

NASHVILLE RESCUE MISSION AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

As of and for the Years Ended September 30, 2022 and 2021

And Report of Independent Auditor

NASHVILLE RESCUE MISSION AND AFFILIATES
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Report of Independent Auditor

To the Board of Directors
Nashville Rescue Mission and Affiliates
Nashville, Tennessee

Opinion

We have audited the accompanying consolidated financial statements of Nashville Rescue Mission (a non-profit organization) and Affiliates, which comprise the consolidated statements of financial position as of September 30, 2022 and 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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, 2022 and 2021, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are required to be independent of Nashville Rescue Mission and Affiliates and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Nashville Rescue Mission and Affiliates' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Nashville Rescue Mission and Affiliates' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Nashville Rescue Mission and Affiliates' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Cherry Bekaert LLP

Nashville, Tennessee
February 20, 2023

NASHVILLE RESCUE MISSION AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 15,710,444	\$ 14,868,170
Prepaid expenses	881,652	714,344
Pledges receivable, net, current	1,427,808	3,101,940
Other assets	<u>47,474</u>	<u>10,292</u>
Total Current Assets	18,067,378	18,694,746
Pledges receivable, net, noncurrent	3,350,923	4,239,622
Beneficial interest in trusts	565,978	441,472
Land, buildings, and equipment, net	<u>15,832,605</u>	<u>9,118,153</u>
Total Assets	<u><u>\$ 37,816,884</u></u>	<u><u>\$ 32,493,993</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 1,446,341	\$ 686,318
Accrued expenses	611,350	281,313
Unearned revenue	<u>55,000</u>	<u>18,500</u>
Total Current Liabilities	<u>2,112,691</u>	<u>986,131</u>
Net Assets:		
Without Donor Restrictions:		
Undesignated	4,566,319	4,115,905
Board designated (Note 1)	8,337,746	6,135,890
Net investment in land, buildings, and equipment	<u>15,832,605</u>	<u>9,118,153</u>
Total Net Assets Without Donor Restrictions	28,736,670	19,369,948
With Donor Restrictions	<u>6,967,523</u>	<u>12,137,914</u>
Total Net Assets	<u>35,704,193</u>	<u>31,507,862</u>
Total Liabilities and Net Assets	<u><u>\$ 37,816,884</u></u>	<u><u>\$ 32,493,993</u></u>

The accompanying notes to the consolidated financial statements are an integral part of these statements.

NASHVILLE RESCUE MISSION AND AFFILIATES
CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support:			
Contributions	\$ 13,505,369	\$ 1,819,115	\$ 15,324,484
Gifts-in-kind	3,466,142	-	3,466,142
Bequests	1,693,441	-	1,693,441
Net assets released from restrictions	7,114,012	(7,114,012)	-
Total Public Support	<u>25,778,964</u>	<u>(5,294,897)</u>	<u>20,484,067</u>
Revenue:			
Other revenue	81,856	-	81,856
Change in value of beneficial interest in trusts	-	124,506	124,506
Total Revenue	<u>81,856</u>	<u>124,506</u>	<u>206,362</u>
Total Public Support and Revenue	<u>25,860,820</u>	<u>(5,170,391)</u>	<u>20,690,429</u>
Expenses:			
Program Services:			
Food, clothing, and other distributions	3,232,425	-	3,232,425
Guest services	5,244,962	-	5,244,962
Recovery services	3,198,898	-	3,198,898
Public awareness	379,978	-	379,978
Total Program Services	<u>12,056,263</u>	<u>-</u>	<u>12,056,263</u>
Supporting Services:			
Management and general	1,374,993	-	1,374,993
Fundraising	3,062,842	-	3,062,842
Total Supporting Services	<u>4,437,835</u>	<u>-</u>	<u>4,437,835</u>
Total Expenses	<u>16,494,098</u>	<u>-</u>	<u>16,494,098</u>
Change in net assets	9,366,722	(5,170,391)	4,196,331
Net assets, beginning of year	19,369,948	12,137,914	31,507,862
Net assets, end of year	<u>\$ 28,736,670</u>	<u>\$ 6,967,523</u>	<u>\$ 35,704,193</u>

The accompanying notes to the consolidated financial statements are an integral part of these statements.

NASHVILLE RESCUE MISSION AND AFFILIATES
CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public Support:			
Contributions	\$ 14,159,453	\$ 10,514,363	\$ 24,673,816
Gifts-in-kind	3,221,165	-	3,221,165
Bequests	349,549	-	349,549
Net assets released from restrictions	1,605,547	(1,605,547)	-
Total Public Support	<u>19,335,714</u>	<u>8,908,816</u>	<u>28,244,530</u>
Revenue:			
Other revenue	1,132,255	-	1,132,255
Loss on disposal of asset (including demolition costs and retainage fees of \$236,250)	(2,838,198)	-	(2,838,198)
Change in value of beneficial interest in trusts	-	16,055	16,055
Total Revenue	<u>(1,705,943)</u>	<u>16,055</u>	<u>(1,689,888)</u>
Total Public Support and Revenue	<u>17,629,771</u>	<u>8,924,871</u>	<u>26,554,642</u>
Expenses:			
Program Services:			
Food, clothing, and other distributions	3,206,479	-	3,206,479
Guest services	4,550,496	-	4,550,496
Recovery services	3,073,672	-	3,073,672
Public awareness	464,644	-	464,644
Total Program Services	<u>11,295,291</u>	<u>-</u>	<u>11,295,291</u>
Supporting Services:			
Management and general	1,345,054	-	1,345,054
Fundraising	2,807,560	-	2,807,560
Total Supporting Services	<u>4,152,614</u>	<u>-</u>	<u>4,152,614</u>
Total Expenses	<u>15,447,905</u>	<u>-</u>	<u>15,447,905</u>
Change in net assets	2,181,866	8,924,871	11,106,737
Net assets, beginning of year	17,188,082	3,213,043	20,401,125
Net assets, end of year	<u>\$ 19,369,948</u>	<u>\$ 12,137,914</u>	<u>\$ 31,507,862</u>

The accompanying notes to the consolidated financial statements are an integral part of these statements.

NASHVILLE RESCUE MISSION AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2022

	Program Services				Total Program Services	Supporting Services		Total Supporting Services	Total Expenses
	Food, Clothing, and Other Distributions	Guest Services	Recovery Services	Public Awareness		Management and General	Fundraising		
Salaries and wages	\$ -	\$ 2,749,923	\$ 1,947,919	\$ -	\$ 4,697,842	\$ 602,926	\$ 670,484	\$ 1,273,410	\$ 5,971,252
Gifts-in-kind	3,161,467	-	-	-	3,161,467	-	-	-	3,161,467
Contract services - donor appeals	-	-	-	-	-	-	1,389,539	1,389,539	1,389,539
Other employee benefits	-	359,180	288,105	-	647,285	198,004	52,656	250,660	897,945
Publicity	-	-	-	379,978	379,978	-	326,642	326,642	706,620
Utilities	-	240,109	202,471	-	442,580	31,788	26,342	58,130	500,710
Payroll taxes	-	175,754	123,665	-	299,419	101,185	34,215	135,400	434,819
Repairs and maintenance	-	951,327	73,705	-	1,025,032	9,442	6,738	16,180	1,041,212
Printing and postage	-	-	-	-	-	26,327	400,521	426,848	426,848
Supplies	-	162,591	119,947	-	282,538	49,242	11,912	61,154	343,692
Food purchases	70,958	-	-	-	70,958	1	-	1	70,959
Retirement benefits	-	77,659	47,645	-	125,304	67,187	17,364	84,551	209,855
Dues and subscriptions	-	47,206	26,124	-	73,330	40,588	78,863	119,451	192,781
Insurance	-	93,382	71,574	-	164,956	11,810	8,565	20,375	185,331
Miscellaneous	-	37,086	25,399	-	62,485	109,464	105	109,569	172,054
Professional fees	-	-	-	-	-	92,464	14,523	106,987	106,987
Travel and transportation	-	65,868	29,012	-	94,880	10,052	964	11,016	105,896
Benevolence	-	3,831	11,183	-	15,014	1,105	-	1,105	16,119
	3,232,425	4,963,916	2,966,749	379,978	11,543,068	1,351,585	3,039,433	4,391,018	15,934,086
Depreciation	-	281,046	232,149	-	513,195	23,408	23,409	46,817	560,012
Total Expenses	\$ 3,232,425	\$ 5,244,962	\$ 3,198,898	\$ 379,978	\$ 12,056,263	\$ 1,374,993	\$ 3,062,842	\$ 4,437,835	\$ 16,494,098

The accompanying notes to the consolidated financial statements are an integral part of these statements.

NASHVILLE RESCUE MISSION AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2021

	Program Services				Total Program Services	Supporting Services		Total Supporting Services	Total Expenses
	Food, Clothing, and Other Distributions	Guest Services	Recovery Services	Public Awareness		Management and General	Fundraising		
Salaries and wages	\$ -	\$ 2,529,555	\$ 1,867,125	\$ -	\$ 4,396,680	\$ 589,089	\$ 593,269	\$ 1,182,358	\$ 5,579,038
Gifts-in-kind	3,117,415	-	-	-	3,117,415	-	-	-	3,117,415
Contract services - donor appeals	-	-	-	-	-	-	1,322,340	1,322,340	1,322,340
Other employee benefits	-	360,520	235,909	-	596,429	171,925	46,317	218,242	814,671
Publicity	-	-	-	464,644	464,644	-	307,837	307,837	772,481
Utilities	-	275,278	227,727	-	503,005	25,199	19,867	45,066	548,071
Payroll taxes	-	122,163	81,669	-	203,832	85,962	30,177	116,139	319,971
Repairs and maintenance	-	406,025	91,592	-	497,617	9,587	7,134	16,721	514,338
Printing and postage	-	-	-	-	-	41,521	350,883	392,404	392,404
Supplies	-	212,722	99,364	-	312,086	36,965	8,132	45,097	357,183
Food purchases	89,064	-	-	-	89,064	-	-	-	89,064
Retirement benefits	-	52,836	46,838	-	99,674	67,695	15,814	83,509	183,183
Dues and subscriptions	-	58,471	17,472	-	75,943	49,416	58,772	108,188	184,131
Insurance	-	92,884	74,070	-	166,954	11,012	7,510	18,522	185,476
Miscellaneous	-	11,810	11,372	-	23,182	100,247	181	100,428	123,610
Professional fees	-	-	-	-	-	114,368	15,984	130,352	130,352
Travel and transportation	-	68,142	17,772	-	85,914	19,462	913	20,375	106,289
Benevolence	-	5,026	12,053	-	17,079	176	-	176	17,255
	3,206,479	4,195,432	2,782,963	464,644	10,649,518	1,322,624	2,785,130	4,107,754	14,757,272
Depreciation	-	355,064	290,709	-	645,773	22,430	22,430	44,860	690,633
Total Expenses	\$ 3,206,479	\$ 4,550,496	\$ 3,073,672	\$ 464,644	\$ 11,295,291	\$ 1,345,054	\$ 2,807,560	\$ 4,152,614	\$ 15,447,905

The accompanying notes to the consolidated financial statements are an integral part of these statements.

NASHVILLE RESCUE MISSION AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED SEPTEMBER 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ 4,196,331	\$ 11,106,737
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	560,012	690,633
Bad debt expense	(24,652)	81,068
Change in value of beneficial interest in trust	(124,506)	(16,055)
Loss on disposal of asset	2,708	2,601,948
Contributions restricted for long-term purposes	(1,739,989)	(10,596,224)
Change in operating assets and liabilities:		
Prepaid expenses	(167,308)	(392,696)
Pledges receivable	-	16,000
Other assets	(37,182)	(5,666)
Accounts payable	760,023	434,500
Accrued expenses	330,037	(130,830)
Unearned revenue	36,500	16,000
Deferred grant revenue	-	(1,038,456)
Net cash flows from operating activities	<u>3,791,974</u>	<u>2,766,959</u>
Cash flows from investing activities:		
Sale of investments	-	2,075
Purchases of land, buildings, and equipment	<u>(7,277,172)</u>	<u>(1,621,764)</u>
Net cash flows from investing activities	<u>(7,277,172)</u>	<u>(1,619,689)</u>
Cash flows from financing activities:		
Proceeds from contributions restricted for long-term purposes	<u>4,327,472</u>	<u>5,046,760</u>
Net cash flows from financing activities	<u>4,327,472</u>	<u>5,046,760</u>
Net change in cash and cash equivalents	842,274	6,194,030
Cash and cash equivalents, beginning of year	<u>14,868,170</u>	<u>8,674,140</u>
Cash and cash equivalents, end of year	<u>\$ 15,710,444</u>	<u>\$ 14,868,170</u>

The accompanying notes to the consolidated financial statements are an integral part of these statements.

NASHVILLE RESCUE MISSION AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2022 AND 2021

Note 1—Nature of operations and summary of significant accounting policies

Nashville Rescue Mission was incorporated March 16, 1954, in accordance with the laws of the state of Tennessee as a non-profit corporation. The Nashville Rescue Mission's purpose is to serve the hurting of Middle Tennessee by offering food, clothing, and shelter to the homeless and recovery programs to those enslaved in life-degrading problems. The Nashville Rescue 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 Nashville Rescue Mission revised its organizational structure whereby NRM Holdings, Inc. ("Holdings"), established in August 2010, became the sole owner of the Nashville Rescue Mission and a newly formed "series" limited liability company, NRM Properties, LLC ("NRM Properties"). Each parcel of land owned by the Nashville Rescue Mission was transferred to a separate series within NRM Properties. All furniture, equipment, and other personal property owned by the Nashville Rescue Mission, with the exception of automobiles and other motor vehicles, was conveyed to a separate series of NRM Properties. The Nashville Rescue 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 Nashville Rescue Mission. The Nashville Rescue Mission remains the principal operating entity for conducting the day-to-day business affairs and ministry of the Nashville Rescue Mission and Holdings. Board designated funds of the Nashville Rescue 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 Nashville Rescue Mission.

Effective January 1, 2012, the principal operating entity was reorganized from a non-profit corporation (since 1954) to a non-profit limited liability company and its name was changed to Nashville Rescue Mission Ministries, LLC. In addition, the name of Holdings was changed to Nashville Rescue Mission effective January 1, 2012.

Principles of Consolidation – The consolidated financial statements include the accounts of Nashville Rescue Mission, Nashville Rescue Mission Ministries, LLC, and NRM Properties, LLC (collectively, the "Mission").

All significant inter-entity transactions and balances have been eliminated in consolidation.

Basis of Presentation – The Mission presents its consolidated financial statements in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Net assets and public support, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. In addition, the Mission is required to present a consolidated statements of cash flows. Net assets of the Mission are presented as follows:

Net Assets Without Donor Restrictions –

Undesignated – Net assets that are not subject to donor-imposed stipulations or designated by the Mission's board.

Board Designated – Net assets designated by the Mission's board for particular purposes, presently designated by the board for future working capital reserves (\$3,505,780) and future capital asset reserves from the receipt of bequests (see Note 11) (\$4,831,966) totaling \$8,337,746 at September 30, 2022.

Net Investment in Land, Buildings, and Equipment – Resources invested in land, buildings, and equipment designated by the Mission's board for particular purposes.

NASHVILLE RESCUE MISSION AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2022 AND 2021

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

Net Assets With Donor Restrictions – Net assets subject to donor-imposed stipulations. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Mission or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Net assets with donor restrictions represent amounts available for specified projects. Net assets required to be held in perpetuity represent restricted gifts held in investment accounts. Generally, donors of these assets may permit the Mission to use all or part of the income earned for general or specific purposes.

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

Receivables – Contributions receivable are reviewed periodically as to their collectability. Management provides for losses on receivables using the allowance method. Based on management judgement, an allowance for doubtful accounts of \$80,709 and \$105,361 is recorded at September 30, 2022 and 2021, respectively.

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

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

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

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

Gifts-in-Kind – Primarily includes donated food, clothing, and other assets. The value of donated food and clothing is recognized as public support with a corresponding expense for program services when consumed at an estimated value of \$2.26 per meal served, which was adjusted to \$2.73 in April 2022, and \$3.50 per article of clothing provided. Excess clothing distributed to other non-profit agencies is valued at \$3.70 per pound. Management believes these estimated values for donated food and clothing are conservative based on cost and value studies performed. Other assets donated are recorded at estimated fair value on the date received.

Donated Services – Generally not recognized unless the services:

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

NASHVILLE RESCUE MISSION AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2022 AND 2021

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

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

Income Taxes – The Mission (including, for tax purposes, Affiliates) is a non-profit corporation that has qualified for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation. Accordingly, no provision for income taxes is included in the accompanying consolidated financial statements.

The Mission follows the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification guidance which clarifies the accounting for uncertainty in income taxes recognized in an entity’s financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than 50% 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, 2022 or 2021.

Functional Allocation of Expenses – The costs of providing program services and supporting services have been summarized on a functional basis in the consolidated statements of activities and functional expenses. Expenses that relate to more than one function are allocated among applicable functions on the basis of objectively evaluated financial and nonfinancial data or reasonable subjective methods determined by management. Expenses that have been allocated based on time and effort consist primarily of salaries and related expenses and depreciation.

The following program and supporting services are included in the accompanying consolidated financial statements:

Program Services

Food, Clothing, and Other Distributions – Represents in-kind donations and purchases of food and clothing utilized in programs as well as excess amounts distributed to other non-profit agencies.

Guest Services –

- *Men’s Emergency Shelter* – Providing shelter and spiritual counseling to homeless men.
- *Women’s Emergency Shelter* – Providing shelter and spiritual counseling to homeless women and their children.
- *Travelers Aid* – Providing travel assistance to needy individuals.

NASHVILLE RESCUE MISSION AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2022 AND 2021

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

Recovery Services –

- *Men's Recovery Program* – Providing a life recovery program for men affected by addictions and life defeating problems including: Bible classes, counseling, educational classes, and employment preparation to men who seek a way out of destructive lifestyles.
- *Education* – Providing educational opportunities including: graduate equivalency diploma, vocational skills, reading, writing, and other classes.
- *Women's Recovery Program* – Providing a life recovery program for women affected by addictions and life defeating problems including: Bible classes, counseling, educational classes, and employment preparation to women who seek a way out of destructive lifestyles.
- *Transitional Housing for Men and Women* – Providing transitional housing (single resident occupancy) to graduates of the life recovery program who have demonstrated a commitment to building new lives for themselves. Housing is for a limited period while transitioning from reliance on the Mission's life recovery programs to securing independent housing arrangements. The Transitional Housing for men is located at 639 Lafayette Street and the housing for women was located at 1716 Rosa Parks Boulevard with plans to replace the old facility with a new facility, expected to be completed in fiscal year 2023.

Public Awareness – Providing information to the public regarding needs of the community and the Mission's program services.

Supporting Services

Management and General – Includes costs related to the overall direction of the Mission. These expenses are not identifiable with a particular program or with fundraising but are indispensable to the conduct of those activities and are essential to the Mission. Specific activities include organization oversight, business management, human resource function, finance and accounting services, training and coordinating volunteers, property and technology oversight, and other administrative duties.

Fundraising – Includes costs of activities directed toward grant writing, donor tracking, public relations, and fundraising. Other activities include the cost of solicitations as well as the creation and distribution of fundraising materials.

Use of Estimates – The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates used by management in preparing these consolidated financial statements primarily relate to those assumed in establishing the value of gifts-in-kind, donated services, and the allocation of functional expenses. Accordingly, actual results could differ from those estimates.

Subsequent Events – The Mission evaluated subsequent events through February 20, 2023, when these consolidated financial statements were available to be issued.

NASHVILLE RESCUE MISSION AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2022 AND 2021

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

Adoption of New Accounting Pronouncement – In September 2020, FASB issued Accounting Standards Update (“ASU”) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard requires contributed nonfinancial assets be presented as a separate line item in the statement of activities, and the disclosure of a disaggregation of the amount of contributed nonfinancial assets and a description of the valuation techniques and inputs used to arrive at a fair value measure. The Mission’s adoption of this standard for the year ended September 30, 2022 did not require a change to the Mission’s reporting of contributed nonfinancial assets.

Forthcoming Accounting Pronouncement – In February 2016, FASB issued ASU 2016-02, *Leases*. This guidance introduces a lessee model that brings substantially all leases on the statements of financial position. This guidance is effective for the year ending September 30, 2023. The Mission is evaluating the impact this guidance may have on its consolidated financial statements.

Note 2—Liquidity and availability of resources

The Mission regularly monitors liquidity required to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Mission considers all expenditures related to its ongoing activities of providing to the hurting of Middle Tennessee by offering food, clothing, and shelter to the homeless and recovery programs to those enslaved in life-degrading problems, as well as the conduct of services undertaken to support those activities to be general expenditures. As a part of the Mission’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the consolidated statements of financial position date, comprise the following at September 30:

	<u>2022</u>	<u>2021</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 15,710,444	\$ 14,868,170
Total financial assets	<u>15,710,444</u>	<u>14,868,170</u>
Less amounts not available to be used for general expenditures within one year:		
Board designated	8,337,746	6,135,890
Purpose restrictions	<u>1,622,814</u>	<u>4,354,880</u>
Financial assets not available to be used within one year	<u>9,960,560</u>	<u>10,490,770</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 5,749,884</u>	<u>\$ 4,377,400</u>

NASHVILLE RESCUE MISSION AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2022 AND 2021

Note 3—Concentrations

The Mission maintains its cash in bank accounts that at times may exceed federally insured limits. The Mission has not experienced any losses in such accounts. Deposits are insured by the Federal Deposit Insurance Corporation up to statutory limits. Management believes the Mission is not exposed to any significant credit risk regarding cash balances.

As of September 30, 2022 and 2021, approximately 33% and 41%, respectively, of pledges receivable were received from one and two donors, respectively. For the year ended September 30, 2021, contributions from one donor represented approximately 14% of total revenue received by the Mission.

Note 4—Fair value measurements

The Mission has established a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described below:

Level 1 – Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 – Inputs to the valuation methodology include: 1) quoted prices for similar assets or liabilities in active markets, 2) quoted prices for identical or similar assets or liabilities in inactive markets, 3) inputs other than quoted prices that are observable for the asset or liability, and 4) inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There have been no changes in methodologies used at September 30, 2022 and 2021.

The following is a description of the valuation methodology used for asset measurements at fair value at September 30, 2022 and 2021:

Beneficial Interest in Trusts – Valued using information obtained from third party sources, including financial statements and other information from detailed listings of holdings from the trusts. These valuations are typically performed annually, based on the fair value of the amounts the Mission expects to receive under the term of the trusts.

The method 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 THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2022 AND 2021

Note 4—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, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Beneficial interest in trusts	\$ -	\$ -	\$ 565,978	\$ 565,978

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, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Beneficial interest in trusts	\$ -	\$ -	\$ 441,472	\$ 441,472

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>2022</u>	<u>2021</u>
Beneficial interest in trusts at beginning of year	\$ 441,472	\$ 425,417
Change in value of beneficial interest in trusts	124,506	16,055
Beneficial interest in trusts at end of year	<u>\$ 565,978</u>	<u>\$ 441,472</u>

Note 5—Land, buildings, and equipment

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

	<u>2022</u>	<u>2021</u>
Land and improvements	\$ 2,330,912	\$ 2,333,998
Buildings and improvements	9,162,265	9,066,822
Furniture, fixtures, and equipment	2,555,471	2,569,483
Automobiles and trucks	246,936	246,936
Construction in progress	8,396,378	1,344,369
	22,691,962	15,561,608
Less accumulated depreciation	(6,859,357)	(6,443,455)
	<u>\$ 15,832,605</u>	<u>\$ 9,118,153</u>

Construction in progress consists primarily of initial cost for the Mission’s new women’s facility. The women’s facility was demolished during the year ended September 30, 2021 resulting in a write-off of remaining property, demolition costs, and other of approximately \$2.8 million.

NASHVILLE RESCUE MISSION AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2022 AND 2021

Note 6—Beneficial interest in trusts

A donor has established a trust held by a third party naming the Mission as one of the beneficiaries to a perpetual trust. Under terms of the split-interest agreement, the Mission is to receive 10% of investment return annually. The asset is approximately \$107,000 and is considered to have a perpetual restriction. This valuation is based on 10% of the fair value of the trust, which currently approximates the fair value of amounts to be received under the trust. The Mission received annual income from such trust of approximately \$-0- and \$6,200 for the years ended September 30, 2022 and 2021, respectively. Such amount is included in contributions without donor restrictions in the accompanying consolidated statements of activities.

A donor has established a trust held by a third party naming the Mission as one of the beneficiaries to a perpetual trust. Under terms of the split-interest agreement, the Mission is to receive 25% of the net income annually until the demise of the lead beneficiary, at which time, the Mission is to receive 50% of the net income. The asset is approximately \$459,000 and is considered to have a perpetual restriction. This valuation is based on 25% of the fair value of the trust, which currently approximates the fair value of amounts to be received under the trust. The Mission received annual income from such trust of approximately \$27,000 and \$32,000 for the years ended September 30, 2022 and 2021, respectively. Such amount is included in contributions without donor restrictions in the accompanying consolidated statements of activities.

As discussed in Note 4, beneficial interest in trusts is considered to be Level 3 investments.

Note 7—Pledges receivable

Pledges receivable consist of the following at September 30:

	<u>2022</u>	<u>2021</u>
Capital campaign contributions	\$ 4,873,493	\$ 7,460,992
Less discount to net present value (0.25% at September 30, 2022 and 2021)	(14,053)	(14,069)
Less allowance for uncollectible pledges	<u>(80,709)</u>	<u>(105,361)</u>
Pledges receivable	<u>\$ 4,778,731</u>	<u>\$ 7,341,562</u>
Receivable in less than one year	<u>\$ 1,427,808</u>	<u>\$ 3,101,940</u>
Receivable in one to five years	<u>\$ 3,350,923</u>	<u>\$ 955,466</u>

Near the end of fiscal year 2020, the Mission began a capital campaign, with a goal to raise \$20 million for its new women's facility. Amounts received to date in cash and in pledges approximate \$17 million.

NASHVILLE RESCUE MISSION AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2022 AND 2021

Note 8—Deferred grant revenue

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

Note 9—Line of credit

During the year ended September 30, 2022, the Mission entered into a line of credit agreement with a bank. The line of credit has a borrowing capacity of \$16,500,000 and bears interest at the one-month Bloomberg Short-Term Bank Yield Index, plus 1.00%. The line of credit is secured by commitments and pledges raised and actually received by the Mission in connection with the capital campaign for the Women’s Campus project. The line of credit has a maturity date of August 8, 2027. At September 30, 2022, no borrowings were outstanding under the line of credit agreement.

Note 10—Net assets with donor restrictions

Certain contributions were restricted by donors for use in conjunction with specified projects or future periods as follows for the years ended September 30:

	2022	2021
Beneficial interest in trust with perpetual restrictions	\$ 565,978	\$ 441,472
Support for future Women’s Campus projects	1,585,564	4,287,355
Freight elevator upgrade, minibus, forklift	12,750	6,263
Miscellaneous supplies	24,500	61,262
Pledges receivable (primarily for future Women’s Campus)	4,778,731	7,341,562
Total net assets with donor restrictions	<u>\$ 6,967,523</u>	<u>\$ 12,137,914</u>

Net assets that were released from restriction upon satisfaction of donor-specified expenditure or time restrictions are summarized as follows for the years ended September 30:

	2022	2021
Women’s Campus projects purchases	\$ 7,074,749	\$ 1,580,293
Miscellaneous supplies	30,275	6,104
Pledges receivable	8,988	19,150
Total net assets released from restrictions	<u>\$ 7,114,012</u>	<u>\$ 1,605,547</u>

NASHVILLE RESCUE MISSION AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2022 AND 2021

Note 11—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 recognized as public support on the consolidated statement of activities for the years ended September 30, 2022 and 2021 totaled \$1,693,441 and \$349,549, respectively.

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

Note 12—Gifts-in-kind and donated services

As described in Note 1, the Mission receives various noncash gifts, primarily food and clothing, and recognizes them as public support as the gifts are utilized. Generally, these gifts-in-kind are utilized in the same year they are received. Gifts-in-kind received, distributed, and capitalized as fixed assets included in the consolidated statements of financial position are summarized as follows for the years ended September 30:

	<u>2022</u>	<u>2021</u>
Gifts-in-kind received	\$ 3,466,142	\$ 3,221,165
Gifts-in-kind distributed:		
Food	\$ 1,235,657	\$ 903,206
Clothing	1,826,813	1,974,988
Supplies	98,997	239,221
Total distributed	<u>\$ 3,161,467</u>	<u>\$ 3,117,415</u>
Gifts-in-kind pledged	<u>\$ 115,000</u>	<u>\$ 99,750</u>
Gifts-in-kind capitalized	<u>\$ 189,675</u>	<u>\$ 4,000</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 13—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 3% of gross salary to every employee's retirement account. In addition, the Mission matches 50% of participating employee contributions on the first 6% 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 \$209,855 and \$183,183 during the years ended September 30, 2022 and 2021, respectively, for base and matching contributions to the Retirement Plan.

NASHVILLE RESCUE MISSION AND AFFILIATES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2022 AND 2021

Note 14—Supplemental cash flow information

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

	<u>2022</u>	<u>2021</u>
Gifts-in-kind:		
Received	\$ 3,466,142	\$ 3,221,165
Distributed	\$ 3,161,467	\$ 3,117,415
Capitalized	\$ 189,675	\$ 4,000
Pledged	\$ 115,000	\$ 99,750

Note 15—Uncertainties

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

SUPPLEMENTARY INFORMATION

Report of Independent Auditor on Supplementary Information

To the Board of Directors
Nashville Rescue Mission and Affiliates
Nashville, Tennessee

We have audited the consolidated financial statements of Nashville Rescue Mission and Affiliates (the "Mission") as of and for the years ended September 30, 2022 and 2021, and our report thereon dated February 20, 2023, which expressed an unmodified opinion on those consolidated financial statements, appears on page 1. Our audits were performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidated schedules of total expenses by department for the years ended September 30, 2022 and 2021 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

Cherry Bekaert LLP

Nashville, Tennessee
February 20, 2023

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

YEARS ENDED SEPTEMBER 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>	Increase (Decrease)
Program Services:			
Food, clothing, and other distributions	<u>\$ 3,232,425</u>	<u>\$ 3,206,479</u>	<u>\$ 25,946</u>
Guest Services:			
Men's Emergency Shelter	3,449,619	2,805,079	644,540
Women's Emergency Shelter	<u>1,795,343</u>	<u>1,745,417</u>	<u>49,926</u>
Total Guest Services	<u>5,244,962</u>	<u>4,550,496</u>	<u>694,466</u>
Recovery Services:			
Men's Recovery Program and Education	1,680,457	1,874,579	(194,122)
Women's Recovery Program and Education	1,146,460	1,199,093	(52,633)
Therapy & Life Coaching	<u>371,981</u>	<u>-</u>	<u>371,981</u>
Total Recovery Services	<u>3,198,898</u>	<u>3,073,672</u>	<u>(246,755)</u>
Public awareness	<u>379,978</u>	<u>464,644</u>	<u>(84,666)</u>
Total Program Services	<u>12,056,263</u>	<u>11,295,291</u>	<u>760,972</u>
Supporting Services:			
Management and general	1,374,993	1,345,054	29,939
Fundraising	<u>3,062,842</u>	<u>2,807,560</u>	<u>255,282</u>
Total Supporting Services	<u>4,437,835</u>	<u>4,152,614</u>	<u>285,221</u>
Total Expenses	<u>\$ 16,494,098</u>	<u>\$ 15,447,905</u>	<u>\$ 1,046,193</u>