

RESCUE MISSION OF MIDDLE GEORGIA, INC.
AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2013 and 2012

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Howard, Moore & McDuffie, P.C.

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Rescue Mission of Middle Georgia, Inc. and Subsidiary

We have audited the accompanying consolidated financial statements of Rescue Mission of Middle Georgia, Inc. and Subsidiary (a nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2013 and 2012, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the 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 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 Rescue Mission of Middle Georgia, Inc. and Subsidiary as of December 31, 2013 and 2012, and the changes in their net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in blue ink that reads "Howard, Moore & McDuffie, P.C." The signature is written in a cursive, flowing style.

Howard, Moore & McDuffie, P.C.
Macon, GA
September 29, 2014

RESCUE MISSION OF MIDDLE GEORGIA, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Current Assets		
Cash and cash equivalents - unrestricted	\$ 489,334	\$ 239,807
Cash and cash equivalents - restricted	49,095	64,161
Accounts receivable - golf tournament	72,819	57,736
Accounts receivable - DFACS	-	25,234
Interest receivable	-	401
Rent receivable	205	640
Miscellaneous receivable	3,437	3,635
Inventories	31,041	26,384
Prepaid expenses	3,378	30,688
Total Current Assets	<u>649,309</u>	<u>448,686</u>
Property and equipment, net	<u>2,386,857</u>	<u>2,389,355</u>
Other Assets		
Beneficial interest in perpetual trust	290,633	273,019
Property held for resale	161,200	161,200
Certificate of deposit	-	87,444
Total Other Assets	<u>451,833</u>	<u>521,663</u>
TOTAL ASSETS	<u><u>\$ 3,487,999</u></u>	<u><u>\$ 3,359,704</u></u>

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

RESCUE MISSION OF MIDDLE GEORGIA, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

December 31, 2013 and 2012

	2013	2012
LIABILITIES AND NET ASSETS		
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 18,036	\$ 23,518
Payroll and payroll taxes	21,094	39,955
Sales tax payable	3,587	2,979
Miscellaneous payable	250	3,250
	42,967	69,702
Total Current Liabilities	42,967	69,702
TOTAL LIABILITIES	42,967	69,702
NET ASSETS		
Unrestricted		
Undesignated	3,025,304	2,872,822
Board designated	80,000	80,000
Temporarily restricted	49,095	64,161
Permanently restricted	290,633	273,019
	3,445,032	3,290,002
TOTAL NET ASSETS	3,445,032	3,290,002
TOTAL LIABILITIES AND NET ASSETS	\$ 3,487,999	\$ 3,359,704

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

RESCUE MISSION OF MIDDLE GEORGIA, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
UNRESTRICTED NET ASSETS		
UNRESTRICTED REVENUES		
Contributions		
Individuals	\$ 229,243	\$ 202,266
Foundations	11,368	550
Vehicles and property	32,849	97,317
Donated materials and equipment	323,868	437,501
Donated goods for sale	327,485	274,919
Donated services	3,713	8,391
Staffing services	149,431	416,333
Retail sales, net of donated goods	313,091	364,555
Distribution from perpetual trust	10,921	10,506
Grant income	5,510	5,000
Interest income	1,074	1,906
Rental income	16,126	18,228
Miscellaneous	23,095	1,076
	<u>1,447,774</u>	<u>1,838,548</u>
Revenue from special events		
Golf tournament and auction	474,223	376,733
Less: direct costs	(97,776)	(96,271)
Net revenue from special events	<u>376,447</u>	<u>280,462</u>
TOTAL UNRESTRICTED REVENUES	<u>1,824,221</u>	<u>2,119,010</u>
NET ASSETS RELEASED FROM RESTRICTIONS		
Restrictions satisfied by payments	<u>58,768</u>	<u>39,935</u>
TOTAL UNRESTRICTED REVENUES AND RECLASSIFICATIONS	<u>1,882,989</u>	<u>2,158,945</u>
EXPENSES		
Program services		
Staffing services	137,398	386,446
Mission	704,974	815,748
Dove Center	259,393	299,799
Bargain Center	362,621	408,221
	<u>1,464,386</u>	<u>1,910,214</u>

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

RESCUE MISSION OF MIDDLE GEORGIA, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF ACTIVITIES (CONTINUED)

For the Year Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
EXPENSES (CONTINUED)		
Supporting services		
Management and general	\$ 160,023	\$ 145,901
Fund-raising	106,098	87,843
	<u>266,121</u>	<u>233,744</u>
TOTAL EXPENSES	<u>1,730,507</u>	<u>2,143,958</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	<u>152,482</u>	<u>14,987</u>
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS		
Contributions	19,812	15,884
Grant income	23,890	55,000
Net assets released from restrictions by payment	<u>(58,768)</u>	<u>(39,935)</u>
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	<u>(15,066)</u>	<u>30,949</u>
CHANGE IN PERMANENTLY RESTRICTED NET ASSETS		
Increase (decrease) in beneficial interest in perpetual trust	<u>17,614</u>	<u>10,360</u>
INCREASE (DECREASE) IN NET ASSETS	155,030	56,296
NET ASSETS - BEGINNING	<u>3,290,002</u>	<u>3,233,706</u>
NET ASSETS - ENDING	<u>\$ 3,445,032</u>	<u>\$ 3,290,002</u>

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

RESCUE MISSION OF MIDDLE GEORGIA, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2013, with Comparative Totals for 2012

	Program Services			Supporting Services		Total	Total	
	Staffing Service	Mission	Dove Center	Bargain Center	Management and General	Fund-Raising	2013	2012
Salaries	\$ 116,249	\$ 115,977	\$ 80,699	\$ 156,925	\$ 140,471	\$ 45,033	\$ 655,354	\$ 830,728
Payroll taxes	17,621	9,984	6,718	14,051	11,077	3,624	63,075	65,833
Employee benefits	1,815	4,292	10,666	13,083	6,382	541	36,779	43,714
Worker's compensation	1,060	3,109	1,322	2,250	2,093	619	10,453	20,602
Advertising	-	3,318	-	920	-	-	4,238	29,924
Assistance	-	23,964	4,986	-	-	-	28,950	82,030
Bank charges	623	3,239	164	8,918	-	3,230	16,174	10,348
Contract labor	-	3,362	750	10,255	-	-	14,367	20,185
Contributions	-	320	-	250	-	-	570	75
Cost of goods sold	-	-	-	9,277	-	-	9,277	72,788
Depreciation	-	37,477	49,448	16,692	-	-	103,617	104,631
Dues and subscriptions	30	6,002	225	284	-	-	6,541	5,706
Equipment rental	-	3,856	1,571	-	-	-	5,427	5,646
Meals, (\$288,398 and \$394,792 in-kind)	-	334,765	6,531	-	-	-	341,296	475,663
Insurance	-	12,548	11,277	8,408	-	-	32,233	31,768
Legal and professional	-	9,428	4,000	1,500	-	500	15,428	15,429
Miscellaneous	-	17,210	684	1,751	-	250	19,895	17,661
Office supplies	-	14,928	873	1,452	-	575	17,828	11,223
Pest control	-	1,269	1,587	-	-	-	2,856	2,856
Printing and publications	-	-	-	-	-	42,595	42,595	35,934
Postage	-	1,807	1,851	-	-	9,131	12,789	3,673

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

RESCUE MISSION OF MIDDLE GEORGIA, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)

For the Years Ended December 31, 2013 and 2012

	Program Services			Supporting Services		Total	Total	
	Staffing Service	Mission	Dove Center	Bargain Center	Management and General	Fund-Raising	2013	2012
Repairs and maintenance	\$ -	\$ 19,746	\$ 12,550	\$ 22,560	\$ -	\$ -	\$ 54,856	\$ 49,734
Security	-	240	-	390	-	-	630	240
Supplies	-	9,309	12,598	21,610	-	-	43,517	31,523
Taxes and licenses	-	7,054	212	940	-	-	8,206	3,517
Travel	-	1,785	22	441	-	-	2,248	655
Utilities	-	38,011	47,523	52,843	-	-	138,377	127,996
Vehicle	-	21,974	3,136	17,821	-	-	42,931	43,877
Total Expenses, Year Ended December 31, 2013	\$ 137,398	\$ 704,974	\$ 259,393	\$ 362,621	\$ 160,023	\$ 106,098	\$ 1,730,507	
Total Expenses, Year Ended December 31, 2012	\$ 386,446	\$ 815,748	\$ 299,799	\$ 408,221	\$ 145,901	\$ 87,843		\$ 2,143,958

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

RESCUE MISSION OF MIDDLE GEORGIA, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2013 and 2012

	2013	2012
CASH FLOWS FROM (TO) OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 155,030	\$ 56,296
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	103,617	104,631
Loss on sale of assets	2,735	-
Change in beneficial interest in perpetual trust	(17,614)	(10,360)
Donated property and equipment	(31,494)	(101,580)
Reinvestment of interest on certificate of deposit	-	(1,887)
(Increase) decrease in:		
Accounts receivable	10,151	(908)
Interest receivable	401	(9)
Rent receivable	435	180
Miscellaneous receivable	198	(1,112)
Inventories	(4,657)	(530)
Prepaid expenses	27,310	7,731
Increase (decrease) in:		
Accounts payable	(5,482)	11,329
Payroll and payroll taxes	(18,861)	9,257
Sales tax payable	608	152
Miscellaneous payable	(3,000)	250
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>219,377</u>	<u>73,440</u>
CASH FLOWS TO INVESTING ACTIVITIES		
Proceeds from certificate of deposit redemption	87,444	-
Cash payments for the purchase of property and equipment	(74,517)	(25,180)
Proceeds on disposal of property and equipment	2,157	-
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>15,084</u>	<u>(25,180)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	234,461	48,260
BEGINNING CASH AND CASH EQUIVALENTS	<u>303,968</u>	<u>255,708</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 538,429</u>	<u>\$ 303,968</u>

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

RESCUE MISSION OF MIDDLE GEORGIA, INC. AND SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. NATURE OF THE ORGANIZATION

Rescue Mission of Middle Georgia, Inc. (the Rescue Mission) is a nonprofit organization formed in 1952 to provide assistance to the homeless, hungry, and abused. The Subsidiary, MRM Employment Opportunities, LLC, is wholly-owned by the Rescue Mission and was formed June 9, 2005 to provide staffing services for daycare centers. The Mission provides a long-term life recovery program for men; a refuge and long-term program for battered women and children; staffing services for daycare centers in collaboration with the Department of Family and Children Services; food boxes and meals to homeless transients; and assistance with food, clothing and expenses to various citizens of the community.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of Rescue Mission of Middle Georgia, Inc. have been prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Codification No. ASC 958, *Financial Statements of Not-For-Profit Organizations*. Under ASC No. 958, the organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

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

Unrestricted-Board Designated – Net assets that not subject to donor imposed stipulations which the Board designates for a specific purpose.

Temporarily restricted – Net assets subject to donor-imposed stipulations that will be met either by the Rescue Mission and/or the passage of time.

Permanently restricted – Net assets subject to donor-imposed stipulations that will be maintained permanently by the Rescue Mission.

RESCUE MISSION OF MIDDLE GEORGIA, INC. AND SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Consolidated Financial Statements

The consolidated financial statements include the accounts of Rescue Mission of Middle Georgia, Inc. and its wholly-owned subsidiary, MRM Employment Opportunities, LLC. The consolidated entities are referred to as the “Rescue Mission” throughout these notes. All significant inter-company transactions and accounts have been eliminated.

Comparative Financial Information

The Statement of Functional Expenses includes certain prior-year summarized comparative information in total but not by functional expense class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States. Accordingly, such information should be read in conjunction with the Rescue Mission’s financial statements for the year ended December 31, 2012, from which summarized information was derived.

Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, the Rescue Mission considers highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents designated for long-term purposes or received with donor-imposed restrictions limiting their use to long-term purposes are not considered cash and cash equivalents for the purpose of the statement of cash flows.

Accounts Receivable

The Rescue Mission considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

Donated Property and Equipment

Donated property and equipment are recorded as contributions at their estimated fair market values at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

RESCUE MISSION OF MIDDLE GEORGIA, INC. AND SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Inventory

The Rescue Mission sells donated goods in its retail store. The value of donated goods revenue and inventory is determined using statistical computations. The valuation of donated inventory is considered to be that portion of retail sales value that exceeds the cost of preparing the goods for sale. All donated goods, prior to being offered for sale, are considered to have a value of zero because of the uncertainty of fair value before being offered for sale. The value of inventory on hand at the end of the year is computed statistically using an inventory turnover rate applied to total computed donated goods value. The inventory turnover rate is five weeks for the years ended December 31, 2013 and 2012. Inventory consisted of donated goods for resale valued at \$31,041 and \$26,384 as of December 31, 2013 and 2012, respectively.

Donated Services, Materials, and Equipment

The Rescue Mission recognizes donated services that create or enhance nonfinancial assets, require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Donated services consisted of counseling services and various other professional repair services and were valued at \$3,713 and \$8,391 for the years ended December 31, 2013 and 2012, respectively.

The Rescue Mission receives food from various suppliers and donors. The estimated value of donated food is based on the estimated cost of the contents of a food box if they were required to be purchased times the number of boxes given out and the estimated cost of a meal provided times the number of meals provided during the year. Donated food was valued at \$288,398 and \$394,792 for the years ended December 31, 2013 and 2012, respectively.

The Rescue Mission also received in-kind donation of food stamps from its residents totaling \$32,734 and \$36,082 and various supplies and equipment totaling \$728 and \$6,627 during the years ended December 31, 2013 and 2012, respectively.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

RESCUE MISSION OF MIDDLE GEORGIA, INC. AND SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

Subsequent events have been evaluated through September 29, 2014, which is the date the financial statements were available to be issued.

Income Tax Status

The Rescue Mission is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Rescue Mission's tax-exempt purpose is subject to taxation as unrelated business income. There was no unrelated business taxable income for the years ended December 31, 2013 and 2012. In addition, the Rescue Mission qualifies for the charitable contribution deduction under Section 170 (b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2). The Rescue Mission believes that it has appropriate support for any tax positions it takes, and as such, does not have any uncertain tax positions that are material to the financial statements.

The Rescue Mission's federal and state information returns are subject to examination by the Internal Revenue Service (IRS) and state taxing authorities for three years after they are filed.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Property and Equipment

The Rescue Mission capitalizes all expenditures for property and equipment in excess of \$1,000 and all expenditures for repairs, maintenance, renewals and betterments that materially prolong the useful lives of assets. Property and equipment are carried at cost or, if donated, at the approximate fair market value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful life of the asset.

RESCUE MISSION OF MIDDLE GEORGIA, INC. AND SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted and Unrestricted Revenue

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the contribution is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

NOTE 3. RETAIL SALES

Retail sales totaled \$635,918 and \$638,944 for the years ended December 31, 2013 and 2012, respectively. Retail sales are presented in the Statement of Activities net of donated goods of \$322,827 and \$274,389 for the years ended December 31, 2013 and 2012, respectively. Donated goods contributions are estimated to be the portion of retail sales that exceeds the cost of preparing the goods for placement in the retail store. This excess value was calculated to be 50.77% and 42.94% for the years ended December 31, 2013 and 2012, respectively.

NOTE 4. ADVERTISING COSTS

The Rescue Mission expenses advertising costs as incurred. Expenses incurred were \$4,238 and \$29,924 for the years ended December 31, 2013 and 2012, respectively.

RESCUE MISSION OF MIDDLE GEORGIA, INC. AND SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5. PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2013 and 2012 consists of the following:

	2013	2012
Land	\$ 438,535	\$ 438,535
Buildings and improvements	2,644,021	2,621,768
Machinery and equipment	190,675	155,041
Furniture and fixtures	146,984	137,993
Vehicles	176,743	177,065
	3,596,958	3,530,402
Accumulated depreciation	(1,210,101)	(1,141,047)
	<u>\$ 2,386,857</u>	<u>\$ 2,389,355</u>

Depreciation expense was \$103,617 and \$104,631 for the years ended December 31, 2013 and 2012, respectively.

NOTE 6. INVESTMENTS

Investments under the control of the Rescue Mission as of December 31, 2013 consists of the following:

	Quoted Market Value	Unrealized Appreciation (Depreciation)	Cost
Property held for resale	161,200	-	161,200
	<u>\$ 161,200</u>	<u>\$ -</u>	<u>\$ 161,200</u>

Investments under the control of the Rescue Mission as of December 31, 2012 consists of the following:

	Quoted Market Value	Unrealized Appreciation (Depreciation)	Cost
Certificate of deposit	\$ 87,444	\$ 7,444	\$ 80,000
Property held for resale	161,200	-	161,200
	<u>\$ 248,644</u>	<u>\$ 7,444</u>	<u>\$ 241,200</u>

RESCUE MISSION OF MIDDLE GEORGIA, INC. AND SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7. BENEFICIAL INTEREST IN PERPETUAL TRUST

The Rescue Mission is the 25% beneficiary of a perpetual trust created by a donor, the assets of which are not in the possession of the Rescue Mission. The Rescue Mission has legally enforceable rights and claims to a portion of such assets, including the sole right to income there from. Unrealized gains and losses related to the beneficial interest are reported as changes in permanently restricted net assets based on explicit donor stipulations.

The fair value of this beneficial interest was \$290,633 and \$273,019 for the years ended December 31, 2013 and 2012, respectively.

NOTE 8. OPERATING LEASES

The Rescue Mission has an operating lease for a copier with a base monthly rental in the amount of \$249. The term of this lease is 36 months beginning March 2011 and expiring in February 2014. The lease was renewed in April 2014 with a base monthly rental in the amount of \$211. The term of this lease is 48 months beginning May 2014 and expiring in April 2018. Lease expense under this lease was \$2,988 for the years ended December 31, 2013 and 2012, respectively.

The future minimum lease payments on this lease are as follows:

Year ending December 31	
2014	2,186
2015	2,532
2016	2,532
2017	2,532
2018	844
	<u>\$ 10,626</u>

RESCUE MISSION OF MIDDLE GEORGIA, INC. AND SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9. RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2013</u>	<u>2012</u>
Phase III housing renovation	\$ 15,000	\$ 15,000
Commercial appliances	2,498	10,000
Security system	-	6,500
Resident Christmas gifts	2,329	6,079
Dove Center resident assistance	1,535	2,858
Dove Center renovations	7,717	2,500
Various capital expenditures	11,972	20,969
School supplies	-	255
Medical testing	920	-
Meals	4,678	-
Program materials	2,306	-
Storm relief	140	-
	<u>\$ 49,095</u>	<u>\$ 64,161</u>

Permanently restricted net assets are invested in perpetuity, the income from which is expendable. Permanently restricted net assets are \$290,633 and \$273,019, as of December 31, 2013 and 2012, respectively, all of which is the beneficial interest in perpetual trust.

NOTE 10. CONCENTRATION OF CREDIT RISK

The Rescue Mission maintains cash balances in three financial institutions located in Macon, Georgia. The balances at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Rescue Mission had no uninsured cash balances at these institutions as of December 31, 2013 and 2012. Cash on hand consisted of \$2,405 and \$3,325 as of December 31, 2013 and 2012, respectively.

RESCUE MISSION OF MIDDLE GEORGIA, INC. AND SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11. FAIR VALUE MEASUREMENTS

The Financial Accounting Standards Board Codification No. ASC 820, *Fair Value Measurements*, defines fair value, establishes a framework for measuring fair value, establishes a three-level valuation hierarchy for disclosure of fair value measurement and enhances disclosure requirements for fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

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 quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument; and

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

The asset's and 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.

Following is a description of the methodologies used for measurement at fair value:

Fair value for the certificate of deposit is determined by reference to quoted market prices.

Fair value for inventory is determined using statistical computations (see Note 2).

Fair value for the beneficial interest in perpetual trust is determined by the fair value of the assets in the trust at quoted market prices times the Rescue Mission's interest in the trust.

Fair value of property held for sale is determined using the appraised value of the property at the date of donation.

RESCUE MISSION OF MIDDLE GEORGIA, INC. AND SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11. FAIR VALUE MEASUREMENTS (CONTINUED)

Fair values of assets measured on a recurring basis at December 31, 2013 are as follows:

	Fair Value	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Inventory	31,041	-	-	31,041
Beneficial interest in perpetual trust	290,633	-	-	290,633
	<u>\$ 321,674</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 321,674</u>

Fair values of assets measured on a recurring basis at December 31, 2012 are as follows:

	Fair Value	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificate of deposit	\$ 87,444	\$ 87,444	\$ -	\$ -
Inventory	26,384	-	-	26,384
Beneficial interest in perpetual trust	273,019	-	-	273,019
	<u>\$ 386,847</u>	<u>\$ 87,444</u>	<u>\$ -</u>	<u>\$ 299,403</u>

Fair values of assets measured on a nonrecurring basis at December 31, 2013 are as follows:

	Fair Value	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Property held for resale	\$ 161,200	\$ -	\$ 161,200	\$ -
	<u>\$ 161,200</u>	<u>\$ -</u>	<u>\$ 161,200</u>	<u>\$ -</u>

RESCUE MISSION OF MIDDLE GEORGIA, INC. AND SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11. FAIR VALUE MEASUREMENTS (Continued)

Fair values of assets measured on a nonrecurring basis at December 31, 2012 are as follows:

	Fair Value	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Property held for resale	\$ 161,200	\$ -	\$ 161,200	\$ -
	\$ 161,200	\$ -	\$ 161,200	\$ -

The table below sets forth a summary of changes in the fair value of the Rescue Mission's Level Three assets for the year ended December 31, 2013:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)		
	Beneficial interest in		
	Inventory	perpetual trust	Total
Balance, beginning of year	\$ 26,384	\$ 273,019	\$ 299,403
Realized gains (losses)	-	-	-
Unrealized gains (losses)	-	17,614	17,614
Purchases, sales, issuances, and settlements, net	4,657	-	4,657
Balance, end of year	\$ 31,041	\$ 290,633	\$ 321,674

The amount of total gains for the period attributable to the change in unrealized gains relating to assets still held at December 31, 2013

	\$ -	\$ 17,614	\$ 17,614
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NOTE 12. COMMITMENTS

During 2012, the Rescue Mission had contracted with Bibb County to provide staffing services for the Department of Family and Children Services' day care facilities. Under the terms of the contract, DFACS reimburses the Rescue Mission for the costs of the payroll, plus an administrative fee. This relationship was terminated during 2013.

RESCUE MISSION OF MIDDLE GEORGIA, INC. AND SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12. COMMITMENTS (Continued)

The Rescue Mission contracted with a company in January 2014 to provide marketing services. Under the terms of the contract, the Company is to provide fundraising strategy and planning, creative service, digital creative, digital media and services, and distribution of marketing items. The fees for these services consist of a base fee of \$1,000 per month, additional charges and fees that are billed only as preapproved by the Rescue Mission. The contract is a three year contract to begin on February 1, 2014 and end on January 31, 2017, but is able to be cancelled at any time with a 60 day notice.

NOTE 13. RELATED PARTY TRANSACTIONS

The Rescue Mission utilizes Five Star Dodge Chrysler Mazda Jeep on a recurring basis. The owner of Five Star is a member of the Board of Directors of the Rescue Mission. Services purchased from Five Star were vehicle maintenance and totaled \$4,140 for the year ended December 31, 2013.

The Rescue Mission utilized family members of the Executive Director to build donation bins that are used by the Company to collect donations. Transactions involving these parties were for services rendered to the Mission and totaled \$11,138 for the year ended December 31, 2013. The service provider had the lowest bid and was selected upon approval of the executive committee of the board of directors.

NOTE 14. SUBSEQUENT EVENTS

The wholly-owned subsidiary, MRM Employment Opportunities, LLC, was dissolved effective April 8, 2014. The portion of the Rescue Mission's gross profit attributable to MRMEO, LLC was \$11,044 and \$29,887 for the years ended December 31, 2013 and 2012, respectively.

Subsequent to year end, all real estate owned that was not used in the Rescue Mission's operating activities was sold. The book value of the real estate at year end totaled \$278,505. The properties were sold for a total sales price, net of selling expenses of \$40,530 resulting in a loss on sale of \$237,975.

Subsequent to year end, the Rescue Mission entered into a fundraising contract with a company to provide marketing services. The agreement is a three year contract to begin on February 1, 2014 and end on January 31, 2017. See Note 12 for contract details.