MEN OF VALOR

FINANCIAL STATEMENTS

Years Ended December 31, 2009 and 2008

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Byrd Proctor & Mills
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Men of Valor
Nashville, Tennessee

We have audited the accompanying statements of financial position of Men of Valor (a nonprofit organization) as of December 31, 2009 and 2008, 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 at December 31, 2009 and 2008, 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.

Byrd, Proctor & Mills, P.C.

June 18, 2010

MEN OF VALOR
STATEMENTS OF FINANCIAL POSITION
December 31, 2009 and 2008

	2009	2008
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 176,272	$ 214,515
Investments	588,202	300,320
Pledges receivable	25,820	50,000
Prepaid expenses and other current assets	555	154
Total current assets	790,849	564,989
PROPERTY AND EQUIPMENT		
Equipment	39,942	39,942
Vehicles	27,580	27,580
Building	283,678	259,600
Land	680,326	678,962
	1,031,526	1,006,084
Accumulated depreciation	(50,220)	(40,688)
	981,306	965,396
OTHER ASSETS		
Deposits	1,428	1,428
	$ 1,773,583	$ 1,531,813
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Note payable - current	$ 50,000	$ -
Accounts payable	8,318	11,152
Rent escrow payable	2,011	1,799
Payroll liabilities	12,594	6,963
Total current liabilities	72,923	19,914
NOTE PAYABLE - LONG-TERM	600,000	650,000
NET ASSETS		
Unrestricted	964,651	713,737
Temporarily restricted	136,009	148,162
	1,100,660	861,899
	$ 1,773,583	$ 1,531,813

See accompanying notes.

MEN OF VALOR
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2009 and 2008

	2009	2008
UNRESTRICTED NET ASSETS		
Support, Revenue, and Reclassifications		
Contributions	$ 354,363	$ 123,017
Contributions - foundations	241,056	294,854
Special event - Breakfast	268,425	274,748
In-kind support	415,273	196,269
Interest and investment income, net	2,425	11,903
Rental income	-	2,210
Released from restrictions	60,953	288,562
	1,342,495	1,191,563
EXPENSES		
Program services	925,668	814,790
Supporting services		
Management and general	103,098	102,326
Fundraising	62,814	51,218
	1,091,581	968,334
CHANGE IN UNRESTRICTED NET ASSETS	250,914	223,229
TEMPORARILY RESTRICTED NET ASSETS		
Support, Revenue, and Reclassifications		
Contributions	48,800	436,724
Released from restrictions	(60,953)	(288,562)
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	(12,153)	148,162
CHANGE IN NET ASSETS	238,761	371,391
NET ASSETS - BEGINNING OF YEAR	861,899	490,508
NET ASSETS - END OF YEAR	$ 1,100,660	$ 861,899

See accompanying notes.

MEN OF VALOR
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended December 31, 2009 and 2008

	2009				2008			
		Supporting Services				Supporting Services		
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Automobile	$ 10,756	$ -	$ -	$ 10,756	$ 13,445	$ -	$ -	$ 13,445
Bank service charges	-	1,210	-	1,210	-	1,582	-	1,582
Board meeting expense	-	371	-	371	-	-	-	-
Contingency fund	-	-	-	-	(224)	-	-	(224)
Contract labor	6,804	6,783	6,783	20,370	8,495	8,469	8,469	25,433
Contributions	5,000	-	-	5,000	-	-	-	-
Depreciation expense	9,532	-	-	9,532	7,846	-	-	7,846
Dues and subscriptions	875	875	-	1,750	627	627	-	1,254
Family assistance	106,969	-	-	106,969	51,954	-	-	51,954
Fundraising	-	-	6,382	6,382	-	-	8,227	8,227
Insurance	76,724	7,842	6,653	91,219	57,295	14,324	-	71,619
Interest expense	33,215	-	-	33,215	13,376	-	-	13,376
Licenses and permits	-	320	-	320	-	320	-	320
Medical cafeteria plan	1,200	900	900	3,000	2,940	810	750	4,500
Ministry materials	4,207	-	-	4,207	7,864	-	-	7,864
Payroll taxes	35,639	3,639	2,509	41,787	34,323	3,130	2,000	39,453
Postage and delivery	947	631	-	1,578	962	641	-	1,603
Printing and reproduction	2,832	708	-	3,540	2,640	660	-	3,300
Prison expense	3,394	-	-	3,394	5,658	-	-	5,658
Professional fees	-	13,060	-	13,060	-	12,150	-	12,150
Rent	78,916	5,535	-	84,451	77,253	5,568	-	82,821
Repairs and maintenance	2,506	627	-	3,133	6,678	1,669	-	8,347
Retirement	37,824	4,803	3,544	46,171	28,780	4,099	2,839	35,718
Salaries	487,829	50,808	36,043	574,680	473,085	43,699	28,933	545,717
Staff scholarships	-	-	-	-	1,111	-	-	1,111
Supplies	2,441	610	-	3,051	3,131	783	-	3,914
Taxes	4,454	-	-	4,454	1,270	318	-	1,588
Telephone	7,979	3,420	-	11,399	10,062	2,515	-	12,577
Training and staff retreat	3,394	-	-	3,394	3,977	-	-	3,977
Utilities	2,232	956	-	3,188	2,243	961	-	3,204
	$ 925,668	$ 103,098	$ 62,814	$ 1,091,581	$ 814,790	$ 102,326	$ 51,218	$ 968,334

See accompanying notes.

MEN OF VALOR
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2009 and 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 238,761	$ 371,391
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation expense	9,532	7,846
Donated land	(250,000)	-
Donated investments	(11,515)	(96,979)
Realized and unrealized gain on investments	(1,058)	(1,208)
(Increase) decrease in:		
Pledges receivable	24,180	30,600
Prepaid expenses	(401)	1,472
Increase (decrease) in:		
Accounts payable	(2,834)	9,206
Rent escrow payable	212	(285)
Payroll liabilities	5,631	2,144
Net cash provided by operating activities	12,508	324,187
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(25,442)	(951,562)
Purchases of investments	(38,875)	(288,077)
Proceeds from sale of investments	13,566	353,805
Net cash used by investing activities	(50,751)	(885,834)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from note payable	-	650,000
Net cash provided by financing activities	-	650,000
Net increase (decrease) in cash and cash equivalents	(38,243)	88,353
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	214,515	126,162
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 176,272	$ 214,515
SUPPLEMENTAL DISCLOSURES		
Interest paid	$ 33,215	$ 10,556

See accompanying notes.

MEN OF VALOR
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Men of Valor (the Organization) is a nonprofit corporation located in Nashville, Tennessee that is committed to winning men in prison to Jesus Christ and discipling them. The purpose of the ministry is to equip men to re-enter society as men of integrity – becoming givers to the community, rather than takers. The Organization is supported by contributions.

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.

Financial Statement Presentation

The Organization reports 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. These net assets classifications are described as follows:

Unrestricted net assets - resources over which the Board of Directors has unlimited discretionary control to carry out the activities of the Organization in accordance with the Articles of Incorporation and By-laws.

Temporarily restricted net assets - resources whose use is limited by donor-imposed restrictions that will be released either by actions of the Organization or by the passage of time.

Permanently restricted net assets - resources whose use is limited by donor-imposed restrictions that require the net assets to be maintained permanently. The Organization has no permanently restricted net assets.

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.

Investments

Investments are stated at the readily determinable fair value. 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.

Pledges Receivable

Pledges are recognized as contribution revenue when the donor makes a promise to give to the Organization. The Organization uses the allowance method to determine the amount of pledges that are uncollectible based on previous experience and management's analysis of amounts receivable. No allowance for uncollectible accounts was provided since all amounts recorded are expected to be collected.

Property and Equipment

The Organization capitalizes all expenditures in excess of $500 for property and equipment. Property and equipment is carried at cost if purchased or fair value if donated. Depreciation is calculated on the double-declining balance method over the estimated useful lives of the assets.

Contributions

Contributions received or donor promises to give are recorded as temporarily restricted, permanently restricted, or unrestricted support, depending on the existence or nature of any donor restriction. Contributions made to the Organization are considered available for unrestricted use unless specifically restricted by the donor. Contributions of property and equipment are reported as unrestricted contributions when placed in service unless the donor has restricted the use of the asset to a specific purpose or time period. Contributions of cash or other assets that must be used to acquire property and equipment are reported as increases in temporarily restricted net assets until the assets are acquired and placed in service as instructed by the donor, unless the donor has also required that the acquired asset be used for a specific purpose, restrictions on net assets are released as the asset is depreciated. If the donor requires property and equipment to be used for a specific time period, restrictions on net assets are released evenly over the period required.

All restricted support is reported as an increase in temporarily or permanently restricted net assets. However, support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the same reporting period in which the support is received. When a restriction expires, such as when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets.

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 provision for federal income taxes in the accompanying financial statements.

Estimates

The preparation of financial statements in conformity with accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fair Values

Fair value is based upon quoted market prices, where available. If listed prices or quotes are not available, fair value is based upon internally developed models or processes that use primarily market-based or independently-sourced market data, including interest rate yield curves, option volatilities and third party information.

Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. Furthermore, while the Organization believes its 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 estimate of fair value at the reporting date.

Accounting principles require a three-level valuation hierarchy for fair value measurements. A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The three levels are explained 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 and liability, either directly or indirectly, for substantially the full term of the financial instrument.

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

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.

Advertising

The Organization expenses advertising costs as incurred.

Reclassification

Certain 2008 amounts have been reclassified to conform to the 2009 financial statement preparation.

Evaluation of Events Occurring After the Financial Statement Date

Management has evaluated subsequent events through June 18, 2010, the date the financial statements were available to be issued.

NOTE 2 – INVESTMENTS

Investments at December 31, 2009 and 2008 are as follows:

MEN OF VALOR
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

2009	Fair Value	Cost/Donated Value	Unrealized Gain (Loss)
Sweep account	$ 39,069	$ 39,069	$ -
Mutual funds	299,133	299,133	-
Land	250,000	250,000	-
	$ 588,202	$ 588,202	$ -

2008	Fair Value	Cost/Donated Value	Unrealized Gain (Loss)
Sweep account	$ 2,507	$ 2,507	$ -
Mutual funds	297,813	297,813	-
	$ 300,320	$ 300,320	$ -

Fair values of assets measured on a recurring basis at December 31, 2009 are as follows:

	Fair Value	In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Sweep account	$ 39,069	$ 39,069	$ -	$ -
Mutual funds	299,133	299,133	-	-
Land	250,000	-	250,000	-
Total	$ 588,202	$ 338,202	$ 250,000	$ -

Fair values of assets measured on a recurring basis at December 31, 2008 are as follows:

	Fair Value	In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Sweep account	$ 2,507	$ 2,507	$ -	$ -
Mutual funds	297,813	297,813	-	-
Total	$ 300,320	$ 300,320	$ -	$ -

Investment earnings are reported net of related investment expenses for the years ended December 31, 2009 and 2008, and include interest, dividends, and realized and unrealized gains and losses.

The following schedule summarizes the investment return and its classification in the statement of activities for the years ended December 31, 2009 and 2008:

	2009	2008
Interest and dividend income	$ 1,367	$ 10,695
Realized and unrealized gains on investments	1,058	1,208
	$ 2,425	$ 11,903

NOTE 3 – PLEDGES RECEIVABLE

Pledges receivables as of December 31, 2009 and 2008 are as follows:

	2009	2008
Receivable in less than one year	$ 25,820	$ 25,000
Receivable in one to five years	-	25,000
	$ 25,820	$ 50,000

NOTE 4 – LONG-TERM DEBT

The Organization has a note payable with a bank for $650,000, interest due monthly at 5.04%, $50,000 of principal due August 2010, matures in August 2011 when the remaining principal balance is due, secured by land, and contains a principal prepayment premium.

The following is a summary of principal maturities of long-term debt:

2010	$ 50,000
2011	600,000

NOTE 5 – IN-KIND SUPPORT

Donated property, equipment and services are used in the operations of the Organization. The value of donated property, equipment and services included in the financial statements for the years ended December 31, 2009 and 2008 is as follows:

REVENUES	2009	2008
Marketable securities	$ 11,515	$ 96,979
Land	250,000	-
Rent	66,000	64,260
Supplies	87,758	35,030
	$ 415,273	$ 196,269

NOTE 6 – OPERATING LEASE

The Organization leases its office facility located in Nashville, Tennessee. The lease agreement provides for lease payments ranging from $1,141 to $1,258 per month through May 2013. Under the agreement, the Organization is obligated to pay for expenses to maintain the common area based on their proportionate share of the facility. Lease payments for the years ended December 31, 2009 and 2008 totaled $18,451 and $18,561.

The Organization also has entered into lease agreements for apartments for the after-care program. All rent for these apartments is donated to Men of Valor. The fair value of all rent donated has been recognized in the financial statements as in-kind support.

The future minimum lease payments required under the office facility lease is as follows:

2010	$ 11,765
2011	13,698
2012	13,938
2013	5,879
	$ 45,280

NOTE 7 – CONCENTRATIONS OF RISK

Pledges receivable at December 31, 2009 and 2008 are primarily from one donor.

For the years ended December 31, 2009 and 2008, the Organization received 22% and 12% of its funding from two and one donors, respectively.

NOTE 8 – RETIREMENT PLAN

The Organization provides a defined contribution retirement simplified employee pension plan ("SEP plan") for all eligible employees. Eligible employees must work at least twenty hours per week and have completed two years of service in order to participate. The Organization makes contribution to the plan at the discretion of the board. Contributions range from 5% to 15% annually. The Organization's contributions were $46,171 and $35,718 for the years ended December 31, 2009 and 2008.

NOTE 9 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist solely of contributions designated for the construction of a new facility.