MEN OF VALOR
Financial Statements
December 31, 2006 and 2005

Contents

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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, 2006 and 2005, 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, 2006 and 2005, 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.

Parker, Parker & Associates

March 20, 2007

MEN OF VALOR
Statements of Financial Position
December 31, 2006 and 2005

	2006	2005
Assets		
Current Assets		
Cash and Cash Equivalents	$ 112,139	$ 59,983
Investments	264,054	305,072
Employee Advance	-	1,000
Pledge Receivable	100,000	125,000
Prepaid Expenses	776	684
Total Current Assets	476,969	491,739
Property and Equipment		
Furniture and Equipment	36,114	19,171
Vehicles	14,580	14,580
Less: Accumulated Depreciation	(21,997)	(10,614)
Total Property and Equipment	28,697	23,137
Other Assets		
Deposits	1,428	-
Total Assets	$ 507,094	$ 514,876
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable	$ 436	$ 1,541
Rent Escrow Payable	325	-
Total Current Liabilities	761	1,541
Net Assets		
Unrestricted	506,333	388,336
Temporarily Restricted	-	125,000
Total Net Assets	506,333	513,336
Total Liabilities and Net Assets	$ 507,094	$ 514,877

See auditors' report and notes to financial statements.

MEN OF VALOR
Statements of Activities
For the Years Ended December 31, 2006 and 2005

	2006	2005
Unrestricted Net Assets		
Support and Revenue and Reclassifications		
Contributions	$ 553,503	$ 437,416
Special Events - Breakfast	181,949	111,475
In-Kind Support	1,000	2,900
Interest and Investment Income, Net	15,769	6,500
Released from Restrictions	125,000	-
Total Support, Revenue and Reclassifications	877,221	558,291
Expenses		
Program Expenses	640,395	321,780
Supporting Services		
Management and General Expenses	108,866	84,100
Fundraising Expenses	9,963	5,387
Total Expenses	759,224	411,267
Increase in Unrestricted Net Assets	117,997	147,024
Temporarily Restricted Net Assets		
Contributions - Jericho Project	-	125,000
Released from Restrictions	(125,000)	-
Increase (Decrease) in Temporarily Restricted Net Assets	(125,000)	125,000
Increase (Decrease) in Net Assets	(7,003)	272,024
Net Assets - Beginning of Year	513,336	241,312
Net Assets - End of Year	$ 506,333	$ 513,336

See auditors' report and notes to financial statements.

MEN OF VALOR
Statements of Functional Expenses
For the Years Ended December 31, 2006 and 2005

	2006				2005			
		Supporting Services				Supporting Services		
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Automobile	$ 4,961	$ -	$ -	$ 4,961	$ 3,634	$ -	$ -	$ 3,634
Bank Service Charges	-	1,431	-	1,431	-	345	-	345
Board Meeting Expense	-	55	-	55	-	70	-	70
Contingency Fund	(156)	-	-	(156)	-	-	-	-
Contract Labor	1,608	-	1,608	3,216	4,352	-	4,352	8,704
Contributions	10,279	-	-	10,279	-	-	-	-
Depreciation Expense	11,383	-	-	11,383	5,961	-	-	5,961
Dues & Subscriptions	415	-	-	415	75	-	-	75
Family Assistance	13,303	-	-	13,303	10,165	-	-	10,165
Fundraising	-	-	8,355	8,355	-	-	1,035	1,035
Insurance	72,026	17,694	-	89,720	21,883	5,089		26,972
Jericho Project	128	-	-	128	19,251	-	-	19,251
Licenses & Permits	-	320	-	320	-	270	-	270
Medical Cafeteria Plan	2,788	697	-	3,485	1,978	494	-	2,472
Meetings	358	90	-	448	3,067	767	-	3,834
Ministry Materials	14,476	-	-	14,476	1,465	-	-	1,465
Payroll Taxes	30,463	4,736	-	35,199	13,515	4,525	-	18,039
Postage & Delivery	1,280	548	-	1,828	570	243	-	813
Printing & Reproduction	6,354	-	-	6,354	2,017	-	-	2,017
Prison Expense	4,069	-	-	4,069	2,339	-	-	2,339
Professional Fees	4,870	4,870	-	9,741	5,475	2,250		7,725
Promotional	-	-	-	-	2,362	-	-	2,362
Rent	13,753	1,528	-	15,281	4,950	550	-	5,500
Repairs & Maintenance	51	6	-	57	1,324	147	-	1,471
Retirement	12,867	6,510	-	19,377	11,495	3,832		15,326
Salaries	415,021	66,724	-	481,745	193,125	63,608	-	256,733
Supplies	5,608	1,402	-	7,009	3,319	859	-	4,178
Telephone	8,111	2,028	-	10,139	3,358	839	-	4,197
Training & Staff Retreat	4,327	-	-	4,327	4,185	-	-	4,185
Utilities	2,051	228	-	2,278	1,917	213	-	2,130
Total Expenses	$ 640,395	$ 108,866	$ 9,963	$ 759,224	$ 321,780	$ 84,100	$ 5,387	$ 411,267

See auditors' report and notes to the financial statements.

MEN OF VALOR
Statements of Cash Flows
For the Years Ended June 30, 2006 and 2005

	2006	2005
Cash Flows from Operating Activities		
Increase (Decrease) in Net Assets	$ (7,003)	$ 272,024
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	11,383	5,961
Donated Investments	(108,868)	(103,201)
Realized/Unrealized (Gain) Loss on Investments	(173)	103
(Increase) Decrease in Employee Advance	1,000	(1,000)
(Increase) Decrease in Pledge Receivable	25,000	(125,000)
(Increase) Decrease in Prepaid Expenses	(92)	160
(Increase) Decrease in Other Assets	(1,428)	-
Increase (Decrease) in Accounts Payable	(1,105)	796
Increase (Decrease) in Rent Escrow Payable	325	-
Increase (Decrease) in Accrued Payroll Liabilities	-	(4,507)
Total Adjustments	(73,958)	(226,688)
Net Cash Provided by Operating Activities	(80,961)	45,336
Cash Flows from Investing Activities		
Cash Payments for the Purchase of Property and Equipment	(16,943)	(16,111)
Cash Payments for the Purchase of Investments	(228,808)	(316,970)
Cash Payments for the Sale of Investments	378,868	116,179
Net Cash Used by Investing Activities	133,117	(216,902)
Net Increase in Cash and Cash Equivalents	52,156	(171,566)
Cash - Beginning of Year	59,983	231,549
Cash - End of Year	$ 112,139	$ 59,983
Supplemental Disclosure of Cash Flow Information:		
Cash Paid During the Year for:		
Interest	$ -	$ 87
Non-cash Transactions:		
Contributions of Securities	$ 108,868	$ 103,201

See auditors' report and notes to financial statements.

MEN OF VALOR
Notes to Financial Statements
December 31, 2006 and 2005

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 discipling 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

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Standards (SFAS) No. 117, *Financial Statements of Not-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 met 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.

D. 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 or time period. If the donor requires property and equipment to 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 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. The organization uses the allowance method to determine uncollectible pledges receivable. The allowance is based on prior years' experience and management's analysis of specific pledges made.

Note 1. Summary of Significant Accounting Policies - continued

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. 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, 2006 and 2005, the Organization had $0 and $494 in cash invested in money market funds and no cash equivalents.

H. 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.

I. 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.

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. Advertising

The Organization expenses advertising costs as incurred. There were no advertising costs for the years ended December 31, 2006 and 2005.

L. Reclassifications

Certain reclassifications have been made to the financial statements as of and for the year ended December 31, 2005 to conform to the 2006 presentation.

Note 2. Pledge Receivable

The pledge receivable as of December 31 is as follows:

	2006	2005
Unrestricted	$ 100,000	$ -
Temporarily Restricted - Time Restrictions	-	125,000
	100,000	125,000
Less:		
Discounts for the Time Value of Money	-	-
Pledges Receivable, Net	$ 100,000	$ 125,000

Note 2. Pledge Receivable - Continued

During 2006, time restrictions were released for a pledge receivable by a donor granting permission to use those funds in the current period. Future collections of pledge receivables as of December 31 are as follows:

	2006	2005
Receivable in Less than One Year	$ 25,000	$ 25,000
Receivable in One to Five Years	75,000	100,000
Total	$ 100,000	$ 125,000

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:

2006	Fair Market Value	Cost	Unrealized Gain (Loss)
Equity Securities	$ 1,195	$ 1,100	$ 95
Mutual Funds	262,859	262,781	78
	$264,054	$263,881	$173

2005	Fair Market Value	Cost	Unrealized Gain (Loss)
Equity Securities	$ 986	$ 1,000	($14)
Mutual Funds	304,086	304,175	(89)
	$305,072	$305,175	($103)

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

	2006	2005
Donated Assets	$ 108,868	$ 105,201
Donated Supplies	1,000	900
	$ 109,868	$ 106,101

Expenses

	2006	2005
Fundraising	$ 1,000	$ 900
Investments	108,868	103,201
Supplies	-	2,000
	$ 109,868	$ 106,101

Note 5. Operating Lease

The Organization leases its office facilities located in Hermitage, TN. The lease agreement provides for lease payments of $1,173 per month for one year and one month, with two annual renewal options beginning March 1, 2006. Lease payments for the years ended December 31, 2006 and 2005 totaled $15,281 and $5,500.

Note 5. Operating Lease - Continued

The future minimum lease payments required under this lease are as follows:

Year Ending December 31,	Annual Lease Payment
2007	$ 14,079
2008	4,693
Total	$ 18,771

Note 6. Concentrations of Risk

Financial instruments which potentially subject the Organization to risk concentrations include cash and revenue. The Church had cash deposits in a financial institution in excess of the amount insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of $33,115, at December 31, 2006. For the year ended December 31, 2006 and 2005, the Organization received 38% and 48% of its funding from three donors.

Note 7. 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 $19,377 and $15,326 for the years ended December 31, 2006 and 2005.

Note 8. 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 $3,485 and $2,472 for the years ended December 31, 2006 and 2005.