

RESCUE MISSION OF MIDDLE GEORGIA, INC.
AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2014 and 2013

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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, 2014 and 2013, 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, 2014 and 2013, 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.

Howard, Moore & McDuffie, P.C.

Howard, Moore & McDuffie, P.C.
Macon, GA
November 6, 2015

RESCUE MISSION OF MIDDLE GEORGIA, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Current Assets		
Cash and cash equivalents - unrestricted	\$ 876,893	\$ 489,334
Cash and cash equivalents - restricted	34,985	49,095
Miscellaneous receivables	4,976	3,642
Accounts receivable - golf tournament	78,604	72,819
Inventories	31,018	31,041
Prepaid expenses	4,246	3,378
Total Current Assets	<u>1,030,722</u>	<u>649,309</u>
Property and equipment, net	<u>2,310,785</u>	<u>2,386,857</u>
Other Assets		
Beneficial interest in perpetual trust	285,322	290,633
Property held for resale	-	161,200
Total Other Assets	<u>285,322</u>	<u>451,833</u>
TOTAL ASSETS	<u><u>\$ 3,626,829</u></u>	<u><u>\$ 3,487,999</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, 2014 and 2013

	2014	2013
LIABILITIES AND NET ASSETS		
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 43,999	\$ 18,036
Payroll and payroll taxes	20,900	21,094
Sales tax payable	3,952	3,587
Miscellaneous payable	-	250
Total Current Liabilities	68,851	42,967
TOTAL LIABILITIES	68,851	42,967
NET ASSETS		
Unrestricted		
Undesignated	3,157,671	3,025,304
Board designated for endowment	80,000	80,000
Temporarily restricted	34,985	49,095
Permanently restricted	285,322	290,633
TOTAL NET ASSETS	3,557,978	3,445,032
TOTAL LIABILITIES AND NET ASSETS	\$ 3,626,829	\$ 3,487,999

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, 2014 and 2013

	2014	2013
CHANGES IN UNRESTRICTED NET ASSETS, REVENUES, GAINS AND OTHER SUPPORT		
Contributions		
Cash	\$ 398,131	\$ 240,611
Donated vehicles	75,313	32,849
Donated materials and equipment	330,713	323,868
Donated goods for sale	403,209	327,485
Donated services	1,437	3,713
Grants income	2,591	5,510
Staffing services	-	149,431
Retail sales, net of donated goods	360,269	313,091
Distribution from perpetual trust	11,018	10,921
Interest income	1,183	1,074
Rental income	14,660	16,126
Miscellaneous	839	25,891
	<u>1,599,363</u>	<u>1,450,570</u>
Revenue from special events		
Golf tournament and auction	723,752	474,223
Less: direct costs	(124,999)	(97,776)
Net revenue from special events	<u>598,753</u>	<u>376,447</u>
TOTAL UNRESTRICTED REVENUES, GAINS AND OTHER SUPPORT	<u>2,198,116</u>	<u>1,827,017</u>
NET ASSETS RELEASED FROM RESTRICTIONS		
Restrictions satisfied by payments	<u>64,223</u>	<u>58,768</u>
TOTAL UNRESTRICTED REVENUES, GAINS, OTHER SUPPORT AND RECLASSIFICATIONS	<u>2,262,339</u>	<u>1,885,785</u>
EXPENSES AND LOSSES		
Program services		
Staffing services	-	137,398
Mission	851,277	704,974
Women's Division	288,823	259,393
Bargain Center	412,647	362,621
	<u>1,552,747</u>	<u>1,464,386</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, 2014 and 2013

	2014	2013
EXPENSES AND LOSSES (CONTINUED)		
Supporting services		
Management and general	\$ 136,021	\$ 160,023
Fund-raising	205,893	106,098
	<u>341,914</u>	<u>266,121</u>
TOTAL EXPENSES	1,894,661	1,730,507
Loss on sale of assets	235,309	2,796
TOTAL EXPENSES AND LOSSES	<u>2,129,970</u>	<u>1,733,303</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	<u>132,369</u>	<u>152,482</u>
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Contributions	25,680	19,812
Grants income	24,432	23,890
Net assets released from restrictions by payment	<u>(64,223)</u>	<u>(58,768)</u>
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	<u>(14,111)</u>	<u>(15,066)</u>
CHANGE IN PERMANENTLY RESTRICTED NET ASSETS		
Increase (decrease) in beneficial interest in perpetual trust	<u>(5,312)</u>	<u>17,614</u>
INCREASE (DECREASE) IN NET ASSETS	112,946	155,030
NET ASSETS - BEGINNING	<u>3,445,032</u>	<u>3,290,002</u>
NET ASSETS - ENDING	<u>\$ 3,557,978</u>	<u>\$ 3,445,032</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, 2014, with Comparative Totals for 2013

	Program Services			Supporting Services		Total	Total	
	Staffing Service	Mission	Women's Division	Bargain Center	Management and General	Fund-Raising	2014	2013
Salaries	\$ -	\$ 243,184	\$ 89,067	\$ 176,437	\$ 121,362	\$ 49,547	\$ 679,597	\$ 655,354
Payroll taxes	-	24,722	8,916	19,319	8,142	5,020	66,119	63,075
Employee benefits	-	23,873	10,685	19,157	4,164	400	58,279	36,779
Worker's compensation	-	3,845	1,661	2,909	2,353	865	11,633	10,453
Advertising and direct mail campaigns	-	951	-	375	-	96,250	97,576	4,238
Assistance	-	5,958	15,089	-	-	-	21,047	28,950
Bank charges	-	3,656	-	13,687	-	236	17,579	16,174
Contract labor	-	7,089	-	34,888	-	-	41,977	14,367
Contributions	-	-	-	-	-	-	-	570
Cost of goods sold	-	-	-	-	-	-	-	9,277
Depreciation	-	45,925	49,337	23,834	-	-	119,096	103,617
Dues and subscriptions	-	8,376	100	703	-	-	9,179	6,541
Equipment rental	-	2,729	1,078	-	-	-	3,807	5,427
Meals, (\$273,691 and \$288,398 in-kind)	-	318,785	7,365	-	-	-	326,150	341,296
Insurance	-	12,655	11,902	6,679	-	-	31,236	32,233
Legal and professional	-	10,566	4,000	1,500	-	500	16,566	15,428
Miscellaneous	-	24,401	4,877	5,445	-	2,344	37,067	19,895
Office supplies	-	16,609	68	2,547	-	737	19,961	17,828
Pest control	-	1,269	1,587	-	-	-	2,856	2,856
Printing and publications	-	-	-	-	-	42,122	42,122	42,595
Postage	-	3,832	1,908	-	-	7,870	13,610	12,789

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 Year Ended December 31, 2014, with Comparative Totals for 2013

	Program Services			Supporting Services		Total	Total	
	Staffing Service	Mission	Women's Division	Bargain Center	Management and General	Fund-Raising	2014	2013
Repairs and maintenance	\$ -	\$ 21,780	\$ 16,382	\$ 16,621	\$ -	\$ -	\$ 54,783	\$ 54,856
Security	-	-	-	240	-	-	240	630
Supplies	-	8,951	11,758	16,922	-	-	37,631	43,517
Taxes and licenses	-	2,587	177	1,441	-	2	4,207	8,206
Travel	-	2,622	281	852	-	-	3,755	2,248
Utilities	-	40,469	50,009	48,573	-	-	139,051	138,377
Vehicle	-	16,443	2,576	20,518	-	-	39,537	42,931
Total Expenses, Year Ended December 31, 2014	\$ -	\$ 851,277	\$ 288,823	\$ 412,647	\$ 136,021	\$ 205,893	\$ 1,894,661	
Total Expenses, Year Ended December 31, 2013	\$ 137,398	\$ 704,974	\$ 259,393	\$ 362,621	\$ 160,023	\$ 106,098		\$ 1,730,507

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, 2014 and 2013

	2014	2013
CASH FLOWS FROM (TO) OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 112,946	\$ 155,030
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	119,096	103,617
Loss on sale of assets used in operations	77,297	2,735
Loss on sale of property held for resale	158,302	-
Change in beneficial interest in perpetual trust	5,311	(17,614)
Donated property and equipment	(64,088)	(31,494)
(Increase) decrease in:		
Accounts receivable	(5,785)	10,151
Interest receivable	-	401
Miscellaneous receivable	(1,334)	633
Inventories	23	(4,657)
Prepaid expenses	(868)	27,310
Increase (decrease) in:		
Accounts payable	25,963	(5,482)
Payroll and payroll taxes	(194)	(18,861)
Sales tax payable	365	608
Miscellaneous payable	(250)	(3,000)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>426,784</u>	<u>219,377</u>
CASH FLOWS TO INVESTING ACTIVITIES		
Proceeds from certificate of deposit redemption	-	87,444
Cash payments for the purchase of property and equipment	(99,130)	(74,517)
Proceeds on disposal of property and equipment	42,897	2,157
Proceeds on disposal of property held for resale	2,898	-
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(53,335)</u>	<u>15,084</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	373,449	234,461
BEGINNING CASH AND CASH EQUIVALENTS	<u>538,429</u>	<u>303,968</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 911,878</u>	<u>\$ 538,429</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. MRMEO, LLC was dissolved effective April 8, 2014. 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 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, 2013, 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 four weeks and five weeks for the years ended December 31, 2014 and 2013, respectively. Inventory consisted of donated goods for resale valued at \$31,018 and \$31,041 as of December 31, 2014 and 2013, 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 \$1,437 and \$3,713 for the years ended December 31, 2014 and 2013, 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 \$273,691 and \$288,398 for the years ended December 31, 2014 and 2013, respectively.

The Rescue Mission also received in-kind donation of food stamps from its residents totaling \$30,423 and \$32,734 and various supplies and equipment totaling \$23,351 and \$728 during the years ended December 31, 2014 and 2013, 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 November 6, 2015, 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, 2014 and 2013. 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 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, ranging from 5 to 40 years.

RESCUE MISSION OF MIDDLE GEORGIA, INC. AND SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to presentation in the current-year financial statements.

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. 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 \$763,501 and \$635,918 for the years ended December 31, 2014 and 2013, respectively. Retail sales are presented in the Statement of Activities net of donated goods of \$403,232 and \$322,827 for the years ended December 31, 2014 and 2013, 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 52.81% and 50.77% for the years ended December 31, 2014 and 2013, respectively.

NOTE 4. ADVERTISING COSTS

The Rescue Mission expenses advertising costs as incurred. Expenses incurred were \$1,326 and \$4,238 for the years ended December 31, 2014 and 2013, 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, 2014 and 2013, consists of the following:

	2014	2013
Land	\$ 395,645	\$ 438,535
Buildings and improvements	2,601,516	2,644,021
Machinery and equipment	200,678	190,675
Furniture and fixtures	163,891	146,984
Vehicles	175,542	176,743
	<u>3,537,272</u>	<u>3,596,958</u>
Accumulated depreciation	<u>(1,226,487)</u>	<u>(1,210,101)</u>
	<u>\$ 2,310,785</u>	<u>\$ 2,386,857</u>

Depreciation expense was \$119,096 and \$103,617 for the years ended December 31, 2014 and 2013, respectively.

NOTE 6. INVESTMENTS

Investments under the control of the Rescue Mission as of December 31, 2014 consists of the following:

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

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>

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 \$285,322 and \$290,633 for the years ended December 31, 2014 and 2013, 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 \$2,186 and \$2,988 for the years ended December 31, 2014 and 2013, respectively.

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

<u>Year ending December 31</u>	
2015	2,532
2016	2,532
2017	2,532
2018	<u>844</u>
	<u><u>\$ 8,440</u></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:

	2014	2013
Phase III housing renovation	\$ -	\$ 15,000
Commercial appliances	-	2,498
Resident Christmas gifts	2,084	2,329
Women's Division resident assistance	14	1,535
Women's Division renovations	3,468	7,717
Various capital expenditures	16,929	11,972
Medical testing	-	920
Meals	895	4,678
Program materials	1,095	2,306
Storm relief	-	140
Mattress covers	3,000	-
Security system	7,500	-
	\$ 34,985	\$ 49,095

Permanently restricted net assets are invested in perpetuity, the income from which is expendable. Permanently restricted net assets are \$285,322 and \$290,633, as of December 31, 2014 and 2013, 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 \$629,652 and \$246,791 of cash deposits in banks in excess of federally insured limits as of December 31, 2014 and 2013, respectively. Cash on hand consisted of \$2,405 for the years ended December 31, 2014 and 2013.

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, 2014 are as follows:

	Fair Value	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Inventory	31,018	-	-	31,018
Beneficial interest in perpetual trust	285,322	-	-	285,322
	<u>\$ 316,340</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 316,340</u>

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 nonrecurring basis at December 31, 2014 are as follows:

	Fair Value	(Level 1)	(Level 2)	(Level 3)
Property held for resale	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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, 2013 are as follows:

	Fair Value	(Level 1)	(Level 2)	(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, 2014:

	Using Significant Unobservable Inputs (Level 3)		
	Inventory	Beneficial interest in perpetual trust	Total
Balance, beginning of year	\$ 31,041	\$ 290,633	\$ 321,674
Realized gains (losses)	-	-	-
Unrealized gains (losses)	-	(5,311)	(5,311)
Purchases, sales, issuances, and settlements, net	(23)	-	(23)
Balance, end of year	\$ 31,018	\$ 285,322	\$ 316,340

The amount of total losses for the period attributable to the change in unrealized losses relating to assets still held at December 31, 2014

	\$ -	\$ (5,311)	\$ (5,311)
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NOTE 12. COMMITMENTS

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.

RESCUE MISSION OF MIDDLE GEORGIA, INC. AND SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 \$9,666 and \$4,140 for the years ended December 31, 2014 and 2013, respectively.

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 \$3,790 and \$11,138 for the years ended December 31, 2014 and 2013, respectively. The service provider had the lowest bid and was selected upon approval of the executive committee of the board of directors.

NOTE 14. LOSS ON SALE OF ASSETS

All real estate owned by the Mission that was not used in its operating activities was sold. These properties were acquired over the years by donation and had a book value in excess of net sales proceeds totaling \$237,974, which is netted with the gain from the sale of various operating assets in the statements of activities.