

Operation Stand Down Tennessee

Financial Statements
For the Years Ended December 31, 2024 and 2023

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Independent Auditor's Report

Board of Directors
Operation Stand Down Tennessee

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Operation Stand Down Tennessee (the Organization), which comprise the statements of financial position as of December 31, 2024 and 2023, the related statements of activities, functional expenses, and cash flows for the years 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, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 within 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 audits were conducted for the purpose of forming an opinion on the financial statements. The schedule of expenditures of federal awards, as required by Title 2 US *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 audits 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 GAAS. 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 June 3, 2025, 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
Brentwood, Tennessee
June 3, 2025

Operation Stand Down Tennessee
Statements of Financial Position
December 31, 2024 and 2023

	2024	2023
Assets		
Current assets		
Cash and cash equivalents	\$ 2,108,283	\$ 1,884,294
Grant and contract receivables	299,207	700,097
Accounts receivable	4,941	11,033
Contributions receivable, net	47,180	126,237
Employee Retention Credit receivable	184,301	184,301
Deferred rent receivable	72,678	106,997
Prepaid expenses	53,944	44,607
Total current assets	<u>2,770,534</u>	<u>3,057,566</u>
Cash restricted for long-term assets	-	1,509,069
Contributions receivable, net	25,000	100,000
Beneficial interest in agency endowment fund held by the Community Foundation of Middle Tennessee	9,588	8,644
Assets held for sale, net	-	269,309
Operating lease right-of-use assets	329,979	211,098
Finance lease right of use assets, net	107,634	141,715
Fixed assets, net	11,070,634	9,311,060
Total assets	\$ 14,313,369	\$ 14,608,461
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 14,093	\$ 413,971
Accrued expenses	415,154	263,899
Operating lease liability, current portion	89,118	87,333
Finance lease liability, current portion	39,886	41,676
Long-term debt, current portion	95,632	3,591,431
Deferred program revenue	5,235	2,610
Deferred lease revenue, current portion	7,576	7,615
Total current liabilities	<u>666,694</u>	<u>4,408,535</u>
Tenant deposits	10,000	10,000
Operating lease liability, net of current portion	240,011	132,197
Finance lease liability, net of current portion	68,888	102,603
Long-term debt, net of current portion	282,321	379,772
Deferred lease revenue, net of current portion	700,602	708,139
Total liabilities	<u>1,968,516</u>	<u>5,741,246</u>
Net assets		
Without donor restrictions	12,023,437	6,963,866
With donor restrictions	321,416	1,903,349
Total net assets	<u>12,344,853</u>	<u>8,867,215</u>
Total liabilities and net assets	\$ 14,313,369	\$ 14,608,461

Operation Stand Down Tennessee
Statement of Activities
For the Year Ended December 31, 2024

	Without donor restrictions	With donor restrictions	Total
Public Support and Revenues			
Contributions of cash and other financial assets			
Grants	\$ 7,778,464	\$ -	\$ 7,778,464
General contributions	741,137	447,968	1,189,105
United Way	90,792	-	90,792
Contributions of nonfinancial assets	119,196	-	119,196
Total contributions	8,729,589	447,968	9,177,557
 Fundraising (net of direct benefit to donors of \$57,195)	 495,719	 -	 495,719
 Revenues			
Rental income and other	323,787	-	323,787
Client fees	1,650	-	1,650
Unrealized gain on beneficial interest in agency endowment fund	603	-	603
Gain on sale of asset	2,645,463	-	2,645,463
Total revenues	2,971,503	-	2,971,503
 Net assets released from restriction	2,029,901	(2,029,901)	-
Total public support and revenues	14,226,712	(1,581,933)	12,644,779
 Expenses			
Program services	7,516,130	-	7,516,130
Management and general	1,144,262	-	1,144,262
Fundraising	506,749	-	506,749
Total expenses	9,167,141	-	9,167,141
 Change in net assets	5,059,571	(1,581,933)	3,477,638
 Net assets, beginning of year	6,963,866	1,903,349	8,867,215
Net assets, end of year	\$ 12,023,437	\$ 321,416	\$ 12,344,853

Operation Stand Down Tennessee
Statement of Activities
For the Year Ended December 31, 2023

	Without donor restrictions	With donor restrictions	Total
Public Support and Revenues			
Contributions of cash and other financial assets			
Grants	\$ 4,908,947	\$ -	4,908,947
General contributions	550,512	2,550,946	3,101,458
United Way	92,770	-	92,770
Employee retention credit revenue	184,301	-	184,301
Contributions of nonfinancial assets	<u>120,236</u>	<u>-</u>	<u>120,236</u>
Total contributions	5,856,766	2,550,946	8,407,712
 Fundraising (net of direct benefit to donors of \$51,119)	 412,530	 -	 412,530
 Revenues			
Rental income and other	435,414	-	435,414
Client fees	9,140	-	9,140
Unrealized loss on beneficial interest in agency endowment fund	782	-	782
Loss on asset disposal	<u>10,128</u>	<u>-</u>	<u>10,128</u>
Total revenues	455,464	-	455,464
 Net assets released from restriction	<u>1,458,320</u>	<u>(1,458,320)</u>	<u>-</u>
Total public support and revenues	8,183,080	1,092,626	9,275,706
 Expenses			
Program services	6,111,792	-	6,111,792
Management and general	604,468	-	604,468
Fundraising	<u>488,187</u>	<u>-</u>	<u>488,187</u>
Total expenses	7,204,447	-	7,204,447
 Change in net assets	978,633	1,092,626	2,071,259
 Net assets, beginning of year	<u>5,985,233</u>	<u>810,723</u>	<u>6,795,956</u>
Net assets, end of year	\$ 6,963,866	\$ 1,903,349	\$ 8,867,215

Operation Stand Down Tennessee
Statement of Functional Expenses
For the Year Ended December 31, 2024

	Program services	Management and general	Fundraising	Total
Compensation expense				
Salaries	\$ 3,022,281	\$ 686,708	\$ 245,999	\$ 3,954,988
Payroll taxes	<u>217,869</u>	<u>49,503</u>	<u>17,733</u>	<u>285,105</u>
Total compensation expense	3,240,150	736,211	263,732	4,240,093
Assistance to clients	2,213,911	-	-	2,213,911
Depreciation and amortization	420,147	36,908	12,426	469,481
Supplies and general (including contributions of nonfinancial assets of \$114,411)	451,353	26,618	179,473	657,444
Occupancy	419,509	39,795	4,106	463,410
Professional fees	207,907	242,614	8,839	459,360
Dues and subscriptions	104,775	14,884	24,035	143,694
Insurance	94,718	28,499	2,549	125,766
Interest and bank fees	135,785	3,083	7,618	146,486
Telephone	67,575	3,711	828	72,114
Transportation	110,553	5,818	1,594	117,965
Staff training	<u>49,747</u>	<u>6,121</u>	<u>1,549</u>	<u>57,417</u>
Total other expenses	4,275,980	408,051	243,017	4,927,048
Total expenses	\$ 7,516,130	\$ 1,144,262	\$ 506,749	\$ 9,167,141

Operation Stand Down Tennessee
Statement of Functional Expenses
For the Year Ended December 31, 2023

	Program services	Management and general	Fundraising	Total
Compensation expense				
Salaries	\$ 2,605,118	\$ 362,497	\$ 240,719	\$ 3,208,334
Payroll taxes	<u>190,654</u>	<u>26,353</u>	<u>16,591</u>	<u>233,598</u>
Total compensation expense	2,795,772	388,850	257,310	3,441,932
Assistance to clients	1,743,066	-	-	1,743,066
Depreciation and amortization	303,919	35,143	12,105	351,167
Supplies and general (including contributions of nonfinancial assets of \$120,236)	276,760	97,879	163,846	538,485
Occupancy	277,520	27,210	7,596	312,326
Professional fees	188,844	10,838	10,256	209,938
Dues and subscriptions	88,225	9,533	24,392	122,150
Insurance	87,705	23,610	2,953	114,268
Interest and bank fees	160,840	3,413	7,710	171,963
Telephone	58,972	4,121	968	64,061
Transportation	118,143	2,586	821	121,550
Staff training	<u>12,026</u>	<u>1,285</u>	<u>230</u>	<u>13,541</u>
Total other expenses	3,316,020	215,618	230,877	3,762,515
Total expenses	\$ 6,111,792	\$ 604,468	\$ 488,187	\$ 7,204,447

Operation Stand Down Tennessee
Statements of Cash Flows
For the Years Ended December 31, 2024 and 2023

	2024	2023
Cash and cash equivalents, beginning of year	\$ 3,393,363	\$ 4,951,762
Cash flows from operating activities		
Change in net assets	3,477,638	2,071,259
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	469,481	351,167
Noncash lease expense	3,341	2,504
(Gain) loss on asset disposal	(2,645,463)	(10,128)
Commission	175,200	-
Amortization of lease revenue	(7,576)	(7,615)
Donated fixed assets	(5,084)	-
Donated stock	(103,554)	-
Change in value of beneficial interest in agency endowment fund held by Community Foundation of Middle Tennessee	(944)	(917)
Contributions restricted for capital campaign	(2,685,723)	(2,399,262)
Change in:		
Grant and contract receivables	400,890	(271,859)
Accounts receivable	6,092	(1,351)
Contributions receivable	154,057	32,014
Employee Retention Credit receivable	-	(184,301)
Deferred rent receivable	34,319	(13,520)
Prepaid expenses	(9,337)	(9,718)
Accounts payable	(399,878)	(45,764)
Accrued expenses	151,255	90,659
Deferred program revenue	2,625	1,959
Net cash provided (used) by operating activities	(982,661)	(394,873)
Cash flows from investing activities		
Purchases of fixed assets	(2,192,095)	(3,208,609)
Proceeds from sale of property and equipment	2,735,325	-
Sale of stock	103,554	-
Net cash provided (used) by investing activities	646,784	(3,208,609)
Cash flows from financing activities		
Repayment of long-term debt	(3,593,250)	(343,250)
Principal payments on finance lease	(41,676)	(10,929)
Collections of contributions restricted for capital campaign and related capital assets	2,685,723	2,399,262
Net cash provided (used) by financing activities	(949,203)	2,045,083
Net change in cash and cash equivalents	(1,285,080)	(1,558,399)
Cash and cash equivalents, end of year	\$ 2,108,283	\$ 3,393,363
Supplemental disclosures of cash flow information		
Cash paid for interest	\$ 131,011	\$ 159,931
Cash paid for amounts included in measurement of lease liabilities:		
Operating cash outflows, payments on operating leases	\$ 87,348	\$ 81,083
Financing cash outflows, payments on finance leases	\$ 41,676	\$ 10,929
Right-of-use assets obtained in exchange for new lease obligation:		
Operating cash outflows, payments on operating leases	\$ -	\$ 19,050
Financing cash outflows, payments on finance leases	\$ 192,287	\$ 130,988
Property and equipment acquired with accounts payable	\$ -	\$ 337,525

Operation Stand Down Tennessee
Notes to Financial Statements
For the Years Ended December 31, 2024 and 2023

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).

Note 2. Summary of Significant Accounting Policies

The financial statements of the Organization are prepared 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.

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.

Operation Stand Down Tennessee
Notes to Financial Statements
For the Years Ended December 31, 2024 and 2023

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, 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 \$1,015,533 and \$1,512,136 at December 31, 2024 and 2023, respectively.

Operation Stand Down Tennessee
Notes to Financial Statements
For the Years Ended December 31, 2024 and 2023

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, 2024 and 2023.

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, 2024 and 2023.

Allowance for Credit Losses and Doubtful Accounts

The measurement of expected credit losses under the current expected credit loss (CECL) methodology is applicable to financial assets measured at amortized cost, which include trade receivables, contract assets and non-current receivables. An allowance for credit losses under the CECL methodology is determined using the loss-rate approach and measured on a collective (pool) basis when similar risk characteristics exist. Where financial instruments do not share risk characteristics, they are evaluated on an individual basis. The CECL allowance is based on relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. The allowance for credit losses as of December 31, 2024 and 2023, and change in the allowance for credit losses during 2024 and 2023, were not material to the financial statements.

Prior to adoption of ASC 326, the Organization maintained an allowance for doubtful accounts to reserve for potentially uncollectible receivables. The allowance for doubtful accounts as of December 31, 2024, was not material to the financial statements.

Operation Stand Down Tennessee
Notes to Financial Statements
For the Years Ended December 31, 2024 and 2023

Note 2. Summary of Significant Accounting Policies

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

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 recognizes most leases on its statement 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. Leases are classified as either finance leases, as applicable, or operating leases based on certain criteria. Classification of the lease affects the pattern of expense recognition in the statements of activities and functional expenses.

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. 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.

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.

Operation Stand Down Tennessee
Notes to Financial Statements
For the Years Ended December 31, 2024 and 2023

Note 2. Summary of Significant Accounting Policies

Leases as Lessee

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.

Leases as Lessor

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.

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.

The Organization capitalizes incremental direct leasing costs and expenses non-incremental direct costs, which are included within general and administrative expenses on the statements of operations.

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.

Operation Stand Down Tennessee
Notes to Financial Statements
For the Years Ended December 31, 2024 and 2023

Note 2. Summary of Significant Accounting Policies

Uncollectible Lease Receivables and Allowances for Uncollectible Lease Receivables

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 activities.

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.

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, and operation of transitional housing.

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.

Operation Stand Down Tennessee
Notes to Financial Statements
For the Years Ended December 31, 2024 and 2023

Note 2. Summary of Significant Accounting Policies

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 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.

Reclassifications

Certain prior period amounts are reclassified to conform to current year presentation.

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.

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:

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.

Operation Stand Down Tennessee
Notes to Financial Statements
For the Years Ended December 31, 2024 and 2023

Note 3. Revenue Recognition

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.

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

	2024	2023
Contributions receivable due in less than one year	\$ 47,180	\$ 126,237
Contributions receivable due in one to five years	<u>25,000</u>	<u>100,000</u>
Contributions receivable, net	\$ 72,180	\$ 226,237

The opening balance of contributions receivable for 2023 was \$258,251.

Note 5. Fixed Assets

Fixed assets consist of the following:

	2024	2023
Land	\$ 1,251,600	\$ 1,251,600
Construction in progress	16,754	3,667,899
Building and improvements	11,271,426	5,595,989
Equipment and furniture	559,789	394,615
Vehicles	105,771	100,687
Less: accumulated depreciation	<u>(2,134,706)</u>	<u>(1,699,730)</u>
Fixed assets, net	\$ 11,070,634	\$ 9,311,060

Depreciation expense for fixed assets for 2024 and 2023 was \$437,218 and \$305,345, respectively.

Operation Stand Down Tennessee
Notes to Financial Statements
For the Years Ended December 31, 2024 and 2023

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 was originally set to occur on or before July 2023. The closing was extended to June 30, 2024 with the right to extend the closing for an additional 45 days by the seller. Commencing November 1, 2023, the seller paid the purchaser \$10,000 per month for the extension to June 30, 2024. Closing of the sale occurred on June 28, 2024.

Assets held for sale consist of the following:

	2024	2023
Land	\$ -	\$ 75,650
Buildings and Improvements	-	1,066,287
Less: accumulated depreciation	-	(872,628)
Fixed assets, net	<u>\$ -</u>	<u>\$ 269,309</u>

The assets are still being used by the Organization until closing occurs. Depreciation expense for assets held for sale for 2024 and 2023 was \$0 and \$35,665 respectively.

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, 2024 and 2023 totaled \$377,953 and \$471,203, respectively. The loan was paid off on March 24, 2025.

During September 2022, the Organization obtained a construction loan borrowing \$3,500,000 through a financial institution. The loan was set to mature in March 2024, and required payments of interest only at a variable rate of prime minus 4.00%. The loan was collateralized by the Organization's real estate. In March 2024, the loan was extended to September 2024, at which point it was paid off. The loan was paid off on September 24, 2024.

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

Year ending December 31,	
2025	\$ 95,632
2026	100,025
2027	104,621
2028	<u>77,675</u>
Total	<u>\$ 377,953</u>

Operation Stand Down Tennessee
Notes to Financial Statements
For the Years Ended December 31, 2024 and 2023

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:

	2024	2023
Balance, beginning of year	\$ 8,644	\$ 7,727
Unrealized gain (loss)	912	794
Interest	84	171
Administrative fees	(52)	(48)
Balance, end of year	<u>\$ 9,588</u>	<u>\$ 8,644</u>

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, 2024 and 2023, the endowment fund in the amount of \$9,588 and \$8,644 respectively, is classified as net assets with donor restrictions.

Operation Stand Down Tennessee
Notes to Financial Statements
For the Years Ended December 31, 2024 and 2023

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.

The carrying amount of the beneficial interest in the 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 \$9,588 and \$8,644 at December 31, 2024 and 2023, 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:

	2024	2023
Endowment fund	\$ 9,988	\$ 8,644
Capital campaign	-	1,509,069
Contributions restricted for specific programs	261,428	185,636
Contributions restricted for future years' operations	<u>50,000</u>	<u>200,000</u>
	\$ 321,416	\$ 1,903,349

Operation Stand Down Tennessee
Notes to Financial Statements
For the Years Ended December 31, 2024 and 2023

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 18% of all receivables at December 31, 2023.

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 four building leases requiring minimum monthly rental payments ranging from \$2,500 to \$7,174 through August 2029, minimum monthly rental payments ranging from \$8,000 to \$10,000 through September 2024, minimum monthly rental payments ranging from \$9,000 to \$9,734 through September 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 \$218,893 and \$276,609 for 2024 and 2023, respectively.

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, 2024 are as follows:

Year ending December 31,	
2025	\$ 233,912
2026	233,912
2027	205,818
2028	88,751
2029	77,822
Thereafter	<u>717,129</u>
Total	\$ 1,557,344

As of December 31, 2024 and 2023, 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:

	2024	2023
Rental portion of building and improvements at cost	\$ 1,411,588	\$ 1,411,588
Less: accumulated depreciation	<u>(484,891)</u>	<u>(441,347)</u>
	\$ 926,697	\$ 970,241

Operation Stand Down Tennessee
Notes to Financial Statements
For the Years Ended December 31, 2024 and 2023

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 financing lease that have initial terms of four years with an interest rate ranging from 4.45% to 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:

	2024	2023
Operating lease cost	\$ 87,348	\$ 81,083
Finance lease cost, amortization of right-of-use assets	27,629	10,157
Finance lease cost, interest on lease liabilities	<u>5,138</u>	<u>2,504</u>
Total operating lease liabilities	\$ 120,115	\$ 93,744

Supplemental statement of financial position information related to leases is as follows as of December 31, 2024:

	2024	2023
Operating leases		
Operating lease right-of-use assets	\$ 329,979	\$ 211,098
Operating lease liabilities, current portion	\$ 89,118	\$ 87,333
Operating lease liabilities, net of current portion	<u>240,011</u>	<u>132,197</u>
Total operating lease liabilities	\$ 329,129	\$ 219,530
Finance leases		
Machinery and equipment	\$ 157,236	\$ 157,236
Accumulated amortization	<u>(49,602)</u>	<u>(15,521)</u>
Finance lease, right-of-use assets, net	\$ 107,634	\$ 141,715
Finance lease liabilities, current portion	\$ 39,886	\$ 41,676
Finance lease liabilities, net of current portion	<u>68,888</u>	<u>102,603</u>
Total finance lease liabilities	\$ 108,774	\$ 144,279
Weighted-average remaining lease term		
Operating leases	2.74 years	1.98 years
Finance leases	2.82 years	4.03 years
Weighted-average discount rate		
Operating leases	4.15%	3.76%
Finance leases	8.65%	8.84%

Operation Stand Down Tennessee
Notes to Financial Statements
For the Years Ended December 31, 2024 and 2023

Note 13. Leases and Commitments as Lessee

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:

Years ending December 31,	Operating Leases	Finance Leases
2025	\$ 89,118	\$ 39,886
2026	88,509	34,517
2027	89,771	30,746
2028	48,379	11,893
2029	41,910	-
Thereafter	-	-
Total lease payments	357,687	117,042
Less imputed interest	(28,558)	(8,268)
Total present value of lease liabilities	\$ 329,129	\$ 108,774

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.

Approximately \$119,196 and \$120,236 of goods were received and used in various functions of the Organization in 2024 and 2023, respectively.

The following represents donated goods and services:

	2024	2023
Food	\$ 50,533	\$ 42,761
Gift card	5,336	3,896
Transportation	7,084	-
Hygiene	10,259	5,400
Clothing	14,374	8,230
Hotel stay donations	-	1,357
Mixed donations	-	46,258
Laptop donations	-	12,000
Supplies	15,981	-
Services	15,629	-
Appliances	-	334
Total revenues	\$ 119,196	\$ 120,236

Operation Stand Down Tennessee
Notes to Financial Statements
For the Years Ended December 31, 2024 and 2023

Note 15. Supplemental Cash Flow Information

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

	2024	2023
Cash and cash equivalents	\$ 2,108,283	\$ 1,884,294
Cash restricted for long-term assets	<u>-</u>	<u>1,509,069</u>
	\$ 2,108,283	\$ 3,393,363

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:

	2024	2023
Financial assets		
Cash and cash equivalents	\$ 2,108,283	\$ 3,393,363
Grant and contract receivables	299,207	700,097
Accounts receivable	4,941	11,033
Contributions receivable, net	72,180	226,237
Employee Retention Credit receivable	184,301	184,301
Beneficial interest in agency endowment fund held by the Community Foundation of Middle Tennessee	<u>9,588</u>	<u>8,644</u>
Total financial assets at year-end	2,678,500	4,523,675
Less amounts not available to be used within one year		
Endowment fund	(9,588)	(8,644)
Contributions restricted for long-term assets	-	(1,509,069)
Contributions restricted for specific programs	(261,428)	(185,636)
Contributions restricted for future year operations	<u>(50,000)</u>	<u>(200,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ 2,357,484	\$ 2,620,326

Note 17. 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 \$184,301 recognized as Employee Retention Credit revenue on the statement of activities for 2023. Employee Retention Credit receivable at December 31, 2024 totaled \$184,301, which represents refunds due on the Forms 941-X for the quarters ended March 31, 2021 and June 30, 2021. On May 2, 2025, the Organization received payment for the quarters ended March 31, 2021 and June 30, 2021.

Operation Stand Down Tennessee
Notes to Financial Statements
For the Years Ended December 31, 2024 and 2023

Note 18. Cash Restricted for Long-Term Assets

At December 31, 2023, the Organization had cash on hand of \$1,509,069 that was restricted for long-term assets related to the capital campaign. The amounts reflected in the statements of cash flows for 2024 and 2023 of \$2,685,723 and \$2,399,262, reflect 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 19. Capital Grants

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. In 2024 and 2023 there was \$232,556 and \$492,069, respectively, of expenditures.

In April 2023, the Department of Housing and Urban Development made grant funds available in the amount of \$2,000,000 to the Organization. The funding will be used for the transitional housing project that is currently under construction. In 2024, the project was completed and the Organization received reimbursement of eligible costs.

Note 20. Subsequent Events

Management has evaluated subsequent events through June 3, 2025, 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, 2024, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements as listed in the table of contents, and have issued our report thereon dated June 3, 2025.

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
Brentwood, Tennessee
June 3, 2025



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, 2024. 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, 2024.

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.

Other Matter

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2024-001. Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the noncompliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2024-001 to be a significant deficiency.

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.

Government Auditing Standards requires the auditor to perform limited procedures on Organization's response to the internal control over compliance findings identified in our Compliance audit described in the accompanying schedule of findings and questioned costs. Example Entity's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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
Brentwood, Tennessee
June 3, 2025

Operation Stand Down Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2024

Grantor / Pass-through Grantor	Program name	Assistance Listing number	Contract number	Expenditures
Federal Awards				
US Department of Veterans Affairs / N/A - Direct	VA Homeless Providers Grant and Per Diem Program	64.024	OSDT832-4117-626-PD-24	\$ 217,778
	VA Homeless Providers Grant and Per Diem Program	64.024	OSDT832-3622-626-PD-24	766,579
	VA Homeless Providers Grant and Per Diem Program	64.024	OSDT832-5300-626-CM-24	103,415
	VA Homeless Providers Grant and Per Diem Program	64.024	OSDT832-2435-626-CG-22	232,556
	Total Program 64.024			1,320,328
N/A - Direct	VA Supportive Services for Veteran Families Program	64.033	14-TN-285	3,176,152
	VA Supportive Services for Veteran Families Program - Shallow Subsidies	64.033	14-TN-285SS	112,092
	VA Supportive Services for Veteran Families Program	64.033	14-TN-285-LT	129,367
	Total Program 64.033			3,417,611
N/A - Direct	Staff Sergeant Parker Gordon Fox Suicide Prevention Grant Program	64.055	TN-SSG-1333-22	697,051
N/A - Direct	Legal Services for Veterans Grants	64.056	TN-832-LSV-176-22	69,958
	Legal Services for Veterans Grants	64.056	TN-832-LSV-428-24	79,943
	Total Program 64.056			149,901
N/A - Direct	Veteran and Spouse Transitional Assistance Grant Program (VSTAGP)	64.058	VSTAGP24TN0009	19,842
US Department of Housing and Urban Development / City of Clarksville	<u>CDBG - Entitlement Grants Cluster</u>			
	Community Development Block Grants/Entitlement Grants	14.218	N/A	44,036
	Total CDBG - Entitlement Grants Cluster			44,036
Metropolitan Development and Housing Agency	Emergency Solutions Grants Program	14.231	N/A	15,000
N/A - Direct	Economic Development Initiative, Community Project Funding, and Misce	14.251	B-23-CP-TN-1380	2,000,000
US Department of Health and Human Services / National Foundation for the Centers Disease	Strengthening Public Health Systems and Services through National Partn	93.421	NU38OT000288	20,000
Tennessee Department of Human Services	Community Schools Youth Services and Supervision Program	93.588	34530-79925	77,352
Federal Emergency Management Agency / United Way	Covid 19 - Emergency Food and Shelter National Board Program	97.024	N/A	5,000
United Way	Emergency Food and Shelter National Board Program	97.024	N/A	14,025
	Total Program 97.024			19,025
Total federal awards				\$ 7,780,146

Operation Stand Down Tennessee
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2024

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 2024 in the form of noncash assistance.

Note 3. Indirect Cost Rate

The Organization elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance unless otherwise specified by the grantor.

Note 4. HUD Expenditures Incurred in Prior Years

The amounts reported for HUD (14.251) include \$584,815 incurred in prior year.

Note 5. Subrecipients

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

Note 6. 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.

Operation Stand Down Tennessee
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2024

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?	Yes
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)?	Yes
Identification of major federal programs (Assistance Listing and name of federal program or cluster)	
14.251 Economic Development Initiative, Community Project Funding, and Miscellaneous Grants	
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*.

Operation Stand Down Tennessee
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2024

Section III. Federal Award Findings and Questioned Costs

Finding 2024-001 – Reporting

(Compliance and Related Internal Control Significant Deficiency)

Criteria: The Uniform Guidance and The US Department of Housing and Urban Development require the entity to submit certain reports. Per Uniform Guidance, the federal agency or the pass-through entity may have developed its own forms for financial reporting. These forms may be in addition to or in lieu of the standard federal financial reports and may include electronic submissions. The US Department of Housing and Urban Development requires a written request to closeout assistance listing number 14.251 the Economic Development Initiative, Community Project Funding, and Miscellaneous Grant (CFR part 200, subpart D). A financial report is provided giving the amount and types of project costs charged to the grant (that meet the allowability and allocability requirements of 2 CFR part 200, subpart E); a certification of the costs; and the amounts and sources of other project funds. The financial report provided had duplicate invoices and purchase orders.

Condition: Based on 3 reports selected for testing, 1 had duplicate data.

Cause: The federal financial reports submitted to the grantor did not have adequate administrative review prior to submission.

Effect: The Organization was not in compliance with reporting requirements.

Recommendation: We recommend that the Organization enhance its policies and procedures over reporting.

Completion Date: May 28, 2025

Operation Stand Down Tennessee
Summary Schedule of Prior Year Findings
For the Year Ended December 31, 2024

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.



Engage. Equip. Empower.™ Veterans.

June 3, 2025

To whom it may concern:

Operation Stand Down Tennessee respectfully submits the following corrective action plan for the year ended December 31, 2024.

Finding 2024-001 – Reporting

Management accepts the recommendation.

Corrective Action Taken:

- **Immediate Correction:** The incorrect report was promptly reviewed, corrected and resubmitted to the appropriate entity on 05/28/2025
- **Notification:** Relevant stakeholders were informed of the error and corrective resubmission.

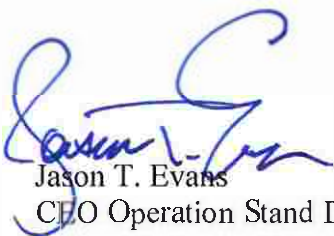
Preventative Measures and Process Improvements:

- **Dual Review Protocol:** A two-step verification process has been instituted, requiring two qualified team members to review and sign off on all critical reports prior to submission.

Person Responsible for Corrective Action Plan: Kyle Steffen, COO

Date of Correction: 05/28/2025

Sincerely,



Jason T. Evans
CEO Operation Stand Down Tennessee



Operation Stand Down Tennessee
1125 12th Ave South, Nashville, TN 37203 • (615) 248-1981
115 N 3rd Street, Clarksville, TN 37040 • (931) 896-2184
1900 B Shady Brook Street, Columbia, TN 38401 • (615) 523-5956
www.osdtn.org

