

**NASHVILLE RESCUE MISSION
AND AFFILIATES**

CONSOLIDATED FINANCIAL STATEMENTS

*As of and for the Years Ended September 30, 2017
and 2016*

And Report of Independent Auditor

NASHVILLE RESCUE MISSION AND AFFILIATES

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Report of Independent Auditor

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 statement of financial position as of September 30, 2017, and the related consolidated statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit 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, 2017, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The consolidated financial statements as of September 30, 2016, were audited by other auditors whose report dated December 30, 2016 expressed an unmodified opinion on those statements.

A handwritten signature in blue ink that reads "Cheryl Bekant LLP". The signature is written in a cursive style and is placed on a light-colored rectangular background.

Nashville, Tennessee
December 21, 2017

NASHVILLE RESCUE MISSION AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
September 30, 2017 and 2016

	2017	2016
Assets		
Current assets:		
Cash and cash equivalents	\$ 4,023,310	\$ 2,916,675
Certificate of deposit	765,229	757,109
Prepaid expenses	280,588	367,207
Pledges receivable	24,600	-
Other assets	-	325
Total current assets	5,093,727	4,041,316
Long-term investments	27,702	72,754
Beneficial interest in trusts	425,272	419,872
Land, buildings, and equipment, net	11,601,738	12,110,139
Total assets	\$ 17,148,439	\$ 16,644,081
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 119,110	\$ 199,929
Accrued expenses	275,732	250,336
Unearned revenue	5,000	49,858
Other liabilities	-	4,365
Total current liabilities	399,842	504,488
Net assets:		
Unrestricted:		
Undesignated	473,951	520,082
Board designated - Note 1	3,939,186	2,994,000
Net investment in land, buildings, and equipment	11,601,738	12,110,139
Total unrestricted net assets	16,014,875	15,624,221
Temporarily restricted	308,450	95,500
Permanently restricted	425,272	419,872
Total net assets	16,748,597	16,139,593
Total liabilities and net assets	\$ 17,148,439	\$ 16,644,081

See accompanying notes.

NASHVILLE RESCUE MISSION AND AFFILIATES
CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended September 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public support:				
Contributions	\$ 10,839,771	\$ 277,950	\$ -	\$ 11,117,721
Gifts-in-kind	2,729,404	-	-	2,729,404
Bequests	749,979	-	-	749,979
Net assets released from restrictions	65,000	(65,000)	-	-
Total public support	<u>14,384,154</u>	<u>212,950</u>	<u>-</u>	<u>14,597,104</u>
Revenue:				
Other revenue	78,169	-	-	78,169
Change in value of beneficial interest in trusts	-	-	5,400	5,400
Total revenue	<u>78,169</u>	<u>-</u>	<u>5,400</u>	<u>83,569</u>
Total public support and revenue	<u>14,462,323</u>	<u>212,950</u>	<u>5,400</u>	<u>14,680,673</u>
Expenses:				
Program services:				
Food, clothing, and other distributions	2,903,910	-	-	2,903,910
Guest services	4,370,489	-	-	4,370,489
Recovery services	2,531,350	-	-	2,531,350
Public awareness	296,026	-	-	296,026
Total program services	<u>10,101,775</u>	<u>-</u>	<u>-</u>	<u>10,101,775</u>
Supporting services:				
Management and general	1,202,537	-	-	1,202,537
Fundraising	2,767,357	-	-	2,767,357
Total supporting services	<u>3,969,894</u>	<u>-</u>	<u>-</u>	<u>3,969,894</u>
Total expenses	<u>14,071,669</u>	<u>-</u>	<u>-</u>	<u>14,071,669</u>
Change in net assets	390,654	212,950	5,400	609,004
Net assets at beginning of year	<u>15,624,221</u>	<u>95,500</u>	<u>419,872</u>	<u>16,139,593</u>
Net assets at end of year	<u>\$ 16,014,875</u>	<u>\$ 308,450</u>	<u>\$ 425,272</u>	<u>\$ 16,748,597</u>

See accompanying notes.

NASHVILLE RESCUE MISSION AND AFFILIATES
CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended September 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public support:				
Contributions	\$ 10,627,621	\$ 95,500	\$ -	\$ 10,723,121
Gifts-in-kind	3,174,031	-	-	3,174,031
Bequests	244,949	-	-	244,949
Net assets released from restrictions	-	-	-	-
Total public support	<u>14,046,601</u>	<u>95,500</u>	<u>-</u>	<u>14,142,101</u>
Revenue:				
Other revenue	82,030	-	-	82,030
Change in value of beneficial interest in trusts	-	-	101,147	101,147
Total revenue	<u>82,030</u>	<u>-</u>	<u>101,147</u>	<u>183,177</u>
Total public support and revenue	<u>14,128,631</u>	<u>95,500</u>	<u>101,147</u>	<u>14,325,278</u>
Expenses:				
Program services:				
Food, clothing, and other distributions	2,998,787	-	-	2,998,787
Guest services	4,153,837	-	-	4,153,837
Recovery services	2,421,775	-	-	2,421,775
Public awareness	383,778	-	-	383,778
Total program services	<u>9,958,177</u>	<u>-</u>	<u>-</u>	<u>9,958,177</u>
Supporting services:				
Management and general	1,256,496	-	-	1,256,496
Fundraising	2,698,951	-	-	2,698,951
Total supporting services	<u>3,955,447</u>	<u>-</u>	<u>-</u>	<u>3,955,447</u>
Total expenses	<u>13,913,624</u>	<u>-</u>	<u>-</u>	<u>13,913,624</u>
Change in net assets	215,007	95,500	101,147	411,654
Net assets at beginning of year, as previously reported	15,546,323	-	318,725	15,865,048
Revision - Note 11	<u>(137,109)</u>	<u>-</u>	<u>-</u>	<u>(137,109)</u>
Net assets at beginning of year, as revised	<u>15,409,214</u>	<u>-</u>	<u>318,725</u>	<u>15,727,939</u>
Net assets at end of year	<u>\$ 15,624,221</u>	<u>\$ 95,500</u>	<u>\$ 419,872</u>	<u>\$ 16,139,593</u>

See accompanying notes.

NASHVILLE RESCUE MISSION AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended September 30, 2017

	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	\$ -	\$ 2,600,659	\$ 1,215,586	\$ -	\$ 3,816,245	\$ 501,861	\$ 559,328	\$ 1,061,189	\$ 4,877,434
Gifts-in-kind	2,729,404	-	-	-	2,729,404	-	-	-	2,729,404
Contract services - donor appeals	-	-	-	-	-	-	1,361,960	1,361,960	1,361,960
Other employee benefits	-	469,850	284,701	-	754,551	110,508	86,465	196,973	951,524
Publicity	-	-	-	295,919	295,919	-	239,635	239,635	535,554
Utilities	-	226,522	231,900	-	458,422	31,299	23,491	54,790	513,212
Repairs and maintenance	-	209,085	92,452	-	301,537	41,020	3,998	45,018	346,555
Payroll taxes	-	183,691	84,450	-	268,141	37,111	39,632	76,743	344,884
Printing and postage	-	-	-	107	107	20,435	292,077	312,512	312,619
Insurance	-	131,597	158,664	-	290,261	12,116	13,026	25,142	315,403
Supplies	-	177,059	74,402	-	251,461	38,945	12,552	51,497	302,958
Professional fees	-	-	-	-	-	199,889	-	199,889	199,889
Food purchases	174,506	-	-	-	174,506	-	-	-	174,506
Retirement benefits	-	71,523	26,598	-	98,121	32,924	14,991	47,915	146,036
Education and training	-	53,081	30,251	-	83,332	59,866	16,446	76,312	159,644
Travel and transportation	-	46,394	20,575	-	66,969	15,119	4,942	20,061	87,030
Benevolence	-	3,400	15,329	-	18,729	300	-	300	19,029
Miscellaneous	-	-	-	-	-	2,330	-	2,330	2,330
	<u>2,903,910</u>	<u>4,172,861</u>	<u>2,234,908</u>	<u>296,026</u>	<u>9,607,705</u>	<u>1,103,723</u>	<u>2,668,543</u>	<u>3,772,266</u>	<u>13,379,971</u>
Depreciation	-	197,628	296,442	-	494,070	98,814	98,814	197,628	691,698
Total expenses	<u>\$ 2,903,910</u>	<u>\$ 4,370,489</u>	<u>\$ 2,531,350</u>	<u>\$ 296,026</u>	<u>\$ 10,101,775</u>	<u>\$ 1,202,537</u>	<u>\$ 2,767,357</u>	<u>\$ 3,969,894</u>	<u>\$ 14,071,669</u>

See accompanying notes.

NASHVILLE RESCUE MISSION AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended September 30, 2016

	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	\$ -	\$ 2,430,298	\$ 1,103,891	\$ -	\$ 3,534,189	\$ 540,577	\$ 541,253	\$ 1,081,830	\$ 4,616,019
Gifts-in-kind	2,789,205	-	-	-	2,789,205	-	-	-	2,789,205
Contract services - donor appeals	-	-	-	-	-	-	1,311,228	1,311,228	1,311,228
Other employee benefits	-	472,880	286,851	-	759,731	103,037	91,544	194,581	954,312
Publicity	-	-	-	383,778	383,778	-	250,072	250,072	633,850
Utilities	-	219,577	233,906	-	453,483	29,522	23,153	52,675	506,158
Repairs and maintenance	-	235,514	93,027	-	328,541	41,455	2,024	43,479	372,020
Payroll taxes	-	176,060	78,198	-	254,258	39,057	39,436	78,493	332,751
Printing and postage	-	-	-	-	-	38,953	275,581	314,534	314,534
Supplies	-	136,881	77,559	-	214,440	35,262	13,397	48,659	263,099
Insurance	-	117,090	143,136	-	260,226	10,663	11,022	21,685	281,911
Food purchases	209,582	-	-	-	209,582	414	-	414	209,996
Professional fees	-	-	-	-	-	218,013	3,413	221,426	221,426
Retirement benefits	-	70,410	33,041	-	103,451	29,772	15,881	45,653	149,104
Travel and transportation	-	64,695	26,036	-	90,731	18,913	5,798	24,711	115,442
Education and training	-	34,965	27,722	-	62,687	41,961	13,676	55,637	118,324
Miscellaneous	-	-	30	-	30	3,184	-	3,184	3,214
Benevolence	-	1,000	13,960	-	14,960	1,700	-	1,700	16,660
	<u>2,998,787</u>	<u>3,959,370</u>	<u>2,117,357</u>	<u>383,778</u>	<u>9,459,292</u>	<u>1,152,483</u>	<u>2,597,478</u>	<u>3,749,961</u>	<u>13,209,253</u>
Depreciation	-	194,467	304,418	-	498,885	104,013	101,473	205,486	704,371
Total expenses	<u>\$ 2,998,787</u>	<u>\$ 4,153,837</u>	<u>\$ 2,421,775</u>	<u>\$ 383,778</u>	<u>\$ 9,958,177</u>	<u>\$ 1,256,496</u>	<u>\$ 2,698,951</u>	<u>\$ 3,955,447</u>	<u>\$ 13,913,624</u>

See accompanying notes.

NASHVILLE RESCUE MISSION AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended September 30, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ 609,004	\$ 411,654
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	691,698	704,371
Change in value of beneficial interest in trust	(5,400)	(101,147)
Unrealized gain on investments	(579)	(2,822)
Donation of property	-	(384,830)
(Increase) decrease in:		
Pledge receivable	(24,600)	-
Prepaid expenses	86,619	(17,860)
Other assets	325	(325)
Increase (decrease) in:		
Accounts payable	(80,819)	(121,851)
Accrued expenses	25,396	(40,540)
Unearned revenue	(44,858)	(60,525)
Other liabilities	(4,365)	(787)
	<u>1,252,421</u>	<u>385,338</u>
Cash flows from investing activities:		
Proceeds from sale of investments	45,631	-
Purchases and sales of certificate of deposit, net	(8,120)	(7,626)
Purchases of land, buildings, and equipment	(183,297)	(478,434)
	<u>(145,786)</u>	<u>(486,060)</u>
Net increase (decrease) in cash and cash equivalents	1,106,635	(100,722)
Cash and cash equivalents at beginning of year	<u>2,916,675</u>	<u>3,017,397</u>
Cash and cash equivalents at end of year	<u>\$ 4,023,310</u>	<u>\$ 2,916,675</u>

See accompanying notes.

NASHVILLE RESCUE MISSION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2017 and 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nashville Rescue Mission (the “Mission”) was incorporated March 16, 1954 in accordance with the laws of the State of Tennessee as a non-profit corporation. The Mission’s purpose is to 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 men.
- Women’s Emergency Shelter – providing shelter and spiritual counseling to homeless women and their children.
- Travelers Aid – providing travel assistance to needy individuals.

NASHVILLE RESCUE MISSION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
September 30, 2017 and 2016

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.
- Women’s Recovery Program – providing a life recovery program for women affected by addictions and life defeating problems including: Bible classes, counseling, educational classes, and employment preparation to women who seek a way out of destructive lifestyles.
- Transitional Housing for Men and Women – providing transitional housing (single resident occupancy) to graduates of the life recovery program who have demonstrated a commitment to building new lives for themselves. Housing is for a limited period while transitioning from reliance on the Mission’s life recovery programs to securing independent housing arrangements. The Transitional Housing for men is located at 639 Lafayette Street and the housing for women is located at 1709 7th Avenue North.

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, 2017 and 2016

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.

Board Designated – net assets designated by the Mission’s board for particular purposes, presently designated by the board for future working capital reserves (\$2,785,846) and future capital asset reserves from the receipt of bequests (Note 8) (\$1,153,340) totaling \$3,939,186.

Net investment in land, buildings, and equipment – resources invested in land, buildings, and equipment designated by the Mission’s board for particular purposes.

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

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

Cash and Cash Equivalents

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

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, 2017 and 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Land, Buildings and Equipment (Continued)

Buildings and improvements	20 – 40 years
Automobiles and trucks	5 – 7 years
Furniture, fixtures and equipment	3 – 10 years

Split Interest Agreements

Accounting standards require that the following instruments be recorded as contributions and assets at the fair value of the Mission's ultimate interest.

Beneficial interest in trusts: Donors have established and funded trusts naming outside fiscal agents to invest and manage the trust assets in perpetuity. The Mission, each year, will receive a pro-rata share of income from the trust assets in perpetuity.

Public Support

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

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

Donated Services: generally not recognized unless the services:

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

Contributions are recognized when the donor makes a promise to give to the Mission that is, in substance, unconditional. Amounts scheduled to be received in excess of one year are recorded at estimated present value, by discounting the future cash flows using a credit risk adjusted interest rate that corresponds with the term of each promise to give.

NASHVILLE RESCUE MISSION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
September 30, 2017 and 2016

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, 2017 or 2016.

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 December 31, 2017, 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, 2017 and 2016

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, 2017 and 2016.

The following is a description of the valuation methodologies used for asset measurements at fair value at September 30, 2017 and 2016:

Certificate of deposit – Valued at cost plus accrued interest, which approximates fair 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 trusts. These valuations are typically performed annually, based on the fair value of the amounts the Mission expects to receive under the term of the trusts.

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

NASHVILLE RESCUE MISSION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
September 30, 2017 and 2016

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, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificate of deposit	\$ 765,229	\$ -	\$ -	\$ 765,229
Beneficial interest in trusts	<u>-</u>	<u>-</u>	<u>425,272</u>	<u>425,272</u>
	<u>\$ 765,229</u>	<u>\$ -</u>	<u>\$ 425,272</u>	<u>\$ 1,190,501</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, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificate of deposit	\$ 757,109	\$ -	\$ -	\$ 757,109
Beneficial interest in trusts	<u>-</u>	<u>-</u>	<u>419,872</u>	<u>419,872</u>
	<u>\$ 757,109</u>	<u>\$ -</u>	<u>\$ 419,872</u>	<u>\$ 1,176,981</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>2017</u>	<u>2016</u>
Beneficial interest in trusts at beginning of year	\$ 419,872	\$ 318,725
Change in value of beneficial interest in trusts	<u>5,400</u>	<u>101,147</u>
Beneficial interest in trusts at end of year	<u>\$ 425,272</u>	<u>\$ 419,872</u>

NOTE 3 – CERTIFICATE OF DEPOSIT

Certificate of deposit consists of the following at September 30:

	<u>2017</u>	<u>2016</u>
Certificate of deposit (1.685%, matures February 13, 2019)	<u>\$ 765,229</u>	<u>\$ 757,109</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, 2017 and 2016

NOTE 4 – LAND, BUILDINGS AND EQUIPMENT

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

	2017	2016
Land and improvements	\$ 2,382,078	\$ 2,368,078
Buildings and improvements	12,764,551	12,761,264
Furniture, fixtures and equipment	3,763,278	3,760,038
Automobiles and trucks	230,585	154,282
Construction in progress	46,553	34,840
	19,187,045	19,078,502
Less accumulated depreciation	(7,585,307)	(6,968,363)
	<u>\$11,601,738</u>	<u>\$12,110,139</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 \$117,000 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 \$2,000 and \$2,000, respectively, for the years ended September 30, 2017 and 2016. 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 \$308,000 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 \$31,000 and \$35,000, respectively, for the years ended September 30, 2017 and 2016. 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, 2017 and 2016

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:

	2017	2016
Support for future Women’s Campus projects	\$ 30,500	\$ 30,500
Refrigerated truck	-	65,000
Freight elevator upgrade, minibus, forklift	233,350	-
Passenger vehicle	20,000	-
Pledges receivable	24,600	-
Total temporarily restricted contributions	\$ 308,450	\$ 95,500

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:

	2017	2016
Refrigerated truck	\$ 65,000	\$ -
Total net assets released from restrictions	\$ 65,000	\$ -

NOTE 7 – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of the beneficial interest in trusts (Note 5) which are valued at \$425,272 and \$419,872, respectively, at September 30, 2017 and 2016.

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, 2017 and 2016 totaled \$749,979 and \$244,949, 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, 2017 and 2016

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 as fixed assets included in the consolidated statements of financial position are summarized as follows for the years ended September 30:

	2017	2016
Gifts-in-kind received	<u>\$ 2,729,404</u>	<u>\$ 3,174,031</u>
Gifts-in-kind distributed:		
Food	1,337,751	1,421,043
Clothing	1,170,271	1,041,839
Supplies	221,382	326,319
Holiday gifts	-	-
Total distributed	<u>\$ 2,729,404</u>	<u>\$ 2,789,201</u>
Gifts-in-kind capitalized	<u>\$ -</u>	<u>\$ 384,830</u>

A substantial number of non-professional volunteers have donated significant amounts of their time to the Mission’s program services; however, the fair value of these services has not been reflected in the accompanying consolidated financial statements.

NOTE 10 – EMPLOYEE BENEFIT PLAN

The Mission provides a retirement benefit (the “Retirement Plan”) to its eligible employees. Effective April 2014, the Mission provides a base contribution of three percent of gross salary to every employee’s retirement account. In addition, the Mission matches 50% of participating employee contributions on the first six percent of an employee’s contributions. All eligible employees who elect to participate make contributions to the Retirement Plan through payroll deductions. The Mission recognized expense of \$146,036 and \$149,104 during the years ended September 30, 2017 and 2016, respectively, for base and matching contributions to the Retirement Plan.

NASHVILLE RESCUE MISSION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
September 30, 2017 and 2016

NOTE 11 – REVISION OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS

During fiscal year 2017, management determined certain accrued expenses for payroll and related items, and utilities had not been properly recorded in the consolidated financial statements as of September 30, 2016. Management assessed the applicable guidance issued by the Financial Accounting Standards Board (FASB) and concluded these misstatements were not material, individually or in the aggregate, to the Mission's consolidated financial statements and the overall impact to the consolidated statement of activities for the year ending September 30, 2016 is \$29,130. However, to facilitate comparisons among periods, the Mission has decided to revise its previously issued consolidated financial statements as of September 30, 2016, and for the year then ended. The following represents the impact of these changes:

	<u>As Previously Presented</u>	<u>Adjustments</u>	<u>2016 As Revised</u>
Current liabilities:			
Accounts payable	\$ 245,899	\$ (45,970)	\$ 199,929
Accrued expenses	38,127	212,209	250,336
Unearned revenue	49,858	-	49,858
Other liabilities	<u>4,365</u>	<u>-</u>	<u>4,365</u>
Total current liabilities	<u>338,249</u>	<u>166,239</u>	<u>504,488</u>
Net assets:			
Unrestricted:			
Undesignated	686,321	(166,239)	520,082
Board designated	2,994,000	-	2,994,000
Net investment in land, buildings, and equipment	<u>12,110,139</u>	<u>-</u>	<u>12,110,139</u>
Total unrestricted net assets	15,790,460	(166,239)	15,624,221
Temporarily restricted	95,500	-	95,500
Permanently restricted	<u>419,872</u>	<u>-</u>	<u>419,872</u>
Total net assets	<u>16,305,832</u>	<u>(166,239)</u>	<u>16,139,593</u>
Total liabilities and net assets	<u>\$ 16,644,081</u>	<u>\$ -</u>	<u>\$ 16,644,081</u>

NASHVILLE RESCUE MISSION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
September 30, 2017 and 2016

NOTE 11 – REVISION OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS (Continued)

	<u>As Previously Presented</u>	<u>Adjustments</u>	<u>2016 As Revised</u>
Expenses:			
Program services:			
Food, clothing, and other distributions	\$ 2,998,787	\$ -	\$ 2,998,787
Guest services	4,133,745	20,092	4,153,837
Recovery services	2,412,737	9,038	2,421,775
Public awareness	<u>383,778</u>	<u>-</u>	<u>383,778</u>
Total program services	<u>9,929,047</u>	<u>29,130</u>	<u>9,958,177</u>
Supporting services:			
Management and general	1,256,496	-	1,256,496
Fundraising	<u>2,698,951</u>	<u>-</u>	<u>2,698,951</u>
Total supporting services	<u>3,955,447</u>	<u>-</u>	<u>3,955,447</u>
Total expenses	<u>13,884,494</u>	<u>29,130</u>	<u>13,913,624</u>
Change in net assets	440,784	(29,130)	411,654
Net assets at beginning of year	<u>15,865,048</u>	<u>(137,109)</u>	<u>15,727,939</u>
Net assets at end of year	<u>\$ 16,305,832</u>	<u>\$ (166,239)</u>	<u>\$ 16,139,593</u>

Beginning unrestricted net assets have been adjusted as follow at September 30, 2015:

	<u>Unrestricted</u>
Net assets – at September 30, 2015 as previously reported	\$ 15,546,323
Revision to correct accrued expenses	<u>(137,109)</u>
Net assets – at September 30, 2015 as revised	<u>\$ 15,409,214</u>

NASHVILLE RESCUE MISSION AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
September 30, 2017 and 2016

NOTE 12 – SUPPLEMENTAL CASH FLOW INFORMATION

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

	<u>2017</u>	<u>2016</u>
Gifts-in-kind:		
Received	<u>\$ 2,729,404</u>	<u>\$ 3,174,031</u>
Distributed	<u>\$ 2,729,404</u>	<u>\$ 2,789,201</u>
Capitalized	<u>\$ -</u>	<u>\$ 384,830</u>

ADDITIONAL INFORMATION

Report of Independent Auditor 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 (the "Mission") as of and for the year ended September 30, 2017, and our report thereon dated December 21, 2017, which expressed an unmodified opinion on those consolidated financial statements, appears on pages 1–2. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying Consolidated Schedule of Total Expenses by Department for the year ended September 30, 2017 is 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 audit 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. The accompanying Consolidated Schedule of Total Expenses by Department for the year ended September 30, 2016 was subjected to the auditing procedures applied in the September 30, 2016 audit of the consolidated financial statements by other auditors, whose report on such information stated that it was fairly stated in all material respects in relation to the September 30, 2016 consolidated financial statements as a whole.



Nashville, Tennessee
December 21, 2017

NASHVILLE RESCUE MISSION AND AFFILIATES
CONSOLIDATED SCHEDULES OF TOTAL EXPENSES BY DEPARTMENT
Years Ended September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>	<u>Increase (Decrease)</u>
Program services:			
Food, clothing and other distributions	\$ 2,903,910	\$ 2,998,787	\$ (94,877)
Guest services:			
Men's Emergency Shelter	3,074,799	2,927,689	147,110
Women's Emergency Shelter	1,295,690	1,226,148	69,542
Total guest services	<u>4,370,489</u>	<u>4,153,837</u>	<u>216,652</u>
Recovery services:			
Men's Recovery Program and Education	1,461,135	1,433,656	27,479
Women's Recovery Program	955,802	863,921	91,881
Transitional Housing for Men and Women	114,413	124,198	(9,785)
Total recovery services	<u>2,531,350</u>	<u>2,421,775</u>	<u>109,575</u>
Public awareness	296,026	383,778	(87,752)
Total program services	<u>10,101,775</u>	<u>9,958,177</u>	<u>143,598</u>
Supporting services:			
Management and general	1,202,537	1,256,496	(53,959)
Fundraising	2,767,357	2,698,951	68,406
Total supporting services	<u>3,969,894</u>	<u>3,955,447</u>	<u>14,447</u>
Total expenses	<u>\$14,071,669</u>	<u>\$13,913,624</u>	<u>\$ 158,045</u>