

NASHVILLE RESCUE MISSION

**FINANCIAL STATEMENTS
AND
ADDITIONAL INFORMATION**

December 31, 2007 and 2006

NASHVILLE RESCUE MISSION

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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, 2007 and 2006, 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, 2007 and 2006 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.

As discussed in Note 13 to the financial statements, management recorded a certain beneficial interest in a trust previously not recorded in the Mission's financial statements as required by accounting principles generally accepted in the United States of America. Accordingly, financial position at December 31, 2006 and change in net assets for the year ended December 31, 2006 have been restated.

Frasier, Dean & Howard, PLLC

May 8, 2008

NASHVILLE RESCUE MISSION
STATEMENTS OF FINANCIAL POSITION
December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u> <u>(Restated)</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,080,157	\$ 1,218,661
Certificates of deposit	2,178,954	1,250,000
Other	<u>19,410</u>	<u>4,864</u>
Total current assets	4,278,521	2,473,525
Long-term investments	8,000	8,000
Beneficial interest in trust	174,654	174,654
Land, buildings and equipment, net	<u>5,876,919</u>	<u>5,922,850</u>
Total assets	<u>\$10,338,094</u>	<u>\$ 8,579,029</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 226,798	\$ 138,462
Other	<u>40,569</u>	<u>38,658</u>
Total current liabilities	<u>267,367</u>	<u>177,120</u>
Net assets:		
Unrestricted	7,857,588	8,208,020
Unrestricted - Board designated	1,500,000	-
Temporarily restricted	530,485	11,235
Permanently restricted	<u>182,654</u>	<u>182,654</u>
Total net assets	<u>10,070,727</u>	<u>8,401,909</u>
Total liabilities and net assets	<u>\$10,338,094</u>	<u>\$ 8,579,029</u>

See accompanying notes.

NASHVILLE RESCUE MISSION
STATEMENT OF ACTIVITIES
Year Ended December 31, 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public support:				
Contributions	\$ 5,823,327	\$ 708,958	\$ -	\$ 6,532,285
Gifts-in-kind	3,289,320	-	-	3,289,320
Bequests	251,025	-	-	251,025
Net assets released from restrictions	189,708	(189,708)	-	-
Total public support	<u>9,553,380</u>	<u>519,250</u>	<u>-</u>	<u>10,072,630</u>
Revenue:				
Fees for property use	202,607	-	-	202,607
Other revenue	182,687	-	-	182,687
Total revenue	<u>385,294</u>	<u>-</u>	<u>-</u>	<u>385,294</u>
Total public support and revenue	<u>9,938,674</u>	<u>519,250</u>	<u>-</u>	<u>10,457,924</u>
Expenses:				
Program services:				
Food, clothing and other distributions	3,330,937	-	-	3,330,937
Transient services	1,999,011	-	-	1,999,011
Rehabilitation services	1,317,915	-	-	1,317,915
Public awareness	158,898	-	-	158,898
Total program services	<u>6,806,761</u>	<u>-</u>	<u>-</u>	<u>6,806,761</u>
Supporting services:				
Management and general	404,371	-	-	404,371
Fundraising	1,577,974	-	-	1,577,974
Total supporting services	<u>1,982,345</u>	<u>-</u>	<u>-</u>	<u>1,982,345</u>
Total expenses	<u>8,789,106</u>	<u>-</u>	<u>-</u>	<u>8,789,106</u>
Change in net assets	1,149,568	519,250	-	1,668,818
Net assets at beginning of year	<u>8,208,020</u>	<u>11,235</u>	<u>182,654</u>	<u>8,401,909</u>
Net assets at end of year	<u>\$ 9,357,588</u>	<u>\$ 530,485</u>	<u>\$ 182,654</u>	<u>\$10,070,727</u>

See accompanying notes.

**NASHVILLE RESCUE MISSION
STATEMENT OF ACTIVITIES
Year Ended December 31, 2006**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted (Restated)</u>	<u>Total</u>
Public support:				
Contributions	\$ 5,408,580	\$ 104,094	\$ -	\$5,512,674
Gifts-in-kind	3,476,555	-	-	3,476,555
Bequests	304,640	-	-	304,640
Change in value of beneficial interest in trust	-	-	174,654	174,654
Net assets released from restrictions	104,094	(104,094)	-	-
Total public support	<u>9,293,869</u>	<u>-</u>	<u>174,654</u>	<u>9,468,523</u>
Revenue:				
Investment income	677	-	-	677
Fees for property use	181,984	-	-	181,984
Other revenue	85,158	-	-	85,158
Total revenue	<u>267,819</u>	<u>-</u>	<u>-</u>	<u>267,819</u>
Total public support and revenue	<u>9,561,688</u>	<u>-</u>	<u>174,654</u>	<u>9,736,342</u>
Expenses:				
Program services:				
Food, clothing and other distributions	3,481,817	-	-	3,481,817
Transient services	1,726,145	-	-	1,726,145
Rehabilitation services	1,247,824	-	-	1,247,824
Public awareness	144,437	-	-	144,437
Total program services	<u>6,600,223</u>	<u>-</u>	<u>-</u>	<u>6,600,223</u>
Supporting services:				
Management and general	337,692	-	-	337,692
Fundraising	1,496,886	-	-	1,496,886
Total supporting services	<u>1,834,578</u>	<u>-</u>	<u>-</u>	<u>1,834,578</u>
Total expenses	<u>8,434,801</u>	<u>-</u>	<u>-</u>	<u>8,434,801</u>
Change in net assets	<u>1,126,887</u>	<u>-</u>	<u>174,654</u>	<u>1,301,541</u>
Net assets at beginning of year	<u>7,081,133</u>	<u>11,235</u>	<u>8,000</u>	<u>7,100,368</u>
Net assets at end of year	<u>\$ 8,208,020</u>	<u>\$ 11,235</u>	<u>\$ 182,654</u>	<u>\$8,401,909</u>

See accompanying notes.

NASHVILLE RESCUE MISSION
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2007

	Program Services					Supporting Services			Total Expenses
	Food, Clothing and Other Distributions	Transient Services	Rehabilitation Services	Public Awareness	Total Program Services	Management and General	Fundraising	Supporting Services	
Gifts-in-kind	\$ 3,289,320	\$ -	\$ -	\$ -	\$ 3,289,320	\$ -	\$ -	\$ -	\$ 3,289,320
Salaries and wages	-	1,102,740	663,716	58,574	1,825,030	162,260	255,801	418,061	2,243,091
Contract services - donor appeals	-	-	-	-	-	-	873,073	873,073	873,073
Utilities	-	194,118	186,581	-	380,699	26,370	22,300	48,670	429,369
Other employee benefits	-	192,445	117,029	-	309,474	33,888	36,594	70,482	379,956
Printing and postage	-	201	160	-	361	24,758	220,656	245,414	245,775
Publicity	-	-	-	93,536	93,536	-	100,967	100,967	194,503
Payroll taxes	-	84,667	50,665	4,513	139,845	11,340	16,340	27,680	167,525
Repairs and maintenance	-	113,554	40,331	-	153,885	9,440	3,907	13,347	167,232
Supplies	-	53,008	36,444	42	89,494	28,711	18,562	47,273	136,767
Insurance	-	33,273	45,682	-	78,955	2,462	1,641	4,103	83,058
Travel and transportation	-	58,880	13,903	-	72,783	4,087	5,429	9,516	82,299
Retirement benefits	-	21,262	17,931	2,087	41,280	8,329	11,003	19,332	60,612
Professional fees	-	-	-	-	-	60,153	-	60,153	60,153
Food and clothing	41,617	-	-	-	41,617	936	-	936	42,553
Benevolence	-	9,703	26,532	-	36,235	500	-	500	36,735
Education and training	-	3,177	5,668	-	8,845	2,914	5,242	8,156	17,001
Miscellaneous	-	1,752	442	146	2,340	3,518	432	3,950	6,290
Property taxes	-	-	-	-	-	4,342	-	4,342	4,342
	<u>3,330,937</u>	<u>1,868,780</u>	<u>1,205,084</u>	<u>158,898</u>	<u>6,563,699</u>	<u>384,008</u>	<u>1,571,947</u>	<u>1,955,955</u>	<u>8,519,654</u>
Depreciation	-	130,231	112,831	-	243,062	20,363	6,027	26,390	269,452
Total expenses	<u>\$ 3,330,937</u>	<u>\$ 1,999,011</u>	<u>\$ 1,317,915</u>	<u>\$ 158,898</u>	<u>\$ 6,806,761</u>	<u>\$ 404,371</u>	<u>\$ 1,577,974</u>	<u>\$ 1,982,345</u>	<u>\$ 8,789,106</u>

See accompanying notes.

NASHVILLE RESCUE MISSION
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2006

	Program Services				Supporting Services			Total Expenses	
	Food, Clothing and Other Distributions	Rehabilitation Services		Public Awareness	Total Program Services	Management and General			Total Supporting Services
		Transient Services	Rehabilitation Services			Fundraising	Supporting Services		
Gifts-in-kind	\$ 3,458,984	\$ -	\$ -	\$ 65,635	\$ 3,458,984	\$ -	\$ -	\$ 3,458,984	
Salaries and wages	-	924,662	631,487	-	1,621,784	113,059	244,933	1,979,776	
Contract services - donor appeals	-	-	-	-	-	-	838,576	838,576	
Utilities	-	173,657	167,601	10	341,268	24,242	21,043	386,553	
Other employee benefits	-	177,435	108,087	-	285,522	29,516	30,748	345,786	
Printing and postage	-	236	170	1,285	1,691	20,317	201,219	223,227	
Repairs and maintenance	-	95,260	44,511	-	139,771	8,292	3,719	151,782	
Payroll taxes	-	69,944	47,786	4,983	122,713	8,744	18,494	149,951	
Publicity	-	-	-	67,774	67,774	-	98,928	166,702	
Supplies	-	47,861	29,258	139	77,258	24,998	16,512	118,768	
Professional fees	-	406	460	7	873	72,113	92	73,078	
Insurance	-	32,306	44,281	-	76,587	2,354	1,569	80,510	
Travel and transportation	-	49,868	13,422	-	63,290	2,762	6,542	72,594	
Retirement benefits	-	19,447	19,267	2,808	41,522	2,908	9,226	53,656	
Benevolence	-	10,967	28,953	-	39,920	59	-	39,979	
Food and clothing	22,833	-	-	-	22,833	1,320	24	24,177	
Education and training	-	2,656	4,532	-	7,188	3,502	850	11,540	
Property taxes	-	-	-	-	-	3,647	-	3,647	
Miscellaneous	-	339	249	1,796	2,384	836	48	3,268	
	<u>3,481,817</u>	<u>1,605,044</u>	<u>1,140,064</u>	<u>144,437</u>	<u>6,371,362</u>	<u>318,669</u>	<u>1,492,523</u>	<u>8,182,554</u>	
Depreciation	-	121,101	107,760	-	228,861	19,023	4,363	252,247	
Total expenses	<u>\$ 3,481,817</u>	<u>\$ 1,726,145</u>	<u>\$ 1,247,824</u>	<u>\$ 144,437</u>	<u>\$ 6,600,223</u>	<u>\$ 337,692</u>	<u>\$ 1,496,886</u>	<u>\$ 8,434,801</u>	

See accompanying notes.

**NASHVILLE RESCUE MISSION
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2007 and 2006**

	2007	2006 (Restated)
Cash flows from operating activities:		
Change in net assets	\$ 1,668,818	\$ 1,301,541
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	269,452	252,247
Loss on disposal of assets	-	1,782
Donation of equipment	-	(17,571)
(Increase) decrease in:		
Beneficial interest in trust	-	(174,654)
Other	(14,546)	-
Increase (decrease) in:		
Accounts payable	88,336	(1,353)
Other current liabilities	1,911	5,747
	<u>2,013,971</u>	<u>1,367,739</u>
Cash flows from investing activities:		
Purchase of certificate of deposit	(928,954)	(1,250,000)
Purchases of property and equipment	(223,521)	(114,244)
	<u>(1,152,475)</u>	<u>(1,364,244)</u>
Net increase in cash	861,496	3,495
Cash and cash equivalents at beginning of year	<u>1,218,661</u>	<u>1,215,166</u>
Cash and cash equivalents at end of year	<u>\$ 2,080,157</u>	<u>\$ 1,218,661</u>

See accompanying notes.

**NASHVILLE RESCUE MISSION
NOTES TO FINANCIAL STATEMENTS
December 31, 2007 and 2006**

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, 2007 and 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Rehabilitation Services (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 – net assets that are not subject to donor-imposed stipulations.

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 statements 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.

NASHVILLE RESCUE MISSION
NOTES TO FINANCIAL STATEMENTS (continued)
December 31, 2007 and 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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:

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.

NASHVILLE RESCUE MISSION
NOTES TO FINANCIAL STATEMENTS (continued)
December 31, 2007 and 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Public Support (continued)

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.

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.

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.

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 Trust Held by a Third Party

A donor has established and funded a trust 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.

NASHVILLE RESCUE MISSION
NOTES TO FINANCIAL STATEMENTS (continued)
December 31, 2007 and 2006

NOTE 2 – CERTIFICATES OF DEPOSIT

Certificate of deposit consists of the following at December 31:

	<u>2007</u>	<u>2006</u>
Certificate of deposit (5.094%, matured May 5, 2007, extended to November 5, 2007)	\$ -	\$ 1,250,000
Certificate of deposit (4.95%, matures May 5, 2008)	1,309,671	-
Certificate of deposit (4.92%, matures May 19, 2008)	450,000	-
Certificate of deposit (4.70%, matures April 26, 2008)	100,000	-
Certificate of deposit (4.75%, matures May 26, 2008)	100,000	-
Certificate of deposit (3.40%, matures May 26, 2008)	<u>219,283</u>	<u>-</u>
	<u>\$ 2,178,954</u>	<u>\$ 1,250,000</u>

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.

NOTE 3 – LAND, BUILDINGS AND EQUIPMENT

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

	<u>2007</u>	<u>2006</u>
Land and improvements	\$ 357,123	\$ 357,123
Buildings and improvements	6,705,924	6,618,574
Furniture, fixtures and equipment	1,112,064	1,032,965
Automobiles and trucks	125,628	99,894
Construction in progress	<u>15,063</u>	<u>-</u>
	8,315,802	8,108,556
Less accumulated depreciation	<u>(2,438,883)</u>	<u>(2,185,706)</u>
	<u>\$ 5,876,919</u>	<u>\$ 5,922,850</u>

NOTE 4 – BENEFICIAL INTEREST IN TRUST

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. This income interest is an asset which the Mission had not recorded in previous years (NOTE 13). The Mission has now recorded an asset, which is considered permanently restricted of \$174,654. This valuation is based on 25% of the fair value of the trust,

NASHVILLE RESCUE MISSION
NOTES TO FINANCIAL STATEMENTS (continued)
December 31, 2007 and 2006

NOTE 4 – BENEFICIAL INTEREST IN TRUST (continued)

which currently approximates the fair value of amounts to be received under the trust. The Mission received annual income from such trust of approximately \$12,000 and \$15,000 for the years ended December 31, 2007 and 2006, respectively. Such amounts are included in unrestricted contributions in the accompanying statements of activities.

NOTE 5 – 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>2007</u>	<u>2006</u>
Women’s transitional housing	\$ 450,000	\$ -
Expansion for women’s facilities	69,250	-
General use for the Family Life Center	133,502	70,708
Food and lodging	2,150	1,120
General use for the Anchor Home for young men	<u>54,056</u>	<u>32,266</u>
Total temporarily restricted contributions	<u>\$ 708,958</u>	<u>\$ 104,094</u>

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>2007</u>	<u>2006</u>
General use for the Family Life Center	\$ 133,502	\$ 70,708
Food and lodging	2,150	1,120
General use for the Anchor Home for young men	<u>54,056</u>	<u>32,266</u>
Total net assets released from restrictions	<u>\$ 189,708</u>	<u>\$ 104,094</u>

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

	<u>2007</u>	<u>2006</u>
Cash and cash equivalents for:		
College scholarships for program members	\$ 11,235	\$ 11,235
Women’s transitional housing	450,000	-
Expansion of women’s facilities	<u>69,250</u>	<u>-</u>
	<u>\$ 530,485</u>	<u>\$ 11,235</u>

NASHVILLE RESCUE MISSION
NOTES TO FINANCIAL STATEMENTS (continued)
December 31, 2007 and 2006

NOTE 6 – PERMANENTLY RESTRICTED NET ASSETS

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

	<u>2007</u>	<u>2006</u>
Beneficial interest in trust (Note 4)	\$ 174,654	\$ 174,654
Non-transferable preferred stock to be held for the production of investment income	<u>8,000</u>	<u>8,000</u>
	<u>\$ 182,654</u>	<u>\$ 182,654</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 7 – 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:

	<u>2007</u>	<u>2006</u>
Gifts-in-kind received	\$ 3,289,320	\$ 3,476,555
Gifts-in-kind distributed:		
Clothing	\$ 1,785,987	\$ 2,118,887
Food	1,256,808	1,143,684
Holiday gifts	106,458	93,328
Supplies	96,817	57,072
Professional services	<u>43,250</u>	<u>46,013</u>
Total distributed	<u>\$ 3,289,320</u>	<u>\$ 3,458,984</u>
Gifts-in-kind capitalized:		
Furniture and fixtures	\$ -	\$ 17,571
Automobiles and trucks	<u>-</u>	<u>-</u>
Total capitalized	<u>\$ -</u>	<u>\$ 17,571</u>
Excess (deficit) of amounts received over amounts distributed and capitalized during the year	<u>\$ -</u>	<u>\$ -</u>

NASHVILLE RESCUE MISSION
NOTES TO FINANCIAL STATEMENTS (continued)
December 31, 2007 and 2006

NOTE 7 – GIFTS-IN-KIND AND DONATED SERVICES (continued)

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 years ended December 31, 2007 and 2006 were \$43,250 and \$46,013, 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 8 – 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, 2007 and 2006 totaled \$251,025 and \$304,640, respectively.

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 9 – 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 August 7, 2008. The agreement provides for short-term borrowings of up to \$500,000. Outstanding balances under the line of credit totaled \$0 at December 31, 2007 and 2006.

NOTE 10 – 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 \$60,612 and \$53,656 during 2007 and 2006, respectively, for matching contributions to the Retirement Plan.

NASHVILLE RESCUE MISSION
NOTES TO FINANCIAL STATEMENTS (continued)
December 31, 2007 and 2006

NOTE 11 – DESIGNATED NET ASSETS

During 2007, the Board designated \$1,500,000 for future reserves.

NOTE 12 – SUPPLEMENTAL CASH FLOW INFORMATION

The Mission recognized certain non-cash transactions as follows:

	<u>2007</u>	<u>2006</u>
Gifts-in-kind:		
Received	\$ 3,289,320	\$ 3,476,555
Distributed	3,289,320	3,458,984
Capitalized	-	17,571

Interest paid totaled \$0, for the years ended December 31, 2007 and 2006.

NOTE 13 – RESTATEMENT

The Mission restated permanently restricted contributions and permanently restricted net assets as of and for the year ended December 31, 2006 to properly record its beneficial interest in a perpetual trust at that date of \$174,654 (Note 4). The Mission's interest in such trust had previously been unrecorded in the Mission's accounting records.

ADDITIONAL INFORMATION



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INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION

The Board of Directors
Nashville Rescue Mission
Nashville, Tennessee

Our report on our audits of the basic financial statements of Nashville Rescue Mission for 2007 and 2006 appears on page 2. Those audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying 2007 and 2006 Schedules of Total Expenses by Department are presented for purposes of additional analysis, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Frasier, Dean & Howard, PLLC

May 8, 2008

NASHVILLE RESCUE MISSION
SCHEDULES OF TOTAL EXPENSES BY DEPARTMENT
Years Ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>	<u>Increase (Decrease)</u>
Program services:			
Food, clothing and other distributions	\$ 3,330,937	\$ 3,481,817	\$ (150,880)
Transient services:			
Men's shelter	1,377,961	1,201,040	176,921
Family Life Center	502,659	415,286	87,373
Travelers aid	118,391	109,819	8,572
Total transient services	1,999,011	1,726,145	272,866
Rehabilitation services:			
Men's recovery program and education	568,195	536,669	31,526
Hope Center	456,517	428,984	27,533
Anchor Home	161,573	158,060	3,513
The Lodging Place	131,630	124,111	7,519
Total rehabilitation services	1,317,915	1,247,824	70,091
Public awareness	158,898	144,437	14,461
Total program services	6,806,761	6,600,223	206,538
Supporting Services:			
Management and general	404,371	337,692	66,679
Fundraising	1,577,974	1,496,886	81,088
Total supporting services	1,982,345	1,834,578	147,767
Total expenses	<u>\$ 8,789,106</u>	<u>\$ 8,434,801</u>	<u>\$ 354,305</u>

See accompanying notes.