

NASHVILLE RESCUE MISSION

**FINANCIAL STATEMENTS
AND
ADDITIONAL INFORMATION**

December 31, 2006 and 2005

NASHVILLE RESCUE MISSION

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Nashville Rescue Mission
Nashville, Tennessee

We have audited the accompanying statements of financial position of Nashville Rescue Mission (a non-profit organization) as of December 31, 2006 and 2005, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these 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 financial statements referred to above present fairly, in all material respects, the financial position of Nashville Rescue Mission as of December 31, 2006 and 2005 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Frasier, Dean & Howard, PLLC

May 8, 2007

NASHVILLE RESCUE MISSION
STATEMENTS OF FINANCIAL POSITION
December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,218,661	\$ 1,215,166
Certificate of deposit	1,250,000	-
Supplies inventory	<u>4,864</u>	<u>4,864</u>
Total current assets	2,473,525	1,220,030
Long-term investments	8,000	8,000
Land, buildings and equipment, net	<u>5,922,850</u>	<u>6,045,064</u>
Total assets	<u><u>\$ 8,404,375</u></u>	<u><u>\$ 7,273,094</u></u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 138,462	\$ 139,815
Other current liabilities	<u>38,658</u>	<u>32,911</u>
Total current liabilities	<u>177,120</u>	<u>172,726</u>
Net assets:		
Unrestricted	8,208,020	7,081,133
Temporarily restricted	11,235	11,235
Permanently restricted	<u>8,000</u>	<u>8,000</u>
Total net assets	<u>8,227,255</u>	<u>7,100,368</u>
Total liabilities and net assets	<u><u>\$ 8,404,375</u></u>	<u><u>\$ 7,273,094</u></u>

See accompanying notes.

**NASHVILLE RESCUE MISSION
STATEMENT OF ACTIVITIES
Year ended December 31, 2006**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public Support:				
Contributions	\$ 5,408,580	\$ 104,094	\$ -	\$5,512,674
Gifts-in-kind	3,476,555	-	-	3,476,555
Bequests	304,640	-	-	304,640
Net assets released from restrictions	104,094	(104,094)	-	-
Total public support	<u>9,293,869</u>	<u>-</u>	<u>-</u>	<u>9,293,869</u>
Revenue:				
Investment income	677	-	-	677
Fees for property use	181,984	-	-	181,984
Other revenue	85,158	-	-	85,158
Total revenue	<u>267,819</u>	<u>-</u>	<u>-</u>	<u>267,819</u>
Total public support and revenue	<u>9,561,688</u>	<u>-</u>	<u>-</u>	<u>9,561,688</u>
Expenses:				
Program services:				
Food, clothing and other distributions	3,481,817	-	-	3,481,817
Transient services	1,726,145	-	-	1,726,145
Rehabilitation services	1,247,824	-	-	1,247,824
Public awareness	144,437	-	-	144,437
Total program services	<u>6,600,223</u>	<u>-</u>	<u>-</u>	<u>6,600,223</u>
Supporting services:				
Management and general	337,692	-	-	337,692
Fundraising	1,496,886	-	-	1,496,886
Total supporting services	<u>1,834,578</u>	<u>-</u>	<u>-</u>	<u>1,834,578</u>
Total expenses	<u>8,434,801</u>	<u>-</u>	<u>-</u>	<u>8,434,801</u>
Change in net assets	1,126,887	-	-	1,126,887
Net assets at beginning of year	<u>7,081,133</u>	<u>11,235</u>	<u>8,000</u>	<u>7,100,368</u>
Net assets at end of year	<u>\$ 8,208,020</u>	<u>\$ 11,235</u>	<u>\$ 8,000</u>	<u>\$8,227,255</u>

See accompanying notes.

**NASHVILLE RESCUE MISSION
STATEMENT OF ACTIVITIES
Year ended December 31, 2005**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public Support:				
Contributions	\$ 4,771,414	\$ 75,268	\$ -	\$4,846,682
Gifts-in-kind	3,274,233	-	-	3,274,233
Bequests	443,077	-	-	443,077
Net assets released from restrictions	75,268	(75,268)	-	-
Total public support	<u>8,563,992</u>	<u>-</u>	<u>-</u>	<u>8,563,992</u>
Revenue:				
Investment income	293	139	-	432
Fees for property use	146,142	-	-	146,142
Other revenue	46,219	-	-	46,219
Total revenue	<u>192,654</u>	<u>139</u>	<u>-</u>	<u>192,793</u>
Total public support and revenue	<u>8,756,646</u>	<u>139</u>	<u>-</u>	<u>8,756,785</u>
Expenses:				
Program services:				
Food, clothing and other distributions	3,283,320	-	-	3,283,320
Transient services	1,689,775	-	-	1,689,775
Rehabilitation services	1,196,281	-	-	1,196,281
Public awareness	121,681	-	-	121,681
Total program services	<u>6,291,057</u>	<u>-</u>	<u>-</u>	<u>6,291,057</u>
Supporting services:				
Management and general	313,506	-	-	313,506
Fundraising	1,471,427	-	-	1,471,427
Total supporting services	<u>1,784,933</u>	<u>-</u>	<u>-</u>	<u>1,784,933</u>
Total expenses	<u>8,075,990</u>	<u>-</u>	<u>-</u>	<u>8,075,990</u>
Change in net assets	680,656	139	-	680,795
Net assets at beginning of year	<u>6,400,477</u>	<u>11,096</u>	<u>8,000</u>	<u>6,419,573</u>
Net assets at end of year	<u>\$ 7,081,133</u>	<u>\$ 11,235</u>	<u>\$ 8,000</u>	<u>\$7,100,368</u>

See accompanying notes.

NASHVILLE RESCUE MISSION
STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2006

	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	\$ 3,458,984	-	-	-	\$ 3,458,984	\$ -	-	\$ -	\$ 3,458,984
Salaries and wages	-	924,662	631,487	65,635	1,621,784	113,059	244,933	357,992	1,979,776
Contract services - donor appeals	-	-	-	-	-	-	838,576	838,576	838,576
Utilities	-	173,657	167,601	10	341,268	24,242	21,043	45,285	386,553
Other employee benefits	-	177,435	108,087	-	285,522	29,516	30,748	60,264	345,786
Printing and postage	-	236	170	1,285	1,691	20,317	201,219	221,536	223,227
Repairs and maintenance	-	95,260	44,511	-	139,771	8,292	3,719	12,011	151,782
Payroll taxes	-	69,944	47,786	4,983	122,713	8,744	18,494	27,238	149,951
Publicity	-	-	-	67,774	67,774	-	98,928	98,928	166,702
Supplies	-	47,861	29,258	139	77,258	24,998	16,512	41,510	118,768
Professional fees	-	406	460	7	873	72,113	92	72,205	73,078
Insurance	-	32,306	44,281	-	76,587	2,354	1,569	3,923	80,510
Travel and transportation	-	49,868	13,422	-	63,290	2,762	6,542	9,304	72,594
Retirement benefits	-	19,447	19,267	2,808	41,522	2,908	9,226	12,134	53,656
Benevolence	-	10,967	28,953	-	39,920	59	-	59	39,979
Food and clothing	22,833	-	-	-	22,833	1,320	24	1,344	24,177
Education and training	-	2,656	4,532	-	7,188	3,502	850	4,352	11,540
Property taxes	-	-	-	-	-	3,647	-	3,647	3,647
Miscellaneous	-	339	249	1,796	2,384	836	48	884	3,268
	<u>3,481,817</u>	<u>1,605,044</u>	<u>1,140,064</u>	<u>144,437</u>	<u>6,371,362</u>	<u>318,669</u>	<u>1,492,523</u>	<u>1,811,192</u>	<u>8,182,554</u>
Depreciation	-	121,101	107,760	-	228,861	19,023	4,363	23,386	252,247
Total expenses	\$ 3,481,817	\$ 1,726,145	\$ 1,247,824	\$ 144,437	\$ 6,600,223	\$ 337,692	\$ 1,496,886	\$ 1,834,578	\$ 8,434,801

See accompanying notes.

NASHVILLE RESCUE MISSION
STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2005

	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	\$ 3,269,633	\$ -	\$ -	\$ -	\$ 3,269,633	\$ -	\$ -	\$ -	\$ 3,269,633
Salaries and wages	-	905,764	575,170	64,923	1,545,857	75,318	249,634	324,952	1,870,809
Contract services - donor appeals	-	-	-	-	-	-	814,123	814,123	814,123
Utilities	-	178,332	172,246	-	350,578	20,957	22,614	43,571	394,149
Other employee benefits	-	171,901	105,005	-	276,906	30,830	29,366	60,196	337,102
Printing and postage	-	148	110	952	1,210	16,150	201,170	217,320	218,530
Repairs and maintenance	-	86,880	45,324	-	132,204	8,153	3,111	11,264	143,468
Payroll taxes	-	68,462	43,583	4,951	116,996	5,420	18,939	24,359	141,355
Publicity	-	-	-	48,077	48,077	-	99,356	99,356	147,433
Supplies	-	34,853	30,593	-	65,446	22,842	17,143	39,985	105,431
Professional fees	-	34	-	-	34	99,555	18	99,573	99,607
Insurance	-	31,939	43,700	-	75,639	2,290	1,526	3,816	79,455
Travel and transportation	-	61,207	9,773	-	70,980	2,125	3,329	5,454	76,434
Retirement benefits	-	17,585	19,254	2,778	39,617	2,796	7,320	10,116	49,733
Benevolence	-	10,471	27,327	-	37,798	150	-	150	37,948
Interest	-	-	11,186	-	11,186	-	-	-	11,186
Food and clothing	13,687	-	-	-	13,687	1,334	20	1,354	15,041
Education and training	-	2,309	5,351	-	7,660	2,457	945	3,402	11,062
Property taxes	-	-	-	-	-	3,916	-	3,916	3,916
Rental of equipment	-	862	-	-	862	-	-	-	862
Miscellaneous	-	-	-	-	-	151	-	151	151
	<u>3,283,320</u>	<u>1,570,747</u>	<u>1,088,622</u>	<u>121,681</u>	<u>6,064,370</u>	<u>294,444</u>	<u>1,468,614</u>	<u>1,763,058</u>	<u>7,827,428</u>
Depreciation	-	119,028	107,659	-	226,687	19,062	2,813	21,875	248,562
Total expenses	<u>\$ 3,283,320</u>	<u>\$ 1,689,775</u>	<u>\$ 1,196,281</u>	<u>\$ 121,681</u>	<u>\$ 6,291,057</u>	<u>\$ 313,506</u>	<u>\$ 1,471,427</u>	<u>\$ 1,784,933</u>	<u>\$ 8,075,990</u>

See accompanying notes.

**NASHVILLE RESCUE MISSION
STATEMENTS OF CASH FLOWS
Years ended December 31, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
Cash flows from operating activities:		
Change in net assets	\$1,126,887	\$ 680,795
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	252,247	248,562
Loss on disposal of assets	1,782	7,922
Donation of equipment	(17,571)	(4,600)
(Increase) decrease in:		
Supplies inventory	-	454
Increase (decrease) in:		
Accounts payable	(1,353)	(9,794)
Other current liabilities	5,747	5,222
	<u>1,367,739</u>	<u>928,561</u>
 Cash flows from investing activities:		
Purchase of certificate of deposit	(1,250,000)	-
Purchases of property and equipment	(114,244)	(179,517)
	<u>(1,364,244)</u>	<u>(179,517)</u>
 Cash flows from financing activities:		
Payments on notes payable	-	(305,040)
	<u>-</u>	<u>(305,040)</u>
 Net increase in cash	3,495	444,004
 Cash and cash equivalents at beginning of year	<u>1,215,166</u>	<u>771,162</u>
 Cash and cash equivalents at end of year	<u><u>\$1,218,661</u></u>	<u><u>\$1,215,166</u></u>

See accompanying notes.

**NASHVILLE RESCUE MISSION
NOTES TO FINANCIAL STATEMENTS
December 31, 2006 and 2005**

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 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.
- 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.

NASHVILLE RESCUE MISSION
NOTES TO FINANCIAL STATEMENTS (continued)
December 31, 2006 and 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- 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.

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 – net assets that are not subject to donor-imposed stipulations.

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 statement 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.

NASHVILLE RESCUE MISSION
NOTES TO FINANCIAL STATEMENTS (continued)
December 31, 2006 and 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Supplies Inventory

Supplies inventory is carried at cost if purchased or at estimated fair value as of the date contributed.

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:

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 (effective January 2004) per meal served and \$4.70 per article of clothing provided. Beginning in 2001, excess clothing distributed to other non-profit agencies is valued at \$5.00 per pound. Management believes these estimated values for donated food and clothing are conservative based on cost studies performed. Other assets donated are recorded at estimated fair value on the date received.

NASHVILLE RESCUE MISSION
NOTES TO FINANCIAL STATEMENTS (continued)
December 31, 2006 and 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Public Support (continued)

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.

A receivable from a donor is recognized when the Mission receives an unconditional promise to give a determinable amount. 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.

Income Taxes

The Nashville Rescue Mission 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.

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.

NOTE 2 – CERTIFICATE OF DEPOSIT

Certificate of deposit consists of the following at December 31:

	2006	2005
Certificate of deposit (5.094%, matured May 5, 2007, extended to November 5, 2007)	<u>\$ 1,250,000</u>	<u>\$ -</u>

NASHVILLE RESCUE MISSION
NOTES TO FINANCIAL STATEMENTS (continued)
December 31, 2006 and 2005

NOTE 2 – CERTIFICATE OF DEPOSIT (continued)

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

NOTE 3 – LAND, BUILDINGS AND EQUIPMENT

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

	<u>2006</u>	<u>2005</u>
Land and improvements	\$ 357,123	\$ 311,643
Buildings and improvements	6,618,574	6,618,574
Furniture, fixtures and equipment	1,032,965	954,772
Automobiles and trucks	<u>99,894</u>	<u>116,754</u>
	8,108,556	8,001,743
Less accumulated depreciation	<u>(2,185,706)</u>	<u>(1,956,679)</u>
	<u>\$ 5,922,850</u>	<u>\$ 6,045,064</u>

NOTE 4 – TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2006</u>	<u>2005</u>
General use for the Family Life Center	\$ 70,708	\$ 58,908
Food and lodging	1,120	14,960
General use for the Anchor Home program	<u>32,266</u>	<u>1,400</u>
Total temporarily restricted contributions	<u>\$ 104,094</u>	<u>\$ 75,268</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>2006</u>	<u>2005</u>
General use for the Family Life Center	\$ 70,708	\$ 58,908
Food and lodging	1,120	14,960
General use for the Anchor Home program	<u>32,266</u>	<u>1,400</u>
Total net assets released from restrictions	<u>\$ 104,094</u>	<u>\$ 75,268</u>

NASHVILLE RESCUE MISSION
NOTES TO FINANCIAL STATEMENTS (continued)
December 31, 2006 and 2005

NOTE 4 – TEMPORARILY RESTRICTED NET ASSETS (continued)

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

	2006	2005
Cash and cash equivalents for:		
College scholarships for program members	\$ <u>11,235</u>	\$ <u>11,235</u>

NOTE 5 – PERMANENTLY RESTRICTED NET ASSETS

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

	2006	2005
Non-transferable preferred stock to be held for the production of investment income	\$ <u>8,000</u>	\$ <u>8,000</u>

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

NOTE 6 – 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:

	2006	2005
Gifts-in-kind received	\$ 3,476,555	\$ 3,274,233
Gifts-in-kind distributed:		
Clothing	\$ 2,118,887	\$ 2,025,443
Food	1,143,684	1,080,232
Holiday gifts	93,328	83,724
Supplies	57,072	43,409
Professional services	<u>46,013</u>	<u>36,825</u>
Total distributed	<u>\$ 3,458,984</u>	<u>\$ 3,269,633</u>

NASHVILLE RESCUE MISSION
NOTES TO FINANCIAL STATEMENTS (continued)
December 31, 2006 and 2005

NOTE 6 – GIFTS-IN-KIND AND DONATED SERVICES (continued)

Gifts-in-kind capitalized:		
Furniture and fixtures	\$ 17,571	\$ -
Automobiles and trucks	<u>-</u>	<u>4,600</u>
 Total capitalized	 <u>\$ 17,571</u>	 <u>\$ 4,600</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 capitalized architectural services and other construction related items, and 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, 2006 and 2005 were \$46,013 and \$36,825, 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.

NOTE 7 – 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, 2006 and 2005 totaled \$304,640 and \$443,077, 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 8 – LINE OF CREDIT

The Organization 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 July 29, 2007. The agreement provides for short-term borrowings of up to \$500,000. Outstanding balances under the line of credit totaled \$0 at December 31, 2006 and 2005.

NASHVILLE RESCUE MISSION
NOTES TO FINANCIAL STATEMENTS (continued)
December 31, 2006 and 2005

NOTE 9 – 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 \$53,656 and \$49,733 during 2006 and 2005, respectively, for matching contributions to the Retirement Plan.

NOTE 10 – SUPPLEMENTAL CASH FLOW INFORMATION

The Mission recognized certain non-cash transactions as follows:

	<u>2006</u>	<u>2005</u>
Gifts-in-kind:		
Received	\$ 3,476,555	\$ 3,274,233
Distributed	3,458,984	3,269,633
Capitalized	17,571	4,600

Interest paid totaled \$0 and \$11,186, for the years ended December 31, 2006 and 2005, respectively.

ADDITIONAL INFORMATION

INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION

The Board of Directors
Nashville Rescue Mission
Nashville, Tennessee

Our report on our audits of the basic financial statements of Nashville Rescue Mission for 2006 and 2005 appears on page 2. Those audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying 2006 and 2005 Schedules of Total Expenses by Department is presented for purposes of additional analysis, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Frasier, Dean + Howard, PLLC

May 8, 2007

NASHVILLE RESCUE MISSION
SCHEDULES OF TOTAL EXPENSES BY DEPARTMENT
Years ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>	<u>Increase (Decrease)</u>
Program services:			
Food, clothing and other distributions	\$ 3,481,817	\$ 3,283,320	\$ 198,497
Transient services:			
Men's shelter	1,201,040	1,163,504	37,536
Family Life Center	415,286	412,745	2,541
Travelers aid	109,819	113,526	(3,707)
Total transient services	1,726,145	1,689,775	36,370
Rehabilitation services:			
Men's recovery program and education	536,669	521,765	14,904
Hope Center	428,984	399,984	29,000
Anchor Home	158,060	148,887	9,173
The Lodging Place	124,111	125,645	(1,534)
Total rehabilitation services	1,247,824	1,196,281	51,543
Public awareness	144,437	121,681	22,756
Total program services	6,600,223	6,291,057	309,166
Supporting Services:			
Management and general	337,692	313,506	24,186
Fundraising	1,496,886	1,471,427	25,459
Total supporting services	1,834,578	1,784,933	49,645
Total expenses	<u>\$ 8,434,801</u>	<u>\$ 8,075,990</u>	<u>\$ 358,811</u>

See accompanying notes.