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THE RALEIGH RESCUE MISSION, INC.  
and  
THE RALEIGH RESCUE MISSION FOUNDATION, INC.

Combined Financial Statements

August 31, 2011 and 2010

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The Board of Directors  
The Raleigh Rescue Mission, Inc.  
The Raleigh Rescue Mission Foundation, Inc.  
Raleigh, North Carolina

## INDEPENDENT AUDITORS' REPORT

We have audited the accompanying combined statements of financial position of The Raleigh Rescue Mission, Inc. and The Raleigh Rescue Mission Foundation, Inc. (not-for-profit organizations) as of August 31, 2011 and 2010, and the related combined statements of activities, functional expenses and cash flows for the years then ended. These combined financial statements are the responsibility of the Organizations' management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall combined financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of The Raleigh Rescue Mission, Inc. and The Raleigh Rescue Mission Foundation, Inc., as of August 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the basic combined financial statements taken as a whole. The combining schedules of financial position as of August 31, 2011 and 2010 and the combining schedules of activities for the years ended August 31, 2011 and 2010 are presented for purposes of additional analysis and are not a required part of the basic combined financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic combined financial statements taken as a whole.

Raleigh, North Carolina  
October 20, 2011

**Raleigh**  
4060 Barrett Drive  
Post Office Box 17806  
Raleigh, North Carolina 27619  
  
919 782 9265  
919 783 8937 FAX

**Durham**  
3511 Shannon Road  
Suite 100  
Durham, North Carolina 27707  
  
919 354 2584  
919 489 8183 FAX

**Pittsboro**  
10 Sanford Road  
Post Office Box 1399  
Pittsboro, North Carolina 27312  
  
919 542 6000  
919 542 5764 FAX

THE RALEIGH RESCUE MISSION, INC.  
and  
THE RALEIGH RESCUE MISSION FOUNDATION, INC.  
Combined Statements of Financial Position  
August 31, 2011 and 2010

ASSETS	2011	2010
<b>CURRENT ASSETS:</b>		
Cash and Cash Equivalents	\$ 643,024	\$ 647,670
Accounts Receivable	5,159	5,179
Accrued Interest Receivable	2,233	3,478
Current Portion--Pledges Receivable	14,500	9,500
Grants Receivable	7,500	4,167
Prepaid Expenses	57,706	52,561
Total Current Assets	730,122	722,555
<b>PROPERTY AND EQUIPMENT:</b>		
Land	1,445,259	1,521,259
Buildings	3,763,663	3,876,037
Equipment, Furniture and Fixtures	201,661	174,078
Vehicles	148,012	139,525
Total	5,558,595	5,710,899
Less Accumulated Depreciation	1,592,467	1,519,128
Net Property and Equipment	3,966,128	4,191,771
<b>OTHER ASSETS:</b>		
Investments	1,337,165	1,372,015
Donated Land	975,275	1,103,775
Cash Restricted for Long Term Investment	67,431	165,376
Cash Surrender Value of Life Insurance	27,697	26,207
Long Term Portion of Pledges Receivable	8,428	16,367
Total Other Assets	2,415,996	2,683,740
Total Assets	\$ 7,112,246	\$ 7,598,066
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts Payable and Accrued Expenses	\$ 186,140	\$ 298,784
Deposits	25,000	
Total Current Liabilities	211,140	298,784
<b>LONG-TERM LIABILITIES:</b>		
Cash Surrender Value of Life Insurance Due Beneficiary		1,220
Total Liabilities	211,140	300,004
<b>NET ASSETS:</b>		
Unrestricted	5,595,449	5,593,861
Temporarily Restricted	1,269,146	1,667,690
Permanently Restricted	36,511	36,511
Total Net Assets	6,901,106	7,298,062
Total Liabilities and Net Assets	\$ 7,112,246	\$ 7,598,066

The accompanying notes are an integral part of the combined financial statements.

COMBINED STATEMENTS OF ACTIVITIES

THE RALEIGH RESCUE MISSION, INC.  
and  
THE RALEIGH RESCUE MISSION FOUNDATION, INC.  
Combined Statements of Activities  
For The Years Ended August 31, 2011 and 2010

	2011			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>CHANGES IN NET ASSETS:</b>				
<b>SUPPORT AND REVENUE:</b>				
Public Support:				
Cash Contributions	\$ 2,645,305	\$ 16,890	\$	\$ 2,662,195
Bequests	48,645			48,645
Noncash Contributions	957,552			957,552
Special Events	57,211			57,211
Grant Income	546,926	7,500		554,426
Total Public Support	<u>4,255,639</u>	<u>24,390</u>		<u>4,280,029</u>
Program Service Revenue:				
Industrial Program	<u>17,235</u>			<u>17,235</u>
Other Revenue:				
Increase in Cash Surrender Value of Life Insurance	2,710			2,710
Investment Income	189,150			189,150
Gain (Loss) on Sale of Assets	(59,956)			(59,956)
Other Income	19,754			19,754
Net Assets Released From Restrictions:				
Satisfaction of Restrictions	<u>422,934</u>	<u>(422,934)</u>		
Total Other Revenue	<u>574,592</u>	<u>(422,934)</u>		<u>151,658</u>
Total Support and Revenue	<u>4,847,466</u>	<u>(398,544)</u>		<u>4,448,922</u>
<b>EXPENSES:</b>				
Program Service:				
Men, Women, and Children Ministries	<u>3,789,753</u>			<u>3,789,753</u>
Supporting Services:				
Management and General	291,518			291,518
Fundraising	764,607			764,607
Total Supporting Services	<u>1,056,125</u>			<u>1,056,125</u>
Total Expenses	<u>4,845,878</u>			<u>4,845,878</u>
<b>OTHER CHANGES IN NET ASSETS:</b>				
Other Reclassifications				
CHANGES IN NET ASSETS	1,588	(398,544)		(396,956)
NET ASSETS--Beginning of Year	<u>5,593,861</u>	<u>1,667,690</u>	<u>36,511</u>	<u>7,298,062</u>
NET ASSETS--End of Year	<u>\$ 5,595,449</u>	<u>\$ 1,269,146</u>	<u>\$ 36,511</u>	<u>\$ 6,901,106</u>

The accompanying notes are an integral part of the combined financial statements.

2010			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 2,458,351	\$ 1,569	\$	\$ 2,459,920
195,800			195,800
539,934			539,934
113,645			113,645
400,000	259,833		659,833
<u>3,707,730</u>	<u>261,402</u>		<u>3,969,132</u>
 15,086			 15,086
 209			 209
80,502			80,502
638			638
26,284			26,284
<u>329,052</u>	<u>(329,052)</u>		
<u>436,685</u>	<u>(329,052)</u>		<u>107,633</u>
<u>4,159,501</u>	<u>(67,650)</u>		<u>4,091,851</u>
 <u>3,632,097</u>			 <u>3,632,097</u>
 304,316			 304,316
459,113			459,113
<u>763,429</u>			<u>763,429</u>
<u>4,395,526</u>			<u>4,395,526</u>
	<u>1,519,756</u>	<u>(1,519,756)</u>	
(236,025)	1,452,106	(1,519,756)	(303,675)
<u>5,829,886</u>	<u>215,584</u>	<u>1,556,267</u>	<u>7,601,737</u>
<u>\$ 5,593,861</u>	<u>\$ 1,667,690</u>	<u>\$ 36,511</u>	<u>\$ 7,298,062</u>

THE RALEIGH RESCUE MISSION, INC.  
and  
THE RALEIGH RESCUE MISSION FOUNDATION, INC.  
Combined Statement of Functional Expenses  
For The Year Ended August 31, 2011

	Program	Supporting Services			Total Expenses
	Service	Management	Fundraising	Supporting	
	Men, Women, and Children Ministries	and General		Services Total	
Salaries	\$ 1,611,503	\$ 159,506	\$ 135,492	\$ 294,998	\$ 1,906,501
Payroll Taxes and Health Insurance	306,916	43,154	24,634	67,788	374,704
Total Salaries and Related Expenses	1,918,419	202,660	160,126	362,786	2,281,205
In-Kind Program Expense	946,614				946,614
Media, Communications and Development	107,742	119	374,605	374,724	482,466
Printing and Postage	42,337	316	181,708	182,024	224,361
Repairs and Maintenance	85,681	6,492	6,699	13,191	98,872
Office Expense	46,044	36,548	3,991	40,539	86,583
Utilities	71,070	3,983	3,983	7,966	79,036
Contract Services	65,950	6,354	2,974	9,328	75,278
Rent	62,535	4,113	2,379	6,492	69,027
Insurance	44,412	8,662	3,254	11,916	56,328
Supplies--Resident and Medical	30,850				30,850
Travel and Vehicle Expense	14,106	6,141	1,733	7,874	21,980
Food Expense	19,853				19,853
Special Events			15,208	15,208	15,208
Professional Services		11,625		11,625	11,625
Telephone	8,167	1,452	615	2,067	10,234
Charitable Contribution--Other		1,572	600	2,172	2,172
Charitable Contribution--Property	186,834				186,834
Total Expenses Before Depreciation	3,650,614	290,037	757,875	1,047,912	4,698,526
Depreciation	139,139	1,481	6,732	8,213	147,352
Total Expenses	\$ 3,789,753	\$ 291,518	\$ 764,607	\$ 1,056,125	\$ 4,845,878

The accompanying notes are an integral part of the combined financial statements.

THE RALEIGH RESCUE MISSION, INC.  
and  
THE RALEIGH RESCUE MISSION FOUNDATION, INC.  
Combined Statement of Functional Expenses  
For The Year Ended August 31, 2010

	Program	Supporting Services			Total Expenses
	Service Men, Women, and Children Ministries	Management and General	Fundraising	Supporting Services Total	
Salaries	\$ 1,572,235	\$ 141,166	\$ 167,378	\$ 308,544	\$ 1,880,779
Payroll Taxes and Health Insurance	353,324	47,482	47,803	95,285	448,609
Retirement Expense	50,529	18,395	11,501	29,896	80,425
Total Salaries and Related Expenses	1,976,088	207,043	226,682	433,725	2,409,813
In-Kind Program Expense	530,637				530,637
Media, Communications and Development	411,068		137,609	137,609	548,677
Printing and Postage	180,212	250	2,308	2,558	182,770
Repairs and Maintenance	91,300	6,777	1,885	8,662	99,962
Office Expense	21,238	32,193	4,763	36,956	58,194
Utilities	67,272	4,269	2,630	6,899	74,171
Contract Services	82,901	3,924	2,785	6,709	89,610
Rent	14,007	4,111	2,304	6,415	20,422
Insurance	47,030	12,030	3,498	15,528	62,558
Supplies--Resident and Medical	34,663				34,663
Travel and Vehicle Expense	25,182	3,818	1,809	5,627	30,809
Food Expense	25,023				25,023
Special Events			55,562	55,562	55,562
Professional Services		12,132		12,132	12,132
Telephone	9,162	587	845	1,432	10,594
Charitable Contribution--Other	550	7,440	1,800	9,240	9,790
Total Expenses Before Depreciation	3,516,333	294,574	444,480	739,054	4,255,387
Depreciation	115,764	9,742	14,633	24,375	140,139
Total Expenses	\$ 3,632,097	\$ 304,316	\$ 459,113	\$ 763,429	\$ 4,395,526

The accompanying notes are an integral part of the combined financial statements.

THE RALEIGH RESCUE MISSION, INC.  
and  
THE RALEIGH RESCUE MISSION FOUNDATION, INC.  
Combined Statements of Cash Flows  
For The Years Ended August 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in Net Assets	\$ (396,956)	\$ (303,675)
Adjustments to Reconcile Changes in Net Assets to Net Cash Used by Operating Activities:		
Depreciation	147,352	140,139
In-Kind Donation of Property and Equipment	(8,000)	
Decrease in Cash Surrender Value of Life Insurance	(2,710)	(209)
Unrealized Gain on Investments	(109,287)	(52,071)
Realized Gain on Investments	(58,185)	(4,429)
Charitable Donation--Property	186,834	
Realized (Gain) Loss on Sale of Assets	59,956	(638)
Changes In:		
Accounts Receivable	20	22,851
Accrued Interest Receivable	1,245	(1,487)
Pledges Receivable	2,939	14,904
Grants Receivable	(3,333)	(4,167)
Prepaid Expenses	(5,145)	(6,023)
Accounts Payable and Accrued Expenses	(112,644)	90,673
Deposits and Deferred Revenue	25,000	(20,625)
Net Cash Used by Operating Activities	<u>(272,914)</u>	<u>(124,757)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of Property and Equipment	(100,543)	(55,712)
Purchase of Investments	(194,052)	(283,485)
Proceeds From Sales of Investments	396,374	279,296
Proceeds From Sales of Assets	68,544	1,170
Net Cash Provided (Used) by Investing Activities	<u>170,323</u>	<u>(58,731)</u>
<b>NET DECREASE IN CASH</b>	(102,591)	(183,488)
<b>CASH AND CASH EQUIVALENTS--Beginning of Year</b>	<u>813,046</u>	<u>996,534</u>
<b>CASH AND CASH EQUIVALENTS--End of Year</b>	<u>\$ 710,455</u>	<u>\$ 813,046</u>
<b>SUMMARY OF CASH:</b>		
Cash and Cash Equivalents	\$ 643,024	\$ 647,670
Cash Restricted for Long Term Investment	67,431	165,376
	<u>\$ 710,455</u>	<u>\$ 813,046</u>

The accompanying notes are an integral part of the combined financial statements.

THE RALEIGH RESCUE MISSION, INC.  
and  
THE RALEIGH RESCUE MISSION FOUNDATION, INC.  
Notes To Combined Financial Statements  
August 31, 2011 and 2010

1. Summary of Significant Accounting Policies

A. Organizations:

The Raleigh Rescue Mission, Inc. ("The Mission") is a Christian-based not-for-profit agency in Raleigh, North Carolina serving homeless or "at risk" men, women and children. The Mission was formed on September 9, 1960 and works daily to break the cycle of homelessness in people's lives by ministering to their physical, emotional and spiritual needs. The Mission receives its funding primarily through private donations.

The Raleigh Rescue Mission Foundation, Inc. ("The Foundation") was established September 1, 1994, to promote The Raleigh Rescue Mission, Inc. and to provide financial support.

B. Combined Financial Statements:

The financial information of the Mission and the Foundation is presented as combined due to significant shared economics, similarity of purpose, and shared boards of directors. All significant inter-organization accounts and transactions have been eliminated in the combined financial statements.

C. Basis of Presentation:

Financial reporting standards require not-for-profit organizations to classify resources into three net asset categories according to externally imposed restrictions. Accordingly, net assets of the Organizations and changes therein may be classified and reported as follows:

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

Temporarily Restricted Net Assets--Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organizations and/or the passage of time.

Permanently Restricted Net Assets--Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organizations.

D. Restricted and Unrestricted Revenue:

Contributions of cash and other assets are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence or nature of any donor restrictions. 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.

E. Program Service:

Men, Women, and Children Ministries--The Mission offers short and long-term programs to the homeless and "at risk" population including Emergency Overnight Shelter, Medical Respite, and Recovery and Rehabilitation Services to help clients face and overcome life's problems that may have led them to becoming homeless. The Mission also offers an Adult Education Center with a computer lab, a Children's Development Center and a Medical Clinic featuring adult and respite care.

THE RALEIGH RESCUE MISSION, INC.  
and  
THE RALEIGH RESCUE MISSION FOUNDATION, INC.  
Notes To Combined Financial Statements  
August 31, 2011 and 2010

1. Summary of Significant Accounting Policies (Continued)

F. Accounting Estimates:

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

G. Donated Materials and Services:

Clothing, household and other items donated to the Mission for sale or use in rehabilitation programs and donated property and equipment put into service are recorded as contributions at fair value 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.

No amounts have been reflected in the financial statements for volunteer hours since these services do not meet the requirements for recognition in the financial statements.

H. Tax-Exempt Status:

The Mission and the Foundation are exempt from federal and state income taxes under Section 501(a) of the Internal Revenue Code and are classified under Section 501(c)(3) as public charities. The Mission and the Foundation have also been classified as entities that are not private foundations within the meaning of Section 509(a) and qualify for deductible contributions provided in Section 170(b)(1)(A)(vi).

I. Functional Allocation of Expenses:

The costs of providing various programs and activities have been summarized on a functional basis in the Statement of Functional Expenses. The costs are allocated on a departmental basis based on estimates made by the Organizations' management.

J. Cash and Cash Equivalents:

The Organizations consider all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

K. Accounts Receivable:

Accounts receivable principally consists of amounts held by a third party on behalf of the Organizations. The third party remits payments to the Organization upon request. Management reviews the collectibility of the accounts receivable on a periodic basis and no allowance for doubtful accounts is considered necessary.

L. Investments:

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statement of financial position. Gains and losses are determined using the specific identification method.

THE RALEIGH RESCUE MISSION, INC.  
and  
THE RALEIGH RESCUE MISSION FOUNDATION, INC.  
Notes To Combined Financial Statements  
August 31, 2011 and 2010

1. Summary of Significant Accounting Policies (Continued)

M. Property and Equipment:

Property and equipment are recorded at cost or estimated fair market value at date of donation. A capitalization threshold of \$500 is utilized. Depreciation is computed on a straight-line basis over estimated useful lives as follows:

Buildings	7 - 40 Years
Equipment, Furniture and Fixtures	3 - 10 Years
Vehicles	3 - 5 Years

N. Deposits:

Deposits consist of amounts collected under a contract to sell land located on New Bern Avenue in Raleigh, North Carolina. Amounts collected are non-refundable to the buyer and will be applied to the sales price upon settlement.

O. Codification of Authoritative Accounting Literature:

In June 2009, the Financial Accounting Standards Board (FASB) issued a standard that established the FASB Accounting Standards Codification (ASC) and amended the hierarchy of generally accepted accounting principles (GAAP) such that the ASC became the single source of authoritative nongovernmental U.S. GAAP. The ASC did not change current U.S. GAAP, but was intended to simplify user access to all authoritative U.S. GAAP by providing all the authoritative literature related to a particular topic in one place. All previously existing accounting standard documents were superseded and all other accounting literature not included in the ASC is considered nonauthoritative. New accounting standards issued subsequent to June 30, 2009 are communicated by the FASB through Accounting Standards Updates (ASUs). For the Organizations, the ASC was effective June 30, 2010. This standard did not have an impact on the Organizations' results of operations or financial condition. However, throughout the notes to the financial statements, references that were previously made to various former authoritative U.S. GAAP pronouncements have been omitted.

2. Cash Value of Life Insurance

As of August 31, 2011, the Mission was the beneficiary and owner of one insurance policy.

During February 2011, the Mission discontinued paying for an insurance policy on the life of a former officer of the Mission whose beneficiary was the former officer's spouse. The Mission transferred ownership of the policy to the former officer.

3. Pledges Receivable

The Organizations carry their pledges receivable at cost less an allowance for doubtful accounts. On a periodic basis, the Organizations evaluate their receivables and establish an allowance for doubtful accounts, based on history of past write-offs and current credit conditions.

THE RALEIGH RESCUE MISSION, INC.  
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Notes To Combined Financial Statements  
August 31, 2011 and 2010

3. Pledges Receivable (Continued)

Pledges receivable at August 31, 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
Pledges Receivable	\$ 25,000	\$ 30,000
Less Allowance for Uncollectible Pledges	1,000	1,500
Less Discount on Pledges	<u>1,072</u>	<u>2,633</u>
	22,928	25,867
Less Current Portion	<u>14,500</u>	<u>9,500</u>
 Pledges Due After One Year	 \$ <u><u>8,428</u></u>	 \$ <u><u>16,367</u></u>

Pledges receivable due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of 6%.

Receivable in less than one year	\$ 15,000
Receivable in one to five years	<u>10,000</u>
	25,000
Less Allowance for Uncollectible Pledges	1,000
Less Discount on Pledges	<u>1,072</u>
 Net Pledges Receivable	 \$ <u><u>22,928</u></u>

4. Investments

The Organizations held the following investments at August 31, 2011 and 2010:

	<u>Historical Cost</u>	<u>Market Value</u>
<u>August 31, 2011:</u>		
Marketable Equity Securities	\$ 379,681	\$ 449,660
Marketable Debt Securities	159,568	167,471
Equity Mutual Funds	<u>584,678</u>	<u>720,034</u>
Total	\$ <u><u>1,123,927</u></u>	\$ <u><u>1,337,165</u></u>
<u>August 31, 2010:</u>		
Marketable Equity Securities	\$ 412,456	\$ 416,682
Marketable Debt Securities	183,778	193,668
Equity Mutual Funds	<u>671,830</u>	<u>761,665</u>
Total	\$ <u><u>1,268,064</u></u>	\$ <u><u>1,372,015</u></u>

Investment income consists of the following:

	<u>2011</u>	<u>2010</u>
Interest and Dividends	\$ 34,307	\$ 34,960
Realized Gain on Investments	58,185	4,429
Unrealized Gain on Investments	109,287	52,071
Investment Expenses	<u>(12,629)</u>	<u>(10,958)</u>
Total	\$ <u><u>189,150</u></u>	\$ <u><u>80,502</u></u>

THE RALEIGH RESCUE MISSION, INC.  
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Notes To Combined Financial Statements  
August 31, 2011 and 2010

5. Fair Value Measurements

The Organizations follow ASC 820, *Fair Value Measurements and Disclosures*, with respect to fair value measurements of its financial assets and financial liabilities. This standard defines fair value as the exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. The standard also establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available.

The hierarchy is broken down into three levels. Level 1 inputs are quoted market prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and inputs (other than quoted prices) that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. Categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The valuation methodologies used for the Organizations' assets measured at fair value in the accompanying combined financial statements includes investments measured at quoted market prices that are considered to be Level 1 investments.

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<u>August 31, 2011</u>				
Investments:				
Marketable Equity Securities	\$ 449,660	\$ 449,660		
Marketable Debt Securities	167,471	167,471		
Equity Mutual Funds	<u>720,034</u>	<u>720,034</u>		
Total	<u>\$ 1,337,165</u>	<u>\$ 1,337,165</u>	\$ _____	\$ _____
<u>August 31, 2010</u>				
Investments:				
Marketable Equity Securities	\$ 416,682	\$ 416,682		
Marketable Debt Securities	193,668	193,668		
Equity Mutual Funds	<u>761,665</u>	<u>761,665</u>		
Total	<u>\$ 1,372,015</u>	<u>\$ 1,372,015</u>	\$ _____	\$ _____

The preceding method may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organizations believe the valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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6. Concentration of Credit Risk

The Organizations maintain cash balances at several financial institutions located in Raleigh, North Carolina. The balances in the financial institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000 at August 31, 2011 and 2010. Also, at August 31, 2011, cash balances in a non-interest bearing account are insured for an unlimited amount. This temporary unlimited insurance expires on December 31, 2012. The Organization's uninsured cash balances totaled \$1,009 and \$129,051 at August 31, 2011 and 2010, respectively.

7. Lease Commitments

The Mission leases office equipment and a warehouse under non-cancelable operating lease agreements that expire at various times through August 2013. The Mission also rented various pieces of equipment and parking spaces for staff on a month-to-month basis during 2011 and 2010. Lease expense totaled \$69,027 and \$20,422 for the years ended August 31, 2011 and 2010, respectively.

Future minimum lease payments under non-cancelable leases at August 31, 2011 are as follows:

2012	\$ 61,053
2013	59,362
2014	59,999
2015	<u>35,313</u>
	<u>\$ 215,727</u>

8. Temporarily Restricted Net Assets

Temporarily restricted net assets are as follows:

	<u>2011</u>	<u>2010</u>
Various Grants and Cash Contributions	\$ 24,390	\$ 147,934
Endowment Fund	<u>1,244,756</u>	<u>1,519,756</u>
	<u>\$ 1,269,146</u>	<u>\$ 1,667,690</u>

9. Permanently Restricted Net Assets

Permanently restricted net assets are as follows:

	<u>2011</u>	<u>2010</u>
Endowment Fund	<u>\$ 36,511</u>	<u>\$ 36,511</u>

10. Endowment Fund

The Foundation's endowment fund provides long-term support to the Mission through annual contributions. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The State of North Carolina enacted the North Carolina (NC) Uniform Prudent Management of Institutional Funds Act (UPMIFA) effective March 2009, the provisions of which apply to endowment funds existing on or established after that date. Absent donor stipulations to the contrary, the provisions of this state law do not impose either a permanent or temporary restriction on the income or capital appreciation derived from the original gifts.

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10. Endowment Fund (Continued)

For the years ended August 31, 2011 and 2010, the Foundation has classified as permanently restricted net assets the original value of gifts donated to the permanent endowment. Gains and losses will be classified as unrestricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence described in UPMIFA.

Changes in endowment assets for the year ended August 31, 2011 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets at September 1, 2010	\$ (63,004)	\$ 1,519,756	\$ 36,511	\$ 1,493,263
Investment Return:				
Investment Income	20,669			20,669
Net Appreciation (Realized and Unrealized)	167,472			167,472
Total Investment Return	188,141			188,141
Amounts appropriated for Expenditure	(20,667)	(275,000)		(295,667)
Total Expenditure and Reclassifications	(20,667)	(275,000)		(295,667)
Endowment Net Assets at August 31, 2011	\$ 104,470	\$ 1,244,756	\$ 36,511	\$ 1,385,737

Changes in endowment assets for the year ended August 31, 2010 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets at September 1, 2009	\$ (120,809)	\$	\$ 1,556,267	\$ 1,435,458
Investment Return:				
Investment Income	24,002			24,002
Net Appreciation (Realized and Unrealized)	56,500			56,500
Total Investment Return	80,502			80,502
Amounts appropriated for Expenditure	(22,697)			(22,697)
Other Reclassifications		1,519,756	(1,519,756)	
Total Expenditure and Reclassifications	(22,697)	1,519,756	(1,519,756)	(22,697)
Endowment Net Assets at August 31, 2010	\$ (63,004)	\$ 1,519,756	\$ 36,511	\$ 1,493,263

*Funds with Deficiencies*

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, a deficiency of this nature reported in unrestricted net assets was \$63,004 as of August 31, 2010. This deficiency resulted from unfavorable market fluctuations.

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10. Endowment Fund (Concluded)

*Investment Return Objectives and Strategies*

The Foundation's investment policies include several investment objectives relative to its long-term investments, including permanent endowment funds. These objectives include (1) preservation of capital, (2) prudent investment of capital, (3) production of reasonable earnings and (4) low-risk growth in principal of invested capital. To achieve these objectives, the Foundation has employed the investment strategy of diversifying with two different investment advisors. The investment composition at any given time is dependent upon a number of factors, including the amount available for investment and current market conditions.

*Spending Policy and How the Investment Objectives Relate to Spending Policy*

The Foundation has a policy of appropriating for distribution each year the net earnings from investments. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, the Foundation expects the current spending policy to sustain its endowment and investment return objectives.

11. Supplemental Disclosure of Noncash Investing Activities

The Mission received noncash donations with the following estimated fair market values:

	<u>2011</u>	<u>2010</u>
Noncash Program Support	\$ 946,614	\$ 536,685
Office Supplies	2,938	3,249
Installation of Security System	<u>8,000</u>	
Total	<u>\$ 957,552</u>	<u>\$ 539,934</u>

12. Retirement Plan

The Mission has a defined contribution 401(k) plan available to all employees who have completed one year of service and are at least twenty-one years old. Employees may contribute to the plan, subject to IRS limitations. The Mission may, at its discretion, contribute a percentage of the employee's salary to the 401(k) plan on an annual basis. The Mission made no contribution to the plan during the year ended August 31, 2011 and a contribution of 5% of payroll during the year ended August 31, 2010. Total retirement plan expense was none for the year ended August 31, 2011 and \$80,425 for the year ended August 31, 2010.

13. Board Designated Funds

In October 2001, the Board of Directors set a policy to try and maintain cash and cash equivalents equal to at least three months of operating expenses. Three months of operating expenses were estimated to be \$894,000 and \$931,000 at August 31, 2011 and 2010, respectively.

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14. Commitments and Contingencies

***Housing Program Agreement***

The Mission received \$300,000 from the Federal Home Loan Bank of Atlanta in 2006 as part of an affordable housing program agreement. The Mission must meet certain requirements of the program for fifteen years. If these requirements are not met, the Mission could be required to repay a portion or all of these funds. At the present time, the Mission has fulfilled the terms of the agreement.

***Property Sale Agreement***

The Mission entered into an agreement to sell property located on New Bern Avenue in Raleigh, North Carolina to an unrelated not-for-profit organization in November 2010. Amounts received from the buyer to extend the agreement by 30-day increments are recorded as deposits and will be applied to the purchase price at the closing. The buyer can continue to extend the agreement for up to 360 days until November 2011. The Mission expects that the property sale will close before the agreement fully expires.

15. Charitable Contribution of Property

During June 2011, the Mission donated the house and property located on Boylan Avenue to an unrelated not-for-profit organization that had originally donated the property to the Mission. The carrying value of the property and related contribution expense was \$186,834.

16. Subsequent Events

Subsequent events have been evaluated through October 20, 2011, which is the date the financial statements were available to be issued.

17. Reclassifications

Reclassifications were made between temporarily restricted and permanently restricted net assets and are labeled as "other reclassifications" in the statements of activities. In 2010, these reclassifications were made as a result of a change in donor's intent and a change in the by-laws of the Foundation. Certain reclassifications have been made to the 2010 combined financial statements to conform with the 2011 presentation. Such reclassifications had no effect on the changes in net assets or cash flows as previously reported.

THE RALEIGH RESCUE MISSION, INC.  
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Combining Schedule of Financial Position  
August 31, 2011

ASSETS				
	Mission	Foundation	Inter- Organization Eliminations	Combined
<b>CURRENT ASSETS:</b>				
Cash and Cash Equivalents	\$ 643,024	\$	\$	\$ 643,024
Accounts Receivable	5,159			5,159
Accrued Interest Receivable		2,233		2,233
Current Portion--Pledges Receivable	14,500			14,500
Grants Receivable	7,500			7,500
Prepaid Expenses	57,706			57,706
Inter-Organization Receivable	19,242		(19,242)	
Total Current Assets	<u>747,131</u>	<u>2,233</u>	<u>(19,242)</u>	<u>730,122</u>
<b>PROPERTY AND EQUIPMENT:</b>				
Land	1,445,259			1,445,259
Buildings	3,763,663			3,763,663
Equipment, Furniture and Fixtures	201,661			201,661
Vehicles	148,012			148,012
Total	<u>5,558,595</u>			<u>5,558,595</u>
Less Accumulated Depreciation	<u>1,592,467</u>			<u>1,592,467</u>
Net Property and Equipment	<u>3,966,128</u>			<u>3,966,128</u>
<b>OTHER ASSETS:</b>				
Investments		1,337,165		1,337,165
Donated Land	975,275			975,275
Cash Restricted for Long Term Investment		67,431		67,431
Cash Surrender Value of Life Insurance	27,697			27,697
Long Term Portion of Pledges Receivable	8,428			8,428
Total Other Assets	<u>1,011,400</u>	<u>1,404,596</u>		<u>2,415,996</u>
 Total Assets	 <u>\$ 5,724,659</u>	 <u>\$ 1,406,829</u>	 <u>\$ (19,242)</u>	 <u>\$ 7,112,246</u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>CURRENT LIABILITIES:</b>				
Accounts Payable and Accrued Expenses	\$ 184,290	\$ 1,850	\$	\$ 186,140
Deposits	25,000			25,000
Inter-Organization Payable		19,242	(19,242)	
Total Current Liabilities	<u>209,290</u>	<u>21,092</u>	<u>(19,242)</u>	<u>211,140</u>
<b>LONG-TERM LIABILITIES:</b>				
Cash Surrender Value of Life Insurance Due Beneficiary				
Total Liabilities	<u>209,290</u>		<u>(19,242)</u>	<u>211,140</u>
<b>NET ASSETS:</b>				
Unrestricted	5,490,979	104,470		5,595,449
Temporarily Restricted	24,390	1,244,756		1,269,146
Permanently Restricted		36,511		36,511
Total Net Assets	<u>5,515,369</u>	<u>1,385,737</u>		<u>6,901,106</u>
 Total Liabilities and Net Assets	 <u>\$ 5,724,659</u>	 <u>\$ 1,406,829</u>	 <u>\$ (19,242)</u>	 <u>\$ 7,112,246</u>

THE RALEIGH RESCUE MISSION, INC.  
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Combining Schedule of Financial Position  
August 31, 2010

ASSETS				
	Mission	Foundation	Inter- Organization Eliminations	Combined
<b>CURRENT ASSETS:</b>				
Cash and Cash Equivalents	\$ 647,670	\$	\$	\$ 647,670
Accounts Receivable	5,179			5,179
Accrued Interest Receivable		3,478		3,478
Current Portion--Pledges Receivable	9,500			9,500
Grants Receivable	4,167			4,167
Prepaid Expenses	52,561			52,561
Inter-Organization Receivable	47,606		(47,606)	
Total Current Assets	<u>766,683</u>	<u>3,478</u>	<u>(47,606)</u>	<u>722,555</u>
<b>PROPERTY AND EQUIPMENT:</b>				
Land	1,521,259			1,521,259
Buildings	3,876,037			3,876,037
Equipment, Furniture and Fixtures	174,078			174,078
Vehicles	139,525			139,525
Total	<u>5,710,899</u>			<u>5,710,899</u>
Less Accumulated Depreciation	<u>1,519,128</u>			<u>1,519,128</u>
Net Property and Equipment	<u>4,191,771</u>			<u>4,191,771</u>
<b>OTHER ASSETS:</b>				
Investments		1,372,015		1,372,015
Donated Land	1,103,775			1,103,775
Cash Restricted for Long Term Investment		165,376		165,376
Cash Surrender Value of Life Insurance	26,207			26,207
Long Term Portion of Pledges Receivable	16,367			16,367
Total Other Assets	<u>1,146,349</u>	<u>1,537,391</u>		<u>2,683,740</u>
Total Assets	<u>\$ 6,104,803</u>	<u>\$ 1,540,869</u>	<u>\$ (47,606)</u>	<u>\$ 7,598,066</u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>CURRENT LIABILITIES:</b>				
Accounts Payable and Accrued Expenses	\$ 298,784	\$	\$	\$ 298,784
Inter-Organization Payable		47,606	(47,606)	
Total Current Liabilities	<u>298,784</u>	<u>47,606</u>	<u>(47,606)</u>	<u>298,784</u>
<b>LONG-TERM LIABILITIES:</b>				
Cash Surrender Value of Life Insurance Due Beneficiary	<u>1,220</u>			<u>1,220</u>
Total Liabilities	<u>300,004</u>		<u>(47,606)</u>	<u>300,004</u>
<b>NET ASSETS:</b>				
Unrestricted	5,656,865	(63,004)		5,593,861
Temporarily Restricted	147,934	1,519,756		1,667,690
Permanently Restricted		36,511		36,511
Total Net Assets	<u>5,804,799</u>	<u>1,493,263</u>		<u>7,298,062</u>
Total Liabilities and Net Assets	<u>\$ 6,104,803</u>	<u>\$ 1,540,869</u>	<u>\$ (47,606)</u>	<u>\$ 7,598,066</u>

COMBINING SCHEDULE OF ACTIVITES  
2011

THE RALEIGH RESCUE MISSION, INC.  
and  
THE RALEIGH RESCUE MISSION FOUNDATION, INC.  
Combining Schedule of Activities  
For The Year Ended August 31, 2011

	Mission			Unrestricted
	Unrestricted	Temporarily Restricted	Total	
CHANGES IN NET ASSETS:				
SUPPORT AND REVENUE:				
Public Support:				
Cash Contributions	\$ 2,939,547	\$ 16,890	\$ 2,956,437	\$
Bequests	48,645		48,645	
Noncash Contributions	957,552		957,552	
Special Events	57,211		57,211	
Grant Income	546,926	7,500	554,426	
Total Public Support	<u>4,549,881</u>	<u>24,390</u>	<u>4,574,271</u>	
Program Service Revenue:				
Industrial Program	<u>17,235</u>		<u>17,235</u>	
Total Program Service Revenue	<u>17,235</u>		<u>17,235</u>	
Other Revenue:				
Increase in Cash Surrender Value of Life Insurance	2,710		2,710	
Investment Income	1,009		1,009	188,141
Loss on Sale of Assets	(59,956)		(59,956)	
Other Income	19,754		19,754	
Net Assets Released From Restrictions:				
Satisfaction of Restrictions	<u>147,934</u>	<u>(147,934)</u>		<u>275,000</u>
Total Other Revenue	<u>111,451</u>	<u>(147,934)</u>	<u>(36,483)</u>	<u>463,141</u>
Total Support and Revenue	<u>4,678,567</u>	<u>(123,544)</u>	<u>4,555,023</u>	<u>463,141</u>
EXPENSES:				
Program Service:				
Men, Women, and Children Ministries	<u>3,789,753</u>		<u>3,789,753</u>	
Supporting Services:				
Management and General	290,093		290,093	295,667
Fundraising	764,607		764,607	
Total Supporting Services	<u>1,054,700</u>		<u>1,054,700</u>	<u>295,667</u>
Total Expenses	<u>4,844,453</u>		<u>4,844,453</u>	<u>295,667</u>
OTHER CHANGES IN NET ASSETS:				
Other Reclassifications				
CHANGES IN NET ASSETS	(165,886)	(123,544)	(289,430)	167,474
NET ASSETS--Beginning of Year	<u>5,656,865</u>	<u>147,934</u>	<u>5,804,799</u>	<u>(63,004)</u>
NET ASSETS--End of Year	<u>\$ 5,490,979</u>	<u>\$ 24,390</u>	<u>\$ 5,515,369</u>	<u>\$ 104,470</u>

Foundation			Inter-Organization Eliminations	Combined			
Temporarily Restricted	Permanently Restricted	Total		Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$	\$	\$	\$ (294,242)	\$ 2,645,305	\$ 16,890	\$	\$ 2,662,195
				48,645			48,645
				957,552			957,552
				57,211			57,211
				546,926	7,500		554,426
			(294,242)	4,255,639	24,390		4,280,029
				17,235			17,235
				17,235			17,235
				2,710			2,710
		188,141		189,150			189,150
				(59,956)			(59,956)
				19,754			19,754
(275,000)				422,934	(422,934)		
(275,000)		188,141		574,592	(422,934)		151,658
(275,000)		188,141	(294,242)	4,847,466	(398,544)		4,448,922
				3,789,753			3,789,753
		295,667	(294,242)	291,518			291,518
				764,607			764,607
		295,667	(294,242)	1,056,125			1,056,125
		295,667	(294,242)	4,845,878			4,845,878
(275,000)		(107,526)		1,588	(398,544)		(396,956)
1,519,756	36,511	1,493,263		5,593,861	1,667,690	36,511	7,298,062
\$ 1,244,756	\$ 36,511	\$ 1,385,737	\$	\$ 5,595,449	\$ 1,269,146	\$ 36,511	\$ 6,901,106

COMBINING SCHEDULE OF ACTIVITIES  
2010

THE RALEIGH RESCUE MISSION, INC.  
and  
THE RALEIGH RESCUE MISSION FOUNDATION, INC.  
Combining Schedule of Activities  
For The Year Ended August 31, 2010

	Mission			Unrestricted
	Unrestricted	Temporarily Restricted	Total	
<b>CHANGES IN NET ASSETS:</b>				
<b>SUPPORT AND REVENUE:</b>				
Public Support:				
Cash Contributions	\$ 2,481,048	\$ 1,569	\$ 2,482,617	\$
Bequests	195,800		195,800	
Noncash Contributions	539,934		539,934	
Special Events	113,645		113,645	
Grant Income	400,000	259,833	659,833	
Total Public Support	<u>3,730,427</u>	<u>261,402</u>	<u>3,991,829</u>	
Program Service Revenue:				
Industrial Program	15,086		15,086	
Total Program Service Revenue	<u>15,086</u>		<u>15,086</u>	
Other Revenue:				
Increase in Cash Surrender Value of Life Insurance	209		209	
Investment Income				80,502
Gain on Sale of Assets	638		638	
Other Income	26,284		26,284	
Net Assets Released From Restrictions:				
Satisfaction of Restrictions	329,052	(329,052)		
Total Other Revenue	<u>356,183</u>	<u>(329,052)</u>	<u>27,131</u>	<u>80,502</u>
Total Support and Revenue	<u>4,101,696</u>	<u>(67,650)</u>	<u>4,034,046</u>	<u>80,502</u>
<b>EXPENSES:</b>				
Program Service:				
Men, Women, and Children Ministries	3,632,097		3,632,097	
Supporting Services:				
Management and General	304,316		304,316	22,697
Fundraising	459,113		459,113	
Total Supporting Services	<u>763,429</u>		<u>763,429</u>	<u>22,697</u>
Total Expenses	<u>4,395,526</u>		<u>4,395,526</u>	<u>22,697</u>
<b>OTHER CHANGES IN NET ASSETS:</b>				
Other Reclassifications				
<b>CHANGES IN NET ASSETS</b>	(293,830)	(67,650)	(361,480)	57,805
<b>NET ASSETS--Beginning of Year</b>	<u>5,950,695</u>	<u>215,584</u>	<u>6,166,279</u>	<u>(120,809)</u>
<b>NET ASSETS--End of Year</b>	<u>\$ 5,656,865</u>	<u>\$ 147,934</u>	<u>\$ 5,804,799</u>	<u>\$ (63,004)</u>

Foundation			Inter-Organization Eliminations	Combined			
Temporarily Restricted	Permanently Restricted	Total		Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$	\$	\$	\$ (22,697)	\$ 2,458,351	\$ 1,569	\$	\$ 2,459,920
				195,800			195,800
				539,934			539,934
				113,645			113,645
				400,000	259,833		659,833
			(22,697)	3,707,730	261,402		3,969,132
				15,086			15,086
				15,086			15,086
				209			209
		80,502		80,502			80,502
				638			638
				26,284			26,284
				329,052	(329,052)		
		80,502		436,685	(329,052)		107,633
		80,502	(22,697)	4,159,501	(67,650)		4,091,851
				3,632,097			3,632,097
		22,697	(22,697)	304,316			304,316
				459,113			459,113
		22,697	(22,697)	763,429			763,429
		22,697	(22,697)	4,395,526			4,395,526
1,519,756	(1,519,756)				1,519,756	(1,519,756)	
1,519,756	(1,519,756)	57,805		(236,025)	1,452,106	(1,519,756)	(303,675)
	1,556,267	1,435,458		5,829,886	215,584	1,556,267	7,601,737
\$ 1,519,756	\$ 36,511	\$ 1,493,263	\$	\$ 5,593,861	\$ 1,667,690	\$ 36,511	\$ 7,298,062