

**NASHVILLE RESCUE MISSION  
AND AFFILIATES**

**CONSOLIDATED FINANCIAL STATEMENTS  
AND ADDITIONAL INFORMATION**

*As of and for the Years Ended September 30, 2020 and 2019*

*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, 2020 and 2019, 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, 2020 and 2019, 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.

**Emphasis of Matter**

As discussed in Note 13, toward the end of December 2019, an outbreak of a novel strain of coronavirus (“COVID-19”) emerged globally. There have been various mandates and/or requests from federal, state, and local authorities resulting in closures of non-essential businesses, which could negatively impact Nashville Rescue Mission and Affiliates’ operations. Although it is not possible to reasonably estimate the length or severity of this outbreak and, hence, its financial impact, any significant reduction of revenues and support could negatively impact the Mission’s operations for an indeterminable time period. Our opinion is not modified with respect to this matter.

A handwritten signature in blue ink that reads "Cheryl Bekant LLP". The signature is written in a cursive, flowing style.

Nashville, Tennessee  
February 8, 2021

**NASHVILLE RESCUE MISSION AND AFFILIATES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

SEPTEMBER 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 8,674,140	\$ 5,875,918
Prepaid expenses	321,648	202,534
Pledges receivable, net, current	933,700	5,000
Other assets	4,626	10,903
Total Current Assets	<u>9,934,114</u>	<u>6,094,355</u>
Pledges receivable, net, noncurrent	955,466	-
Investments	2,075	28,990
Beneficial interest in trusts	425,417	423,880
Land, buildings, and equipment, net	<u>10,788,970</u>	<u>10,920,922</u>
<b>Total Assets</b>	<u><u>\$ 22,106,042</u></u>	<u><u>\$ 17,468,147</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Accounts payable	\$ 251,818	\$ 153,421
Accrued expenses	412,143	327,416
Unearned revenue	2,500	14,000
Deferred grant revenue	<u>1,038,456</u>	-
Total Current Liabilities	<u>1,704,917</u>	<u>494,837</u>
Net Assets:		
Without Donor Restrictions:		
Undesignated	747,446	299,818
Board designated - Note 1	5,651,666	5,277,314
Net investment in land, buildings, and equipment	<u>10,788,970</u>	<u>10,920,922</u>
Total Net Assets Without Donor Restrictions	17,188,082	16,498,054
With Donor Restrictions	<u>3,213,043</u>	<u>475,256</u>
Total Net Assets	<u>20,401,125</u>	<u>16,973,310</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 22,106,042</u></u>	<u><u>\$ 17,468,147</u></u>

**NASHVILLE RESCUE MISSION AND AFFILIATES**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**

YEAR ENDED SEPTEMBER 30, 2020

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Public Support:			
Contributions	\$ 12,685,005	\$ 2,792,850	\$ 15,477,855
Gifts-in-kind	3,194,247	-	3,194,247
Bequests	315,565	-	315,565
Net assets released from restrictions	56,600	(56,600)	-
Total Public Support	<u>16,251,417</u>	<u>2,736,250</u>	<u>18,987,667</u>
Revenue:			
Other revenue	108,970	-	108,970
Change in value of beneficial interest in trusts	-	1,537	1,537
Total Revenue	<u>108,970</u>	<u>1,537</u>	<u>110,507</u>
Total Public Support and Revenue	<u>16,360,387</u>	<u>2,737,787</u>	<u>19,098,174</u>
Expenses:			
Program Services:			
Food, clothing, and other distributions	3,438,667	-	3,438,667
Guest services	4,855,448	-	4,855,448
Recovery services	3,018,130	-	3,018,130
Public awareness	491,323	-	491,323
Total Program Services	<u>11,803,568</u>	<u>-</u>	<u>11,803,568</u>
Supporting Services:			
Management and general	1,270,560	-	1,270,560
Fundraising	2,596,231	-	2,596,231
Total Supporting Services	<u>3,866,791</u>	<u>-</u>	<u>3,866,791</u>
Total Expenses	<u>15,670,359</u>	<u>-</u>	<u>15,670,359</u>
Change in net assets	690,028	2,737,787	3,427,815
Net assets, beginning of year	16,498,054	475,256	16,973,310
Net assets, end of year	<u>\$ 17,188,082</u>	<u>\$ 3,213,043</u>	<u>\$ 20,401,125</u>

**NASHVILLE RESCUE MISSION AND AFFILIATES**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**

YEAR ENDED SEPTEMBER 30, 2019

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
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 FUNCTIONAL EXPENSES**

YEAR ENDED SEPTEMBER 30, 2020

	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	\$ -	\$ 2,801,525	\$ 1,770,412	\$ -	\$ 4,571,937	\$ 599,340	\$ 583,427	\$ 1,182,767	\$ 5,754,704
Gifts-in-kind	3,194,247	-	-	-	3,194,247	-	-	-	3,194,247
Contract services -									
donor appeals	-	-	-	-	-	-	1,286,240	1,286,240	1,286,240
Other employee benefits	-	430,561	263,534	-	694,095	160,274	48,012	208,286	902,381
Publicity	-	-	-	491,323	491,323	-	217,372	217,372	708,695
Utilities	-	281,984	231,097	-	513,081	22,052	19,849	41,901	554,982
Payroll taxes	-	179,207	106,425	-	285,632	94,959	29,775	124,734	410,366
Repairs and maintenance	-	313,853	95,937	-	409,790	12,823	5,658	18,481	428,271
Printing and postage	-	-	-	-	-	32,009	299,828	331,837	331,837
Supplies	-	201,737	88,119	-	289,856	47,616	6,510	54,126	343,982
Food purchases	244,420	-	-	-	244,420	3,199	1,347	4,546	248,966
Retirement benefits	-	72,502	50,971	-	123,473	47,559	17,295	64,854	188,327
Dues and subscriptions	-	59,079	15,730	-	74,809	41,062	45,678	86,740	161,549
Insurance	-	81,418	63,534	-	144,952	10,399	6,660	17,059	162,011
Miscellaneous	-	12,552	11,242	-	23,794	79,185	1,285	80,470	104,264
Professional fees	-	-	-	-	-	78,802	3,746	82,548	82,548
Travel and transportation	-	54,528	14,349	-	68,877	13,518	1,671	15,189	84,066
Benevolence	-	3,841	14,273	-	18,114	5,885	-	5,885	23,999
	<u>3,438,667</u>	<u>4,492,787</u>	<u>2,725,623</u>	<u>491,323</u>	<u>11,148,400</u>	<u>1,248,682</u>	<u>2,574,353</u>	<u>3,823,035</u>	<u>14,971,435</u>
Depreciation	-	362,661	292,507	-	655,168	21,878	21,878	43,756	698,924
Total Expenses	<u>\$ 3,438,667</u>	<u>\$ 4,855,448</u>	<u>\$ 3,018,130</u>	<u>\$ 491,323</u>	<u>\$ 11,803,568</u>	<u>\$ 1,270,560</u>	<u>\$ 2,596,231</u>	<u>\$ 3,866,791</u>	<u>\$ 15,670,359</u>

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, 2019

	Program Services				Total Program Services	Supporting Services		Total Supporting Services	Total Expenses
	Food, Clothing, and Other Distributions	Guest Services	Recovery Services	Public Awareness		Management and General	Fundraising		
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
<b>Total Expenses</b>	<b>\$ 3,128,231</b>	<b>\$ 4,592,238</b>	<b>\$ 2,843,713</b>	<b>\$ 349,949</b>	<b>\$ 10,914,131</b>	<b>\$ 1,291,400</b>	<b>\$ 2,703,517</b>	<b>\$ 3,994,917</b>	<b>\$ 14,909,048</b>

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, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 3,427,815	\$ 151,954
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	698,924	675,971
Bad debt expense	24,293	-
Change in value of beneficial interest in trust	(1,537)	4,224
Unrealized gain on investments	-	(166)
Donation of property	-	(23,676)
Contributions restricted for long term purposes	(2,750,347)	-
(Increase) decrease in:		
Pledges receivable	(11,000)	6,500
Prepaid expenses	(119,114)	(11,274)
Other assets	6,277	(2,680)
Increase (decrease) in:		
Accounts payable	98,397	(58,441)
Accrued expenses	84,727	29,053
Unearned revenue	(11,500)	(42,002)
Deferred grant revenue	1,038,456	-
Net cash provided by operating activities	<u>2,485,391</u>	<u>729,463</u>
<b>Cash flows from investing activities:</b>		
Purchases and sales of certificate of deposit, net	-	1,028,223
Sale of investments	26,915	-
Purchases of land, buildings, and equipment	(566,972)	(293,843)
Net cash (used in) provided by investing activities	<u>(540,057)</u>	<u>734,380</u>
<b>Cash flows from financing activities:</b>		
Proceeds from contributions restricted for long term puposes	852,888	-
Net cash provided by investing activities	<u>852,888</u>	<u>-</u>
Net increase in cash and cash equivalents	2,798,222	1,463,843
Cash and cash equivalents, beginning of year	<u>5,875,918</u>	<u>4,412,075</u>
Cash and cash equivalents, end of year	<u>\$ 8,674,140</u>	<u>\$ 5,875,918</u>

# NASHVILLE RESCUE MISSION AND AFFILIATES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2020 AND 2019

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### 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 (\$2,878,356) and future capital asset reserves from the receipt of bequests (Note 9) (\$2,773,310) totaling \$5,651,666 at September 30, 2020.

*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, 2020 AND 2019

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### 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.

*Receivables* – Contributions receivable are reviewed periodically as to their collectability. Management provides for losses on receivables using the allowance method. Based on management judgement, an allowance for doubtful accounts of \$24,293 and \$-0- is recorded at September 30, 2020 and 2019, respectively.

*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, 2020 AND 2019

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### 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, 2020 or 2019.

*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, 2020 AND 2019

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### 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 7<sup>th</sup> 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 February 8, 2021, when these consolidated financial statements were available to be issued.

# NASHVILLE RESCUE MISSION AND AFFILIATES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2020 AND 2019

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

*Adoption of New Accounting Pronouncement* – In January 2016, FASB issued Accounting Standards Update (“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. The Mission evaluated the new standard and determined the accounting standard did not require a change to the Mission’s practice for recording financial assets and liabilities.

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The standard provides guidance on determining whether a transaction should be accounted for as a contribution or as an exchange transaction. A primary aspect of this determination is whether the two parties receive and sacrifice commensurate value. The standard also provides guidance on determining whether a contribution is conditional, helping entities better distinguish a donor-imposed condition from a donor-imposed restriction. The Mission evaluated the new standard and determined the accounting standard did not require a change to the Mission’s practice for recording contributions.

*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 31, 2021. The Mission is currently evaluating the effect of the implementation of this new standard.

In February 2016, 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, 2023. The Mission is evaluating the impact this guidance may have 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, 2020 AND 2019

**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>2020</u>	<u>2019</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 8,674,140	\$ 5,875,918
Investments	2,075	28,990
Total financial assets	<u>8,676,215</u>	<u>5,904,908</u>
Less amounts not available to be used for general expenditures within one year:		
Board designated	5,651,666	5,277,314
Purpose restrictions	871,017	46,376
Financial assets not available to be used within one year	<u>6,522,683</u>	<u>5,323,690</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,153,532</u>	<u>\$ 581,218</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.

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, 2020 and 2019.



**NASHVILLE RESCUE MISSION AND AFFILIATES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

SEPTEMBER 30, 2020 AND 2019

**Note 3—Fair value measurements (continued)**

The following is a description of the valuation methodologies used for asset measurements at fair value at September 30, 2020 and 2019:

*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, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Beneficial interest in trusts	\$ -	\$ -	\$ 425,417	\$ 425,417

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

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>2020</u>	<u>2019</u>
Beneficial interest in trusts at beginning of year	\$ 423,880	\$ 428,104
Change in value of beneficial interest in trusts	1,537	(4,224)
Beneficial interest in trusts at end of year	<u>\$ 425,417</u>	<u>\$ 423,880</u>

**NASHVILLE RESCUE MISSION AND AFFILIATES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

SEPTEMBER 30, 2020 AND 2019

**Note 4—Land, buildings, and equipment**

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

	<u>2020</u>	<u>2019</u>
Land and improvements	\$ 2,394,687	\$ 2,394,687
Buildings and improvements	13,373,128	13,117,101
Furniture, fixtures, and equipment	3,683,917	3,957,728
Automobiles and trucks	246,936	268,100
Construction in progress	102,611	63,884
	<u>19,801,279</u>	<u>19,801,500</u>
Less accumulated depreciation	<u>(9,012,309)</u>	<u>(8,880,578)</u>
	<u>\$ 10,788,970</u>	<u>\$ 10,920,922</u>

**Note 5—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 \$124,000 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 \$6,000 and \$3,000 for the years ended September 30, 2020 and 2019, 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 \$32,000 and \$33,000 for the years ended September 30, 2020 and 2019, respectively. Such amount is included in contributions without donor restrictions in the accompanying consolidated statements of activities.

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

**NASHVILLE RESCUE MISSION AND AFFILIATES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

SEPTEMBER 30, 2020 AND 2019

**Note 6—Pledges receivable**

Pledges receivable consist of the following at September 30:

	<b>2020</b>	<b>2019</b>
Capital campaign contributions	\$ 1,900,000	\$ -
Other	16,000	5,000
	<u>1,916,000</u>	<u>5,000</u>
Less discount to net present value (0.25% at September 30, 2020)	(2,541)	-
Less allowance for uncollectible pledges	(24,293)	-
	<u>\$ 1,889,166</u>	<u>\$ 5,000</u>
Receivable in less than one year	<u>\$ 933,700</u>	<u>\$ 5,000</u>
Receivable in one to five years	<u>\$ 955,466</u>	<u>\$ -</u>

**Note 7—Deferred grant revenue**

The Mission received a Paycheck Protection Program loan (“PPP Loan”) in the amount of \$1,034,000. The PPP loan is granted by the Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”). PPP loans are considered conditional contributions under ASC 958-605, *Not-for-Profit Entities – Revenue Recognition*. The loan must be repaid if the Mission does not overcome certain barriers within the CARES Act. The barriers under the program include the requirement to maintain employee headcount, spend up to 60% of the loan proceeds on certain payroll and employee benefits, and restricts other loan proceeds to be used for other qualifying expenses such as mortgage interest, rent, and utilities. The Mission had deferred recognition of grant revenue for the year ended September 30, 2020 because the conditions for forgiveness had not yet been substantially met. Subsequent to September 30, 2020, the Small Business Administration notified the Mission that the loan had been forgiven. The loan payoff to the bank on behalf of the Mission occurred on December 3, 2020. Accordingly, the revenue related to the forgiveness of the PPP Loan will be recognized in fiscal 2021.

**Note 8—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:

	<b>2020</b>	<b>2019</b>
Beneficial Interest in Trust with perpetual restrictions	\$ 425,417	\$ 423,880
Support for future Women’s Campus projects	820,888	-
Freight elevator upgrade, minibus, forklift	6,263	-
Miscellaneous supplies	43,866	46,376
Pledges receivable	1,916,609	5,000
	<u>\$ 3,213,043</u>	<u>\$ 475,256</u>
Total net assets with donor restrictions	<u>\$ 3,213,043</u>	<u>\$ 475,256</u>

**NASHVILLE RESCUE MISSION AND AFFILIATES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

SEPTEMBER 30, 2020 AND 2019

**Note 8—Net assets with donor restrictions (continued)**

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:

	<u>2020</u>	<u>2019</u>
Freight elevator upgrade, minibus, forklift	\$ 19,600	\$ 168,427
Women's Campus projects purchases	32,000	-
Pledges receivable	5,000	11,500
Total net assets released from restrictions	<u>\$ 56,600</u>	<u>\$ 179,927</u>

**Note 9—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, 2020 and 2019 totaled \$315,565 and \$819,565, 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.

**Note 10—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>2020</u>	<u>2019</u>
Gifts-in-kind received	<u>\$ 3,194,247</u>	<u>\$ 2,972,161</u>
Gifts-in-kind distributed:		
Food	\$ 1,096,495	\$ 1,318,315
Clothing	1,954,616	1,515,993
Supplies	143,136	114,177
Total distributed	<u>\$ 3,194,247</u>	<u>\$ 2,948,485</u>
Gifts-in-kind capitalized	<u>\$ -</u>	<u>\$ 23,676</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.

# NASHVILLE RESCUE MISSION AND AFFILIATES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2020 AND 2019

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### Note 11—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 \$188,327 and \$172,419 during the years ended September 30, 2020 and 2019, respectively, for base and matching contributions to the Retirement Plan.

### Note 12—Supplemental cash flow information

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

	<u>2020</u>	<u>2019</u>
Gifts-in-kind:		
Received	\$ 3,194,247	\$ 2,972,161
Distributed	\$ 3,194,247	\$ 2,948,485
Capitalized	\$ -	\$ 23,676

### Note 13—Uncertainty

In March 2020, the World Health Organization declared the outbreak of novel coronavirus (COVID-19) as a global pandemic which continues to spread throughout the world and has adversely impacted global commercial activity and contributed to significant volatility in the financial markets. The coronavirus outbreak and government responses are creating disruption to global supply chains and adversely impacting many industries. The outbreak has caused a material, adverse impact on the economic and market conditions. The rapid development and fluidity of this situation precludes any prediction as to the ultimate material adverse impact of the coronavirus outbreak. Nevertheless, the outbreak presents uncertainty and risk with respect to the Mission, its performance, and its financial results.

The Mission is subject to various claims and legal actions arising in the ordinary course of business. Management does not believe any such action will have a material adverse effect on the Mission’s financial position.

## **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, 2020 and 2019, and our report thereon dated February 8, 2021, which expressed an unmodified opinion on those consolidated financial statements, appears on pages 1 and 2. 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, 2020 and 2019 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  
February 8, 2021

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

YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>	<u>Increase (Decrease)</u>
Program Services:			
Food, clothing, and other distributions	\$ 3,438,667	\$ 3,128,231	\$ 310,436
Guest Services:			
Men's Emergency Shelter	3,086,240	2,888,744	197,496
Women's Emergency Shelter	1,769,208	1,703,494	65,714
Total Guest Services	<u>4,855,448</u>	<u>4,592,238</u>	<u>263,210</u>
Recovery Services:			
Men's Recovery Program and Education	1,799,481	1,616,904	182,577
Women's Recovery Program and Education	1,218,649	1,226,809	(8,160)
Total Recovery Services	<u>3,018,130</u>	<u>2,843,713</u>	<u>174,417</u>
Public awareness	491,323	349,949	141,374
Total Program Services	<u>11,803,568</u>	<u>10,914,131</u>	<u>889,437</u>
Supporting Services:			
Management and general	1,270,560	1,291,400	(20,840)
Fundraising	2,596,231	2,703,517	(107,286)
Total Supporting Services	<u>3,866,791</u>	<u>3,994,917</u>	<u>(128,126)</u>
Total Expenses	<u>\$ 15,670,359</u>	<u>\$ 14,909,048</u>	<u>\$ 761,311</u>