



LEXINGTON RESCUE MISSION, INC.

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

DECEMBER 31, 2025 AND 2024

LEXINGTON RESCUE MISSION, INC.
LEXINGTON, KENTUCKY

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audits of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Lexington Rescue Mission, Inc. (a nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2025 and 2024, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Lexington Rescue Mission, Inc. as of December 31, 2025 and 2024, and the results of its activities and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Lexington Rescue Mission, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Lexington Rescue Mission, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Lexington Rescue Mission, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Lexington Rescue Mission, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

r + r CPAs, PSC

May 26, 2026
Lexington, Kentucky

LEXINGTON RESCUE MISSION, INC.
Consolidated Statements of Financial Position
December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
ASSETS		
Current assets:		
Cash - unrestricted	\$ 428,265	\$ 258,092
Cash - donor restricted for capital campaign	841,236	68,330
Cash - interest reserve	168,580	162,353
Accounts receivable - trade	31,769	-
Current portion of pledges receivable	271,709	637,571
Intangible assets, net	18,862	31,803
Prepaid expenses and other current assets	3,858	4,087
	1,764,279	1,162,236
Long-term assets:		
Pledges receivable, net of current portion	48,217	492,091
Property and equipment, net	9,259,002	8,096,254
	9,307,219	8,588,345
	\$ 11,071,498	\$ 9,750,581
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 65,167	\$ 51,749
Payroll liabilities	42,682	41,891
Unearned revenue	48,902	10,260
Current portion of notes payable	125,000	363,975
	281,751	467,875
Long-term liabilities:		
Notes payable, net of current portion	2,250,000	2,705,000
	2,531,751	3,172,875
Net assets:		
Without donor restrictions	7,200,099	5,149,031
With donor restrictions	1,339,648	1,428,675
	8,539,747	6,577,706
	\$ 11,071,498	\$ 9,750,581

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

LEXINGTON RESCUE MISSION, INC.
Consolidated Statements of Activities
For the years ended December 31, 2025 and 2024

	2025			2024		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, gains and support:						
Program services	\$ 76,175	\$ -	\$ 76,175	\$ 34,213	\$ -	\$ 34,213
Contributions	2,201,271	191,848	2,393,119	2,076,379	67,852	2,144,231
Grants and awards	64,162	276,502	340,664	151,362	467,074	618,436
Fall banquet	79,930	-	79,930	75,109	-	75,109
Rental income	183,517	-	183,517	131,425	-	131,425
Other revenue (discounts)	12,875	-	12,875	(29,538)	-	(29,538)
Net assets released from restrictions	3,092,577	(3,092,577)	-	1,477,750	(1,477,750)	-
Total revenues, gains, and support	5,710,507	(2,624,227)	3,086,280	3,916,700	(942,824)	2,973,876
Expenses:						
Program services	2,386,438	-	2,386,438	2,219,283	-	2,219,283
Management and general	784,311	-	784,311	693,854	-	693,854
Fundraising	791,753	-	791,753	794,180	-	794,180
Total expenses	3,962,502	-	3,962,502	3,707,317	-	3,707,317
Change in operating net assets	1,748,005	(2,624,227)	(876,222)	209,383	(942,824)	(733,441)
Non-operating revenues, gains and support:						
Employee Retention Credit funds	-	648,658	648,658	-	-	-
Capital campaign contributions	-	1,886,542	1,886,542	-	569,970	569,970
Gain on sale of property	303,063	-	303,063	-	-	-
Total non-operating revenues, gains and support	303,063	2,535,200	2,838,263	-	569,970	569,970
Change in total net assets	2,051,068	(89,027)	1,962,041	209,383	(372,854)	(163,471)
Net assets, beginning of year	5,149,031	1,428,675	6,577,706	4,939,648	1,801,529	6,741,177
Net assets, end of year	<u>\$ 7,200,099</u>	<u>\$ 1,339,648</u>	<u>\$ 8,539,747</u>	<u>\$ 5,149,031</u>	<u>\$ 1,428,675</u>	<u>\$ 6,577,706</u>

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

LEXINGTON RESCUE MISSION, INC.
Consolidated Statement of Functional Expenses
For the year ended December 31, 2025

	Program Services	Management and General	Fundraising	Total
Salaries, wages, taxes and benefits	\$ 1,603,252	\$ 311,769	\$ 362,806	\$ 2,277,827
Advertising and professional fundraising services	4,529	58	245,742	250,329
Homeless Prevention and Assistance Program	97,799	78	292	98,169
Other program expenses	184,016	1,446	1,560	187,022
Utilities	57,964	90,451	-	148,415
Office supplies	44,522	36,144	16,859	97,525
Fall banquet	-	-	45,565	45,565
Insurance	85,661	12,489	20,007	118,157
Depreciation and amortization	109,966	105,920	356	216,242
Bank and credit card fees	-	72	128	200
Interest	-	98,184	-	98,184
Telephone and internet	22,698	4,395	5,184	32,277
Computer services and software licenses	93,520	6,476	27,521	127,517
Postage	342	372	13,079	13,793
Repairs and maintenance	31,725	77,459	-	109,184
Printing	2,398	-	27,200	29,598
Professional services	5,761	26,345	13,990	46,096
Vehicle	14,201	1,947	33	16,181
Dues and subscriptions	18,268	8,432	-	26,700
Travel	1,118	1,448	5,135	7,701
Small equipment	3,758	99	-	3,857
Security expense	1,978	-	-	1,978
Miscellaneous	2,962	727	871	4,560
Walk for Warmth	-	-	5,425	5,425
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenses	<u>\$ 2,386,438</u>	<u>\$ 784,311</u>	<u>\$ 791,753</u>	<u>\$ 3,962,502</u>

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

LEXINGTON RESCUE MISSION, INC.
Consolidated Statement of Functional Expenses
For the year ended December 31, 2024

	Program Services	Management and General	Fundraising	Total
Salaries, wages, taxes and benefits	\$ 1,403,007	\$ 323,236	\$ 323,736	\$ 2,049,979
Advertising and professional fundraising services	-	204	297,207	297,411
Homeless Prevention and Assistance Program	97,772	-	-	97,772
Other program expenses	144,912	3,902	2,956	151,770
Utilities	69,254	58,765	592	128,611
Office supplies	38,265	10,331	6,398	54,994
Fall banquet	-	-	30,060	30,060
Insurance	70,607	5,987	13,275	89,869
Depreciation	119,313	104,269	356	223,938
Bank and credit card fees	-	226	150	376
Interest expense	80,843	5,602	16,806	103,251
Telephone and internet	26,732	18,216	2,473	47,421
Computer services and software licenses	66,889	15,270	29,155	111,314
Postage	331	1,636	18,614	20,581
Repairs and maintenance	33,417	51,071	428	84,916
Printing	19,371	-	-	19,371
Professional services	-	83,439	43,342	126,781
Vehicle	23,463	1,644	272	25,379
Dues and subscriptions	14,411	9,230	3,136	26,777
Travel	6,271	-	-	6,271
Small equipment	1,051	288	-	1,339
Security expense	1,096	-	-	1,096
Miscellaneous	2,278	538	-	2,816
Walk for Warmth	-	-	5,224	5,224
Total expenses	<u>\$ 2,219,283</u>	<u>\$ 693,854</u>	<u>\$ 794,180</u>	<u>\$ 3,707,317</u>

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

LEXINGTON RESCUE MISSION, INC.
Consolidated Statements of Cash Flows
For the years ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities:		
Change in total net assets	\$ 1,962,041	\$ (163,471)
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Gain on disposal of property and equipment	(303,063)	-
Depreciation and amortization	216,242	223,938
(Increase) decrease in operating assets:		
Accounts receivable - trade, net	(31,769)	205,407
Pledges receivable, net of discount to present value	809,736	652,951
Prepaid expenses and other current assets	229	(218)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	13,418	(93,288)
Payroll liabilities	791	6,972
Unearned revenue	38,642	10,260
	2,706,267	842,551
Cash flows from investing activities:		
Intangible assets	-	(27,665)
Net proceeds from the sale of property	503,773	-
Purchases of property and equipment	(1,566,759)	(1,752,226)
	(1,062,986)	(1,779,891)
Cash flows from financing activities:		
Proceeds from the issuance of notes payable	-	1,402,975
Principal payments on notes payable	(693,975)	(1,158,000)
	(693,975)	244,975
Net increase (decrease) in cash	949,306	(692,365)
Cash, beginning of year	488,775	1,181,140
Cash, end of year	\$ 1,438,081	\$ 488,775
Reconciliation of unrestricted and restricted cash to the Statements of Financial Position:		
Cash - unrestricted	\$ 428,265	\$ 258,092
Cash - donor restricted for capital campaign	841,236	68,330
Cash - interest reserve	168,580	162,353
Total unrestricted and restricted cash	\$ 1,438,081	\$ 488,775
Supplemental Disclosure:		
Cash paid for interest	\$ 98,184	\$ 103,251

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

LEXINGTON RESCUE MISSION, INC.
Notes to the Consolidated Financial Statements
December 31, 2025 and 2024

Note A - Summary of Significant Accounting Policies

Nature of Mission

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

In May 2022, Lexington Rescue Mission, Inc. formed a title holding corporation, Living Image Holdings, Inc. (LIH), as exempt from federal income taxes pursuant to Section 501(c)(2) of the Internal Revenue Code. Subsequently, in August 2022, the Mission transferred the title of 444 Glen Arvin Avenue, 649 and 653 North Limestone Avenue, 215-217 Jefferson Street, and 535 West Second Street to LIH. A subsequent loan modification was made to add LIH as a co-borrower, transfer title of the aforementioned properties to LIH, and serve as primary agent for all matter related to the loan. Therefore, since the Mission has a controlling interest in LIH, with common board members, and has an economic interest in LIH as LIH's purpose is to hold and use significant resources and properties only for the use of the Mission, consolidated financial statements of the Mission and LIH are presented as collectively, the "Mission".

Basis of Presentation

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

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

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

Cash and Cash Equivalents

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

Accounts Receivable

The Mission's accounts receivable at December 31, 2025 and 2024, include gifts and grants receivable. The Mission provides an allowance for doubtful accounts on receivables, based on a review of the current status of existing receivables and management's evaluation of collection. As of December 31, 2025 and 2024, management determined an allowance for doubtful accounts on receivables was not necessary. There was no bad debt expense for the years ended December 31, 2025 and 2024, respectively.

LEXINGTON RESCUE MISSION, INC.
Notes to the Consolidated Financial Statements
December 31, 2025 and 2024

Intangible Assets

Intangible assets consist of the capitalization of \$18,500 in closing costs associated with property purchased in 2022, as well as \$22,329 in closing costs from new and refinancing of loans in 2024 as detailed in Note D below, along with \$5,028 in app development costs. Amortization expense as of and for the years ended December 31, 2025 and 2024 was \$12,941 and \$7,887, respectively. Accumulated amortization as of and for the years ended December 31, 2025 and 2024 was \$26,995 and \$14,054, respectively.

Property and Equipment

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

Revenue and Revenue Recognition

Revenue Accounted for in Accordance with Contribution Accounting

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

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

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

Revenue Accounted for as Contracts with Customers

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

LEXINGTON RESCUE MISSION, INC.
Notes to the Consolidated Financial Statements
December 31, 2025 and 2024

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

Revenue from non-exchange transactions consist of the following:

- Contributions – gifts received without donor stipulations are reported as revenue and net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor-stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as revenue and net assets without donor restriction.
- Grants – Grants are conditional upon the incurrence of allowable qualifying expenses. Revenue is recorded as allowable qualifying expenses are incurred.

Income Tax

The Mission is exempt from federal income taxes under Section 501(c)(3) and 501(c)(2) of the Internal Revenue Code, however, the Mission is not exempt from tax imposed upon unrelated activity income. The Mission currently has no unrelated business income and accordingly, no provision for income taxes has been recorded. The Mission does not believe there are any material uncertain tax positions and, accordingly, it has not recognized any liability for unrecognized tax benefits or possible related interest or penalties. The Mission generally is no longer subject to income tax examinations by tax authorities for years before 2023.

Estimates

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

Donated Services

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

Compensated Absences

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

LEXINGTON RESCUE MISSION, INC.
Notes to the Consolidated Financial Statements
December 31, 2025 and 2024

In-Kind Donations

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

Reclassifications

Certain amounts presented for the prior year have been reclassified to conform to the current year presentation. There was no change to total net assets as a result of these reclassifications.

Note B – Capital Campaign Revenue and Pledges Receivable

During late 2022, the Mission began a capital campaign to raise funds for the purchase of new Community Center facilities (as detailed in Note D), its expansion, remodeling, new equipment, among other needed items. Capital campaign revenue, including pledges, during the year ended December 31, 2025 and 2024 was \$1,886,542 and \$569,970, respectively, net of a discount to present value. Pledges receivable relating to the capital campaign as of December 31, 2025 and 2024, respectively, are expected to be collected as follows:

	<u>2025</u>	<u>2024</u>
In one year or less	\$ 271,709	\$ 637,571
Between one year and five years	<u>62,230</u>	<u>566,638</u>
	333,939	1,204,209
Less: Discount to present value of 4%	<u>(14,013)</u>	<u>(74,547)</u>
Pledges receivable, less discount to present value	<u>\$ 319,926</u>	<u>\$ 1,129,662</u>

Pledges receivable from board members and employees as of the year ended December 31, 2025 and 2024 was \$18,390 and \$34,890, respectively.

LEXINGTON RESCUE MISSION, INC.
Notes to the Consolidated Financial Statements
December 31, 2025 and 2024

Note C - Property and Equipment

At December 31, 2025 and 2024, property and equipment accounts consist of the following balances:

	<u>2024</u>	<u>2023</u>
Non-Depreciating Assets:		
Land	\$ 301,500	\$ 301,500
Construction	3,939,397	2,394,504
Depreciating Assets:		
Glen Arvin rebuild	-	93,579
Land improvements	4,332	4,332
Buildings	5,497,673	5,553,621
Building improvements	192,972	321,637
Furniture and equipment	208,008	208,008
Vehicles	230,250	230,250
	10,374,132	9,107,431
Less: Accumulated depreciation	(1,115,130)	(1,011,177)
	\$ 9,259,002	\$ 8,096,254

Depreciation expense for the years ended December 31, 2025 and 2024, was \$203,301 and \$216,051, respectively.

Also, during the year ended December 31, 2025, the Mission sold 444 Glen Arvin Avenue, Lexington, Kentucky for \$537,000 with net proceeds used to pay off debt. This sale resulted in a gain on the sale of property of \$303,063 included in the 2025 Statement of Activities.

Note D - Purchase of Properties, Notes Payable, and Rental Income

On March 31, 2022, the Mission purchased commercial properties located at 215-217 Jefferson Street and 535 West Second Street in Lexington, Kentucky for \$3,868,000. With nearly a \$400,000 down payment, the Organization took out a mortgage with Whitaker Bank in the amount of \$3,500,000 with a fixed interest rate of 3.95%. Certain terms of the original 2022 mortgage were amended in May 2024 to extend the maturity date to March 31, 2044, bear interest at a fixed rate of 3.95% until April 30, 2027, at which time, starting May 1, 2027, interest will be at a variable rate of the New York prime rate minus 0.5%, but at no event less than 6.5%. The amended mortgage required a principal payment of \$350,000 on March 31, 2024, with subsequent annual principal payments of \$125,000 on the 31st day of March beginning March 31, 2025 until its maturity date of March 31, 2044. This note is secured by a mortgage on the properties at 215-217 Jefferson Street, 535 West Second Street, and 649-653 North Limestone in Lexington, Kentucky, assignment of rents and leases on the properties, assignment of an interest reserve account at Whitaker Bank with minimum funding requirement of \$150,000, and assignment and pledge of capital campaign accounts. The balance of this Whitaker Bank mortgage note at December 31, 2025 and 2024 was \$2,375,000 and \$2,500,000, respectively.

LEXINGTON RESCUE MISSION, INC.
Notes to the Consolidated Financial Statements
December 31, 2025 and 2024

Also in May 2024, the Mission entered into two additional construction draw promissory notes with Whitaker Bank for \$330,000 and \$1,970,000. The first draw promissory note was authorized up to \$330,000, bears interest at the New York prime rate (6.75% at December 31, 2025) minus 0.5%, with the interest rate not being less than 6.5%, interest only payments are required from May 31, 2024 until maturity on May 31, 2026 at which all principal and interest is due. This note is secured by a mortgage and an assignment of rents and leases. As of December 31, 2025 and 2024, the balance on this draw promissory note was \$0 and \$330,000, respectively.

The second draw promissory note was authorized up to \$1,970,000, bears interest at the New York prime rate (6.75% at December 31, 2025) minus 0.5%, with the interest rate not being less than 6.5%, requiring monthly interest payments from May 31, 2024 until February 28, 2027, and principal payments of \$834,000 on December 31, 2024, and if needed, \$634,000 on December 31, 2025, and \$260,500 on December 31, 2026, with all principal and interest due on March 31, 2027. This note is secured by a mortgage and an assignment of rents and leases. As of December 31, 2025 and 2024, the balance on this draw promissory note was \$0 and \$238,975, respectively.

Minimum future principal payments for these notes payable over the next five years and thereafter is as follows:

	<u>Total</u>
2026	\$ 125,000
2027	125,000
2028	125,000
2029	125,000
2030	125,000
Thereafter	<u>1,750,000</u>
Total	<u>\$ 2,375,000</u>

In relation to the purchase of 215-217 Jefferson Street and 535 West Second Street, the Mission inherited several leases of office space and entered into new leases within those buildings. Lease terms range from month-to-month to six-year term lengths. Rental income for the year ended December 31, 2025 and 2024 was \$183,517 and \$131,425, respectively.

Note E - Endowment

During 2014, the Foundation was named an income beneficiary of an endowment from Blue Grass Community Foundation, Inc. (the Foundation). The Foundation maintains complete control of the endowment. Accordingly, the Mission does not recognize any activity related to this endowment unless the Foundation releases a portion of the funds to the Mission. The balance of the endowment was approximately \$211,000 and \$172,000, and is all unrestricted as of December 31, 2025 and 2024, respectively.

Note F - Functional Allocation of Expenses

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

LEXINGTON RESCUE MISSION, INC.
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Expenses associated with the various programs of the Mission for the years ended December 31, 2025 and 2024, are summarized as follows:

	<u>2025</u>	<u>2024</u>
Re-entry Services	\$ 309,616	\$ 396,701
Restorative Ministries (Grace Place, House of Hope, and Potter's House)	655,159	706,327
Outreach Services (Food service, hospitality and spiritual care, and social services)	1,266,154	860,906
Employment Services	150,837	158,426
Other	1,249	16,080
	<u> </u>	<u> </u>
Total program expenses	<u>\$ 2,383,015</u>	<u>\$ 2,138,440</u>

Note G - Commitments and Contingencies

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

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

Note H - Net Assets with Donor Restrictions

Net assets with donor restrictions consisted of the following at December 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Anthem/UNC Hygiene Closet Grant	\$ 9,906	\$ 3,330
WS Foundation Campaign	-	50,000
Jubilee Jobs Cameras	-	15,000
Interest reserve	168,580	162,353
Capital Campaign – cash and pledges	1,161,162	1,197,992
	<u> </u>	<u> </u>
Net assets with donor restrictions	<u>\$ 1,339,648</u>	<u>\$ 1,428,675</u>

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Note I - Retirement Plan

During 2016, Lexington Rescue Mission, Inc., implemented a 401(k) retirement plan (the Plan) for employees who are 21 years of age and have worked at the Mission for at least 260 hours. The Mission matches contributions up to 3% of each qualified employee's annual gross wages. The matching contributions vest ratably over a 3-year period with all contributions being fully vested after the third year of participation. The Mission's contributions to the Plan during the years ended December 31, 2025 and 2024 were \$49,383 and \$39,639, respectively.

Note J - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the Statement of Financial Position as of December 31, 2025 and 2024, respectively, comprise the following:

Financial assets at year-end:	<u>2025</u>	<u>2024</u>
Cash - unrestricted	\$ 428,265	\$ 258,092
Accounts receivable - trade	<u>31,769</u>	<u>-</u>
Net financial assets available for general expenditure within one year	<u>\$ 460,034</u>	<u>\$ 258,092</u>

The Mission does have access to a line of credit for short-term cash needs, if needed.

Note K - Management's Review of Subsequent Events

The Mission has evaluated and considered the need to recognize or disclose subsequent events through May 26, 2026, which represents the date that these consolidated financial statements were available to be issued. Subsequent events past this date, as they pertain to the year ended December 31, 2025, have not been evaluated by the Mission.

Subsequent to December 31, 2025, the Mission made an additional payment of \$375,000 on its note payable with Whitaker Bank bringing the outstanding principal balance of the note to \$2,000,000 as of the date of the audit report.

Also, on February 10, 2026, the Mission entered into a revolving promissory note for additional cash flow purposes with Whitaker Bank in the amount of \$600,000 which matures February 10, 2028.