

**OPERATION STAND DOWN NASHVILLE, INC.**  
**(A TENNESSEE CORPORATION - NOT-FOR-PROFIT)**

**FINANCIAL STATEMENTS**  
**FOR THE FOR THE YEAR ENDED DECEMBER 31, 2008**

**(Together with Independent Auditor's Report)**

OPERATION STAND DOWN NASHVILLE, INC.

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## **INDEPENDENT AUDITOR'S REPORT**

**To the Board of Directors  
Operation Stand Down Nashville, Inc.  
Nashville, Tennessee**

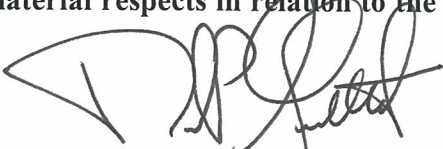
I have audited the accompanying statement of financial position of Operation Stand Down Nashville, Inc. (a Tennessee Corporation - Not For Profit) as of December 31, 2008 and the related statements of activities and changes in net assets, functional expenses, and statement of cash flows for the year then ended. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

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

In accordance with *Government Auditing Standards*, I have also issued a report dated January 22, 2009, on my consideration of Operation Stand Down Nashville, Inc.'s internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants.

My audit was conducted for the purpose of forming an opinion on the financial statements referred to above taken as a whole. The schedule of support and revenue is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**DAVID P. GUENTHER**

January 22, 2009

**OPERATION STAND DOWN NASHVILLE, INC.  
(A TENNESSEE CORPORATION - NOT FOR PROFIT)  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2008**

**ASSETS**

**Current assets:**

Cash on hand and in banks	\$ 117,416
Grant funds receivable	38,068
Prepaid expenses	1,650
Total current assets	<u>\$ 157,134</u>

**Fixed assets:**

Land	\$ 75,650
Buildings and improvements	907,867
Equipment & furniture	92,259
Vehicles	62,760
	<u>\$ 1,138,536</u>
Less: Accumulated depreciation	<u>320,969</u>

Total fixed assets	<u>\$ 817,567</u>
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Total assets	<u><u>\$ 974,701</u></u>
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The accompanying notes to financial statements are an integral part of this statement.

## LIABILITIES AND NET ASSETS

### Current liabilities:

Notes payable-current portion	\$ 382,295
Accounts payable - trade	5,124
Accrued compensation	6,916
Total current liabilities	<u>\$ 394,335</u>

### Other liabilities:

Notes payable, net of current portion shown above	<u>\$ 62,231</u>
Total other liabilities	<u>\$ 62,231</u>

### Net assets:

Unrestricted	\$ 502,130
Temporarily restricted	16,005
Total net assets	<u>\$ 518,135</u>

Total liabilities and net assets	<u><u>\$ 974,701</u></u>
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**OPERATION STAND DOWN NASHVILLE, INC.**  
**(A TENNESSEE CORPORATION-NOT FOR PROFIT)**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Total</u>	<u>Unrestricted</u>
<b>Public support and revenue:</b>		
<b>Public support:</b>		
Contributions	\$ 217,574	\$ 143,110
Federal grants	808,635	808,635
United Way	11,973	11,973
<b>Total public support</b>	<b>\$ 1,038,182</b>	<b>\$ 963,718</b>
<b>Revenue:</b>		
Contract income	\$ 12,188	\$ 12,188
Annual event	30,169	30,169
Client fees	50,769	50,769
<b>Total revenues</b>	<b>\$ 93,126</b>	<b>\$ 93,126</b>
<b>Total public support and revenue</b>	<b>\$ 1,131,308</b>	<b>\$ 1,056,844</b>
<b>Net assets released from restriction</b>	<b>\$ -</b>	<b>\$ 137,549</b>
<b>Expenses:</b>		
Program services	\$ 1,085,000	\$ 1,085,000
Management & general	40,095	40,095
Fund raising	97,326	97,326
<b>Total expenses</b>	<b>\$ 1,222,421</b>	<b>\$ 1,222,421</b>
<b>Decrease in net assets</b>	<b>\$ (91,113)</b>	<b>\$ (28,028)</b>
<b>Net assets, December 31, 2007</b>	<b>609,248</b>	<b>530,158</b>
<b>Net assets, December 31, 2008</b>	<b>\$ 518,135</b>	<b>\$ 502,130</b>

The accompanying notes to financial statements are an integral part of this statement.

**Temporarily  
Restricted**

\$ 74,464  
-  
-  
\$ 74,464

\$ -  
-  
-  
\$ -

\$ 74,464

\$ (137,549)

\$ -  
-  
-  
\$ -

\$ (63,085)

79,090

\$ 16,005

**OPERATION STAND DOWN NASHVILLE, INC.**  
**(A TENNESSEE CORPORATION-NOT FOR PROFIT)**  
**SCHEDULE OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

	PROGRAM SERVICES	MANAGEMENT & GENERAL	FUND RAISING	TOTAL ALL PROGRAMS
<b>Compensation expense:</b>				
Salaries	\$ 558,714	\$ 27,420	\$ 52,286	\$ 638,420
Employee benefits	12,028	-	-	12,028
Payroll taxes	41,880	2,119	4,072	48,071
Total compensation expense	<u>\$ 612,622</u>	<u>\$ 29,539</u>	<u>\$ 56,358</u>	<u>\$ 698,519</u>
<b>Other expenses:</b>				
Assistance to clients	\$ 96,256	\$ -	\$ -	\$ 96,256
Dues & subscriptions	865	20	-	885
Depreciation	66,424	405	502	67,331
Event expense	57,177	-	-	57,177
Insurance	22,145	1,696	1,034	24,875
Interest	27,776	2,351	-	30,127
Miscellaneous	7,472	479	-	7,951
Occupancy expense	113,104	96	96	113,296
Professional fees	4,000	1,495	35,353	40,848
Staff training	10,291	1,317	-	11,608
Supplies and general	39,784	1,564	2,999	44,347
Telephone	11,786	984	984	13,754
Travel	15,298	149	-	15,447
Total other expenses	<u>\$ 472,378</u>	<u>\$ 10,556</u>	<u>\$ 40,968</u>	<u>\$ 523,902</u>
<b>Total expenses</b>	<u><u>\$ 1,085,000</u></u>	<u><u>\$ 40,095</u></u>	<u><u>\$ 97,326</u></u>	<u><u>\$ 1,222,421</u></u>

The accompanying notes to financial statements are an integral part of this statement.



**OPERATION STAND DOWN NASHVILLE, INC.**  
**(A TENNESSEE CORPORATION FOR NOT PROFIT)**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

**Cash flows from operating activities:**

Change in net assets	\$ (91,113)
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**Adjustments to reconcile change in net assets to net cash used by operating activities:**

Depreciation	67,331
Decrease in accounts receivable	19,400
Increase in grant funds receivable	(905)
Decrease in prepaid expenses	7,850
Decrease in accounts payable	(822)
Decrease in accrued compensation	<u>(13,631)</u>

Net cash used by operating activities	\$ <u>(11,890)</u>
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**Cash flows from financing activities:**

Repayment of line of credit	\$ (11,872)
Repayment of loans from banks	<u>(15,790)</u>

Net cash used by financing activities	\$ <u>(27,662)</u>
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**Cash flows from investing activities:**

Purchase of property and equipment	\$ <u>(11,943)</u>
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Net cash used by investing activities	\$ <u>(11,943)</u>
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Net decrease in cash	\$ (51,495)
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Cash, beginning of period	<u>168,911</u>
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Cash, end of period	<u><u>\$ 117,416</u></u>
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**Supplemental information:**

Cash paid for interest expense	<u><u>\$ 30,127</u></u>
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The accompanying notes to financial statements are an integral part of this statement.

OPERATION STAND DOWN NASHVILLE, INC.  
(A TENNESSEE CORPORATION-NOT FOR PROFIT)  
SCHEDULE OF SUPPORT AND REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2008

U.S. Department of Veterans Affairs	\$ 446,024
U.S. Department of Labor	295,500
U.S. Department of Housing and Urban Development	55,000
United Way	11,973
Federal Emergency Management Agency	12,111
Metropolitan Nashville Development and Housing Agency	12,188
Contributions and assessments from:	
Designated account	74,464
Annual OSDN event	30,169
Client fees	50,769
Other monetary contributions	84,774
Other nonmonetary contributions	<u>58,336</u>
	<u>\$ 1,131,308</u>

The accompanying notes to financial statements are an integral part of this statement.

**OPERATION STAND DOWN NASHVILLE, INC.  
(A TENNESSEE CORPORATION – NOT FOR PROFIT)  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

**(1) ACCOUNTING POLICIES:**

**Standards of Accounting and Financial Reporting** – The Agency follows the standards of accounting and financial reporting as reflected in the AICPA Audit and Accounting Guide *Not-for-Profit Organizations*.

In accordance with these standards, all expenses are allocated into functional categories, dependent upon the ultimate purpose of the expenditure.

**Fixed Assets** – Land, buildings, and equipment are stated at cost. Depreciation of fixed assets is calculated by the straight-line method over the estimated useful lives of the assets. Donated fixed assets are recorded at their fair market value at the date of donation.

**Estimates** – The preparation of financial statements in conformity with the generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

**(2) ORGANIZATION & GENERAL:**

Operation Stand Down Nashville, Inc., (The Agency) was formed to assist military veterans in need of employment, medical treatment, legal assistance, sleeping quarters and other services from community and social service agencies.

**(3) TAX STATUS:**

The Agency is a nonprofit organization, exempt from income tax under Section 501 (c) 3 of the U.S. Internal Revenue Code. Contributions to the Agency qualify for the 50 percent charitable contributions limitation.

**(4) NOTES PAYABLE:**

Notes payable as of December 31, 2008 were as follows:

	<u>Current Portion</u>	<u>Non- Current Portion</u>
Line of credit payable to Regions Bank, interest at prime (6% at December 31, 2008) secured by a second mortgage on real estate, subject to a maximum availability of \$50,000.	\$ 6,852	\$ -
Note payable to Regions Bank, 6.30%, due in monthly installments of \$3,157.88, including interest, through August, 2009, with a balloon payment of \$363,298 due September, 2009, secured by substantially all the agency's real estate	373,322	-
Note payable to Regions Bank, \$7,405 due in monthly installments of \$567.22 through September, 2010, with a balloon payment of \$60,548 due October, 2010, secured by real estate.	<u>2,121</u>	<u>62,231</u>
	<u>\$ 382,295</u>	<u>\$ 62,231</u>

Future maturities of notes payable are as follows:

Year ended December 31,	
2009	\$ 382,295
2010	62,231
2011	-
2012	-
2013	-
Thereafter	-

The Regions Bank note due in September, 2009, is scheduled to renew for another 5 year period at the prevailing interest rate at that time.

**(5) SIGNIFICANT FUNDING SOURCES:**

Operation Stand Down Nashville, Inc., receives a major portion of its funds from Federal grants and contracts from independent agencies for the conduct of its programs. A major reduction of funds from one of the grantor agencies, should this occur, would have a material effect on the programs and the financial position of the Agency.

**(6) LEASES:**

The agency occupies office facilities under an agreement with Metropolitan Development and Housing Agency at a rate substantially less than the fair market rental value of the facilities. The amount of \$24,000 has been included in contribution income to represent the amount for which rents paid were less than the fair rental value of the property. This lease agreement expires April 30, 2009.

Subsequent to December 31, 2008, the Agency entered into a lease agreement for a new facility.



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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT  
AUDITING STANDARDS**

**To the Board of Directors  
Operation Stand Down Nashville, Inc.  
Nashville, Tennessee**

I have audited the financial statements of Operation Stand Down Nashville, Inc. as of and for the year ended December 31, 2008, and have issued my report thereon dated January 22, 2009. I conducted my 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.

**Compliance**

As part of obtaining reasonable assurance about whether Operation Stand Down Nashville, Inc. financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

**Internal Control Over Financial Reporting**


In planning and performing my audit, I considered Operation Stand Down Nashville, Inc.'s internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting



that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amount that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended for the information of the Board of Directors, management and federal awarding agencies. However, this report is a matter of public record and its distribution is not limited.

January 22, 2009



DAVID P. GUENTHER