

RESCUE MISSION OF MIDDLE GEORGIA, INC.

FINANCIAL STATEMENTS

For the Years Ended December 31, 2015 and 2014

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Rescue Mission of Middle Georgia, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Rescue Mission of Middle Georgia, Inc. as of December 31, 2015 and 2014, and the changes in its 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 10, 2016

RESCUE MISSION OF MIDDLE GEORGIA, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Current Assets		
Cash and cash equivalents - unrestricted	\$ 1,432,612	\$ 876,893
Cash and cash equivalents - restricted	51,723	34,985
Miscellaneous receivables	3,189	4,976
Accounts receivable - golf tournament	120,735	78,604
Inventories	30,969	31,018
Prepaid expenses	18,611	4,246
Total Current Assets	<u>1,657,839</u>	<u>1,030,722</u>
Property and equipment, net	<u>2,271,118</u>	<u>2,310,785</u>
Other Assets		
Beneficial interest in perpetual trust	<u>268,099</u>	<u>285,322</u>
Total Other Assets	<u>268,099</u>	<u>285,322</u>
TOTAL ASSETS	<u>\$ 4,197,056</u>	<u>\$ 3,626,829</u>

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

RESCUE MISSION OF MIDDLE GEORGIA, INC.

STATEMENTS OF FINANCIAL POSITION (CONTINUED)

December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 30,410	\$ 43,999
Payroll and payroll taxes	17,936	20,900
Sales tax payable	5,247	3,952
Total Current Liabilities	<u>53,593</u>	<u>68,851</u>
TOTAL LIABILITIES	<u>53,593</u>	<u>68,851</u>
NET ASSETS		
Unrestricted		
Undesignated	3,743,641	3,157,671
Board designated for endowment	80,000	80,000
Temporarily restricted	51,723	34,985
Permanently restricted	268,099	285,322
TOTAL NET ASSETS	<u>4,143,463</u>	<u>3,557,978</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,197,056</u>	<u>\$ 3,626,829</u>

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

RESCUE MISSION OF MIDDLE GEORGIA, INC.

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2015 and 2014

	2015	2014
CHANGES IN UNRESTRICTED NET ASSETS, REVENUES, GAINS AND OTHER SUPPORT		
Contributions		
Cash	\$ 507,225	\$ 398,131
Donated vehicles	13,343	75,313
Donated food and supplies	383,919	330,713
Donated goods for sale	402,553	403,209
Donated services	2,338	1,437
Grants income	7,500	2,591
Retail sales, net of donated goods	548,806	360,269
Distribution from perpetual trust	11,017	11,018
Interest income	2,007	1,183
Rental income	7,765	14,660
Miscellaneous	1,073	839
	<u>1,887,546</u>	<u>1,599,363</u>
Revenue from special events		
Golf tournament and auction	1,105,108	723,752
Less: direct costs	<u>(215,994)</u>	<u>(124,999)</u>
Net revenue from special events	<u>889,114</u>	<u>598,753</u>
TOTAL UNRESTRICTED REVENUES, GAINS AND OTHER SUPPORT	<u>2,776,660</u>	<u>2,198,116</u>
NET ASSETS RELEASED FROM RESTRICTIONS		
Restrictions satisfied by payments	<u>87,497</u>	<u>64,223</u>
TOTAL UNRESTRICTED REVENUES, GAINS, OTHER SUPPORT AND RECLASSIFICATIONS	<u>2,864,157</u>	<u>2,262,339</u>
EXPENSES AND LOSSES		
Program services		
Mission	846,609	851,277
Women's Division	350,973	288,823
Bargain Center	614,605	412,647
	<u>1,812,187</u>	<u>1,552,747</u>

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

RESCUE MISSION OF MIDDLE GEORGIA, INC.

STATEMENTS OF ACTIVITIES (CONTINUED)

For the Year Ended December 31, 2015 and 2014

	2015	2014
EXPENSES AND LOSSES (CONTINUED)		
Supporting services		
Management and general	\$ 223,745	\$ 136,021
Fund-raising	240,121	205,893
	<u>463,866</u>	<u>341,914</u>
TOTAL EXPENSES	2,276,053	1,894,661
Loss on sale of assets	2,134	235,309
TOTAL EXPENSES AND LOSSES	<u>2,278,187</u>	<u>2,129,970</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	<u>585,970</u>	<u>132,369</u>
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Contributions	14,210	25,680
Grants income	90,025	24,432
Net assets released from restrictions by payment	<u>(87,497)</u>	<u>(64,223)</u>
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	<u>16,738</u>	<u>(14,111)</u>
CHANGE IN PERMANENTLY RESTRICTED NET ASSETS		
Increase (decrease) in beneficial interest in perpetual trust	<u>(17,223)</u>	<u>(5,312)</u>
INCREASE (DECREASE) IN NET ASSETS	585,485	112,946
NET ASSETS - BEGINNING	<u>3,557,978</u>	<u>3,445,032</u>
NET ASSETS - ENDING	<u>\$ 4,143,463</u>	<u>\$ 3,557,978</u>

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

RESCUE MISSION OF MIDDLE GEORGIA, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2015, with Comparative Totals for 2014

	Program Services			Supporting Services		Total	Total
	Mission	Women's Division	Bargain Center	Management and General	Fund- Raising	2015	2014
Salaries	\$ 144,274	\$ 130,116	\$ 314,160	\$ 192,570	\$ 59,917	\$ 841,037	\$ 679,597
Payroll taxes	10,621	11,712	30,016	11,033	5,714	69,096	66,119
Employee benefits	14,618	16,103	37,208	17,694	1,629	87,252	58,279
Worker's compensation	7,065	1,728	3,026	2,448	900	15,167	11,633
Advertising and direct mail campaigns	636	-	-	-	125,303	125,939	97,576
Assistance	25,591	12,880	-	-	-	38,471	21,047
Bank charges	5,141	-	18,658	-	262	24,061	17,579
Contract labor	1,798	-	39,422	-	-	41,220	42,217
Contributions	240	-	-	-	-	240	-
Depreciation	42,960	49,337	32,143	-	-	124,440	119,096
Dues and subscriptions	8,719	517	2,483	-	-	11,719	9,179
Equipment rental	3,469	1,003	-	-	-	4,472	3,807
Meals, (\$340,192 and \$273,691 in-kind)	408,560	11,445	5,539	-	-	425,544	337,569
Insurance	13,359	14,932	8,241	-	-	36,532	31,236
Legal and professional	12,787	4,000	1,500	-	500	18,787	16,566
Miscellaneous	31,656	2,218	4,854	-	1,665	40,393	25,648
Office supplies	14,936	144	2,182	-	-	17,262	19,961
Pest control	3,173	3,966	150	-	-	7,289	2,856
Printing and publications	-	-	-	-	33,470	33,470	42,122
Postage	4,979	3,879	-	-	10,761	19,619	13,610

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

RESCUE MISSION OF MIDDLE GEORGIA, INC.

STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)

For the Year Ended December 31, 2015, with Comparative Totals for 2014

	Program Services			Supporting Services		Total	Total
	Mission	Women's Division	Bargain Center	Management and General	Fund- Raising	2015	2014
Repairs and maintenance	\$ 26,445	\$ 13,948	\$ 13,469	\$ -	\$ -	\$ 53,862	\$ 54,783
Supplies	10,708	16,248	19,104	-	-	46,060	37,631
Taxes and licenses	931	122	939	-	-	1,992	4,207
Travel	576	440	3,475	-	-	4,491	3,755
Utilities	43,289	54,208	55,593	-	-	153,090	139,051
Vehicle	10,078	2,027	22,443	-	-	34,548	39,537
Total Expenses, Year Ended December 31, 2015	<u>\$ 846,609</u>	<u>\$ 350,973</u>	<u>\$ 614,605</u>	<u>\$ 223,745</u>	<u>\$ 240,121</u>	<u>\$ 2,276,053</u>	
Total Expenses, Year Ended December 31, 2014	<u>\$ 851,277</u>	<u>\$ 288,823</u>	<u>\$ 412,647</u>	<u>\$ 136,021</u>	<u>\$ 205,893</u>		<u>\$ 1,894,661</u>

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

RESCUE MISSION OF MIDDLE GEORGIA, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2015 and 2014

	2015	2014
CASH FLOWS FROM (TO) OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 585,485	\$ 112,946
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	124,440	119,096
Loss on sale of assets used in operations	2,134	77,297
Loss on sale of property held for resale	-	158,302
Change in beneficial interest in perpetual trust	17,223	5,311
Donated property and equipment	-	(64,088)
(Increase) decrease in:		
Accounts receivable	(42,131)	(5,785)
Miscellaneous receivable	1,787	(1,334)
Inventories	49	23
Prepaid expenses	(14,365)	(868)
Increase (decrease) in:		
Accounts payable	(13,589)	25,963
Payroll and payroll taxes	(2,964)	(194)
Sales tax payable	1,295	365
Miscellaneous payable	-	(250)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>659,364</u>	<u>426,784</u>
CASH FLOWS TO INVESTING ACTIVITIES		
Cash payments for the purchase of property and equipment	(88,736)	(99,130)
Proceeds on disposal of property and equipment	1,829	42,897
Proceeds on disposal of property held for resale	-	2,898
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(86,907)</u>	<u>(53,335)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	572,457	373,449
BEGINNING CASH AND CASH EQUIVALENTS	<u>911,878</u>	<u>538,429</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 1,484,335</u>	<u>\$ 911,878</u>

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

RESCUE MISSION OF MIDDLE GEORGIA, INC.

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 Mission provides a long-term life recovery program for men; a refuge and long-term program for battered women and children; 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2014, 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.

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 for the years ended December 31, 2015 and 2014, respectively. Inventory consisted of donated goods for resale valued at \$30,969 and \$31,018 as of December 31, 2015 and 2014, 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 \$2,338 and \$1,437 for the years ended December 31, 2015 and 2014, 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 \$340,192 and \$273,691 for the years ended December 31, 2015 and 2014, respectively.

The Rescue Mission also received in-kind donation of food stamps from its residents totaling \$35,550 and \$30,423 and various supplies and equipment totaling \$2,980 and \$23,351 during the years ended December 31, 2015 and 2014, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

Subsequent events have been evaluated through November 10, 2016, 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, 2015 and 2014. 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.

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.

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 \$961,221 and \$766,818 for the years ended December 31, 2015 and 2014, respectively. Retail sales are presented in the Statement of Activities net of donated goods of \$402,602 and \$403,232 for the years ended December 31, 2015 and 2014, 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 43.12% and 52.81% for the years ended December 31, 2015 and 2014, respectively.

NOTE 4. ADVERTISING COSTS

The Rescue Mission expenses advertising costs as incurred. Expenses incurred were \$636 and \$1,326 for the years ended December 31, 2015 and 2014, respectively.

RESCUE MISSION OF MIDDLE GEORGIA, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5. PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2015 and 2014, consists of the following:

	2015	2014
Land	\$ 395,645	\$ 395,645
Buildings and improvements	2,652,482	2,601,516
Machinery and equipment	215,769	200,678
Furniture and fixtures	169,990	163,891
Vehicles	175,542	175,542
	<u>3,609,428</u>	<u>3,537,272</u>
Accumulated depreciation	<u>(1,338,310)</u>	<u>(1,226,487)</u>
	<u>\$ 2,271,118</u>	<u>\$ 2,310,785</u>

Depreciation expense was \$124,440 and \$119,096 for the years ended December 31, 2015 and 2014, respectively.

NOTE 6. 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 \$268,099 and \$285,322 for the years ended December 31, 2015 and 2014, respectively.

NOTE 7. OPERATING LEASES

The Rescue Mission has an operating lease for a copier 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 \$3,010 and \$1,695 for the years ended December 31, 2015 and 2014, respectively.

RESCUE MISSION OF MIDDLE GEORGIA, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7. OPERATING LEASES (CONTINUED)

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

Year ending December 31	
2016	\$ 2,532
2017	2,532
2018	844
	<u>\$ 5,908</u>

NOTE 8. RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	2015	2014
Furnishings and equipment-Mission	\$ 9,158	\$ 3,249
Equipment and improvements-Bargain Center	1,010	7,500
Supplies and support-Women's Division	14,999	5,566
Staff training	8,740	15,000
Resident gifts and activities	3,073	3,670
Resident dental and medical	14,743	-
	<u>\$ 51,723</u>	<u>\$ 34,985</u>

Permanently restricted net assets are invested in perpetuity, the income from which is expendable. Permanently restricted net assets are \$268,099 and \$285,322, as of December 31, 2015 and 2014, respectively, all of which is the beneficial interest in perpetual trust.

RESCUE MISSION OF MIDDLE GEORGIA, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9. RETIREMENT BENEFIT PLAN

On January 1, 2015, the Rescue Mission began participating in a 401(k) retirement plan. All employees age 21 and over are eligible to participate in this plan after 3 months of service with a minimum of 250 hours. The Rescue Mission contributes 2% of each eligible employee's salary (5% for the President/CEO) to the plan regardless of whether the participant makes a voluntary employee contribution to the plan or not. The Rescue Mission also has a discretionary match on the voluntary employee contribution of \$0.10 per \$1.00 up to 6% of each eligible employee's salary for the year ended December 31, 2015. This discretionary match percentage is determined by the Board each year. Participants are immediately 100% vested in the employee-derived contributions. Participants are 100% vested in the employer non-elective contributions after six years. Retirement plan contributions totaled \$15,116 and \$0 for the years ended December 31, 2015 and 2014, respectively.

NOTE 10. CONCENTRATION OF CREDIT RISK

The Rescue Mission maintains cash balances in two 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 \$1,190,365 and \$629,652 of cash deposits in banks in excess of federally insured limits as of December 31, 2015 and 2014, respectively. Cash on hand consisted of \$2,405 for the years ended December 31, 2015 and 2014.

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.

RESCUE MISSION OF MIDDLE GEORGIA, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11. FAIR VALUE MEASUREMENTS (CONTINUED)

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 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 values of assets measured on a recurring basis at December 31, 2015 are as follows:

	Fair Value	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Inventory	\$ 30,969	\$ -	\$ -	\$ 30,969
Beneficial interest in perpetual trust	268,099	-	-	268,099
	<u>\$ 299,068</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 299,068</u>

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>

RESCUE MISSION OF MIDDLE GEORGIA, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11. FAIR VALUE MEASUREMENTS (CONTINUED)

There are no assets with fair values measured on a nonrecurring basis for the years ended December 31, 2015 and 2014.

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, 2015:

	Using Significant Unobservable Inputs (Level 3)		
	Beneficial interest in		
	Inventory	perpetual trust	Total
Balance, beginning of year	\$ 31,018	\$ 285,322	\$ 316,340
Realized gains (losses)	-	-	-
Unrealized gains (losses)	-	(17,223)	(17,223)
Purchases, sales, issuances, and settlements, net	(49)	-	(49)
Balance, end of year	<u>\$ 30,969</u>	<u>\$ 268,099</u>	<u>\$ 299,068</u>
The amount of total losses for the period attributable to the change in unrealized losses relating to assets still held at December 31, 2015	<u>\$ -</u>	<u>\$ (17,223)</u>	<u>\$ (17,223)</u>

NOTE 12. RELATED PARTY TRANSACTIONS

The Rescue Mission utilizes Five Star Automotive Group 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 \$3,405 and \$9,666 for the years ended December 31, 2015 and 2014, respectively.

The Rescue Mission utilized family members of the President/CEO 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 \$11,712 and \$3,790 for the years ended December 31, 2015 and 2014, respectively. The service provider had the lowest bid and was selected upon approval of the executive committee of the board of directors.

RESCUE MISSION OF MIDDLE GEORGIA, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13. SUBSEQUENT EVENTS

On August 1, 2016, a contract was signed for the purchase of two and a half acres of land for the construction of a second retail store. The contract price for the land was \$825,990.