

**NASHVILLE RESCUE MISSION
AND AFFILIATES**

CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2015 and 2014

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 financial statements of Nashville Rescue Mission (a non-profit organization) and Affiliates, which comprise the consolidated statements of financial position as of September 30, 2015 and 2014, 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 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, 2015 and 2014, 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.

Fraser, Dean + Howard, PLLC

Nashville, Tennessee
January 5, 2016

NASHVILLE RESCUE MISSION AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
September 30, 2015 and 2014

	2015	2014
Assets		
Current assets:		
Cash and cash equivalents	\$ 3,017,397	\$ 3,085,442
Certificate of deposit	749,483	741,340
Prepaid expenses	349,347	300,387
Other assets	-	13,750
Total current assets	4,116,227	4,140,919
Long-term investments	69,932	64,607
Beneficial interest in trusts	318,725	334,536
Land, buildings and equipment, net	11,951,246	12,015,625
Total assets	\$ 16,456,130	\$ 16,555,687
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 364,730	\$ 265,331
Accrued expenses	110,817	149,598
Unearned revenue	110,383	81,450
Other liabilities	5,152	2,930
Total current liabilities	591,082	499,309
Net assets:		
Unrestricted	12,839,323	13,390,842
Unrestricted - board designated	2,707,000	2,331,000
Total unrestricted net assets	15,546,323	15,721,842
Permanently restricted	318,725	334,536
Total net assets	15,865,048	16,056,378
Total liabilities and net assets	\$ 16,456,130	\$ 16,555,687

See accompanying notes.

NASHVILLE RESCUE MISSION AND AFFILIATES
CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended September 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public support:				
Contributions	\$ 10,066,068	\$ 125,000	\$ -	\$ 10,191,068
Gifts-in-kind	2,832,217	-	-	2,832,217
Bequests	268,127	-	-	268,127
Net assets released from restrictions	125,000	(125,000)	-	-
Total public support	<u>13,291,412</u>	<u>-</u>	<u>-</u>	<u>13,291,412</u>
Revenue:				
Other revenue	105,306	-	-	105,306
Change in value of beneficial interest in trusts	-	-	(15,811)	(15,811)
Total revenue	<u>105,306</u>	<u>-</u>	<u>(15,811)</u>	<u>89,495</u>
Total public support and revenue	<u>13,396,718</u>	<u>-</u>	<u>(15,811)</u>	<u>13,380,907</u>
Expenses:				
Program services:				
Food, clothing and other distributions	3,050,385	-	-	3,050,385
Guest services	4,191,821	-	-	4,191,821
Recovery services	2,403,299	-	-	2,403,299
Public awareness	398,385	-	-	398,385
Total program services	<u>10,043,890</u>	<u>-</u>	<u>-</u>	<u>10,043,890</u>
Supporting services:				
Management and general	1,051,192	-	-	1,051,192
Fundraising	2,477,155	-	-	2,477,155
Total supporting services	<u>3,528,347</u>	<u>-</u>	<u>-</u>	<u>3,528,347</u>
Total expenses	<u>13,572,237</u>	<u>-</u>	<u>-</u>	<u>13,572,237</u>
Change in net assets	(175,519)	-	(15,811)	(191,330)
Net assets at beginning of year	15,721,842	-	334,536	16,056,378
Net assets at end of year	<u>\$ 15,546,323</u>	<u>\$ -</u>	<u>\$ 318,725</u>	<u>\$ 15,865,048</u>

See accompanying notes.

NASHVILLE RESCUE MISSION AND AFFILIATES
CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended September 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public support:				
Contributions	\$ 9,482,699	\$ 643,463	\$ -	\$ 10,126,162
Gifts-in-kind	3,140,182	-	-	3,140,182
Bequests	132,270	-	-	132,270
Net assets released from restrictions	643,463	(643,463)	-	-
Total public support	<u>13,398,614</u>	<u>-</u>	<u>-</u>	<u>13,398,614</u>
Revenue:				
Fees for property use	5,008	-	-	5,008
Other revenue	124,323	-	-	124,323
Change in value of beneficial interest in trusts	-	-	(1,668)	(1,668)
Total revenue	<u>129,331</u>	<u>-</u>	<u>(1,668)</u>	<u>127,663</u>
Total public support and revenue	<u>13,527,945</u>	<u>-</u>	<u>(1,668)</u>	<u>13,526,277</u>
Expenses:				
Program services:				
Food, clothing and other distributions	3,320,645	-	-	3,320,645
Guest services	4,154,023	-	-	4,154,023
Recovery services	2,289,446	-	-	2,289,446
Public awareness	526,045	-	-	526,045
Total program services	<u>10,290,159</u>	<u>-</u>	<u>-</u>	<u>10,290,159</u>
Supporting services:				
Management and general Fundraising	898,583	-	-	898,583
Fundraising	2,158,327	-	-	2,158,327
Total supporting services	<u>3,056,910</u>	<u>-</u>	<u>-</u>	<u>3,056,910</u>
Total expenses	<u>13,347,069</u>	<u>-</u>	<u>-</u>	<u>13,347,069</u>
Change in net assets	180,876	-	(1,668)	179,208
Net assets at beginning of year	15,540,966	-	336,204	15,877,170
Net assets at end of year	<u>\$ 15,721,842</u>	<u>\$ -</u>	<u>\$ 334,536</u>	<u>\$ 16,056,378</u>

See accompanying notes.

**NASHVILLE RESCUE MISSION AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended September 30, 2015**

	Program Services				Supporting Services			Total Supporting Services	Total Expenses
	Food, Clothing and Other Distributions	Guest Services	Recovery Services	Public Awareness	Total Program Services	Management and General	Fundraising		
Salaries and wages	\$ -	\$ 2,461,731	\$ 1,095,642	\$ -	\$ 3,557,373	\$ 358,849	\$ 492,026	\$ 850,875	\$ 4,408,248
Gifts-in-kind	2,817,217	-	-	-	2,817,217	-	-	-	2,817,217
Contract services - donor appeals	-	-	-	-	-	-	1,174,398	1,174,398	1,174,398
Other employee benefits	-	412,017	237,002	-	649,019	87,501	70,962	158,463	807,482
Publicity	-	-	-	398,223	398,223	-	199,447	199,447	597,670
Utilities	-	219,948	238,835	-	458,783	31,958	24,261	56,219	515,002
Repairs and maintenance	-	271,213	95,837	-	367,050	29,735	2,550	32,285	399,335
Payroll taxes	-	178,202	79,519	162	257,883	32,867	37,432	70,299	328,182
Printing and postage	-	-	-	-	-	33,402	286,878	320,280	320,280
Supplies	-	144,023	90,240	-	234,263	66,552	17,233	83,785	318,048
Insurance	-	118,692	141,733	-	260,425	10,072	12,146	22,218	282,643
Food purchases	233,168	-	-	-	233,168	5,408	-	5,408	238,576
Professional fees	-	1,588	1,588	-	3,176	217,049	8,950	225,999	229,175
Retirement benefits	-	71,483	32,148	-	103,631	24,213	15,734	39,947	143,578
Travel and transportation	-	77,441	34,216	-	111,657	16,410	4,308	20,718	132,375
Education and training	-	33,212	27,934	-	61,146	24,102	17,625	41,727	102,873
Miscellaneous	-	-	-	-	-	8,538	8,744	17,282	17,282
Benevolence	-	1,000	15,221	-	16,221	75	-	75	16,296
	3,050,385	3,990,550	2,089,915	398,385	9,529,235	946,731	2,372,694	3,319,425	12,848,660
Depreciation	-	201,271	313,384	-	514,655	104,461	104,461	208,922	723,577
Total expenses	\$ 3,050,385	\$ 4,191,821	\$ 2,403,299	\$ 398,385	\$ 10,043,890	\$ 1,051,192	\$ 2,477,155	\$ 3,528,347	\$ 13,572,237

See accompanying notes.

**NASHVILLE RESCUE MISSION AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended September 30, 2014**

	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	\$ -	\$ 2,371,889	\$ 1,054,019	\$ 93,895	\$ 3,519,803	\$ 255,860	\$ 449,473	\$ 705,333	\$ 4,225,136
Gifts-in-kind	3,051,483	-	-	-	3,051,483	-	-	-	3,051,483
Contract services - donor appeals	-	-	-	-	-	-	1,058,378	1,058,378	1,058,378
Other employee benefits	-	488,118	293,179	-	781,297	90,706	75,022	165,728	947,025
Utilities	-	253,233	261,198	-	514,431	41,596	28,502	70,098	584,529
Publicity	-	-	-	431,188	431,188	-	82,610	82,610	513,798
Repairs and maintenance	-	240,475	88,448	-	328,923	37,479	3,141	40,620	369,543
Supplies	-	168,847	80,349	-	249,196	48,752	18,537	67,289	316,485
Payroll taxes	-	171,554	64,000	962	236,516	40,267	33,644	73,911	310,427
Printing and postage	-	-	-	-	-	26,199	274,039	300,238	300,238
Food purchases	269,162	-	-	-	269,162	4,444	-	4,444	273,606
Professional fees	-	18,589	863	-	19,452	197,965	525	198,490	217,942
Insurance	-	64,305	88,418	-	152,723	5,812	3,215	9,027	161,750
Travel and transportation	-	87,191	31,754	-	118,945	14,901	10,851	25,752	144,697
Retirement benefits	-	60,500	25,920	-	86,420	22,121	18,595	40,716	127,136
Education and training	-	31,281	6,755	-	38,036	28,760	12,682	41,442	79,478
Benevolence	-	850	15,501	-	16,351	450	-	450	16,801
Miscellaneous	-	-	-	-	-	-	9,871	9,871	9,871
	3,320,645	3,956,832	2,010,404	526,045	9,813,926	815,312	2,079,085	2,894,397	12,708,323
Depreciation	-	197,191	279,042	-	476,233	83,271	79,242	162,513	638,746
Total expenses	\$ 3,320,645	\$ 4,154,023	\$ 2,289,446	\$ 526,045	\$ 10,290,159	\$ 898,583	\$ 2,158,327	\$ 3,056,910	\$ 13,347,069

See accompanying notes.

**NASHVILLE RESCUE MISSION AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended September 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Change in net assets	\$ (191,330)	\$ 179,208
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	723,577	638,746
Change in value of beneficial interest in trust	15,811	1,668
Unrealized gain on investments	(5,325)	-
Donation of property	(15,000)	(88,699)
(Increase) decrease in:		
Prepaid expenses	(48,960)	(77,920)
Other assets	13,750	(2,611)
Increase (decrease) in:		
Accounts payable	99,399	52,519
Accrued expenses	(38,781)	24,461
Unearned revenue	28,933	(4,905)
Other liabilities	2,222	2,930
	<u>584,296</u>	<u>725,397</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Purchases and sales of certificate of deposit, net	(8,143)	(6,972)
Purchases of land, buildings, and equipment	(644,198)	(678,251)
	<u>(652,341)</u>	<u>(685,223)</u>
Net cash used in investing activities		
Net (decrease) increase in cash and cash equivalents	(68,045)	40,174
Cash and cash equivalents at beginning of year	<u>3,085,442</u>	<u>3,045,268</u>
Cash and cash equivalents at end of year	<u>\$ 3,017,397</u>	<u>\$ 3,085,442</u>

See accompanying notes.

NASHVILLE RESCUE MISSION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2015 and 2014

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.

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.

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 Emergency Shelter – providing shelter and spiritual counseling to homeless individuals.
- 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 CONSOLIDATED FINANCIAL STATEMENTS (Continued)
September 30, 2015 and 2014

NOTE 1 – 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.
- Transitional Housing for Men and Women – providing transitional housing (single resident occupancy) 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 life recovery 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.
- 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.

Public Awareness:

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

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.

NASHVILLE RESCUE MISSION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
September 30, 2015 and 2014

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 (\$2,504,000) and future capital asset reserves (\$203,000).

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. The Mission had no temporarily restricted net assets at September 30, 2015 or 2014.

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.

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, 2015 and 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Land, Buildings and Equipment (Continued)

Buildings and improvements	20 – 40 years
Automobiles and trucks	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 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.

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.

NASHVILLE RESCUE MISSION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
September 30, 2015 and 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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, 2015 or 2014. Tax years that remain open for examination include years ended September 30, 2012 through September 30, 2015.

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 consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates used by management in preparing these consolidated financial statements primarily relate to those assumed in establishing the value of gifts-in-kind, donated services, and the allocation of functional expenses. Accordingly, actual results could differ from those estimates.

Subsequent Events

The Mission evaluated subsequent events through January 5, 2016, when these consolidated financial statements were available to be issued. The Mission is not aware of any significant events that occurred subsequent to the consolidated statement of financial position date but prior to the filing of this report that would have a material impact on the consolidated financial statements.

NASHVILLE RESCUE MISSION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
September 30, 2015 and 2014

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. There have been no changes in methodologies used at September 30, 2015 and 2014.

The following is a description of the valuation methodology used for asset measurement at fair value at September 30, 2015 and 2014:

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, 2015 and 2014

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, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificate of deposit	\$ 749,483	\$ -	\$ -	\$ 749,483
Beneficial interest in trusts	<u>-</u>	<u>-</u>	<u>318,725</u>	<u>318,725</u>
	<u>\$ 749,483</u>	<u>\$ -</u>	<u>\$ 318,725</u>	<u>\$ 1,068,208</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, 2014:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificate of deposit	\$ 741,340	\$ -	\$ -	\$ 741,340
Beneficial interest in trusts	<u>-</u>	<u>-</u>	<u>334,536</u>	<u>334,536</u>
	<u>\$ 741,340</u>	<u>\$ -</u>	<u>\$ 334,536</u>	<u>\$ 1,075,876</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>2015</u>	<u>2014</u>
Beneficial interest in trusts at beginning of year	\$ 334,536	\$ 336,204
Change in value of beneficial interest in trusts	<u>(15,811)</u>	<u>(1,668)</u>
Beneficial interest in trusts at end of year	<u>\$ 318,725</u>	<u>\$ 334,536</u>

NOTE 3 – CERTIFICATE OF DEPOSIT

Certificate of deposit consists of the following at September 30:

	<u>2015</u>	<u>2014</u>
Certificate of deposit (1.01%, matures February 13, 2019)	<u>\$ 749,483</u>	<u>\$ 741,340</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, 2015 and 2014

NOTE 4 – LAND, BUILDINGS AND EQUIPMENT

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

	2015	2014
Land and improvements	\$ 1,565,767	\$ 1,545,529
Buildings and improvements	12,836,803	12,301,581
Furniture, fixtures and equipment	3,709,990	3,626,092
Automobiles and trucks	134,166	134,166
Construction in progress	19,840	-
	18,266,566	17,607,368
Less accumulated depreciation	(6,315,320)	(5,591,743)
	<u>\$11,951,246</u>	<u>\$12,015,625</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 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 \$4,000 and \$5,000, respectively, for the years ended September 30, 2015 and 2014. 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 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 \$33,000 and \$26,000, respectively, for the years ended September 30, 2015 and 2014. Such amount is included in unrestricted contributions in the accompanying consolidated statements of activities.

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

NASHVILLE RESCUE MISSION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
September 30, 2015 and 2014

NOTE 6 – 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>2015</u>	<u>2014</u>
Lobby renovations	\$ 100,000	\$ -
Food	25,000	-
General use for the Women’s Emergency Shelter	-	25,463
Kitchen/dining room renovations	-	218,000
Parking lot project	<u>-</u>	<u>300,000</u>
Total temporarily restricted contributions	<u>\$ 125,000</u>	<u>\$ 643,463</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>2015</u>	<u>2014</u>
Lobby renovations	\$ 100,000	\$ -
Food	25,000	-
General use for the Women’s Emergency Shelter	-	25,463
Kitchen/dining room renovations	-	218,000
Parking lot project	<u>-</u>	<u>300,000</u>
Total net assets released from restrictions	<u>\$ 125,000</u>	<u>\$ 643,463</u>

NOTE 7 – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of the beneficial interest in trusts (Note 5) which are valued at \$318,725 and \$334,536, respectively, at September 30, 2015 and 2014.

NOTE 8 – BEQUESTS

Similar to many non-profit organizations, the Mission receives support from bequests. As indicated in Note 1, contributions (including bequests) are recognized as public support when received or when the contributor makes an unconditional promise to give a determinable amount. As a result, the amount of support from bequests may vary significantly between years. Bequests received during the years ended September 30, 2015 and 2014 totaled \$268,127 and \$132,270, 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.

NASHVILLE RESCUE MISSION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
September 30, 2015 and 2014

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 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 are summarized as follows for the years ended September 30:

	2015	2014
Gifts-in-kind received	<u>\$ 2,832,217</u>	<u>\$ 3,140,182</u>
Gifts-in-kind distributed:		
Food	1,438,920	1,501,151
Clothing	1,107,148	1,324,967
Supplies	193,113	184,093
Holiday gifts	78,036	39,338
Professional services	-	1,934
Total distributed	<u>\$ 2,817,217</u>	<u>\$ 3,051,483</u>
Gifts-in-kind capitalized	<u>\$ 15,000</u>	<u>\$ 88,699</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 September 30, 2015 and 2014 were \$0 and \$1,934, 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 – EMPLOYEE BENEFITS

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 \$143,578 and \$127,136 during the years ended September 30, 2015 and 2014, respectively, for base and matching contributions to the Retirement Plan.

NASHVILLE RESCUE MISSION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
September 30, 2015 and 2014

NOTE 11 – COMMITMENT

During the year ended September 30, 2015, the Mission entered into a contract to purchase a piece of real property adjacent to its Women’s Campus. The purchase is to be funded through contributions and reserves. The Mission paid \$10,000 in earnest money as of September 30, 2015. The contract was amended subsequent to September 30, 2015 to a purchase price of \$660,000, of which \$360,000 will be considered a contribution by the seller and net costs to the Mission to be \$300,000 plus certain closing costs. The sale closed in October 2015.

NOTE 12 – SUPPLEMENTAL CASH FLOW INFORMATION

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

	<u>2015</u>	<u>2014</u>
Gifts-in-kind:		
Received	<u>\$ 2,832,217</u>	<u>\$ 3,140,182</u>
Distributed	<u>\$ 2,817,217</u>	<u>\$ 3,051,483</u>
Capitalized	<u>\$ 15,000</u>	<u>\$ 88,699</u>

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, 2015 and 2014, and our report thereon dated January 5, 2016, which expressed an unmodified opinion on those consolidated financial statements, appears on pages 2 – 3. 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, 2015 and 2014 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.

Frasier, Dean & Howard, PLLC

January 5, 2016

NASHVILLE RESCUE MISSION AND AFFILIATES
CONSOLIDATED SCHEDULES OF TOTAL EXPENSES BY DEPARTMENT
Years Ended September 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>	<u>Increase (Decrease)</u>
Program services:			
Food, clothing and other distributions	\$ 3,050,385	\$ 3,320,645	\$ (270,260)
Guest services:			
Men's Emergency Shelter	2,926,523	2,822,881	103,642
Women's Emergency Shelter	1,264,093	1,324,940	(60,847)
Travelers Aid	1,205	6,202	(4,997)
Total guest services	<u>4,191,821</u>	<u>4,154,023</u>	<u>37,798</u>
Recovery services:			
Men's Recovery Program and Education	1,382,921	1,300,189	82,732
Women's Recovery Program	864,077	798,398	65,679
Transitional Housing for Men and Women	156,301	190,859	(34,558)
Total recovery services	<u>2,403,299</u>	<u>2,289,446</u>	<u>113,853</u>
Public awareness	<u>398,385</u>	<u>526,045</u>	<u>(127,660)</u>
Total program services	<u>10,043,890</u>	<u>10,290,159</u>	<u>(246,269)</u>
Supporting services:			
Management and general	1,051,192	898,583	152,609
Fundraising	2,477,155	2,158,327	318,828
Total supporting services	<u>3,528,347</u>	<u>3,056,910</u>	<u>471,437</u>
Total expenses	<u>\$13,572,237</u>	<u>\$13,347,069</u>	<u>\$ 225,168</u>



January 5, 2016

To the Board of Directors
Nashville Rescue Mission and Affiliates

We have audited the consolidated financial statements of Nashville Rescue Mission and Affiliates for the year ended September 30, 2015, and have issued our report thereon dated January 5, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 29, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Nashville Rescue Mission and Affiliates are described in Note 1 to the consolidated financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended September 30, 2015. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the consolidated financial statements in the proper period.

Accounting estimates are an integral part of the consolidated financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the consolidated financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were the valuation of in-kind donations and allocation of functional expenses. The disclosures in the consolidated financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the consolidated financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 5, 2016.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's consolidated financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Directors and management of Nashville Rescue Mission and Affiliates and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,



FRASIER, DEAN & HOWARD, PLLC