NASHVILLE RESCUE MISSION AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS

As of and for the Years Ended September 30, 2018 and 2017

And Report of Independent Auditor

Cherry Bekaert LLP
CPAs & Advisors

NASHVILLE RESCUE MISSION AND AFFILIATES

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Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor

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

We have audited the accompanying consolidated financial statements of Nashville Rescue Mission (a non-profit organization) and Affiliates, which comprise the consolidated statements of financial position as of September 30, 2018 and 2017, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Nashville Rescue Mission and Affiliates as of September 30, 2018 and 2017, 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.

Cherry Bekaert LLP

Nashville, Tennessee
December 21, 2018

NASHVILLE RESCUE MISSION AND AFFILIATES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2018 AND 2017

	2018	2017
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 4,412,075	$ 4,023,310
Certificates of deposit	1,028,223	765,229
Prepaid expenses	191,260	280,588
Pledges receivable	11,500	24,600
Other assets	8,223	-
Total Current Assets	5,651,281	5,093,727
Long-term investments	28,824	27,702
Beneficial interest in trusts	428,104	425,272
Land, buildings, and equipment, net	11,279,374	11,601,738
Total Assets	$ 17,387,583	$ 17,148,439
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	$ 211,862	$ 119,110
Accrued expenses	298,363	275,732
Unearned revenue	56,002	5,000
Total Current Liabilities	566,227	399,842
Net Assets:		
Unrestricted:		
Undesignated	527,085	473,951
Board designated - Note 1	4,371,670	3,939,186
Net investment in land, buildings, and equipment	11,279,374	11,601,738
Total Unrestricted Net Assets	16,178,129	16,014,875
Temporarily restricted	215,123	308,450
Permanently restricted	428,104	425,272
Total Net Assets	16,821,356	16,748,597
Total Liabilities and Net Assets	$ 17,387,583	$ 17,148,439

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, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public Support:				
Contributions	$ 10,926,446	$ 36,985	$ -	$ 10,963,431
Gifts-in-kind	2,779,703	-	-	2,779,703
Bequests	472,379	-	-	472,379
Net assets released from restrictions	130,312	(130,312)	-	-
Total Public Support	14,308,840	(93,327)	-	14,215,513
Revenue:				
Other revenue	173,526	-	-	173,526
Change in value of beneficial interest in trusts	-	-	2,832	2,832
Total Revenue	173,526	-	2,832	176,358
Total Public Support and Revenue	14,482,366	(93,327)	2,832	14,391,871
Expenses:				
Program Services:				
Food, clothing, and other distributions	2,961,489	-	-	2,961,489
Guest services	4,278,494	-	-	4,278,494
Recovery services	2,782,793	-	-	2,782,793
Public awareness	357,514	-	-	357,514
Total Program Services	10,380,290	-	-	10,380,290
Supporting Services:				
Management and general	1,397,234	-	-	1,397,234
Fundraising	2,541,588	-	-	2,541,588
Total Supporting Services	3,938,822	-	-	3,938,822
Total Expenses	14,319,112	-	-	14,319,112
Change in net assets	163,254	(93,327)	2,832	72,759
Net assets, beginning of year	16,014,875	308,450	425,272	16,748,597
Net assets, end of year	$ 16,178,129	$ 215,123	$ 428,104	$ 16,821,356

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, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
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	14,384,154	212,950	-	14,597,104
Revenue:				
Other revenue	78,169	-	-	78,169
Change in value of beneficial interest in trusts	-	-	5,400	5,400
Total Revenue	78,169	-	5,400	83,569
Total Public Support and Revenue	14,462,323	212,950	5,400	14,680,673
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	10,101,775	-	-	10,101,775
Supporting Services:				
Management and general	1,202,537	-	-	1,202,537
Fundraising	2,767,357	-	-	2,767,357
Total Supporting Services	3,969,894	-	-	3,969,894
Total Expenses	14,071,669	-	-	14,071,669
Change in net assets	390,654	212,950	5,400	609,004
Net assets, beginning of year	15,624,221	95,500	419,872	16,139,593
Net assets, end of year	$ 16,014,875	$ 308,450	$ 425,272	$ 16,748,597

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, 2018

	Program Services					Supporting Services			
	Food, Clothing, and Other Distributions	Guest Services	Recovery Services	Public Awareness	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
Salaries and wages	$ -	$ 2,398,370	$ 1,530,597	$ -	$ 3,928,967	$ 610,358	$ 578,711	$ 1,189,069	$ 5,118,036
Gifts-in-kind	2,772,594	-	-	-	2,772,594	-	-	-	2,772,594
Contract services - donor appeals	-	-	-	-	-	-	1,366,802	1,366,802	1,366,802
Other employee benefits	-	463,772	285,129	-	748,901	241,486	68,604	310,090	1,058,991
Publicity	-	-	-	357,514	357,514	-	147,645	147,645	505,159
Utilities	-	266,159	219,413	-	485,572	21,285	18,092	39,377	524,949
Repairs and maintenance	-	231,796	104,841	-	336,637	8,375	5,403	13,778	350,415
Payroll taxes	-	157,995	95,465	-	253,460	83,249	28,759	112,008	365,468
Printing and postage	-	-	-	-	-	39,206	238,580	277,786	277,786
Insurance	-	82,769	66,758	-	149,527	85,808	4,993	90,801	240,328
Supplies	-	163,480	95,432	-	258,912	26,609	6,583	33,192	292,104
Professional fees	-	181	-	-	181	103,277	-	103,277	103,458
Food purchases	188,895	-	-	-	188,895	911	194	1,105	190,000
Retirement benefits	-	65,523	45,145	-	110,668	33,560	11,669	45,229	155,897
Dues and Subscriptions	-	57,233	18,810	-	76,043	40,770	43,544	84,314	160,357
Travel and transportation	-	35,907	18,657	-	54,564	11,404	1,003	12,407	66,971
Benevolence	-	-	14,730	-	14,730	3,234	-	3,234	17,964
Miscellaneous	-	7,100	6,965	-	14,065	66,696	-	66,696	80,761
	2,961,489	3,930,285	2,501,942	357,514	9,751,230	1,376,228	2,520,582	3,896,810	13,648,040
Depreciation	-	348,209	280,851	-	629,060	21,006	21,006	42,012	671,072
Total Expenses	$ 2,961,489	$ 4,278,494	$ 2,782,793	$ 357,514	$ 10,380,290	$ 1,397,234	$ 2,541,588	$ 3,938,822	$ 14,319,112

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, 2017

	Program Services					Supporting Services			
	Food, Clothing, and Other Distributions	Guest Services	Recovery Services	Public Awareness	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
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
Supplies	-	177,059	74,402	-	251,461	38,945	12,552	51,497	302,958
Insurance	-	131,597	158,664	-	290,261	12,116	13,026	25,142	315,403
Food purchases	174,506	-	-	-	174,506	-	-	-	174,506
Professional fees	-	-	-	-	-	199,889	-	199,889	199,889
Retirement benefits	-	71,523	26,598	-	98,121	32,924	14,991	47,915	146,036
Travel and transportation	-	46,394	20,575	-	66,969	15,119	4,942	20,061	87,030
Dues and Subscriptions	-	53,081	30,251	-	83,332	59,866	16,446	76,312	159,644
Miscellaneous	-	-	-	-	-	2,330	-	2,330	2,330
Benevolence	-	3,400	15,329	-	18,729	300	-	300	19,029
	2,903,910	4,172,861	2,234,908	296,026	9,607,705	1,103,723	2,668,543	3,772,266	13,379,971
Depreciation	-	197,628	296,442	-	494,070	98,814	98,814	197,628	691,698
Total Expenses	$ 2,903,910	$ 4,370,489	$ 2,531,350	$ 296,026	$ 10,101,775	$ 1,202,537	$ 2,767,357	$ 3,969,894	$ 14,071,669

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, 2018 AND 2017

	2018	2017
Cash flows from operating activities:		
Change in net assets	$ 72,759	$ 609,004
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	671,072	691,698
Change in value of beneficial interest in trust	(2,832)	(5,400)
Unrealized gain on investments	(1,122)	(579)
Gain on sale of property	(1,275)	-
Donation of property	(7,109)	-
(Increase) decrease in:		
Pledge receivable	13,100	(24,600)
Prepaid expenses	89,328	86,619
Other assets	(8,223)	325
Increase (decrease) in:		
Accounts payable	92,752	(80,819)
Accrued expenses	22,631	25,396
Unearned revenue	51,002	(44,858)
Other liabilities	-	(4,365)
Net cash provided by operating activities	992,083	1,252,421
Cash flows from investing activities:		
Proceeds from sale of investments	-	45,631
Proceeds from sale of equipment	1,275	-
Purchases and sales of certificate of deposit, net	(262,994)	(8,120)
Purchases of land, buildings, and equipment	(341,599)	(183,297)
Net cash used in investing activities	(603,318)	(145,786)
Net increase in cash and cash equivalents	388,765	1,106,635
Cash and cash equivalents, beginning of year	4,023,310	2,916,675
Cash and cash equivalents, end of year	$ 4,412,075	$ 4,023,310

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

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 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 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.

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.

Note 1—Summary of significant accounting policies (continued)

- 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.

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 ($2,808,078) and future capital asset reserves from the receipt of bequests (Note 8) ($1,563,592) totaling $4,371,670 at September 30, 2018.

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.

Note 1—Summary of significant accounting policies (continued)

Cash and Cash Equivalents – Cash and cash equivalents include all highly liquid investments, such as money market funds and other investments, which 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:

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.

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.

Note 1—Summary of significant accounting policies (continued)

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, 2018 or 2017.

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 21, 2018, when these consolidated financial statements were available to be issued.

Future Pronouncements – In August 2016, FASB issued accounting standard, ASU 2016-14, *Not-for-Profit Entities: Presentation of Financial Statements for Not-for-Profit Entities (Topic 958)*, intended to improve financial reporting for not-for-profit entities. The ASU will reduce the current three classes of net assets into two: with and without donor restrictions. The change in each of the classes of net assets must be reported on the statements of activities. The ASU also requires various enhanced disclosures around topics such as board designations, liquidity, functional classification of expenses, investment expenses, donor restrictions, and underwater endowments. The ASU will be effective for the Mission on July 1, 2018. Early adoption is permitted. The Mission is currently evaluating the effect that the standard will have on its consolidated financial statements and related disclosures.

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.

Note 2—Fair value measurements (continued)

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, 2018 and 2017.

The following is a description of the valuation methodologies used for asset measurements at fair value at September 30, 2018 and 2017:

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.

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, 2018:

	Level 1	Level 2	Level 3	Total
Certificates of deposit	$ 1,028,223	$ -	$ -	$ 1,028,223
Beneficial interest in trusts	-	-	428,104	428,104
	$ 1,028,223	$ -	$ 428,104	$ 1,456,327

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:

	Level 1	Level 2	Level 3	Total
Certificates of deposit	$ 765,229	$ -	$ -	$ 765,229
Beneficial interest in trusts	-	-	425,272	425,272
	$ 765,229	$ -	$ 425,272	$ 1,190,501

Note 2—Fair value measurements (continued)

A summary of changes in assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) follows at September 30:

	2018	2017
Beneficial interest in trusts at beginning of year	$ 425,272	$ 419,872
Change in value of beneficial interest in trusts	2,832	5,400
Beneficial interest in trusts at end of year	$ 428,104	$ 425,272

Note 3—Certificate of deposit

Certificates of deposit consist of the following at September 30:

	2018	2017
Certificate of deposit (1.685%, matures February 13, 2019)	$ 778,223	$ 765,229
Certificate of deposit (1.20%, matures December 22, 2018)	250,000	-
	$ 1,028,223	$ 765,229

As discussed in Note 2, certificate of deposit is considered to be a Level 1 investment.

Note 4—Land, buildings, and equipment

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

	2018	2017
Land and improvements	$ 2,394,687	$ 2,382,078
Buildings and improvements	12,895,810	12,764,551
Furniture, fixtures and equipment	3,856,246	3,763,278
Automobiles and trucks	222,490	230,585
Construction in progress	114,749	46,553
	19,483,982	19,187,045
Less accumulated depreciation	(8,204,608)	(7,585,307)
	$ 11,279,374	$ 11,601,738

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 $123,000 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 did not receive annual income from such trust for the years ended September 30, 2018 and 2017.

Note 5—Beneficial interest in trusts (continued)

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 $305,000 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 $32,000 and $31,000, respectively, for the years ended September 30, 2018 and 2017. 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.

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:

	2018	2017
Support for future Women's Campus projects	$ 30,500	$ 30,500
Freight elevator upgrade, minibus, forklift	147,638	233,350
Passenger vehicle	-	20,000
Miscellaneous supplies	25,485	-
Pledges receivable	11,500	24,600
Total temporarily restricted contributions	$ 215,123	$ 308,450

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:

	2018	2017
Freight elevator upgrade, minibus, forklift	$ 105,712	$ -
Pledges receivable	24,600	-
Refrigerated truck	-	65,000
Total net assets released from restrictions	$ 130,312	$ 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 $428,104 and $425,272, at September 30, 2018 and 2017, respectively.

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, 2018 and 2017 totaled $472,379 and $749,979, 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 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:

	2018	2017
Gifts-in-kind received	$ 2,779,703	$ 2,729,404
Gifts-in-kind distributed:		
Food	$ 1,305,989	$ 1,337,751
Clothing	1,219,581	1,170,271
Supplies	247,024	221,382
Total distributed	$ 2,772,594	$ 2,729,404
Gifts-in-kind capitalized	$ 7,109	$ -

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 $155,897 and $146,036 during the years ended September 30, 2018 and 2017, respectively, for base and matching contributions to the Retirement Plan.

Note 11—Supplemental cash flow information

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

	2018	2017
Gifts-in-kind:		
Received	$ 2,779,703	$ 2,729,404
Distributed	$ 2,772,594	$ 2,729,404
Capitalized	$ 7,109	$ -

ADDITIONAL INFORMATION

Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor on Additional Information

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, 2018 and 2017, and our report thereon dated December 21, 2018, which expressed an unmodified opinion on those consolidated financial statements, appears on page 1. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidated schedules of total expenses by department for the years ended September 30, 2018 and 2017 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
December 21, 2018

NASHVILLE RESCUE MISSION AND AFFILIATES

CONSOLIDATED SCHEDULES OF TOTAL EXPENSES BY DEPARTMENT

SEPTEMBER 30, 2018 AND 2017

	2018	2017	Increase (Decrease)
Program Services:			
Food, clothing, and other distributions	$ 2,961,489	$ 2,903,910	$ 57,579
Guest Services:			
Men's Emergency Shelter	2,723,572	3,074,799	(351,227)
Women's Emergency Shelter	1,554,922	1,295,690	259,232
Total Guest Services	4,278,494	4,370,489	(91,995)
Recovery Services:			
Men's Recovery Program and Education	1,639,978	1,461,135	178,843
Women's Recovery Program and Education	1,142,815	1,070,215	72,600
Total Recovery Services	2,782,793	2,531,350	251,443
Public awareness	357,514	296,026	61,488
Total Program Services	10,380,290	10,101,775	278,515
Supporting Services:			
Management and general	1,397,234	1,202,537	194,697
Fundraising	2,541,588	2,767,357	(225,769)
Total Supporting Services	3,938,822	3,969,894	(31,072)
Total Expenses	$ 14,319,112	$ 14,071,669	$ 247,443