

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

FINANCIAL STATEMENTS
FOR THE FOR THE YEAR ENDED DECEMBER 31, 2007

(Together with Independent Auditor's Report)

OPERATION STAND DOWN NASHVILLE, INC.

TABLE OF CONTENTS

I. FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

STATEMENT OF FINANCIAL POSITION

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

SCHEDULE OF FUNCTIONAL EXPENSES

STATEMENT OF CASH FLOWS

SCHEDULE OF SUPPORT AND REVENUE

NOTES TO FINANCIAL STATEMENTS

II. INTERNAL CONTROL AND GRANT COMPLIANCE SECTION

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

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133

INDEPENDENT AUDITOR'S REPORT ON SCHEDULE OF FEDERAL AND STATE
AWARDS

SCHEDULE OF FEDERAL AWARDS

NOTES TO SCHEDULE OF FEDERAL AWARDS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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INDEPENDENT AUDITOR'S REPORT

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

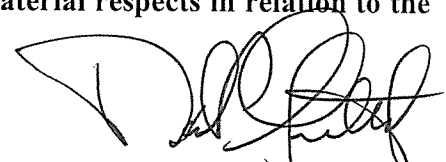
I have audited the accompanying statement of financial position of Operation Stand Down Nashville, Inc. (a Tennessee Corporation - Not For Profit) as of December 31, 2007 and the related statements of activities and changes in net assets, functional expenses, and statement of cash flows for the year 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, 2007, 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 March 18, 2008, 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

March 18, 2008

**OPERATION STAND DOWN NASHVILLE, INC.
(A TENNESSEE CORPORATION - NOT FOR PROFIT)
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2007**

ASSETS

Current assets:

Cash on hand and in banks	\$ 168,911
Accounts receivable	19,400
Grant funds receivable	9,500
Prepaid expenses	37,163
Total current assets	<u>\$ 234,974</u>

Fixed assets:

Land	\$ 75,650
Buildings and improvements	903,982
Equipment & furniture	88,651
Vehicles	58,310
	<u>\$ 1,126,593</u>
Less: Accumulated depreciation	<u>253,638</u>

Total fixed assets \$ 872,955

Total assets \$ 1,107,929

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

LIABILITIES AND NET ASSETS

Current liabilities:

Notes payable-current portion	\$ 34,598
Accounts payable - trade	5,946
Accrued compensation	20,547
Total current liabilities	<u>\$ 61,091</u>

Other liabilities:

Notes payable, net of current portion shown above	\$ 437,590
Total other liabilities	<u>\$ 437,590</u>

Net assets:

Unrestricted	\$ 530,158
Temporarily restricted	79,090
Total net assets	<u>\$ 609,248</u>

Total liabilities and net assets	<u>\$ 1,107,929</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, 2007

	<u>Total</u>	<u>Unrestricted</u>
Public support and revenue:		
Public support:		
Contributions	\$ 262,939	\$ 105,143
Federal grants	761,979	761,979
United Way	12,419	12,419
Total public support	\$ <u>1,037,337</u>	\$ <u>879,541</u>
Revenue:		
Contract income	\$ 15,500	\$ 15,500
Annual event	32,961	32,961
Client fees	55,130	55,130
Other income	8,941	991
Total revenues	\$ <u>112,532</u>	\$ <u>104,582</u>
Total public support and revenue	\$ <u>1,149,869</u>	\$ <u>984,123</u>
Net assets released from restriction	\$ -	\$ 86,656
Expenses:		
Program services	\$ 953,641	\$ 953,641
Management & general	41,776	41,776
Fund raising	29,941	29,941
Total expenses	\$ <u>1,025,358</u>	\$ <u>1,025,358</u>
Increase in net assets	\$ 124,511	\$ 45,421
Net assets, December 31, 2006	<u>484,737</u>	<u>484,737</u>
Net assets, December 31, 2007	\$ <u><u>609,248</u></u>	\$ <u><u>530,158</u></u>

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

**Temporarily
Restricted**

\$ 157,796

-

-

\$ 157,796

\$ -

-

-

7,950

\$ 7,950

\$ 165,746

\$ (86,656)

\$ -

-

-

\$ -

\$ 79,090

-

\$ 79,090

OPERATION STAND DOWN NASHVILLE, INC.
(A TENNESSEE CORPORATION-NOT FOR PROFIT)
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2007

	PROGRAM SERVICES	MANAGEMENT & GENERAL	FUND RAISING	TOTAL ALL PROGRAMS
Compensation expense:				
Salaries	\$ 472,144	\$ 25,100	\$ 19,000	\$ 516,244
Employee benefits	11,249	630	-	11,879
Payroll taxes	35,471	1,985	1,405	38,861
Total compensation expense	<u>\$ 518,864</u>	<u>\$ 27,715</u>	<u>\$ 20,405</u>	<u>\$ 566,984</u>
Other expenses:				
Assistance to clients	\$ 76,952	\$ -	\$ -	\$ 76,952
Dues & subscriptions	-	1,540	-	1,540
Depreciation	59,163	448	448	60,059
Event expense	53,482	-	-	53,482
Insurance	16,366	398	278	17,042
Interest	31,631	-	-	31,631
Miscellaneous	-	3,039	8,715	11,754
Occupancy expense	103,007	2,840	-	105,847
Professional fees	6,880	1,720	-	8,600
Staff training	10,983	-	-	10,983
Supplies and general	51,142	2,660	95	53,897
Telephone	12,749	1,416	-	14,165
Travel	12,422	-	-	12,422
Total other expenses	<u>\$ 434,777</u>	<u>\$ 14,061</u>	<u>\$ 9,536</u>	<u>\$ 458,374</u>
Total expenses	<u>\$ 953,641</u>	<u>\$ 41,776</u>	<u>\$ 29,941</u>	<u>\$ 1,025,358</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, 2007

Cash flows from operating activities:

Change in net assets	\$ 124,511
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Adjustments to reconcile change in net assets to net cash provided by operating activities:

Depreciation	60,059
Decrease in accounts receivable	1,150
Decrease in grant funds receivable	26,984
Increase in prepaid expenses	(9,500)
Decrease in accounts payable	(10,622)
Decrease in accrued compensation	(594)

Net cash provided by operating activities	\$ <u>191,988</u>
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Cash flows from financing activities:

Repayment of line of credit	\$ (6,000)
Repayment of loans from banks	<u>(14,820)</u>

Net cash used by financing activities	\$ <u>(20,820)</u>
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Cash flows from investing activities:

Purchase of property and equipment	\$ <u>(81,447)</u>
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Net cash used by investing activities	\$ <u>(81,447)</u>
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Net increase in cash	\$ 89,721
Cash, beginning of period	<u>79,190</u>

Cash, end of period	\$ <u><u>168,911</u></u>
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Supplemental information:

Cash paid for interest expense	\$ <u><u>31,631</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, 2007

U.S. Department of Veterans Affairs	\$ 401,313
U.S. Department of Labor	299,999
U.S. Department of Housing and Urban Development	45,000
United Way	12,419
Federal Emergency Management Agency	15,667
Metropolitan Nashville Development and Housing Agency	15,500
Contributions and assessments from:	
Designated account	21,423
Annual OSDN event	32,961
Client fees	55,130
Other monetary contributions	159,247
Other nonmonetary contributions	<u>91,210</u>
	<u>\$ 1,149,869</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, 2007**

(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, 2007 were as follows:

	<u>Current Portion</u>	<u>Non- Current Portion</u>
Line of credit payable to Regions Bank, interest at prime (7.50% at December 31, 2006) secured by a second mortgage on real estate, subject to a maximum availability of \$50,000, maturing September 23, 2008.	\$ 18,724	\$ -
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	13,897	373,322
Note payable to Regions Bank, 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>1,977</u>	<u>64,268</u>
	\$ <u>34,598</u>	\$ <u>437,590</u>

Future maturities of notes payable are as follows:

Year ended December 31,	
2008	\$ 34,598
2009	375,450
2010	62,141
2011	-
2012	-
Thereafter	-

(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.

Notes

Page 3

(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 is renewable on an annual basis.

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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, 2007, and have issued my report thereon dated March 18, 2008. 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

Page 2

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.

March 18, 2008



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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

I have audited the compliance of Operation Stand Down Nashville, Inc., with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that is applicable to its major federal program for the year ended December 31, 2007. Operation Stand Down Nashville, Inc.'s major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Operation Stand Down Nashville, Inc. management. My responsibility is to express an opinion on Operation Stand Down Nashville, Inc.'s compliance based on my audit.

I conducted my 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; OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that I 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 Operation Stand Down Nashville, Inc., compliance with those requirements and performing such other procedures, as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on Operation Stand Down Nashville, Inc.'s compliance with those requirements.

In my opinion, Operation Stand Down Nashville, Inc. complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended December 31, 2007.


Internal Control Over Compliance

The management of Operation Stand Down Nashville, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered Operation Stand Down Nashville, Inc. internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control 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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program 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 compliance 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.

March 18, 2008



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INDEPENDENT AUDITOR'S REPORT ON SCHEDULE OF FEDERAL AWARDS

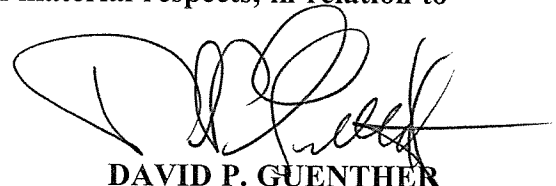
**To the Board of Directors
Operation Stand Down Nashville, Inc.
Nashville, Tennessee**

I have audited the financial statements of Operation Stand Down Nashville, Inc., (a Tennessee Corporation – Not For Profit) for the year ended December 31, 2007 and have issued my report thereon dated March 18, 2008. These financial statements are the responsibility of the management of Operation Stand Down Nashville, Inc.. 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 *Government 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 general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

My audit was made for the purpose of forming an opinion on the financial statement of Operation Stand Down Nashville, Inc., taken as a whole. The accompanying Schedule of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information had 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.

March 18, 2008



DAVID P. GUENTHER

OPERATION STAND DOWN NASHVILLE, INC.
(A TENNESSEE CORPORATION FOR NOT PROFIT)
SCHEDULE OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2007

CFDA NUMBER	PROGRAM	BALANCE, Dec. 31, 2006	CASH RECEIPTS	TRANSFERS IN
	<u>FEDERAL</u>			
	<u>TYPE A PROGRAMS</u>			
97.024	Federal Emergency Management Agency 765200-039	\$ -	\$ 15,667	\$ -
	Veterans Administration 01-004-TN	(53,098)	326,480	-
	Veterans Administration 05-6-TN	(11,049)	101,817	-
	Total 97.024	\$ (64,147)	\$ 443,964	\$ -
	Total Type A Programs	\$ (64,147)	\$ 443,964	\$ -
	<u>TYPE B PROGRAMS</u>			
17.804	Department of Labor E-9-5-6-0049	\$ -	\$ 139,999	\$ -
	E-9-5-6-0049 MOD 1	-	160,000	-
	Total 17.804	\$ -	\$ 299,999	\$ -
14.231	Department of Housing & Urban Development TN37B704009	\$ -	\$ 20,000	\$ -
	TN37B704010	-	25,000	-
	Total 14.231	\$ -	\$ 45,000	\$ -
	Total Type B Programs	\$ -	\$ 344,999	\$ -
	Total Federal Funds	\$ (64,147)	\$ 788,963	\$ -
	Total Grant Funds	\$ (64,147)	\$ 788,963	\$ -

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

<u>OTHER ADDITIONS</u>	<u>EXPENDITURES</u>	<u>PAID TO GRANTOR</u>	<u>TRANSFERS OUT</u>	<u>OTHER DEDUCTIONS</u>	<u>BALANCE Dec. 31, 2007</u>
\$ -	\$ 15,667	\$ -	\$ -	\$ -	\$ -
-	302,191	-	-	-	(28,809)
-	99,122	-	-	-	(8,354)
\$ -	\$ 416,980	\$ -	\$ -	\$ -	\$ (37,163)
\$ -	\$ 416,980	\$ -	\$ -	\$ -	\$ (37,163)
\$ -	\$ 139,999	\$ -	\$ -	\$ -	\$ -
-	160,000	-	-	-	-
\$ -	\$ 299,999	\$ -	\$ -	\$ -	\$ -
\$ -	\$ 20,000	\$ -	\$ -	\$ -	\$ -
-	25,000	-	-	-	-
\$ -	\$ 45,000	\$ -	\$ -	\$ -	\$ -
\$ -	\$ 344,999	\$ -	\$ -	\$ -	\$ -
\$ -	\$ 761,979	\$ -	\$ -	\$ -	\$ (37,163)
\$ -	\$ 761,979	\$ -	\$ -	\$ -	\$ (37,163)

**OPERATION STAND DOWN NASHVILLE, INC.
(A TENNESSEE CORPORATION – NOT FOR PROFIT)
NOTES TO SCHEDULE OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

(1) ACCOUNTING POLICIES:

The books and records supporting the Schedule of Federal Awards are maintained on the accrual basis of accounting, whereby revenues are recorded as earned, and expenses are recorded as incurred.

**OPERATION STAND DOWN NASHVILLE, INC.
(A TENNESSEE CORPORATION – NOT FOR PROFIT)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2007**

1) Summary of the auditor's results:

- i) Type of independent auditor's report issued – unqualified.**
- ii) Reportable conditions in internal control – none noted in the course of the audit.**
- iii) Evidence of material noncompliance – none noted in the course of the audit.**
- iv) Reportable conditions in internal control over major programs – none.**
- v) Type of report issued on compliance for major programs – unqualified.**
- vi) Audit findings which are required to be reported under OMB Circular A-133, Sect. 510(a) – none.**

vii) Type A programs identified:

CFDA#	Grantor Agency	Grant Number
97.042	Federal Emergency Management Agency	765200-039
97.042	Veterans Administration	01-004-TN
97.042	Veterans Administration	05-6-TN

**viii) Dollar threshold used to distinguish between Type A and Type B programs:
\$300,000.**

ix) The auditee qualifies as a low-risk auditee under OMB Circular A-133, Sect. 530.

- 2) Findings relating to the financial statement, which are required to be reported under Generally Accepted Governmental Auditing Standards – none.**
- 3) Findings and questioned costs for Federal awards including audit findings as defined under OMB Circular A-133, Sect. 510 – none.**