MEN OF VALOR

FINANCIAL STATEMENTS

DECEMBER 31, 2021

(With Independent Auditor's Report Thereon)

CONTENTS

MEN OF VALOR
BOARD OF DIRECTORS
DECEMBER 31, 2021

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Men of Valor

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of Men of Valor (the "Organization"), which comprise the statement of financial position as of December 31, 2021, and the related activities, functional expenses, and cash flows, for the year ended, and the related notes to the financial statements, which collectively comprise Men of Valor's basic financial statements as listed in the table of contents.

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, 2021, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Men of Valor and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Men of Valor's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Men of Valor's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Men of Valor's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Men of Valor's basic financial statements. The accompanying schedule of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles,* and the Comptroller of the State of Tennessee, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and state financial assistance is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the basic financial statements. The other information comprises the board of directors but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2022 on our consideration of Men of Valor's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Men of Valor's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Men of Valor's internal control over financial reporting and compliance.

Patterson Hardee & Ballentine

June 23, 2022

MEN OF VALOR
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021

ASSETS

Current assets		
Cash	$ 1,912,760	
Restricted cash	161,265	
Pledges receivable	234,746	
Grants receivable	138,143	
Other receivables	218,319	
Performance bond receivable	165,000	
Total current assets		$ 2,830,233
Other assets		
Long term pledges, net	96,749	
Total other assets		96,749
Assets whose use is limited		
Restricted pledges, net	5,000	
Total assets whose use is limited		5,000
Property, plant and equipment, net		8,778,076
Total assets		$ 11,710,058

LIABILITIES AND NET ASSETS

Current liabilities		
Current installments of long term-debt	$ 1,714,770	
Accounts payable	53,741	
Accrued expenses	53,138	
Unearned revenue, current	573,512	
Total current liabilities		$ 2,395,161
Long-term liabilities		
Unearned revenue, long-term	300,000	
Long-term debt, net of current installments	631,679	
Total long-term liabilities		931,679
Total liabilities		3,326,840
Net Assets		
Without donor restrictions	8,216,953	
With donor restrictions	166,265	
Total net assets		8,383,218
Total liabilities and net assets		$ 11,710,058

See accompanying notes to financial statements.

MEN OF VALOR
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenue:			
Public support:			
Contributions	$ 1,860,370	$ 645,782	$ 2,506,152
In-kind support	69,874	-	69,874
Net assets released from restrictions	573,970	(573,970)	-
Total public support	2,504,214	71,812	2,576,026
Revenue:			
Aftercare income	386,326	-	386,326
Benefit grant income	741,944	-	741,944
Rent subsidy grant income	32,243	-	32,243
Investment income	98	-	98
Forgiveness of loan	218,877	-	218,877
Other income	62,109	-	62,109
Total revenue	1,441,597	-	1,441,597
Total public support and revenue	3,945,811	71,812	4,017,623
Expenses:			
Program Services:			
Total program services	2,420,479	-	2,420,479
Supporting Services:			
Management and general	807,829	-	807,829
Fundraising	449,305	-	449,305
Total supporting services	1,257,134	-	1,257,134
Total expenses	3,677,613	-	3,677,613
Change in net assets	268,198	71,812	340,010
Net assets - beginning of year	7,948,755	94,453	8,043,208
Net assets - end of year	$ 8,216,953	$ 166,265	$ 8,383,218

See accompanying notes to financial statements.

MEN OF VALOR
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Program Services	Management and General	Fundraising	Total Expenses
Aftercare	$ 314,381	$ -	$ -	$ 314,381
Amortization	3,176	-	-	3,176
Bad debt expense	-	20,000	-	20,000
Bank service charges	-	11,214	-	11,214
Board meeting expense	-	83	-	83
Capital expense	9,108	-	-	9,108
Contract labor	24,301	158,870	-	183,171
Criminal Justice	44,587	-	-	44,587
Depreciation	298,827	-	-	298,827
Dues and subscriptions	-	18,755	-	18,755
Employee benefits	284,591	85,778	35,235	405,604
Fuel and automobile	46,991	-	-	46,991
Fundraising expense	-	-	288,867	288,867
Furniture	18,659	-	-	18,659
In-kind expenses	65,753	-	-	65,753
Insurance	61,041	-	-	61,041
Interest and bank charges	18,077	-	-	18,077
Miscellaneous	24,025	-	-	24,025
Payroll taxes	64,882	25,513	8,904	99,299
Postage and freight	2,735	-	-	2,735
Printing	2,282	-	-	2,282
Professional fees	-	80,414	-	80,414
Rent	20,041	-	-	20,041
Salaries and wages	1,054,788	399,028	116,299	1,570,115
Supplies	25,857	4,340	-	30,197
Technology	-	-	-	-
TN Impact Study	1,000	-	-	1,000
Utilities	15,337	3,834	-	19,171
Travel	20,040	-	-	20,040
	$ 2,420,479	$ 807,829	$ 449,305	$ 3,677,613

See accompanying notes to financial statements.

MEN OF VALOR
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

Cash Flows From Operating Activities:		
Change in net assets		$ 340,010
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	$ 298,827	
Forgiveness of loan	(218,877)	
Changes in:		
Pledges receivable	52,247	
Grants receivable	356,994	
Other receivables	(56,362)	
Accounts payable	2,720	
Accrued expenses	(42,227)	
Unearned revenue	373,512	
Total adjustments		766,834
Net cash provided by operating activities		1,106,844
Cash Flows From Investing Activities:		
Purchase of property and equipment	(285,479)	
Net cash used in investing activities		(285,479)
Cash Flows From Financing Activities:		
Proceeds from issuance of debt	299,183	
Payments on debt	(346,824)	
Net cash used in financing activities		(47,641)
Net change in cash		773,724
Cash and restricted cash - beginning of year		1,300,301
Cash and restricted cash - end of year		$ 2,074,025
Supplemental Data:		
Noncash investing activities:		
Contributed vehicles and property	$ 2,500	
Noncash financing activities:		
Interest on debt	$ 18,077	

See accompanying notes to financial statements.

MEN OF VALOR
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

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 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 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.

Contributions, Support and Revenue

The Organization recognizes contributions as revenue when they are received or unconditionally pledged and records these revenues as with donor restrictions or without donor restrictions according to donor stipulations that limit the use of these assets due to either a time or purpose restriction. Contributions received with donor restrictions that are met in the year of receipt are recorded as revenues without donor restrictions. When a restriction expires or is met in a subsequent year, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statements of activities and changes in net assets. Conditional contributions or promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions to be received in future periods are discounted at an appropriate discount rate. Amortization of discounts on multi-year pledges is recorded as additional contribution revenue as either with or without donor restrictions based on any donor-imposed restrictions, if any, on the related contributions. As of December 31, 2021 and 2020, funds received from state grants of $873,512 and $100,000, respectively, were considered conditional and recorded as unearned revenue on the Statement of Financial Position.

Other Revenue

Revenues without donor restrictions are obtained from program activities, such as the income generated through Aftercare income. These revenues are recorded for the period the services are provided and billed. Program income is generally for a one-time event or for monthly rent to stay in the Organization's apartments. Rent contracts are on a month-to-month basis. Program revenues received in advance of their usage are classified as deferred program revenue in the Statement of Financial Position. There were no amounts received in advance for program revenues during 2021.

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, 2021, 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 Statement of Financial Position, and changes in fair value are reported as investment return on the Statement of Activities.

Receivables

At December 31, 2021, no allowance was considered necessary for uncollectible receivables based upon our analysis of past collection expense with donors and grantors.

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, 2021, no assets were considered to be impaired.

Donated Services and Goods

We received donated fixed assets, professional services and rent of $69,874 for the year ended December 31, 2021. 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 and totaled $195,806, for the year ended December 31, 2021 and is included in fundraising expense on the statement of functional expenses.

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.

NOTE 1 - Summary of Significant Accounting Policies (continued)

Concentrations of Credit Risk

At December 31, 2021, we owed 28% of our payables to two vendors and we were due 29% of our pledges receivable from one donor.

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. The cash in excess of federally insured limits at December 31, 2021, was $1,315,368.

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 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). The Organization 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:

Fair Values of Financial Instruments (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.

NOTE 2 - Availability and Liquidity

Financial assets available for general expenditure within one year of the statement of financial position, at December 31, 2021, consist of the following:

Cash	$ 1,912,760
Pledges receivable	234,746
Grants receivable	138,143
Other receivables	218,319
	$ 2,503,968

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.

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, 2021:

Due in less than one year	$ 234,746
Due in one or more years (including restricted pledges)	105,056
	339,802
Less: discount to net present value, at 3.25%	(3,307)
Pledges receivable, net	$ 336,495

NOTE 4 - Property and Equipment

A summary of property and equipment at December 31, 2021, is as follows:

Buildings	$ 7,820,355
Land	347,836
Land improvements	522,760
Equipment & furniture	522,611
Construction in progress	42,825
Website	9,071
Vehicles	371,530
	9,636,988
Less: accumulated depreciation	(858,912)
	$ 8,778,076

Construction in progress consists of preparations for the next phase of our main campus.

NOTE 5 – Accrued Expenses

A summary of accrued expenses at December 31, 2021, is as follows:

Accrued expenses	$ 2,003
Credit card payable	18,206
Accrued wages	30,166
Payroll tax liability	2,763
	$ 53,138

NOTE 6 – Notes Payable

At December 31, 2021, we have a line of credit with a bank with an outstanding balance of $399,913. The line bears interest at the Prime Rate (3.25% at December 31, 2021). The line of credit matured on February 1, 2022, at which point we converted the loan to a five-year term note with monthly principal payments until maturity date in 2027. This loan is secured by substantially all the assets of the Organization.

At December 31, 2021, we have a loan with a Foundation 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.

During 2021, 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 (3.25% at December 31, 2021) 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. Payments of principal and interest 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, 2021, the outstanding balance on the note was $1,497,353, net of $2,647 of amortized loan costs, net of accumulated amortization.

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. At December 31, 2021, this restricted cash totaled $10,000, see NOTE 7.

During 2021, we received funding from our second application to the Payroll Protection Program (PPP) loan from our bank in the amount of $299,183, which was the outstanding balance recorded at December 31, 2021. The loan is expected to mature in 2026, accruing interest at a rate of 1%. In accordance with the CARES Act, this funding is subject to forgiveness based on application from the Organization.

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

2022	$ 1,714,770
2023	19,084
2024	19,713
2025	20,364
2026	21,035
Thereafter	554,130
Less: unamortized loan costs	(2,647)
	$ 2,346,449

NOTE 7 - Net Assets

The following is a summary of net assets with donor restriction at December 31, 2021:

Capital	$ 10,000
Staff benevolence	74,621
Christmas	1,160
Family & Children's Ministry	19,163
Rent assistance	3,400
Career development	3,000
Vans for Knoxville campus	9,500
Vehicles	25,992
CJA Committee	9,429
Short-term operations	5,000
Long-term operational pledges	5,000
Total net assets with donor restrictions	$ 166,265

As discussed in NOTE 1, we record conditional contributions as deferred revenue until specific barriers are overcome to satisfy revenue recognition. Once recognized as revenue, the amount is recorded as restricted contributions and subsequently released from restriction as it has satisfied the passage of time donor restriction. The amount recognized as revenue and subsequently released through passage of time for the year ending December 31, 2021 was $100,000. The remaining $473,970 of net assets released from restriction during 2021 were all deemed released from satisfaction of a specific purpose.

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

Restricted pledges, net	$ 5,000
Restricted cash	161,265
Total net assets with donor restrictions	166,265

NOTE 8 – 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, historically between 5% to 15% of participants' annual compensation. The Organization's contributions were $98,280 for the year ended December 31, 2021.

NOTE 9 – 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, 2021, the Organization recognized no postemployment benefit expense.

NOTE 10 – 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 are disbursed to the Organization, at least monthly, upon MPC's approval of the costs and improvements made. Total funds disbursed through December 31, 2021, totaled $1,080,000. The total cost of the infrastructure improvements was $1,245,000, which was completed and placed in service in 2018. The balance of $165,000 is recorded as the Performance Bond Receivable on the Balance Sheet at December 31, 2021.

NOTE 11 – Leases

We lease the modular office spaces at Valor Ridge under an operating lease agreement. This lease was renewed in the current year and currently requires monthly lease payments of $1,276, until maturity in October, 2022. Lease payments for the year ended December 31, 2021, were $20,041.

We have also entered into the lease agreements for individual off-campus apartments for the after-care program. The use of these apartments is donated rent-free to the Organization and is valued at $66,525, which is recognized as in-kind support during the year ended December 31, 2021.

NOTE 12 - 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, 2021, and for annual periods and interim periods thereafter with early adoption permitted. We are currently evaluating the impact of adopting this statement.

NOTE 13 - Subsequent Events

We have evaluated events subsequent to the year ending December 31, 2021. Except as discussed in NOTE 6 regarding the conversion of debt to a long-term loan, as of June 23, 2022, the date the financial statements were available to be issued, no events subsequent to December 31, 2021, are considered necessary to be included in the accompanying financial statements.

MEN OF VALOR
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2021

Federal Grantor/ Pass-Through Grantor	Program/ Cluster Name	CFDA Number	Contract Number	Passed Through to Subrecipients	Expenditures
Federal Financial Assistance					
United States Department of Agriculture through the Tennessee Department of Labor and Workforce Development	Supplemental Nutrition Assistance Program (SNAP)	10.561	LW28F211SSNAP21	N/A	$ 371,308
Total Program 10.561					371,308
United States Department of Justice through the Tennessee Housing Development Agency	Second Chance Act Reentry Initiative	16.812	N/A	N/A	16,122
Total Program 16.812					16,122
United States Department of Justice through the Tennessee Department of Finance and Administration	Victims of Crime Act (VOCA)	16.575	2018-V2-GX-0024	N/A	57,992
Total Program 16.575					57,992
TOTAL FEDERAL AWARDS					445,422
State Financial Assistance					
Tennessee Housing Development Agency	State portion of Reentry Housing Program	N/A	N/A	N/A	16,122
Tennessee Department of Finance and Administration	State portion of VOCA Grant	N/A	2018-V2-GX-0024	N/A	57,992
Tennessee Department of Labor and Workforce Development	State portion of SNAP Grant	N/A	LW28F211SSNAP21	N/A	371,308
Tennessee Department of Corection	Mentoring and Transitional Services for Offenders	N/A	32901-31280	N/A	181,982
TOTAL STATE AWARDS					627,404
TOTAL FEDERAL AND STATE AWARDS					$ 1,072,826

Note 1 - Basis of Presentation: This schedule was prepared on an accrual basis. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 - Indirect Cost Rate: Men of Valor has elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance and Tennessee State Law.

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

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of
Men of Valor

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Men of Valor, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise Men of Valor's basic financial statements, and have issued our report thereon dated June 23, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Men of Valor's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Men of Valor's internal control. Accordingly, we do not express an opinion on the effectiveness Men of Valor's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Men of Valor 's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Patterson Hardee & Ballentine

June 23, 2022

MEN OF VALOR
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2021

There were no prior findings reported.