Operation Stand Down Tennessee

Financial Statements

For the Years Ended December 31, 2022 and 2021

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Contents

Independent Auditor's Report

Board of Directors
Operation Stand Down Tennessee

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Operation Stand Down Tennessee (the Organization), which comprise the statement of financial position as of December 31, 2022, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

The financial statements of the Organization, as of and for the year ended December 31, 2021, were audited by other auditors, whose report, dated July 14, 2022, expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Supplementary Information
Our audit was conducted for the purpose of forming an opinion on the financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2023, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Blankenship CPA Group, PLLC

Blankenship CPA Group, PLLC
Nashville, Tennessee
May 15, 2023

Operation Stand Down Tennessee
Statements of Financial Position
December 31, 2022 and 2021

	2022	2021
Assets		
Current assets		
Cash and cash equivalents	$ 4,701,762	$ 1,843,506
Grant and contract receivables	428,238	239,234
Accounts receivable	9,682	8,201
Contributions receivable, net	258,251	121,401
Employee Retention Credit receivable	-	127,862
Deferred rent receivable	93,477	-
Prepaid expenses	34,889	51,297
Total current assets	5,526,299	2,391,501
Cash restricted for long-term assets	250,000	-
Contributions receivable, net	-	85,612
Beneficial interest in agency endowment fund held by the Community Foundation of Middle Tennessee	7,727	8,971
Fixed assets, net	6,060,143	4,646,478
Assets held for sale, net	304,974	-
Operating lease right of use assets, net	270,216	-
Finance lease right of use assets, net	16,578	-
Total assets	**$ 12,435,937**	**$ 7,132,562**
Liabilities and Net Assets		
Current liabilities		
Accounts payable	$ 122,210	$ 100,445
Accrued expenses	173,240	151,988
Operating lease liability, current portion	80,332	-
Finance lease liability, current portion	7,158	-
Long-term debt, current portion	87,416	106,821
Deferred program revenue	651	54,506
Deferred lease revenue, current portion	7,615	7,615
Total current liabilities	478,622	421,375
Tenant deposits	10,000	10,000
Operating lease liability, net of current portion	198,316	-
Finance lease liability, net of current portion	10,252	-
Long-term debt, net of current portion	4,227,037	1,095,507
Deferred lease revenue, net of current portion	715,754	723,368
Total liabilities	5,639,981	2,250,250
Net assets		
Without donor restrictions	5,985,233	4,265,440
With donor restrictions	810,723	616,872
Total net assets	6,795,956	4,882,312
Total liabilities and net assets	**$ 12,435,937**	**$ 7,132,562**

Operation Stand Down Tennessee

Statement of Activities

For the Year Ended December 31, 2022

	Without donor restrictions	With donor restrictions	Total
Public Support and Revenues			
Contributions			
Grants	$ 4,452,293	$ -	$ 4,452,293
Contributions of financial assets	858,515	887,801	1,746,316
Contributions of nonfinancial assets	81,894	-	81,894
United Way	100,540	-	100,540
Total contributions	5,493,242	887,801	6,381,043
Fundraising (net of direct benefit to donors of $43,752)	355,314	-	355,314
Revenues			
Rental income and other	263,193	-	263,193
Client fees	11,650	-	11,650
Unrealized loss on beneficial interest in agency endowment fund	(1,391)	-	(1,391)
Loss on asset disposal	(4,950)	-	(4,950)
Total revenues	268,502	-	268,502
Net assets released from restriction	693,950	(693,950)	-
Total public support and revenues	6,811,008	193,851	7,004,859
Expenses			
Program services	4,178,462	-	4,178,462
Management and general	441,075	-	441,075
Fundraising	471,678	-	471,678
Total expenses	5,091,215	-	5,091,215
Change in net assets	1,719,793	193,851	1,913,644
Net assets, beginning of year	4,265,440	616,872	4,882,312
Net assets, end of year	**$ 5,985,233**	**$ 810,723**	**$ 6,795,956**

Operation Stand Down Tennessee

Statement of Activities

For the Year Ended December 31, 2021

	Without donor restrictions	With donor restrictions	Total
Public Support and Revenues			
Contributions			
Grants	$ 2,499,304	$ -	$ 2,499,304
Contributions of financial assets	776,940	617,537	1,394,477
Contributions of nonfinancial assets	103,350	-	103,350
United Way	100,540	-	100,540
Total contributions	3,480,134	617,537	4,097,671
Fundraising (net of direct benefit to donors of $77,714)	222,099	-	222,099
Revenues			
PPP loan revenue	332,125	-	332,125
Employee Retention Credit revenue	127,862	-	127,862
Sales to the public	59,531	-	59,531
Rental income and other	112,111	-	112,111
Client fees	8,570	-	8,570
Unrealized gain on beneficial interest in agency endowment fund	478	-	478
Loss on asset disposal	(7,183)	-	(7,183)
Total revenues	633,494	-	633,494
Net assets released from restriction	459,885	(459,885)	-
Total public support and revenues	4,795,612	157,652	4,953,264
Expenses			
Program services	3,390,185	-	3,390,185
Management and general	371,703	-	371,703
Fundraising	347,515	-	347,515
Total expenses	4,109,403	-	4,109,403
Change in net assets	686,209	157,652	843,861
Net assets, beginning of year	3,579,231	459,220	4,038,451
Net assets, end of year	**$ 4,265,440**	**$ 616,872**	**$ 4,882,312**

Operation Stand Down Tennessee
Statement of Functional Expenses
For the Year Ended December 31, 2022

	Program services	Management and general	Fundraising	Total
Compensation expense				
Salaries	$ 1,864,486	$ 227,782	$ 210,242	$ 2,302,510
Payroll taxes	143,952	16,696	15,485	176,133
Total compensation expense	2,008,438	244,478	225,727	2,478,643
Assistance to clients	1,075,313	-	-	1,075,313
Depreciation and amortization	234,466	52,087	9,668	296,221
Supplies and general (including contributions of nonfinancial assets of $81,894)	226,075	43,307	145,804	415,186
Occupancy	225,576	28,733	4,417	258,726
Professional fees	133,999	27,672	8,782	170,453
Dues and subscriptions	28,644	5,429	57,512	91,585
Insurance	74,283	21,717	2,890	98,890
Interest and bank fees	58,185	4,221	8,065	70,471
Telephone	47,796	3,609	1,450	52,855
Transportation	59,890	7,714	7,114	74,718
Staff training	5,797	2,108	249	8,154
Total other expenses	2,170,024	196,597	245,951	2,612,572
Total expenses	**$ 4,178,462**	**$ 441,075**	**$ 471,678**	**$ 5,091,215**

Operation Stand Down Tennessee
Statement of Functional Expenses
For the Year Ended December 31, 2021

	Program services	Management and general	Fundraising	Total
Compensation expense				
Salaries	$ 1,606,635	$ 164,011	$ 200,932	$ 1,971,578
Payroll taxes	126,541	12,748	15,483	154,772
Total compensation expense	1,733,176	176,759	216,415	2,126,350
Assistance to clients	669,628	728	799	671,155
Depreciation and amortization	232,986	22,349	14,158	269,493
Supplies and general (including contributions of nonfinancial assets of $77,350)	185,004	16,266	62,082	263,352
Occupancy	183,841	44,303	8,142	236,286
Professional fees	118,816	83,700	9,380	211,896
Dues and subscriptions	61,692	3,074	23,140	87,906
Insurance	60,996	16,607	3,535	81,138
Interest and bank fees	61,686	4,110	7,519	73,315
Telephone	42,777	2,522	1,525	46,824
Transportation	34,842	415	193	35,450
Staff training	4,741	870	627	6,238
Total other expenses	1,657,009	194,944	131,100	1,983,053
Total expenses	**$ 3,390,185**	**$ 371,703**	**$ 347,515**	**$ 4,109,403**

Operation Stand Down Tennessee
Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021

	2022	2021
Cash and cash equivalents, beginning of year	$ 1,843,506	$ 890,011
Cash flows from operating activities		
Change in net assets	1,913,644	843,861
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	296,221	269,493
Noncash lease expense	8,431	-
Loss on asset disposal	4,950	7,183
Amortization of lease revenue	(7,614)	(7,615)
Donated fixed assets	-	(26,000)
Change in value of beneficial interest in agency endowment fund held by Community Foundation of Middle Tennessee	1,244	(843)
Contributions restricted for capital campaign	(1,905,100)	-
Change in:		
Grant and contract receivables	(189,004)	493,739
Accounts receivable	(1,481)	(7,045)
Contributions receivable	(51,238)	(40,711)
Employee Retention Credit receivable	127,862	(127,862)
Deferred rent receivable	(93,477)	-
Prepaid expenses	16,408	(14,569)
Accounts payable	21,765	(99,158)
Accrued expenses	21,252	2,667
Deferred program revenue	(53,855)	40,473
Deferred government grant revenue	-	(137,000)
Tenant deposits	-	10,000
Net cash provided (used) by operating activities	110,008	1,206,613
Cash flows from investing activities		
Purchases of fixed assets	(2,014,447)	(73,721)
Cash flows from financing activities		
Repayment of long-term debt	(387,875)	(179,397)
Proceeds from issuance of long-term debt	3,500,000	-
Principal payments on finance lease	(4,530)	-
Collections of contributions restricted for capital campaign and related capital assets	1,905,100	-
Net cash provided (used) by financing activities	5,012,695	(179,397)
Net change in cash and cash equivalents	3,108,256	953,495
Cash and cash equivalents, end of year	**$ 4,951,762**	**$ 1,843,506**
Supplemental disclosures of cash flow information		
Cash paid for interest	$ 58,902	$ 62,368
Cash paid for amounts included in measurement of lease liabilities:		
Operating cash outflows, payments on operating leases	$ 34,579	$ -
Operating cash outflows, payments on finance leases	$ 6,562	$ -
Schedule of noncash investing and financing activities		
Donated fixed assets	$ -	$ 26,000

Note 1. **Nature of Activities**

Operation Stand Down Tennessee (the Organization) assists veterans and their families so they can be self-sustaining and better connected to the community. The Organization operates two service centers providing and/or coordinating a variety of services to veterans and their families with special emphasis on those who are homeless, at-risk, or in transition. The Organization provides employment training and counseling, technical assistance, job training, placement assistance, computer training, and job retention to veterans with the focus of helping them find sustainable employment. The Organization operates a transitional housing program for veterans, providing the necessary social and support services to ensure a successful return to responsible living. The Organization provides assistance for veterans seeking permanent housing and assists veterans with maintaining current housing to prevent homelessness. The Organization coordinates events with other Middle Tennessee agencies to provide supplies and social and support services to homeless veterans (Stand Downs). The Organization also 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 the veteran support centers. The thrift store closed in August 2021.

Note 2. **Summary of Significant Accounting Policies**

The financial statements of the Organization are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (US GAAP). The significant accounting policies followed are described below.

Basis of Presentation
Under US GAAP, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

Under these provisions, net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of Organization’s management and the Board of Directors.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the fund be maintained in perpetuity. The Organization had net assets with donor restrictions of $810,723 and $616,872 as of December 31, 2022 and 2021, respectively. The Organization had donor restricted net assets that are perpetual in nature of $7,727 and $8,971 at December 31, 2022 and 2021, respectively.

Contributions which are restricted for specific programs are reflected as without donor restrictions if the funds are received and spent during the same fiscal year.

Note 2. **Summary of Significant Accounting Policies**

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses and allocation of functional expenses during the reporting period. Actual results could differ from those estimates.

Contributions

Contributions are recognized when a donor makes an unconditional promise to give to the Organization. Contributions are considered to be available for general use unless specifically restricted by the donor. Amounts received that are subject to a donor-imposed restriction for a future period or for a specific purpose are reported as net assets with donor restrictions and when a restriction is fulfilled (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Contributions of Nonfinancial Assets

In-kind contributions are recorded based on their estimated value on the date of receipt. The Organization reports any gifts of equipment or materials as 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 for the acquisition of long-lived assets are reported as having donor-imposed restrictions. Expirations of donor-imposed restrictions are recognized when the donated or acquired long-lived assets are placed in service.

Revenue from sales of donated goods is recognized at the time merchandise is transferred to the customer.

Grants

The Organization receives grant revenue from federal agencies, generally on a cash reimbursement basis. Grant revenue is recognized in the period a liability is incurred for eligible expenditures under the terms of the grants.

Sales Taxes Collected

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

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all cash funds, cash bank accounts, and highly liquid debt instruments with an original maturity when purchased of three months or less to be cash and cash equivalents. At times during the year, the Organization maintained cash balances at financial institutions in excess of federally insured limits. The Organization has not experienced any losses in such accounts. Management believes the Organization is not exposed to any significant credit risk related to cash. Cash and cash equivalent balances in excess of federally insured limits amounted to $4,442,492 and $1,339,204 at December 31, 2022 and 2021, respectively.

Note 2. **Summary of Significant Accounting Policies**

Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded as contributions receivable at their estimated net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded as noncurrent contributions receivable and are recorded at the present value of their net realizable value, using a rate commensurate with the risk of the promise to give in accordance with US GAAP. The discount on promises to give is computed using an 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, 2022 and 2021.

Accounts Receivable

Accounts receivable are reported at gross sales price less any applicable payments or adjustments. The Organization 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, 2022 and 2021.

Fixed Assets

Fixed assets are recorded at cost at the date of purchase or estimated fair value at the date of gift to the Organization. The Organization'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, which are as follows:

Building and improvements	5 – 27 years
Equipment and furniture	3 – 7 years
Vehicles	5 years

Leases as Lessee

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Codification (ASC) Topic 842, *Leases*, to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their statements of financial position as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in Topic 840, *Leases*) and operating leases, with classification affecting the pattern of expense recognition in the statements of activities.

Note 2. **Summary of Significant Accounting Policies**

Leases as Lessee

The Organization adopted Topic 842 on January 1, 2022, using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statements. Under this transition provision, the Company has applied Topic 842 to reporting periods beginning on January 1, 2022, while prior periods continue to be reported and disclosed in accordance with the Organization's historical accounting treatment under ASC Topic 840, *Leases*.

The Organization elected the "package of practical expedients" under the transition guidance within Topic 842, in which the Organization does not reassess (1) the historical lease classification, (2) whether any existing contracts at transition are or contain leases, or (3) the initial direct costs for any existing leases. The Organization has not elected to adopt the "hindsight" practical expedient, and therefore will measure the ROU asset and lease liability using the remaining portion of the lease term upon adoption of ASC 842 on January 1, 2022.

The Organization determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the Organization obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Organization also considers whether its service arrangements include the right to control the use of an asset.

The Organization made an accounting policy election available under Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease (or January 1, 2022, for existing leases upon the adoption of Topic 842). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, the Organization made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842).

Future lease payments may include fixed rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable they will be incurred. The Organization has not elected to adopt the accounting policy to account for lease and non-lease components in its contracts as a single lease component for its real estate and equipment asset classes. The non-lease components typically represent additional services transferred to the Organization, such as common area maintenance for real estate, which are variable in nature and recorded in variable lease expense in the period incurred.

The Organization has made an accounting policy election to use the risk-free rate as the discount rate if the rate implicit in the lease is not readily determinable. The risk-free rate is the rate of a zero coupon US Treasury instrument for the same period as the time of the lease term.

Note 2. **Summary of Significant Accounting Policies**

Leases as Lessee

Adoption of Topic 842 resulted in the recording of additional ROU assets and lease liabilities related to the Organization's operating leases of approximately $335,167 and $296,058, respectively, at January 1, 2022. The adoption of the new lease standard did not result in a cumulative-effect adjustment to the opening balance of net assets.

Leases as Lessor

On December 31, 2022, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 842, Leases, using the modified retrospective approach by electing a package of practical expedients to not reassess its prior conclusions under ASC Topic 840, Leases, regarding (a) whether a preexisting contract is or contains a lease, (b) whether a preexisting lease should be classified as an operating or finance lease and (c) whether the initial direct costs capitalized for a preexisting lease under Topic 840 qualify for capitalization.

The Organization leases primarily portions of their building and parking lot to other Organizations. These leases may contain extension and termination options that are predominantly at the sole discretion of the lessee, provided certain conditions are satisfied.

Topic 842 provides lessors a practical expedient, applicable by class of underlying asset, to not separate nonlease components from the associated lease component if certain criteria are met. An underlying asset is an asset that is the subject of a lease for which a right to use that asset has been conveyed to a lessee. The Organization considers portions of the building and parking lot as classes of underlying assets.

Lease components are elements of an arrangement that provide the customer with the right to use an identified asset. Nonlease components are distinct elements of a contract that are not related to securing the use of the leased asset and revenue is recognized in accordance with ASC Topic 606, Revenue from Contracts with Customers. The Organization considers maintenance charges to be nonlease components because they represent delivery of a separate service but are not considered a cost of securing the identified asset. In the case of the Organization's business, the identified asset would be the leased portions of the building and parking lot.

The Organization assessed and concluded that the timing and pattern of transfer for nonlease components and the associated lease component are the same. The Organization determined that the predominant component was the lease component and as such its leases will continue to be accounted for as operating leases and the Organization has made a policy election to account for and present the lease component and the nonlease component as a single component in the revenue section of the statements of operations within rental income.

For the year ended December 31, 2021, prior to the adoption of Topic 842, the Organization recognized contingent rental income after the specified target was met in accordance with Topic 840.

Note 2. **Summary of Significant Accounting Policies**

Uncollectible Lease Receivables and Allowances for Uncollectible Lease Receivables
The Organization carries current and deferred rent receivables net of allowances for amounts that may not be collected. These allowances are increased or decreased through rental income, and determination of the adequacy of the Organization's allowances for lease receivables includes an assessment of whether or not substantially all of the amounts due under a tenant's lease agreement are probable of collection. Such assessment involves using a methodology that incorporates a specific identification analysis and an aging analysis and considers the current economic and business environment. This determination requires significant judgment and estimates about matters that are uncertain at the time the estimates are made, including the creditworthiness of specific lessees, specific industry trends and conditions, and general economic trends and conditions. For leases that are deemed probable of collection, revenue continues to be recorded on a straight-line basis over the lease term. For leases that are deemed not probable of collection, revenue is recorded as the lesser of (i) the amount which would be recognized on a straight-line basis or (ii) cash that has been received from the lessee, including deferred revenue, with any lease receivable balances charged as a direct write-off against rental income in the period of the change in the collectibility determination. If the collectibility determination subsequently changes to being probable of collection for leases for which revenue is recorded based on cash received from the lessee, the Organization resumes recognizing revenue, including deferred revenue, on a straight-line basis and recognizes incremental revenue related to the reinstatement of cumulative deferred lease receivable and deferred revenue balances, as if revenue had been recorded on a straight-line basis since the inception of the lease.

For deferred lease receivables associated with leases whose rents are deemed probable of collection, the Organization may record an allowance under other authoritative generally accepted accounting principles using a methodology that incorporates a specific identification analysis and an aging analysis and considers the current economic and business environment. This determination requires significant judgment and estimates about matters that are uncertain at the time the estimates are made, including the creditworthiness of specific lessees, specific industry trends and conditions, and general economic trends and conditions. Tenant and deferred lease receivables deemed probable of collection are carried net of allowances for uncollectible accounts with increases or decreases in the allowances recorded through rental income on the Organization's statements of operations.

Current lease receivables consist primarily of amounts due for contractual lease payments and reimbursements of certain expenses, property taxes, and other costs recoverable from lessees.

Deferred rent receivables represent the amount by which the cumulative straight-line rental revenue recorded to date exceeds cash rents billed to date under the lease agreement.

Deferred Lease Revenue
Deferred lease revenue consists of a payment received in 2019 for a 99-year lease of a portion of the Organization's parking lot. Rent revenue is currently being recognized ratably over the lease term.

Deferred Program Revenue
Deferred program revenue consists of funds received prior to year-end that will be recognized in the subsequent year.

Note 2. **Summary of Significant Accounting Policies**

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 centers, providing employment training and counseling, operation of transitional housing, coordination of Stand Downs, and operation of a thrift store.

Management and general – Relates to the overall direction of the Organization. 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 Organization. Specific activities include organization oversight, business management, recordkeeping, budgeting, financing, and other administrative duties.

Fundraising – Includes costs of activities directed toward appeals for financial support. Other activities include the creation and distribution of fundraising materials.

Allocation of Functional Expenses
Costs of providing the Organization’s program and supporting services are summarized and reported on a functional basis. Expenses that can be directly attributed to a particular function are charged to that function. Program expenses include costs directly associated with the program and other indirect costs determined to benefit the program. The majority of these costs have been allocated between program and supporting services based on time and effort. Occupancy and depreciation are allocated based on square footage.

Income Taxes
The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation. Accordingly, no provision for income taxes has been made. The Organization pays tax on unrelated business income from certain activities. These activities and the related tax were insignificant in 2022 and 2021.

The Organization follows FASB ASC guidance concerning the accounting for income taxes recognized in an entity’s financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. The Organization has no tax penalties or interest reported in the accompanying financial statements.

Note 3. **Revenue Recognition**

Under Accounting Standards Update 2014-09, *Revenue from Contracts with Customers* (ASC 606), revenue is recognized when the Organization transfers the promised goods or services to a customer in an amount that reflects consideration that is expected to be received for those goods and services.

Note 3. **Revenue Recognition**

The Organization recognizes revenue for services in accordance with the following five steps outlined in ASC 606:

- Identification of the contract or contracts with a customer.
- Identification of the performance obligations in the contract.
- Determination of the transaction prices.
- Allocation of the transaction price to the performance obligations in the contract.
- Recognition of revenue when or as the Organization satisfies a performance obligation.

The Organization has analyzed the provisions of ASC 606 and has concluded the following:

Thrift store sales – The Organization sells clothes, furniture, and other household goods in its Thrift Store. Sales are recognized at the time of delivery to the customer within the Thrift Store and when collectability is reasonably assured.

Performance obligations – A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account under ASC 606. The transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. The Organization’s contracts with customers related to sales do not typically include multiple performance obligations.

Variable consideration – The Organization’s contracts with customers do not result in contract modifications. The Organization offers immaterial discounts to its customers, which it nets with total sales in the accompanying statements of activities. The discounts offered by the Organization are fixed and are recognized at the point in time that the sale occurs.

Payment terms – The Organization’s payment terms vary by the type of products offered. The time between invoicing and when payment is due is not significant. The Organization’s contracts with customers do not generally result in significant obligations associated with returns, refunds, or warranties.

Practical expedients and exemptions – There are several practical expedients and exemptions allowed under ASC 606 that impact timing of revenue recognition and disclosures. The one practical expedient the Organization applied in the adoption and application of ASC 606 allows the Organization to elect to treat similar contracts as part of a portfolio of contracts. The contracts have the same provision terms and management has the expectation that the result will not be materially different from the consideration of each individual contract.

Disaggregation of revenue – The Organization does not disaggregate its sales by product sold.

Note 4. **Accounts and Contributions Receivable**

Accounts receivable consist primarily of rental payments due from tenants. All accounts receivable are due in less than one year.

Note 4. **Accounts and Contributions Receivable**

Contributions receivable are primarily composed of unconditional promises to give and are collectible over the following periods as of December 31:

	2022	2021
Contributions receivable due in less than one year	$ 258,251	$ 122,170
Contributions receivable due in one to five years	-	80,000
Contributions receivable due in more than five years	-	20,000
Less discounts to net present value	-	(15,157)
Contributions receivable, net	**$ 258,251**	**$ 207,013**
Contributions receivable due in less than one year, net	$ 258,251	$ 121,401
Contributions receivable due in one to five years, net	-	69,806
Contributions receivable due in more than five years, net	-	15,806
Contributions receivable, net	**$ 258,251**	**$ 207,013**

Contributions have been discounted to account for the time value of money using a discount rate of 4% as of December 31, 2021.

Note 5. **Fixed Assets**

Fixed assets consist of the following as of December 31:

	2022	2021
Land	$ 1,251,600	$ 1,215,650
Construction in progress	126,556	-
Building and improvements	5,595,989	4,922,480
Equipment and furniture	379,697	351,452
Vehicles	104,687	104,687
Less: accumulated depreciation	(1,398,386)	(1,947,791)
Fixed assets, net	**$ 6,060,143**	**$ 4,646,478**

Depreciation expense for the years ended December 31, 2022 and 2021 was $296,221 and $269,493, respectively.

Note 6. **Assets Held for Sale**

In January 2022, the Organization entered into a Purchase and Sale Agreement to sell its seven transitional houses for veterans in Nashville, Tennessee for $3,000,000. Closing is set to occur on or before July 2023.

Assets held for sale consist of the following as of December 31:

	2022	2021
Land	$ 75,650	$ -
Buildings and Improvements	1,066,287	-
Less: accumulated depreciation	(836,963)	-
Fixed assets, net	**$ 304,974**	**$ -**

Note 7. **Long-term Debt**

During August 2019, the Organization obtained a delayed draw term loan allowing maximum borrowings up to $1,500,000 through a financial institution. The loan is set to mature in August 2029, when all outstanding principal and accrued and unpaid interest is due. The loan requires monthly payments of interest only for the first twelve months through August 2020, and monthly payments of principal and accrued and unpaid interest from September 2020 through August 2029. The interest rate on the loan is 4.50%. The loan is collateralized by the Organization's real estate. The balance outstanding at December 31, 2022 and 2021 totaled $814,453 and $1,202,328, respectively.

During September 2022, the Organization obtained a construction loan borrowing $3,500,000 through a financial institution. The loan is set to mature in March 2024, and requires payments of interest only at a variable rate of prime minus 4.00%. The loan is collateralized by the Organization's real estate. The balance outstanding at December 31, 2022 totaled $3,500,000.

Future principal maturities of long-term debt are as follows:

Year ending December 31,		
2023	$	87,416
2024		3,591,431
2025		95,632
2026		100,025
2027		104,621
Thereafter		335,328
Total	**$**	**4,314,453**

Note 8. **Beneficial Interest in Agency Endowment Fund**

The Organization has a beneficial interest in the Bill Burleigh Endowment Fund for Operation Stand Down Tennessee (the Fund), an agency endowment fund held by the Community Foundation of Middle Tennessee (the Community Foundation). Earnings on this Fund are used to benefit veteran services. The Fund is charged a 0.4% administrative fee annually. Upon request by the Organization, income from the Fund may be distributed to the Organization or to another suggested beneficiary.

A schedule of changes in the Organization's beneficial interest in this Fund follows for the years ended December 31:

		2022		**2021**
Balance, beginning of year	$	8,971	$	8,128
Unrealized gain(loss)		(1,298)		478
Interest		105		406
Administrative fees		(51)		(41)
Balance, end of year	**$**	**7,727**	**$**	**8,971**

Note 8. **Beneficial Interest in Agency Endowment Fund**

The FASB ASC provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). UPMIFA also requires additional disclosures about an organization's endowment funds whether or not the organization is subject to UPMIFA. The state of Tennessee enacted UPMIFA effective July 1, 2007, the provisions of which apply to endowment funds existing on or established after that date. The Organization is subject to the provisions of UPMIFA.

The original contribution to the endowment fund was subject to a donor restriction stipulating that the original principal of the gift is to be held and invested by the Organization indefinitely, and income from the fund is to be used to fund the Organization's operations. The Organization has informally adopted investment and spending policies based on the requirements of the State Prudent Management of Institutional Funds Act (SPMIFA). Based on the Organization's interpretation of SPMIFA, and in accordance with donor restrictions, contributions to the endowment fund are classified as net assets with restrictions. The historic dollar value of those contributions must be maintained in perpetuity. Income from the Fund is classified as net assets with donor restrictions until the purpose restriction is satisfied, at which time the net assets are reclassified to net assets without donor restrictions. However, if the restriction is fulfilled in the same reporting period in which the income is earned, the income is reported as without donor restriction.

At December 31, 2022 and 2021, the endowment fund in the amount of $7,727 and $8,971, respectively, is classified as net assets with donor restrictions.

Note 9. **Fair Value Measurements**

The Organization has established a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under US GAAP are described below:

Level 1 – Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 – Inputs to the valuation methodology include: 1) quoted prices for similar assets or liabilities in active markets, 2) quoted prices for identical or similar assets or liabilities in inactive markets, 3) inputs other than quoted prices that are observable for the asset or liability, and 4) inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There were no transfers between levels.

Note 9. **Fair Value Measurements**

The carrying amount of the beneficial interest in agency endowment fund held by the Community Foundation of Middle Tennessee is based on information received from the Community Foundation of Middle Tennessee indicating the financial performance of the endowment fund. The Organization reflects the beneficial interest totaling $7,727 and $8,971 at December 31, 2022 and 2021, respectively, within Level 3 of the valuation hierarchy.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while The Organization's management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Note 10. **Net Assets with Donor Restrictions**

Net assets with donor restrictions consist principally of contributions restricted for the following purposes as of December 31:

	2022	2021
Endowment fund	$ 7,727	$ 8,971
Capital campaign	500,000	-
Contributions restricted for specific programs	254,886	400,888
Contributions restricted for future years' operations	48,110	207,013
	$ 810,723	**$ 616,872**

Note 11. **Significant Funding Sources**

The Organization receives a significant portion of its funds from federal grants and contracts and 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 Organization.

Contributions receivable, from one donor represented approximately 36% of all receivables at December 31, 2022. Contributions receivable, net of discount, from one donor represented approximately 18% of all receivables at December 31, 2021.

Note 12. **Leases and Commitments as Lessor**

The Organization serves as lessor for a portion of its building and its parking lot. The Organization has three building leases requiring minimum monthly rental payments ranging from $2,500 to $7,174 through August 2029, minimum monthly rental payments ranging from $10,000 to $15,000 through October 2027, and minimum monthly rental payments ranging from $3,539 to $4,225 through March 2028, including additional rent for real estate taxes and other shared expenses, The Organization has two parking lot leases requiring minimum monthly rental payments of $500 through December 2025 and minimum monthly payments of $300 through October 2022. Rental income totaled $330,851 and $83,377 for the years ended December 31, 2022 and 2021, respectively.

Note 12. **Leases and Commitments as Lessor**

On May 2, 2018, the Organization entered into a lease agreement as "Landlord" in which the Organization received advance payment of $750,000 in 2019 to lease a tract of land located in front of the existing building to a tenant for 99 years commencing on June 30, 2019, as amended. The tenant constructed a facility to provide housing to needy veterans, among others. The Organization received full payment of $750,000 on March 20, 2019, which currently is being recognized ratably over the term of the lease.

Minimum future rentals required under the operating lease agreements in effect at December 31, 2022 are as follows:

Year ending December 31,		
2023	$	255,535
2024		255,535
2025		255,535
2026		255,535
2027		222,035
Thereafter		883,741
Total	**$**	**2,127,916**

As of December 31, 2022 and 2021, 14,386 square feet of the 33,350 square foot building was being utilized under leasing agreements or held for lease. A summary of property held for leasing activities is as follows:

		2022		2021
Rental portion of building and improvements at cost	$	1,658,208	$	1,687,013
Less: accumulated depreciation		(63,795)		(64,660)
	$	**1,594,413**	**$**	**1,622,353**

Note 13. **Leases and Commitments as Lessee**

The Organization leases real estate and equipment under operating lease agreements that have initial terms ranging from three to six years. Additionally, the Organization leases equipment under a finance lease agreement with a four-year term with an interest rate of 11.47%.

Operating lease cost is recognized on a straight-line basis over the lease term. Finance lease cost is recognized as a combination of the amortization expense for the ROU assets and interest expense for the outstanding lease liabilities, and results in a front-loaded expense pattern over the lease term. The components of lease expense are as follows for the year ended December 31, 2022:

Operating lease cost	$	43,010
Finance lease cost, interest on lease liabilities		5,363
Total lease cost	**$**	**48,373**

Note 13. **Leases and Commitments as Lessee**

Supplemental balance sheet information related to leases is as follows as of December 31, 2022:

Operating leases		
Operating lease right-of-use assets	$	270,216
Operating lease liabilities, current portion	$	80,332
Operating lease liabilities, net of current portion		198,316
Total operating lease liabilities	**$**	**278,648**
Finance leases		
Machinery and equipment	$	21,941
Accumulated amortization		(5,363)
Finance lease, right-of-use assets, net	**$**	**16,577**
Finance lease liabilities, current portion	$	7,158
Finance lease liabilities, net of current portion		10,252
Total finance lease liabilities	**$**	**17,410**
Weighted-average remaining lease term		
Operating leases		4.25 years
Finance leases		3.75 years
Weighted-average discount rate		
Operating leases		1.69%
Finance leases		11.47%

Future undiscounted cash flows for the next five years and thereafter, and a reconciliation to the lease liabilities recognized on the statement of financial position are as follows as of December 31, 2022:

Years ending December 31,		**Operating Leases**		**Finance Leases**
2023	$	80,333	$	7,158
2024		80,733		7,158
2025		41,524		5,965
2026		39,600		-
2027		42,900		-
Thereafter		3,300		-
Total lease payments		288,390		20,281
Less imputed interest		(9,742)		(2,871)
Total present value of lease liabilities	**$**	**278,648**	**$**	**17,410**

Note 13. **Leases and Commitments as Lessee**

Future minimum lease commitments, as determined under Topic 840, for all non-cancelable leases are as follows as of December 31, 2021:

Years ending December 31,		
2022	$	54,309
2023		56,509
2024		37,200
2025		39,400
2026		39,600
Thereafter		42,900
	$	**269,918**

Note 14. **Contributions of Nonfinancial Assets**

The Organization is the recipient of numerous donated goods and services, which play a vital role in the Organization'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 approximately $60,000 in 2021, respectively, which was used to assist in sustaining the Organization's job training program. In addition, approximately $81,894 and $103,000 of goods were received and used in various functions of the Organization in 2022 and 2021, respectively.

The following represents donated goods and services:

		2022		**2021**
Fixed assets	$	-	$	26,000
Food		51,132		24,122
Gift card		3,286		46,021
Auction donation		15,854		-
Hygiene		11,622		-
Services		-		6,857
Total revenues	**$**	**81,894**	**$**	**103,000**

Note 15. **Supplemental Cash Flow Information**

A reconciliation of cash per the statements of cash flows to the statements of financial position as of December 31, is as follows:

		2022		2021
Cash and cash equivalents	$	4,701,762	$	1,843,506
Cash restricted for long-term assets		250,000		-
	$	**4,951,762**	**$**	**1,843,506**

Note 16. **Liquidity and Availability of Financial Resources**

As a part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization considers all expenditures related to its ongoing program service activities as well as the conduct of services undertaken to support those activities to be general expenditures. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, comprise the following at December 31:

	2022	**2021**
Financial assets		
Cash and cash equivalents	$ 4,951,762	$ 1,843,506
Grant and contract receivables	428,238	239,234
Accounts receivable	9,682	8,201
Contributions receivable, net	258,251	207,013
Employee Retention Credit receivable	-	127,862
Beneficial interest in agency endowment fund held by the Community Foundation of Middle Tennessee	7,727	8,971
Total financial assets at year-end	5,655,660	2,434,787
Less amounts not available to be used within one year		
Endowment fund	(7,727)	(8,971)
Contributions restricted for long-term assets	(500,000)	-
Contributions restricted for specific programs	(254,886)	(400,888)
Contributions restricted for future year operations	(48,110)	(207,013)
Financial assets available to meet cash needs for general expenditures within one year	**$ 4,844,937**	**$ 1,817,915**

Note 17. **Contingency**

The Organization was a defendant in litigation brought by one of its former commercial tenants relating to a lease extension and related damages. The litigation was dismissed during the year ended December 31, 2021. There were no contingencies as of December 31, 2022.

Note 18. **Deferred Government Grant Revenue and PPP Loan Revenue**

The Organization received a loan under the Paycheck Protection Program (PPP) in the amount of $137,000, which was established under the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act) and administered by the Small Business Administration (SBA). The application for the PPP loan requires the Organization to, in good faith, certify that the current economic uncertainty made the loan request necessary to support the ongoing operation of the Organization. This certification further requires the Organization to take into account current business activity and the ability to access other sources of liquidity sufficient to support the ongoing operations in a manner that is not significantly detrimental to the business. The receipt of the funds from the PPP loan and the forgiveness of the PPP loan is dependent on the Organization having initially qualified for the PPP loan and qualifying for the forgiveness of such PPP loan based on funds being used for certain expenditures such as payroll costs and rent, as required by the terms of the PPP loan. As of December 31, 2020, the Organization recorded such amounts as deferred government grant revenue as the conditions for forgiveness had not yet been met at that time.

Note 18. **Deferred Government Grant Revenue and PPP Loan Revenue**

The Organization applied for forgiveness with the SBA and the SBA forgave the PPP loan in full in May 2021. As a result, the Organization recognized $137,000 to PPP loan revenue on the statement of activities for the year ended December 31, 2021.

Under the same terms and requirements, the Organization received a second PPP loan in April 2021 in the amount of $195,125, which was established under the CARES Act and administered by the SBA. The Organization applied for forgiveness with the SBA and the SBA forgave the PPP loan in full in November 2021. As a result, the Organization recognized $195,125 to PPP loan revenue on the statement of activities for the year ended December 31, 2021.

Note 19. **Employee Retention Credit**

Under the CARES Act, the Organization was eligible for a refundable Employee Retention Credit (ERC) subject to certain criteria. The Organization claimed an ERC of $127,862 recognized as Employee Retention Credit revenue on the statement of activities for the year ended December 31, 2021. Employee Retention Credit receivable at December 31, 2021 totaled $127,862, which represents refunds due on the Forms 941-X for the quarters ended June 30, 2020, September 30, 2020, and December 31, 2020. The Organization received the ERC in June 2022.

Note 20. **Cash Restricted for Long-Term Assets**

At December 31, 2022, the Organization had cash on hand of $250,000 that was restricted for long-term assets related to the capital campaign. The amount reflected in the statement of cash flows for the year ended December 31, 2022 of $1,905,100, reflects cash inflows of contributions from donors for long-term assets as part of the capital campaign and grant funds restricted for construction of long-term assets.

Note 21. **Capital Grant**

In September 2021, the Organization was awarded a capital grant for the purchase of new transitional houses in the amount of $2,100,000. The award period to expend funds for the capital project runs from October 1, 2021 through September 30, 2024. No expenditures were made under the grant during the year ended December 31, 2021. As of December 31, 2022 there was $1,375,375 of expenditures.

Note 22. **Related Party Transactions**

The Organization entered into related party transactions for architectural services. During the year ended December 31, 2022 there were $56,663 in related party expenditures incurred for this service.

Note 23. **Subsequent Events**

Management has evaluated subsequent events through May 15, 2023, the date on which the financial statements were available for issuance.

Compliance Information

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*

Board of Directors
Operation Stand Down Tennessee

We 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 *(Government Auditing Standards)*, the financial statements of Operation Stand Down Tennessee (the Organization), which comprise the statement of financial position as of December 31, 2022, the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 15, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we 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 financial statements. 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 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 our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Blankenship CPA Group, PLLC

Blankenship CPA Group, PLLC
Nashville, Tennessee
May 15, 2023

BLANKENSHIP

Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance

Board of Directors
Operation Stand Down Tennessee

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Operation Stand Down Tennessee's (the Organization) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2022. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 US *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Organization's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Blankenship CPA Group, PLLC

Blankenship CPA Group, PLLC
Nashville, Tennessee
May 15, 2023

Operation Stand Down Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022

Grantor / Pass-through Grantor	Program name	Assistance listing	Contract number	Expenditures
Federal Awards				
US Department of Veterans Affairs				
	VA Homeless Providers Grant and Per Diem Program	64.024	OSDT832-0373-626-SC-21	$ 405,419
	VA Homeless Providers Grant and Per Diem Program	64.024	OSDT832-0409-626-PD-21	761,107
	VA Homeless Providers Grant and Per Diem Program	64.024	OSDT832-0428-626-CM-22	79,312
	VA Homeless Providers Grant and Per Diem Program	64.024	OSDT832-2435-626-CG-22	1,375,375
	Total Program 64.024			2,621,213
	Supportive Services for Veteran Families Program	64.033	14-TN-285	1,513,827
	Supportive Services for Veteran Families Program - Shallow Subsidies	64.033	14-TN-285SS	159,289
	Supportive Services for Veteran Families Program	64.033	14-TN-285-LT	15,213
	Total Program 64.033			1,688,329
	Staff Sergeant Parker Gordon Fox Suicide Prevention Grant Program	64.055	TN-SSG-1333-22	57,428
Total US Department of Veteran Affairs				4,366,970
US Department of Housing and Urban Development				
	Passed through Metropolitan Development and Housing Agency			
	VA Homeless Providers Grant and Per Diem Program	14.231	n/a	14,589
	VA Homeless Providers Grant and Per Diem Program	14.231	n/a	36,733
	Total Program 14.231			51,322
Total US Department of Housing and Urban Development				51,322
Federal Emergency Management Agency	Passed through United Way			
	Emergency Food and Shelter Program	97.024	n/a	10,407
Total Federal Awards				**$ 4,428,699**

See notes to schedule of expenditures of federal awards.

Note 1. **Basis of Accounting**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Organization and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with accounting principles generally accepted in the United States of America as applicable to not-for-profit organizations and the requirements of Title 2 US *Code of Federal Regulations* Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Note 2. **Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The Organization did not expend any federal awards during the year ended December 31, 2022 in the form of noncash assistance.

Note 3. **Indirect Cost Rate**

The Organization expended indirect costs using a multiple allocation base method and did not elect to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 4. **Subrecipients**

The Organization did not have expenditures to subrecipients during the fiscal year.

Note 5. **Contingencies**

These programs are subject to financial and compliance audits by grantor agencies. The amount, if any, of expenditures that may be disallowed by the grantor agencies cannot be determined at this time, although the Organization expects such amounts, if any, to be immaterial.

Section I. **Summary of Auditors' Results**

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with US GAAP	Unmodified
Internal control over financial reporting	
Material weakness identified?	No
Significant deficiency identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major federal programs	
Material weakness identified?	No
Significant deficiency identified?	None reported
Type of auditor's report issued on compliance for major federal programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major federal programs (Assistance Listing and name of federal program or cluster)	
64.033 Supportive Services for Veteran Families Program	
Dollar threshold used to distinguish between type A and type B programs	$750,000
Auditee qualified as low-risk auditee?	Yes

Section II. **Financial Statement Findings**

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

There were no findings required to be reported in accordance with *Government Auditing Standards*.

Section III. **Federal Award Findings and Questioned Costs**

This section identifies the significant deficiencies, material weaknesses, and material instances of noncompliance, including questioned costs, as well as any material abuse findings, related to the audit of major programs, as required to be reported by 2 CFR 200.516(a).

There were no findings required to be reported in accordance with 2 CFR 200.516(a).

Operation Stand Down Tennessee
Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2022

Section I. **Financial Statement Findings**

There were no prior year findings reported.

Section II. **Federal Award Findings and Questioned Costs**

There were no prior year findings or questioned costs reported.