

NASHVILLE RESCUE MISSION

**FINANCIAL STATEMENTS
AND
ADDITIONAL INFORMATION**

December 31, 2005 and 2004

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Nashville Rescue Mission
Nashville, Tennessee

We have audited the accompanying statements of financial position of Nashville Rescue Mission (a non-profit organization) as of December 31, 2005 and 2004, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nashville Rescue Mission as of December 31, 2005 and 2004 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Frasier, Dean + Howard, PLLC

April 6, 2006

NASHVILLE RESCUE MISSION
STATEMENTS OF FINANCIAL POSITION
December 31, 2005 and 2004

	2005	2004
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,215,166	\$ 771,162
Supplies inventory	4,864	5,318
Total current assets	1,220,030	776,480
Long-term investments	8,000	8,000
Land, buildings and equipment, net	6,045,064	6,117,431
Total assets	\$ 7,273,094	\$ 6,901,911
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 139,815	\$ 149,609
Notes payable - current portion	-	33,984
Other current liabilities	32,911	27,689
Total current liabilities	172,726	211,282
Notes payable, less current portion	-	271,056
Total liabilities	172,726	482,338
Net assets:		
Unrestricted	7,081,133	6,400,477
Temporarily restricted	11,235	11,096
Permanently restricted	8,000	8,000
Total net assets	7,100,368	6,419,573
Total liabilities and net assets	\$ 7,273,094	\$ 6,901,911

See accompanying notes.

NASHVILLE RESCUE MISSION
STATEMENT OF ACTIVITIES
Year ended December 31, 2005

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public Support:				
Contributions	\$ 4,771,414	\$ 75,268	\$ -	\$4,846,682
Gifts-in-kind	3,274,233	-	-	3,274,233
Bequests	443,077	-	-	443,077
Net assets released from restrictions	75,268	(75,268)	-	-
Total public support	<u>8,563,992</u>	<u>-</u>	<u>-</u>	<u>8,563,992</u>
Revenue:				
Investment income	293	139	-	432
Fees for property use	146,142	-	-	146,142
Other revenue	46,219	-	-	46,219
Total revenue	<u>192,654</u>	<u>139</u>	<u>-</u>	<u>192,793</u>
Total public support and revenue	<u>8,756,646</u>	<u>139</u>	<u>-</u>	<u>8,756,785</u>
Expenses:				
Program services:				
Food, clothing and other distributions	3,283,320	-	-	3,283,320
Transient services	1,689,775	-	-	1,689,775
Rehabilitation services	1,196,281	-	-	1,196,281
Public awareness	121,681	-	-	121,681
Total program services	<u>6,291,057</u>	<u>-</u>	<u>-</u>	<u>6,291,057</u>
Supporting services:				
Management and general	313,506	-	-	313,506
Fundraising	1,471,427	-	-	1,471,427
Total supporting services	<u>1,784,933</u>	<u>-</u>	<u>-</u>	<u>1,784,933</u>
Total expenses	<u>8,075,990</u>	<u>-</u>	<u>-</u>	<u>8,075,990</u>
Change in net assets	<u>680,656</u>	<u>139</u>	<u>-</u>	<u>680,795</u>
Net assets at beginning of year	<u>6,400,477</u>	<u>11,096</u>	<u>8,000</u>	<u>6,419,573</u>
Net assets at end of year	<u>\$ 7,081,133</u>	<u>\$ 11,235</u>	<u>\$ 8,000</u>	<u>\$7,100,368</u>

See accompanying notes.

**NASHVILLE RESCUE MISSION
STATEMENT OF ACTIVITIES
Year ended December 31, 2004**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public Support:				
Contributions	\$ 4,460,459	\$ 77,224	\$ -	\$4,537,683
Gifts-in-kind	3,019,305	-	-	3,019,305
Bequests	154,950	-	-	154,950
Net assets released from restrictions	77,224	(77,224)	-	-
Total public support	<u>7,711,938</u>	<u>-</u>	<u>-</u>	<u>7,711,938</u>
Revenue:				
Investment income	166	67	-	233
Fees for property use	131,153	-	-	131,153
Other revenue	43,169	-	-	43,169
Total revenue	<u>174,488</u>	<u>67</u>	<u>-</u>	<u>174,555</u>
Total public support and revenue	<u>7,886,426</u>	<u>67</u>	<u>-</u>	<u>7,886,493</u>
Expenses:				
Program services:				
Food, clothing and other distributions	3,021,409	-	-	3,021,409
Transient services	1,529,448	-	-	1,529,448
Rehabilitation services	1,164,841	-	-	1,164,841
Public awareness	156,001	-	-	156,001
Total program services	<u>5,871,699</u>	<u>-</u>	<u>-</u>	<u>5,871,699</u>
Supporting services:				
Management and general	296,775	-	-	296,775
Fundraising	1,475,767	-	-	1,475,767
Total supporting services	<u>1,772,542</u>	<u>-</u>	<u>-</u>	<u>1,772,542</u>
Total expenses	<u>7,644,241</u>	<u>-</u>	<u>-</u>	<u>7,644,241</u>
Change in net assets	242,185	67	-	242,252
Net assets at beginning of year	<u>6,158,292</u>	<u>11,029</u>	<u>8,000</u>	<u>6,177,321</u>
Net assets at end of year	<u>\$ 6,400,477</u>	<u>\$ 11,096</u>	<u>\$ 8,000</u>	<u>\$6,419,573</u>

See accompanying notes.

**NASHVILLE RESCUE MISSION
STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2005**

	Program Services				Total Program Services	Supporting Services			Total Expenses
	Food, Clothing and Other Distributions	Transient Services	Rehabilitation Services	Public Awareness		Management and General	Fundraising	Total Supporting Services	
Gifts-in-kind	\$ 3,269,633	\$ -	\$ -	\$ -	\$ 3,269,633	\$ -	\$ -	\$ -	\$ 3,269,633
Salaries and wages	-	905,764	575,170	64,923	1,545,857	75,318	249,634	324,952	1,870,809
Contract services - donor appeals	-	-	-	-	-	-	814,123	814,123	814,123
Utilities	-	178,332	172,246	-	350,578	20,957	22,614	43,571	394,149
Other employee benefits	-	171,901	105,005	-	276,906	30,830	29,366	60,196	337,102
Printing and postage	-	148	110	952	1,210	16,150	201,170	217,320	218,530
Repairs and maintenance	-	86,880	45,324	-	132,204	8,153	3,111	11,264	143,468
Payroll taxes	-	68,462	43,583	4,951	116,996	5,420	18,939	24,359	141,355
Publicity	-	-	-	48,077	48,077	-	99,356	99,356	147,433
Supplies	-	34,853	30,593	-	65,446	22,842	17,143	39,985	105,431
Professional fees	-	34	-	-	34	99,555	18	99,573	99,607
Insurance	-	31,939	43,700	-	75,639	2,290	1,526	3,816	79,455
Travel and transportation	-	61,207	9,773	-	70,980	2,125	3,329	5,454	76,434
Retirement benefits	-	17,585	19,254	2,778	39,617	2,796	7,320	10,116	49,733
Benevolence	-	10,471	27,327	-	37,798	150	-	150	37,948
Interest	-	-	11,186	-	11,186	-	-	-	11,186
Food and clothing	13,687	-	-	-	13,687	1,334	20	1,354	15,041
Education and training	-	2,309	5,351	-	7,660	2,457	945	3,402	11,062
Property taxes	-	-	-	-	-	3,916	-	3,916	3,916
Rental of equipment	-	862	-	-	862	-	-	-	862
Miscellaneous	-	-	-	-	-	151	-	151	151
	<u>3,283,320</u>	<u>1,570,747</u>	<u>1,088,622</u>	<u>121,681</u>	<u>6,064,370</u>	<u>294,444</u>	<u>1,468,614</u>	<u>1,763,058</u>	<u>7,827,428</u>
Depreciation	-	119,028	107,659	-	226,687	19,062	2,813	21,875	248,562
Total expenses	<u>\$ 3,283,320</u>	<u>\$ 1,689,775</u>	<u>\$ 1,196,281</u>	<u>\$ 121,681</u>	<u>\$ 6,291,057</u>	<u>\$ 313,506</u>	<u>\$ 1,471,427</u>	<u>\$ 1,784,933</u>	<u>\$ 8,075,990</u>

See accompanying notes.

NASHVILLE RESCUE MISSION
STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2004

	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	\$ 3,009,305	\$ -	\$ -	\$ -	\$ 3,009,305	\$ -	\$ -	\$ -	\$ 3,009,305
Salaries and wages	-	770,145	557,465	79,216	1,406,826	63,922	264,119	328,041	1,734,867
Contract services - donor appeals	-	-	-	-	-	-	872,701	872,701	872,701
Utilities	-	161,389	156,750	-	318,139	19,789	21,645	41,434	359,573
Other employee benefits	-	167,919	101,029	-	268,948	34,163	35,761	69,924	338,872
Printing and postage	-	134	-	17,730	17,864	9,098	164,802	173,900	191,764
Repairs and maintenance	-	97,135	55,095	-	152,230	8,794	4,950	13,744	165,974
Payroll taxes	-	58,167	42,506	5,984	106,657	4,309	19,927	24,236	130,893
Publicity	-	-	-	49,923	49,923	-	55,474	55,474	105,397
Supplies	-	40,969	28,154	-	69,123	19,257	15,140	34,397	103,520
Professional fees	-	-	-	-	-	101,322	-	101,322	101,322
Insurance	-	29,500	42,479	-	71,979	2,305	1,640	3,945	75,924
Travel and transportation	-	56,802	7,283	-	64,085	3,968	4,772	8,740	72,825
Retirement benefits	-	15,616	19,038	3,148	37,802	2,654	9,169	11,823	49,625
Benevolence	-	9,600	24,627	-	34,227	-	-	-	34,227
Interest	-	-	19,776	-	19,776	-	-	-	19,776
Food and clothing	12,104	-	-	-	12,104	2,028	232	2,260	14,364
Education and training	-	2,797	3,487	-	6,284	2,704	580	3,284	9,568
Property taxes	-	-	-	-	-	3,112	-	3,112	3,112
Rental of equipment	-	527	62	-	589	-	-	-	589
Miscellaneous	-	98	-	-	98	59	20	79	177
	<u>3,021,409</u>	<u>1,410,798</u>	<u>1,057,751</u>	<u>156,001</u>	<u>5,645,959</u>	<u>277,484</u>	<u>1,470,932</u>	<u>1,748,416</u>	<u>7,394,375</u>
Depreciation	-	118,650	107,090	-	225,740	19,291	4,835	24,126	249,866
Total expenses	<u><u>\$ 3,021,409</u></u>	<u><u>\$ 1,529,448</u></u>	<u><u>\$ 1,164,841</u></u>	<u><u>\$ 156,001</u></u>	<u><u>\$ 5,871,699</u></u>	<u><u>\$ 296,775</u></u>	<u><u>\$ 1,475,767</u></u>	<u><u>\$ 1,772,542</u></u>	<u><u>\$ 7,644,241</u></u>

See accompanying notes.

**NASHVILLE RESCUE MISSION
STATEMENTS OF CASH FLOWS
Years ended December 31, 2005 and 2004**

	<u>2005</u>	<u>2004</u>
Cash flows from operating activities:		
Change in net assets	\$ 680,795	\$ 242,252
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	248,562	249,866
Provision for doubtful and discounted pledges	-	(10,409)
Loss on disposal of assets	7,922	-
Decrease in:		
Supplies inventory	454	345
Unconditional promises to give	-	33,400
Increase (decrease) in:		
Accounts payable	(9,794)	(71,285)
Other current liabilities	5,222	15
	<u>933,161</u>	<u>444,184</u>
Cash flows from investing activities:		
Purchases of property and equipment	<u>(184,117)</u>	<u>(56,147)</u>
	<u>(184,117)</u>	<u>(56,147)</u>
Cash flows from financing activities:		
Payments on notes payable	<u>(305,040)</u>	<u>(31,814)</u>
	<u>(305,040)</u>	<u>(31,814)</u>
Net increase in cash	444,004	356,223
Cash and cash equivalents at beginning of year	<u>771,162</u>	<u>414,939</u>
Cash and cash equivalents at end of year	<u><u>\$ 1,215,166</u></u>	<u><u>\$ 771,162</u></u>

See accompanying notes.

**NASHVILLE RESCUE MISSION
NOTES TO FINANCIAL STATEMENTS
December 31, 2005 and 2004**

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 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 other programs as well as excess amounts distributed to other non-profit agencies.

Transient Services:

- Men’s Shelter – providing shelter, medical care and spiritual counseling to transient and homeless individuals.
- Family Life Center – providing medical care, spiritual counseling and shelter 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.
- The Lodging Place – providing housing at a nominal fee (single resident occupancy units) to working men 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.

NASHVILLE RESCUE MISSION
NOTES TO FINANCIAL STATEMENTS (continued)
December 31, 2005 and 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- 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.

Basis of Accounting

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America using the accrual method of accounting.

Basis of Presentation

The Mission presents its financial statements in accordance with Statement of Financial Accounting Standards (“SFAS”) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Mission is required to report 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 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.

Designated – net assets designated by the Mission for particular purposes outside of normal operating activities.

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 statement of activities as net assets released from restrictions.

NASHVILLE RESCUE MISSION
NOTES TO FINANCIAL STATEMENTS (continued)
December 31, 2005 and 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Supplies Inventory

Supplies inventory is carried at cost if purchased or at estimated fair value as of the date contributed.

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
NOTES TO FINANCIAL STATEMENTS (continued)
December 31, 2005 and 2004

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 (effective January 2004) per meal served and \$4.70 per article of clothing provided. Beginning in 2001, excess clothing distributed to other non-profit agencies is valued at \$5.00 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.

A receivable from a donor is recognized when the Mission receives an unconditional promise to give a determinable amount. Amounts scheduled to be received in excess of one year are recorded at estimated present value, by discounting the future cash flows using a risk-free interest rate that corresponds with the term of each promise to give. An allowance for uncollectible amounts has been provided.

Income Taxes

The Nashville Rescue Mission 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.

Functional Allocation of Expenses

“Total Expenses” reported in the accompanying Statements 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.

NASHVILLE RESCUE MISSION
NOTES TO FINANCIAL STATEMENTS (continued)
December 31, 2005 and 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 financial statements primarily relate to those assumed in establishing the value of gifts-in-kind, donated services, and the allowance for uncollectible promises to give. Accordingly, actual results could differ from those estimates.

NOTE 2 – LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment consist of the following at December 31:

	<u>2005</u>	<u>2004</u>
Land and improvements	\$ 311,643	\$ 220,816
Buildings and improvements	6,618,574	6,599,156
Furniture, fixtures and equipment	954,772	935,272
Automobiles and trucks	<u>116,754</u>	<u>90,990</u>
	8,001,743	7,846,234
Less accumulated depreciation	<u>(1,956,679)</u>	<u>(1,728,803)</u>
	<u>\$ 6,045,064</u>	<u>\$ 6,117,431</u>

NOTE 3 – TEMPORARILY RESTRICTED NET ASSETS

Certain contributions were restricted by donors for use in conjunction with specified projects as follows for the years ended December 31:

	<u>2005</u>	<u>2004</u>
General use for the Family Life Center	\$ 58,908	\$ 55,895
Food and lodging	14,960	20,104
General use for the Anchor Home program	<u>1,400</u>	<u>1,225</u>
Total temporarily restricted contributions	<u>\$ 75,268</u>	<u>\$ 77,224</u>

NASHVILLE RESCUE MISSION
NOTES TO FINANCIAL STATEMENTS (continued)
December 31, 2005 and 2004

NOTE 3 – TEMPORARILY RESTRICTED NET ASSETS (continued)

Temporarily restricted net assets that were released upon satisfaction of donor-specified expenditure or time restrictions are summarized as follows for the years ended December 31:

	<u>2005</u>	<u>2004</u>
General use for the Family Life Center	\$ 58,908	\$ 55,895
Food and lodging	14,960	20,104
General use for the Anchor Home program	<u>1,400</u>	<u>1,225</u>
Total net assets released from restrictions	<u>\$ 75,268</u>	<u>\$ 77,224</u>

Temporarily restricted net assets consist of the following at December 31:

	<u>2005</u>	<u>2004</u>
Cash and cash equivalents for:		
College scholarships for program members	<u>\$ 11,235</u>	<u>\$ 11,096</u>

NOTE 4 – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of the following at December 31:

	<u>2005</u>	<u>2004</u>
Non-transferable preferred stock to be held for the production of investment income	<u>\$ 8,000</u>	<u>\$ 8,000</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 5 – 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 years ended December 31:

NASHVILLE RESCUE MISSION
NOTES TO FINANCIAL STATEMENTS (continued)
December 31, 2005 and 2004

NOTE 5 – GIFTS-IN-KIND AND DONATED SERVICES (continued)

	<u>2005</u>	<u>2004</u>
Gifts-in-kind received	\$ 3,274,233	\$ 3,019,305
Gifts-in-kind distributed:		
Clothing	\$ 2,025,443	\$ 1,862,132
Food	1,080,232	1,021,823
Holiday gifts	83,724	62,460
Supplies	43,409	27,478
Professional services	<u>36,825</u>	<u>35,412</u>
Total distributed	<u>\$ 3,269,633</u>	<u>\$ 3,009,305</u>
Gifts-in-kind capitalized:		
Automobiles and trucks	<u>\$ 4,600</u>	<u>\$ 10,000</u>
Total capitalized	<u>\$ 4,600</u>	<u>\$ 10,000</u>
Excess (deficit) of amounts received over amounts distributed and capitalized during the year	<u>\$ -</u>	<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 capitalized architectural services and other construction related items, and medical services provided by doctors, nurses and physician's assistants. Total donated services included with the above gifts-in-kind information for the years ended December 31, 2005 and 2004 were \$36,825 and \$35,412, respectively.

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 financial statements.

NOTE 6 – 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 years ended December 31, 2005 and 2004 totaled \$443,077 and \$154,950, respectively.

NASHVILLE RESCUE MISSION
NOTES TO FINANCIAL STATEMENTS (continued)
December 31, 2005 and 2004

NOTE 6 – BEQUESTS (continued)

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 7 – NOTES PAYABLE

Notes payable consist of the following at December 31:

	2005	2004
Mortgage payable – executed November 1997 with payment terms amended effective December 31, 2001. Originally payable in monthly installments of \$6,250; as of December 31, 2002, payable in monthly installments of \$5,570 including principal and interest at 6.0%, with remaining principal due July 1, 2003. As of April 25, 2003, payable in monthly installments of \$4,302, including principal and interest at 6.1% with remaining principal due April 25, 2008. Collateralized by certain real property. The note was paid in full as of December 31, 2005.	\$ -	\$ 305,040
Revolving line of credit – principal due on demand but if no demand made, due July 2006. Collateralized by certain real property. Interest at lender's prime rate (7.0% at December 31, 2005) payable monthly. The agreement allows for maximum borrowings of \$500,000.	-	-
Total notes payable	-	305,040
Less current portion	-	(33,984)
Long-term portion	\$ -	\$ 271,056

NOTE 8 – 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 \$49,733 and \$49,625 during 2005 and 2004, respectively, for matching contributions to the Retirement Plan.

NASHVILLE RESCUE MISSION
NOTES TO FINANCIAL STATEMENTS (continued)
December 31, 2005 and 2004

NOTE 9 – SUPPLEMENTAL CASH FLOW INFORMATION

The Mission recognized certain non-cash transactions as follows:

	<u>2005</u>	<u>2004</u>
Gifts-in-kind		
Received	\$ 3,274,233	\$ 3,019,305
Distributed	3,269,633	3,009,305
Capitalized	4,600	10,000

Interest paid totaled \$11,186 and \$19,814, for the years ended December 31, 2005 and 2004, respectively.

ADDITIONAL INFORMATION

NASHVILLE RESCUE MISSION
SCHEDULES OF TOTAL EXPENSES BY DEPARTMENT
Years ended December 31, 2005 and 2004

	2005	2004	Increase (Decrease)
Program services:			
Food, clothing and other distributions	\$ 3,283,320	\$ 3,021,409	\$ 261,911
Transient services:			
Men's shelter	1,163,504	1,049,676	113,828
Family Life Center	412,745	371,381	41,364
Travelers aid	113,526	108,391	5,135
Total transient services	1,689,775	1,529,448	160,327
Rehabilitation services:			
Men's recovery program and education	521,765	498,312	23,453
Hope Center	399,984	395,623	4,361
Anchor Home	148,887	138,538	10,349
The Lodging Place	125,645	132,368	(6,723)
Total rehabilitation services	1,196,281	1,164,841	31,440
Public awareness	121,681	156,001	(34,320)
Total program services	6,291,057	5,871,699	419,358
Supporting Services:			
Management and general	313,506	296,775	16,731
Fundraising	1,471,427	1,475,767	(4,340)
Total supporting services	1,784,933	1,772,542	12,391
Total expenses	\$ 8,075,990	\$ 7,644,241	\$ 431,749

See accompanying notes.