MERCY MINISTRIES OF AMERICA, INC.

Financial Statements

December 31, 2008 and 2007

(With Independent Auditors' Report Thereon)

LATTIMORE BLACK MORGAN & CAIN, PC
CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

MERCY MINISTRIES OF AMERICA, INC.

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LATTIMORE BLACK MORGAN & CAIN, PC
CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

INDEPENDENT AUDITORS' REPORT

The Board of Trustees of
Mercy Ministries of America, Inc.:

We have audited the accompanying statements of financial position of Mercy Ministries of America, Inc. (the "Ministry") as of December 31, 2008, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Ministry's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2008 financial statements referred to above present fairly, in all material respects, the financial position of Mercy Ministries of America, Inc. as of December 31, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The financial statements of the Ministry as of and for the year ended December 31, 2007 were audited by other auditors whose report dated April 10, 2008 expressed an unqualified opinion on those financial statements. As discussed in Note 13 to the financial statements, certain errors resulting in an understatement of previously reported accumulated depreciation and depreciation expense as of and for the year ended December 31, 2007, were discovered by management of the Ministry during 2008. Also, management determined that the original estimate of the portion of the Florida land necessary for a home was overstated and the Florida land held for sale was understated at December 31, 2007. Accordingly, adjustments have been made to restate net assets as of January 1, 2007 to correct the misstatement as of and for the year ended December 31, 2007. The other auditors reported on the financial statements before the restatement. We audited the adjustments to the 2007 financial statements to restate the financial statements for the correction of errors described in Note 13. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply procedures to the Ministry's 2007 financial statements other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2007 financial statements taken as a whole.

Lattimore Black Morgan & Cain, PC

Brentwood, Tennessee
May 11, 2009

MERCY MINISTRIES OF AMERICA, INC.

Statements of Financial Position

December 31, 2008 and 2007

Assets

	2008	(As restated) 2007
Current assets:		
Cash and cash equivalents	$ 196,629	$ 190,192
Investments	-	50,968
Pledges receivable	371,633	161,033
Other receivables	18,396	432
Inventories	312,539	180,693
Prepaid expenses	206,788	215,101
Total current assets	1,105,985	798,419
Property and equipment, net:		
Land	1,055,280	1,055,280
Land - undeveloped	1,040,525	1,000,483
Buildings	6,139,886	6,128,090
Equipment and furniture	1,684,487	1,574,947
Vehicles	270,094	308,634
Website development	59,770	26,000
	10,250,042	10,093,434
Accumulated depreciation	3,180,095	2,874,174
Property and equipment, net	7,069,947	7,219,260
Land - held for sale	2,003,323	2,003,323
Other assets	-	5,765
	$ 10,179,255	$ 10,026,767

Liabilities and Net Assets

	2008	(As restated) 2007
Current liabilities:		
Line of credit	$ 153,172	$ -
Accounts payable	138,244	150,026
Accrued expenses	66,825	32,309
Current portion of notes payable	2,160,665	801,894
Deferred revenue	-	7,200
Total current liabilities	2,518,906	991,429
Notes payable, excluding current portion	-	1,500,000
Total liabilities	2,518,906	2,491,429
Net assets:		
Unrestricted	7,609,333	7,346,241
Temporarily restricted	51,016	189,097
Total net assets	7,660,349	7,535,338
	$ 10,179,255	$ 10,026,767

See accompanying notes to the financial statements.

MERCY MINISTRIES OF AMERICA, INC.

Statements of Activities and Changes in Net Assets

Years ended December 31, 2008 and 2007

	2008		
	Unrestricted	Temporarily Restricted	Total
Revenues, gains and other support:			
Contributions	$ 6,244,302	$ 571,568	$ 6,815,870
Special Events, net of expenses of $580,813 in 2008	458,950	-	458,950
Adoption application fees	2,250	-	2,250
Resource sales	175,867	-	175,867
In-kind donations	60,583	-	60,583
Interest income	2,689	-	2,689
Other income	22,322	-	22,322
Total revenues, gains and other support	6,966,963	571,568	7,538,531
Net assets released from restriction	709,649	(709,649)	-
Total revenues and other support	7,676,612	(138,081)	7,538,531
Functional Expenses:			
Counseling and support	5,890,147	-	5,890,147
Management and general	1,027,449	-	1,027,449
Fundraising	495,924	-	495,924
Total functional expenses	7,413,520	-	7,413,520
Change in net assets	263,092	(138,081)	125,011
Net assets at beginning of year	7,346,241	189,097	7,535,338
Net assets at end of year	$ 7,609,333	$ 51,016	$ 7,660,349

	(As restated) 2007		
	Unrestricted	Temporarily Restricted	Total
Revenues, gains and other support:			
Contributions	$ 4,979,586	$ 1,371,545	$ 6,351,131
Special Events, no related expenses in 2007	35,316	-	35,316
Adoption application fees	4,300	-	4,300
Resource sales	73,474	-	73,474
In-kind donations	165,448	156,952	322,400
Interest income	16,949	-	16,949
Other income	4,590	-	4,590
Total revenues, gains and other support	5,279,663	1,528,497	6,808,160
Net assets released from restriction	1,788,594	(1,788,594)	-
Total revenues and other support	7,068,257	(260,097)	6,808,160
Functional Expenses:			
Counseling and support	5,396,931	-	5,396,931
Management and general	734,625	-	734,625
Fundraising	426,332	-	426,332
Total functional expenses	6,557,888	-	6,557,888
Change in net assets	510,369	(260,097)	250,272
Net assets at beginning of year (as restated)	6,835,872	449,194	7,285,066
Net assets at end of year	$ 7,346,241	$ 189,097	$ 7,535,338

See accompanying notes to the financial statements.

MERCY MINISTRIES OF AMERICA, INC.

Statement of Functional Expenses

Years ended December 31, 2008 and 2007

	2008			
	Program Services	Supporting Services		
	Counseling and Support	Management and General	Fund Raising	Total
Salaries	$ 2,404,918	$ 449,590	$ 235,455	$ 3,089,963
Contract labor	22,437	24,839	-	47,276
Benefits	411,363	76,903	40,275	528,541
Total salaries and related expenses	2,838,718	551,332	275,730	3,665,780
Tithe	627,908	-	-	627,908
Tithe to Mercy Ministries International, Inc.	219,340	-	-	219,340
MCA fees to Mercy Ministries International, Inc.	348,348	-	-	348,348
Room and board	461,397	-	-	461,397
Travel, conferences, and meetings	91,111	5,837	5,837	102,785
Marketing and public relations	131,517	-	131,517	263,034
Professional Fees	84,146	115,402	-	199,548
Automobile	48,261	927	-	49,188
Books, tapes, and videos	126,161	-	-	126,161
Dues and subscriptions	7,916	678	226	8,820
Educational	23,915	1,349	-	25,264
Insurance	141,775	47,258	-	189,033
Office	76,196	14,244	7,460	97,900
Computer communication	69,371	12,969	6,792	89,132
Postage	60,277	9,054	27,163	96,494
Repairs and maintenance	87,695	3,154	-	90,849
Occupancy	10,271	1,141	-	11,412
Telephone	48,760	13,931	6,966	69,657
Utilities	102,538	19,169	10,039	131,746
Miscellaneous	17,215	39,773	6,549	63,537
Contribution processing charges	-	67,516	-	67,516
Interest	-	72,041	-	72,041
Total expenses before depreciation and amortization	5,622,836	975,775	478,279	7,076,890
Depreciation and amortization	267,311	51,674	17,645	336,630
Total functional expenses	$ 5,890,147	$ 1,027,449	$ 495,924	$ 7,413,520

	(As restated) 2007			
	Program Services	Supporting Services		
	Counseling and Support	Management and General	Fund Raising	Total
Salaries	$ 2,506,363	$ 353,966	$ 204,427	$ 3,064,756
Contract labor	30,981	4,333	-	35,314
Benefits	378,430	53,447	30,864	462,741
Total salaries and related expenses	2,915,774	411,746	235,291	3,562,811
Tithe	631,497	-	-	631,497
Tithe to Mercy Ministries International, Inc.	-	-	-	-
MCA fees to Mercy Ministries International, Inc.	-	-	-	-
Room and board	551,047	-	-	551,047
Travel, conferences, and meetings	215,827	16,736	16,737	249,300
Marketing and public relations	83,987	-	77,178	161,165
Professional Fees	20,438	71,723	-	92,161
Automobile	45,667	-	1,338	47,005
Books, tapes, and videos	65,538	-	13,998	79,536
Dues and subscriptions	13,722	1,774	591	16,087
Educational	13,352	776	-	14,128
Insurance	135,332	42,730	-	178,062
Office	123,389	17,426	10,064	150,879
Computer communication	30,534	7,341	3,671	41,546
Postage	56,428	8,608	25,825	90,861
Repairs and maintenance	41,308	2,298	-	43,606
Occupancy	8,554	950	-	9,504
Telephone	57,314	3,886	1,943	63,143
Utilities	105,948	11,679	3,988	121,615
Miscellaneous	10,567	12,001	15,587	38,155
Contribution processing charges	-	33,420	-	33,420
Interest	-	32,605	-	32,605
Total expenses before depreciation and amortization	5,126,223	675,699	406,211	6,208,133
Depreciation and amortization	270,708	58,926	20,121	349,755
Total functional expenses	$ 5,396,931	$ 734,625	$ 426,332	$ 6,557,888

See accompanying notes to the financial statements.

MERCY MINISTRIES OF AMERICA, INC.

Statements of Cash Flows

Years ended December 31, 2008 and 2007

	2008	(As restated) 2007
Cash flows from operating activities:		
Increase in net assets	$ 125,011	$ 250,272
Adjustments to reconcile increase in net assets to cash flows provided by operating activities:		
Depreciation and amortization	336,630	349,756
Contributions of property and investments	-	(221,878)
Provision for inventory obsolescence	25,968	222
(Increase) decrease in operating assets:		
Pledges receivable	(210,600)	92,890
Other receivables	(17,964)	-
Inventories	(157,814)	(106,731)
Prepaid expenses	8,313	(139,574)
Other assets	5,765	(5,432)
Increase (decrease) in operating liabilities:		
Accounts payable	(11,782)	91,612
Accrued expenses	34,516	(3,620)
Deferred revenue	(7,200)	7,200
Total adjustments	5,832	64,445
Net cash provided by operating activities	130,843	314,717
Cash flows from investing activities:		
Purchases of property and equipment	(187,317)	(3,149,045)
Proceeds from sale of investments	50,968	172,841
Net cash used by investing activities	(136,349)	(2,976,204)
Cash flows from financing activities:		
Change in line of credit, net	153,172	-
Proceeds from notes payable	171,331	2,355,257
Payments of notes payable	(312,560)	(76,372)
Net cash provided by financing activities	11,943	2,278,885
Increase (decrease) in cash and cash equivalents	6,437	(382,602)
Cash and cash equivalents at beginning of year	190,192	572,794
Cash and cash equivalents at end of year	$ 196,629	$ 190,192

See accompanying notes to the financial statements.

(1) Nature of Activities

Mercy Ministries of America, Inc. (the "Ministry") is a non-profit organization whose mission is to provide opportunities for young women to experience God's unconditional love, forgiveness and life-transforming power. The Ministry primarily serves this mission through a residential counseling program provided free of charge to young women ages 13 to 28 with life-controlling issues such as eating disorders, self-harm, unplanned pregnancy, sexual abuse, addictions and depression. The program is voluntary, lasts approximately six months, and includes biblically-based counseling, nutrition and fitness education and life-skills training. The program takes a non-conventional approach to treatment by addressing the root cause of the problems, helping young women move past their debilitating circumstances as they recognize and accept their self-worth and preparing them to reach their full potential.

In addition to its residential program, the Ministry provides outreach to the community through speaking engagements and resources to educate and bring awareness about life-controlling issues and the opportunity to experience freedom. Resources include: the Ministry's website, books, teaching tapes, and training seminars for pastors, parents and the general public.

Over the past three years, the Ministry has experienced a tremendous increase in the global interest and demand for its services. In order to respond to the increase in demand, the Ministry formed a separate and new 501(c)3 entity, Mercy Ministries International, Inc. Mercy Ministries International, Inc. is custodian and owner of the Mercy Ministries program and brand, is responsible for sharing the program, and has overall responsibility to provide direction and perform quality assurance for Mercy Ministry programs on a global basis. Mercy Ministries International, Inc. provides the Ministry spiritual support and technical assistance with the ongoing operation of existing homes and the startup and initial operation of new homes. The Ministry transferred all rights to its intellectual properties to Mercy Ministries International, Inc. upon formation.

On March 27, 2008, the Ministry signed a Ministry Collaboration Agreement (MCA) with Mercy Ministries International, Inc., agreeing to adhere to the standards of operation, governance, structure and commitments as defined per the MCA agreement. As part of this agreement, the Board of Director for the Ministry may make an annual donation to Mercy Ministries International, Inc. as the board deems appropriate to support its efforts to spread the ministry throughout the world.

(2) Significant Accounting Policies

The financial statements of the Ministry are presented on the accrual basis. The significant accounting policies followed are described below.

(a) Basis of Presentation

Financial statement presentation follows the guidance of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organization.* Under SFAS No. 117, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Ministry and changes therein are classified and reported as follows:

Unrestricted net assets

Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets

Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Ministry and/or the passage of time.

Permanently restricted net assets

Net assets subject to donor-imposed stipulations that they be maintained permanently by the Ministry.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted increases to net asset classes.

(b) Cash Equivalents

Cash equivalents consist of short-term, highly liquid debt instruments purchased with an original maturity of three months or less.

(c) Pledges Receivable

Pledges receivable represent unconditional promises to give. The carrying amount of pledges receivable is reduced by a valuation allowance, if necessary, that represents the Ministry's best estimate of the amounts that will not be collected.

(d) Inventory

Inventory consists of hardback and paperback copies of books written by the founder of the Ministry, compact discs recorded by the founder of the Ministry and various musicians; and clothing. Inventory is stated at the lower of cost, determined on a first-in, first-out (FIFO) basis, or market (net realizable value).

(e) Property and Equipment

Property and equipment are stated at cost. It is the Ministry's policy to capitalized property and equipment with a purchase price over $2,000. Donated property and equipment are recorded at their estimated market value at the date of the gift. Depreciation and amortization is provided over the assets' estimated useful lives using the straight-line method. Buildings are generally depreciated over 30 - 40 years. Equipment and furniture are depreciated over five to ten years. Vehicles are depreciated over five years. Website development costs are amortized over a period of three years.

Expenditures for maintenance and repairs are expensed when incurred. Expenditures for renewals or betterments are capitalized. When property is retired or sold, the cost and the related accumulated depreciation or amortization are removed from the accounts, and the resulting gain or loss is included in operations.

(f) Income Taxes

The Ministry's exempt activities are exempt from federal, state and local income taxes under Internal Revenue Code section 501(c)(3) and accordingly, no provision for income taxes is included in the financial statements.

(g) Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(h) Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

All donor-restricted contributions are reported as an increase in temporarily restricted, or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Donated materials, property, or equipment, when received, are reflected as contributions in the accompanying statements at their estimated fair market values at the date of receipt. No amounts have been reflected in the financial statements for donated services of volunteers since no objective basis is available to measure the value of such services. However, a number of volunteers have donated their time to the Ministry.

(i) Long-lived assets

Management evaluates the recoverability of the investment in long-lived assets on an ongoing basis and recognizes any impairment in the year of determination. It is reasonably possible that relevant conditions could change in the near term and necessitate a change in management's estimate of the recoverability of these assets.

(j) Functional Allocation of Expenses

The costs of providing various program services and supporting activities of the Ministry have been summarized on a functional basis in accordance with the *Statement of Financial Accounting Standard* (SFAS) No. 117, *Financial Statements of Not-for Profit Organization*s. Accordingly, certain expenses have been allocated among program, fundraising, and general and management expenses.

Program expenses consist of the activities that promote the Ministry's vision, including the operation of the residential program, counseling services, Christian education, publication and media that spread the Ministry's mission; and other activities that fulfill the purpose for which the Ministry exists.

Fundraising expenses relate to those activities to promote contributions, gifts, grants, etc., including conducting fundraising campaigns and events, maintaining donor information, distributing fundraising materials, and conducting other fundraising activities.

Management and general expenses include oversight, business management, and finance activities. These expenses are not identifiable with program or fundraising activities, but are indispensable to the conduct of those activities and to the Ministry's existence.

In accordance with the American Institute of Certified Public Accountants' Statement of Position 98-2, "*Accounting for Costs of Activities of Not-for-Profit Organizations and State and Local Governmental Entities That Include Fund-Raising*" (SOP 98-2), the Ministry's policy is to report all joint costs, as defined by SOP 98-2, not specifically attributable to particular components of the activities, as allocated among program, general and management, and fundraising expenses.

The Ministry donates ten percent of its unrestricted cash contributions as a tithe to other organizations that are involved in activities aligned with the Ministry's mission.

(k) Capitalized interest

The Ministry capitalizes interest charges related to the debt on land under development for residential facilities.

(l) Recently issued accounting pronouncement

In July 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 48, "*Accounting for Uncertainty in Income Taxes-an interpretation of FASB Statement No. 109*" ("FIN 48"), which clarifies the accounting for uncertainty in income taxes. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. FIN 48 was effective for fiscal years beginning after December 15, 2006; however, the FASB delayed the effective date for non-public companies to periods beginning after December 15, 2007. On December 30, 2008, the FASB issued Staff Position No. 48-3, *Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Entities* ("FSP 48-3") which allows certain nonpublic entities to defer implementation of FIN 48 to fiscal years beginning after December 15, 2008.

Management has elected to adopt FSP 48-3 and defer implementation of FIN 48. As a result, the Ministry has accounted for uncertain tax positions in accordance with FASB Statements No. 109, *Accounting for Income Taxes* and No. 5, *Accounting for Contingencies* in the accompanying financial statements.

(m) Reclassifications

Certain reclassifications have been made to the 2007 financial statements in order for them to conform to the 2008 presentation. These reclassifications have no effect on net assets or changes in net assets as previously reported.

(3) Credit risk and other concentrations

The Ministry generally maintains cash on deposit at banks in excess of federally insured amounts. The Ministry has not experienced any losses in such accounts and management believes the Ministry is not exposed to any significant risk related to cash on deposit.

(4) Inventories

A summary of inventories as of December 31, 2008 and 2007 is as follows:

	2008	2007
Books, CDs and clothing	$ 312,539	$ 196,507
Allowance for obsolete inventory	-	(15,814)
Total inventories	$ 312,539	$ 180,693

(5) Property and equipment

A summary of property and equipment, net of accumulated depreciation, by location as of December 31, 2008 and 2007 is as follows:

	2008	2007
Monroe, Louisiana home	$ 185,472	$ 193,963
Nashville, Tennessee home	1,245,371	1,257,885
St. Louis, Missouri home	2,724,536	2,859,243
Destin, Florida (undeveloped land)	1,040,525	1,000,483
Nashville, Tennessee corporate offices	1,833,480	1,907,686
Lincoln, California home	40,563	-
	$ 7,069,947	$ 7,219,260

(6) Land - held for sale

The Ministry purchased approximately 11.75 acres of undeveloped land in Florida in 2007. It is the intention of the Ministry to sell approximately two-thirds of the acreage and use the remainder as the site of a home for girls. The portion of the property expected to be sold is included in the statement of financial position as a long-term investment.

(7) Line of credit

The Ministry has a $250,000 line of credit available with a bank at December 31, 2008. The line of credit bears interest at LIBOR plus 1.5% per annum (3.4% at December 31, 2008), is unsecured and matures August 15, 2009. Outstanding borrowings under this line of credit totaled $153,172 at December 31, 2008. There were no borrowings outstanding under the line of credit at December 31, 2007.

(8) Notes payable

A summary of notes payable as of December 31, 2008 and 2007 is as follows:

	2008	2007
Note payable to a finance company for insurance, payable in monthly installments of $9,131, including interest at a rate of 11.5%, maturing April 2008.	$ -	$ 26,894
Note payable to a finance company for insurance, payable in monthly installments of $17,133, including interest at a rate of 7.65%, maturing June 2009.	85,665	-

	2008	2007
Unsecured note payable to a bank for land in Florida (Notes 5 and 6); interest payments due monthly at a variable rate (3.1% as of December 31, 2008) through September 18, 2009. Principal of $575,000 due September 15, 2009 and remaining balance due September 18, 2009.	2,075,000	2,275,000
Total notes and loans payable	2,160,665	2,301,894
Less current portion	(2,160,665)	(801,894)
Notes payable, excluding current portion	$ -	$ 1,500,000

(9) Lease commitments

The Ministry leases office equipment under operating leases. Rent expense under these leases amounted to $11,412 and $9,504 in 2008 and 2007, respectively. A summary of approximate future minimum payments under these equipment leases as of December 31, 2008 is as follows:

	Amount
2009	$ 22,500
2010	14,000
2011	10,000
	$ 46,500

It is expected that in the normal course of business, leases that expire will be renewed or replaced by other leases; thus, it is anticipated that future lease payments will not be less than the commitments for 2009.

(10) Contingent liabilities

In 2001, a non-profit entity contributed land with a value of approximately $790,000 on which the St. Louis home for troubled girls and unwed mothers was built. The deed to this land contains certain restrictions which require the property to revert to the contributing non-profit entity when the following restrictions are not met:

(1) The Ministry shall remain a Christian-based residential facility for troubled girls and unwed mothers.

(2) The Founder of the Ministry shall be the President of Mercy Ministry International, Inc. ("MMI") and the Ministry shall continue to be affiliated with MMI.

(11) Related party transactions

Members of the Board of Trustees regularly contribute to the Ministry. Contributions received from related parties amounted to $579,730 and $356,923 in 2008 and 2007, respectively.

During 2007, the Ministry funded a portion of the global development of MMI. The Ministry received contributions of approximately $149,000 and expended approximately $400,000 for global development. MMI was created as its own 501(c)3 organization in 2007, maintaining a separate board of directors and organizational structure from the Ministry. Therefore, MMI is not reported on a consolidated basis with the Ministry.

The Ministry made cash contributions to MMI amounting to $558,869 in 2008, including $348,348 representing ministry collaboration agreement fees.

(12) Supplemental disclosures of cash flow statement information

	2008	2007
Interest paid, net of capitalized interest of $31,082 and $13,772 in 2008 and 2007, respectively	$ 72,041	$ 32,605

During 2007, the Ministry received noncash contributions of equity securities valued at approximately $222,000. No such contributions were received in 2008.

During 2008 and 2007, the Ministry received and distributed donated materials valued at approximately $41,000 and $96,000, respectively.

During 2008 and 2007, the Ministry received donated equipment and vehicles valued at approximately $20,000 and $27,000, respectively.

(13) Restatement of net assets

During the year ended December 31, 2008, management identified property at the St. Louis, Missouri home that was not being depreciated after its purchase in 2001. Additionally, during 2007, the Ministry incorrectly capitalized interest expense on the investment portion of the Florida land that was not being developed for its use. Accordingly, the Ministry has corrected these errors and the financial statements as of and for the year ended December 31, 2007 have been restated. Additionally, the Ministry reclassified a portion of undeveloped land held for a future home for women as land held for sale. The following financial statement line items for the year ended December 31, 2007 were affected by the change.

	As originally reported	Correction	As restated
Statement of financial position			
Current assets	$ 798,419	$ -	$ 798,419
Property and equipment, net	7,912,824	(693,564)	7,219,260
Land - held for sale	1,515,884	487,439	2,003,323
Other assets	5,765	-	5,765
Total assets	$ 10,232,892	$ (206,125)	$ 10,026,767
Current liabilities	$ 991,429	$ -	$ 991,429
Notes payable, excluding current portion	1,500,000	-	1,500,000
Total liabilities	2,491,429	-	2,491,429
Net assets:			
Unrestricted	7,552,366	(206,125)	7,346,241
Temporarily restricted	189,097	-	189,097
Total net assets	7,741,463	(206,125)	7,535,338
Total liabilities and net assets	$ 10,232,892	$ (206,125)	$ 10,026,767
Statement of activities and changes in net assets			
Revenues, gains, and other support	$ 6,808,161	$ (1)	$ 6,808,160
Functional expenses	6,502,709	55,179	6,557,888
Change in net assets	305,452	(55,180)	250,272
Net assets at beginning of the year	7,436,011	(150,945)	7,285,066
Net assets at end of the year	$ 7,741,463	$ (206,125)	$ 7,535,338

(14) Temporarily restricted net assets

A summary of temporarily restricted net assets as of December 31, 2008 and 2007 is as follows:

	2008	2007
Development of Houston, Texas home	$ 4,106	$ 5,900
Development of Lincoln, California home	33,332	134,359
Monroe graduates	1,500	1,500
Development of Charlotte, North Carolina home	10,444	-
Transitional care	-	7,061
Turner classroom	1,068	1,068
Bibles	566	167
Development of Destin, Florida home	-	32,412
Monroe, Louisiana building project	-	130
Research of former residents	-	6,500
Total temporarily restricted net assets	$ 51,016	$ 189,097

(15) Net assets released from restrictions

A summary of net assets released from donor restrictions during the year ended December 31, 2008 and 2007 is as follows:

	2008	2007
Purpose restrictions accomplished		
Christmas funds	$ 36,501	$ 238,268
Development of Houston, Texas home	2,000	-
Development of Lincoln, California home	133,650	17,860
Monroe graduates	-	250
Development of Charlotte, North Carolina home	825	-
Transitional care	7,061	66,637
Turner classroom	-	1,838
Bibles -	133	
Development of Destin, Florida home	158,443	751,082
Monroe, Louisiana building project	130	-
Research of former residents	6,500	-
Adoptions	1,425	400
St. Louis, Missouri home	316,969	462,060
Monroe, Louisiana home	12,505	78,569
Nashville, Tennessee home	33,640	28,170
Care for girls in the Northwest	-	35,255
Third floor addition	-	66,682
Kitchen fund	-	390
25th anniversary	-	1,000
Website development	-	40,000
Total restrictions released	$ 709,649	$ 1,788,594