MEN OF VALOR

FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION

Year Ended December 31, 2022

MEN OF VALOR

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MEN OF VALOR

BOARD OF DIRECTORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Men of Valor

Report on the Audit of the Financial Statements

We have audited the accompanying financial statements of Men of Valor (the "Organization"), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Men of Valor as of December 31, 2022, 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 Opinion

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 opinion.

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.

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 Responsibility

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 an opinion on the financial statements as a whole. The accompanying schedule of expenditures of state awards and state financial assistance is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 state awards and state financial assistance is fairly stated, in all material respects, in relation to the 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 listing of the board of directors but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does 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 30, 2023, on our consideration of the Organization'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 the Organization'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 the Organization's internal control over financial reporting and compliance.

UHY LLP

Nashville, Tennessee
June 30, 2023

MEN OF VALOR
STATEMENT OF FINANCIAL POSITION
December 31, 2022

ASSETS

CURRENT ASSETS	
Cash	$ 1,841,259
Restricted cash	117,527
Pledges receivable	234,795
Grants receivable	189,359
Other receivables	14,195
Performance bond receivable	165,000
Other current assets	58,346
Total current assets	2,620,481
LONG TERM PLEDGES RECEIVABLE, NET	29,056
PROPERTY AND EQUIPMENT, NET	9,240,365
RIGHT-OF-USE ASSET, OPERATING LEASE	2,026,762
RIGHT-OF-USE ASSET, FINANCE LEASES	150,934
Total assets	$ 14,067,598

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts payable	$ 107,024
Accrued expenses	45,497
Current portion of long term-debt	220,761
Current operating lease liability	133,072
Current finance lease liability	53,176
Contract liabilities, current	462,058
Total current liabilities	1,021,588
LONG-TERM LIABILITIES	
Contract liabilities, long-term	200,000
Long-term debt, net of current installments	1,514,866
Long-term operating lease liability	1,898,849
Long-term finance lease liability	98,840
Total long-term liabilities	3,712,555
Total liabilities	4,734,143
NET ASSETS	
Without donor restrictions	9,210,928
With donor restrictions	122,527
Total net assets	9,333,455
Total liabilities and net assets	$ 14,067,598

See notes to financial statements.

MEN OF VALOR
STATEMENT OF ACTIVITIES
Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUES			
Contributions	$ 2,770,496	$ 34,761	$ 2,805,257
Grants	1,742,397	-	1,742,397
Aftercare	499,119	-	499,119
Contributed nonfinancial assets	71,073	-	71,073
Rent subsidy grant income	4,997	-	4,997
Investment income	424	-	424
Loan forgiveness	299,183	-	299,183
Employee retention credit	199,136	-	199,136
Net assets released from restrictions	78,499	(78,499)	-
Total public support and revenue	5,665,324	(43,738)	5,621,586
EXPENSES			
Program services			
Total program services	2,933,360	-	2,933,360
Supporting services			
Management and general	1,025,225	-	1,025,225
Fundraising	712,764	-	712,764
Total supporting services	1,737,989	-	1,737,989
Total expenses	4,671,349	-	4,671,349
CHANGES IN NET ASSETS FROM OPERATIONS	993,975	(43,738)	950,237
NET ASSETS - BEGINNING OF YEAR	8,216,953	166,265	8,383,218
NET ASSETS - END OF YEAR	$ 9,210,928	$ 122,527	$ 9,333,455

See notes to financial statements.

MEN OF VALOR
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2022

	Program Services	Management and General	Fundraising	Total Expenses
Aftercare	$ 450,586	$ -	$ -	$ 450,586
Amortization	2,647	-	-	2,647
Bank service charges	-	16,888	-	16,888
Board meeting expense	-	3,170	-	3,170
Capital expense	20,071	-	-	20,071
Contract labor	15,480	25,880	115,650	157,010
Criminal Justice	56,121	-	-	56,121
Depreciation	333,128	-	-	333,128
Dues and subscriptions	16,367	20,174	-	36,541
Employee benefits	308,747	102,226	32,319	443,292
Fuel and automobile	67,894	-	-	67,894
Fundraising expense	-	-	421,036	421,036
Furniture	26,558	-	-	26,558
Insurance	74,463	4,957	-	79,420
Interest and bank charges	22,647	-	-	22,647
Legal services	-	1,960	-	1,960
Lease amortization expense	27,191	-	-	27,191
Lease interest expense	2,365	-	-	2,365
Loss on sale of assets	7,815	-	-	7,815
Miscellaneous	26,068	-	-	26,068
Operating lease expense	70,758	-	-	70,758
Payroll taxes	85,361	48,475	8,613	142,449
Postage and freight	2,010	-	-	2,010
Printing	8,597	-	-	8,597
Professional fees	-	76,640	-	76,640
Rent (donated)	69,113	-	-	69,113
Rent	5,465	-	-	5,465
Repairs and maintenance	18,787	-	-	18,787
Salaries and wages	1,139,018	699,200	132,607	1,970,825
Supplies	33,813	5,794	-	39,607
Utilities	27,316	6,829	-	34,145
Travel	14,974	13,032	2,539	30,545
TOTAL EXPENSES	$ 2,933,360	$ 1,025,225	$ 712,764	$ 4,671,349

See notes to financial statements.

MEN OF VALOR
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022

CASH FLOWS FROM OPERATIONS		
Changes in net assets	$	950,237
Adjustments to reconcile changes in net assets to net cash (used) provided by operating activities		
Depreciation		333,128
Loss on disposal of fixed assets		7,815
Forgiveness of loan		(299,183)
Noncash lease expense		6,241
Changes in operating assets and liabilities:		
Pledges receivable		72,644
Grants receivable		(51,216)
Other receivables		204,124
Performance bond receivable		-
Other current assets		(58,346)
Accounts payable		53,283
Accrued expenses		(7,641)
Contract liabilities		(211,454)
Net cash provided by operating activities		999,632
INVESTING ACTIVITIES		
Purchases of property and equipment		(820,897)
Proceeds from sale of property		17,665
Net cash used in investing activities		(803,232)
FINANCING ACTIVITIES		
Payments on debt		(311,639)
Net cash used in financing activities		(311,639)
NET CHANGE IN CASH AND RESTRICTED CASH		(115,239)
CASH AND RESTRICTED CASH, Beginning of year		2,074,025
CASH AND RESTRICTED CASH, End of year	$	1,958,786
SUPPLEMENTAL DISCLOSURES		
Interest paid	$	22,647

See notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Men of Valor (the “Organization”) is a nonprofit corporation located in Nashville, Tennessee, that is committed to winning men in prison to Jesus Christ and discipling them. The purpose of the ministry is to equip men to re-enter society as men of integrity – becoming givers to the community, rather than takers. The program 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 (“US GAAP”). 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:

<u>Net assets without donor restrictions:</u> 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.

<u>Net assets with donor restrictions</u>: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increase 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 statement of activities.

Cash Concentrations

The Organization maintains cash at financial institutions with strong credit ratings. Cash is insured by the Federal Deposit Insurance Corporations (FDIC) up to $250,000 per bank. At times, the Organization may have balances in excess of FDIC coverage. Management has deemed this a normal business risk.

Pledges and Grants Receivable

Pledges are recorded as receivables in the year made. Pledges for support of current operations are recorded as general operating support without restrictions. Pledges made and received beyond one year are discounted to the present value of estimated future cash flows using a discount rate equal to 3.25%.

Grants receivable represent unpaid billings of services and goods from reimbursement grant contracts with the State of Tennessee, Department of Labor and Workforce Development to assist recipients in obtaining employment.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pledges and Grants Receivable (Continued)

Management writes off receivables when it is determined that an amount will not be collected. No allowance for uncollectible receivables is recorded at December 31, 2022.

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. On December 31, 2022, no assets were considered to be impaired.

Leases

The Organization determines if an arrangement is a lease at inception by determining whether the agreement conveys the right to control the use of the identified asset for a period of time, whether the Organization has the right to obtain substantially all of the economic benefits from use of the identified asset, and the right to direct the use of the asset. Lease liabilities are recognized at the commencement date based upon the present value of the remaining future minimum lease payments over the lease term using the rate implicit in the lease or the Organization's incremental borrowing rate. The incremental borrowing rate is defined as the rate of interest the Organization would have to pay to borrow on a collateralized basis over a similar term in an amount equal to the lease payments in a similar economic environment or the risk free rate. The risk free rate is defined as the daily treasury par yield curve rate for a period of time that approximates the lease term. The Organization's lease terms include options to renew or terminate the lease when it is reasonably certain that it will exercise the option.

The lease right-of-use assets are initially measured at the carrying amount of the lease liability and adjusted for any prepaid or accrued lease payments, remaining balance of lease incentives received, unamortized initial direct costs, or impairment charges relating to the right-of-use asset. Lease expense for minimum lease payments is recognized on straight-line basis over the lease term.

Variable lease expenses including payments based upon changes in a rate or index, such as consumer price indexes, as well as usage of the lease asset are expensed as incurred. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition - Contributions

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.

Revenue Recognition - Grants and Contract Liabilities

Grant revenue is recognized depending on the existence and/or nature of grant restrictions. As of December 31, 2022 and 2021, funds received from state grants of $662,058 and $873,512, respectively, were considered conditional (time restricted) and recorded as contract liabilities on the statement of financial position.

Revenue Recognition – Aftercare (Contracts)

The Organization recognizes revenue when goods or services are transferred to customers in an amount that reflects the consideration which it expects to receive in exchange for those goods or services. In determining when and how revenue is recognized from contracts with customers, the Organization performs the following five step analysis: (1) identification of contract with customer, (2) determination of performance obligations, (3) measurement of the transactions price, (4) allocation of the transaction price to the performance obligation, and (5) recognition of revenue when or as the Organization satisfies each performance obligation.

Aftercare revenue is for monthly rent for use of the Organization's apartments and is recognized in the period earned. Aftercare income contracts are on a month-to-month basis. These revenues are recognized for the period the services and/or goods are provided and billed. Revenue from Aftercare contracts is recorded when the performance obligation is complete, which is monthly for the period the goods are provided.

Revenue Recognition - Contributed Nonfinancial Assets

The Organization received donated fixed assets, professional services and rent of $71,073 for the year ended December 31, 2022. 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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising

Advertising costs are expensed as incurred and totaled $198,099, for the year ended December 31, 2022. Advertising costs are 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. The Organization has no material uncertain tax positions.

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.

Recently Adopted Accounting Pronouncements

In fiscal year 2022, the Organization adopted Accounting Standards Update (ASU) 2020-07, Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets. The standard requires presentation of contributed nonfinancial assets as a separate line item in the statement of activities and increases the disclosure requirements. Adoption of this standard did not have a significant impact on the financial statements, with the exception of increased disclosure.

In February 2016, the Financial Accounting Standards Board issued accounting standards update (“ASU”) 2016-02 “Leases (Topic 842)”. Under this guidance, an entity is required to recognize right-of-use assets and lease liabilities with lease terms greater than 12 months on its statement of financial position and disclose key information about leasing arrangements.

The Organization adopted the new standard effective January 1, 2022, using the modified retrospective approach. This approach allows the Organization to initially apply the ASU at the adoption date and recognize a cumulative adjustment to the opening balance of net assets in the period of adoption. The adoption of the new standard had no impact on net assets.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Organization elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed the Organization to carry forward historical lease classification.

Recently Adopted Accounting Pronouncements (Continued)

The Organization determines if an arrangement is a lease at inception by determining whether the agreement conveys the right to control the use of the identified asset for a period of time, whether the Organization has the right to obtain substantially all of the economic benefits from use of the identified asset, and the right to direct the use of the asset. Lease liabilities are recognized at the commencement date based upon the present value of the remaining future minimum lease payments over the lease term using the rate implicit in the lease or the Organization's incremental borrowing rate. The incremental borrowing rate is defined as the rate of interest the Organization would have to pay to borrow on a collateralized basis over a similar term in an amount equal to the lease payments in a similar economic environment. The Organization's lease terms include options to renew or terminate the lease when it is reasonably certain that it will exercise the option.

Subsequent Events

The Organization has performed a review of events subsequent to the statement of financial position date through June 30, 2023, the date financial statements were available to be issued.

NOTE 2 – AVAILABILITY AND LIQUIDITY

Financial assets available for general expenditure within one year of the statement of financial position, at December 31, 2022, consist of the following:

Cash	$ 1,841,259
Pledges receivable	234,795
Grants receivable	189,359
Other receivables	14,195
	$ 2,279,608

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 3 – PLEDGES RECEIVABLE, NET

Pledges receivable consisted of the following at December 31, 2022:

Due in less than one year	$ 234,795
Due in one or more years (including restricted pledges)	30,000
	264,795
Less: discount to net present value, at 3.25%	(944)
Pledges receivable, net	$ 263,851

NOTE 4 – PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31, 2022, is as follows:

Buildings	$ 7,820,355
Leasehold Improvements	158,229
Land	347,836
Land improvements	531,127
Equipment & furniture	632,991
Website	9,071
Vehicles	524,363
Construction in progress	397,014
	10,420,986
Less: accumulated depreciation	(1,180,621)
	$ 9,240,365

Construction in progress consists of preparations for the next phase of our main campus and is not currently being depreciated. Depreciation expense for the year ended December 31, 2022 is $333,128.

NOTE 5 – ACCRUED EXPENSES

A summary of accrued expenses at December 31, 2022, is as follows:

Accrued expenses	$ 24,833
Credit card payable	10,358
Payroll tax liability	10,306
	$ 45,497

NOTE 6 – CONTRACT LIABILITIES

In conjunction with a revolving line of credit agreement (NOTE 7), a local financial institution (“Lender”) agreed to allow a deed of trust, not to exceed $500,000, to be recorded by the Organization in favor of the Tennessee Housing and Development Authority (“THDA”). This grant note (“THDA Grant Note”) will be forgiven in 20% annual increments or $100,000 each year beginning on September 1, 2021. Also under this agreement, all funds related to the new campus construction (“Valor Ridge”), whether borrowed or donated, are required to be deposited with the Lender.

Contract liabilities consisted of the following at December 31, 2022:

THDA Grant Note	$ 300,000
TN Governor's Grant	362,058
	$ 662,058

NOTE 6 – CONTRACT LIABILITIES (Continued)

Contract liabilities are recorded on the statement of financial position as follows:

Contract liabilities, current	$ 462,058
Contract liabilities, long-term	200,000
	$ 662,058

NOTE 7 – NOTES PAYABLE

The Organization has a term note with monthly principal and interest payments of $2,474 until maturity in March of 2027. The note bears interest at the 3.25% and has an outstanding balance of $285,627 at December 31, 2022. This loan is secured by substantially all the assets of the Organization.

The Organization has a non-interest bearing note with a Foundation with an outstanding balance of $150,000 at December 31, 2022. 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.

The Organization has a revolving line of credit agreement with the Lender (NOTE 6) 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 (7.50% at December 31, 2022) 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 in March of 2028, 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, 2022, the outstanding balance on the note was $1,300,000.

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

2023	$ 220,761
2024	273,260
2025	317,303
2026	328,532
2027	514,899
Thereafter	80,872
	$1,735,627

NOTE 8 – NET ASSETS

The following is a summary of net assets with donor restrictions at December 31, 2022:

Staff Benevolence	$ 50,672
Thank You Reception	5,000
Criminal Justice Symposium	15,672
Rent Assistance	3,400
CIA Committee	9,429
Family & Children's Ministry	10,362
Career Development	3,000
Vans for Knoxville Campus	4,000
Vehicles	12,993
The Giving Circle	3,000
Short-term operational pledges	5,000
Total net assets with donor restrictions	$ 122,527

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, 2022, was $100,000 (NOTE 6). The remaining $1,269,284 of net assets released from restriction during 2022 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	117,527
Total net assets with donor restrictions	$ 122,527

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, historically between 5% to 15% of participants' annual compensation. The Organization's contributions were $51,744 for the year ended December 31, 2022.

NOTE 10 – PERFORMANCE AGREEMENTS

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, 2022, 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 statement of financial position at December 31, 2022.

NOTE 11 – LEASES

The Organization has finance and operating leases for buildings, office trailers and copiers which encompass third-party leases. The Organization’s leases have remaining terms that range from three years to leases that mature through 2034.

The components of lease expenses were as follows:

Finance lease expense	
Amortization of ROU assets	$ 27,191
Interest on lease liabilities	2,365
Operating lease expense	70,758
Total	$ 100,314

The weighted average for remaining finance and operating lease terms were 2.81 years and 11.50 years, respectively. The weighted average discount rate for finance and operating leases were 2.89% and 3.26%, respectively.

Future minimum lease payments under operating and finance leases are as follows:

For the year ending December 31,	Finance	Operating	Total
2023	$ 56,736	$ 196,800	$ 253,536
2024	56,736	196,800	253,536
2025	42,867	201,720	244,587
2026	1,260	206,640	207,900
2027	525	206,640	207,165
Thereafter	-	1,437,696	1,437,696
Total undiscounted cash flows	$158,124	$2,446,296	$2,604,420
Less: present value discount	(6,107)	(414,376)	(420,483)
Total lease liabilities	$156,017	$2,031,920	$2,183,937

NOTE 11 – LEASES (Continued)

Lease liabilities are shown on the balance sheet as follows:

Current operating lease liability	$	133,072
Current finance lease liability		53,176
Long-term operating lease liability		1,898,849
Long-term finance lease liability		98,840
	$	2,183,937

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 $69,113, which is recognized as in-kind support during the year ended December 31, 2022.

NOTE 12 – CONTRIBUTED NONFINANCIAL ASSETS

The Organization periodically receives donations of services, when donated services (a) create or enhance non-financial assets, or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The value of the donation is recorded as contribution revenue in the period received.

The following donations are reflected as contributions of nonfinancial assets with no associated donor restriction in the accompanying statement of activities for the year ended December 31, 2022:

	Valuation Techniques and Inputs		
Donated rent	The Organization estimated the fair value on the basis of current rates for occupancy	$	69,113
Legal services	Contributed services at estimated fair value based on current rates for similar services		1,960
		$	71,073

Contributions of nonfinancial assets and their use in programs and other activities are as follows:

	Year Ended December 31, 2022			
	Program Services	General & Administrative	Fundraising	Total
Donated rent	$ 69,113	$ -	$ -	$ 69,113
Legal services	-	1,960	-	1,960
	$ 69,113	$ 1,960	$ -	$ 71,073

NOTE 13 – CONCENTRATIONS OF CREDIT RISK

At December 31, 2022, we owed 26% of our payables to two vendors and we were due 81% of our pledges receivable from three donors.

NOTE 14 — COVID-19 RELIEF FUNDING

Refundable Advances – Paycheck Protection Program (PPP)

The Organization was granted advances in the amounts of $218,877 and $299,183 in fiscal years 2020 and 2021, respectively, under the PPP, administered by a Small Business Administration (SBA) approved partner. The advances were uncollateralized and fully guaranteed by the Federal government. The Organization received loan forgiveness (in full) in fiscal years 2021, and 2022, for each loan respectively. The current year forgiveness of $299,183 is recorded as loan forgiveness in the statement of activities for the year ended December 31, 2022.

According to the rules of the SBA, the Organization is required to retain PPP loan documentation for six years and permit authorized representatives of the SBA to access such files upon request. Should the SBA conduct such a review and reject all or some of the Organization's judgments pertaining to satisfying PPP loan eligibility or forgiveness conditions, the Organization may be required to adjust previously reported amounts and disclosures in the financial statements.

Employee Retention Credit (ERC)

The ERC, a credit against certain payroll taxes allowed to an eligible employer for qualifying wages, was established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act and further amended by the Consolidated Appropriations Act (CAA) and the American Rescue Plan (ARP). The Organization elected to account for the ERC. The ERC is considered a conditional grant, as the Organization only qualifies for the transfer of assets if it has overcome the barrier of eligibility. For the year ended December 31, 2022, the Organization determined they met the barriers of the ERC and has recorded revenue of $199,136. All ERC funding revenue was received in the year ended December 31, 2022.

Laws and regulations concerning government programs, including the ERC established by the CARES Act, are complex and subject to varying interpretations. Claims made under the CARES Act may also be subject to retroactive audit and review. There can be no assurance that regulatory authorities will not challenge the Organization's claim to the ERC, and it is not possible to determine the impact, if any, this would have upon the Organization.

MEN OF VALOR

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

For the Fiscal Year Ended December 31, 2022

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	LW28F221SSNAP22	N/A	$ 343,469
Total Program 10.561					343,469
TOTAL FEDERAL AWARDS					343,469
State Financial Assistance					
Tennessee Department of Labor and Workforce Development	State portion of SNAP Grant	N/A	LW28F221SSNAP22	N/A	343,469
Tennessee Department of Correction	Mentoring and Transitional Services for Offenders	N/A	32901-31280	N/A	955,460
TOTAL STATE AWARDS					1,298,928
TOTAL FEDERAL AND STATE AWARDS					$ 1,642,397

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.

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 Trustees
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 the Men of Valor (the "Organization"), as of and for the year December 31, 2022, and the related notes to financial statements, which collectively comprise Men of Valor's basic financial statements, and have issued our report thereon dated June 30, 2023.

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 opinion 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 of 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 Organization'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 may exist that have not been identified.

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.

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 Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Men of Valor's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

UHY LLP

Nashville, Tennessee
June 30, 2023

MEN OF VALOR
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2022

There were no prior findings reported.