

**NASHVILLE RESCUE MISSION
AND AFFILIATE**

**CONSOLIDATED FINANCIAL STATEMENTS
AND
ADDITIONAL INFORMATION**

December 31, 2009 and 2008

NASHVILLE RESCUE MISSION AND AFFILIATE

TABLE OF CONTENTS

Independent Auditor’s Report.....2

Consolidated Financial Statements:

 Consolidated Statements of Financial Position.....3

 Consolidated Statements of Activities4 – 5

 Consolidated Statements of Functional Expenses6 – 7

 Consolidated Statements of Cash Flows.....8

Notes to Consolidated Financial Statements.....9 – 20

Additional Information:

 Independent Auditor’s Report on Additional Information21

 Consolidated Schedules of Total Expenses by Department22



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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated statements of financial position of Nashville Rescue Mission and Affiliate (a non-profit organization) as of December 31, 2009 and 2008, and the related consolidated 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 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Nashville Rescue Mission and Affiliate as of December 31, 2009 and 2008, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Frasier, Dean + Howard, PLLC

March 29, 2010

**NASHVILLE RESCUE MISSION AND AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2009 and 2008**

	2009	2008
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,782,588	\$ 2,429,181
Certificates of deposit	1,870,568	3,044,398
Contribution receivable	48,626	200,000
Other	64,794	29,877
Total current assets	4,766,576	5,703,456
Long-term investments	63,520	60,995
Beneficial interest in trust	327,253	215,074
Land, buildings and equipment, net	8,892,049	5,952,700
Total assets	\$ 14,049,398	\$ 11,932,225
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 609,975	\$ 226,969
Other	54,401	47,186
Total current liabilities	664,376	274,155
Net assets:		
Unrestricted	9,453,721	8,667,244
Unrestricted - Board designated	3,536,187	1,585,417
Temporarily restricted	59,861	1,182,335
Permanently restricted	335,253	223,074
Total net assets	13,385,022	11,658,070
Total liabilities and net assets	\$ 14,049,398	\$ 11,932,225

See accompanying notes.

**NASHVILLE RESCUE MISSION AND AFFILIATE
CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended December 31, 2009**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public support:				
Contributions	\$ 6,874,299	\$ 1,327,775	\$ -	\$ 8,202,074
Gifts-in-kind	3,310,641	-	-	3,310,641
Bequests	121,187	-	107,877	229,064
Net assets released from restrictions	2,450,249	(2,450,249)	-	-
Total public support	<u>12,756,376</u>	<u>(1,122,474)</u>	<u>107,877</u>	<u>11,741,779</u>
Revenue:				
Fees for property use	195,446	-	-	195,446
Other revenue	170,122	-	-	170,122
Change in value of beneficial interest in trust	-	-	4,302	4,302
Total revenue	<u>365,568</u>	<u>-</u>	<u>4,302</u>	<u>369,870</u>
Total public support and revenue	<u>13,121,944</u>	<u>(1,122,474)</u>	<u>112,179</u>	<u>12,111,649</u>
Expenses:				
Program services:				
Food, clothing and other distributions	3,313,477	-	-	3,313,477
Transient services	2,735,415	-	-	2,735,415
Rehabilitation services	1,583,056	-	-	1,583,056
Public awareness	383,410	-	-	383,410
Total program services	<u>8,015,358</u>	<u>-</u>	<u>-</u>	<u>8,015,358</u>
Supporting services:				
Management and general	515,839	-	-	515,839
Fundraising	1,853,500	-	-	1,853,500
Total supporting services	<u>2,369,339</u>	<u>-</u>	<u>-</u>	<u>2,369,339</u>
Total expenses	<u>10,384,697</u>	<u>-</u>	<u>-</u>	<u>10,384,697</u>
Change in net assets	2,737,247	(1,122,474)	112,179	1,726,952
Net assets at beginning of year	<u>10,252,661</u>	<u>1,182,335</u>	<u>223,074</u>	<u>11,658,070</u>
Net assets at end of year	<u>\$12,989,908</u>	<u>\$ 59,861</u>	<u>\$ 335,253</u>	<u>\$13,385,022</u>

See accompanying notes.

NASHVILLE RESCUE MISSION
CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended December 31, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public support:				
Contributions	\$ 6,557,127	\$ 884,072	\$ -	\$ 7,441,199
Gifts-in-kind	3,156,576	-	-	3,156,576
Bequests	219,933	-	-	219,933
Net assets released from restrictions	232,222	(232,222)	-	-
Total public support	10,165,858	651,850	-	10,817,708
Revenue:				
Fees for property use	200,672	-	-	200,672
Other revenue	182,896	-	-	182,896
Change in value of beneficial interest in trust	-	-	40,420	40,420
Total revenue	383,568	-	40,420	423,988
Total public support and revenue	10,549,426	651,850	40,420	11,241,696
Expenses:				
Program services:				
Food, clothing and other distributions	3,217,549	-	-	3,217,549
Transient services	2,452,417	-	-	2,452,417
Rehabilitation services	1,399,241	-	-	1,399,241
Public awareness	302,737	-	-	302,737
Total program services	7,371,944	-	-	7,371,944
Supporting services:				
Management and general	452,144	-	-	452,144
Fundraising	1,830,265	-	-	1,830,265
Total supporting services	2,282,409	-	-	2,282,409
Total expenses	9,654,353	-	-	9,654,353
Change in net assets	895,073	651,850	40,420	1,587,343
Net assets at beginning of year	9,357,588	530,485	182,654	10,070,727
Net assets at end of year	\$ 10,252,661	\$ 1,182,335	\$ 223,074	\$ 11,658,070

See accompanying notes.

NASHVILLE RESCUE MISSION AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2009

	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	\$ 3,241,714	\$ -	\$ -	\$ -	\$ 3,241,714	\$ -	\$ -	\$ -	\$ 3,241,714
Salaries and wages	-	1,566,743	745,676	22,219	2,334,638	174,937	439,278	614,215	2,948,853
Contract services - donor appeals	-	-	-	-	-	-	1,021,495	1,021,495	1,021,495
Other employee benefits	-	256,319	165,901	-	422,220	51,098	53,845	104,943	527,163
Utilities	-	206,748	209,144	-	415,892	30,818	25,671	56,489	472,381
Publicity	-	-	-	359,373	359,373	-	12,294	12,294	371,667
Repairs and maintenance	-	197,733	87,557	-	285,290	18,115	7,535	25,650	310,940
Printing and postage	-	138	361	-	499	21,451	199,449	220,900	221,399
Payroll taxes	-	119,172	56,657	1,818	177,647	11,978	29,065	41,043	218,690
Supplies	-	81,123	51,972	-	133,095	38,541	21,010	59,551	192,646
Insurance	-	41,080	56,485	-	97,565	3,081	2,054	5,135	102,700
Travel and transportation	-	65,254	14,403	-	79,657	4,486	8,055	12,541	92,198
Professional fees	-	69	-	-	69	91,874	-	91,874	91,943
Retirement benefits	-	27,715	16,967	-	44,682	14,750	20,597	35,347	80,029
Food and clothing	71,763	-	-	-	71,763	2,239	194	2,433	74,196
Benevolence	-	10,552	27,113	-	37,665	792	-	792	38,457
Education and training	-	3,167	3,260	-	6,427	5,182	2,793	7,975	14,402
Property taxes	-	-	-	-	-	13,833	-	13,833	13,833
Miscellaneous	-	1,385	139	-	1,524	5,889	677	6,566	8,090
	<u>3,313,477</u>	<u>2,577,198</u>	<u>1,435,635</u>	<u>383,410</u>	<u>7,709,720</u>	<u>489,064</u>	<u>1,844,012</u>	<u>2,333,076</u>	<u>10,042,796</u>
Depreciation	-	158,217	147,421	-	305,638	26,775	9,488	36,263	341,901
Total expenses	<u>\$ 3,313,477</u>	<u>\$ 2,735,415</u>	<u>\$ 1,583,056</u>	<u>\$ 383,410</u>	<u>\$ 8,015,358</u>	<u>\$ 515,839</u>	<u>\$ 1,853,500</u>	<u>\$ 2,369,339</u>	<u>\$ 10,384,697</u>

See accompanying notes.

NASHVILLE RESCUE MISSION
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2008

	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	\$ 3,154,581	\$ -	\$ -	\$ -	\$ 3,154,581	\$ -	\$ -	\$ -	\$ 3,154,581
Salaries and wages	-	1,385,254	650,920	37,902	2,074,076	161,321	353,083	514,404	2,588,480
Contract services - donor appeals	-	-	-	-	-	-	1,061,113	1,061,113	1,061,113
Utilities	-	232,829	225,572	-	458,401	31,089	27,999	59,088	517,489
Other employee benefits	-	226,996	140,463	-	367,459	44,020	43,917	87,937	455,396
Printing and postage	-	61	-	891	952	23,297	221,468	244,765	245,717
Publicity	-	-	-	260,463	260,463	-	31,360	31,360	291,823
Payroll taxes	-	105,328	49,610	3,120	158,058	11,591	23,340	34,931	192,989
Repairs and maintenance	-	145,323	54,579	-	199,902	13,923	5,089	19,012	218,914
Supplies	-	67,994	40,297	-	108,291	35,613	18,624	54,237	162,528
Insurance	-	36,536	50,073	361	86,970	2,683	1,789	4,472	91,442
Travel and transportation	-	65,648	16,201	-	81,849	7,016	8,200	15,216	97,065
Retirement benefits	-	21,481	19,615	-	41,096	13,361	17,217	30,578	71,674
Professional fees	-	-	-	-	-	70,000	853	70,853	70,853
Food and clothing	62,968	-	-	-	62,968	2,147	64	2,211	65,179
Benevolence	-	11,479	27,476	-	38,955	111	-	111	39,066
Education and training	-	3,652	3,385	-	7,037	3,493	5,735	9,228	16,265
Miscellaneous	-	4,854	4,340	-	9,194	3,711	2,847	6,558	15,752
Property taxes	-	-	-	-	-	3,764	-	3,764	3,764
	<u>3,217,549</u>	<u>2,307,435</u>	<u>1,282,531</u>	<u>302,737</u>	<u>7,110,252</u>	<u>427,140</u>	<u>1,822,698</u>	<u>2,249,838</u>	<u>9,360,090</u>
Depreciation	-	144,982	116,710	-	261,692	25,004	7,567	32,571	294,263
Total expenses	<u>\$ 3,217,549</u>	<u>\$ 2,452,417</u>	<u>\$ 1,399,241</u>	<u>\$ 302,737</u>	<u>\$ 7,371,944</u>	<u>\$ 452,144</u>	<u>\$ 1,830,265</u>	<u>\$ 2,282,409</u>	<u>\$ 9,654,353</u>

See accompanying notes.

**NASHVILLE RESCUE MISSION AND AFFILIATE
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,726,952	\$ 1,587,343
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	341,901	294,263
Donation of property	(68,931)	(1,999)
Donation of investments	-	(52,995)
(Increase) decrease in:		
Pledge receivable	151,374	(200,000)
Beneficial interest in trust	(112,179)	(40,420)
Other	(34,917)	(10,467)
Increase (decrease) in:		
Accounts payable	383,006	171
Other current liabilities	7,215	6,617
	<u>2,394,421</u>	<u>1,582,513</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Proceeds from sale (purchases) of certificates of deposit, net	1,171,305	(865,444)
Purchases of property and equipment	(3,212,319)	(368,045)
	<u>(2,041,014)</u>	<u>(1,233,489)</u>
Net cash used in investing activities		
Net increase in cash	353,407	349,024
Cash and cash equivalents at beginning of year	<u>2,429,181</u>	<u>2,080,157</u>
Cash and cash equivalents at end of year	<u><u>\$2,782,588</u></u>	<u><u>\$2,429,181</u></u>

See accompanying notes.

**NASHVILLE RESCUE MISSION AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2009 and 2008**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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.

NASHVILLE RESCUE MISSION AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
December 31, 2009 and 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- 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.
- Hope Center – providing a life recovery program for women affected by addictions and life defeating problems including Bible classes, counseling, educational classes, and employment preparation to women who seek a way out of destructive lifestyles.
- Anchor Home for Young Men – providing a “second chance” program to assist young men with past addiction, legal, criminal and antisocial issues.

Public Awareness:

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

Principles of Consolidation

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

Accounting Standards of Codification

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

Basis of Presentation

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

Unrestricted net assets –

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

NASHVILLE RESCUE MISSION AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
December 31, 2009 and 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

Designated - net assets designated by the Mission's board for particular purposes, presently designated by the board for future working capital reserves (\$1,750,000), future capital asset reserves (\$286,187), and construction (\$1,500,000).

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

Cash and Cash Equivalents

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

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

Land, Buildings and Equipment

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

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

Public Support

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

NASHVILLE RESCUE MISSION AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
December 31, 2009 and 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Public Support (continued)

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

Donated Services: generally not recognized unless the services:

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

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

Income Taxes

The Nashville Rescue Mission (including, for tax purposes, Affiliate) is a non-profit corporation that has qualified for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation.

Functional Allocation of Expenses

“Total Expenses” reported in the accompanying consolidated 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 AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
December 31, 2009 and 2008

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 consolidated 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 Trusts Held by a Third Party

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

Recently Adopted Accounting Standards

On January 1, 2009 the Mission adopted FASB ASC 740-10-25 paragraphs 5 through 17, "Income Taxes" ("FASB ASC 740"). The guidance clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements. This interpretation 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. FASB ASC 740 must be applied to all existing tax positions upon initial adoption. Adoption of this pronouncement had no impact on the Mission's consolidated financial position or consolidated statement of activities.

NOTE 2 – FAIR VALUE MEASUREMENTS

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

NASHVILLE RESCUE MISSION AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
December 31, 2009 and 2008

NOTE 2 – FAIR VALUE MEASUREMENTS (continued)

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

- Level 1 inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

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

- Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

The following is a description of the valuation methodology used for asset measurement at fair value at December 31, 2009 and 2008.

Certificates of deposit - Valued at cost plus accrued interest, which approximates market value at year end.

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

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

NASHVILLE RESCUE MISSION AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
December 31, 2009 and 2008

NOTE 3 – CERTIFICATES OF DEPOSIT

Certificates of deposit consist of the following at December 31:

	<u>2009</u>	<u>2008</u>
Certificate of deposit (3.69%, matures November 2, 2010)	\$ 1,407,847	\$ 1,357,020
Certificate of deposit (2.09%, matured March 15, 2009)	-	464,247
Certificate of deposit (2.75% matures June 15, 2010)	153,001	-
Certificate of deposit (2.32%, matured March 26, 2009)	-	102,962
Certificate of deposit (3.25% matures February 28, 2011)	309,720	-
Certificate of deposit (3.10% matured April 26, 2009)	<u>-</u>	<u>1,120,169</u>
	<u>\$ 1,870,568</u>	<u>\$ 3,044,398</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.

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

NOTE 4 – CONTRIBUTIONS RECEIVABLE

Contributions receivable are recorded at net realizable value. Pledges receivable include the following at December 31:

	<u>2009</u>	<u>2008</u>
Unconditional promises to give due in:		
Less than one year	\$ 48,626	\$ 200,000
1-2 years	-	-
Allowance for uncollectible pledges receivable	<u>-</u>	<u>-</u>
Net pledges receivable	<u>\$ 48,626</u>	<u>\$ 200,000</u>

As of December 31, 2008, contribution receivable of \$200,000 consists of a promise to give by an individual donor in connection with the capital campaign (Note 14). The same donor has made a conditional promise to give another \$500,000 based on the Mission raising \$1 million, excluding certain previous gifts. Such condition was met and the related contribution was received and recorded by the Mission in 2009.

NASHVILLE RESCUE MISSION AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
December 31, 2009 and 2008

NOTE 5 – LAND, BUILDINGS AND EQUIPMENT

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

	<u>2009</u>	<u>2008</u>
Land and improvements	\$ 691,746	\$ 457,999
Buildings and improvements	8,152,602	6,796,558
Furniture, fixtures and equipment	1,691,060	1,202,000
Automobiles and trucks	140,878	140,878
Construction in progress (Note 14)	<u>1,290,810</u>	<u>88,411</u>
	11,967,096	8,685,846
Less accumulated depreciation	<u>(3,075,047)</u>	<u>(2,733,146)</u>
	<u>\$ 8,892,049</u>	<u>\$ 5,952,700</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 of \$107,877 is considered permanently restricted. This valuation is based on 10% of the fair value of the trust, which currently approximates the fair value of amounts to be received under the trust. The Mission received annual income from such trust of approximately \$5,600 for the year ended December 31, 2009. Such amount is included in unrestricted contributions 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 of \$219,376 is considered permanently restricted. This valuation is based on 25% of the fair value of the trust, which currently approximates the fair value of amounts to be received under the trust. The Mission received annual income from such trust of approximately \$33,500 and \$17,000 for the years ended December 31, 2009 and 2008, respectively. Such amounts are included in unrestricted contributions in the accompanying consolidated statements of activities.

As discussed in Note 1, beneficial interest in trusts are valued as Level 3 investments.

NASHVILLE RESCUE MISSION AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
December 31, 2009 and 2008

NOTE 7 – 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>2009</u>	<u>2008</u>
Expansion for women’s facilities	\$ 1,282,523	\$ 828,203
General use for the Family Life Center	29,722	48,944
Food and lodging	14,190	3,125
General use for the Anchor Home for young men	<u>1,340</u>	<u>3,800</u>
Total temporarily restricted contributions	<u>\$ 1,327,775</u>	<u>\$ 884,072</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>2009</u>	<u>2008</u>
General use for the Family Life Center	\$ 29,722	\$ 48,944
Food and lodging	14,190	3,125
General use for the Anchor Home for young men	1,340	3,800
Women’s transitional housing	273,647	176,353
Expansion for women’s facilities	<u>2,131,350</u>	<u>-</u>
Total net assets released from restrictions	<u>\$ 2,450,249</u>	<u>\$ 232,222</u>

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

	<u>2009</u>	<u>2008</u>
Cash and cash equivalents for:		
College scholarships for program members	\$ 11,235	\$ 11,235
Women’s transitional housing	-	273,647
Expansion of women’s facilities	<u>48,626</u>	<u>897,453</u>
	<u>\$ 59,861</u>	<u>\$ 1,182,335</u>

NOTE 8 – PERMANENTLY RESTRICTED NET ASSETS

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

	<u>2009</u>	<u>2008</u>
Beneficial interest in trusts (Note 6)	\$ 327,253	\$ 215,074
Non-transferable preferred stock to be held for the production of investment income	<u>8,000</u>	<u>8,000</u>
	<u>\$ 335,253</u>	<u>\$ 223,074</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.

NASHVILLE RESCUE MISSION AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
December 31, 2009 and 2008

NOTE 9 – GIFTS-IN-KIND AND DONATED SERVICES

As described in Note 1, the Mission receives various non-cash gifts, primarily food and clothing, and recognizes them as public support in the year contributed. Generally, these gifts-in-kind are utilized in the same year they are received. Gifts-in-kind received, distributed and capitalized are summarized as follows for the years ended December 31:

	<u>2009</u>	<u>2008</u>
Gifts-in-kind received	\$ 3,310,641	\$ 3,156,576
Gifts-in-kind distributed:		
Clothing	\$ 1,445,678	\$ 1,536,812
Food	1,493,097	1,331,558
Holiday gifts	190,827	119,370
Supplies	87,850	115,615
Professional services	<u>24,262</u>	<u>51,226</u>
Total distributed	<u>\$ 3,241,714</u>	<u>\$ 3,154,581</u>
Gifts-in-kind capitalized:		
Furniture and fixtures	\$ 3,460	\$ 1,995
Other	<u>65,467</u>	<u>-</u>
Total capitalized	<u>\$ 68,927</u>	<u>\$ 1,995</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 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, 2009 and 2008 were \$24,262 and \$51,226, 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 consolidated financial statements.

NASHVILLE RESCUE MISSION AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
December 31, 2009 and 2008

NOTE 10 – BEQUESTS

Similar to many non-profit organizations, the Mission receives support from bequests. As indicated in Note 1, contributions (including bequests) are recognized as public support when received or when the contributor makes an unconditional promise to give a determinable amount. As a result, the amount of support from bequests may vary significantly between years. Bequests received during the years ended December 31, 2009 and 2008 totaled \$121,187 and \$219,933, 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 11 – LINE OF CREDIT

The Mission maintains a line of credit arrangement with a financial institution, with interest rates at the Wall Street Journal prime rate. Monthly interest payments are due based on outstanding amounts with the principal due August 20, 2010. The agreement provides for short-term borrowings of up to \$500,000. There were no outstanding balances under the line of credit at December 31, 2009 and 2008.

NOTE 12 – EMPLOYEE BENEFITS

The Mission provides a retirement benefit (the “Retirement Plan”) to its eligible employees. All eligible employees who elect to participate make contributions to the Retirement Plan through payroll deductions. The Mission matches participating employee contributions up to eight percent of their annual salary. The Mission recognized expense of \$80,030 and \$71,674 during 2009 and 2008, respectively, for matching contributions to the Retirement Plan.

NOTE 13 – SUPPLEMENTAL CASH FLOW INFORMATION

The Mission recognized certain non-cash transactions as follows:

	<u>2009</u>	<u>2008</u>
Gifts-in-kind:		
Received	\$ 3,310,641	\$ 3,156,576
Distributed	3,241,714	3,154,581
Capitalized	68,927	1,995

The Mission received a non-cash donation of savings bonds totaling \$52,995 during the year ended December 31, 2008.

NASHVILLE RESCUE MISSION AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
December 31, 2009 and 2008

NOTE 14 – CAPITAL CAMPAIGN

The Mission has entered into a capital campaign to assist in the expansion of the Family Life Center and Hope Center for Women and Children, and to build a Women's Transitional House. The Mission completed construction related to the expansion of the Women's Transitional House during 2009 and costs amounting to \$1,190,678 and \$88,411 have been capitalized as of December 31, 2009 and 2008, respectively. The Mission has begun construction related to the Family Life Center and Hope Center and costs amounting to \$1,290,810 have been capitalized as of December 31, 2009. Total anticipated cost of the project is approximately \$3.3 million. The Mission intends to fund the project through cash on hand and capital campaign contributions.

The Mission's goal is to raise \$5.4 million in capital campaign contributions, of which approximately \$3.1 million of cash and intentions to give towards that goal have been received as of December 31, 2009. Because pledges represent an intention to give and are not unconditional, they do not meet the criteria for revenue recognition under applicable accounting standards, and are not reflected in the accompanying consolidated financial statements.

In connection with the capital campaign, the Mission entered into an agreement with a fundraising consultant in 2008. The agreement requires a monthly fee of \$5,000. Either party may terminate this agreement with thirty days notice. Amounts paid for fundraising consultant services amounted to \$43,180 and \$53,576 during 2009 and 2008, respectively.

NOTE 15 – COMMITMENT

In connection with the construction of the Family Life Center and Hope Center, the Mission entered into an agreement with a contractor in 2009 with an estimated cost of approximately \$3.3 million. Construction is expected to be completed by the end of March 2010.

NOTE 16 – SUBSEQUENT EVENT

Subsequent to December 31, 2009, the Mission purchased two pieces of property totaling \$250,000. The Mission plans to use these properties as part of its operation as the properties are nearby current Mission facilities.

In addition to the previously mentioned event, the Mission evaluated subsequent events through March 29, 2010, when these financial statements were available to be issued. The Mission is not aware of any additional significant events that occurred subsequent to the statement of financial position date but prior to the filing of this report that would have a material impact on the financial statements.

ADDITIONAL INFORMATION



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INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION

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

Our report on our audits of the basic financial statements of Nashville Rescue Mission and Affiliate for 2009 and 2008 appears on page 2. Those audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying 2009 and 2008 Consolidated Schedules of Total Expenses by Department are presented for purposes of additional analysis, and are not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

Frasier, Dean & Howard, PLLC

March 29, 2010

NASHVILLE RESCUE MISSION AND AFFILIATE
CONSOLIDATED SCHEDULES OF TOTAL EXPENSES BY DEPARTMENT
Years ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>	Increase (Decrease)
Program services:			
Food, clothing and other distributions	\$ 3,313,477	\$ 3,217,549	\$ 95,928
Transient services:			
Men's shelter	1,910,346	1,706,027	204,319
Family Life Center	682,677	614,359	68,318
Travelers aid	142,392	132,031	10,361
Total transient services	<u>2,735,415</u>	<u>2,452,417</u>	<u>282,998</u>
Rehabilitation services:			
Men's recovery program and education	712,652	626,814	85,838
Hope Center	518,769	485,181	33,588
Anchor Home	136,958	146,604	(9,646)
The Lodging Place	144,106	140,642	3,464
Transitional Housing	70,571	-	70,571
Total rehabilitation services	<u>1,583,056</u>	<u>1,399,241</u>	<u>183,815</u>
Public awareness	<u>383,410</u>	<u>302,737</u>	<u>80,673</u>
Total program services	<u>8,015,358</u>	<u>7,371,944</u>	<u>643,414</u>
Supporting services:			
Management and general	515,839	452,144	63,695
Fundraising	<u>1,853,500</u>	<u>1,830,265</u>	<u>23,235</u>
Total supporting services	<u>2,369,339</u>	<u>2,282,409</u>	<u>86,930</u>
Total expenses	<u>\$ 10,384,697</u>	<u>\$ 9,654,353</u>	<u>\$ 730,344</u>

See accompanying notes.