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PATTERSON, HARDEE & BALLENTINE, P.C.
Certified Public Accountants

August 20, 2020

To the Board of Directors of
Men of Valor

In planning and performing our audit of the financial statements of Men of Valor ("the Organization") as of and for the year ended December 31, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered Men of Valor's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

We did want to make you aware of a new accounting pronouncement that will be affecting your financial statements beginning in 2021.

Preparation for New Accounting Standards

Leases

We recommend that management begin reviewing all leases engaged in by the Organization (as a lessor or lessee) to start preparing for reporting changes and disclosure requirements included in ASU 2016-02 *Leases (Topic 842),* that will be effective for annual periods beginning after December 15, 2021. Under this new accounting standard, most leases will need to be recorded as a liability on your financial statements. You will also record an asset for the right to use the leased property.

We will review the status of these comments during our next audit engagement.

This communication is intended solely for the information and use of the Board of Directors, and is not intended to be, and should not be, used by anyone other than these specified parties.

Patterson Hardee & Ballentine

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PATTERSON, HARDEE & BALLENTINE, P.C.
Certified Public Accountants

August 20, 2020

To the Board of Directors
Men of Valor

We have audited the financial statements of Men of Valor for the year ended December 31, 2019, and we will issue our report thereon dated August 20, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 1, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Men of Valor are described in Note 1 to the financial statements. As described in Note 1, the Organization changed accounting policies related to revenue recognition and cash flows by adopting FASB Accounting Standards Updates (ASU) No. 2014-19, *Revenue from Contracts with Customers*, 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the* Scope *and the Accounting Guidance for Contributions Received and Contributions Made,* and 2016-18 *Statement of Cash Flows (Topic 230): Restricted Cash* in 2019. Accordingly, the accounting changes have been retrospectively applied to prior periods presented as if these policies had always been used.

We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

> The disclosure in Note 1 to the financial statements explaining the basis of allocation of functional expenses into their appropriate functional categories.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. We did not detect any misstatements as a result of audit procedures.

Disagreements with Management

For purposes of this letter, a disagreement with management is a disagreement on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

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Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 20, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

This information is intended solely for the use of the Board of Directors and management of Men of Valor and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Patterson Hardee & Ballentine

2019

Financial Statements

MEN OF VALOR

FINANCIAL STATEMENTS

DECEMBER 31, 2019

(With Independent Auditor's Report Thereon)

MEN OF VALOR
FINANCIAL STATEMENTS
DECEMBER 31, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Men of Valor

We have audited the accompanying financial statements of Men of Valor (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Patterson Hardee & Ballentine

August 20, 2020

MEN OF VALOR
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019

ASSETS

Current assets		
Cash	$ 1,073,554	
Restricted cash	1,544,860	
Investments	10,132	
Pledges receivable	129,070	
Grants receivable	308,723	
Other receivables	1,854	
Prepaid assets	5,216	
Land, held for sale	26,420	
Performance bond receivable	165,000	
Total current assets		3,264,829
Other assets		
Long term pledges, net	15,000	
Total other assets		15,000
Assets whose use is limited		
Restricted pledges, net	686,509	
Total assets whose use is limited		686,509
Property, plant and equipment, net		6,939,489
Total assets		$ 10,905,827

LIABILITIES AND NET ASSETS

Current liabilities		
Current installments of long term debt	$ 733,560	
Accounts payable	357,098	
Accrued expenses	45,746	
Retainer held on construction in process	43,905	
Total current liabilities		1,180,309
Long-term liabilities		
Long term debt, net of current installments	1,990,026	
Total long-term liabilities		1,990,026
Total liabilities		3,170,335
Net Assets		
Without donor restrictions	7,034,204	
With donor restrictions	701,288	
Total net assets		7,735,492
Total liabilities and net assets		$ 10,905,827

See accompanying notes to financial statements.

MEN OF VALOR
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenue:			
Public support:			
Contributions	$ 1,566,995	$ 2,265,823	$ 3,832,818
In-kind support	66,979	-	66,979
Net assets released from restrictions	1,866,810	(1,866,810)	-
Total public support	3,500,784	399,013	3,899,797
Revenue:			
Aftercare income	167,996	-	167,996
Benefit income	89,853	-	89,853
Subsidy income	31,901	-	31,901
Investment income	1,319	-	1,319
Gain on disposal of property, plant and equipment	134,090	-	134,090
Total revenue	425,159	-	425,159
Total public support and revenue	3,925,943	399,013	4,324,956
Expenses:			
Program Services:			
Total program services	1,622,070	-	1,622,070
Supporting Services:			
Management and general	698,765	-	698,765
Fundraising	374,588	-	374,588
Total supporting services	1,073,353	-	1,073,353
Total expenses	2,695,423	-	2,695,423
Increase in net assets	1,230,520	399,013	1,629,533
Net assets - beginning of year	5,803,684	302,275	6,105,959
Net assets - end of year	$ 7,034,204	$ 701,288	$ 7,735,492

See accompanying notes to financial statements.

MEN OF VALOR
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Program Services	Management and General	Fundraising	Total Expenses
Aftercare	$ 144,928	$ -	$ -	$ 144,928
Amortization	18,503	-	-	18,503
Bank service charges	-	8,876	-	8,876
Board meeting expense	-	1,714	-	1,714
Capital expense	20,346	-	-	20,346
Contract labor	-	91,966	-	91,966
Criminal Justice	72,254	-	-	72,254
Depreciation	183,123	-	-	183,123
Dues and subscriptions	-	17,036	-	17,036
Employee benefits	147,797	58,121	33,339	239,257
Fuel and automobile	34,326	11,700	3,900	49,926
Fundraising expense	-	-	228,330	228,330
Furniture	2,068	-	-	2,068
In-kind expenses	66,979	-	-	66,979
Insurance	30,528		-	30,528
Interest and bank charges	90,303	-	-	90,303
Miscellaneous	10,906	-	-	10,906
Payroll taxes	32,822	28,951	8,041	69,814
Postage and freight	2,274	-	-	2,274
Printing	5,346	-	-	5,346
Professional fees	-	33,853	-	33,853
Rent	16,499	1,833	-	18,332
Salaries and wages	454,417	433,565	100,978	988,960
Supplies	9,221	6,148	-	15,369
TN Impact Study	265,385	-	-	265,385
Utilities	7,503	5,002	-	12,505
Travel	6,542	-	-	6,542
	$ 1,622,070	$ 698,765	$ 374,588	$ 2,695,423

See accompanying notes to financial statements.

MEN OF VALOR
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

Cash Flows From Operating Activities:		
Increase in net assets	$ 1,629,533	
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Gain on disposal of property and equipment	(134,090)	
Investment income	(1,319)	
Depreciation	183,123	
Changes in:		
Pledges receivable	(339,462)	
Grant receivable	(308,723)	
Other receivables	136	
Prepaid assets	42,630	
Performance bond receivable	495,533	
Accounts payable	328,848	
Accrued expenses	26,173	
Retainer held on construction in process	(95,108)	
Total adjustments	197,741	
Net cash provided by operating activities		1,827,274
Cash Flows From Investing Activities:		
Purchase of investments	(1,870)	
Sale of investments	246,756	
Purchase of property and equipment	(200,020)	
Sale of property and equipment	182,380	
Net cash provided by investing activities		227,246
Cash Flows From Financing Activities:		
Proceeds from issuance of debt	593,674	
Payments on debt	(1,916,527)	
Net cash used in financing activities		(1,322,853)
Net increase in cash		731,667
Cash and restricted cash - beginning of year		1,886,747
Cash and restricted cash - end of year		$ 2,618,414

During the year ended December 31, 2019, we paid $90,303 of interest on long term debt, and financed purchases of property and equipment in the amount of $1,065,300.

See accompanying notes to financial statements.

NOTE 1 - Summary of Significant Accounting Policies

Nature of Activities

The terms "we", "us", "our", "the Organization", or "Men of Valor" are used throughout these notes to the financial statement to identify Men of Valor, a non-profit organization.

Men of Valor is a nonprofit corporation located in Nashville, Tennessee, that is committed to winning men in prison to Jesus Christ and disciplining 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 primary program, The Jericho Project, includes two phases: re-entry and aftercare. The re-entry phase begins 10 to 12 months prior to a man's release from prison. Once released from prison, men enter the aftercare phase which typically lasts 12 months. The Organization is supported primarily by contributions from donors in Nashville, Tennessee, and surrounding areas.

Basis of Presentation

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. Net assets, revenues and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

> Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the board of directors. Restrictions fulfilled in the same accounting period in which the contributions are received are reported in the Statement of Activities as net assets without donor restrictions.
>
> Net assets with donor restrictions - Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by our actions or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.
>
> Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Revenue

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

NOTE 1 - Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, we consider all unrestricted cash and investment instruments purchased with a maturity of three months or less to be cash equivalents. At December 31, 2019, we had no cash equivalents.

Investments

Investments are reported at cost, if purchased, or at fair value, if donated. Thereafter, investments are reported at their fair values in the statements of financial position, and changes in fair value are reported as investment return in the statements of activities.

Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Discount amortization is included in contribution revenue. Conditional promises to give are not included as support until the conditions are met.

At December 31, 2019, no allowance was considered necessary for uncollectible receivables based upon our analysis of past collection expense with donors and grantors.

Prepaid expenses

Prepaid expenses consist of insurance premiums paid by us in advance.

Property and Equipment

Property and equipment are recorded at cost, or if contributed, at fair market value as of the date of the gift. Assets with a cost in excess of $2,500 are capitalized. Depreciable assets are being depreciated using the straight line method over the estimated useful lives of the assets, which range from three to forty years. Maintenance and repairs are charged to expense as incurred, and betterments are capitalized.

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate the related carrying amount may not be recoverable. At December 31, 2019, no assets were considered to be impaired.

Donated Services and Goods

We received donated professional services and rent of $66,979 for the year ended December 31, 2019. Such amounts, which are based upon information provided by third-party service providers, are recorded at their estimated fair value determined on the date of contribution and are reported as contributions in-kind and supporting services on the accompanying statements of activities and statements of functional expenses.

Several volunteers have made significant contributions of their time in furtherance of our mission. These services were not reflected in the accompanying statements of activities because they do not meet the necessary criteria for recognition under US GAAP.

Advertising

Advertising costs are expensed as incurred.

NOTE 1 - Summary of Significant Accounting Policies (continued)

Income Tax Status

We are a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and are classified as an organization that is not a private foundation as defined in Section 509(a) of the Internal Revenue Code. Therefore, no provision for federal income taxes is included in the accompanying financial statements. We do not believe there are any uncertain tax positions. Further, we do not believe that we have any unrelated business income, which would be subject to federal taxes.

Concentrations of Credit Risk

At December 31, 2019, we owed 90% of our payables to two vendors. We were due 66% of our pledges receivable from five donors, and 99% of our grants receivable from two grantors.

Cash Concentrations

We maintain our cash in bank accounts which, at times, may exceed federally insured limits. Our cash accounts have been placed with high credit quality financial institutions. We have not experienced, nor do we anticipate, any losses with respect to such accounts.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions affecting certain reported amounts and disclosures. Actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of providing program services and supporting services have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis. Expenses that are specifically identifiable, such as contract labor, bank service charges, board meeting expenses, dues and subscriptions, and professional fees are allocated on an invoice by invoice basis. Payroll and related expenses, and fuel and automobile expenses are allocated on the basis of time and effort.

Fair Values of Financial Instruments

The carrying values of current assets, current liabilities, and restricted cash approximate fair values due to the short maturities of these instruments. All our assets and liabilities are considered level 1 in the fair value hierarchy.

Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. US GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). Big National Charity, Inc. groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

NOTE 1 - Summary of Significant Accounting Policies (continued)

Level 1 - Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.

Level 2 - Other observable inputs, either directly or indirectly, including:

- Quoted prices for similar assets/liabilities in active markets;
- Quoted prices for identical or similar assets in non-active markets;
- Inputs other than quoted prices that are observable for the asset/liability; and,
- Inputs that are derived principally from or corroborated by other observable market data.

Level 3 - Unobservable inputs that cannot be corroborated by observable market data.

Recently Issued Accounting Pronouncement

The Financial Accounting Standards Board (FASB) issued two Accounting Standard Updates that will affect the Organization's revenue recognition. The first, Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* affects contracts with customers to transfer goods or services and contracts for the transfer of non-financial assets (unless those contracts are within the scope of other standards). The core principle of this Update is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the good or services. This Update requires entities to make new judgements and estimates and provide expanded disclosures about revenue. The second, Accounting Standards Update No. 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the* Scope *and the Accounting Guidance for Contributions Received and Contributions Made,* establishes standards for characterizing grants and similar contracts with resource providers as either exchange transactions or conditional contributions. We have adopted these standards retrospectively during 2019. The adoption of this standard had no effect on beginning net assets on our statement of activities for the year ended December 31, 2019.

In November 2016, the FASB amended the Statement of Cash Flows topic of the Accounting Standards Codification to clarify how restricted cash is presented and classified on the statements of financial position and cash flows. The statements of financial position and cash flows have been presented to reflect this Accounting Standards Update at December 31, 2019.

NOTE 2 - Availability and Liquidity

Financial assets available for general expenditure within one year of the statement of financial position, at December 31, 2019, consist of the following:

Cash	$ 1,073,554
Investments	10,132
Pledges receivable	129,070
Grants receivable	308,723
Other receivables	1,854
	$ 1,523,333

The Organization has certain donor-restricted assets limited to use which are only available for restricted programs. Accordingly, these assets have been excluded from the qualitative information above.

NOTE 2 - Availability and Liquidity (continued)

In the next fiscal year, we plan to receive the same level of contributions, and consider contributions for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. We consider cash to be readily available.

We manage our liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. If our analysis of liquid assets reveals inadequate funds for near-term operating needs, we will immediately reduce spending of program and management and general expenditures.

NOTE 3 - Pledges Receivable, net

Pledges receivable consisted of the following at December 31, 2019:

Due in less than one year	$ 441,570
Due in one or more years	401,652
	843,222
Less: discount to net present value, at 3.25%	(12,643)
Pledges receivable, net	$ 830,579

NOTE 4 - Investments

At December 31, 2019, we held the following investment, listed at fair market value as of that date:

Mutual Fund	$ 10,132

Unrestricted investment income consisted of the following for the year ended December 31, 2019:

Interest and dividend income	$ 2,027
Realized loss	(708)
Investment income	$ 1,319

NOTE 5 - Property and Equipment

A summary of property and equipment at December 31, 2019, is as follows:

Buildings	$ 5,159,068
Land	347,836
Land improvements	188,559
Equipment & furniture	261,446
Construction in progress	1,065,300
Website	9,071
Vehicles	242,525
	7,273,805
Less: accumulated depreciation	(334,316)
	$ 6,939,489

Construction in progress consists of apartments for our aftercare program.

NOTE 6 – Accrued expenses

A summary of accounts payable at December 31, 2019, is as follows:

Accrued expenses	$	13,155
Credit card payable		14,595
Accrued wages		8,644
Payroll tax liability		9,352
	$	45,746

NOTE 7 – Notes Payable and Restricted Cash

At December 31, 2019, we have a line of credit with a bank, with an outstanding balance of $499,913. The line bears interest at the Prime Rate (4.75% at December 31, 2019). Interest payments are due monthly until the line of credit matures on February 1, 2021, when all outstanding principal and accrued interest is due. The line is secured by substantially all the assets of the Organization.

At December 31, 2019, we have a loan with a bank with an outstanding balance of $133,560. The loan bears interest at the Prime Rate (4.75% at December 31, 2019). Interest payments are due monthly until the note matures on March 13, 2020, when all outstanding principal and accrued interest is due. The loan is secured by commercial land held for sale.

At December 31, 2019, we have a loan with a bank with an outstanding balance of $150,000. The loan does not bear any interest. The principal balance of the note does not have a maturity date and is due on demand with 30 days written notice from the lender.

At December 31, 2019, we have a loan with a local financial institution ("Lender") to assist with financing the new campus construction ("Valor Ridge"). The Organization was certified by the Tennessee Department of Revenue ("TNDoR") and the Tennessee Housing and Development Authority ("THDA") and qualified for a low-rate loan at 4% below the Prime Rate (4.75% at December 31, 2019) with a floor rate of 0%. This interest rate is a rate that is available to qualified providers of low income housing under a program available to lenders under the Tennessee Community Investment Tax Credit program. Interest payments of Prime minus 4% were due monthly through December 31, 2018. Beginning January 1, 2019, interest payments at the Prime Rate are due monthly until the note matures on March 13, 2020, when all outstanding principal and accrued interest is due. The note is secured by substantially all the assets of the Organization, including all pledges and grants receivable. At December 31, 2019, the outstanding balance on the note was $449,113, net of $887 of unamortized loan costs.

During 2019, we entered into a revolving line of credit agreement with a local financial institution ("Lender") to further assist with financing the new campus construction ("Valor Ridge"). The Organization was certified by the Tennessee Department of Revenue ("TNDoR") and the Tennessee Housing and Development Authority ("THDA") and qualified for a low-rate loan at 4% below the Prime Rate (4.75% at December 31, 2019) with a floor rate of 0%. This interest rate is a rate that is available to qualified providers of low income housing under a program available to lenders under the Tennessee Community Investment Tax Credit program. Interest payments of Prime minus 4% are due monthly through December 20, 2019. Beginning December 21, 2019, interest payments at the Prime Rate are due monthly until the note matures on November 21, 2022, when all outstanding principal and accrued interest is due. The note is secured by substantially all the assets of the Organization, including all pledges and grants receivable. At December 31, 2019, the outstanding balance on the note was $1,491,000 net of $9,000 of unamortized loan costs.

NOTE 7 – Notes Payable and Restricted Cash (continued)

The Lender agreed to allow a deed of trust, not to exceed $500,000, to be recorded in favor of the THDA. Also under the loan agreement, all funds related to the Valor Ridge campus construction (whether borrowed or donated) are required to be deposited with the Lender. These funds may not be disbursed without the Lender's permission. At December 31, 2019, this restricted cash totaled $1,544,860.

The future principal maturities of the notes payable are as follows for the year ending December 31:

2020	$ 733,560
2021	499,913
2022	1,500,000
	2,733,473
Less unamortized loan costs	(9,887)
	$ 2,723,586

NOTE 8 - Net Assets

The following is a summary of net assets with donor restriction at December 31, 2019:

Valor Ridge Campus	$ 444,713
Men of Valor Staff Benevolence	50,000
Career development	6,500
Staffing	7,500
Tennessee Department of Corrections impact study	172,575
Other program expenditures	20,000
Total net assets with donor restrictions	$ 701,288

Assets whose use is limited in shown on the statement of financial position as follow:

Restricted pledges, net	$ 686,509
Restricted cash	14,779
Total net assets with donor restrictions	701,288
Restricted cash above	14,779
Additional restricted cash, see Note 7	1,530,081
Total restricted cash	$ 1,544,860

NOTE 9 – Retirement Plan

The organization sponsors a defined contribution retirement plan for all eligible employees. Eligible employees must be employed full time and complete two years of service in order to participate. The Organization makes contributions to the plan, at the discretion of the board, from 5% to 15% of participants' annual compensation. The Organization's contributions were $72,835 for the year ended December 31, 2019.

NOTE 10 – Post Employment Benefits

The organization provides salary continuation benefits to beneficiaries of deceased employees. If an employee dies while employed by the Organization, the employee's beneficiary is entitled to receive the employee's salary for a period ranging from two to six months after the employee's death. Benefits are dependent upon the death of employees who are actively employed by the Organization and management believes this is a remote probability and that it is not practical to reasonably estimate the amount of its liability for postemployment benefits until an employee becomes deceased. During the year ended December 31, 2019, the Organization recognized no postemployment benefit expense.

NOTE 11 – Performance Agreement

In March 2016, the Organization entered into a Performance Agreement with the Metropolitan Planning Commission of The Metropolitan Government of Nashville and Davidson County ("MPC"). Under the agreement, the Organization paid $345,000 to the MPC to be held in escrow, along with $900,000 of funds resulting from the prior owner's performance bond. These funds are to be used to reimburse the Organization for construction of certain infrastructure improvements to the Valor Ridge campus.

The funds held in escrow by the MPC will be disbursed to the Organization, at least monthly, upon MPC's approval of the costs and improvements made. Total funds disbursed through December 31, 2019, totaled $1,080,000. The total cost of the infrastructure improvements was $1,245,000, which was completed and placed in service in 2018.

NOTE 12 – Land Held for Sale

In December 2018, the board of directors approved a motion to sell certain tracts of commercially zoned land held by the Organization to assist with construction financing. In January 2019, the Organization sold four of the seven lots of the land held for sale to a commercial developer for cash proceeds of $180,000 resulting in a gain of $131,460 on the sale.

NOTE 13 – Leases

We lease our office facility under an operating lease agreement. This lease agreement requires monthly lease payments of $1,356, until the lease matures in August, 2020. Lease payments on this lease for the year ended December 31, 2019, were $6,780.

We have also entered into lease agreements for apartments for the after-care program. The use of these apartments is donated rent-free to the Organization. These apartments are owned by a company that is owned by a member of the board of directors. The use of these apartments is valued at $50,243, which is recognized as in-kind support during the year ended December 31, 2019.

We lease these apartments to residents of the after-care program, and receive payments of $270 biweekly. These leasing arrangements are considered short term, and typically last less than 12 months.

NOTE 14 - New Pronouncements

In February 2016, FASB issued Accounting Standards Update 2016-02, Leases (Topic 842). The Update provides guidance about recording lease transactions on an organization's statements of financial position and activities. The amendments in this Update are effective for annual periods beginning after December 15, 2020, and for annual periods and interim periods thereafter with early adoption permitted. We are currently evaluating the impact of adopting this statement.

NOTE 15 - Subsequent Events

We have evaluated events subsequent to the year ending December 31, 2019. As of August 20, 2020, the date the financial statements were available to be issued, except for the following matter, no events subsequent to December 31, 2019, are considered necessary to be included in the accompanying financial statements.

As of August 20, 2020, the COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of our operations. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. Therefore, the Organization expects this matter to negatively impact its operating results; however, the related financial impact and duration cannot be reasonably estimated at this time.