OPERATION STAND DOWN TENNESSEE

FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2020 and 2019

And Report of Independent Auditor

Cherry Bekaert LLP
CPAs & Advisors

OPERATION STAND DOWN TENNESSEE

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Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor

To the Board of Directors
Operation Stand Down Tennessee
Nashville, Tennessee

We have audited the accompanying financial statements of Operation Stand Down Tennessee (a nonprofit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Operation Stand Down Tennessee as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As more fully described in Note 15 to the financial statements, Operation Stand Down Tennessee has been impacted by the outbreak of the novel coronavirus (COVID-19), which was declared a global pandemic by the World Health Organization in March 2020. Our opinion is not modified with respect to this matter.

Other Matters

Other 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 federal and other awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2021, 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.

Cherry Bekaert LLP

Nashville, Tennessee
August 27, 2021

OPERATION STAND DOWN TENNESSEE

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2020 AND 2019

	2020	2019
ASSETS		
Cash and cash equivalents	$ 890,011	$ 811,468
Grant and contract receivables	732,973	196,200
Accounts and contributions receivable	167,458	46,409
Prepaid expenses	36,728	24,014
Fixed assets, net	4,823,433	3,996,222
Beneficial interest in agency endowment fund held by the Community Foundation of Middle Tennessee	8,128	-
Total Assets	$ 6,658,731	$ 5,074,313
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	$ 199,603	$ 501,976
Accrued expenses	149,321	121,329
Tenant deposits	-	986
Long-term debt	1,381,725	130,000
Deferred program revenue	14,033	-
Deferred government grant revenue	137,000	-
Deferred lease revenue	738,598	746,212
Total Liabilities	2,620,280	1,500,503
Net Assets:		
Without donor restrictions	3,579,231	3,376,715
With donor restrictions	459,220	197,095
Total Net Assets	4,038,451	3,573,810
Total Liabilities and Net Assets	$ 6,658,731	$ 5,074,313

The accompanying notes to the financial statements are an integral part of these statements.

OPERATION STAND DOWN TENNESSEE
STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenues:			
Contributions:			
Grants	$ 3,288,643	$ -	$ 3,288,643
Contributions (including in-kind of $118,477)	742,654	455,193	1,197,847
United Way	143,968	-	143,968
Total Contributions	4,175,265	455,193	4,630,458
Fundraising event	256,335	-	256,335
Less fundraising event expenses	(45,136)	-	(45,136)
Fundraising event, net	211,199	-	211,199
Total Public Support	4,386,464	455,193	4,841,657
Revenues:			
Sales to the public	61,754	-	61,754
Rental income and other	43,493	-	43,493
Client fees	11,993	-	11,993
Gain on asset disposal	132	-	132
Total Revenues	117,372	-	117,372
Net assets released from restriction	193,068	(193,068)	-
Total Public Support and Revenues	4,696,904	262,125	4,959,029
Expenses:			
Program services	3,834,455	-	3,834,455
Management and general	339,557	-	339,557
Fundraising	320,376	-	320,376
Total Expenses	4,494,388	-	4,494,388
Change in net assets	202,516	262,125	464,641
Net assets, beginning of year	3,376,715	197,095	3,573,810
Net assets, end of year	$ 3,579,231	$ 459,220	$ 4,038,451

OPERATION STAND DOWN TENNESSEE
STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenues:			
Contributions:			
Grants	$ 1,804,169	$ -	$ 1,804,169
Contributions (including in-kind of $135,087)	1,371,405	294,540	1,665,945
United Way	93,000	-	93,000
Total Contributions	3,268,574	294,540	3,563,114
Fundraising event	353,336	-	353,336
Less fundraising event expenses	(69,781)	-	(69,781)
Fundraising event, net	283,555	-	283,555
Total Public Support	3,552,129	294,540	3,846,669
Revenues:			
Sales to the public	93,956	-	93,956
Rental income and other	66,771	-	66,771
Client fees	17,440	-	17,440
Total Revenues	178,167	-	178,167
Net assets released from restriction	1,283,265	(1,283,265)	-
Total Public Support and Revenues	5,013,561	(988,725)	4,024,836
Expenses:			
Program services	2,740,335	-	2,740,335
Management and general	244,727	-	244,727
Fundraising	191,603	-	191,603
Total Expenses	3,176,665	-	3,176,665
Change in net assets	1,836,896	(988,725)	848,171
Net assets, beginning of year	1,539,819	1,185,820	2,725,639
Net assets, end of year	$ 3,376,715	$ 197,095	$ 3,573,810

OPERATION STAND DOWN TENNESSEE
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2020

		Supporting Services		
	Program Services	Management and General	Fundraising	Total
Compensation Expense:				
Salaries	$ 1,476,406	$ 183,282	$ 165,596	$ 1,825,284
Payroll taxes	112,320	11,919	13,616	137,855
Total Compensation Expense	1,588,726	195,201	179,212	1,963,139
Other Expenses:				
Assistance to clients	1,425,564	-	-	1,425,564
Supplies and general	157,472	21,199	78,841	257,512
Depreciation	183,246	11,603	12,800	207,649
Professional fees	99,857	73,704	9,840	183,401
Occupancy	149,223	24,154	4,916	178,293
Dues and subscriptions	48,998	3,943	20,904	73,845
Insurance	54,954	6,121	3,275	64,350
Interest	50,890	2,284	8,284	61,458
Telephone	35,869	943	1,691	38,503
Transportation	35,158	263	188	35,609
Staff training	4,498	142	425	5,065
Total Other Expenses	2,245,729	144,356	141,164	2,531,249
Total Expenses	$ 3,834,455	$ 339,557	$ 320,376	$ 4,494,388

OPERATION STAND DOWN TENNESSEE
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2019

	Program Services	Supporting Services: Management and General	Supporting Services: Fundraising	Total
Compensation Expense:				
Salaries	$ 1,289,399	$ 122,445	$ 121,145	$ 1,532,989
Payroll taxes	103,424	9,821	9,717	122,962
Total Compensation Expense	1,392,823	132,266	130,862	1,655,951
Other Expenses:				
Assistance to clients	588,795	-	-	588,795
Professional fees	158,607	41,433	19,667	219,707
Occupancy	151,472	13,124	2,598	167,194
Depreciation	149,825	2,903	4,327	157,055
Supplies and general	69,215	23,596	18,265	111,076
Interest	68,237	23,629	3,496	95,362
Insurance	51,712	4,546	3,134	59,392
Dues and subscriptions	32,104	1,932	7,165	41,201
Telephone	31,090	398	1,459	32,947
Transportation	26,938	683	423	28,044
Staff training	19,517	217	207	19,941
Total Other Expenses	1,347,512	112,461	60,741	1,520,714
Total Expenses	$ 2,740,335	$ 244,727	$ 191,603	$ 3,176,665

OPERATION STAND DOWN TENNESSEE
STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	$ 464,641	$ 848,171
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	207,649	157,055
Gain on asset disposal	(132)	-
Amortization of lease revenue	(7,614)	(3,788)
Donated fixed assets	(50,000)	(9,000)
Change in value of beneficial interest in agency endowment fund held by Community Foundation of Middle Tennessee	(8,128)	-
Changes in operating assets and liabilities:		
Grant and contract receivables	(536,773)	(64,218)
Accounts and contributions receivable	(121,049)	11,951
Prepaid expenses	(12,714)	10,352
Accounts payable	(302,373)	284,197
Accrued expenses	27,992	12,054
Tenant deposits	(986)	(12,000)
Deferred program revenue	14,033	-
Deferred government grant revenue	137,000	-
Net cash from operating activities	(188,454)	1,234,774
Cash flows from investing activities:		
Purchases of fixed assets	(984,728)	(985,313)
Net cash from investing activities	(984,728)	(985,313)
Cash flows from financing activities:		
Proceeds from leased property	-	750,000
Proceeds from long-term borrowings	1,365,500	130,000
Repayment of long-term debt	(113,775)	(2,452,774)
Net cash from financing activities	1,251,725	(1,572,774)
Net increase (decrease) in cash and cash equivalents	78,543	(1,323,313)
Cash and cash equivalents, beginning of year	811,468	2,134,781
Cash and cash equivalents, end of year	$ 890,011	$ 811,468
Supplemental information:		
Cash paid for interest	$ 52,538	$ 95,362
Schedule of noncash investing and financing activities:		
Donated fixed assets	$ 50,000	$ 9,000

Note 1—Nature of activities

Operation Stand Down Tennessee (the "Organization") assists veterans and their families so they can be self-sustaining and better connected to the community. The Organization operates two service centers providing and/or coordinating a variety of services to veterans and their families with special emphasis on those who are homeless, at-risk, or in transition. The Organization provides employment training and counseling, technical assistance, job training, placement assistance, computer training, and job retention to veterans with the focus of helping them find sustainable employment. The Organization operates a transitional housing program for veterans, providing the necessary social and support services to ensure a successful return to responsible living. The Organization provides assistance for veterans seeking permanent housing and assists veterans with maintaining current housing to prevent homelessness. The Organization coordinates events with other Middle Tennessee agencies to provide supplies and social and support services to homeless veterans ("Stand Downs"). The Organization also operates a thrift store that provides a job-training program for veterans, provides clothes to veterans and their families (at no cost to them), and generates revenue to support programs in the veteran support centers.

Note 2—Summary of significant accounting policies

The financial statements of the Organization are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The significant accounting policies followed are described below.

Basis of Presentation – Under U.S. GAAP, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

Under these provisions, net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

> *Net Assets Without Donor* Restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of Organization's management and the Board of Directors.
>
> *Net Assets With Donor Restrictions* – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the fund be maintained in perpetuity. The Organization had net assets with donor restrictions of $459,220 and $197,095 as of December 31, 2020 and 2019, respectively. The Organization had donor restricted net assets that are perpetual in nature of $8,128 and $-0- at December 31, 2020 and 2019, respectively.

Contributions which are restricted for specific programs are reflected as without donor restrictions if the funds are received and spent during the same fiscal year.

Use of Estimates – The preparation of financial statements in conformity with U.S. GAAP 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 and allocation of functional expenses during the reporting period. Actual results could differ from those estimates.

Note 2—Summary of significant accounting policies (continued)

Contributions – Contributions are recognized when a donor makes an unconditional promise to give to the Organization. Contributions are considered to be available for general use unless specifically restricted by the donor. Amounts received that are subject to a donor-imposed restriction for a future period or for a specific purpose are reported as net assets with donor restrictions and when a restriction is fulfilled (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

In-Kind Contributions – In-kind contributions are recorded based on their estimated value on the date of receipt. The Organization reports any gifts of equipment or materials as support unless explicit donor restrictions specify how the assets must be used. Gifts of long-lived assets with explicit restrictions as to how the assets are to be used for the acquisition of long-lived assets are reported as having donor-imposed restrictions. Expirations of donor-imposed restrictions are recognized when the donated or acquired long-lived assets are placed in service.

Revenue from sales of donated goods is recognized at the time merchandise is transferred to the customer.

Grants – The Organization receives grant revenue from federal agencies, generally on a cash reimbursement basis. Grant revenue is recognized in the period a liability is incurred for eligible expenditures under the terms of the grants.

Sales Taxes Collected – Sales taxes collected and remitted to governmental authorities are excluded from revenues and expenses and presented on a net basis in the financial statements.

Cash and Cash Equivalents – For purposes of the statements of cash flows, the Organization considers all cash funds, cash bank accounts, and highly liquid debt instruments with an original maturity when purchased of three months or less to be cash and cash equivalents. At times during the year, the Organization maintained cash balances at financial institutions in excess of federally insured limits. The Organization has not experienced any losses in such accounts. Management believes the Organization is not exposed to any significant credit risk related to cash. Cash and cash equivalent balances in excess of federally insured limits amounted to $492,146 and $569,574 at December 31, 2020 and 2019, respectively.

Promises to Give – Unconditional promises to give that are expected to be collected within one year are recorded as contributions receivable at their estimated net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discount on promises to give is computed using an interest rate applicable to the year in which the promise is received. Amortization of the discount is recognized on the interest method over the term of the gift and included in contribution revenue. Conditional promises to give are not included as support until such time as the conditions are substantially met.

An allowance for uncollectible contributions is provided based on management’s estimate of uncollectible pledges and historical trends. Contributions receivable are written off when deemed to be uncollectible. Contributions receivable are deemed to be fully collectible by management and no allowance for uncollectible contributions is considered necessary at December 31, 2020 and 2019.

Accounts Receivable – Accounts receivable are reported at gross sales price less any applicable payments or adjustments. The Organization does not charge interest on past due accounts. Accounts receivable are deemed to be fully collectible by management and no allowance for bad debts is considered necessary at December 31, 2020 and 2019.

Note 2—Summary of significant accounting policies (continued)

Fixed Assets – Fixed assets are recorded at cost at the date of purchase or estimated fair value at the date of gift to the Organization. The Organization's policy is to capitalize acquisitions which constitute a unit of property with an estimated useful life greater than one year or improvements to buildings which significantly improve or materially extend the life of the property. Depreciation is calculated by the straight-line method over the estimated useful lives, which are as follows:

Buildings and improvements	5 to 27 years
Equipment and furniture	3 to 7 years
Vehicles	5 years

Deferred Lease Revenue – Deferred lease revenue consists of a payment received in 2019 for a 99-year lease of a portion of the Organization's parking lot. Rent revenue is currently being recognized ratably over the lease term.

Deferred Program Revenue – Deferred program revenue consists of tenant lease payments for January 2021 and other funds received prior to December 31, 2020 that will be recognized in the subsequent year.

Program and Supporting Services – The following program and supporting services are included in the accompanying financial statements:

Program Services – Includes costs of operating the service centers, providing employment training and counseling, operation of transitional housing, coordination of Stand Downs, and operation of a thrift store.

Supporting Services - Management and General – Relates to the overall direction of the Organization. These expenses are not identifiable with a particular program or event, or with fundraising, but are indispensable to the conduct of those activities and are essential to the Organization. Specific activities include organization oversight, business management, recordkeeping, budgeting, financing, and other administrative duties.

Supporting Services - Fundraising – Includes costs of activities directed toward appeals for financial support. Other activities include the creation and distribution of fundraising materials.

Allocation of Functional Expenses – Costs of providing the Organization's program and supporting services are summarized and reported on a functional basis. Expenses that can be directly attributed to a particular function are charged to that function. Program expenses include costs directly associated with the program and other indirect costs determined to benefit the program. The majority of these costs have been allocated between program and supporting services based on time and effort.

Income Taxes – The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation. Accordingly, no provision for income taxes has been made. The Organization pays tax on unrelated business income from certain activities. These activities and the related tax were insignificant in 2020 and 2019.

The Organization follows Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") guidance concerning the accounting for income taxes recognized in an entity's financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. The Organization has no tax penalties or interest reported in the accompanying financial statements.

Note 2—Summary of significant accounting policies (continued)

Recently Adopted Accounting Pronouncements – In May 2014, FASB issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which supersedes the revenue recognition requirements in *Revenue Recognition (Topic 605)* and requires entities to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Subsequent to ASU 2014-09, FASB issued several related ASUs (collectively "ASC 606"). As allowed by ASC 606, the Organization adopted the provisions of ASU 2014-09 and the related ASUs as of January 1, 2019 using a modified retrospective approach, which resulted in no cumulative effect adjustment. There was no change in the timing and amount of revenue recognition as a result of the adopting of these ASUs (see Note 3).

Accounting Policies for Future Pronouncements – In February 2016, FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right of use asset and lease liability on the statement of financial position at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the statement of activities. This standard will be effective for the fiscal year ending December 31, 2022. The Organization is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

Note 3—Revenue recognition

As noted in Note 2, the Organization adopted ASC 606 during the year ended December 31, 2019 using the modified retrospective approach and determined that there was no cumulative effect adjustment. Under ASC 606, revenue is recognized when the Organization transfers the promised goods or services to a customer in an amount that reflects consideration that is expected to be received for those goods and services.

The Organization recognizes revenue for services in accordance with the following five steps outlined in ASC 606:

- Identification of the contract or contracts with a customer.
- Identification of the performance obligations in the contract.
- Determination of the transaction prices.
- Allocation of the transaction price to the performance obligations in the contract.
- Recognition of revenue when or as the Organization satisfies a performance obligation.

The Organization has analyzed the provisions of ASC 606 and has concluded the following:

Thrift Store Sales – The Organization sells clothes, furniture and other household goods in its Thrift Store. Sales are recognized at the time of delivery to the customer within the Thrift Store and when collectability is reasonably assured.

Performance Obligations – A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account under ASC 606. The transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. The Organization's contracts with customers related to sales do not typically include multiple performance obligations.

Variable Consideration – The Organization's contracts with customers do not result in contract modifications. The Organization offers immaterial discounts to its customers, which it nets with total sales in the accompanying statements of activities. The discounts offered by the Organization are fixed, and are recognized at the point in time that the sale occurs.

Note 3—Revenue recognition (continued)

Payment Terms –The Organization's payment terms vary by the type of products offered. The time between invoicing and when payment is due is not significant. The Organization's contracts with customers do not generally result in significant obligations associated with returns, refunds, or warranties.

Practical Expedients and Exemptions – There are several practical expedients and exemptions allowed under ASC 606 that impact timing of revenue recognition and disclosures. The one practical expedient the Organization applied in the adoption and application of ASC 606 allows the Organization to elect to treat similar contracts as part of a portfolio of contracts. The contracts have the same provision terms and management has the expectation that the result will not be materially different from the consideration of each individual contract.

Disaggregation of Revenue – The Organization does not disaggregate its sales by product sold.

Note 4—Accounts and contributions receivable

Accounts and contributions receivable are primarily composed of unconditional promises to give and are collectible over the following periods as of December 31:

	2020	2019
Less than one year	$ 167,458	$ 46,409
One to five years	-	-
	$ 167,458	$ 46,409

Note 5—Fixed assets

Fixed assets consist of the following as of December 31:

	2020	2019
Land	$ 1,215,650	$ 1,215,650
Buildings and improvements	4,914,341	3,148,321
Equipment and furniture	271,732	406,732
Vehicles	104,687	89,550
Construction in process	-	977,445
	6,506,410	5,837,698
Less accumulated depreciation	(1,682,977)	(1,841,476)
	$ 4,823,433	$ 3,996,222

Construction in process consists of major facility renovations at the Organization's primary location.

Note 6—Long-term debt

On April 15, 2014, the Industrial Development Board of the Metropolitan Government of Nashville and Davidson County issued Revenue Bond Series 2014 in the amount $2,375,000 to provide funds for the Organization to finance the purchase of real property from which it operates. The bonds were purchased by a bank, to which all principal and interest payments were being made. In August 2019, the Organization fully paid off this mortgage.

During August 2019, the Organization obtained a delayed draw term loan allowing for maximum borrowings up to $1,500,000 through a financial institution. The loan is set to mature in August 2029, when all outstanding principal and accrued and unpaid interest is due. The loan requires monthly payments of interest only for the first twelve months through August 2020, and monthly payments of principal and accrued and unpaid interest from September 2020 through August 2029. The interest rate on the loan is 4.50%. The loan is collateralized by the Organization's real estate. The balance outstanding at December 31, 2020 and 2019 totaled $1,381,725 and $130,000, respectively.

Future principal maturities of long-term debt are as follows:

Years Ending December 31,	
2021	$ 106,821
2022	106,821
2023	106,821
2024	106,821
2025	106,821
Thereafter	847,620
	$ 1,381,725

Note 7—Beneficial interest in agency endowment fund

The Organization has a beneficial interest in the Bill Burleigh Endowment Fund for Operation Stand Down Tennessee (the "Fund"), an agency endowment fund held by the Community Foundation of Middle Tennessee (the "Community Foundation"). Earnings on this Fund are used to benefit veteran services. The Fund is charged a 0.4% administrative fee annually. Upon request by the Organization, income from the Fund may be distributed to the Organization or to another suggested beneficiary.

A schedule of changes in the Organization's beneficial interest in this Fund follows for the year ended December 31, 2020:

Balance, beginning of year	$ -
Contributions	8,128
Balance, end of year	$ 8,128

The FASB ASC provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA"). UPMIFA also requires additional disclosures about an organization's endowment funds whether or not the organization is subject to UPMIFA. The state of Tennessee enacted UPMIFA effective July 1, 2007, the provisions of which apply to endowment funds existing on or established after that date. The Organization is subject to the provisions of UPMIFA.

Note 7—Beneficial interest in agency endowment fund (continued)

The original contribution to the endowment fund was subject to a donor restriction stipulating that the original principal of the gift is to be held and invested by the Organization indefinitely, and income from the fund is to be used to fund the Organization's operations. The Organization has informally adopted investment and spending policies based on the requirements of the State Prudent Management of Institutional Funds Act ("SPMIFA"). Based on the Organization's interpretation of SPMIFA, and in accordance with donor restrictions, contributions to the endowment fund are classified as net assets with restrictions. The historic dollar value of those contributions must be maintained in perpetuity. Income from the Fund is classified as net assets with donor restrictions until the purpose restriction is satisfied, at which time the net assets are reclassified to net assets without donor restrictions. However, if the restriction is fulfilled in the same reporting period in which the income is earned, the income is reported as without donor restriction.

At December 31, 2020, the endowment fund in the amount of $8,128 is classified as net assets with donor restrictions.

Note 8—Fair value measurements

The Organization has established a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under U.S. GAAP are described below:

> *Level 1* – Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
>
> *Level 2* – Inputs to the valuation methodology include: 1) quoted prices for similar assets or liabilities in active markets, 2) quoted prices for identical or similar assets or liabilities in inactive markets, 3) inputs other than quoted prices that are observable for the asset or liability, and 4) inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
>
> *Level 3* – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The carrying amount of the beneficial interest in agency endowment fund held by the Community Foundation of Middle Tennessee is based on information received from the Community Foundation of Middle Tennessee indicating the financial performance of the endowment fund. The Organization reflects the beneficial interest totaling $8,128 within Level 3 of the valuation hierarchy.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while The Organization's management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Note 9—Net assets with donor restrictions

Net assets with donor restrictions consist principally of contributions restricted for the following purposes as of December 31:

	2020	2019
Endowment fund	$ 8,128	$ -
Contributions restricted for specific programs	298,376	151,314
Contributions restricted for future years' operations	152,716	45,781
	$ 459,220	$ 197,095

Note 10—Significant funding sources

The Organization receives a significant portion of its funds from federal grants and contracts and 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 Organization.

The Organization had one donor which accounted for approximately 14% of the Organization's contribution revenue. Contributions receivable from this same donor represented approximately 11% of all receivables at December 31, 2020.

Note 11—Leases and commitments

The Organization leases certain office space and equipment under noncancelable agreements. Rent expense related to these agreements amounted to $60,067 and $43,417 during 2020 and 2019, respectively.

The Organization entered into a multi-year agreement for case management software. The agreement expires November 2021 unless extended.

Future minimum lease and other commitments are as follows:

Years Ending December 31,	
2021	$ 59,124
2022	17,994
2023	17,244
2024	-
2025	-
	$ 94,362

The Organization serves as lessor for a portion of its building and its parking lot. The building lease requires minimum monthly rental payments ranging from $3,090 to $7,764, including additional rent for real estate taxes and other shared expenses, through August 2039. The parking lot lease requires minimum monthly rental payments of $500 through December 2025. Rental income totaled $17,240 and $21,607 for the years ended December 31, 2020 and 2019, respectively.

Note 11—Leases and commitments (continued)

On May 2, 2018, the Organization entered into a lease agreement as "Landlord" in which the Organization received advance payment of $750,000 in 2019 to lease a tract of land located in front of the existing building to a tenant for 99 years commencing on June 30, 2019, as amended. The tenant constructed a facility to provide housing to needy veterans, among others. The Organization received full payment of $750,000 on March 20, 2019, which currently is being recognized ratably over the term of the lease.

Subsequent to December 31, 2020, the Organization entered into a lease agreement for a portion of its building. The building lease requires monthly rental payments ranging from $10,000 to $15,000, including additional rent for real estate taxes and other shared expenses, through October 2027.

Future minimum rental income is as follows:

Years Ending December 31,		
2021	$	87,317
2022		197,317
2023		211,350
2024		219,471
2025		239,656
Thereafter		1,378,334
	$	2,333,445

Note 12—Donated goods and services

The Organization is the recipient of numerous donated goods and services, which play a vital role in the Organization's operations and in the sustaining of certain programs and activities.

The donation of various items of used clothing and furniture resulted in the ability to sell goods to the public for approximately $62,000 and $94,000 in 2020 and 2019, respectively, which was used to assist in sustaining the Organization's job training program. In addition, approximately $118,000 and $135,000 of goods were received and used in various functions of the Organization in 2020 and 2019, including $50,000 and $9,000, respectively, of donated fixed assets.

Note 13—Liquidity and availability of financial resources

As a part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization considers all expenditures related to its ongoing program service activities as well as the conduct of services undertaken to support those activities to be general expenditures. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, comprise the following at December 31:

	2020	2019
Financial assets:		
Cash and cash equivalents	$ 890,011	$ 811,468
Grants receivable	732,973	196,200
Accounts and contributions receivable	167,458	46,409
Total financial assets, at year-end	1,790,442	1,054,077
Less amounts unavailable for general expenditures within one year, due to:		
Endowment fund	(8,128)	-
Contributions restricted for specific programs	(298,376)	(151,314)
Contributions restricted for future year operations	(152,716)	(45,781)
Financial assets available to meet cash needs for general expenditures within one year	$ 1,331,222	$ 856,982

Note 14—Contingency

The Organization is a defendant in litigation brought by one of its former commercial tenants relating to a lease extension and related damages. Management believes that all claims will be resolved in its favor, however, the ultimate outcome of these matters cannot presently be determined.

Note 15—Uncertainty

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a global pandemic which continues to spread throughout the world and has adversely impacted global commercial activity. The coronavirus outbreak and government responses are creating disruptions and adversely impacting many industries and economic conditions. The rapid development and fluidity of this situation precludes any prediction as to the ultimate material, adverse impact of the coronavirus outbreak. Nevertheless, the outbreak presents uncertainty and risk with respect to the Organization, its performance, and its financial results.

Note 16—Deferred government grant revenue

The Organization received a loan under the Paycheck Protection Program ("PPP") for an amount of $137,000, which was established under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") and administered by the Small Business Administration ("SBA"). The application for the PPP loan requires the Organization to, in good faith, certify that the current economic uncertainty made the loan request necessary to support the ongoing operation of the Organization. This certification further requires the Organization to take into account current business activity and the ability to access other sources of liquidity sufficient to support the ongoing operations in a manner that is not significantly detrimental to the business. The receipt of the funds from the PPP loan and the forgiveness of the PPP loan is dependent on the Organization having initially qualified for the PPP loan and qualifying for the forgiveness of such PPP loan based on funds being used for certain expenditures such as payroll costs and rent, as required by the terms of the PPP loan.

Subsequent to December 31, 2020, the PPP loan of $137,000 was fully forgiven by the SBA.

Note 17—Subsequent events

The Organization evaluated subsequent events through August 27, 2021 when the financial statements were available to be issued, and determined there are no subsequent events that require disclosure other than as described in Notes 11 and 16 and as follows:

Under the same terms and requirements as described in Note 16, subsequent to December 31, 2020, the Organization received a second loan under the PPP for an amount of $195,125, which was established under the CARES Act and administered by the SBA. If the SBA determines the PPP loan was not properly obtained and/or expenditures supporting forgiveness were not appropriate, the Organization would need to repay some or all of the PPP loan and record additional expense which could have a material, adverse effect on the Organization's business, financial position, and activities in a future period.

Subsequent to December 31, 2020, the Organization entered into a letter of intent to lease a portion of its building for $15 per square foot increasing by 3% each year for six years.

COMPLIANCE INFORMATION

OPERATION STAND DOWN TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND OTHER AWARDS

YEAR ENDED DECEMBER 31, 2020

Grantor/Program Name	CFDA No.	Contract Number	Balance December 31, 2019	Receipts	Expenditures	Receivable (Restricted Revenue) Balance December 31, 2020
Federal Awards:						
U.S. Department of Veterans Affairs						
VA Homeless Providers Grant and Per Diem Program	64.024	OSDT832-0373-626-SC-18-0	$ 14,563	$ 215,789	$ 234,321	$ 33,095
		OSDT832-0409-626-SI-18-0	53,138	585,561	578,282	45,859
		OSDT832-0428-626-BH-18-0	7,673	143,136	150,644	15,181
		n/a	3,238	3,238	-	-
		OSDT832-1097-626-CM-20	8,024	49,727	71,839	30,136
Total Program 64.024			86,636	997,451	1,035,086	124,271
Supportive Services for Veteran Families Program	64.033	14-TN-285	100,814	1,654,142	1,872,017	318,689
Total Program 64.033			100,814	1,654,142	1,872,017	318,689
Total U.S. Department of Veterans Affairs			187,450	2,651,593	2,907,103	442,960
U.S. Department of Housing and Urban Development						
Passed through Metropolitan Development and Housing Agency						
Emergency Solutions Grant Program	14.231	n/a	8,750	30,609	67,342	45,483
Total Program 14.231			8,750	30,609	67,342	45,483
Total U.S. Department of Housing and Urban Development			8,750	30,609	67,342	45,483
Federal Emergency Management Agency						
Passed through United Way						
Emergency Food and Shelter Program	97.024	n/a	-	12,500	963	(11,537)
Total Program 97.024			-	12,500	963	(11,537)
Total Federal Emergency Management Agency			-	12,500	963	(11,537)
Department of the Treasury						
Passed through United Way						
Tennessee Community Cares Program	21.019	n/a	-	68,705	291,784	223,079
Total Program 97.024			-	68,705	291,784	223,079
Total Federal Emergency Management Agency			-	68,705	291,784	223,079
Total Federal Awards			196,200	2,763,407	3,267,192	699,985

OPERATION STAND DOWN TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND OTHER AWARDS (CONTINUED)

YEAR ENDED DECEMBER 31, 2020

Grantor/Program Name	CFDA No.	Contract Number	Balance December 31, 2019	Receipts	Expenditures	Receivable (Restricted Revenue) Balance December 31, 2020
Other Awards - State and Local Governments:						
Metro Government of Nashville and Davidson County			-	-	21,451	21,451
Total Other Awards - State and Local Governments			-	-	21,451	21,451
Total Federal and Other Awards			$ 196,200	$ 2,763,407	$ 3,288,643	$ 721,436

Note 1—Basis of presentation

The accompanying schedule of expenditures of federal and other awards (the "Schedule") includes the federal award activity of Operation Stand Down Tennessee (the "Organization") under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

Note 2—Summary of significant accounting policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The Organization expended indirect costs using a multiple allocation base method and did not elect to use the 10% de minimis cost rate allowed under the Uniform Guidance.

Note 3—Noncash awards

The Organization did not receive noncash federal awards during the year ended December 31, 2020.

Note 4—Subrecipients

The Organization did not pass through any federal awards to subrecipients during the year ended December 31, 2020.

Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
Operation Stand Down Tennessee
Nashville, Tennessee

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 Operation Stand Down Tennessee (a nonprofit organization) (the "Organization"), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 27, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting ("internal control") to determine the 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 the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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 determination of financial statement amounts. 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 the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cherry Bekaert LLP

Nashville, Tennessee
August 27, 2021

Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

To the Board of Directors
Operation Stand Down Tennessee
Nashville, Tennessee

Report on Compliance for Each Major Federal Program

We have audited Operation Stand Down Tennessee's (the "Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2020. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

Report on Internal Control over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Cherry Bekaert LLP

Nashville, Tennessee
August 27, 2021

Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Operation Stand Down Tennessee (the "Organization") were prepared in accordance with accounting principles generally accepted in the United States of America.

2. No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported in the 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.* No material weaknesses are reported.

3. No instances of noncompliance material to the financial statements of the Organization, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

4. No significant deficiencies relating to the audit of the major federal award programs disclosed during the audit are reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance. No material weaknesses are reported.

5. The auditor's report on compliance for the major federal award program for the Organization expresses an unmodified opinion on all major federal programs.

6. Audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) are reported in this Schedule.

7. The program tested as a major program was:

CFDA Number	Name of Federal Program or Cluster
64.033	Supportive Services for Veterans Families

8. The threshold for distinguishing between Type A and Type B programs was $750,000.

9. The Organization was determined to be a low-risk auditee.

Findings - Financial Statement Audit

None.

Findings and Questioned Costs - Major Federal Award Programs Audit

None.

OPERATION STAND DOWN TENNESSEE

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED DECEMBER 31, 2020

Findings - Financial Statement Audit

None.

Findings and Questioned Costs - Major Federal Award Programs Audit

None.