OPERATION STAND DOWN TENNESSEE

FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2019 and 2018

And Report of Independent Auditor

Cherry Bekaert LLP
CPAs & Advisors

OPERATION STAND DOWN TENNESSEE

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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, 2019 and 2018, 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, 2019 and 2018, 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.

Adoption of New Accounting Pronouncement

As discussed in Note 3 to the financial statements, Operation Stand Down Tennessee adopted Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers*. The ASU has been applied using the modified retrospective approach. Our opinion is not modified with respect to this matter.

Emphasis of Matter

As discussed in Note 4, towards the end of December 2019, an outbreak of a novel strain of coronavirus ("COVID-19") emerged globally. Starting in March 2020, there have been various mandates and/or requests from federal, state, and local authorities resulting in closures of non-essential businesses. Although it is not possible to reliably estimate the length or severity of this outbreak and, hence, its financial impact, any significant reduction in public support and resources caused by COVID-19 could negatively affect operations and have other material adverse effects on Operation Stand Down Tennessee. 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 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 June 26, 2020, 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
June 26, 2020

OPERATION STAND DOWN TENNESSEE
STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2019 AND 2018

	2019	2018
ASSETS		
Cash and cash equivalents	$ 811,468	$ 2,134,781
Grant and contract receivables	196,200	131,982
Accounts and contributions receivable	46,409	58,360
Prepaid expenses	24,014	34,366
Fixed assets, net	3,996,222	3,158,964
Total Assets	$ 5,074,313	$ 5,518,453
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	$ 501,976	$ 217,779
Accrued expenses	121,329	109,275
Tenant deposits	986	12,986
Debt	130,000	2,452,774
Deferred lease revenue	746,212	-
Total Liabilities	1,500,503	2,792,814
Net Assets:		
Without donor restrictions	3,376,715	1,539,819
With donor restrictions	197,095	1,185,820
Total Net Assets	3,573,810	2,725,639
Total Liabilities and Net Assets	$ 5,074,313	$ 5,518,453

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 ACTIVITIES

YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenues:			
Contributions:			
Grants	$ 1,637,237	$ -	$ 1,637,237
Contributions (including in-kind of $193,349)	574,823	543,500	1,118,323
United Way	93,025	-	93,025
Total Contributions	2,305,085	543,500	2,848,585
Fundraising event	417,268	-	417,268
Less fundraising event expenses	(49,295)	-	(49,295)
Fundraising event, net	367,973	-	367,973
Total Public Support	2,673,058	543,500	3,216,558
Revenues:			
Sales to the public	118,074	-	118,074
Rental income and other	78,840	-	78,840
Client fees	12,276	-	12,276
Total Revenues	209,190	-	209,190
Net assets released from restriction	317,118	(317,118)	-
Total Public Support and Revenues	3,199,366	226,382	3,425,748
Expenses:			
Program services	2,520,293	-	2,520,293
Management and general	286,470	-	286,470
Fundraising	210,689	-	210,689
Total Expenses	3,017,452	-	3,017,452
Change in net assets	181,914	226,382	408,296
Net assets, beginning of year	1,357,905	959,438	2,317,343
Net assets, end of year	$ 1,539,819	$ 1,185,820	$ 2,725,639

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
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2018

		Supporting Services		
	Program Services	Management and General	Fundraising	Total
Compensation Expense:				
Salaries	$ 1,173,305	$ 175,411	$ 151,107	$ 1,499,823
Payroll taxes	95,258	14,241	12,268	121,767
Total Compensation Expense	1,268,563	189,652	163,375	1,621,590
Other Expenses:				
Assistance to clients	507,982	-	-	507,982
Professional fees	170,354	17,253	12,415	200,022
Occupancy	141,662	3,922	2,608	148,192
Depreciation	135,047	2,533	3,725	141,305
Interest	80,243	25,987	8,853	115,083
Supplies and general	53,910	22,282	11,346	87,538
Dues and subscriptions	35,808	15,440	3,481	54,729
Insurance	46,551	5,177	2,765	54,493
Telephone	32,058	682	1,203	33,943
Transportation	32,489	330	150	32,969
Staff training	15,626	3,212	768	19,606
Total Other Expenses	1,251,730	96,818	47,314	1,395,862
Total Expenses	$ 2,520,293	$ 286,470	$ 210,689	$ 3,017,452

OPERATION STAND DOWN TENNESSEE
STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	$ 848,171	$ 408,296
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Contributions restricted for long-term purposes	-	(389,000)
Depreciation	157,055	141,305
Amortization of lease revenue	(3,788)	-
Donated fixed assets	(9,000)	(37,490)
Changes in operating assets and liabilities:		
Grant and contract receivables	(64,218)	3,354
Accounts and contributions receivable	11,951	15,121
Prepaid expenses	10,352	12,686
Accounts payable	284,197	177,381
Accrued expenses	12,054	1,797
Tenant deposits	(12,000)	(6,856)
Net cash provided by operating activities	1,234,774	326,594
Cash flows from investing activities:		
Purchases of fixed assets	(985,313)	(187,538)
Net cash used in investing activities	(985,313)	(187,538)
Cash flows from financing activities:		
Proceeds from leased property	750,000	-
Proceeds from contributions restricted for long-term purposes	-	519,375
Proceeds from note payable	130,000	-
Repayment of long-term debt	(2,452,774)	(127,834)
Net cash (used in) provided by financing activities	(1,572,774)	391,541
Net (decrease) increase in cash and cash equivalents	(1,323,313)	530,597
Cash and cash equivalents, beginning of year	2,134,781	1,604,184
Cash and cash equivalents, end of year	$ 811,468	$ 2,134,781
Supplemental information:		
Cash paid for interest	$ 95,362	$ 115,083
Schedule of noncash investing and financing activities:		
Donated fixed assets	$ 9,000	$ 37,490

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 $197,095 and $1,185,820 as of December 31, 2019 and 2018, respectively. None of the donor restricted net assets are perpetual in nature at December 31, 2019 and 2018.

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 approximately $569,574 and $1,653,852 at December 31, 2019 and 2018, respectively. Cash of $-0- and $6,856, as of December 31, 2019 and 2018, respectively, is held by the Organization as trustee under a savings plan for the benefit of certain clients of the Organization.

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, 2019 and 2018.

Note 2—Summary of significant accounting policies (continued)

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, 2019 and 2018.

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.

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 2019 and 2018.

Note 2—Summary of significant accounting policies (continued)

The Organization follows Financial Accounting Standards Board ("FASB") Accounting Standards Codification 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.

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).

In June 2018, FASB issued ASU 2018-08, *Not-for-Profit Entities Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* The standard provides guidance on determining whether a transaction should be accounted for as a contribution or as an exchange transaction. A primary aspect of this determination is whether the two parties receive and sacrifice commensurate value. The standard also provides guidance on determining whether a contribution is conditional, helping entities better distinguish a donor-imposed condition from a donor-imposed restriction. The Organization evaluated the new standard and determined that the accounting standard did not require a change to the Organization's practices for recording contributions.

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 and impact of the new revenue standard adoption

As allowed by ASC 606, effective January 1, 2019, the Organization adopted ASC 606, which requires an entity to recognize revenue when it transfers the promised goods or services to a customer in an amount that reflects consideration to which the entity expects to be entitled to in exchange for those goods and services. As disclosed in Note 2, the Organization adopted ASC 606 using the modified retrospective method which recognizes the cumulative effect of initial adoption as of the effective date to net assets. There was no impact to net assets as of January 1, 2019 as a result of the adoption of ASC 606.

Note 3—Revenue recognition and impact of the new revenue standard adoption (continued)

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.

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—Subsequent events

The Organization evaluated subsequent events through June 26, 2020 when the financial statements were available to be issued. In accordance with Section 1102 of the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), the Organization applied for and received a Paycheck Protection Program loan on April 20, 2020 totaling $137,000. Section 1106 of the CARES Act provides for forgiveness of up to the full principal amount of qualifying loans including accrued interest to the extent the Organization incurs certain qualifying expenses and maintains a certain level of average full-time equivalent employees during the measurement period following closing of the loan. Any portion of the loan that is not forgiven has a term of five years with an interest rate of 1%. Furthermore, as a result of the spread of COVID-19, economic uncertainties continue to arise, which are causing uncertainty about the future contributions and government funding. Other financial impacts could occur though such potential impacts are unknown at this time.

Note 5—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:

	2019	2018
Less than one year	$ 46,409	$ 53,794
One to five years	-	-
Unconditional promises to give	46,409	53,794
Program receivables	-	4,566
	$ 46,409	$ 58,360

Note 6—Fixed assets

Fixed assets consist of the following as of December 31:

	2019	2018
Land	$ 1,215,650	$ 1,215,650
Buildings and improvements	3,148,321	3,148,321
Equipment and furniture	406,732	393,026
Vehicles	89,550	86,389
Construction in process	977,445	-
	5,837,698	4,843,386
Less accumulated depreciation	(1,841,476)	(1,684,422)
	$ 3,996,222	$ 3,158,964

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

Note 7—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%.

Long-term debt consists of the following as of December 31:

	2019	2018
Bond payable, due in monthly installments of $14,525, including interest at 4.05% through May 2034, secured by real estate. This obligation was paid in full during 2019.	$ -	$ 1,986,529
Note payable to bank, due in monthly installments of $4,116, including interest at 4.17%, through October 2020, with remaining principal and interest due November 2020, secured by real estate. This obligation was paid in full during 2019.	-	461,648
Delayed draw term loan, due in monthly installments, including interest at 4.50%, through August 2029, secured by real estate.	130,000	-
Note payable to Metropolitan Development and Housing Agency (MDHA), non-interest bearing, forgiven on a pro rata basis over five years, subject to certain conditions, secured by real estate.	-	4,597
	$ 130,000	$ 2,452,774

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

Years Ending December 31,	
2020	$ 6,019
2021	14,444
2022	14,444
2023	14,444
2024	14,444
Thereafter	66,205
	$ 130,000

Note 8—Net assets with donor restrictions

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

	2019	2018
Capital campaign restricted for facility renovation and debt repayment	$ -	$ 1,069,905
Contributions restricted for specific programs	151,314	70,134
Contributions restricted for future years' operations	45,781	45,781
	$ 197,095	$ 1,185,820

Note 9—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 received a bequest from an estate during 2019, which consisted of approximately 43% of its contribution revenue.

Note 10—Leases and commitments

The Organization leases certain office space and equipment under noncancelable agreements. Rent expense related to these agreements amounted to $43,417 and $26,356 during 2019 and 2018, respectively.

The Organization entered into a multi-year agreement for case management software. The agreement expires November 2020 unless extended.

Future minimum lease and other commitments are as follows:

Years Ending December 31,	
2020	$ 77,459
2021	36,518
2022	17,994
2023	17,244
2024	-
	$ 149,215

The Organization serves as lessor for a portion of its building. The lease requires minimum monthly rental payments ranging from $5,277, including additional rent for real estate taxes and other shared expenses, through April 2019. Rental income totaled $21,607 and $68,467 for the years ended December 31, 2019 and 2018, respectively. At April 2019, this lease was not renewed.

Note 10—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 currently plans to construct 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.

Future minimum rental income is as follows:

Years Ending December 31,	
2020	$ 7,576
2021	7,576
2022	7,576
2023	7,576
2024	7,576
Thereafter	708,332
	$ 746,212

Note 11—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 $94,000 and $118,000 in 2019 and 2018, respectively, which was used to assist in sustaining the Organization's job training program. In addition, approximately $135,000 and $193,000 of goods were received and used in various functions of the Organization in 2019 and 2018, including $9,000 and $37,490, respectively, of donated fixed assets.

Note 12—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:

	2019	2018
Financial assets:		
Cash and cash equivalents	$ 811,468	$ 2,134,781
Grants receivable	196,200	131,982
Accounts receivable	46,409	58,360
Total financial assets, at year-end	1,054,077	2,325,123
Less amounts unavailable for general expenditures within one year, due to:		
Capital campaign restricted for facility renovation and debt repayment	-	(1,069,905)
Contributions restricted for specific programs	(151,314)	(70,134)
Contributions restricted for future year operations	(45,781)	(45,781)
Financial assets available to meet cash needs for general expenditures within one year	$ 856,982	$ 1,139,303

Note 13—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.

COMPLIANCE INFORMATION

OPERATION STAND DOWN TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2019

Federal Grantor/Program Name	CFDA No.	Contract Number	Balance December 31, 2018	Receipts	Expenditures	Balance December 31, 2019
U.S. Department of Veterans Affairs						
VA Homeless Providers Grant and Per Diem Program	64.024	OSDT832-0373-626-SC-18-0	$ 6,875	$ 76,583	$ 84,271	$ 14,563
		OSDT832-0409-626-SI-18-0	49,316	593,340	597,162	53,138
		OSDT832-0428-626-BH-18-0	5,724	86,235	88,184	7,673
		n/a	-	22,271	25,509	3,238
		PSDT832-1097-626-CM-20	-	-	8,024	8,024
Total Program 64.024			61,915	778,429	803,150	86,636
Supportive Services for Veteran Families Program	64.033	14-TN-285	57,477	883,768	927,105	100,814
Total Program 64.033			57,477	883,768	927,105	100,814
Total U.S. Department of Veterans Affairs			119,392	1,662,197	1,730,255	187,450
U.S. Department of Housing and Urban Development						
Passed through Metropolitan Development and Housing Agency						
Emergency Solutions Grant Program	14.231	n/a	12,590	38,864	35,024	8,750
Total Program 14.231			12,590	38,864	35,024	8,750
Total U.S. Department of Housing and Urban Development			12,590	38,864	35,024	8,750
Total Federal Awards			$ 131,982	$ 1,701,061	$ 1,765,279	$ 196,200

Note 1—Basis of presentation

The accompanying schedule of expenditures of federal 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, 2019. 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, 2019.

Note 4—Subrecipients

The Organization did not pass through any federal awards to subrecipients during the year ended December 31, 2019.

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, 2019, 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 June 26, 2020.

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.

Cheng Bekaert LLP

Nashville, Tennessee
June 26, 2020

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, 2019. 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, 2019.

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.

Cheng Bekaert LLP

Nashville, Tennessee
June 26, 2020

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
64.024	VA Homeless Providers Grant and Per Diem Program

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, 2019

Findings - Financial Statement Audit

None.

Findings and Questioned Costs - Major Federal Award Programs Audit

None.