

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

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

(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

Report on the Financial Statements

I have audited the accompanying financial statements of Operation Stand Down Nashville, Inc. (a Tennessee corporation – Not-for-Profit) which comprise the statement of financial position as of December 31, 2013, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit 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. Those standards require that I 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, I express no such opinion. An audit also includes 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

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, 2013, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of support and revenue 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 my opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated July 10, 2014, 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 grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in compliance with *Government Auditing Standards* in considering Operation Stand Down Nashville's internal control over financial reporting and compliance.



Goodlettsville, Tennessee

July 10, 2014

OPERATION STAND DOWN NASHVILLE, INC.
(A TENNESSEE CORPORATION - NOT FOR PROFIT)
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2013

ASSETS

Current assets:

Cash on hand and in banks	\$	130,210
Grant funds receivable		79,414
Accounts and contributions receivable, no allowance necessary		4,125
Prepaid expenses		34,106
Total current assets	\$	<u>247,855</u>

Fixed assets:

Land	\$	75,650
Buildings and improvements		1,319,939
Equipment & furniture		308,639
Vehicles		118,655
	\$	<u>1,822,883</u>
Less: Accumulated depreciation		<u>1,043,811</u>
Total fixed assets	\$	<u>779,072</u>
Total assets	\$	<u><u>1,026,927</u></u>

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

LIABILITIES AND NET ASSETS

Current liabilities:

Note payable-current portion	\$	49,509
Accounts payable - trade		11,968
Accrued compensation		50,570
Total current liabilities	\$	<u>112,047</u>

Other liabilities:

Note payable, net of current portion shown above	\$	<u>565,004</u>
Total other liabilities	\$	<u>565,004</u>

Net assets:

Unrestricted	\$	279,958
Temporarily restricted		69,918
Total net assets	\$	<u>349,876</u>

Total liabilities and net assets	\$	<u><u>1,026,927</u></u>
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OPERATION STAND DOWN NASHVILLE, INC.
(A TENNESSEE CORPORATION-NOT FOR PROFIT)
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
Public support and revenue:			
Public support:			
Contributions	\$ 385,644	\$ 181,414	\$ 204,230
Federal grants	1,388,407	1,388,407	-
United Way	10,969	10,969	-
Total public support	<u>\$ 1,785,020</u>	<u>\$ 1,580,790</u>	<u>\$ 204,230</u>
Revenue:			
Contract income	\$ 36,355	\$ 36,355	\$ -
Other income	134,570	134,570	-
Annual event	45,890	45,890	-
Fund raising event	90,648	90,648	-
Client fees	30,729	30,729	-
Sales to the public	79,932	79,932	-
Total revenues	<u>\$ 418,124</u>	<u>\$ 418,124</u>	<u>\$ -</u>
Total public support and revenue	<u>\$ 2,203,144</u>	<u>\$ 1,998,914</u>	<u>\$ 204,230</u>
Net assets released from restriction	\$ -	\$ 187,293	\$ (187,293)
Expenses:			
Program services	\$ 1,922,850	\$ 1,922,850	\$ -
Management & general	133,537	133,537	-
Fund raising	77,771	77,771	-
Total expenses	<u>\$ 2,134,158</u>	<u>\$ 2,134,158</u>	<u>\$ -</u>
Increase (decrease) in net assets	\$ 68,986	\$ 52,049	\$ 16,937
Net assets, December 31, 2012	<u>280,890</u>	<u>227,909</u>	<u>52,981</u>
Net assets, December 31, 2013	<u><u>\$ 349,876</u></u>	<u><u>\$ 279,958</u></u>	<u><u>\$ 69,918</u></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)
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2013

	PROGRAM SERVICES	MANAGEMENT & GENERAL	FUND- RAISING	TOTAL ALL PROGRAMS
Compensation expense:				
Salaries	\$ 893,451	\$ 79,632	\$ 36,170	\$ 1,009,253
Employee benefits	12,868	719	-	13,587
Payroll taxes	82,820	7,151	3,349	93,320
Total compensation expense	<u>\$ 989,139</u>	<u>\$ 87,502</u>	<u>\$ 39,519</u>	<u>\$ 1,116,160</u>
Other expenses:				
Assistance to clients	\$ 216,913	\$ -	\$ -	\$ 216,913
Dues & subscriptions	1,593	257	-	1,850
Depreciation	144,284	9,626	-	153,910
Event expense	41,094	-	-	41,094
Fundraising event	-	-	29,047	29,047
Insurance	37,103	3,072	-	40,175
Interest	31,957	1,073	-	33,030
Miscellaneous	3,535	13,230	-	16,765
Occupancy expense	242,095	7,698	-	249,793
Professional fees	72,569	2,532	442	75,543
Staff training	1,062	-	-	1,062
Supplies and general	95,782	7,355	8,763	111,900
Telephone	15,717	1,004	-	16,721
Travel	30,007	188	-	30,195
Total other expenses	<u>\$ 933,711</u>	<u>\$ 46,035</u>	<u>\$ 38,252</u>	<u>\$ 1,017,998</u>
Total expenses	<u><u>\$ 1,922,850</u></u>	<u><u>\$ 133,537</u></u>	<u><u>\$ 77,771</u></u>	<u><u>\$ 2,134,158</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, 2013

Cash flows from operating activities:	
Change in net assets	\$ 68,986
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation	153,910
Donated fixed assets	(67,150)
Decrease in accounts receivable	4,875
Increase in grant funds receivable	(28,204)
Decrease in prepaid expenses	26,756
Decrease in accounts payable	(40,667)
Decrease in accrued compensation	(7,709)
	<u> </u>
Net cash used by operating activities	\$ <u>110,797</u>
Cash flows from financing activities:	
Repayment of line of credit, net	(4,117)
Repayment of loans from banks	\$ <u>(21,157)</u>
	<u> </u>
Net cash used by financing activities	\$ <u>(25,274)</u>
Cash flows from investing activities:	
Purchase of property and equipment	\$ <u>(31,674)</u>
	<u> </u>
Net cash used by investing activities	\$ <u>(31,674)</u>
Net increase in cash	\$ 53,849
Cash, beginning of period	<u>76,361</u>
Cash, end of period	\$ <u><u>130,210</u></u>
Supplemental information:	
Cash paid for interest expense	\$ <u><u>33,030</u></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)
SCHEDULE OF SUPPORT AND REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2013**

U.S. Department of Veterans Affairs	\$ 794,890
U.S. Department of Labor	554,767
U.S. Department of Housing and Urban Development	38,750
United Way	10,969
Metropolitan Nashville Development and Housing Agency	36,355
Contributions and assessments from:	
Annual OSDN event	45,890
Client fees	30,729
Other income	134,570
Fund raising event	90,648
Sales to the public	79,932
Other monetary contributions	235,757
Other nonmonetary contributions	<u>149,887</u>
	<u>\$ 2,203,144</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, 2013**

(1) ACCOUNTING POLICIES:

Basis of Presentation:

The accompanying statements present the financial position and changes in net assets of the Agency on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("GAAP").

Resources are classified as unrestricted or temporarily restricted net assets, based on the existence or absence of donor-imposed restrictions, as follows:

- *Unrestricted net assets* are free of donor-imposed restrictions. All revenues, gains and losses that are not temporarily or permanently restricted by donors are included in this classification. All expenditures are reported in the unrestricted class of net assets, since the use of restricted contributions in accordance with the donors' stipulations results in the release of the restriction.
- *Temporarily restricted net assets* are limited as to use by donor-imposed restrictions that expire with the passage of time or that can be satisfied by use for the specific purpose.

Contributions and Support:

Contributions received are recorded as unrestricted or temporarily restricted support, depending on the existence and/or nature of any donor restrictions.

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for future periods or for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a restriction is fulfilled (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to restricted and reported in the statement of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the support is reported as unrestricted.

The Agency also receives grant revenue from Federal agencies. Grant revenue is recognized in the period a liability is incurred for eligible expenditures under the terms of the grant.

The Agency reports any gifts of equipment or materials as unrestricted 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 or funds restricted for the acquisition of long-lived assets are reported as restricted support. Expirations of donor restrictions are recognized when the donated or acquired long-lived assets are placed in service.

Cash and Cash Equivalents:

Cash and cash equivalents consist of demand deposits with banks.

Promises to Give:

Unconditional promises to give that are expected to be collected within one year are recorded as contributions receivable at their 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 those amounts is computed using a risk-free 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, 2013. All contributions receivable at December 31, 2013 are due within one year.

Accounts Receivable:

Accounts receivable are reported at gross sales price less any applicable payments or adjustments. The Agency 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, 2013.

Prepaid Expenses:

Prepaid expenses consist primarily of a rent deposit on the Agency's facilities and insurance premiums paid in advance.

Fixed Assets:

Property and equipment are recorded at cost at the date of purchase or estimated fair value at the date of gift to the Agency. The Agency'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 of the assets ranging from five to seven years for vehicles, computers, furniture and equipment; twenty-seven years for residential property; and fifteen years for improvements thereto.

Sales Taxes Collected:

Sales taxes collected and remitted to governmental authorities are excluded from sales and costs and presented on a net basis in the financial statements.

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 center, 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 Agency. 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 Agency. Specific activities include organization oversight, business management, recordkeeping, budgeting, financing and other administrative activities.

Fundraising - includes costs of activities directed toward appeals for financial support, including special events. Other activities include the creation and distribution of fundraising materials.

Allocation of Functional Expenses:

Expenses that can be directly attributed to a particular function are charged to that function. Certain costs have been allocated among more than one program or activity based on objectively evaluated financial and nonfinancial data or reasonable subjective methods determined by management.

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) assists veterans and their families so they can be self-sustaining and better connected to the community.

The Agency operates a service center providing and/or coordinating a variety of services to all honorably discharged veterans and their families with special emphasis on those who are homeless.

The Agency provides employment training and counseling, technical assistance, job training, placement assistance, computer training and job retention to honorably discharged veterans with the focus of helping veterans find good jobs.

The Agency operates a transitional housing program for veterans providing the necessary social and support services to ensure a successful return to responsible living.

The Agency coordinates Stand Downs with Middle Tennessee agencies to inform and provide social and support services for homeless veterans.

The Agency 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 our veteran service center.

(3) TAX STATUS:

The Agency qualifies as a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, income taxes are not provided.

The Agency files a U.S. federal Form 990 for organizations exempt from income tax. Tax returns for years prior to fiscal year 2010 are not longer open to examination.

Management performs an evaluation of all income tax positions taken or expected to be taken in the course of preparing the Agency's income tax returns to determine whether the income tax positions meet a "more likely than not" standard of being sustained under examination by the applicable taxing authorities. Management has performed its evaluation of all income tax positions taken on all open income tax returns and has determined that there were no positions taken that do not meet the "more likely than

not" standard. Accordingly there are no provision income taxes, penalties or interest receivable or payable relating to uncertain income tax positions in the accompanying financial statements.

(4) NOTES PAYABLE:

Notes payable as of December 31, 2013 were as follows:

	<u>Current Portion</u>	<u>Non- Current Portion</u>
Line of credit payable to Renasant Bank, interest at 5% secured by furniture, equipment and vehicles, subject to a maximum availability of \$50,000.	\$ 26,883	\$ -
Note payable to Renasant Bank, 5.25%, due in monthly installments of \$4,411.44, including interest, through September, 2015, with a balloon payment of \$545,222 due October, 2015, secured by substantially all the Agency's real estate.	<u>22,626</u>	<u>565,004</u>
	<u>\$ 49,509</u>	<u>\$ 565,004</u>

Future maturities of notes payable are as follows:

Year ended December 31,	
2014	\$ 49,509
2015	565,004
2016	-
2017	-
2018	-
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.

(6) LEASES:

The Agency currently operates from a facility leased under an agreement expiring in April, 2014, which was renewed during the year to expire in April, 2019. Rents paid under this lease amounted to \$71,413 in 2013, including common area fees.

Future minimum lease commitments (excluding common area fees) as of December 31, 2013 are as follows:

2014	78,803
2015	83,338
2016	85,839
2017	88,414
2018	91,052
2019	38,407

On April 15, 2014, the Agency purchased this building. See Note 7 for further information.

(7) SUBSEQUENT EVENTS:

On April 15, 2014, the Agency purchased the facility which it had been leasing for use as its Service Center. The purchase price for the facility was \$2.5 million. Monthly principal and interest payments on the loan will amount to \$14,525, exclusive of taxes and insurance. The Agency currently occupies approximately 62% of the facility with the remaining portion of the facility leased to unrelated 3rd parties for approximately \$6,246 per month.

The net rental income on the portion of the payment leased to the 3rd parties will be subject to Federal and State taxes.

The Agency has evaluated all other subsequent events through July 10, 2014, the date which the financial statements were available to be issued. No other events have occurred which would have a material effect on the financial statements of the Agency as of that date.

(8) DONATED GOODS AND SERVICES:

The Agency is the recipient of numerous donated goods and services, which play a vital role in the Agency'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 \$79,932, which were used to assist in the sustaining of the

Agency's job training program. In addition, an additional 4,060 articles of clothing were given at no cost to 455 needy veterans. This clothing carried a value of \$24,319.

In addition, a vehicle valued at \$6,621 was donated to the Agency and was used in the Agency's programs, as well as a remodeling project valued at \$60,529 was donated to one of the Agency's transitional living homes.

The use of storage space valued at \$27,500 was received and services valued at \$13,044 were received in connection with the Agency's annual Stand Down event. An additional \$41,839 of new goods were received and given to deserving veterans.

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**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***

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

I 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 Nashville, Inc. (a Tennessee corporation – Not-for-Profit) which comprise the statement of financial position as of December 31, 2013, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended and the related notes to the financial statements and have issued my report thereon dated July 2, 2014.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Operation Stand Down Nashville, Inc's internal control over financial reporting (internal control) to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Operation Stand Down Nashville, Inc's internal control. Accordingly, I do not express an opinion on the effectiveness of the Company's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. I did not identify any deficiencies in internal control that I consider to be material weaknesses or significant deficiencies, as defined above.

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Operation Stand Down Nashville, Inc's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my 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 my 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.

A handwritten signature in black ink, appearing to read 'D. J. Smith', is written over a horizontal line.

Goodlettsville, Tennessee

July 10, 2014

DAVID P. GUENTHER
CERTIFIED PUBLIC ACCOUNTANT
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

I have audited Operation Stand Down Nashville, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Operation Stand Down Nashville's major federal programs for the year ended December 31, 2013. Operation Stand Down Nashville, Inc.'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 the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance of each of Operation Stand Down Nashville's major federal programs based on my audit of the types of compliance requirements referred to above. 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; and 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.'s compliance with those requirements and performing such other procedures, as I considered necessary in the circumstances.

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I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of Operation Stand Down Nashville, Inc.'s compliance.

Opinion on Each Major Federal Program.

In my opinion, Operation Stand Down Nashville, Inc. 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, 2013.

Other Matters

The results of my auditing procedures disclosed no instance of noncompliance which are required to be reported in accordance with OMB Circular A-133.

Report on Internal Control Over Compliance

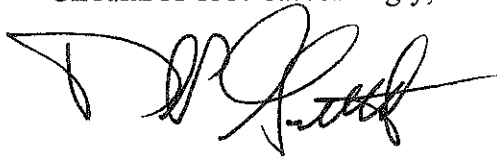
Management of Operation Stand Down Nashville, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered Operation Stand Down Nashville, Inc.'s 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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Operation Stand Down Nashville'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 a 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 a 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.

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My 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. I did not identify any deficiencies in internal control over compliance that I 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 my testing of internal control over compliance on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink, appearing to be "D. M. Reed", is written over the printed name.

Goodlettsville, Tennessee

July 10, 2014

DAVID P. GUENTHER
CERTIFIED PUBLIC ACCOUNTANT
311 BLUE BIRD DRIVE
GOODLETTSVILLE, TENNESSEE 37072
(615) 859-1300
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

I have audited the accompanying financial statements of Operation Stand Down Nashville, Inc. (a Tennessee corporation – Not-for-Profit) which comprise the statements of financial position as of December 31, 2013, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit 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. Those standards require that I 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, I express no such opinion. An audit also includes 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

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, 2013, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

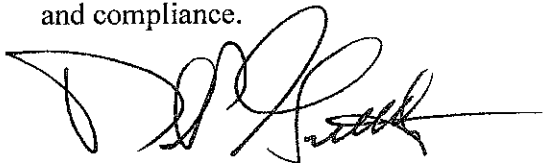
Other Matters

Other Information

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, local Governments, and Non-Profit Organizations*, 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 my opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated July 10, 2014, 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 grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in compliance with *Government Auditing Standards* in considering Operation Stand Down Nashville's internal control over financial reporting and compliance.



Goodlettsville, Tennessee

July 10, 2014

OPERATION STAND DOWN NASHVILLE, INC.
(A TENNESSEE CORPORATION FOR NOT PROFIT)
SCHEDULE OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2013

CFDA NUMBER	PROGRAM	BALANCE, DEC. 31, 2012	CASH RECEIPTS	TRANSFERS IN
	FEDERAL			
	TYPE A PROGRAMS			
97.024	Veterans Administration:			
	01-004-SVC	\$ (7,048)	\$ 96,527	\$ -
	01-004-TN	(33,771)	432,575	-
	05-6-TN	(10,391)	133,284	-
	13-254-TN	-	-	-
	14-TN-285	-	104,300	-
	Total 97.024	\$ (51,210)	\$ 766,686	\$ -
17.804	Department of Labor			
	HV-23384-12-60-5-47	\$ -	\$ 153,000	\$ -
	HV-23384-12-60-5-47 MOD 1	-	149,500	-
	VW-20702-10-60-5-47 MOD2	-	252,267	-
	Total 17.804	\$ -	\$ 554,767	\$ -
	Total Type A Programs	\$ (51,210)	\$ 1,321,453	\$ -
	TYPE B PROGRAMS			
14.231	Department of Housing & Urban Development			
	TN0057B4J041104	\$ -	\$ 20,000	\$ -
	TN0057L4J041205	-	18,750	-
	Total 14.231	\$ -	\$ 38,750	\$ -
	Total Type B Programs	\$ -	\$ 38,750	\$ -
	Total Federal Funds	\$ (51,210)	\$ 1,360,203	\$ -
	Total Grant Funds	\$ (51,210)	\$ 1,360,203	\$ -

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, 2013</u>
\$ -	\$ 97,103	\$ -	\$ -	\$ -	\$ (7,624)
-	438,483	-	-	-	(39,679)
-	134,416	-	-	-	(11,523)
-	20,588	-	-	-	(20,588)
-	104,300	-	-	-	-
\$ -	\$ 794,890	\$ -	\$ -	\$ -	\$ (79,414)
\$ -	\$ 153,000	\$ -	\$ -	\$ -	\$ -
-	149,500	-	-	-	-
-	252,267	-	-	-	-
\$ -	\$ 554,767	\$ -	\$ -	\$ -	\$ -
\$ -	\$ 1,349,657	\$ -	\$ -	\$ -	\$ (79,414)
\$ -	\$ 20,000	\$ -	\$ -	\$ -	\$ -
-	18,750	-	-	-	-
\$ -	\$ 38,750	\$ -	\$ -	\$ -	\$ -
\$ -	\$ 38,750	\$ -	\$ -	\$ -	\$ -
\$ -	\$ 1,388,407	\$ -	\$ -	\$ -	\$ (79,414)
\$ -	\$ 1,388,407	\$ -	\$ -	\$ -	\$ (79,414)

**OPERATION STAND DOWN NASHVILLE, INC.
(A TENNESSEE CORPORATION – NOT FOR PROFIT)
NOTES TO SCHEDULE OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

(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, 2013**

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	Veterans Administration	01-004-TN
97.024	Veterans Administration	05-6-TN
97.024	Veterans Administration	01-004-SVC
97.024	Veterans Administration	13-254-TN
97.024	Veterans Administration	14-TN-285
17.804	Department of Labor	HV 23384-12-60-5-47
17.804	Department of Labor	HV 23384-12-60-5-47 MOD 1
17.804	Department of Labor	VW 20702-10-60-5-47 MOD 2

**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.