

**NASHVILLE RESCUE MISSION
AND AFFILIATES**

CONSOLIDATED FINANCIAL STATEMENTS

As of and for the Years Ended September 30, 2019 and 2018

And Report of Independent Auditor

NASHVILLE RESCUE MISSION AND AFFILIATES

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Report of Independent Auditor

To the Board of Directors
Nashville Rescue Mission and Affiliates
Nashville, Tennessee

We have audited the accompanying consolidated financial statements of Nashville Rescue Mission (a non-profit organization) and Affiliates, which comprise the consolidated statements of financial position as of September 30, 2019 and 2018, 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.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 Affiliates as of September 30, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Changes in Financial Statement Presentation

As discussed in Note 1, Nashville Rescue Mission and Affiliates adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements for Not-for-Profit Entities*. The ASU has been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

Cheng Bekant LLP

Nashville, Tennessee
January 31, 2020

NASHVILLE RESCUE MISSION AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 5,875,918	\$ 4,412,075
Certificates of deposit	-	1,028,223
Prepaid expenses	202,534	191,260
Pledges receivable	5,000	11,500
Other assets	10,903	8,223
Total Current Assets	<u>6,094,355</u>	<u>5,651,281</u>
Investments	28,990	28,824
Beneficial interest in trusts	423,880	428,104
Land, buildings, and equipment, net	<u>10,920,922</u>	<u>11,279,374</u>
Total Assets	<u><u>\$ 17,468,147</u></u>	<u><u>\$ 17,387,583</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 153,421	\$ 211,862
Accrued expenses	327,416	298,363
Unearned revenue	<u>14,000</u>	<u>56,002</u>
Total Current Liabilities	<u>494,837</u>	<u>566,227</u>
Net Assets:		
Without Donor Restrictions:		
Undesignated	299,818	527,085
Board designated - Note 1	5,277,314	4,371,670
Net investment in land, buildings, and equipment	<u>10,920,922</u>	<u>11,279,374</u>
Total Net Assets Without Donor Restrictions	16,498,054	16,178,129
With donor restrictions	<u>475,256</u>	<u>643,227</u>
Total Net Assets	<u>16,973,310</u>	<u>16,821,356</u>
Total Liabilities and Net Assets	<u><u>\$ 17,468,147</u></u>	<u><u>\$ 17,387,583</u></u>

NASHVILLE RESCUE MISSION AND AFFILIATES
CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support:			
Contributions	\$ 11,124,809	\$ 16,180	\$ 11,140,989
Gifts-in-kind	2,972,161	-	2,972,161
Bequests	819,565	-	819,565
Net assets released from restrictions	179,927	(179,927)	-
Total Public Support	<u>15,096,462</u>	<u>(163,747)</u>	<u>14,932,715</u>
Revenue:			
Other revenue	132,511	-	132,511
Change in value of beneficial interest in trusts	-	(4,224)	(4,224)
Total Revenue	<u>132,511</u>	<u>(4,224)</u>	<u>128,287</u>
Total Public Support and Revenue	<u>15,228,973</u>	<u>(167,971)</u>	<u>15,061,002</u>
Expenses:			
Program Services:			
Food, clothing, and other distributions	3,128,231	-	3,128,231
Guest services	4,592,238	-	4,592,238
Recovery services	2,843,713	-	2,843,713
Public awareness	349,949	-	349,949
Total Program Services	<u>10,914,131</u>	<u>-</u>	<u>10,914,131</u>
Supporting Services:			
Management and general	1,291,400	-	1,291,400
Fundraising	2,703,517	-	2,703,517
Total Supporting Services	<u>3,994,917</u>	<u>-</u>	<u>3,994,917</u>
Total Expenses	<u>14,909,048</u>	<u>-</u>	<u>14,909,048</u>
Change in net assets	319,925	(167,971)	151,954
Net assets, beginning of year	16,178,129	643,227	16,821,356
Net assets, end of year	<u>\$ 16,498,054</u>	<u>\$ 475,256</u>	<u>\$ 16,973,310</u>

NASHVILLE RESCUE MISSION AND AFFILIATES
CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public Support:			
Contributions	\$ 10,926,446	\$ 36,985	\$ 10,963,431
Gifts-in-kind	2,779,703	-	2,779,703
Bequests	472,379	-	472,379
Net assets released from restrictions	130,312	(130,312)	-
Total Public Support	<u>14,308,840</u>	<u>(93,327)</u>	<u>14,215,513</u>
Revenue:			
Other revenue	173,526	-	173,526
Change in value of beneficial interest in trusts	-	2,832	2,832
Total Revenue	<u>173,526</u>	<u>2,832</u>	<u>176,358</u>
Total Public Support and Revenue	<u>14,482,366</u>	<u>(90,495)</u>	<u>14,391,871</u>
Expenses:			
Program Services:			
Food, clothing, and other distributions	2,961,489	-	2,961,489
Guest services	4,278,494	-	4,278,494
Recovery services	2,782,793	-	2,782,793
Public awareness	357,514	-	357,514
Total Program Services	<u>10,380,290</u>	<u>-</u>	<u>10,380,290</u>
Supporting Services:			
Management and general	1,397,234	-	1,397,234
Fundraising	2,541,588	-	2,541,588
Total Supporting Services	<u>3,938,822</u>	<u>-</u>	<u>3,938,822</u>
Total Expenses	<u>14,319,112</u>	<u>-</u>	<u>14,319,112</u>
Change in net assets	163,254	(90,495)	72,759
Net assets, beginning of year	16,014,875	733,722	16,748,597
Net assets, end of year	<u>\$ 16,178,129</u>	<u>\$ 643,227</u>	<u>\$ 16,821,356</u>

NASHVILLE RESCUE MISSION AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2019

	Program Services				Supporting Services				Total Expenses
	Food, Clothing, and Other Distributions	Guest Services	Recovery Services	Public Awareness	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries and wages	\$ -	\$ 2,645,400	\$ 1,623,609	\$ -	\$ 4,269,009	\$ 556,054	\$ 603,678	\$ 1,159,732	\$ 5,428,741
Gifts-in-kind	2,948,485	-	-	-	2,948,485	-	-	-	2,948,485
Contract services - donor appeals	-	-	-	-	-	-	1,392,382	1,392,382	1,392,382
Other employee benefits	-	484,531	257,295	-	741,826	197,445	68,914	266,359	1,008,185
Publicity	-	-	-	349,949	349,949	-	206,110	206,110	556,059
Utilities	-	286,534	236,583	-	523,117	19,301	18,808	38,109	561,226
Payroll taxes	-	172,092	99,566	-	271,658	86,253	29,385	115,638	387,296
Repairs and maintenance	-	233,675	88,652	-	322,327	7,538	5,129	12,667	334,994
Printing and postage	-	-	189	-	189	41,818	284,446	326,264	326,453
Supplies	-	156,230	86,045	-	242,275	33,067	6,021	39,088	281,363
Food purchases	179,746	-	-	-	179,746	796	17	813	180,559
Retirement benefits	-	67,258	45,785	-	113,043	43,664	15,712	59,376	172,419
Dues and subscriptions	-	60,079	16,239	-	76,318	38,517	46,409	84,926	161,244
Insurance	-	56,108	45,254	-	101,362	55,738	3,385	59,123	160,485
Miscellaneous	-	28,445	27,941	-	56,386	69,248	36	69,284	125,670
Professional fees	-	-	-	-	-	101,320	725	102,045	102,045
Travel and transportation	-	50,544	19,418	-	69,962	15,740	1,200	16,940	86,902
Benevolence	-	591	14,237	-	14,828	3,741	-	3,741	18,569
	3,128,231	4,241,487	2,560,813	349,949	10,280,480	1,270,240	2,682,357	3,952,597	14,233,077
Depreciation	-	350,751	282,900	-	633,651	21,160	21,160	42,320	675,971
Total Expenses	\$ 3,128,231	\$ 4,592,238	\$ 2,843,713	\$ 349,949	\$ 10,914,131	\$ 1,291,400	\$ 2,703,517	\$ 3,994,917	\$ 14,909,048

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

NASHVILLE RESCUE MISSION AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2018

	Program Services				Total Program Services	Supporting Services			Total Expenses
	Food, Clothing, and Other Distributions	Guest Services	Recovery Services	Public Awareness		Management and General	Fundraising	Total Supporting Services	
Salaries and wages	\$ -	\$ 2,398,370	\$ 1,530,597	\$ -	\$ 3,928,967	\$ 610,358	\$ 578,711	\$ 1,189,069	\$ 5,118,036
Gifts-in-kind	2,772,594	-	-	-	2,772,594	-	-	-	2,772,594
Contract services -									
donor appeals	-	-	-	-	-	-	1,366,802	1,366,802	1,366,802
Other employee benefits	-	463,772	285,129	-	748,901	241,486	68,604	310,090	1,058,991
Utilities	-	266,159	219,413	-	485,572	21,285	18,092	39,377	524,949
Publicity	-	-	-	357,514	357,514	-	147,645	147,645	505,159
Payroll taxes	-	157,995	95,465	-	253,460	83,249	28,759	112,008	365,468
Repairs and maintenance	-	231,796	104,841	-	336,637	8,375	5,403	13,778	350,415
Supplies	-	163,480	95,432	-	258,912	26,609	6,583	33,192	292,104
Printing and postage	-	-	-	-	-	39,206	238,580	277,786	277,786
Insurance	-	82,769	66,758	-	149,527	85,808	4,993	90,801	240,328
Food purchases	188,895	-	-	-	188,895	911	194	1,105	190,000
Dues and subscriptions	-	57,233	18,810	-	76,043	40,770	43,544	84,314	160,357
Retirement benefits	-	65,523	45,145	-	110,668	33,560	11,669	45,229	155,897
Professional fees	-	181	-	-	181	103,277	-	103,277	103,458
Miscellaneous	-	7,100	6,965	-	14,065	66,696	-	66,696	80,761
Travel and transportation	-	35,907	18,657	-	54,564	11,404	1,003	12,407	66,971
Benevolence	-	-	14,730	-	14,730	3,234	-	3,234	17,964
	2,961,489	3,930,285	2,501,942	357,514	9,751,230	1,376,228	2,520,582	3,896,810	13,648,040
Depreciation	-	348,209	280,851	-	629,060	21,006	21,006	42,012	671,072
Total Expenses	\$ 2,961,489	\$ 4,278,494	\$ 2,782,793	\$ 357,514	\$ 10,380,290	\$ 1,397,234	\$ 2,541,588	\$ 3,938,822	\$ 14,319,112

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

NASHVILLE RESCUE MISSION AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ 151,954	\$ 72,759
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	675,971	671,072
Change in value of beneficial interest in trust	4,224	(2,832)
Unrealized gain on investments	(166)	(1,122)
Gain on sale of property	-	(1,275)
Donation of property	(23,676)	(7,109)
(Increase) decrease in:		
Pledges receivable	6,500	13,100
Prepaid expenses	(11,274)	89,328
Other assets	(2,680)	(8,223)
Increase (decrease) in:		
Accounts payable	(58,441)	92,752
Accrued expenses	29,053	22,631
Unearned revenue	(42,002)	51,002
Net cash provided by operating activities	<u>729,463</u>	<u>992,083</u>
Cash flows from investing activities:		
Proceeds from sale of equipment	-	1,275
Purchases and sales of certificate of deposit, net	1,028,223	(262,994)
Purchases of land, buildings, and equipment	<u>(293,843)</u>	<u>(341,599)</u>
Net cash provided by (used in) investing activities	<u>734,380</u>	<u>(603,318)</u>
Net increase in cash and cash equivalents	1,463,843	388,765
Cash and cash equivalents, beginning of year	<u>4,412,075</u>	<u>4,023,310</u>
Cash and cash equivalents, end of year	<u>\$ 5,875,918</u>	<u>\$ 4,412,075</u>

NASHVILLE RESCUE MISSION AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2019 AND 2018

Note 1—Nature of operations and summary of significant accounting policies

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’s purpose is to serve 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.

Effective October 1, 2011, the Mission revised its organizational structure whereby NRM Holdings, Inc. (“Holdings”), established in August 2010, became the sole owner of the Mission and a newly formed “series” limited liability company, NRM Properties, LLC (“NRM Properties”). Each parcel of land owned by the Mission was transferred to a separate series within NRM Properties. All furniture, equipment, and other personal property owned by the Mission, with the exception of automobiles and other motor vehicles, was conveyed to a separate series of NRM Properties. The Mission entered into leases of the real and personal property owned by NRM Properties for the purpose of using said property for the conduct of the business and ministry of the Mission. The Mission remains the principal operating entity for conducting the day-to-day business affairs and ministry of the Mission and Holdings. Board designated funds of the Mission, including the working capital reserve and capital asset reserve, were transferred to Holdings and were held and maintained by Holdings under the same conditions and restrictions as currently exist with respect to the Mission.

Effective January 1, 2012, the principal operating entity was reorganized from a non-profit corporation (since 1954) to a non-profit limited liability company and its name was changed to Nashville Rescue Mission Ministries, LLC. In addition, the name of Holdings was changed to Nashville Rescue Mission effective January 1, 2012.

Principles of Consolidation – The consolidated financial statements include the accounts of Nashville Rescue Mission, Nashville Rescue Mission Ministries, LLC, and NRM Properties, LLC (collectively the “Mission”).

All significant inter-entity transactions and balances have been eliminated in consolidation.

Basis of Presentation – The Mission presents its consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). Net assets and public support, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. In addition, the Mission is required to present a consolidated statement of cash flows. Net assets of the Mission are presented as follows:

Net Assets Without Donor Restrictions –

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

Board Designated – Net assets designated by the Mission’s board for particular purposes, presently designated by the board for future working capital reserves (\$1,348,099) and future capital asset reserves from the receipt of bequests (Note 8) (\$3,929,215) totaling \$5,277,314 at September 30, 2019.

Net Investment in Land, Buildings, and Equipment – Resources invested in land, buildings, and equipment designated by the Mission’s board for particular purposes.

NASHVILLE RESCUE MISSION AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2019 AND 2018

Note 1—Nature of operations and summary of significant accounting policies (continued)

Net Assets With Donor Restrictions – Net assets subject to donor-imposed stipulations. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Mission or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Net assets with donor restrictions represent amounts available for specified projects. Net assets required to be held in perpetuity represent restricted gifts held in investment accounts. Generally, donors of these assets may permit the Mission to use all or part of the income earned 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, which have a maturity of three months or less at the time of purchase.

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
Automobiles and trucks	5 – 7 years
Furniture, fixtures and equipment	3 – 10 years

Split Interest Agreements – Accounting standards require that the following instruments be recorded as contributions and assets at the fair value of the Mission’s ultimate interest.

Beneficial Interest in Trusts – 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.

Public Support – The Mission receives public support in the form of cash contributions, unconditional promises to give, bequests, noncash gifts of securities, 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 per meal served and \$3.50 per article of clothing provided. Excess clothing distributed to other non-profit agencies is valued at \$3.70 per pound. Management believes these estimated values for donated food and clothing are conservative based on cost and value 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 AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2019 AND 2018

Note 1—Nature of operations and summary of significant accounting policies (continued)

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 a credit risk adjusted interest rate that corresponds with the term of each promise to give.

Income Taxes – The Mission (including, for tax purposes, Affiliates) 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 follows Financial Accounting Standards Board (“FASB”) Accounting Standards Codification 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 Mission has no tax penalties or interest reported in the accompanying consolidated financial statements. The Mission had no uncertain tax positions at September 30, 2019 or 2018.

Functional Allocation of Expenses – The costs of providing program services and supporting services have been summarized on a functional basis in the consolidated statements of activities and functional expenses. Expenses that relate to more than one function are allocated among applicable functions on the basis of objectively evaluated financial and nonfinancial data or reasonable subjective methods determined by management. Expenses that have been allocated consist primarily of salaries and related expenses and depreciation.

The following program and supporting services are included in the accompanying consolidated financial statements:

Program Services

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.

Guest Services –

- *Men’s Emergency Shelter* – Providing shelter and spiritual counseling to homeless men.
- *Women’s Emergency Shelter* – Providing shelter and spiritual counseling to homeless women and their children.
- *Travelers Aid* – Providing travel assistance to needy individuals.

NASHVILLE RESCUE MISSION AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2019 AND 2018

Note 1—Nature of operations and summary of significant accounting policies (continued)

Recovery 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.
- *Women's Recovery Program* – 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.
- *Transitional Housing for Men and Women* – Providing transitional housing (single resident occupancy) to graduates of the life recovery program 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 life recovery programs to securing independent housing arrangements. The Transitional Housing for men is located at 639 Lafayette Street and the housing for women is located at 1709 7th Avenue North.

Public Awareness – Providing information to the public regarding needs of the community and the Mission's program services.

Supporting Services

Management and General – Includes costs related to the overall direction of the Mission. These expenses are not identifiable with a particular program or with fundraising but are indispensable to the conduct of those activities and are essential to the Mission. Specific activities include organization oversight, business management, human resource function, finance and accounting services, training and coordinating volunteers, property and technology oversight, and other administrative duties.

Fundraising – Includes costs of activities directed toward grant writing, donor tracking, public relations, and fundraising. Other activities include the cost of solicitations as well as the creation and distribution of fundraising materials.

Use of Estimates – The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. 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.

Subsequent Events – The Mission evaluated subsequent events through January 31, 2020, when these consolidated financial statements were available to be issued.

NASHVILLE RESCUE MISSION AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2019 AND 2018

Note 1—Nature of operations and summary of significant accounting policies (continued)

Change in Accounting Principle – In August 2016, the FASB issued Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities*. The standard addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The ASU has been applied retrospectively to all periods presented.

Forthcoming Accounting Pronouncements – In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 clarifies the principles for recognizing revenue and develops a common revenue standard under U.S. GAAP under which an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 is effective for the Mission for the year ending September 30, 2020. The Mission is currently evaluating the effect of the implementation of this new standard.

In January 2016, the FASB issued ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*. This guidance revises accounting related to (1) the classification and measurement of investments in equity securities and (2) the presentation of certain fair value changes for financial liabilities measured at fair value. It also amends certain disclosure requirements associated with fair value of financial instruments. This guidance is effective for the year ending September 30, 2020. The Mission is evaluating the impact this guidance may have on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases*. This guidance introduces a lessee model that brings substantially all leases on the statements of financial position. This guidance is effective for the year ending September 30, 2022. The Mission is evaluating the impact this guidance may have on its consolidated financial statements.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The guidance in this ASU clarifies the accounting guidance for contributions received and contributions made. The amendments in this ASU will assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of *Topic 958, Not-for-Profit entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. This guidance is effective for the year ending September 30, 2020. The Mission is evaluating the impact of this standard on its consolidated financial statements.

Note 2—Liquidity and availability

The Mission regularly monitors liquidity required to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Mission considers all expenditures related to its ongoing activities of providing to the hurting of Middle Tennessee by offering food, clothing, and shelter to the homeless and recovery programs to those enslaved in life-degrading problems, as well as the conduct of services undertaken to support those activities to be general expenditures. As a part of the Mission’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

NASHVILLE RESCUE MISSION AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2019 AND 2018

Note 2—Liquidity and availability (continued)

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the consolidated statements of financial position date, comprise the following at September 30:

	<u>2019</u>	<u>2018</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 5,875,918	\$ 4,412,075
Certificates of deposit	-	1,028,223
Pledges receivable	5,000	11,500
Investments	28,990	28,824
Total financial assets	<u>5,909,908</u>	<u>5,480,622</u>
Less amounts not available to be used for general expenditures within one year:		
Board designated	5,277,314	4,371,670
Purpose restrictions	46,376	203,623
Time restrictions	5,000	11,500
Financial assets not available to be used within one year	<u>5,328,690</u>	<u>4,586,793</u>
Financial assets available to meet cash needs for general expenditures within one year:	<u>\$ 581,218</u>	<u>\$ 893,829</u>

Note 3—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).

The three levels of the fair value hierarchy 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.

NASHVILLE RESCUE MISSION AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2019 AND 2018

Note 3—Fair value measurements (continued)

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. There have been no changes in methodologies used at September 30, 2019 and 2018.

The following is a description of the valuation methodologies used for asset measurements at fair value at September 30, 2019 and 2018:

Certificate of Deposit – Valued at cost plus accrued interest, which approximates fair value.

Beneficial Interest in Trusts – Valued using information obtained from third party sources, including financial statements and other information from detailed listings of holdings from the trusts. These valuations are typically performed annually, based on the fair value of the amounts the Mission expects to receive under the term of the trusts.

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 methods are 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 different fair value measurements at the reporting date.

The following table sets forth the Mission's major categories of assets and liabilities measured at fair value on a recurring basis, by level within the fair value hierarchy, as of September 30, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Beneficial interest in trusts	\$ -	\$ -	\$ 423,880	\$ 423,880

The following table sets forth the Mission's major categories of assets and liabilities measured at fair value on a recurring basis, by level within the fair value hierarchy, as of September 30, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	\$ 1,028,223	\$ -	\$ -	\$ 1,028,223
Beneficial interest in trusts	-	-	428,104	428,104
	<u>\$ 1,028,223</u>	<u>\$ -</u>	<u>\$ 428,104</u>	<u>\$ 1,456,327</u>

A summary of changes in assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) follows at September 30:

	<u>2019</u>	<u>2018</u>
Beneficial interest in trusts at beginning of year	\$ 428,104	\$ 425,272
Change in value of beneficial interest in trusts	(4,224)	2,832
Beneficial interest in trusts at end of year	<u>\$ 423,880</u>	<u>\$ 428,104</u>

NASHVILLE RESCUE MISSION AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2019 AND 2018

Note 4—Certificates of deposit

Certificates of deposit consist of the following at September 30:

	2019	2018
Certificate of deposit (1.685%, matures February 13, 2019)	\$ -	\$ 778,223
Certificate of deposit (1.20%, matures December 22, 2018)	-	250,000
	<u>\$ -</u>	<u>\$ 1,028,223</u>

As discussed in Note 3, certificate of deposit is considered to be a Level 1 investment.

Note 5—Land, buildings, and equipment

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

	2019	2018
Land and improvements	\$ 2,394,687	\$ 2,394,687
Buildings and improvements	13,117,101	12,895,810
Furniture, fixtures, and equipment	3,957,728	3,856,246
Automobiles and trucks	268,100	222,490
Construction in progress	63,884	114,749
	<u>19,801,500</u>	<u>19,483,982</u>
Less accumulated depreciation	(8,880,578)	(8,204,608)
	<u>\$ 10,920,922</u>	<u>\$ 11,279,374</u>

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 is approximately \$121,000 and is considered to have a perpetual restriction. 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 \$3,000 and \$-0- for the years ended September 30, 2019 and 2018, respectively. Such amount is included in contributions without donor restrictions in the accompanying consolidated statements 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 is approximately \$302,000 and is considered to have a perpetual restriction. 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 \$33,000 and \$32,000 for the years ended September 30, 2019 and 2018, respectively. Such amount is included in contributions without donor restrictions in the accompanying consolidated statements of activities.

As discussed in Note 2, beneficial interest in trusts is considered to be Level 3 investments.

NASHVILLE RESCUE MISSION AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2019 AND 2018

Note 7—Net assets with donor restrictions

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

	2019	2018
Beneficial Interest in Trust with perpetual restrictions	\$ 423,880	\$ 428,104
Support for future Women’s Campus projects	-	30,500
Freight elevator upgrade, minibus, forklift	-	147,638
Miscellaneous supplies	46,376	25,485
Pledges receivable	5,000	11,500
Total net assets with donor restrictions	<u>\$ 475,256</u>	<u>\$ 643,227</u>

Net assets that were released from restriction upon satisfaction of donor-specified expenditure or time restrictions are summarized as follows for the years ended September 30:

	2019	2018
Freight elevator upgrade, minibus, forklift	\$ 168,427	\$ 105,712
Pledges receivable	11,500	24,600
Total net assets released from restrictions	<u>\$ 179,927</u>	<u>\$ 130,312</u>

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 September 30, 2019 and 2018 totaled \$819,565 and \$472,379, 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.

NASHVILLE RESCUE MISSION AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2019 AND 2018

Note 9—Gifts-in-kind and donated services

As described in Note 1, the Mission receives various noncash gifts, primarily food and clothing, and recognizes them as public support as the gifts are utilized. Generally, these gifts-in-kind are utilized in the same year they are received. Gifts-in-kind received, distributed, and capitalized as fixed assets included in the consolidated statements of financial position are summarized as follows for the years ended September 30:

	<u>2019</u>	<u>2018</u>
Gifts-in-kind received	\$ 2,972,161	\$ 2,779,703
Gifts-in-kind distributed:		
Food	\$ 1,318,315	\$ 1,305,989
Clothing	1,515,993	1,219,581
Supplies	114,177	247,024
Total distributed	<u>\$ 2,948,485</u>	<u>\$ 2,772,594</u>
Gifts-in-kind capitalized	<u>\$ 23,676</u>	<u>\$ 7,109</u>

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—Employee benefit plan

The Mission provides a retirement benefit (the "Retirement Plan") to its eligible employees. Effective April 2014, the Mission provides a base contribution of three percent of gross salary to every employee's retirement account. In addition, the Mission matches 50% of participating employee contributions on the first six percent of an employee's contributions. All eligible employees who elect to participate make contributions to the Retirement Plan through payroll deductions. The Mission recognized expense of \$172,419 and \$155,897 during the years ended September 30, 2019 and 2018, respectively, for base and matching contributions to the Retirement Plan.

Note 11—Supplemental cash flow information

The Mission recognized certain non-cash transactions as follows for the year ended September 30:

	<u>2019</u>	<u>2018</u>
Gifts-in-kind:		
Received	\$ 2,972,161	\$ 2,779,703
Distributed	<u>\$ 2,948,485</u>	<u>\$ 2,772,594</u>
Capitalized	<u>\$ 23,676</u>	<u>\$ 7,109</u>

ADDITIONAL INFORMATION

Report of Independent Auditor on Additional Information

To the Board of Directors
Nashville Rescue Mission and Affiliates
Nashville, Tennessee

We have audited the consolidated financial statements of Nashville Rescue Mission and Affiliates (the "Mission") as of and for the years ended September 30, 2019 and 2018, and our report thereon dated January 31, 2020, which expressed an unmodified opinion on those consolidated financial statements, appears on page 1. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidated schedules of total expenses by department for the years ended September 30, 2019 and 2018 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

Cherry Bekaert LLP

Nashville, Tennessee
January 31, 2020

NASHVILLE RESCUE MISSION AND AFFILIATES
CONSOLIDATED SCHEDULES OF TOTAL EXPENSES BY DEPARTMENT

SEPTEMBER 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>	<u>Increase (Decrease)</u>
Program Services:			
Food, clothing, and other distributions	\$ 3,128,231	\$ 2,961,489	\$ 166,742
Guest Services:			
Men's Emergency Shelter	2,888,744	2,723,572	165,172
Women's Emergency Shelter	1,703,494	1,554,922	148,572
Total Guest Services	<u>4,592,238</u>	<u>4,278,494</u>	<u>313,744</u>
Recovery Services:			
Men's Recovery Program and Education	1,616,904	1,639,978	(23,074)
Women's Recovery Program and Education	1,226,809	1,142,815	83,994
Total Recovery Services	<u>2,843,713</u>	<u>2,782,793</u>	<u>60,920</u>
Public awareness	349,949	357,514	(7,565)
Total Program Services	<u>10,914,131</u>	<u>10,380,290</u>	<u>533,841</u>
Supporting Services:			
Management and general	1,291,400	1,397,234	(105,834)
Fundraising	2,703,517	2,541,588	161,929
Total Supporting Services	<u>3,994,917</u>	<u>3,938,822</u>	<u>56,095</u>
Total Expenses	<u>\$ 14,909,048</u>	<u>\$ 14,319,112</u>	<u>\$ 589,936</u>