

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

FINANCIAL STATEMENTS
FOR THE FOR THE YEAR ENDED DECEMBER 31, 2005

(Together with Independent Auditor's Report)

OPERATION STAND DOWN NASHVILLE, INC.

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311 BLUE BIRD DRIVE
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INDEPENDENT AUDITOR'S REPORT

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

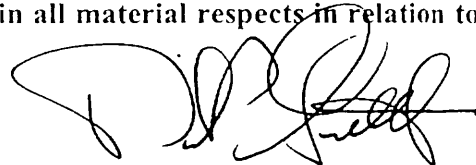
I have audited the accompanying statement of financial position of Operation Stand Down Nashville, Inc. (a Tennessee Corporation - Not For Profit) as of December 31, 2005 and the related statements of activities and changes in net assets, functional expenses, and statement of cash flows for the year 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, 2005, 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 May 12, 2006, on my consideration of Operation Stand Down Nashville, Inc.'s internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants.

My audit was conducted for the purpose of forming an opinion on the financial statements referred to above taken as a whole. The schedule of support and revenue is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID P. GUENTHER

May 12, 2006

OPERATION STAND DOWN NASHVILLE, INC.
(A TENNESSEE CORPORATION - NOT FOR PROFIT)
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2005

ASSETS

Current assets:

Cash on hand and in banks	\$ 29,606
Grant funds receivable	50,785
Total current assets	<u>\$ 80,391</u>

Fixed assets:

Land	\$ 75,650
Buildings and improvements	815,399
Equipment & furniture	55,920
Vehicles	53,365
	<u>\$ 1,000,334</u>
Less: Accumulated depreciation	<u>146,221</u>

Total fixed assets	<u>\$ 854,113</u>
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Total assets	<u><u>\$ 934,504</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:

Notes payable-current portion	\$ 33,818
Accounts payable - trade	8,168
Accrued compensation	19,431
Total current liabilities	<u>\$ 61,417</u>

Other liabilities:

Notes payable, net of current portion shown above	<u>\$ 469,409</u>
Total other liabilities	<u>\$ 469,409</u>

Unrestricted net assets:	<u>\$ 403,678</u>
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Total liabilities and net assets	<u><u>\$ 934,504</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, 2005

Public support and revenue:

Public support:

Contributions	\$ 95,798
Federal grants	714,798
United Way	15,958
Total public support	<u>\$ 826,554</u>

Revenue:

Contract income	\$ 22,625
Annual event	13,062
Client fees	49,019
Other income	2,363
Total revenues	<u>\$ 87,069</u>

Total public support and revenue	<u>\$ 913,623</u>
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Expenses:

Program services	\$ 734,173
Management & general	63,237
Fund raising	51,321
Total expenses	<u>\$ 848,731</u>

Increase in unrestricted net assets	\$ 64,892
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Net assets, December 31, 2004	<u>338,786</u>
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Net assets, December 31, 2005	<u><u>\$ 403,678</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 FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2005

	PROGRAM SERVICES	MANAGEMENT & GENERAL	FUND RAISING	TOTAL ALL PROGRAMS
Compensation expense:				
Salaries	\$ 398,504	\$ 42,953	\$ 26,106	\$ 467,563
Employee benefits	14,478	911	911	16,300
Payroll taxes	32,377	3,409	2,109	37,895
Total compensation expense	<u>\$ 445,359</u>	<u>\$ 47,273</u>	<u>\$ 29,126</u>	<u>\$ 521,758</u>
Other expenses:				
Assistance to clients	\$ 36,229	\$ -	\$ -	\$ 36,229
Dues & subscriptions	-	1,705	-	1,705
Depreciation	46,456	338	338	47,132
Event expense	17,013	-	-	17,013
Insurance	20,153	676	676	21,505
Interest	26,230	3,125	-	29,355
Miscellaneous	3,517	340	-	3,857
Occupancy expense	95,204	3,375	614	99,193
Professional fees	-	2,750	-	2,750
Staff training	1,753	-	-	1,753
Supplies and general	29,832	2,154	2,053	34,039
Telephone	12,009	1,501	1,501	15,011
Travel	17,431	-	-	17,431
Total other expenses	<u>\$ 305,827</u>	<u>\$ 15,964</u>	<u>\$ 5,182</u>	<u>\$ 326,973</u>
Total expenses	<u>\$ 751,186</u>	<u>\$ 63,237</u>	<u>\$ 34,308</u>	<u>\$ 848,731</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, 2005

Cash flows from operating activities:

Change in net assets	\$ 64,892
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Adjustments to reconcile change in net assets to net cash provided by operating activities:

Depreciation	47,132
Donated fixed assets	(6,165)
Increase in grant funds receivable	(2,163)
Increase in accounts payable	1,976
Decrease in accrued compensation	<u>(1,736)</u>

Net cash provided by operating activities	\$ <u>103,936</u>
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Cash flows from financing activities:

Repayment on line of credit, net	\$ (9,179)
Repayment of loans from banks	<u>(36,532)</u>

Net cash provided by financing activities	\$ <u>(45,711)</u>
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Cash flows from investing activities:

Purchase of property and equipment	\$ <u>(68,508)</u>
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Net cash used by investing activities	\$ <u>(68,508)</u>
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Net decrease in cash	\$ (10,283)
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Cash, beginning of period	<u>39,889</u>
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Cash, end of period	<u><u>\$ 29,606</u></u>
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The accompanying notes to financial statements are an integral part of this statement.

Supplemental information:

Cash paid for interest expense	\$ <u>29,355</u>
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Non-cash investing and financing activities:

Fixed assets acquired through borrowing	\$ <u>95,200</u>
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OPERATION STAND DOWN NASHVILLE, INC.
(A TENNESSEE CORPORATION-NOT FOR PROFIT)
SCHEDULE OF SUPPORT AND REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2005

U.S. Department of Veterans Affairs	\$ 373,022
U.S. Department of Labor	285,000
U.S. Department of Housing and Urban Development	48,000
United Way	15,958
Federal Emergency Management Agency	8,776
Metropolitan Nashville Development and Housing Agency	22,625
Contributions and assessments from:	
Designated account	10,000
Annual OSDN event	13,062
Client fees	49,019
Other monetary contributions	42,801
Other nonmonetary contributions	<u>45,360</u>
	<u>\$ 913,623</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, 2005

(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, 2005 were as follows:

	<u>Current Portion</u>	<u>Non- Current Portion</u>
Line of credit payable to Regions Bank, interest at prime (7.00% at December 31, 2005) secured by a second mortgage on real estate, subject to a maximum availability of \$50,000, maturing September 23, 2008.	\$ 19,924	\$ -
Note payable to Regions Bank, 6.30%, due in monthly installments of \$3,157.88, including interest, through August, 2009, with a balloon payment of \$363,298 due September, 2009, secured by substantially all the agency's real estate	12,205	401,099
Note payable to Regions Bank, due in monthly installments of \$567.22 through September, 2010, with a balloon payment of \$60,548 due October, 2010, secured by real estate.	<u>1,689</u>	<u>68,311</u>
	\$ <u>33,818</u>	\$ <u>469,409</u>

Future maturities of notes payable are as follows:

Year ended December 31,	
2006	\$ 33,818
2007	14,815
2008	15,797
2009	376,371
2010	62,427
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 occupies office facilities under an agreement with Metropolitan Development and Housing Agency at a rate substantially less than the fair market rental value of the facilities. The amount of \$24,000 has been included in contribution income to represent the amount for which rents paid were less than the fair rental value of the property. This lease agreement is renewable on an annual basis.

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

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

I have audited the financial statements of Operation Stand Down Nashville, Inc. as of and for the year ended December 31, 2005, and have issued my report thereon dated May 12, 2006. 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

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.

A handwritten signature in black ink, appearing to read 'D. P. Guenther', with a horizontal line extending from the end of the signature.

DAVID P. GUENTHER

May 12, 2006

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

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

I have audited the compliance of Operation Stand Down Nashville, Inc., with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that is applicable to its major federal program for the year ended December 31, 2005. Operation Stand Down Nashville, Inc.'s major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Operation Stand Down Nashville, Inc. management. My responsibility is to express an opinion on Operation Stand Down Nashville, Inc.'s compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Operation Stand Down Nashville, Inc., compliance with those requirements and performing such other procedures, as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on Operation Stand Down Nashville, Inc.'s compliance with those requirements.

In my opinion, Operation Stand Down Nashville, Inc. complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2005.

Internal Control Over Compliance

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

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over compliance and its operation that I consider to be material weaknesses.

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

May 12, 2006

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

DAVID P. GUENTHER

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INDEPENDENT AUDITOR'S REPORT ON SCHEDULE OF FEDERAL AWARDS

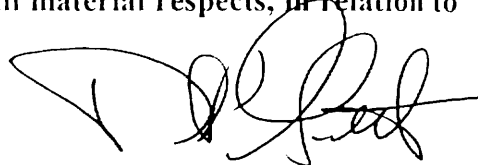
**To the Board of Directors
Operation Stand Down Nashville, Inc.
Nashville, Tennessee**

I have audited the financial statements of Operation Stand Down Nashville, Inc., (a Tennessee Corporation – Not For Profit) for the year ended December 31, 2005 and have issued my report thereon dated May 12, 2006. These financial statements are the responsibility of the management of Foundations Associates. 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.

May 12, 2006



DAVID P. GUENTHER

OPERATION STAND DOWN NASHVILLE, INC.
(A TENNESSEE CORPORATION FOR NOT PROFIT)
SCHEDULE OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2005

CFDA NUMBER	PROGRAM	BALANCE, Dec. 31, 2004	CASH RECEIPTS	TRANSFERS IN
	FEDERAL			
	TYPE A PROGRAMS			
97.024	Federal Emergency Management Agency 765200-039	\$ -	\$ 8,776	\$ -
	Veterans Administration 01-004-TN	(48,624)	280,811	-
	Veterans Administration 05-6-TN	-	90,050	-
	Total 97.024	\$ (48,624)	\$ 379,637	\$ -
	Total Type A Programs	\$ (48,624)	\$ 379,637	\$ -
	TYPE B PROGRAMS			
14.231	Department of Housing & Urban Development TNB7B204009	\$ -	\$ 48,000	\$ -
	Total 14.231	\$ -	\$ 48,000	\$ -
17.804	Department of Labor E-9-5-3-0012	\$ -	\$ 285,000	\$ -
	Total 17.804	\$ -	\$ 285,000	\$ -
	Total Type B Programs	\$ -	\$ 333,000	\$ -
	Total Federal Funds	\$ (48,624)	\$ 712,637	\$ -
	Total Grant Funds	\$ (48,624)	\$ 712,637	\$ -

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

<u>OTHER ADDITIONS</u>	<u>EXPENDITURES</u>	<u>PAID TO GRANTOR</u>	<u>TRANSFERS OUT</u>	<u>OTHER DEDUCTIONS</u>	<u>BALANCE Dec. 31, 2005</u>
\$ -	\$ 8,776	\$ -	\$ -	\$ -	\$ -
-	282,972	-	-	-	(50,785)
<u>-</u>	<u>90,050</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$ <u>-</u>	\$ <u>381,798</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>(50,785)</u>
\$ <u>-</u>	\$ <u>381,798</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>(50,785)</u>
 \$ <u>-</u>	 \$ <u>48,000</u>	 \$ <u>-</u>	 \$ <u>-</u>	 \$ <u>-</u>	 \$ <u>-</u>
\$ <u>-</u>	\$ <u>48,000</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
 \$ <u>-</u>	 \$ <u>285,000</u>	 \$ <u>-</u>	 \$ <u>-</u>	 \$ <u>-</u>	 \$ <u>-</u>
\$ <u>-</u>	\$ <u>285,000</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
\$ <u>-</u>	\$ <u>333,000</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
\$ <u>-</u>	\$ <u>714,798</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>(50,785)</u>
\$ <u><u>-</u></u>	\$ <u><u>714,798</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>(50,785)</u></u>

**OPERATION STAND DOWN NASHVILLE, INC.
(A TENNESSEE CORPORATION – NOT FOR PROFIT)
NOTES TO SCHEDULE OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

(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, 2005**

1) Summary of the auditor's results:

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

vii) Type A programs identified:

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

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

- ix) The auditee qualifies as a low-risk auditee under OMB Circular A-133, Sect. 530.**
- 2) Findings relating to the financial statement, which are required to be reported under Generally Accepted Governmental Auditing Standards – none.**
- 3) Findings and questioned costs for Federal awards including audit findings as defined under OMB Circular A-133, Sect. 510 – none.**