

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

FINANCIAL STATEMENTS
FOR THE FOR THE YEAR ENDED DECEMBER 31, 2009

(Together with Independent Auditor's Report)

OPERATION STAND DOWN NASHVILLE, INC.

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INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying statement of financial position of Operation Stand Down Nashville, Inc. (a Tennessee Corporation - Not For Profit) as of December 31, 2009 and the related statements of activities and changes in net assets, functional expenses, and statement of cash flows for the year then ended. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

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

In accordance with *Government Auditing Standards*, I have also issued a report dated January 22, 2010, 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.

January 22, 2010



DAVID P. GUENTHER

**OPERATION STAND DOWN NASHVILLE, INC.
(A TENNESSEE CORPORATION - NOT FOR PROFIT)
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2009**

ASSETS

Current assets:

Cash on hand and in banks	\$ 60,989
Grant funds receivable	53,564
Accounts receivable	9,274
Prepaid expenses	32,726
Total current assets	<u>\$ 156,553</u>

Fixed assets:

Land	\$ 75,650
Buildings and improvements	1,248,429
Equipment & furniture	239,061
Vehicles	65,360
	<u>\$ 1,628,500</u>
Less: Accumulated depreciation	<u>441,720</u>
Total fixed assets	<u>\$ 1,186,780</u>
Total assets	<u><u>\$ 1,343,333</u></u>

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

LIABILITIES AND NET ASSETS

Current liabilities:

Notes payable-current portion	\$ 138,285
Accounts payable - trade	11,160
Accrued compensation	11,626
Total current liabilities	<u>\$ 161,071</u>

Other liabilities:

Notes payable, net of current portion shown above	<u>\$ 561,651</u>
Total other liabilities	<u>\$ 561,651</u>

Net assets:

Unrestricted	\$ 593,282
Temporarily restricted	27,329
Total net assets	<u>\$ 620,611</u>

Total liabilities and net assets	<u>\$ 1,343,333</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, 2009

	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
Public support and revenue:			
Public support:			
Contributions	\$ 377,790	\$ 242,895	\$ 134,895
Federal grants	984,437	984,437	-
United Way	11,003	11,003	-
Total public support	\$ 1,373,230	\$ 1,238,335	\$ 134,895
Revenue:			
Contract income	\$ 64,653	\$ 64,653	\$ -
Annual event	39,277	39,277	-
Client fees	46,866	46,866	-
Total revenues	\$ 150,796	\$ 150,796	\$ -
Total public support and revenue	\$ 1,524,026	\$ 1,389,131	\$ 134,895
Net assets released from restriction	\$ -	\$ 123,571	\$ (123,571)
Expenses:			
Program services	\$ 1,285,431	\$ 1,285,431	\$ -
Management & general	54,566	54,566	-
Fund raising	81,553	81,553	-
Total expenses	\$ 1,421,550	\$ 1,421,550	\$ -
Increase in net assets	\$ 102,476	\$ 91,152	\$ 11,324
Net assets, December 31, 2008	518,135	502,130	16,005
Net assets, December 31, 2009	\$ 620,611	\$ 593,282	\$ 27,329

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 FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2009

	PROGRAM SERVICES	MANAGEMENT & GENERAL	FUND RAISING	TOTAL ALL PROGRAMS
Compensation expense:				
Salaries	\$ 613,275	\$ 27,916	\$ 53,530	\$ 694,721
Employee benefits	16,844	-	-	16,844
Payroll taxes	51,287	2,464	4,740	58,491
Total compensation expense	<u>\$ 681,406</u>	<u>\$ 30,380</u>	<u>\$ 58,270</u>	<u>\$ 770,056</u>
Other expenses:				
Assistance to clients	\$ 116,564	\$ -	\$ -	\$ 116,564
Dues & subscriptions	35	-	-	35
Depreciation	112,813	8,401	426	121,640
Event expense	41,641	-	-	41,641
Insurance	17,323	-	-	17,323
Interest	41,123	-	-	41,123
Miscellaneous	24,420	3,085	-	27,505
Occupancy expense	118,657	9,660	41	128,358
Professional fees	5,000	-	21,934	26,934
Staff training	7,441	-	-	7,441
Supplies and general	55,031	2,198	434	57,663
Telephone	12,130	842	448	13,420
Travel	51,847	-	-	51,847
Total other expenses	<u>\$ 604,025</u>	<u>\$ 24,186</u>	<u>\$ 23,283</u>	<u>\$ 651,494</u>
Total expenses	<u><u>\$ 1,285,431</u></u>	<u><u>\$ 54,566</u></u>	<u><u>\$ 81,553</u></u>	<u><u>\$ 1,421,550</u></u>

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

**OPERATION STAND DOWN NASHVILLE, INC.
(A TENNESSEE CORPORATION FOR NOT PROFIT)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2009**

Cash flows from operating activities:

Change in net assets	\$	102,476
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Adjustments to reconcile change in net assets to net cash used by operating activities:

Depreciation		121,640
Donated fixed assets		(130,138)
Increase in accounts receivable		(9,274)
Increase in grant funds receivable		(15,496)
Increase in prepaid expenses		(31,076)
Increase in accounts payable		6,036
Increase in accrued compensation		4,710

Net cash provided by operating activities	\$	<u>48,878</u>
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Cash flows from financing activities:

Advance on line of credit	\$	43,112
Long-term borrowings		225,000
Repayment of loans from banks		<u>(12,702)</u>

Net cash provided by financing activities	\$	<u>255,410</u>
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Cash flows from investing activities:

Purchase of property and equipment	\$	<u>(360,715)</u>
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Net cash used by investing activities	\$	<u>(360,715)</u>
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Net decrease in cash	\$	(56,427)
Cash, beginning of period		<u>117,416</u>

Cash, end of period	\$	<u><u>60,989</u></u>
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Supplemental information:

Cash paid for interest expense	\$	<u><u>41,123</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, 2009**

U.S. Department of Veterans Affairs	\$ 603,158
U.S. Department of Labor	301,000
U.S. Department of Housing and Urban Development	55,000
United Way	11,003
Federal Emergency Management Agency	25,279
Metropolitan Nashville Development and Housing Agency	17,692
Contributions and assessments from:	
Designated account	134,895
Annual OSDN event	39,277
Client fees	46,866
Other monetary contributions	43,753
Other nonmonetary contributions	<u>246,103</u>
	<u>\$ 1,524,026</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, 2009**

(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, 2009 were as follows:

	<u>Current Portion</u>	<u>Non- Current Portion</u>
Line of credit payable to Regions Bank, interest at 6% secured by a second mortgage on real estate, subject to a maximum availability of \$50,000.	\$ 49,964	\$ -
Note payable to Regions Bank, 6.75%, due in monthly installments of \$3,235.08, including interest, through November, 2014, with a balloon payment of \$287,530 due December, 2014, secured by substantially all the agency's real estate.	16,664	348,918
Note payable to Regions Bank, 7.40% due in monthly installments of \$567.22 through September, 2010, with a balloon payment of \$60,548 due October, 2010, secured by real estate.	62,298	-
Note payable to Regions Bank, 6.50% due in monthly installments of \$1,959.99 through July, 2014, with a balloon payment of \$173,473 due August, 2014, secured by a second mortgage on substantially all the agency's real estate.	<div style="text-align: right;">9,359</div> <div style="text-align: right;">\$ <u>138,285</u></div>	<div style="text-align: right;">212,733</div> <div style="text-align: right;">\$ <u>561,651</u></div>

Future maturities of notes payable are as follows:

Year ended December 31,	
2010	\$ 78,266
2011	84,334
2012	25,892
2013	27,571
2014	483,813
Thereafter	-

The Regions Bank note due in October, 2010, is scheduled to renew for another 5 year period at the prevailing interest rate at that time.

(5) SIGNIFICANT FUNDING SOURCES:

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

(6) LEASES:

The agency occupied office facilities under an agreement with Metropolitan Development and Housing Agency through May, 2009 at a rate substantially less than the fair market rental value of the facilities. The amount of \$10,000 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 expired May 31, 2009.

The agency currently operates from a facility leased under an agreement expiring in April, 2014. Rents paid under this lease amounted to \$55,638 in 2009.

Future minimum lease commitments are as follows:

2010	\$67,314
2011	69,333
2012	71,413
2013	73,556
2014	31,025

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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, 2009, and have issued my report thereon dated January 22, 2010. 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

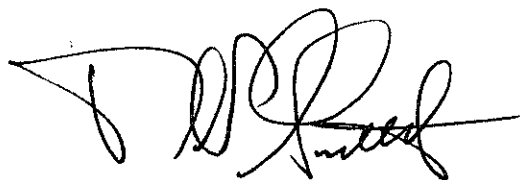
In planning and performing my audit, I considered Operation Stand Down Nashville, Inc.'s internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over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

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

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

January 22, 2010

A handwritten signature in black ink, appearing to read 'D. P. Guenther', with a stylized, sweeping flourish extending to the right.

DAVID P. GUENTHER

DAVID P. GUENTHER
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INDEPENDENT AUDITOR'S REPORT ON SCHEDULE OF FEDERAL AWARDS

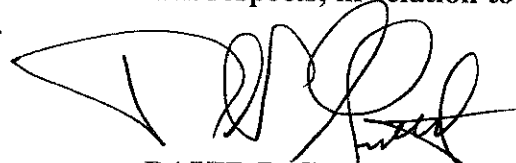
To the Board of Directors
Operation Stand Down Nashville, Inc.
Nashville, Tennessee

I have audited the financial statements of Operation Stand Down Nashville, Inc., (a Tennessee Corporation – Not For Profit) for the year ended December 31, 2009 and have issued my report thereon dated January 22, 2010. 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.

January 22, 2010



DAVID P. GUENTHER

OPERATION STAND DOWN NASHVILLE, INC.
(A TENNESSEE CORPORATION FOR NOT PROFIT)
SCHEDULE OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2009

CFDA NUMBER	PROGRAM	BALANCE, DEC. 31, 2008	CASH RECEIPTS	TRANSFERS IN
	FEDERAL			
	TYPE A PROGRAMS			
97.024	Federal Emergency Management Agency 765200-039	\$ -	\$ 25,279	\$ -
	Veterans Administration 01-004-SVC	(7,102)	109,825	-
	Veterans Administration 01-004-TN	(23,447)	367,756	-
	Veterans Administration 05-6-TN	(7,519)	110,081	-
	Total 97.024	\$ (38,068)	\$ 612,941	\$ -
17.804	Department of Labor E-9-5-6-0049 MOD 2	\$ -	\$ 144,500	\$ -
	HV-19160-09-60-5-47	-	156,500	-
	Total 17.804	\$ -	\$ 301,000	\$ -
	Total Type A Programs	\$ (38,068)	\$ 913,941	\$ -
	TYPE B PROGRAMS			
14.231	Department of Housing & Urban Development TN37B704009	\$ -	\$ 25,000	\$ -
	TN57B4J04089	-	30,000	-
	Total 14.231	\$ -	\$ 55,000	\$ -
	Total Type B Programs	\$ -	\$ 55,000	\$ -
	Total Federal Funds	\$ (38,068)	\$ 968,941	\$ -
	Total Grant Funds	\$ (38,068)	\$ 968,941	\$ -

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

<u>OTHER</u> <u>ADDITIONS</u>	<u>EXPENDITURES</u>	<u>PAID TO</u> <u>GRANTOR</u>	<u>TRANSFERS</u> <u>OUT</u>	<u>OTHER</u> <u>DEDUCTIONS</u>	<u>BALANCE</u> <u>DEC. 31, 2009</u>
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\$ -	\$ 25,279	\$ -	\$ -	\$ -	\$ -
-	112,324	-	-	-	(9,601)
-	377,677	-	-	-	(33,368)
-	113,157	-	-	-	(10,595)

\$ -	\$ 628,437	\$ -	\$ -	\$ -	\$ (53,564)
\$ -	\$ 144,500	\$ -	\$ -	\$ -	\$ -
-	156,500	-	-	-	-
\$ -	\$ 301,000	\$ -	\$ -	\$ -	\$ -
\$ -	\$ 929,437	\$ -	\$ -	\$ -	\$ (53,564)

\$ -	\$ 25,000	\$ -	\$ -	\$ -	\$ -
-	30,000	-	-	-	-
\$ -	\$ 55,000	\$ -	\$ -	\$ -	\$ -
\$ -	\$ 55,000	\$ -	\$ -	\$ -	\$ -
\$ -	\$ 984,437	\$ -	\$ -	\$ -	\$ (53,564)
\$ -	\$ 984,437	\$ -	\$ -	\$ -	\$ (53,564)

**OPERATION STAND DOWN NASHVILLE, INC.
(A TENNESSEE CORPORATION – NOT FOR PROFIT)
NOTES TO SCHEDULE OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

(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, 2009**

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
97.024	Federal Emergency Management Agency	765200-039
97.024	Veterans Administration	01-004-TN
97.024	Veterans Administration	05-6-TN
97.024	Veterans Administration	01-004-SVC
17.804	Department of Labor	E-9-5-6-0049 MOD2
17/804	Department of Labor	HV 19160-09-60-5-47

**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.**