

**NASHVILLE RESCUE MISSION  
AND AFFILIATE**

**FINANCIAL STATEMENTS  
AND  
ADDITIONAL INFORMATION**

**December 31, 2008 and 2007**

**NASHVILLE RESCUE MISSION AND AFFILIATE**

**TABLE OF CONTENTS**

Independent Auditor's Report.....2

Financial Statements:

    Statements of Financial Position.....3

    Statements of Activities .....4 – 5

    Statements of Functional Expenses.....6 – 7

    Statements of Cash Flows .....8

Notes to Financial Statements .....9 – 18

Additional Information:

    Independent Auditor's Report on Additional Information .....19

    Schedules of Total Expenses by Department.....20



FRASIER, DEAN & HOWARD, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

3310 WEST END AVENUE, SUITE 550  
NASHVILLE, TENNESSEE 37203  
PHONE 615-383-6592, FAX 615-383-7094

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated statement of financial position of Nashville Rescue Mission and Affiliate (a non-profit organization) as of December 31, 2008, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended. We have also audited the statement of financial position of Nashville Rescue Mission as of December 31, 2007, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the 2008 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Nashville Rescue Mission and Affiliate as of December 31, 2008, and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the 2007 financial statements referred to above present fairly, in all material respects, the financial position of Nashville Rescue Mission as of December 31, 2007, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Frasier, Dean & Howard, PLLC*

May 7, 2009

**NASHVILLE RESCUE MISSION AND AFFILIATE**  
**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2008 (consolidated) and 2007 (unconsolidated)**

	<b>2008</b>	<b>2007</b>
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 2,429,181	\$ 2,080,157
Certificates of deposit	3,044,398	2,178,954
Contribution receivable	200,000	-
Other	29,877	19,410
Total current assets	5,703,456	4,278,521
Long-term investments	60,995	8,000
Beneficial interest in trust	215,074	174,654
Land, buildings and equipment, net	5,952,700	5,876,919
Total assets	\$11,932,225	\$10,338,094
<b>Liabilities and Net Assets</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 226,969	\$ 226,798
Other	47,186	40,569
Total current liabilities	274,155	267,367
<b>Net assets:</b>		
Unrestricted	8,667,244	7,857,588
Unrestricted - Board designated	1,585,417	1,500,000
Temporarily restricted	1,182,335	530,485
Permanently restricted	223,074	182,654
Total net assets	11,658,070	10,070,727
Total liabilities and net assets	\$11,932,225	\$10,338,094

See accompanying notes.

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

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

See accompanying notes.

**NASHVILLE RESCUE MISSION  
STATEMENT OF ACTIVITIES  
Year Ended December 31, 2007**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Public support:</b>				
Contributions	\$ 5,823,327	\$ 708,958	\$ -	\$ 6,532,285
Gifts-in-kind	3,289,320	-	-	3,289,320
Bequests	251,025	-	-	251,025
Net assets released from restrictions	189,708	(189,708)	-	-
<b>Total public support</b>	<b>9,553,380</b>	<b>519,250</b>	<b>-</b>	<b>10,072,630</b>
<b>Revenue:</b>				
Fees for property use	202,607	-	-	202,607
Other revenue	182,687	-	-	182,687
<b>Total revenue</b>	<b>385,294</b>	<b>-</b>	<b>-</b>	<b>385,294</b>
<b>Total public support and revenue</b>	<b>9,938,674</b>	<b>519,250</b>	<b>-</b>	<b>10,457,924</b>
<b>Expenses:</b>				
<b>Program services:</b>				
Food, clothing and other distributions	3,330,937	-	-	3,330,937
Transient services	1,999,011	-	-	1,999,011
Rehabilitation services	1,317,915	-	-	1,317,915
Public awareness	158,898	-	-	158,898
<b>Total program services</b>	<b>6,806,761</b>	<b>-</b>	<b>-</b>	<b>6,806,761</b>
<b>Supporting services:</b>				
Management and general	404,371	-	-	404,371
Fundraising	1,577,974	-	-	1,577,974
<b>Total supporting services</b>	<b>1,982,345</b>	<b>-</b>	<b>-</b>	<b>1,982,345</b>
<b>Total expenses</b>	<b>8,789,106</b>	<b>-</b>	<b>-</b>	<b>8,789,106</b>
<b>Change in net assets</b>	<b>1,149,568</b>	<b>519,250</b>	<b>-</b>	<b>1,668,818</b>
<b>Net assets at beginning of year</b>	<b>8,208,020</b>	<b>11,235</b>	<b>182,654</b>	<b>8,401,909</b>
<b>Net assets at end of year</b>	<b>\$ 9,357,588</b>	<b>\$ 530,485</b>	<b>\$ 182,654</b>	<b>\$ 10,070,727</b>

See accompanying notes.

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

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

See accompanying notes.

**NASHVILLE RESCUE MISSION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
Year Ended December 31, 2007

	Program Services					Supporting Services			Total Expenses		
	Food, Clothing and Other Distributions	Transient Services		Rehabilitation Services		Public Awareness	Total Program Services	Management and General		Total Supporting Services	
		Services	Services	Services	Services			General			Fundraising
Gifts-in-kind	\$ 3,289,320	\$ -	\$ -	\$ -	\$ -	\$ 3,289,320	\$ -	\$ -	\$ -	\$ 3,289,320	
Salaries and wages	-	1,102,740	663,716	58,574	1,825,030	162,260	255,801	418,061	2,243,091		
Contract services - donor appeals	-	-	-	-	-	-	873,073	873,073	873,073		
Utilities	-	194,118	186,581	-	380,699	26,370	22,300	48,670	429,369		
Other employee benefits	-	192,445	117,029	-	309,474	33,888	36,594	70,482	379,956		
Printing and postage	-	201	160	-	361	24,758	220,656	245,414	245,775		
Publicity	-	-	-	93,536	93,536	-	100,967	100,967	194,503		
Payroll taxes	-	84,667	50,665	4,513	139,845	11,340	16,340	27,680	167,525		
Repairs and maintenance	-	113,554	40,331	-	153,885	9,440	3,907	13,347	167,232		
Supplies	-	53,008	36,444	42	89,494	28,711	18,562	47,273	136,767		
Insurance	-	33,273	45,682	-	78,955	2,462	1,641	4,103	83,058		
Travel and transportation	-	58,880	13,903	-	72,783	4,087	5,429	9,516	82,299		
Retirement benefits	-	21,262	17,931	2,087	41,280	8,329	11,003	19,332	60,612		
Professional fees	-	-	-	-	-	60,153	-	60,153	60,153		
Food and clothing	41,617	-	-	-	41,617	936	-	936	42,553		
Benevolence	-	9,703	26,532	-	36,235	500	-	500	36,735		
Education and training	-	3,177	5,668	-	8,845	2,914	5,242	8,156	17,001		
Miscellaneous	-	1,752	442	146	2,340	3,518	432	3,950	6,290		
Property taxes	-	-	-	-	-	4,342	-	4,342	4,342		
	<u>3,330,937</u>	<u>1,868,780</u>	<u>1,205,084</u>	<u>158,898</u>	<u>6,563,699</u>	<u>384,008</u>	<u>1,571,947</u>	<u>1,955,955</u>	<u>8,519,654</u>		
Depreciation	-	130,231	112,831	-	243,062	20,363	6,027	26,390	269,452		
Total expenses	<u>\$ 3,330,937</u>	<u>\$ 1,999,011</u>	<u>\$ 1,317,915</u>	<u>\$ 158,898</u>	<u>\$ 6,806,761</u>	<u>\$ 404,371</u>	<u>\$ 1,577,974</u>	<u>\$ 1,982,345</u>	<u>\$ 8,789,106</u>		

See accompanying notes.



**NASHVILLE RESCUE MISSION AND AFFILIATE**  
**STATEMENTS OF CASH FLOWS**  
**Years Ended December 31, 2008 (consolidated) and 2007 (unconsolidated)**

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,587,343	\$ 1,668,818
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	294,263	269,452
Donation of equipment	(1,999)	-
Donation of investments	(52,995)	-
(Increase) decrease in:		
Pledge receivable	(200,000)	-
Beneficial interest in trust	(40,420)	-
Other	(10,467)	(14,546)
Increase (decrease) in:		
Accounts payable	171	88,336
Other current liabilities	6,617	1,911
	<u>1,582,513</u>	<u>2,013,971</u>
 Cash flows from investing activities:		
Purchases of certificates of deposit	(1,184,727)	(928,954)
Proceeds from sale of certificates of deposit	319,283	-
Purchases of property and equipment	<u>(368,045)</u>	<u>(223,521)</u>
	<u>(1,233,489)</u>	<u>(1,152,475)</u>
 Net increase in cash	349,024	861,496
 Cash and cash equivalents at beginning of year	<u>2,080,157</u>	<u>1,218,661</u>
 Cash and cash equivalents at end of year	<u><u>\$2,429,181</u></u>	<u><u>\$2,080,157</u></u>

See accompanying notes.

**NASHVILLE RESCUE MISSION AND AFFILIATE**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2008 and 2007**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

Food, Clothing and Other Distributions:

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

Transient Services:

- Men’s Shelter – providing shelter, medical care and spiritual counseling to transient and homeless individuals.
- Family Life Center – providing medical care, spiritual counseling and shelter for needy women and their children.
- Travelers Aid – providing travel assistance to needy individuals.

Rehabilitation Services:

- Men’s Recovery Program – providing a life recovery program for men affected by addictions and life defeating problems including Bible classes, counseling, educational classes, and employment preparation to men who seek a way out of destructive lifestyles.
- Education – providing educational opportunities including: graduate equivalency diploma, vocational skills, reading, writing, and other classes.

**NASHVILLE RESCUE MISSION AND AFFILIATE  
NOTES TO FINANCIAL STATEMENTS (continued)  
December 31, 2008 and 2007**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

Public Awareness:

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

**Principles of Consolidation**

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

**Basis of Accounting**

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America using the accrual method of accounting.

**Basis of Presentation**

The Mission presents its financial statements in accordance with Statement of Financial Accounting Standards (“SFAS”) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Mission is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Mission is required to present a statement of cash flows. Net assets of the Mission are presented as follows:

Unrestricted net assets –

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

**NASHVILLE RESCUE MISSION AND AFFILIATE**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**December 31, 2008 and 2007**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Basis of Presentation (continued)**

*Designated* - net assets designated by the Mission's board for particular purposes, presently designated by the board for future working capital reserves (\$1,500,000) and the Women's and Children's Expansion Project (\$85,417).

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

Permanently restricted net assets – net assets subject to donor-imposed stipulations that require that the assets be maintained permanently by the Mission. Generally, the donors of these assets permit the Mission to use all or part of the income earned on related investments for general or specific purposes.

**Cash and Cash Equivalents**

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

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

**Land, Buildings and Equipment**

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

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

**Public Support**

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

**NASHVILLE RESCUE MISSION AND AFFILIATE**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**December 31, 2008 and 2007**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Public Support (continued)**

Gifts-in-kind: primarily includes donated food, clothing and other assets. The value of donated food and clothing is recognized as public support with a corresponding expense for program services when consumed at an estimated value of \$2.26 per meal served and \$3.50 (effective January 2008) per article of clothing provided. Excess clothing distributed to other non-profit agencies is valued at \$3.70 (effective January 2008) per pound. (Estimated values utilized by the Mission prior to January 2008 were \$4.70 per article of clothing provided and \$5.00 per pound of excess clothing distributed to other non-profit agencies.) Management believes these estimated values for donated food and clothing are conservative based on cost studies performed. Other assets donated are recorded at estimated fair value on the date received.

Donated Services: generally not recognized unless the services:

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

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

**Income Taxes**

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

**Functional Allocation of Expenses**

“Total Expenses” reported in the accompanying statements of functional expenses include expenses directly attributable to specific programs and services, and certain other expenses that are allocated to reflect management’s estimates of the benefits realized by the applicable programs and supporting services.

**NASHVILLE RESCUE MISSION AND AFFILIATE  
NOTES TO FINANCIAL STATEMENTS (continued)  
December 31, 2008 and 2007**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Estimates used by management in preparing these financial statements primarily relate to those assumed in establishing the value of gifts-in-kind, donated services, and the allowance for uncollectible promises to give. Accordingly, actual results could differ from those estimates.

**Split Interest Agreements**

Accounting standards require that the following instrument be recorded as a contribution and an asset at the present value of the Mission’s ultimate interest.

*Perpetual Trust Held by a Third Party*

A donor has established and funded a trust 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.

**NOTE 2 – CERTIFICATES OF DEPOSIT**

Certificates of deposit consist of the following at December 31:

	<b>2008</b>	<b>2007</b>
Certificate of deposit (3.69%, matures November 2, 2010)	\$ 1,357,020	\$ 1,309,671
Certificate of deposit (2.09%, matured March 15, 2009)	464,247	450,000
Certificate of deposit (4.70%, matured August 28, 2008)	-	100,000
Certificate of deposit (2.32%, matured March 26, 2009)	102,962	100,000
Certificate of deposit (3.40%, matured August 28, 2008)	-	219,283
Certificate of deposit (3.10% matured April 26, 2009)	1,120,169	-
	<b>\$ 3,044,398</b>	<b>\$ 2,178,954</b>

The Mission’s bank has pledged securities in order to provide collateral to cover the Mission’s deposits above and beyond normal FDIC insurance limits.

**NASHVILLE RESCUE MISSION AND AFFILIATE**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**December 31, 2008 and 2007**

**NOTE 3 – CONTRIBUTION RECEIVABLE**

As of December 31, 2008, contribution receivable of \$200,000 consists of a promise to give by an individual donor in connection with the capital campaign (Note 13). The receivable is to be received during 2009 and is, therefore, classified as a current asset. The same donor has made a conditional promise to give another \$500,000 based on the Mission raising \$1 million, excluding certain previous gifts. Such conditional promise to give is not included in the accompanying financial statements since the related condition has not been met by the Mission.

**NOTE 4 – LAND, BUILDINGS AND EQUIPMENT**

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

	<b>2008</b>	<b>2007</b>
Land and improvements	\$ 457,999	\$ 357,123
Buildings and improvements	6,796,558	6,705,924
Furniture, fixtures and equipment	1,202,000	1,112,064
Automobiles and trucks	140,878	125,628
Construction in progress	88,411	15,063
	8,685,846	8,315,802
Less accumulated depreciation	(2,733,146)	(2,438,883)
	<b>\$ 5,952,700</b>	<b>\$ 5,876,919</b>

**NOTE 5 – BENEFICIAL INTEREST IN TRUST**

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 \$215,074 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 \$17,000 and \$12,000 for the years ended December 31, 2008 and 2007, respectively. Such amounts are included in unrestricted contributions in the accompanying statements of activities.

**NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS**

Certain contributions were restricted by donors for use in conjunction with specified projects as follows for the years ended December 31:

**NASHVILLE RESCUE MISSION AND AFFILIATE  
NOTES TO FINANCIAL STATEMENTS (continued)  
December 31, 2008 and 2007**

**NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS (continued)**

	<u>2008</u>	<u>2007</u>
Women’s transitional housing	\$ -	\$ 450,000
Expansion for women’s facilities	828,203	69,250
General use for the Family Life Center	48,944	133,502
Food and lodging	3,125	2,150
General use for the Anchor Home for young men	<u>3,800</u>	<u>54,056</u>
Total temporarily restricted contributions	<u>\$ 884,072</u>	<u>\$ 708,958</u>

Temporarily restricted net assets that were released upon satisfaction of donor-specified expenditure or time restrictions are summarized as follows for the years ended December 31:

	<u>2008</u>	<u>2007</u>
General use for the Family Life Center	\$ 48,944	\$ 133,502
Food and lodging	3,125	2,150
General use for the Anchor Home for young men	3,800	54,056
Women’s transitional housing	<u>176,353</u>	<u>-</u>
Total net assets released from restrictions	<u>\$ 232,222</u>	<u>\$ 189,708</u>

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

	<u>2008</u>	<u>2007</u>
Cash and cash equivalents for:		
College scholarships for program members	\$ 11,235	\$ 11,235
Women’s transitional housing	273,647	450,000
Expansion of women’s facilities	<u>897,453</u>	<u>69,250</u>
	<u>\$ 1,182,335</u>	<u>\$ 530,485</u>

**NOTE 7 – PERMANENTLY RESTRICTED NET ASSETS**

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

	<u>2008</u>	<u>2007</u>
Beneficial interest in trust (Note 5)	\$ 215,074	\$ 174,654
Non-transferable preferred stock to be held for the production of investment income	<u>8,000</u>	<u>8,000</u>
	<u>\$ 223,074</u>	<u>\$ 182,654</u>



**NASHVILLE RESCUE MISSION AND AFFILIATE**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**December 31, 2008 and 2007**

**NOTE 7 – PERMANENTLY RESTRICTED NET ASSETS (continued)**

The quarterly dividend on the preferred stock, which is based on an annual rate of prime less 1.5%, is available for use by the Mission on an unrestricted basis.

**NOTE 8 – GIFTS-IN-KIND AND DONATED SERVICES**

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

	<u>2008</u>	<u>2007</u>
Gifts-in-kind received	\$ 3,156,576	\$ 3,289,320
Gifts-in-kind distributed:		
Clothing	\$ 1,536,812	\$ 1,785,987
Food	1,331,558	1,256,808
Holiday gifts	119,370	106,458
Supplies	115,615	96,817
Professional services	<u>51,226</u>	<u>43,250</u>
Total distributed	<u>\$ 3,154,581</u>	<u>\$ 3,289,320</u>
Gifts-in-kind capitalized:		
Furniture and fixtures	<u>\$ 1,995</u>	<u>\$ -</u>
Total capitalized	<u>\$ 1,995</u>	<u>\$ -</u>
Excess (deficit) of amounts received over amounts distributed and capitalized during the year	<u>\$ -</u>	<u>\$ -</u>

As described in Note 1, the Mission has recognized contributions of gifts-in-kind for donated professional services and recorded the services at their estimated fair value. These services primarily include medical services provided by doctors, nurses and physician's assistants. Total donated services included with the above gifts-in-kind information for the years ended December 31, 2008 and 2007 were \$51,226 and \$43,250, 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 financial statements.

**NASHVILLE RESCUE MISSION AND AFFILIATE  
NOTES TO FINANCIAL STATEMENTS (continued)  
December 31, 2008 and 2007**

**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 December 31, 2008 and 2007 totaled \$219,933 and \$251,025, respectively.

The Mission’s policy is to utilize amounts received from bequests for repayment of debt, capital additions, endowments and other long-range planning purposes. Support from bequests is not intended to be utilized for day-to-day operations, unless deemed necessary by management.

**NOTE 10 – LINE OF CREDIT**

The Mission maintains a line of credit arrangement with a financial institution, with interest rates at the Wall Street Journal prime rate. Monthly interest payments are due based on outstanding amounts with the principal due September 15, 2009. The agreement provides for short-term borrowings of up to \$500,000. There were no outstanding balances under the line of credit at December 31, 2008 and 2007.

**NOTE 11 – EMPLOYEE BENEFITS**

The Mission provides a retirement benefit (the “Retirement Plan”) to its eligible employees. All eligible employees who elect to participate make contributions to the Retirement Plan through payroll deductions. The Mission matches participating employee contributions up to eight percent of their annual salary. The Mission recognized expense of \$71,674 and \$60,612 during 2008 and 2007, respectively, for matching contributions to the Retirement Plan.

**NOTE 12 – SUPPLEMENTAL CASH FLOW INFORMATION**

The Mission recognized certain non-cash transactions as follows:

	<u>2008</u>	<u>2007</u>
Gifts-in-kind:		
Received	\$ 3,156,576	\$ 3,289,320
Distributed	3,154,581	3,289,320
Capitalized	1,995	-

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

**NASHVILLE RESCUE MISSION AND AFFILIATE  
NOTES TO FINANCIAL STATEMENTS (continued)  
December 31, 2008 and 2007**

**NOTE 13 – CAPITAL CAMPAIGN**

The Mission has entered into a capital campaign to assist in the expansion of the Family Life Center and Hope Center for Women and Children, and to build a Women's Transitional House. The Mission has begun construction related to the expansion of the Women's Transitional House and costs amounting to \$88,411 and \$15,063 have been capitalized as of December 31, 2008 and 2007, respectively. Total anticipated cost of the project is approximately \$4.3 million. The Mission intends to fund the project through cash on hand, capital campaign contributions and outside financing.

The Mission's goal is to raise \$5.4 million in capital campaign contributions, of which approximately \$2.2 million of cash and intentions to give towards that goal have been received as of December 31, 2008. Because pledges represent an intention to give and are not unconditional, they do not meet the criteria for revenue recognition under SFAS 116, and are not reflected in the accompanying financial statements.

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

**NOTE 14 – COMMITMENT**

In connection with the construction of the Women's Transitional House, the Mission entered into an agreement with a contractor in 2008 with an estimated cost of approximately \$1.1 million. This first phase of construction is expected to be completed by the end of June 2009.

**NOTE 15 – SUBSEQUENT EVENT**

Subsequent to December 31, 2008, the Mission entered into a commercial draw note in the amount of \$1,140,000 in connection with construction projects. The Mission may borrow amounts up to \$1,140,000 with interest payable monthly beginning May 15, 2009. Interest shall be 2% in excess of LIBOR. Effective October 15, 2009, the entire outstanding principal balance and all accrued interest shall convert to a term loan. Beginning November 15, 2009, interest shall be payable monthly and principal shall be payable in five installments in an amount necessary to amortize the principal balance over six months. No amounts have been drawn on this loan as of May 7, 2009.

Subsequent to December 31, 2008, the board increased designated net assets for future working capital reserves from \$1,500,000 to \$1,750,000.

**ADDITIONAL INFORMATION**