

**NASHVILLE RESCUE MISSION
AND AFFILIATE**

**CONSOLIDATED FINANCIAL STATEMENTS
AND
ADDITIONAL INFORMATION**

September 30, 2010

NASHVILLE RESCUE MISSION AND AFFILIATE

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors of
Nashville Rescue Mission and Affiliate
Nashville, Tennessee

We have audited the accompanying consolidated statement of financial position of Nashville Rescue Mission and Affiliate (a non-profit organization) as of September 30, 2010, and the related consolidated statements of activities, functional expenses and cash flows for the nine months then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Nashville Rescue Mission and Affiliate as of September 30, 2010, and the changes in their net assets and their cash flows for the nine months then ended in conformity with accounting principles generally accepted in the United States of America.

Frasier, Dean & Howard, PLLC

January 5, 2011

NASHVILLE RESCUE MISSION AND AFFILIATE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
September 30, 2010

Assets

Current assets:	
Cash and cash equivalents	\$ 442,892
Certificates of deposit	1,000,104
Contributions receivable	29,888
Prepaid expenses	296,359
Other	<u>49,196</u>
Total current assets	1,818,439
Long-term investments	65,374
Beneficial interest in trusts	327,358
Land, buildings and equipment, net	<u>11,304,939</u>
Total assets	<u><u>\$13,516,110</u></u>

Liabilities and Net Assets

Current liabilities:	
Accounts payable	\$ 378,374
Accrued expenses	102,718
Other	<u>2,600</u>
Total current liabilities	<u>483,692</u>
Net assets:	
Unrestricted	11,404,937
Unrestricted - board designated	1,251,000
Temporarily restricted	41,123
Permanently restricted	<u>335,358</u>
Total net assets	<u>13,032,418</u>
Total liabilities and net assets	<u><u>\$13,516,110</u></u>

See accompanying notes.

NASHVILLE RESCUE MISSION AND AFFILIATE
CONSOLIDATED STATEMENT OF ACTIVITIES
Nine Months Ended September 30, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public support:				
Contributions	\$ 3,900,968	\$ 320,009	\$ -	\$ 4,220,977
Gifts-in-kind	2,331,260	-	-	2,331,260
Bequests	623,029	-	-	623,029
Net assets released from restrictions	338,747	(338,747)	-	-
Total public support	<u>7,194,004</u>	<u>(18,738)</u>	<u>-</u>	<u>7,175,266</u>
Revenue:				
Fees for property use	143,902	-	-	143,902
Loss on disposal of fixed assets	(22,032)	-	-	(22,032)
Other revenue	85,623	-	-	85,623
Change in value of beneficial interest in trust	-	-	105	105
Total revenue	<u>207,493</u>	<u>-</u>	<u>105</u>	<u>207,598</u>
Total public support and revenue	<u>7,401,497</u>	<u>(18,738)</u>	<u>105</u>	<u>7,382,864</u>
Expenses:				
Program services:				
Food, clothing and other distributions	2,335,289	-	-	2,335,289
Transient services	2,155,175	-	-	2,155,175
Rehabilitation services	1,351,223	-	-	1,351,223
Public awareness	226,712	-	-	226,712
Total program services	<u>6,068,399</u>	<u>-</u>	<u>-</u>	<u>6,068,399</u>
Supporting services:				
Management and general	429,205	-	-	429,205
Fundraising	1,237,864	-	-	1,237,864
Total supporting services	<u>1,667,069</u>	<u>-</u>	<u>-</u>	<u>1,667,069</u>
Total expenses	<u>7,735,468</u>	<u>-</u>	<u>-</u>	<u>7,735,468</u>
Change in net assets	(333,971)	(18,738)	105	(352,604)
Net assets, December 31, 2009	<u>12,989,908</u>	<u>59,861</u>	<u>335,253</u>	<u>13,385,022</u>
Net assets, September 30, 2010	<u>\$ 12,655,937</u>	<u>\$ 41,123</u>	<u>\$ 335,358</u>	<u>\$ 13,032,418</u>

See accompanying notes.

(See Note 15 for unaudited pro forma operating results based on a full 12 month period ending 9/30/10.)

**NASHVILLE RESCUE MISSION AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Nine Months Ended September 30, 2010**

	Program Services				Supporting Services			Total Expenses	
	Food, Clothing and Other Distributions	Transient Services	Rehabilitation Services	Public Awareness	Total Program Services	Management and General	Fundraising		Total Supporting Services
Gifts-in-kind	\$ 2,300,210	\$ -	\$ -	\$ -	\$ 2,300,210	\$ -	\$ -	\$ -	\$ 2,300,210
Salaries and wages	-	1,229,576	653,088	16,576	1,899,240	142,610	370,050	512,660	2,411,900
Contract services - donor appeals	-	-	-	-	-	-	543,733	543,733	543,733
Other employee benefits	-	205,411	131,476	-	336,887	44,723	40,435	85,158	422,045
Utilities	-	171,902	174,225	-	346,127	25,204	21,080	46,284	392,411
Publicity	-	-	-	208,774	208,774	-	23,758	23,758	232,532
Repairs and maintenance	-	129,480	46,362	-	175,842	11,771	4,383	16,154	191,996
Printing and postage	-	44	-	-	44	19,077	148,833	167,910	167,954
Payroll taxes	-	90,834	48,587	1,362	140,783	9,173	24,211	33,384	174,167
Supplies	-	54,068	33,332	-	87,400	31,218	16,425	47,643	135,043
Insurance	-	35,516	48,835	-	84,351	2,664	1,776	4,440	88,791
Travel and transportation	-	47,528	13,027	-	60,555	3,292	5,564	8,856	69,411
Professional fees	-	-	-	-	-	93,448	-	93,448	93,448
Retirement benefits	-	31,845	20,318	-	52,163	13,427	19,919	33,346	85,509
Food purchases	35,079	-	-	-	35,079	915	459	1,374	36,453
Benevolence	-	6,959	18,956	-	25,915	734	-	734	26,649
Education and training	-	5,031	3,261	-	8,292	4,653	2,687	7,340	15,632
Miscellaneous	-	16	71	-	87	2,898	5	2,903	2,990
	2,335,289	2,008,210	1,191,538	226,712	5,761,749	405,807	1,223,318	1,629,125	7,390,874
Depreciation	-	146,965	159,685	-	306,650	23,398	14,546	37,944	344,594
Total expenses	\$ 2,335,289	\$ 2,155,175	\$ 1,351,223	\$ 226,712	\$ 6,068,399	\$ 429,205	\$ 1,237,864	\$ 1,667,069	\$ 7,735,468

See accompanying notes.

**NASHVILLE RESCUE MISSION AND AFFILIATE
CONSOLIDATED STATEMENT OF CASH FLOWS
Nine Months Ended September 30, 2010**

Cash flows from operating activities:	
Change in net assets	\$ (352,604)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	344,594
Loss on disposal of property	22,032
Donation of property	(31,050)
(Increase) decrease in:	
Contributions receivable	18,738
Beneficial interest in trusts	(105)
Prepaid expenses	(296,359)
Other assets	13,744
Increase (decrease) in:	
Accounts payable	(231,601)
Accrued expenses	48,317
Other liabilities	<u>2,600</u>
Net cash used in operating activities	<u>(461,694)</u>
 Cash flows from investing activities:	
Proceeds from sale of certificates of deposit, net	870,464
Purchases of property and equipment	<u>(2,748,466)</u>
Net cash used in investing activities	<u>(1,878,002)</u>
 Net decrease in cash	(2,339,696)
 Cash and cash equivalents, December 31, 2009	<u>2,782,588</u>
 Cash and cash equivalents, September 30, 2010	<u><u>\$ 442,892</u></u>

See accompanying notes.

**NASHVILLE RESCUE MISSION AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2010**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Nashville Rescue Mission (the “Mission”) was incorporated March 16, 1954 in accordance with the laws of the State of Tennessee as a non-profit corporation. (The Mission was formerly known as the Nashville Union Mission, Inc. until its name was changed in December 2000.) The Mission’s purpose is to seek to help the hurting of Middle Tennessee by offering food, clothing, and shelter to the homeless and recovery programs to those enslaved in life-degrading problems. The Mission’s goal is to help people know the saving grace of Jesus, gain wisdom for living, find fulfillment in life and become a positive part of their community.

The Mission owns a membership interest in NRM, LLC. NRM, LLC was formed in 2008 for the purpose of receiving donated real property. NRM, LLC operates as a single-member, non-profit limited liability company wholly owned by the Mission.

During 2010, the Mission changed its year end from December 31 to September 30.

The following program services are provided by the Mission in Nashville, Tennessee:

Food, Clothing and Other Distributions:

- Represents in-kind donations and purchases of food and clothing utilized in programs as well as excess amounts distributed to other non-profit agencies.

Transient Services:

- Men’s Shelter – providing shelter and spiritual counseling to transient and homeless individuals.
- Family Life Center – providing shelter and spiritual counseling for needy women and their children.
- Travelers Aid – providing travel assistance to needy individuals.

Rehabilitation Services:

- Men’s Recovery Program – providing a life recovery program for men affected by addictions and life defeating problems including: Bible classes, counseling, educational classes, and employment preparation to men who seek a way out of destructive lifestyles.
- Education – providing educational opportunities including: graduate equivalency diploma, vocational skills, reading, writing, and other classes.

NASHVILLE RESCUE MISSION AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
September 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- The Lodging Place – providing housing at a nominal fee (single resident occupancy units) to working men and working women who have demonstrated a commitment to building new lives for themselves. Housing is for a limited period while transitioning from reliance on the Mission’s programs to securing independent housing arrangements. The Lodging Place for men is located at 639 Lafayette Street and the housing for women is located at 1709 7th Avenue North.
- Hope Center – providing a life recovery program for women affected by addictions and life defeating problems including: Bible classes, counseling, educational classes, and employment preparation to women who seek a way out of destructive lifestyles.
- Anchor Home for Young Men – providing a “second chance” program to assist young men with past addiction, legal, criminal and antisocial issues.

Public Awareness:

- Public Awareness – providing information to the public regarding needs of the community and the Mission’s program services.

Principles of Consolidation

The consolidated financial statements include the accounts of the Nashville Rescue Mission and NRM, LLC (collectively the “Mission”). All significant inter-entity transactions and balances have been eliminated in consolidation.

Accounting Standards Codification

The Financial Accounting Standards Board Accounting Standards Codification (“FASB ASC”) became the sole authoritative source of generally accepted accounting principles in the United States of America for periods ending after September 15, 2009. The FASB ASC incorporates all authoritative literature previously issued by a standard setter. Adoption of the FASB ASC had no effect on the Mission’s consolidated financial statements.

Basis of Presentation

The Mission presents its consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. The Mission reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Mission is required to present a consolidated statement of cash flows. Net assets of the Mission are presented as follows:

Unrestricted net assets –

Undesignated - net assets that are not subject to donor-imposed stipulations or designated by the Mission’s board.

NASHVILLE RESCUE MISSION AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
September 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

Designated - net assets designated by the Mission's board for particular purposes, presently designated by the board for future working capital reserves (\$1,001,000) and future capital asset reserves (\$250,000).

Temporarily restricted net assets – net assets subject to donor-imposed stipulations that may or will be met either by actions of the Mission and/or the passage of time. When a restriction expires or is met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions.

Permanently restricted net assets – net assets subject to donor-imposed stipulations that require that the assets be maintained permanently by the Mission. Generally, the donors of these assets permit the Mission to use all or part of the income earned on related investments for general or specific purposes.

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments, such as money market funds and other investments, that have a maturity of three months or less at the time of purchase.

The Mission's bank accounts may be in excess of the federally insured limits at times throughout the year.

Land, Buildings and Equipment

Land, buildings and equipment are recorded at cost. Expenditures for ordinary maintenance and repairs are charged to operations. Renewals and betterments that materially extend the life of the asset are capitalized. Depreciation is provided in amounts necessary to allocate the cost of the various classes of assets over their estimated useful lives using the straight-line method. Estimated useful lives of all major classes of assets are as follows:

Buildings and improvements	20 – 40 years
Equipment and vehicles	5 years
Furniture, fixtures and equipment	3 – 10 years

Public Support

The Mission receives public support in the form of cash contributions, unconditional promises to give, bequests, gifts of securities, gifts of real estate, gifts-in-kind and donated services. The Mission generally recognizes public support in the year contributed at fair value, with gifts-in-kind determined as follows:

NASHVILLE RESCUE MISSION AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
September 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Public Support (continued)

Gifts-in-kind: primarily includes donated food, clothing and other assets. The value of donated food and clothing is recognized as public support with a corresponding expense for program services when consumed at an estimated value of \$2.26 per meal served and \$3.50 (effective January 2008) per article of clothing provided. Excess clothing distributed to other non-profit agencies is valued at \$3.70 (effective January 2008) per pound. Management believes these estimated values for donated food and clothing are conservative based on cost studies performed. Other assets donated are recorded at estimated fair value on the date received.

Donated Services: generally not recognized unless the services:

- a. create or enhance a non-financial asset (such as a building), or
- b. are specialized skills provided by entities or persons possessing those skills (such as physicians or accountants) and would be purchased if they were not donated.

Contributions are recognized when the donor makes a promise to give to the Mission that is, in substance, unconditional. Amounts scheduled to be received in excess of one year are recorded at estimated present value, by discounting the future cash flows using an interest rate that corresponds with the term of each promise to give. The Mission uses the allowance method to determine uncollectible contributions receivable.

Income Taxes

The Nashville Rescue Mission (including, for tax purposes, Affiliate) is a non-profit corporation that has qualified for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation. Accordingly, no provision for income taxes is included in the accompanying consolidated financial statements.

The Mission has adopted FASB ASC guidance which clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. The guidance must be applied to all existing tax positions upon initial adoption. Adoption of this guidance had no impact on the Mission's consolidated financial statements. The Mission has no tax penalties or interest reported in the accompanying consolidated financial statements. The Mission had no uncertain tax positions at September 30, 2010.

NASHVILLE RESCUE MISSION AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
September 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Allocation of Expenses

“Total Expenses” reported in the accompanying consolidated statement of functional expenses include expenses directly attributable to specific programs and services, and certain other expenses that are allocated to reflect management’s estimates of the benefits realized by the applicable programs and supporting services.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Estimates used by management in preparing these consolidated financial statements primarily relate to those assumed in establishing the value of gifts-in-kind, donated services, and the allocation of functional expenses. Accordingly, actual results could differ from those estimates.

Split Interest Agreements

Accounting standards require that the following instrument be recorded as a contribution and an asset at the present value of the Mission’s ultimate interest.

Perpetual Trusts Held by a Third Party

Donors have established and funded trusts naming outside fiscal agents to invest and manage the trust assets in perpetuity. The Mission, each year, will receive a pro-rata share of income from the trust assets in perpetuity.

Subsequent Event

The Mission evaluated subsequent events through January 5, 2011, when these financial statements were available to be issued. The Mission is not aware of any significant events that occurred subsequent to the consolidated statement of financial position date but prior to the filing of this report that would have a material impact on the consolidated financial statements.

NOTE 2 – FAIR VALUE MEASUREMENTS

The Mission has established a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

NASHVILLE RESCUE MISSION AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
September 30, 2010

NOTE 2 – FAIR VALUE MEASUREMENTS (continued)

The three levels of the fair value hierarchy under generally accepted accounting principles are described below:

- Level 1 inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 inputs to the valuation methodology include: 1) quoted prices for similar assets or liabilities in active markets, 2) quoted prices for identical or similar assets or liabilities in inactive markets, 3) inputs other than quoted prices that are observable for the asset or liability, and 4) inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodology used for asset measurement at fair value at September 30, 2010.

Certificates of deposit – Valued at cost plus accrued interest, which approximates market value.

Beneficial interest in trusts – Valued using information obtained from third party sources, including financial statements and other information from detailed listing of holdings from the trust. These valuations are typically performed annually, based on the present value of the estimated future distributions the Mission expects to receive over the term of the trust.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Mission's management believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

NASHVILLE RESCUE MISSION AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
September 30, 2010

NOTE 3 – CERTIFICATES OF DEPOSIT

Certificates of deposit consist of the following at September 30, 2010:

Certificate of deposit (1.50%, matures December 2, 2011)	<u>\$ 1,000,104</u>
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The Mission's bank has pledged securities in order to provide collateral to cover the Mission's deposits above and beyond normal FDIC insurance limits.

As discussed in Note 2, certificates of deposit are considered level 1 investments.

NOTE 4 – CONTRIBUTIONS RECEIVABLE

Contributions receivable are recorded at net realizable value. Pledges receivable include the following at September 30, 2010:

Unconditional promises to give due in:	
Less than one year	\$ 29,888
1-2 years	-
Allowance for uncollectible contributions receivable	<u>-</u>
 Net contributions receivable	 <u>\$ 29,888</u>

The Mission has received a conditional promise to give from a donor in the amount of \$125,000 in annual installments of \$25,000. The contribution is conditional on the Mission raising \$50,000 each year over the pledge term. The donor has also stipulated that \$37,500 of the combined funds must be earmarked for maintenance of the Women's Life Recovery Program building. At September 30, 2010, the Mission had recognized a pledge receivable of \$25,000 relating to this promise.

NOTE 5 – LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment consist of the following at September 30, 2010:

Land and improvements	\$ 900,337
Buildings and improvements	10,912,224
Furniture, fixtures and equipment	2,579,807
Automobiles and trucks	<u>107,243</u>
	14,499,611
Less accumulated depreciation	<u>(3,194,672)</u>
	 <u>\$ 11,304,939</u>

NASHVILLE RESCUE MISSION AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
September 30, 2010

NOTE 6 – BENEFICIAL INTEREST IN TRUSTS

A donor has established a trust held by a third party naming the Mission as one of the beneficiaries to a perpetual trust. Under terms of the split-interest agreement, the Mission is to receive 10% of investment return annually. The asset of \$107,982 is considered permanently restricted. This valuation is based on 10% of the fair value of the trust, which currently approximates the fair value of amounts to be received under the trust. The Mission received annual income from such trust of approximately \$5,400 for the nine months ended September 30, 2010. Such amount is included in unrestricted contributions in the accompanying consolidated statement of activities.

A donor has established a trust held by a third party naming the Mission as one of the beneficiaries to a perpetual trust. Under terms of the split-interest agreement, the Mission is to receive 25% of the net income annually until the demise of the lead beneficiary, at which time, the Mission is to receive 50% of the net income. The asset of \$219,376 is considered permanently restricted. This valuation is based on 25% of the fair value of the trust, which currently approximates the fair value of amounts to be received under the trust. The Mission received annual income from such trust of approximately \$23,000 for the nine months ended September 30, 2010. Such amounts are included in unrestricted contributions in the accompanying consolidated statement of activities.

As discussed in Note 1, beneficial interest in trusts is valued as level 3 investments.

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS

Certain contributions were restricted by donors for use in conjunction with specified projects or future periods as follows for the nine months ended September 30, 2010:

Expansion for women’s facilities	\$ 260,597
General use for the Family Life Center	31,412
Food and lodging	3,000
Unconditional promises to give in future periods	<u>25,000</u>
Total temporarily restricted contributions	<u>\$ 320,009</u>

Temporarily restricted net assets that were released upon satisfaction of donor-specified expenditure or time restrictions are summarized as follows for the nine months ended September 30, 2010:

General use for the Family Life Center	\$ 31,412
Food and lodging	3,000
Expansion for women’s facilities	<u>304,335</u>
Total net assets released from restrictions	<u>\$ 338,747</u>

NASHVILLE RESCUE MISSION AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
September 30, 2010

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS (continued)

Temporarily restricted net assets consist of the following at September 30, 2010:

College scholarships for program members	\$ 11,235
Women's transitional housing	<u>29,888</u>
	<u>\$ 41,123</u>

NOTE 8 – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of the following at September 30, 2010:

Beneficial interest in trusts (Note 6)	\$ 327,358
Non-transferable preferred stock to be held for the production of investment income	<u>8,000</u>
	<u>\$ 335,358</u>

The quarterly dividend on the preferred stock, which is based on an annual rate of prime less 1.5%, is available for use by the Mission on an unrestricted basis.

NOTE 9 – GIFTS-IN-KIND AND DONATED SERVICES

As described in Note 1, the Mission receives various non-cash gifts, primarily food and clothing, and recognizes them as public support in the year contributed. Generally, these gifts-in-kind are utilized in the same year they are received. Gifts-in-kind received, distributed and capitalized are summarized as follows for the nine months ended September 30, 2010:

Gifts-in-kind received	\$ <u>2,331,260</u>
Gifts-in-kind distributed:	
Clothing	\$ 1,071,538
Food	1,119,454
Supplies	94,388
Professional services	<u>14,830</u>
Total distributed	<u>\$ 2,300,210</u>

NASHVILLE RESCUE MISSION AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
September 30, 2010

NOTE 9 – GIFTS-IN-KIND AND DONATED SERVICES (continued)

Gifts-in-kind capitalized:	
Software	<u>\$ 31,050</u>
Excess (deficit) of amounts received over amounts distributed and capitalized during the year	<u>\$ -</u>

As described in Note 1, the Mission has recognized contributions of gifts-in-kind for donated professional services and recorded the services at their estimated fair value. These services primarily include medical services provided by doctors, nurses and physician's assistants. Total donated services included with the above gifts-in-kind information for the nine months ended September 30, 2010 was \$14,830.

In addition, a substantial number of non-professional volunteers have donated significant amounts of their time to the Mission's program services; however, the fair value of these services has not been reflected in the accompanying consolidated financial statements.

NOTE 10 – BEQUESTS

Similar to many non-profit organizations, the Mission receives support from bequests. As indicated in Note 1, contributions (including bequests) are recognized as public support when received or when the contributor makes an unconditional promise to give a determinable amount. As a result, the amount of support from bequests may vary significantly between years. Bequests received during the nine months ended September 30, 2010 totaled \$623,029.

The Mission's policy is to utilize amounts received from bequests for repayment of debt, capital additions, endowments and other long-range planning purposes. Support from bequests is not intended to be utilized for day-to-day operations, unless deemed necessary by management.

NOTE 11 – LINE OF CREDIT

The Mission maintains a line of credit arrangement with a financial institution, with interest rates at the Wall Street Journal prime rate. Monthly interest payments are due based on outstanding amounts with the principal due June 5, 2011. The agreement is secured by the Family Life Center and Hope Center and provides for short-term borrowings of up to \$2,000,000. There were no outstanding balances under the line of credit at September 30, 2010.

NASHVILLE RESCUE MISSION AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
September 30, 2010

NOTE 12 – EMPLOYEE BENEFITS

The Mission provides a retirement benefit (the “Retirement Plan”) to its eligible employees. All eligible employees who elect to participate make contributions to the Retirement Plan through payroll deductions. The Mission matches participating employee contributions up to eight percent of their annual salary. The Mission recognized expense of \$85,509 during 2010 for matching contributions to the Retirement Plan.

NOTE 13 – SUPPLEMENTAL CASH FLOW INFORMATION

The Mission recognized certain non-cash transactions as follows for the nine months ended September 30, 2010:

Gifts-in-kind:	
Received	\$ 2,331,260
Distributed	2,300,210
Capitalized	31,050

NOTE 14 – CAPITAL CAMPAIGN

The Mission concluded its capital campaign as of September 30, 2010 that was entered into to assist in the expansion of the Family Life Center and Hope Center for Women and Children, and to build a Women’s Transitional House. The Mission completed construction related to the expansion of the Women’s Transitional House during 2009 and costs amounting to approximately \$1,300,000 have been capitalized. The Mission completed construction related to the Family Life Center and Hope Center as of September 30, 2010 and costs amounting to approximately \$3,300,000 have been capitalized. The project was funded through cash on hand and approximately \$2.6 million of capital campaign contributions.

NOTE 15 – PRO FORMA FINANCIAL RESULTS (UNAUDITED)

During 2010, the Mission’s board of directors approved a change in its year end from December 31 to September 30. Below are the unaudited pro forma consolidated operating results of the Mission for the twelve months ended September 30, 2010 and 2009, assuming the change in its year end was effective September 30, 2008:

	<u>Twelve Months Ended September 30</u>	
	<u>2010</u>	<u>2009</u>
Public support	\$ 12,212,123	\$ 11,751,995
Revenue	<u>323,027</u>	<u>407,029</u>
Total public support and revenue	<u>12,535,150</u>	<u>12,159,024</u>
Expenses:		
Program services	8,461,656	7,912,997
Supporting services	<u>2,374,515</u>	<u>2,371,171</u>
Total expenses	<u>10,836,171</u>	<u>10,284,168</u>
Change in net assets	<u>\$ 1,698,979</u>	<u>\$ 1,874,856</u>