

**FINANCIAL REPORT**  
**OPERATION HOMEFRONT OF**  
**TENNESSEE AND KENTUCKY, INC.**  
**DECEMBER 31, 2010**

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Carneiro, Chumney & Co., L.C.

CERTIFIED PUBLIC ACCOUNTANTS

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

The Board of Directors  
Operation Homefront of Tennessee and Kentucky, Inc.  
Fort Campbell, Kentucky

We have audited the accompanying Statement of Financial Position of Operation Homefront of Tennessee and Kentucky, Inc. (the Chapter) as of December 31, 2010, and the related Statements of Activities, Functional Expenses, and Cash Flows for the ten months then ended. These financial statements are the responsibility of the Chapter's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with United States generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Chapter's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and 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 Homefront of Tennessee and Kentucky, Inc. as of December 31, 2010, and the changes in its net assets and cash flows for the ten months then ended, in conformity with United States generally accepted accounting principles.



April 15, 2011

**OPERATION HOMEFRONT OF TENNESSEE AND KENTUCKY, INC.**

**STATEMENT OF FINANCIAL POSITION**

**DECEMBER 31, 2010**

**ASSETS**

**Current Assets:**

Cash and equivalents	\$ 20,763
Contributions receivable	28,805
Due from officer	5,000
In-kind goods	6,611
Total Current Assets	<u>61,179</u>

<b>TOTAL ASSETS</b>	<b><u>\$ 61,179</u></b>
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**LIABILITIES AND NET ASSETS**

**Current Liabilities –**

Accrued liabilities	\$ 2,917
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**Net Assets –**

Unrestricted	<u>58,262</u>
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<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 61,179</u></b>
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The accompanying notes are an integral part of these financial statements.

**OPERATION HOMEFRONT OF TENNESSEE AND KENTUCKY, INC.**

**STATEMENT OF ACTIVITIES**

**FOR THE TEN MONTHS ENDED DECEMBER 31, 2010**

Unrestricted Net Assets:	
Revenue, Support, and Other:	
Contributions	\$ 58,345
Contributions from National	77,233
In-kind contributions	385,187
Total Revenue, Support, and Other	<u>520,765</u>
Expenses:	
Program services	442,742
Membership and fundraising	9,362
Management and general	10,399
Total Expenses	<u>462,503</u>
Change in Net Assets	58,262
Net assets, beginning of year	<u>--</u>
NET ASSETS, END OF YEAR	<u><u>\$ 58,262</u></u>

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

# **OPERATION HOMEFRONT OF TENNESSEE AND KENTUCKY, INC.**

## **STATEMENT OF FUNCTIONAL EXPENSES**

**FOR THE TEN MONTHS ENDED DECEMBER 31, 2010**

	Program Services	Supporting Services			Totals
		Membership and Fundraising	Management and General	Total Supporting Services	
Salaries and benefits	\$ 14,905	2,981	1,987	4,968	\$ 19,873
Specific assistance to individuals	423,308	--	--	--	423,308
Professional and contract fees	389	5,553	1,222	6,775	7,164
Supplies	1,036	207	138	345	1,381
Communications	2,578	516	343	859	3,437
Postage and shipping	370	74	49	123	493
Occupancy and related	94	19	13	32	126
Travel	62	12	9	21	83
Training, conferences, and meetings	--	--	407	407	407
National dues	--	--	2,917	2,917	2,917
Miscellaneous	--	--	3,314	3,314	3,314
<b>TOTAL EXPENSES</b>	<b>\$ 442,742</b>	<b>9,362</b>	<b>10,399</b>	<b>19,761</b>	<b>\$ 462,503</b>

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

**OPERATION HOMEFRONT OF TENNESSEE AND KENTUCKY, INC.**

**STATEMENT OF CASH FLOWS**

**FOR THE TEN MONTHS ENDED DECEMBER 31, 2010**

Change in net assets	\$ 58,262
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Change in in-kind goods	(6,611)
(Increase) in Assets:	
Contributions receivable	(28,805)
Due from officer	(5,000)
Increase in accrued liabilities	2,917
Net Cash Provided by Operating Activities	<u>20,763</u>
Net increase in cash	20,763
Cash, beginning of year	<u>--</u>
CASH, END OF YEAR	<u><u>\$ 20,763</u></u>

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

# OPERATION HOMEFRONT OF TENNESSEE AND KENTUCKY, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

### Note 1: Chapter and Significant Accounting Policies

#### *Chapter and Nature of Operations*

Operation Homefront of Tennessee and Kentucky, Inc. (the Chapter) is a chapter of Operation Homefront, Inc. (National), a nonprofit organization. The Chapter was incorporated in March 2010. The Chapter receives funding from National, community sponsorships and donations, and also participates in fundraising events for the purpose of providing emergency and morale assistance for military troops, the families they leave behind, and for the wounded warriors when they return home to Tennessee and Kentucky. The Chapter operates independently from National.

#### *Basis of Presentation*

The accompanying financial statements of the Chapter are presented on the accrual basis of accounting.

#### *Net Assets*

The net asset classifications shown on the Statement of Financial Position are defined as follows:

Unrestricted – Net assets that are not subject to donor-imposed restrictions.

Temporarily Restricted – Net assets that are subject to donor-imposed restrictions that either expire by the passage of time or can be fulfilled by actions of the Chapter pursuant to those restrictions.

Permanently Restricted – Net assets that are limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled and otherwise removed by actions of the Chapter.

As of December 31, 2010, the Chapter only contained unrestricted net assets.

#### *Contributions Receivable*

Contributions are recognized when the donor makes a promise to give to the Chapter 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 restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Pledges for future contributions are recorded as receivables, and recognized at the estimated realizable values.

The Chapter uses the allowance method to determine uncollectible unconditional promises receivable. As the Chapter only began operations in March of 2010, in future years this allowance will be based on prior years' experience and management's analysis of specific promises made. All receivables are considered collectible as of December 31, 2010.



# OPERATION HOMEFRONT OF TENNESSEE AND KENTUCKY, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

### Note 1: Chapter and Significant Accounting Policies (Continued)

#### *Use of Estimates*

The preparation of financial statements in conformity with United States generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

#### *Cash and Cash Equivalents*

For purposes of the Statement of Cash Flows, the Chapter considers all cash in demand bank accounts available for current use, with an initial maturity of three months or less, to be cash equivalents.

#### *In-Kind Goods*

In-kind goods consist of contributed goods for use and distribution in the Chapter's programs, and is valued at the estimated fair value (per guidelines provided by National) as of the date contributed.

#### *Contributed Goods, Services, and Facilities*

Contributions of goods, services, and facilities are recognized at fair market value when received. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses and other current assets.

#### *Income Taxes*

The Chapter operates as a not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code and, as such, is not subject to federal or state income tax. The Chapter adopted the provisions of FASB ASC topic 740-10-25, *Income Taxes – Overall – Recognition*, which requires recognition and disclosure of uncertain tax positions in the financial statements and footnotes. Management of the Chapter believes it has no material uncertain tax positions and, accordingly, it has no liability for unrecognized tax benefits to record.

#### *Fair Value of Financial Instruments*

The carrying value of the Chapter's financial instruments such as cash, contributions receivable, other current assets, and liabilities, approximates market value.

### Note 2: In-Kind Contributions

Contributed goods for the ten months ended December 31, 2010 consist of the following:

Toys – Christmas holiday program	\$ 162,936
Health and beauty products	96,711
School supplies – back to school program	48,345
Meals – Christmas holiday program	31,478
Goods – Easter program	23,842
Printers – general military support	6,500
Miscellaneous goods – general military support	<u>15,375</u>
	\$ <u>385,187</u>

**OPERATION HOMEFRONT OF TENNESSEE AND KENTUCKY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2010**

**Note 3: Related Party**

During 2010, National provided the Chapter with contributions totaling \$77,233. National also provided various in-kind goods in the amount of \$385,187 for the ten months ended December 31, 2010. Included in contributions receivable in the Statement of Financial Position is \$18,805 due from National at December 31, 2010. Additionally, the Chapter pays dues to National to support chapter-related services provided by National. These dues are based on a percentage of a revenue calculation set forth by National. Chapter dues amounted to \$2,917 for the ten months ended December 31, 2010 and are included in accrued liabilities.

**Note 4: Subsequent Events**

Subsequent events have been evaluated through the date of this report, which is the date the financial statements were available to be issued.