

MEN OF VALOR

Financial Statements

December 31, 2005 and 2004

MEN OF VALOR
Financial Statements
December 31, 2005 and 2004

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

Parker, Parker & Associates, PLC

Certified Public Accountants

1000 NORTHCHASE DRIVE - SUITE 260
GOODLETTSVILLE, TN 37072

STEVEN B. PARKER, CPA
CHARLES N. PARKER, CPA
DARREL E. TONGATE, CPA
KAREN R. STEPHENS, CPA
JUDITH C. ANGKAW, CPA
AMANDA L. DEWEESE, CPA
SARAH E. JONES, CPA

TELEPHONE: 615-859-8800
FAX: 615-859-8188
WWW.PARKERCPA.NET

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, 2005 and 2004, 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, 2005 and 2004, 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

April 27, 2005

MEN OF VALOR
Statements of Financial Position
December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Assets		
Current Assets		
Cash	\$ 59,983	\$ 231,549
Investments	305,072	1,183
Pledge Receivable	125,000	-
Employee Advance	1,000	-
Prepaid Expenses	684	844
Total Current Assets	<u>491,739</u>	<u>233,576</u>
Property and Equipment		
Furniture and Fixtures	19,172	3,061
Vehicles	14,580	14,580
Less: Accumulated Depreciation	<u>(10,614)</u>	<u>(4,653)</u>
Total Property and Equipment	<u>23,138</u>	<u>12,988</u>
Total Assets	<u><u>\$ 514,877</u></u>	<u><u>\$ 246,564</u></u>
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable	1,541	745
Accrued Payroll Liabilities	<u>-</u>	<u>4,507</u>
Total Current Liabilities	<u>1,541</u>	<u>5,252</u>
Net Assets		
Unrestricted	388,336	241,312
Temporarily Restricted	<u>125,000</u>	<u>-</u>
Total Net Assets	<u>513,336</u>	<u>241,312</u>
Total Liabilities and Net Assets	<u><u>\$ 514,877</u></u>	<u><u>\$ 246,564</u></u>

See independent auditors' report and notes to financial statements.

MEN OF VALOR
Statements of Activities
For the Years Ended December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Unrestricted Net Assets		
Support and Revenue		
Contributions	\$ 437,416	\$ 258,214
Special Events - Breakfast	111,475	89,642
In-Kind Support	2,900	900
Interest and Investment Income, Net	<u>6,500</u>	<u>1,611</u>
Total Support and Revenue	<u>558,291</u>	<u>350,367</u>
Expenses		
Program Expenses	321,780	240,852
Supporting Services		
Management and General Expenses	84,100	44,241
Fundraising Expenses	<u>5,387</u>	<u>900</u>
Total Expenses	<u>411,267</u>	<u>285,993</u>
Increase in Unrestricted Net Assets	<u>147,024</u>	<u>64,374</u>
Temporarily Restricted Net Assets		
Contributions - Jericho Project	<u>125,000</u>	<u>-</u>
Increase in Temporarily Restricted Net Assets	<u>125,000</u>	<u>-</u>
Increase in Net Assets	272,024	64,374
Net Assets - Beginning of Year	<u>241,312</u>	<u>176,938</u>
Net Assets - End of Year	<u>\$ 513,336</u>	<u>\$ 241,312</u>

See independent auditors' report and notes to financial statements.

MEN OF VALOR
Statements of Functional Expenses
For the Years Ended December 31, 2005 and 2004

	2005				2004			
	Supporting Services				Supporting Services			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Automobile	\$ 3,634	\$ -	\$ -	\$ 3,634	\$ 2,618	\$ -	\$ -	\$ 2,618
Bank Service Charges	-	345	-	345	-	223	-	223
Board Meeting Expense	-	70	-	70	-	260	-	260
Contingency Fund	-	-	-	-	513	-	-	513
Contract Labor	4,352	-	4,352	8,704	50	-	-	50
Depreciation Expense	5,961	-	-	5,961	3,137	-	-	3,137
Dues & Subscriptions	75	-	-	75	59	-	-	59
Family Assistance	10,165	-	-	10,165	6,294	-	-	6,294
Flowers & Gifts	-	-	-	-	-	45	-	45
Fundraising	-	-	1,035	1,035	-	-	900	900
Insurance	21,883	5,089	-	26,972	21,550	5,177	-	26,727
Interest	-	-	-	-	-	162	-	162
Jericho Project	19,251	-	-	19,251	6,446	-	-	6,446
Licenses & Permits	-	270	-	270	-	745	-	745
Medical Cafeteria Plan	1,978	494	-	2,472	2,399	600	-	2,999
Meetings	3,067	767	-	3,834	2,854	500	-	3,354
Ministry Materials	1,465	-	-	1,465	3,017	-	-	3,017
Payroll Taxes	13,515	4,525	-	18,039	9,898	2,117	-	12,015
Postage & Delivery	570	243	-	813	1,219	135	-	1,354
Printing & Reproduction	2,017	-	-	2,017	1,908	-	-	1,908
Prison Expense	2,339	-	-	2,339	2,487	-	-	2,487
Professional Fees	5,475	2,250	-	7,725	5,200	2,000	-	7,200
Promotional	2,362	-	-	2,362	764	-	-	764
Rent	4,950	550	-	5,500	4,320	480	-	4,800
Repairs & Maintenance	1,324	147	-	1,471	3,024	336	-	3,360
Retirement	11,495	3,832	-	15,326	10,288	2,854	-	13,142
Salaries	193,125	63,608	-	256,733	141,839	27,675	-	169,514
Supplies	3,319	859	-	4,178	1,672	186	-	1,858
Telephone	3,358	839	-	4,197	5,269	585	-	5,854
Training & Staff Retreat	4,185	-	-	4,185	2,582	-	-	2,582
Utilities	1,917	213	-	2,130	1,445	161	-	1,606
Total Expenses	<u>\$ 321,780</u>	<u>\$ 84,100</u>	<u>\$ 5,387</u>	<u>\$ 411,267</u>	<u>\$ 240,852</u>	<u>\$ 44,241</u>	<u>\$ 900</u>	<u>\$ 285,993</u>

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

MEN OF VALOR
Statements of Cash Flows
For the Years Ended June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Cash Flows from Operating Activities		
Increase in Net Assets	\$ 272,024	\$ 64,373
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	5,961	3,137
Realized/Unrealized Loss (Gain) on Investments	103	(71)
Increase in Employee Advance	(1,000)	-
Increase in Pledge Receivable	(125,000)	-
Decrease (Increase) in Prepaid Expenses	160	(844)
Increase in Accounts Payable	796	129
Decrease in Accrued Payroll Liabilities	(4,507)	(1,041)
Total Adjustments	<u>(123,487)</u>	<u>1,310</u>
Net Cash Provided by Operating Activities	<u>148,537</u>	<u>65,683</u>
Cash Flows from Investing Activities		
Cash Payments for the Purchase of Property and Equipment	(16,111)	(16,124)
Cash Payments for the Purchase of Investments	(420,171)	-
Cash Payments for the Sale of Investments	116,179	-
Net Cash Used by Investing Activities	<u>(320,103)</u>	<u>(16,124)</u>
Net Increase in Cash and Cash Equivalents	(171,566)	49,559
Cash - Beginning of Year	<u>231,549</u>	<u>181,990</u>
Cash - End of Year	<u>\$ 59,983</u>	<u>\$ 231,549</u>
Supplemental Disclosure of Cash Flow Information:		
Cash Paid During the Year for:		
Interest	\$ -	\$ 87
Non-cash Transactions:		
Contributions for the Purchase of Securities	<u>\$ 1,074</u>	<u>-</u>

See independent auditors' report and notes to financial statements.

MEN OF VALOR
Notes to Financial Statements
December 31, 2005 and 2004

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.

MEN OF VALOR
Notes to Financial Statements - Continued
December 31, 2005 and 2004

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, 2005 and 2004, the Organization had \$494 and \$206,808 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. Reclassifications

Certain reclassifications have been made to the financial statements as of and for the year ended December 31, 2004 to conform with the December 31, 2005 presentation.

Note 2. Pledge Receivable

The pledge receivable as of December 31, 2005 and 2004 are as follows:

	<u>2005</u>	<u>2004</u>
Unrestricted	\$ -	\$ -
Temporarily Restricted - Time Restrictions	125,000	-
	<u>125,000</u>	<u>-</u>
Less:		
Discounts for the Time Value of Money	<u>-</u>	<u>-</u>
Pledges Receivable, Net	<u>\$ 125,000</u>	<u>\$ -</u>

Future collections of pledge receivables as of December 31, 2005 and 2004 are as follows:

	<u>2005</u>	<u>2004</u>
Receivable in Less than One Year	\$ 25,000	\$ -
Receivable in One to Five Years	100,000	-
Total	<u>\$ 125,000</u>	<u>\$ -</u>

MEN OF VALOR
Notes to Financial Statements - Continued
December 31, 2005 and 2004

Note 3. Investments

The organization holds investments with Wachovia Securities. These investments are carried at the fair market value determined on December 31, 2005 and 2004 using quoted market prices. The investments are as follows:

	<u>2005</u>	<u>2004</u>
Equity Securities	\$986	\$1,183
Mutual Funds	304,086	0
	<u>\$305,072</u>	<u>\$1,183</u>

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, 2005 and 2004 are as follows:

<u>Revenues</u>		
	<u>2005</u>	<u>2004</u>
Donated Assets	\$ 2,000	\$ -
Donated Supplies	900	900
	<u>\$ 2,900</u>	<u>\$ 900</u>
<u>Expenses</u>		
	<u>2005</u>	<u>2004</u>
Fundraising	\$ 900	\$ 900
Supplies	2,000	-
	<u>\$ 2,900</u>	<u>\$ 900</u>

Note 5. Operating Lease

The Organization leases its office facilities located in Nashville, TN. The lease agreement dated June 22, 2005 provides for lease payments of \$500 per month for two years beginning July 1, 2005. Lease payments for the years ended December 31, 2005 and 2004 totaled \$5,500 and \$4,800. The future minimum lease payments required under this lease are as follows:

<u>Year Ending December 31,</u>	<u>Annual Lease Payment</u>
2006	6,000
2007	3,000
Total	<u>\$ 6,000</u>

Note 6. Concentration of Risk

For the year ended December 31, 2005, the Organization received 48% of its funding from three donors. For the year ended December 31, 2004, the Organization received 31% of its funding from a single donor.

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 \$15,326 and \$13,142 for the years ended December 31, 2005 and 2004.

MEN OF VALOR
Notes to Financial Statements - Continued
December 31, 2005 and 2004

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 \$2,472 and \$2,999 for the years ended December 31, 2005 and 2004.