

**OPERATION STAND DOWN NASHVILLE, INC.**

**AUDITED FINANCIAL STATEMENTS**

**DECEMBER 31, 2004 and 2003**

# **Wallace F McCoy CPA**

*Certified Public Accountant*

February 23, 2005

## INDEPENDENT AUDITORS' REPORT ON BASIC FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

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

We have audited the accompanying statements of financial position of Operation Stand Down Nashville, Inc., as of December 31, 2004 and 2003, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of Operation Stand Down Nashville, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our 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 we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our 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, 2004 and 2003, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our reports dated February 23, 2005, on our consideration of Operation Stand Down Nashville, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental information for the years ended December 31, 2004 and 2003 is presented for purposes of additional analysis and is not a required part of the basic financial statements of Operation Stand Down Nashville, Inc. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



# Wallace F McCoy CPA

Certified Public Accountant

February 23, 2005

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

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

We have audited the financial statements of Operation Stand Down Nashville, Inc., as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated February 23, 2005. We conducted our 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.

As part of obtaining reasonable assurance about whether Operation Stand Down Nashville Inc.'s financial statements are free of material misstatement, we 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 our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

In planning and performing our audit, we considered Operation Stand Down Nashville, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our 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 of risk that misstatements in amounts 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. We noted no matters involving internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, board of directors, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



OPERATION STAND DOWN NASHVILLE, INC.  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
<u>ASSETS</u>		
Cash	\$39,889	\$43,346
Property and equipment, net of allowance for depreciation of \$99,089 and \$77,583	731,372	430,596
TOTAL ASSETS	<u>\$771,261</u>	<u>\$473,942</u>

LIABILITIES AND NET ASSETS

<u>LIABILITIES</u>		
Notes payable to bank	\$29,103	\$31,103
Accounts payable	6,192	0
Salaries and wages payable	21,167	12,430
Notes payable to bank	424,635	191,714
TOTAL LIABILITIES	<u>\$481,097</u>	<u>\$235,247</u>
<u>NET ASSETS</u>		
Unrestricted assets	290,164	238,695
Temporarily restricted assets	0	0
Permanently restricted assets	0	0
TOTAL NET ASSETS	<u>290,164</u>	<u>238,695</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$771,261</u>	<u>\$473,942</u>

The accompanying notes are an integral part of the financial statements.

OPERATION STAND DOWN NASHVILLE, INC.  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
	<u>UNRESTRICTED NET ASSETS</u>	
SUPPORT AND REVENUE	\$907,112 ✓	\$709,202
EXPENSES		
Salaries and employment taxes	533,565	360,891
Rent	24,000	24,000
Insurance	19,669	22,173
Repairs and maintenance	48,195	40,349
Food	9,081	19,585
Transportation	11,647	11,121
Dues	1,850	1,150
Veterans assistance	50,074	37,698
Office expenses	22,461	26,445
Telephone	10,912	9,099
Annual OSDN event	43,213	78,470
Staff training	6,117	4,854
Interest expense	31,502	22,426
Advertising	0	3,281
Payroll processing	6,283	1,921
Audit	2,435	1,835
Other professional services	2,124	1,650
Designated expenditures	4,383	8,979
Depreciation	21,056	25,008
Miscellaneous	7,076	250
TOTAL EXPENSES	855,643 ✓	701,185
INCREASE (DECREASE) IN NET ASSETS	51,469	8,017
NET ASSETS, BEGINNING OF YEAR	238,695	230,678
NET ASSETS, END OF YEAR	<u>\$290,164</u>	<u>\$238,695</u>

The accompanying notes are an integral part of the financial statements.

OPERATION STAND DOWN NASHVILLE, INC.  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$51,919	\$8,017
Adjustments to reconcile changes in net assets to cash provided by operating activities		
Depreciation	21,056	25,008
Increase in accounts payable	6,192	0
Increase in salaries and wages payable	8,737	7,983
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NET CASH PROVIDED BY OPERATING ACTIVITIES	87,904	41,008
CASH FLOWS USED FOR INVESTING ACTIVITIES		
Acquisitions of property and equipment	(322,282)	(8,895)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in note payable	(2,000)	(4,992)
Net increase (decrease) in mortgage payable	232,921	(6,329)
	<hr/>	<hr/>
NET CASH PROVIDED BY FINANCING ACTIVITIES	230,921	(11,321)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,457)	20,792
BEGINNING CASH AND CASH EQUIVALENTS	<hr/> 43,346	<hr/> 22,554
ENDING CASH AND CASH EQUIVALENTS	<hr/> <hr/> \$39,889	<hr/> <hr/> \$43,346

The accompanying notes are an integral part of the financial statements.

OPERATION STAND DOWN NASHVILLE, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

NOTE A – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

NATURE OF CURRENT ACTIVITIES

Operation Stand Down Nashville, Inc., is a non-profit organization formed to assist military veterans in need of employment, medical treatment, legal assistance, sleeping quarters, and other services from community and social services agencies. Operation Stand Down is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

Operation Stand Down maintains its financial records and prepares its financial statements in accordance with generally accepted accounting principles.

The primary accounts are unrestricted assets as they apply to the Statement of Financial Standards No. 117, Financial Statements of Not for Profit Organizations and Statement of Financial Accounting Standards No. 116, Accounting for Contributions Received and Contributions Made. Temporarily restricted assets and permanently restricted assets are shown when the donor places restrictions on the respective funds. During the years ended December 31, 2004 and 2003, the value of contributed services meeting the requirements for recognition in the cash account statements was not considered material and has not been recognized in the financial statements.

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from such estimates.

PROPERTY AND EQUIPMENT AND RELATED LONG-TERM DEBT

Operation Stand Down periodically has received title to vehicles and equipment and deed to certain real properties. Such vehicles, equipment, and properties are reported in the Statement of Financial Position at fair market value as of the date of the respective gifts and at appraised values, respectively, less related allowances for depreciation. The values of the donations are recognized in the Statement of Activities at fair market value and appraised values, less the value of the mortgage obligation incurred by Operation Stand Down to perfect title to the properties. The unpaid balance of the mortgage obligation is recognized as a mortgage payable in the Statement of Financial Position.

PROMISES TO GIVE

Contributions are recognized when a donor makes a promise to give to the organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

## NOTE B – DONATED SERVICES, MATERIALS, AND FACILITIES

During the years ended December 31, 2004 and 2003, Operation Stand Down received from various organizations and individuals donations of material and equipment with total estimated values of \$76,075 and \$91,578, respectively. The estimated values of materials are included as support and expense in the Statements of Activities. The estimated values of equipment are included as support in the Statements of Activities and as assets in the Statements of Financial Position.

Operation Stand Down occupies office facilities under an agreement with Metropolitan Development and Housing Agency, for which Operation Stand Down does not pay rent. The estimated fair values of the annual rentals of \$24,000 for each of the years ended December 31, 2004 and 2003 are included as support and expense in the Statements of Activities.

## NOTE C – PROPERTY

Property consists of the following:

	December 31	
	<u>2004</u>	<u>2003</u>
Buildings and improvement	\$756,455	\$456,590
Furniture and equipment	42,106	15,594
Vehicles	<u>31,900</u>	<u>30,700</u>
	830,461	502,884
Less allowance for depreciation	<u>(99,089)</u>	<u>(77,583)</u>
	<u>\$731,372</u>	<u>\$425,301</u>

## NOTE D – NOTE PAYABLE TO BANK

At December 31, 2004 and 2003, Operation Stand Down had a \$50,000 line of credit with a bank. At such dates, the outstanding balances under the line of credit were \$29,103 and \$31,103, respectively.

## NOTE E – LONG TERM DEBT

At December 31, 2003, Operation Stand Down was obligated under a mortgage payable to a bank totaling \$191,714, bearing interest at 7.25 percent. This obligation was replaced during 2004 with the following arrangement.

In September 2004, Operation Stand Down entered into a line of credit agreement with a bank which at December 31, 2004, had a balance of \$424,635, bearing interest at an annual rate of 6.30 percent. The obligation is secured by the real properties described in Note C above. Terms of the agreement call for payments in fifty-five monthly installments of \$3,158 beginning in December 2004, with a final payment due in September 2009.



OPERATION STAND DOWN NASHVILLE, INC.  
SCHEDULES OF SUPPORT  
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
<b>SUPPORT</b>		
U.S. Department of Veterans Affairs	\$334,917	\$194,202
U.S. Department of Labor	295,000	255,038
U.S. Department of Housing and Urban Development	48,000	29,000
United Way	19,864	25,692
Federal Emergency Management Agency	6,892	11,514
Metropolitan Nashville Development and Housing Agency	34,707	28,925
Contributions and assessments from:		
Designated account	22,654	23,300
Annual OSDN event	45,146	66,121
Client fees	34,529	24,778
Other monetary contributions	47,274	33,810
Other nonmonetary contributions	18,129	16,822
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<b>TOTAL SUPPORT</b>	<u><u>\$907,112</u></u>	<u><u>\$709,202</u></u>

The accompanying notes are an integral part of the financial statements.

OPERATION STAND DOWN NASHVILLE, INC.  
SCHEDULES OF MONTHLY EXPENSES  
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

<b>EXPENSES</b>	<u>2004</u>	<u>2003</u>
January	\$55,823	\$26,132
February	54,409	41,717
March	69,857	43,933
April	71,020	38,361
May	51,519	50,980
June	51,833	38,390
July	80,207	46,138
August	67,006	57,079
September	101,599	80,516
October	130,518	122,780
November	62,266	75,347
December	<u>59,136</u>	<u>85,107</u>
<b>TOTAL EXPENSES</b>	<u><u>\$855,193</u></u>	<u><u>\$706,480</u></u>

The accompanying notes are an integral part of the financial statements.