

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

FINANCIAL STATEMENTS
FOR THE FOR THE YEAR ENDED DECEMBER 31, 2010

(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, 2010 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.

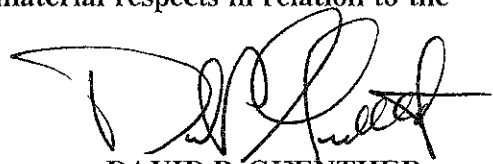
I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and 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, 2010, 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 20, 2011, 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 20, 2011



DAVID P. GUENTHER

**OPERATION STAND DOWN NASHVILLE, INC.
(A TENNESSEE CORPORATION - NOT FOR PROFIT)
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2010**

ASSETS

Current assets:

Cash on hand and in banks	\$ 299,853
Grant funds receivable	50,624
Accounts receivable	50,032
Prepaid expenses	38,971
Total current assets	<u>\$ 439,480</u>

Fixed assets:

Land	\$ 75,650
Buildings and improvements	1,248,429
Equipment & furniture	286,129
Vehicles	65,360
	<u>\$ 1,675,568</u>
Less: Accumulated depreciation	<u>596,021</u>

Total fixed assets	<u>\$ 1,079,547</u>
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Total assets	<u><u>\$ 1,519,027</u></u>
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The accompanying notes to financial statements are an integral part of this statement.

LIABILITIES AND NET ASSETS

Current liabilities:

Note payable-current portion	\$ 19,407
Accounts payable - trade	69,509
Accrued compensation	39,418
Total current liabilities	<u>\$ 128,334</u>

Other liabilities:

Note payable, net of current portion shown above	\$ 628,072
Total other liabilities	<u>\$ 628,072</u>

Net assets:

Unrestricted	\$ 530,850
Temporarily restricted	231,771
Total net assets	<u>\$ 762,621</u>

Total liabilities and net assets	<u>\$ 1,519,027</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, 2010

	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
Public support and revenue:			
Public support:			
Contributions	\$ 897,934	\$ 467,287	\$ 430,647
Federal grants	1,168,305	1,168,305	-
United Way	10,969	10,969	-
Total public support	<u>\$ 2,077,208</u>	<u>\$ 1,646,561</u>	<u>\$ 430,647</u>
Revenue:			
Contract income	\$ 441,558	\$ 441,558	\$ -
Annual event	31,546	31,546	-
Client fees	44,377	44,377	-
Total revenues	<u>\$ 517,481</u>	<u>\$ 517,481</u>	<u>\$ -</u>
Total public support and revenue	<u>\$ 2,594,689</u>	<u>\$ 2,164,042</u>	<u>\$ 430,647</u>
Net assets released from restriction	\$ -	\$ 226,205	\$ (226,205)
Expenses:			
Program services	\$ 2,293,192	\$ 2,293,192	\$ -
Management & general	91,627	91,627	-
Fund raising	67,860	67,860	-
Total expenses	<u>\$ 2,452,679</u>	<u>\$ 2,452,679</u>	<u>\$ -</u>
Increase (decrease) in net assets	\$ 142,010	\$ (62,432)	\$ 204,442
Net assets, December 31, 2009	<u>620,611</u>	<u>593,282</u>	<u>27,329</u>
Net assets, December 31, 2010	<u><u>\$ 762,621</u></u>	<u><u>\$ 530,850</u></u>	<u><u>\$ 231,771</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, 2010

	PROGRAM SERVICES	MANAGEMENT & GENERAL	FUND RAISING	TOTAL ALL PROGRAMS
Compensation expense:				
Salaries	\$ 761,230	\$ 9,134	\$ 56,130	\$ 826,494
Employee benefits	17,461	-	-	17,461
Payroll taxes	57,353	819	8,019	66,191
Total compensation expense	<u>\$ 836,044</u>	<u>\$ 9,953</u>	<u>\$ 64,149</u>	<u>\$ 910,146</u>
Other expenses:				
Assistance to clients	\$ 861,986	\$ -	\$ -	\$ 861,986
Dues & subscriptions	850	300	-	1,150
Depreciation	110,240	44,061	-	154,301
Event expense	36,456	-	-	36,456
Insurance	30,892	-	-	30,892
Interest	43,088	18,087	-	61,175
Miscellaneous	6,304	1,403	-	7,707
Occupancy expense	164,604	10,312	-	174,916
Professional fees	78,523	-	300	78,823
Staff training	6,154	-	-	6,154
Supplies and general	93,363	6,448	3,400	103,211
Telephone	9,112	1,063	11	10,186
Travel	15,576	-	-	15,576
Total other expenses	<u>\$ 1,457,148</u>	<u>\$ 81,674</u>	<u>\$ 3,711</u>	<u>\$ 1,542,533</u>
Total expenses	<u>\$ 2,293,192</u>	<u>\$ 91,627</u>	<u>\$ 67,860</u>	<u>\$ 2,452,679</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, 2010

Cash flows from operating activities:

Change in net assets	\$	142,010
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Adjustments to reconcile change in net assets to net cash used by operating activities:

Depreciation		154,301
Donated fixed assets		(47,068)
Increase in accounts receivable		(40,758)
Decrease in grant funds receivable		2,940
Increase in prepaid expenses		(6,245)
Increase in accounts payable		58,349
Increase in accrued compensation		27,792

Net cash provided by operating activities	\$	<u>291,321</u>
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Cash flows from financing activities:

Repayment of line of credit	\$	(49,964)
Long-term borrowings		650,616
Repayment of loans from banks		<u>(653,109)</u>

Net cash used by financing activities	\$	<u>(52,457)</u>
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Cash flows from investing activities:

Purchase of property and equipment	\$	<u>-</u>
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Net cash used by investing activities	\$	<u>-</u>
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Net increase in cash	\$	238,864
Cash, beginning of period		<u>60,989</u>

Cash, end of period	\$	<u><u>299,853</u></u>
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Supplemental information:

Cash paid for interest expense	\$	<u><u>61,175</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, 2010**

U.S. Department of Veterans Affairs	\$ 618,305
U.S. Department of Labor	510,000
U.S. Department of Housing and Urban Development	40,000
United Way	10,969
Metropolitan Nashville Development and Housing Agency	441,558
Contributions and assessments from:	
Designated account	226,205
Annual OSDN event	31,546
Client fees	44,377
Other monetary contributions	288,025
Other nonmonetary contributions	<u>383,704</u>
	<u>\$ 2,594,689</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, 2010**

(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, 2010 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.	\$ -	\$ -
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 \$543,505 due October, 2015, secured by substantially all the agency's real estate.	<u>19,407</u>	<u>628,072</u>
	\$ <u>19,407</u>	\$ <u>628,072</u>

Future maturities of notes payable are as follows:

Year ended December 31,	
2011	\$ 19,407
2012	20,451
2013	21,551
2014	22,710
2015	563,360
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. Rents paid under this lease amounted to \$67,314 in 2010.

Future minimum lease commitments are as follows:

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

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**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 the financial statements of Operation Stand Down Nashville, Inc. as of and for the year ended December 31, 2010, and have issued my report thereon dated January 20, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Operation Stand Down Nashville's internal control over financial reporting as a basis for designing my auditing procedures 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's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Company's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the company's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the company's financial statements that is more than inconsequential will not be prevented or detected by the company's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the company's internal control.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Operation Stand Down Nashville's financial statements are free of 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*.

This report is intended solely for the information and use of the audit committee, management, and the U. S. Department of Education. However, this report is a matter of public record, and its distribution is not limited.

A handwritten signature in black ink, appearing to read 'David P. Guenther', is positioned above the printed name.

DAVID P. GUENTHER

January 20, 2011

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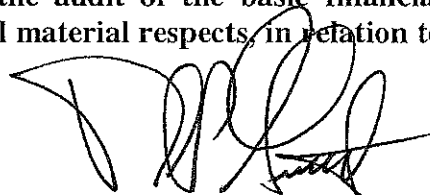
INDEPENDENT AUDITOR'S REPORT ON SCHEDULE OF FEDERAL AWARDS

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, 2010 and have issued my report thereon dated January 20, 2011. 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.



DAVID P. GUENTHER

January 20, 2011

OPERATION STAND DOWN NASHVILLE, INC.
(A TENNESSEE CORPORATION FOR NOT PROFIT)
SCHEDULE OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010

<u>CFDA NUMBER</u>	<u>PROGRAM</u>	<u>BALANCE, DEC. 31, 2009</u>	<u>CASH RECEIPTS</u>	<u>TRANSFER IN</u>
	FEDERAL			
	TYPE A PROGRAMS			
97.024	Veterans Administration 01-004-SVC	\$ (9,601)	\$ 124,031	\$ -
	Veterans Administration 01-004-TN	(33,368)	380,095	-
	Veterans Administration 05-6-TN	<u>(10,595)</u>	<u>117,119</u>	<u>-</u>
	Total 97.024	\$ <u>(53,564)</u>	\$ <u>621,245</u>	\$ <u>-</u>
17.804	Department of Labor HV-19160-HVO	\$ -	\$ 156,500	\$ -
	HV-19160-09-60-5-47	-	143,500	-
	VW-20702-10-60-5-47	-	210,000	-
	Total 17.804	\$ <u>-</u>	\$ <u>510,000</u>	\$ <u>-</u>
	Total Type A Programs	\$ <u>(53,564)</u>	\$ <u>1,131,245</u>	\$ <u>-</u>
	TYPE B PROGRAMS			
14.231	Department of Housing & Urban Development TN57B4J040801	\$ -	\$ 20,000	\$ -
	TN57B4J040802	-	20,000	-
	Total 14.231	\$ <u>-</u>	\$ <u>40,000</u>	\$ <u>-</u>
	Total Type B Programs	\$ <u>-</u>	\$ <u>40,000</u>	\$ <u>-</u>
	Total Federal Funds	\$ <u>(53,564)</u>	\$ <u>1,171,245</u>	\$ <u>-</u>
	Total Grant Funds	\$ <u>(53,564)</u>	\$ <u>1,171,245</u>	\$ <u>-</u>

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

S	OTHER ADDITIONS	EXPENDITURES	PAID TO GRANTOR	TRANSFERS OUT	OTHER DEDUCTIONS	BALANCE DEC. 31, 2010
	\$ -	\$ 123,946	\$ -	\$ -	\$ -	\$ (9,601)
	-	377,155	-	-	-	(33,368)
	-	117,204	-	-	-	(10,680)
	\$ -	\$ 618,305	\$ -	\$ -	\$ -	\$ (50,624)
	\$ -	\$ 156,500	\$ -	\$ -	\$ -	\$ -
	-	143,500	-	-	-	-
	-	210,000	-	-	-	-
	\$ -	\$ 510,000	\$ -	\$ -	\$ -	\$ -
	\$ -	\$ 1,128,305	\$ -	\$ -	\$ -	\$ (50,624)
	\$ -	\$ 20,000	\$ -	\$ -	\$ -	\$ -
	-	20,000	-	-	-	-
	\$ -	\$ 40,000	\$ -	\$ -	\$ -	\$ -
	\$ -	\$ 40,000	\$ -	\$ -	\$ -	\$ -
	\$ -	\$ 1,168,305	\$ -	\$ -	\$ -	\$ (50,624)
	\$ -	\$ 1,168,305	\$ -	\$ -	\$ -	\$ (50,624)

**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, 2010**

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
17.804	Department of Labor	HV 19160-HVO
17.804	Department of Labor	HV 19160-09-60-5-47
17.804	Department of Labor	VW 20702-10-60-5-47

**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.**