MEN OF VALOR

FINANCIAL STATEMENTS

Years Ended December 31, 2008 and 2007

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Byrd Proctor & Mills
CERTIFIED PUBLIC ACCOUNTANTS

214 Overlook Circle, Suite 250
Brentwood, Tennessee 37027
615 . 467 . 7300 MAIN
615 . 467 . 7301 FAX
www.bpmcpas.com

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, 2008, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. The financial statements of Men of Valor as of December 31, 2007, were audited by other auditors whose report dated March 20, 2008, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with generally accepted auditing standards 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 audit 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, 2008, and the results of its operations and its cash flows for the year then ended, in conformity with generally accepted accounting principles in the United States of America.

Byrd, Proctor & Mills, P.C.

June 2, 2009

MEN OF VALOR
STATEMENTS OF FINANCIAL POSITION
December 31, 2008 and 2007

	2008	2007
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 214,515	$ 126,162
Investments	300,320	267,861
Pledges receivable	50,000	80,600
Prepaid expenses and other current assets	154	1,626
Total current assets	564,989	476,249
PROPERTY AND EQUIPMENT		
Equipment	39,942	39,942
Vehicles	27,580	14,580
Land	938,562	-
	1,006,084	54,522
Accumulated depreciation	(40,688)	(32,842)
	965,396	21,680
OTHER ASSETS		
Deposits	1,428	1,428
	$ 1,531,813	$ 499,357
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 11,152	$ 1,946
Rent escrow payable	1,799	2,084
Payroll liabilities	6,963	4,819
Total current liabilities	19,914	8,849
LONG-TERM DEBT	650,000	-
NET ASSETS		
Unrestricted	713,737	490,508
Temporarily restricted	148,162	-
	861,899	490,508
	$ 1,531,813	$ 499,357

See accompanying notes.

MEN OF VALOR
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2008 and 2007

	2008	2007
UNRESTRICTED NET ASSETS		
Support, Revenue, and Reclassifications		
Contributions	$ 417,871	$ 453,169
Special event - Breakfast	274,748	268,036
In-kind support	196,269	113,600
Interest and investment income, net	11,903	16,788
Rental income	2,210	1,871
Released from restrictions	288,562	-
	1,191,563	853,464
EXPENSES		
Program services	814,790	718,256
Supporting services		
Management and general	102,326	97,848
Fundraising	51,218	53,185
	968,334	869,289
CHANGE IN UNRESTRICTED NET ASSETS	223,229	(15,825)
TEMPORARILY RESTRICTED NET ASSETS		
Support, Revenue, and Reclassifications		
Contributions	436,724	-
Released from restrictions	(288,562)	-
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	148,162	-
CHANGE IN NET ASSETS	371,391	(15,825)
NET ASSETS - BEGINNING OF YEAR	490,508	506,333
NET ASSETS - END OF YEAR	$ 861,899	$ 490,508

See accompanying notes.

MEN OF VALOR
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended December 31, 2008 and 2007

	2008				2007			
		Supporting Services				Supporting Services		
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Automobile	$ 13,445	$ -	$ -	$ 13,445	$ 11,907	$ -	$ 1,323	$ 13,230
Bank service charges	-	1,582	-	1,582	-	1,381	-	1,381
Board meeting expense	-	-	-	-	-	325	-	325
Contingency fund	(224)	-	-	(224)	-	-	-	-
Contract labor	8,495	8,469	8,469	25,433	3,839	-	3,839	7,678
Depreciation expense	7,846	-	-	7,846	10,845	-	-	10,845
Dues and subscriptions	627	627	-	1,254	225	225	-	450
Family assistance	51,954	-	-	51,954	48,475	-	-	48,475
Fundraising	-	-	8,227	8,227	-	-	9,065	9,065
Insurance	57,295	14,324	-	71,619	58,926	14,731	-	73,657
Interest expense	13,376	-	-	13,376	-	-	-	-
Licenses and permits	-	320	-	320	-	320	-	320
Medical cafeteria plan	2,940	810	750	4,500	2,625	1,750	-	4,375
Ministry materials	7,864	-	-	7,864	10,076	-	-	10,076
Payroll taxes	34,323	3,130	2,000	39,453	32,590	3,550	2,296	38,436
Postage and delivery	962	641	-	1,603	1,102	472	-	1,574
Printing and reproduction	2,640	660	-	3,300	2,984	746	-	3,730
Prison expense	5,658	-	-	5,658	5,836	-	-	5,836
Professional fees	-	12,150	-	12,150	5,698	5,698	-	11,395
Rent	77,253	5,568	-	82,821	38,382	9,595	-	47,977
Repairs and maintenance	6,678	1,669	-	8,347	5,588	621	-	6,209
Retirement	28,780	4,099	2,839	35,718	12,209	4,536	3,276	20,021
Salaries	473,085	43,699	28,933	545,717	442,582	49,752	33,386	525,720
Staff scholarships	1,111	-	-	1,111	3,132	-	-	3,132
Supplies	3,131	783	-	3,914	5,642	1,411	-	7,053
Telephone	11,332	2,833	-	14,165	9,441	2,360	-	11,801
Training and staff retreat	3,977	-	-	3,977	4,654	-	-	4,654
Utilities	2,243	961	-	3,204	1,499	375	-	1,874
	$ 814,790	$ 102,326	$ 51,218	$ 968,334	$ 718,256	$ 97,848	$ 53,185	$ 869,289

MEN OF VALOR
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2008 and 2007

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 371,391	$ (15,825)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation expense	7,846	10,845
Donated property	-	(970)
Donated investments	(96,979)	(50,071)
Realized and unrealized gain on investments	(1,208)	(121)
(Increase) decrease in:		
Pledges receivable	30,600	19,400
Prepaid expenses	1,472	(850)
Increase (decrease) in:		
Accounts payable	9,206	1,509
Rent escrow payable	(285)	1,759
Payroll liabilities	2,144	4,819
Net cash provided (used) by operating activities	324,187	(29,505)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(951,562)	(2,857)
Purchases of investments	(288,077)	(13,137)
Proceeds from sale of investments	353,805	59,522
Net cash provided (used) by investing activities	(885,834)	43,528
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from note payable	650,000	-
Net cash provided by financing activities	650,000	-
Net increase in cash and cash equivalents	88,353	14,023
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	126,162	112,139
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 214,515	$ 126,162
SUPPLEMENTAL DISCLOSURES		
Interest paid	$ 10,556	$ -

See accompanying notes.

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

Financial statement presentation follows the recommendations of the Finacial Accounting Standards Board in its Statement of Financial Standards (SFAS) No. 117, *Financial Statements of Non-For-Profit Organizations*. Under SFAS No. 117, 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. 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.

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 provisions for federal income taxes in the accompanying financial statements.

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.

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 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.

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 5 to 7 years. Land includes the purchase of land and planning costs incurred for construction of a new facility.

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. There were no advertising costs for the years ended December 31, 2008 and 2007.

NOTE 2 – 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. Future collections of pledge receivables as of December 31 are as follows:

	2008	2007
Receivable in less than one year	$ 25,000	$ 30,600
Receivable in one to five years	25,000	50,000
	$ 50,000	$ 80,600

NOTE 3 – INVESTMENTS

The Organization holds investments with Wachovia Securities. These investments are carried at the fair market value determined on December 31, using quoted market prices. The investments are as follows:

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

2007	Fair Market Value	Cost	Unrealized Gain (Loss)
Sweep account	$ 60	$ 60	$ -
Equity securities	2,305	2,111	194
Mutual funds	265,496	265,569	(73)
	$ 267,861	$ 267,740	$ 121

NOTE 4 – 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 and the corresponding expenditure or asset capitalization for the year ended December 31 is as follows:

REVENUES	2008	2007
Donated assets	$ 96,979	$ 51,041
Donated services	-	3,500
Donated rent	64,260	29,224
Donated supplies	35,030	29,835
	$ 196,269	$ 113,600

EXPENSES	2008	2007
Fundraising	$ -	$ 1,200
Office equipment	-	970
Investments	96,979	50,071
Rent	64,260	29,224
Computer repairs	-	3,500
Family assistance supplies	35,030	28,635
	$ 196,269	$ 113,600

NOTE 5 – 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:

2009	$ -
2010	50,000
2011	600,000

NOTE 6 – OPERATING LEASE

The Organization leases its office facility located in Nashville, Tennessee. The lease agreement provides for lease payments of $1,233 per month through March 2009. 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, 2008 and 2007 totaled $18,561 and $18,573.

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.

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

2009	$ 15,021
2010	3,774

NOTE 7 – CONCENTRATIONS OF RISK

The Organization had cash deposits in a financial institution in excess of the amount insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of $0 and $15,364, at December 31, 2008 and 2007.

For the years ended December 31, 2008 and 2007, the Organization received 12% and 30% of its funding from one and three 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 $35,718 and $20,021 for the years ended December 31, 2008 and 2007.

NOTE 9 – 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 $4,500 and $4,375 for the years ended December 31, 2008 and 2007.

NOTE 10 – TEMPORARILY RESTRICTED NET ASSETS

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