, net	<u>12,287,862</u>	<u>17,396,164</u>	<u>162,406</u>	<u>-</u>	<u>-</u>	<u>29,846,432</u>
Other assets						
Restricted cash	266,733	358,652	-	-	-	625,385
Scholarship fund	-	-	-	90,005	-	90,005
Construction in progress	2,010,728	-	-	-	-	2,010,728
Notes receivable	-	-	-	13,580,160	-	13,580,160
Pledges receivable, net	901	11,229	4,755	-	-	16,885
Right-of-use asset, net	-	204,468	-	-	-	204,468
Other long-term assets	-	-	29,209	-	-	29,209
Total other assets	<u>2,278,362</u>	<u>574,349</u>	<u>33,964</u>	<u>13,670,165</u>	<u>-</u>	<u>16,556,840</u>
Total assets	<u>\$ 15,055,246</u>	<u>\$ 18,936,279</u>	<u>\$ 10,540,610</u>	<u>\$ 13,825,382</u>	<u>\$ -</u>	<u>\$ 58,357,517</u>
LIABILITIES AND NET ASSETS						
Current liabilities						
Accounts payable and accrued liabilities	\$ 188,357	\$ 418,084	\$ 436,337	\$ 13,397	\$ -	\$ 1,056,175
Compensated absences	95,638	163,728	48,951	-	-	308,317
Deferred revenue	-	35,582	200,000	-	-	235,582
Deposits	5,625	-	-	-	-	5,625
Current portion of lease liability	-	36,545	-	-	-	36,545
Current portion of notes payable, net	610,533	4,750,000	-	-	-	5,360,533
Total current liabilities	<u>900,153</u>	<u>5,403,939</u>	<u>685,288</u>	<u>13,397</u>	<u>-</u>	<u>7,002,777</u>
Long-term liabilities						
Notes payable, net	13,839,888	8,392,323	31,506	-	-	22,263,717
Interest payable	1,280,000	-	-	-	-	1,280,000
Lease liability	-	173,187	-	-	-	173,187
Total long-term liabilities	<u>15,119,888</u>	<u>8,565,510</u>	<u>31,506</u>	<u>-</u>	<u>-</u>	<u>23,716,904</u>
Total liabilities	16,020,041	13,969,449	716,794	13,397	-	30,719,681
NET ASSETS						
Without donor restrictions	(964,795)	4,966,830	9,491,544	13,811,985	-	27,305,564
With donor restrictions	-	-	332,272	-	-	332,272
Total net assets	<u>(964,795)</u>	<u>4,966,830</u>	<u>9,823,816</u>	<u>13,811,985</u>	<u>-</u>	<u>27,637,836</u>
Total liabilities and net assets	<u>\$ 15,055,246</u>	<u>\$ 18,936,279</u>	<u>\$ 10,540,610</u>	<u>\$ 13,825,382</u>	<u>\$ -</u>	<u>\$ 58,357,517</u>

see report of independent auditors

SAN DIEGO RESCUE MISSION AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	San Diego Rescue Mission			Foundation	Eliminating Activities	Total
	POB 1	POB 2	Non - POB			
NET ASSETS						
REVENUE AND OTHER SUPPORT						
Contributions	\$ 6,387,602	\$ 5,567,292	\$ 4,243,419	\$ -	\$ -	\$ 16,198,313
Donated food	3,018	-	7,273,195	-	-	7,276,213
Grants and contracts	290,000	65,000	803,715	-	-	1,158,715
Donated material	11,005	249	1,182,778	-	-	1,194,032
Rental income	-	16,820	334,601	-	-	351,421
Program fees	-	684,126	607,914	-	-	1,292,040
Interest income	-	-	5,459	125,642	-	131,101
Warehouse	-	-	3,240	-	-	3,240
Vehicle donation sales	-	-	32,225	-	-	32,225
Other	-	-	260,202	-	-	260,202
Total revenue and other support	6,691,625	6,333,487	14,746,748	125,642	-	27,897,502
EXPENDITURES						
Program services						
Men, women, and children's services	5,423,893	-	7,868,885	-	-	13,292,778
Partners for Hunger Relief	-	693,567	2,544,106	-	-	3,237,673
North County Lighthouse	-	-	1,716,017	-	-	1,716,017
Church partnership	383,180	-	66,268	-	-	449,448
South County Lighthouse	-	2,798,642	958,005	-	-	3,756,647
Outreach	-	-	902,137	-	-	902,137
New markets tax credit	278,807	11,625	-	-	-	290,432
Special events	-	-	157,136	-	-	157,136
Total program service	6,085,880	3,503,834	14,212,554	-	-	23,802,268
Management and general	52,376	2,611,795	(760,582)	4,450	-	1,908,039
Fundraising	398,218	3,476,399	827,074	23,673	-	4,725,364
Total expenditures	6,536,474	9,592,028	14,279,046	28,123	-	30,435,671
Change in net assets from operations	155,151	(3,258,541)	467,702	97,519	-	(2,538,169)
NONOPERATING ACTIVITIES						
Investment interest and dividends	-	-	129,833	-	-	129,833
Realized investment gain (loss)	-	-	(6,239)	-	-	(6,239)
Unrealized investment gain	-	-	167,679	-	-	167,679
Total nonoperating activities	-	-	291,273	-	-	291,273
CHANGE IN NET ASSETS	155,151	(3,258,541)	758,975	97,519	-	(2,246,896)
NET ASSETS AT BEGINNING OF YEAR	(1,119,946)	8,225,371	25,382,870	13,714,466	(16,318,029)	29,884,732
NET ASSETS AT END OF YEAR	\$ (964,795)	\$ 4,966,830	\$ 26,141,845	\$ 13,811,985	\$ (16,318,029)	\$ 27,637,836

see report of independent auditors

SAN DIEGO RESCUE MISSION AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	San Diego Rescue Mission			Foundation	Eliminating Activities	Total
	POB 1	POB 2	Non - POB			
CASH FLOWS FROM OPERATING ACTIVITIES						
Change in net assets	\$ 155,151	\$ (3,258,541)	\$ 758,975	\$ 97,519	\$ -	\$ (2,246,896)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities						
Depreciation	-	-	1,268,534	-	-	1,268,534
Interest expense - debt issuance costs	19,881	11,625	1,250	-	-	32,756
Lease expense	-	(155,553)	218,818	-	-	63,265
Beneficial interest in charitable gift annuity	-	-	(3,263)	-	-	(3,263)
In-kind (distribution) donation of inventory, net	-	(24,099)	-	-	-	(24,099)
Net unrealized and realized gain on investments	-	-	(167,679)	-	-	(167,679)
Change in assets:						
Contributions receivable	-	-	(2,000,000)	-	-	(2,000,000)
Accounts receivable	-	26,484	(224,668)	-	-	(198,184)
Prepaid expenses	(60,188)	(37,987)	(241)	-	-	(98,416)
Pledges receivable, net	(16,742)	1,239,058	1,261,629	-	-	2,483,945
Other current assets	-	-	725	-	-	725
Change in liabilities:						
Accounts payable and accrued liabilities	(116,013)	179,320	(444,252)	11,397	-	(369,548)
Compensated absences	(8,819)	45,811	7,505	-	-	44,497
Deferred revenue	-	(27,948)	185,500	-	-	157,552
Deposits	100	-	-	-	-	100
Interest payable	60,000	(1,230)	-	-	-	58,770
Net cash (used in) provided by operating activities	<u>33,370</u>	<u>(2,003,060)</u>	<u>862,833</u>	<u>108,916</u>	<u>-</u>	<u>(997,941)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
(Purchase) sale of investments	386,603	-	(632,441)	-	-	(245,838)
Withdrawal from scholarship fund	-	-	-	27,613	-	27,613
Purchase of property and equipment	298,395	308,665	(1,640,332)	-	-	(1,033,272)
Repayment of loans from (loans made to) borrowers	-	-	2,300,000	-	-	2,300,000
Net cash provided by (used in) investing activities	<u>684,998</u>	<u>308,665</u>	<u>27,227</u>	<u>27,613</u>	<u>-</u>	<u>1,048,503</u>
CASH FLOWS FROM FINANCING ACTIVITIES						
(Payments on) proceeds from notes payable	(610,282)	(11,623)	30,256	-	-	(591,649)
Principal payments on lease liability	-	(63,430)	-	-	-	(63,430)
Net cash (used in) provided by financing activities	<u>(610,282)</u>	<u>(75,053)</u>	<u>30,256</u>	<u>-</u>	<u>-</u>	<u>(655,079)</u>
Net change in cash, cash equivalents, and restricted cash	108,086	(1,769,448)	920,316	136,529	-	(604,517)
Cash, cash equivalents, and restricted cash at beginning of year	<u>473,754</u>	<u>2,128,100</u>	<u>1,243,915</u>	<u>18,688</u>	<u>-</u>	<u>3,864,457</u>
Cash, cash equivalents, and restricted cash at end of year	<u>\$ 581,840</u>	<u>\$ 358,652</u>	<u>\$ 2,164,231</u>	<u>\$ 155,217</u>	<u>\$ -</u>	<u>\$ 3,259,940</u>
Supplemental disclosures of cash flow information:						
Cash paid during the year for interest	<u>\$ 240,841</u>	<u>\$ 253,214</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 494,055</u>
Supplemental disclosures of non-cash investing and financing activities						
Disposal of fixed assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,473</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,473</u>
Increase in right-of-use asset and lease liability	<u>\$ -</u>	<u>\$ 218,818</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 218,818</u>

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