

**NASHVILLE RESCUE MISSION
AND AFFILIATES**

**CONSOLIDATED FINANCIAL STATEMENTS
AND
ADDITIONAL INFORMATION**

September 30, 2012 and 2011

NASHVILLE RESCUE MISSION AND AFFILIATES

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated statements of financial position of Nashville Rescue Mission and Affiliates (a non-profit organization) as of September 30, 2012 and 2011, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our 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 Affiliates as of September 30, 2012 and 2011, 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

January 14, 2013

NASHVILLE RESCUE MISSION AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
September 30, 2012 and 2011

	2012	2011
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,142,836	\$ 1,838,450
Certificate of deposit	729,245	719,893
Contributions receivable	25,000	26,895
Insurance receivable	284,795	-
Prepaid expenses	242,419	328,416
Other assets	12,964	12,893
Total current assets	3,437,259	2,926,547
Long-term investments	62,095	59,682
Beneficial interest in trusts	329,701	318,422
Land, buildings and equipment, net	11,872,379	11,127,419
Total assets	\$ 15,701,434	\$ 14,432,070
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 271,850	\$ 246,733
Insurance repairs payable	284,795	-
Accrued expenses	114,590	125,013
Other liabilities	6,883	9,544
Total current liabilities	678,118	381,290
Net assets:		
Unrestricted	12,417,380	11,327,228
Unrestricted - board designated	2,165,000	2,292,000
Total unrestricted net assets	14,582,380	13,619,228
Temporarily restricted	111,235	113,130
Permanently restricted	329,701	318,422
Total net assets	15,023,316	14,050,780
Total liabilities and net assets	\$ 15,701,434	\$ 14,432,070

See accompanying notes.

NASHVILLE RESCUE MISSION AND AFFILIATES
CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended September 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public support:				
Contributions	\$ 8,796,898	\$ 279,564	\$ -	\$ 9,076,462
Gifts-in-kind	2,761,709	-	-	2,761,709
Bequests	305,788	-	-	305,788
Net assets released from restrictions	281,459	(281,459)	-	-
Total public support	<u>12,145,854</u>	<u>(1,895)</u>	<u>-</u>	<u>12,143,959</u>
Revenue:				
Fees for property use	152,940	-	-	152,940
Other revenue	117,692	-	-	117,692
Insurancy recovery, net	420,675	-	-	420,675
Change in value of beneficial interest in trust	-	-	11,279	11,279
Total revenue	<u>691,307</u>	<u>-</u>	<u>11,279</u>	<u>702,586</u>
Total public support and revenue	<u>12,837,161</u>	<u>(1,895)</u>	<u>11,279</u>	<u>12,846,545</u>
Expenses:				
Program services:				
Food, clothing and other distributions	2,954,429	-	-	2,954,429
Guest services	3,334,175	-	-	3,334,175
Recovery services	2,005,184	-	-	2,005,184
Public awareness	426,755	-	-	426,755
Total program services	<u>8,720,543</u>	<u>-</u>	<u>-</u>	<u>8,720,543</u>
Supporting services:				
Management and general	856,165	-	-	856,165
Fundraising	2,297,301	-	-	2,297,301
Total supporting services	<u>3,153,466</u>	<u>-</u>	<u>-</u>	<u>3,153,466</u>
Total expenses	<u>11,874,009</u>	<u>-</u>	<u>-</u>	<u>11,874,009</u>
Change in net assets	963,152	(1,895)	11,279	972,536
Net assets at beginning of year	<u>13,619,228</u>	<u>113,130</u>	<u>318,422</u>	<u>14,050,780</u>
Net assets at end of year	<u>\$ 14,582,380</u>	<u>\$ 111,235</u>	<u>\$ 329,701</u>	<u>\$ 15,023,316</u>

See accompanying notes.

NASHVILLE RESCUE MISSION AND AFFILIATES
CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended September 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public support:				
Contributions	\$ 8,700,710	\$ 104,550	\$ -	\$ 8,805,260
Gifts-in-kind	2,895,610	-	-	2,895,610
Bequests	394,765	-	-	394,765
Net assets released from restrictions	40,543	(32,543)	(8,000)	-
Total public support	<u>12,031,628</u>	<u>72,007</u>	<u>(8,000)</u>	<u>12,095,635</u>
Revenue:				
Fees for property use	193,403	-	-	193,403
Other revenue	128,715	-	-	128,715
Change in value of beneficial interest in trust	-	-	(8,936)	(8,936)
Total revenue	<u>322,118</u>	<u>-</u>	<u>(8,936)</u>	<u>313,182</u>
Total public support and revenue	<u>12,353,746</u>	<u>72,007</u>	<u>(16,936)</u>	<u>12,408,817</u>
Expenses:				
Program services:				
Food, clothing and other distributions	2,990,858	-	-	2,990,858
Guest services	3,207,427	-	-	3,207,427
Recovery services	1,938,824	-	-	1,938,824
Public awareness	413,481	-	-	413,481
Total program services	<u>8,550,590</u>	<u>-</u>	<u>-</u>	<u>8,550,590</u>
Supporting services:				
Management and general	685,400	-	-	685,400
Fundraising	2,154,465	-	-	2,154,465
Total supporting services	<u>2,839,865</u>	<u>-</u>	<u>-</u>	<u>2,839,865</u>
Total expenses	<u>11,390,455</u>	<u>-</u>	<u>-</u>	<u>11,390,455</u>
Change in net assets	963,291	72,007	(16,936)	1,018,362
Net assets at beginning of year	12,655,937	41,123	335,358	13,032,418
Net assets at end of year	<u>\$ 13,619,228</u>	<u>\$ 113,130</u>	<u>\$ 318,422</u>	<u>\$ 14,050,780</u>

See accompanying notes.

NASHVILLE RESCUE MISSION AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended September 30, 2012

	Program Services				Supporting Services			Total	
	Food, Clothing and Other Distributions	Guest Services	Recovery Services	Public Awareness	Total Program Services	Management and General	Fundraising		Total Supporting Services
Salaries and wages	\$ -	\$ 1,810,237	\$ 929,488	\$ 15,251	\$ 2,754,976	\$ 282,060	\$ 495,649	\$ 777,709	\$ 3,532,685
Gifts-in-kind	2,749,199	-	-	-	2,749,199	-	-	-	2,749,199
Contract services - donor appeals	-	-	-	-	-	-	1,223,209	1,223,209	1,223,209
Other employee benefits	-	374,599	228,784	-	603,383	101,948	56,061	158,009	761,392
Utilities	-	238,362	240,617	-	478,979	33,184	26,675	59,859	538,838
Publicity	-	-	-	409,112	409,112	-	92,781	92,781	501,893
Repairs and maintenance	-	198,686	71,069	-	269,755	30,054	6,197	36,251	306,006
Payroll taxes	-	134,933	68,312	1,285	204,530	18,715	61,946	80,661	285,191
Printing and postage	-	-	-	-	-	31,427	248,456	279,883	279,883
Supplies	-	112,303	69,339	60	181,702	44,131	20,036	64,167	245,869
Food purchases	205,230	-	-	-	205,230	3,202	318	3,520	208,750
Professional fees	-	3,049	-	-	3,049	199,867	-	199,867	202,916
Insurance	-	50,156	68,965	-	119,121	4,565	2,508	7,073	126,194
Travel and transportation	-	69,087	22,401	-	91,488	19,582	12,380	31,962	123,450
Retirement benefits	-	37,754	32,185	1,047	70,986	15,509	25,959	41,468	112,454
Benevolence	-	13,351	26,176	-	39,527	-	-	-	39,527
Education and training	-	4,668	3,090	-	7,758	20,651	5,866	26,517	34,275
Miscellaneous	-	11,933	505	-	12,438	-	7,445	7,445	19,883
Property taxes	-	-	-	-	-	17,480	-	17,480	17,480
	2,954,429	3,059,118	1,760,931	426,755	8,201,233	822,375	2,285,486	3,107,861	11,309,094
Depreciation	-	275,057	244,253	-	519,310	33,790	11,815	45,605	564,915
Total expenses	\$ 2,954,429	\$ 3,334,175	\$ 2,005,184	\$ 426,755	\$ 8,720,543	\$ 856,165	\$ 2,297,301	\$ 3,153,466	\$ 11,874,009

See accompanying notes.

NASHVILLE RESCUE MISSION AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended September 30, 2011

	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	\$ -	\$ 1,794,861	\$ 855,898	\$ 22,560	\$ 2,673,319	\$ 215,842	\$ 525,073	\$ 740,915	\$ 3,414,234
Gifts-in-kind	2,887,406	-	-	-	2,887,406	-	-	-	2,887,406
Contract services -									
donor appeals	-	-	-	-	-	-	1,067,659	1,067,659	1,067,659
Other employee benefits	-	322,688	194,634	-	517,322	72,449	54,599	127,048	644,370
Utilities	-	237,604	238,869	-	476,473	33,615	26,716	60,331	536,804
Publicity	-	-	-	388,987	388,987	-	133,725	133,725	522,712
Repairs and maintenance	-	184,271	98,894	-	283,165	22,512	8,436	30,948	314,113
Printing and postage	-	469	-	-	469	43,069	230,079	273,148	273,617
Payroll taxes	-	135,920	62,593	1,874	200,387	14,894	35,120	50,014	250,401
Supplies	-	95,256	78,535	60	173,851	45,836	19,512	65,348	239,199
Professional fees	-	-	-	-	-	147,360	-	147,360	147,360
Retirement benefits	-	41,580	31,640	-	73,220	19,120	23,473	42,593	115,813
Insurance	-	45,078	61,921	-	106,999	3,377	2,252	5,629	112,628
Food purchases	103,452	-	-	-	103,452	3,441	-	3,441	106,893
Travel and transportation	-	63,084	24,642	-	87,726	7,467	8,827	16,294	104,020
Benevolence	-	9,057	28,459	-	37,516	368	-	368	37,884
Education and training	-	5,787	4,193	-	9,980	4,782	5,101	9,883	19,863
Property taxes	-	-	-	-	-	16,735	-	16,735	16,735
Miscellaneous	-	768	-	-	768	702	-	702	1,470
	<u>2,990,858</u>	<u>2,936,423</u>	<u>1,680,278</u>	<u>413,481</u>	<u>8,021,040</u>	<u>651,569</u>	<u>2,140,572</u>	<u>2,792,141</u>	<u>10,813,181</u>
Depreciation	-	271,004	258,546	-	529,550	33,831	13,893	47,724	577,274
Total expenses	<u>\$ 2,990,858</u>	<u>\$ 3,207,427</u>	<u>\$ 1,938,824</u>	<u>\$ 413,481</u>	<u>\$ 8,550,590</u>	<u>\$ 685,400</u>	<u>\$ 2,154,465</u>	<u>\$ 2,839,865</u>	<u>\$ 11,390,455</u>

See accompanying notes.

**NASHVILLE RESCUE MISSION AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended September 30, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Change in net assets	\$ 972,536	\$ 1,018,362
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	564,915	577,274
Change in value of beneficial interest in trust	(11,279)	8,936
Unrealized gain on investments	(2,413)	-
Donation of property	(13,039)	(34,699)
(Increase) decrease in:		
Contributions receivable	1,895	2,993
Prepaid expenses	85,997	(32,057)
Other assets	(71)	41,995
Increase (decrease) in:		
Accounts payable	(213,376)	(180,231)
Accrued expenses	(10,423)	22,295
Other liabilities	(2,661)	6,944
	<u>1,372,081</u>	<u>1,431,812</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
(Purchases) proceeds from sale of certificates of deposit, net	(9,352)	280,211
Purchases of property and equipment	(1,058,343)	(316,465)
	<u>(1,067,695)</u>	<u>(36,254)</u>
Net cash used in investing activities		
Net increase in cash and cash equivalents	304,386	1,395,558
Cash and cash equivalents at beginning of year	<u>1,838,450</u>	<u>442,892</u>
Cash and cash equivalents at end of year	<u>\$ 2,142,836</u>	<u>\$ 1,838,450</u>

See accompanying notes.

NASHVILLE RESCUE MISSION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2012 and 2011

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’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 operated as a single-member, non-profit limited liability company wholly owned by the Mission and was dissolved effective August 9, 2012 at which time any remaining net assets were transferred to related entities.

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 a lease 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.

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

Food, Clothing and Other Distributions:

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

Guest Services:

- Men’s Shelter – providing shelter and spiritual counseling to homeless individuals.
- Family Life Center – providing shelter and spiritual counseling for homeless women and their children.

NASHVILLE RESCUE MISSION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
September 30, 2012 and 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Travelers Aid – providing travel assistance to needy individuals.

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

Public Awareness:

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

Principles of Consolidation

For the year ended September 30, 2012, the consolidated financial statements include the accounts of the Nashville Rescue Mission, Nashville Rescue Mission Ministries, LLC, and NRM Properties, LLC (collectively the “Mission”).

For the year ended September 30, 2011, the consolidated financial statements include the accounts of the Nashville Rescue Mission and NRM, LLC (collectively the “Mission”).

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

NASHVILLE RESCUE MISSION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
September 30, 2012 and 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

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

Unrestricted net assets –

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

Designated – net assets designated by the Mission's board for particular purposes, presently designated by the board for future working capital reserves (\$2,013,000) and future capital asset reserves (\$152,000).

Temporarily restricted net assets – net assets subject to donor-imposed stipulations that may or will be met either by actions of the Mission and/or the passage of time. When a restriction expires or is met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated 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 has pledged securities in order to provide collateral to cover the Mission's deposits above and beyond normal FDIC insurance limits.

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:

NASHVILLE RESCUE MISSION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
September 30, 2012 and 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Land, Buildings and Equipment (Continued)

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

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.

Beneficial interest in trust: 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, 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 per meal served and \$3.50 (effective January 2008) per article of clothing provided. Excess clothing distributed to other non-profit agencies is valued at \$3.70 (effective January 2008) per pound. Management believes these estimated values for donated food and clothing are conservative based on cost studies performed. Other assets donated are recorded at estimated fair value on the date received.

Donated Services: generally not recognized unless the services:

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

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

NASHVILLE RESCUE MISSION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
September 30, 2012 and 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Nashville Rescue 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 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, 2012. Tax years that remain open for examination include years ended December 31, 2009 through September 30, 2012.

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.

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 the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the 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.

NASHVILLE RESCUE MISSION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
September 30, 2012 and 2011

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).

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

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

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

The following is a description of the valuation methodology used for asset measurement at fair value at September 30, 2012 and 2011:

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

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

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

NASHVILLE RESCUE MISSION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
September 30, 2012 and 2011

NOTE 2 – FAIR VALUE MEASUREMENTS (Continued)

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, 2012:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificate of deposit	\$ 729,245	\$ -	\$ -	\$ 729,245
Beneficial interest in trusts	<u>-</u>	<u>-</u>	<u>329,701</u>	<u>329,701</u>
	<u>\$ 729,245</u>	<u>\$ -</u>	<u>\$ 329,701</u>	<u>\$ 1,058,946</u>

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, 2011:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificate of deposit	\$ 719,893	\$ -	\$ -	\$ 719,893
Beneficial interest in trusts	<u>-</u>	<u>-</u>	<u>318,422</u>	<u>318,422</u>
	<u>\$ 719,893</u>	<u>\$ -</u>	<u>\$ 318,422</u>	<u>\$ 1,038,315</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>2012</u>	<u>2011</u>
Beneficial interest in trusts, beginning of year	\$ 318,422	\$ 327,358
Change in fair value of beneficial interest in trusts	<u>11,279</u>	<u>(8,936)</u>
Beneficial interest in trusts, end of year	<u>\$ 329,701</u>	<u>\$ 318,422</u>

NOTE 3 – CERTIFICATE OF DEPOSIT

Certificate of deposit consists of the following at September 30:

	<u>2012</u>	<u>2011</u>
Certificate of deposit (1.48%, matured December 14, 2011)	\$ -	\$ 719,893
Certificate of deposit (0.99%, matures January 13, 2013)	<u>729,245</u>	<u>-</u>
	<u>\$ 729,245</u>	<u>\$ 719,893</u>

As discussed in Note 2, certificate of deposit is considered to be a Level 1 investment.

NASHVILLE RESCUE MISSION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
September 30, 2012 and 2011

NOTE 4 – CONTRIBUTIONS RECEIVABLE

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

	<u>2012</u>	<u>2011</u>
Unconditional promises to give due in:		
Less than one year	\$ 25,000	\$ 26,895
1-2 years	-	-
Allowance of uncollectible contributions receivable	<u>-</u>	<u>-</u>
Net contributions receivable	<u>\$ 25,000</u>	<u>\$ 26,895</u>

During the nine month period ended September 30, 2010, the Mission received a conditional promise to give from a donor in the amount of \$125,000 in annual installments of \$25,000. The contribution is conditional on the Mission raising \$50,000 each year for repairs and maintenance over the pledge term. The donor has also stipulated that \$37,500 of the combined funds must be earmarked for maintenance of the Women's Life Recovery Program building. At September 30, 2012 and 2011, the Mission had recognized a pledge receivable of \$25,000 relating to this promise due to conditions being met during the year.

NOTE 5 – LAND, BUILDINGS AND EQUIPMENT

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

	<u>2012</u>	<u>2011</u>
Land and improvements	\$ 1,190,278	\$ 907,671
Buildings and improvements	11,448,414	10,996,146
Furniture, fixtures and equipment	2,958,034	2,880,324
Automobiles and trucks	134,166	115,228
Construction in progress	<u>478,352</u>	<u>-</u>
	16,209,242	14,899,369
Less accumulated depreciation	<u>(4,336,865)</u>	<u>(3,771,950)</u>
	<u>\$11,872,379</u>	<u>\$11,127,419</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 approximately \$100,000 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 \$5,500 and \$6,000, respectively for the years ended September 30, 2012 and 2011. Such amount is included in unrestricted contributions in the accompanying consolidated statements of activities.

NASHVILLE RESCUE MISSION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
September 30, 2012 and 2011

NOTE 6 – BENEFICIAL INTEREST IN TRUSTS (Continued)

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 approximately \$220,000 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 \$28,000 and \$27,000, respectively for the years ended September 30, 2012 and 2011. Such amount is included in unrestricted contributions in the accompanying consolidated statements of activities.

As discussed in Note 2, beneficial interest in trusts is valued as Level 3 investments.

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2012</u>	<u>2011</u>
Carell repairs and maintenance fund	\$ 50,000	\$ 50,000
General use for the Family Life Center	204,564	14,163
Food and lodging	-	13,185
Anchor Home for Young Men	-	1,600
Meals	-	102
Education	-	500
Unconditional promises to give in future periods	<u>25,000</u>	<u>25,000</u>
Total temporarily restricted contributions	<u>\$ 279,564</u>	<u>\$ 104,550</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 September 30:

	<u>2012</u>	<u>2011</u>
General use for the Family Life Center	\$ 256,459	\$ 14,163
Food and lodging	-	13,185
Anchor Home for Young Men	-	1,600
Meals	-	102
Education	-	500
Expansion for the women's facilities	-	2,993
Unconditional promises to give in future periods	<u>25,000</u>	<u>-</u>
Total net assets released from restrictions	<u>\$ 281,459</u>	<u>\$ 32,543</u>

NASHVILLE RESCUE MISSION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
September 30, 2012 and 2011

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS (Continued)

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

	<u>2012</u>	<u>2011</u>
College scholarships for program members	\$ 11,235	\$ 11,235
Carell repairs and maintenance fund	75,000	75,000
Unconditional promises to give in future periods	<u>25,000</u>	<u>26,895</u>
	<u>\$ 111,235</u>	<u>\$ 113,130</u>

NOTE 8 – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of the beneficial interest in trusts (Note 6) which are valued at \$329,701 and \$318,422, respectively, at September 30, 2012 and 2011.

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 September 30:

	<u>2012</u>	<u>2011</u>
Gifts-in-kind received	<u>\$ 2,761,709</u>	<u>\$ 2,895,610</u>
Gifts-in-kind distributed:		
Clothing	864,349	1,055,568
Food	1,463,608	1,488,297
Supplies	291,553	230,042
Holiday gifts	110,850	98,974
Professional services	<u>18,839</u>	<u>14,525</u>
Total distributed	<u>\$ 2,749,199</u>	<u>\$ 2,887,406</u>
Gifts-in-kind capitalized	<u>\$ 13,039</u>	<u>\$ 34,699</u>
Write down of prior year gifts-in-kind capitalized	<u>\$ (529)</u>	<u>\$ (26,495)</u>
Excess (deficit) of amounts received over amounts distributed and capitalized during the year	<u>\$ -</u>	<u>\$ -</u>

NASHVILLE RESCUE MISSION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
September 30, 2012 and 2011

NOTE 9 – 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 September 30, 2012 and 2011 were \$18,839 and \$14,525, 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.

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 September 30, 2012 and 2011 totaled \$305,788 and \$394,765, 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 – 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 \$112,454 and \$115,813 during 2012 and 2011, respectively, for matching contributions to the Retirement Plan.

NOTE 12 – INSURANCE RECOVERY

During fiscal 2012, the Mission incurred weather-related damage to its roof. As a result, the Mission recorded insurance recovery income, net of expenses, substantially all of which were reimbursed, of \$420,675. In addition, the Mission capitalized major roof repairs of similar amounts. At September 30, 2012, amounts receivable from insurance totaled \$284,795 with the same amount payable to various vendors related to the repair work.

NASHVILLE RESCUE MISSION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
September 30, 2012 and 2011

NOTE 13 – SUPPLEMENTAL CASH FLOW INFORMATION

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

	<u>2012</u>	<u>2011</u>
Gifts-in-kind:		
Received	<u>\$ 2,761,709</u>	<u>\$ 2,895,610</u>
Distributed	<u>\$ 2,749,199</u>	<u>\$ 2,887,406</u>
Capitalized	<u>\$ 13,039</u>	<u>\$ 34,699</u>
Accounts payable for additions to property and equipment	<u>\$ 238,493</u>	<u>\$ -</u>

NOTE 14 – SUBSEQUENT EVENTS

The Mission evaluated subsequent events through January 14, 2013, when these financial statements were available to be issued. The Mission is not aware of any 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



INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION

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

We have audited the consolidated financial statements of Nashville Rescue Mission and Affiliates as of and for the years ended September 30, 2012 and 2011, and have issued our report thereon dated January 14, 2013, which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying 2012 and 2011 Consolidated Schedules of Total Expenses by Department 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 other 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 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.

Frasier, Dean & Howard, PLLC

January 14, 2013

NASHVILLE RESCUE MISSION AND AFFILIATES
CONSOLIDATED SCHEDULES OF TOTAL EXPENSES BY DEPARTMENT
Years Ended September 30, 2012 and 2011

	2012	2011	Increase (Decrease)
Program services:			
Food, clothing and other distributions	\$ 2,954,429	\$ 2,990,858	\$ (36,429)
Guest services:			
Men's Shelter	2,163,849	2,036,352	127,497
Family Life Center	1,008,515	1,024,570	(16,055)
Travelers Aid	161,811	146,505	15,306
Total guest services	3,334,175	3,207,427	126,748
Recovery services:			
Men's Recovery Program and Education	923,314	851,999	71,315
Hope Center	668,074	680,036	(11,962)
Anchor Home for Young Men	177,808	161,067	16,741
The Lodging Place	130,258	137,144	(6,886)
Transitional Housing	105,730	108,578	(2,848)
Total rehabilitation services	2,005,184	1,938,824	66,360
Public awareness	426,755	413,481	13,274
Total program services	8,720,543	8,550,590	169,953
Supporting services:			
Management and general	856,165	685,400	170,765
Fundraising	2,297,301	2,154,465	142,836
Total supporting services	3,153,466	2,839,865	313,601
Total expenses	\$11,874,009	\$11,390,455	\$ 483,554

See accompanying notes.