

**MEN OF VALOR**  
**Financial Statements**  
**December 31, 2004 and 2003**

**Contents**

	<u>Page</u>
Independent Auditors' Report	1
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	4
Statements of Cash Flows	5
Notes to Financial Statements	6 - 7

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Men of Valor

We have audited the accompanying statements of financial position of Men of Valor (a nonprofit organization) as of December 31, 2004 and 2003, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Men of Valor as of December 31, 2004 and 2003, 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.

May 31, 2005

*Parker, Parker & Associates*

**MEN OF VALOR**  
**Statements of Financial Position**  
**December 31, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 231,549	\$ 181,990
Investments	1,183	1,112
Prepaid Insurance	<u>844</u>	<u>-</u>
Total Current Assets	<u>233,576</u>	<u>183,102</u>
 <b>Property and Equipment</b>		
Furniture and Fixtures	17,640	1,516
Less: Accumulated Depreciation	<u>(4,653)</u>	<u>(1,516)</u>
Total Property and Equipment	<u>12,987</u>	<u>-</u>
Total Assets	<u><u>\$ 246,563</u></u>	<u><u>\$ 183,102</u></u>
 <b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 745	\$ 616
Accrued Payroll Liabilities	<u>4,507</u>	<u>5,548</u>
Total Current Liabilities	<u>5,252</u>	<u>6,164</u>
 <b>Unrestricted Net Assets</b>	<u>241,311</u>	<u>176,938</u>
Total Liabilities and Net Assets	<u><u>\$ 246,563</u></u>	<u><u>\$ 183,102</u></u>

See independent auditors' report and notes to financial statements.

**MEN OF VALOR**  
**Statements of Activities**  
**For the Years Ended December 31, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
<b>Unrestricted Net Assets</b>		
<b>Support and Revenue</b>		
Contributions and Special Events	\$ 348,755	\$ 339,298
Interest and Investment Income	<u>1,611</u>	<u>2,050</u>
Total Support and Revenue	<u>350,366</u>	<u>341,348</u>
<b>Expenses</b>		
Program Expenses	240,852	223,371
<b>Supporting Services</b>		
Management and General Expenses	44,241	41,493
Fundraising Expenses	<u>900</u>	<u>313</u>
Total Supporting Services	<u>45,141</u>	<u>41,806</u>
Total Expenses	<u>285,993</u>	<u>265,177</u>
<b>Increase in Unrestricted Net Assets</b>	64,373	76,171
<b>Net Assets - Beginning of Year</b>	<u>176,938</u>	<u>100,767</u>
<b>Net Assets - End of Year</b>	<u><u>\$ 241,311</u></u>	<u><u>\$ 176,938</u></u>

See independent auditors' report and notes to financial statements.

**MEN OF VALOR**  
**Statements of Functional Expenses**  
**For the Years Ended December 31, 2004 and 2003**

	2004				2003			
	Supporting Services				Supporting Services			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Automobile	\$ 2,618	\$ -	\$ -	\$ 2,618	\$ 2,059	\$ -	\$ -	\$ 2,059
Bank Service Charges	-	223	-	223	-	355	-	355
Board Meeting Expense	-	260	-	260	-	415	-	415
Contingency Fund	513	-	-	513	7,262	-	-	7,262
Contract Labor	50	-	-	50	-	-	-	-
Contributions	-	-	-	-	6,000	-	-	6,000
Depreciation Expense	3,137	-	-	3,137	-	-	-	-
Dues & Subscriptions	59	-	-	59	119	-	-	119
Family Assistance	6,294	-	-	6,294	3,610	-	-	3,610
Flowers & Gifts	-	45	-	45	-	-	-	-
Fundraising	-	-	900	900	-	-	313	313
Insurance	21,550	5,177	-	26,727	19,298	4,825	-	24,123
Interest	-	162	-	162	-	6	-	6
Jericho Project	6,446	-	-	6,446	-	-	-	-
Licenses & Permits	-	745	-	745	-	20	-	20
Medical Cafeteria Plan	2,399	600	-	2,999	2,121	530	-	2,651
Meetings	2,854	500	-	3,354	1,678	500	-	2,178
Ministry Materials	3,017	-	-	3,017	3,099	-	-	3,099
Payroll Taxes	9,898	2,117	-	12,015	9,947	2,090	-	12,037
Postage & Delivery	1,219	135	-	1,354	1,196	133	-	1,329
Printing & Reproduction	1,908	-	-	1,908	1,175	-	-	1,175
Prison Expense	2,487	-	-	2,487	2,736	-	-	2,736
Professional Fees	5,200	2,000	-	7,200	1,700	1,700	-	3,400
Promotional	764	-	-	764	-	-	-	-
Rent	4,320	480	-	4,800	4,140	460	-	4,600
Repairs & Maintenance	3,024	336	-	3,360	3,255	362	-	3,617
Retirement	10,288	2,854	-	13,142	7,884	1,971	-	9,855
Salaries	141,839	27,675	-	169,514	135,106	27,321	-	162,427
Supplies	1,672	186	-	1,858	1,818	202	-	2,020
Telephone	5,269	585	-	5,854	4,345	483	-	4,828
Training & Staff Retreat	2,582	-	-	2,582	1,314	-	-	1,314
Travel	-	-	-	-	2,430	-	-	2,430
Utilities	1,445	161	-	1,606	1,079	120	-	1,199
Total Expenses	<u>\$ 240,852</u>	<u>\$ 44,241</u>	<u>\$ 900</u>	<u>\$ 285,993</u>	<u>\$ 223,371</u>	<u>\$ 41,493</u>	<u>\$ 313</u>	<u>\$ 265,177</u>

See independent auditors' report and notes to the financial statements.

**MEN OF VALOR**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
<b>Cash Flows from Operating Activities</b>		
Increase in Net Assets	\$ 64,373	\$ 76,171
Adjustments to Reconcile Increase in Net Assets to		
Net Cash Provided by Operating Activities:		
Depreciation	3,137	-
Unrealized Gains on Investments	(71)	(182)
Increase in Prepaid Insurance	(844)	-
Increase in Accounts Payable	129	616
Decrease in Accrued Payroll Liabilities	(1,041)	(1,844)
Total Adjustments	<u>1,310</u>	<u>(1,410)</u>
Net Cash Provided by Operating Activities	<u>65,683</u>	<u>74,761</u>
<b>Cash Flows from Investing Activities</b>		
Cash Payments for the Purchase of Property and Equipment	(16,124)	-
Cash Payments for the Purchase of Securities	-	(2,868)
Cash Proceeds from the Sale of Securities	<u>-</u>	<u>2,868</u>
Net Cash Used by Investing Activities	<u>(16,124)</u>	<u>-</u>
<b>Net Increase in Cash and Cash Equivalents</b>	49,559	74,761
<b>Cash and Cash Equivalents - Beginning of Year</b>	<u>181,990</u>	<u>107,229</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u>\$ 231,549</u>	<u>\$ 181,990</u>
<b>Supplemental Disclosure of Cash Flow Information:</b>		
<b>Cash Paid During the Year for:</b>		
Interest	<u>\$ 87</u>	<u>\$ 6</u>
<b>Non-cash Transactions:</b>		
Contributions for the Purchase of Securities	<u>\$ -</u>	<u>\$ 2,868</u>

See independent auditors' report and notes to financial statements.

**MEN OF VALOR**  
**Notes to Financial Statements**  
**December 31, 2004 and 2003**

**Note 1. Summary of Significant Accounting Policies**

**A. Nature of Activities**

Men of Valor is a non-profit organization committed to winning men in prison to Jesus Christ and disciplining them. The purpose of the ministry is to equip men to reenter society as men of integrity – becoming givers to the community, rather than takers. The organization is supported by contributions.

**B. Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

**C. Financial Statement Presentation**

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as unrestricted net assets. Unrestricted net assets are not subject to donor-imposed stipulations. In addition, if donor-imposed restrictions are met in the same reporting period as when the restricted contributions are received, then the restricted contributions are recognized as unrestricted net assets.

**D. Contributions**

The Organization is funded primarily through contributions from the general public. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. If a donor-restricted support is given and the restriction is released in the same accounting period, the contribution is considered as unrestricted.

**E. Income Taxes**

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore has made no provisions for federal income taxes in the accompanying financial statements.

**F. 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**G. Investments**

Investments are stated at the readily determinable fair market value in accordance with Statement of Financial Accounting Standard ("SFAS") 124 *Accounting for Certain Investments Held by Not-for-Profit Organizations*. All interest, dividends and unrealized gains and losses are reported in the statement of activities as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law.

**H. Property and Equipment**

Property and equipment is carried at cost if purchased or fair market value if donated. Depreciation is calculated on the double-declining balance method over the estimated useful lives of the assets, which range from 3 to 7 years.

**I. Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Organization considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents. As of December 31, 2004 and 2003, the Organization had \$206,808 and \$164,843 in cash equivalents invested in money market funds.

**MEN OF VALOR**  
**Notes to Financial Statements**  
**December 31, 2004 and 2003**

**Note 1. Summary of Significant Accounting Policies - continued**

**J. Functional Expenses**

Expenses are charged directly to program, management and general, or fundraising based on allocation by management among the programs and supporting services benefited.

**K. Reclassifications**

Certain reclassifications have been made to the financial statements as of and for the year ended December 31, 2003 to conform with the December 31, 2004 presentation.

**Note 2. Operating Lease**

The Organization leases its office facilities located in Nashville, TN. The lease agreement dated July 14, 2003 provides for lease payments of \$400 per month for two years. Lease payments for the years ended December 31, 2004 and 2003 totaled \$4,800 and \$4,600. The future minimum lease payments required under this lease are as follows:

Year Ending December 31,	Annual Lease Payment
2005	2,400
Total	<u>\$ 2,400</u>

**Note 3. Concentration of Risk**

For the years ended December 31, 2004 and 2003, the Organization received 31% of its funding from a single source and 59% from two sources.

**Note 4. Retirement Plan**

The Organization provides a defined contribution retirement simplified employee pension plan ("SEP plan") for all eligible employees. Eligible employees must work twenty or more hours per week and have completed two years of service to participate. The Organization makes contributions to the plan at the discretion of the board. Contributions range from 5% to 15% annually. The Organization's contributions were \$13,142 and \$9,855 for the years ended December 31, 2004 and 2003.

**Note 5. Fringe Benefit Plan**

The Organization has a flexible fringe benefit plan (cafeteria plan) qualified under Section 125 of the Internal Revenue Code. The plan provides for medical coverage. Total contributions to the plan were \$2,999 and \$2,651 for the years ended December 31, 2004 and 2003.

**Note 6. Noncash Donations**

During 2004, a noncash gift of food valued at \$900 was provided from a local organization at the Breakfast fundraiser.