Operation Stand Down Tennessee

Financial Statements
For the Years Ended December 31, 2023 and 2022

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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 statements of financial position as of December 31, 2023 and 2022, 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, 2023 and 2022, 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 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 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 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 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 May 15, 2024, 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
May 15, 2024

Operation Stand Down Tennessee
Statements of Financial Position
December 31, 2023 and 2022

	2023	2022
Assets		
Current assets		
Cash and cash equivalents	$ 1,884,294	$ 4,701,762
Grant and contract receivables	700,097	428,238
Accounts receivable	11,033	9,682
Contributions receivable, net	126,237	258,251
Employee Retention Credit receivable	184,301	-
Deferred rent receivable	106,997	93,477
Prepaid expenses	44,607	34,889
Total current assets	3,057,566	5,526,299
Cash restricted for long-term assets	1,509,069	250,000
Contributions receivable, net	100,000	-
Beneficial interest in agency endowment fund held by the Community Foundation of Middle Tennessee	8,644	7,727
Assets held for sale, net	269,309	304,974
Operating lease right of use assets, net	211,098	270,216
Finance lease right of use assets, net	141,715	16,578
Fixed assets, net	9,311,060	6,060,143
Total assets	**$ 14,608,461**	**$ 12,435,937**
Liabilities and Net Assets		
Current liabilities		
Accounts payable	$ 413,971	$ 122,210
Accrued expenses	263,899	173,240
Operating lease liability, current portion	87,333	80,332
Finance lease liability, current portion	41,676	7,158
Long-term debt, current portion	3,591,431	87,416
Deferred program revenue	2,610	651
Deferred lease revenue, current portion	7,615	7,615
Total current liabilities	4,408,535	478,622
Tenant deposits	10,000	10,000
Operating lease liability, net of current portion	132,197	198,316
Finance lease liability, net of current portion	102,603	10,252
Long-term debt, net of current portion	379,772	4,227,037
Deferred lease revenue, net of current portion	708,139	715,754
Total liabilities	5,741,246	5,639,981
Net assets		
Without donor restrictions	6,963,866	5,985,233
With donor restrictions	1,903,349	810,723
Total net assets	8,867,215	6,795,956
Total liabilities and net assets	**$ 14,608,461**	**$ 12,435,937**

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	120,236	-	120,236
Total contributions	5,856,766	2,550,946	8,407,712
Fundraising (net of direct benefit to donors of $51,119)	412,530	-	412,530
Revenues			
Rental income and other	435,414	-	435,414
Client fees	9,140	-	9,140
Unrealized gain on beneficial interest in agency endowment fund	782	-	782
Gain on sale of asset	10,128	-	10,128
Total revenues	455,464	-	455,464
Net assets released from restriction	1,458,320	(1,458,320)	-
Total public support and revenues	8,183,080	1,092,626	9,275,706
Expenses			
Program services	6,111,792	-	6,111,792
Management and general	604,468	-	604,468
Fundraising	488,187	-	488,187
Total expenses	7,204,447	-	7,204,447
Change in net assets	978,633	1,092,626	2,071,259
Net assets, beginning of year	5,985,233	810,723	6,795,956
Net assets, end of year	**$ 6,963,866**	**$ 1,903,349**	**$ 8,867,215**

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 of cash and other financial assets			
Grants	$ 4,452,293	$ -	$ 4,452,293
General contributions	858,515	887,801	1,746,316
United Way	100,540	-	100,540
Contributions of nonfinancial assets	81,894	-	81,894
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 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	190,654	26,353	16,591	233,598
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 $120,236)	276,760	97,879	163,846	538,485
Occupancy	277,520	27,210	7,596	312,326
Professional fees	188,844	10,838	10,256	209,938
Dues and subscriptions	88,225	9,533	24,392	122,150
Insurance	87,705	23,610	2,953	114,268
Interest and bank fees	160,840	3,413	7,710	171,963
Telephone	58,972	4,121	968	64,061
Transportation	118,143	2,586	821	121,550
Staff training	12,026	1,285	230	13,541
Total other expenses	3,316,020	215,618	230,877	3,762,515
Total expenses	**$ 6,111,792**	**$ 604,468**	**$ 488,187**	**$ 7,204,447**

Operation Stand Down Tennessee
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
Statements of Cash Flows
For the Years Ended December 31, 2023 and 2022

	2023	2022
Cash and cash equivalents, beginning of year	$ 4,951,762	$ 1,843,506
Cash flows from operating activities		
Change in net assets	2,071,259	1,913,644
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	351,167	296,221
Noncash lease expense	2,504	8,431
(Gain) loss on asset disposal	(10,128)	4,950
Amortization of lease revenue	(7,615)	(7,614)
Change in value of beneficial interest in agency endowment fund held by Community Foundation of Middle Tennessee	(917)	1,244
Contributions restricted for capital campaign	(2,399,262)	(1,905,100)
Change in:		
Grant and contract receivables	(271,859)	(189,004)
Accounts receivable	(1,351)	(1,481)
Contributions receivable	32,014	(51,238)
Employee Retention Credit receivable	(184,301)	127,862
Deferred rent receivable	(13,520)	(93,477)
Prepaid expenses	(9,718)	16,408
Accounts payable	(45,764)	21,765
Accrued expenses	90,659	21,252
Deferred program revenue	1,959	(53,855)
Net cash provided (used) by operating activities	(394,873)	110,008
Cash flows from investing activities		
Purchases of fixed assets	(3,208,609)	(2,014,447)
Cash flows from financing activities		
Repayment of long-term debt	(343,250)	(387,875)
Proceeds from issuance of long-term debt	-	3,500,000
Principal payments on finance lease	(10,929)	(4,530)
Collections of contributions restricted for capital campaign and related capital assets	2,399,262	1,905,100
Net cash provided (used) by financing activities	2,045,083	5,012,695
Net change in cash and cash equivalents	(1,558,399)	3,108,256
Cash and cash equivalents, end of year	**$ 3,393,363**	**$ 4,951,762**
Supplemental disclosures of cash flow information		
Cash paid for interest	$ 159,931	$ 58,902
Cash paid for amounts included in measurement of lease liabilities:		
Operating cash outflows, payments on operating leases	$ 81,083	$ 34,579
Financing cash outflows, payments on finance leases	$ 10,929	$ 6,562
Right-of-use assets obtained in exchange for new lease obligation:		
Operating cash outflows, payments on operating leases	$ 19,050	$ 313,226
Financing cash outflows, payments on finance leases	$ 130,988	$ 21,941
Property and equipment acquired with accounts payable	$ 337,525	$ -

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.

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 $1,512,136 and $4,442,492 at December 31, 2023 and 2022, 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, 2023 and 2022.

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, 2023 and 2022.

Allowance for Credit Losses and Doubtful Accounts (New Accounting Standard Adopted in 2023)

The Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 326, *Financial Instruments – Credit Losses*, as of January 1, 2023, with the cumulative-effect transition method with the required prospective approach. 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, 2023, and change in the allowance for credit losses during the year ended December 31, 2023, was 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, 2022, was not material to the financial statements.

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.

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.

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.

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.

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:

	2023	**2022**
Contributions receivable due in less than one year	$ 126,237	$ 258,251
Contributions receivable due in one to five years	100,000	-
Contributions receivable, net	**$ 226,237**	**$ 258,251**

Note 5. **Fixed Assets**

Fixed assets consist of the following:

	2023	**2022**
Land	$ 1,251,600	$ 1,251,600
Construction in progress	3,667,899	126,556
Building and improvements	5,595,989	5,595,989
Equipment and furniture	394,615	379,697
Vehicles	100,687	104,687
Less: accumulated depreciation	(1,699,730)	(1,398,386)
Fixed assets, net	**$ 9,311,060**	**$ 6,060,143**

Depreciation expense for fixed assets for 2023 and 2022 was $305,345 and $253,582, 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 was originally set to occur on or before July 2023. The closing is 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 shall pay the purchaser $10,000 per month for the extension to June 30, 2024.

Assets held for sale consist of the following:

	2023	2022
Land	$ 75,650	$ 75,650
Buildings and Improvements	1,066,287	1,066,287
Less: accumulated depreciation	(872,628)	(836,963)
Fixed assets, net	**$ 269,309**	**$ 304,974**

The assets are still being used by the Organization until closing occurs. Depreciation expense for assets held for sale for 2023 and 2022 was $35,665 and $37,274 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, 2023 and 2022 totaled $471,203 and $814,453, 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. In March 2024, the loan was extended to September 2024. The balance outstanding at December 31, 2023 totaled $3,500,000.

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

Year ending December 31,	
2024	$ 3,591,431
2025	95,632
2026	100,025
2027	104,621
2028	79,494
Total	**$ 3,971,203**

Note 7. **Long-term Debt**

The Organization has significant outstanding debt that is scheduled to mature in September 2024. Management intends to repay the debt when due with assets held for sale in note 6 and the Department of Housing and Urban Development grant in note 19.

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:

	2023	2022
Balance, beginning of year	$ 7,727	$ 8,971
Unrealized gain (loss)	794	(1,298)
Interest	171	105
Administrative fees	(48)	(51)
Balance, end of year	**$ 8,644**	**$ 7,727**

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, 2023 and 2022, the endowment fund in the amount of $8,644 and $7,727 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.

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 $8,644 and $7,727 at December 31, 2023 and 2022, 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:

	2023	2022
Endowment fund	$ 8,644	$ 7,727
Capital campaign	1,509,069	500,000
Contributions restricted for specific programs	185,636	254,886
Contributions restricted for future years' operations	200,000	48,110
	$ 1,903,349	**$ 810,723**

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

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 $276,609 and $330,851 for 2023 and 2022, 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, 2023 are as follows:

Year ending December 31,		
2024	$	255,535
2025		255,535
2026		255,535
2027		222,035
2028		88,751
Thereafter		794,951
Total	**$**	**1,872,342**

As of December 31, 2023 and 2022, 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:

		2023		**2022**
Rental portion of building and improvements at cost	$	1,411,588	$	1,411,588
Less: accumulated depreciation		(441,347)		(402,716)
	$	**970,241**	**$**	**1,008,872**

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:

	2023	2022
Operating lease cost	$ 81,083	$ 43,010
Finance lease cost, amortization of right-of-use assets	10,157	5,363
Finance lease cost, interest on lease liabilities	2,504	2,032
Total operating lease liabilities	**$ 94,516**	**$ 50,405**

Supplemental statement of financial position information related to leases is as follows as of December 31, 2023:

	2023	2022
Operating leases		
Operating lease right-of-use assets	$ 211,098	$ 270,216
Operating lease liabilities, current portion	$ 87,333	$ 80,332
Operating lease liabilities, net of current portion	132,197	198,316
Total operating lease liabilities	**$ 219,530**	**$ 278,648**
Finance leases		
Machinery and equipment	$ 157,236	$ 21,941
Accumulated amortization	(15,521)	(5,363)
Finance lease, right-of-use assets, net	**$ 141,715**	**$ 16,577**
Finance lease liabilities, current portion	$ 41,676	$ 7,158
Finance lease liabilities, net of current portion	102,603	10,252
Total finance lease liabilities	**$ 144,279**	**$ 17,410**
Weighted-average remaining lease term		
Operating leases	1.98 years	4.25 years
Finance leases	4.03 years	3.75 years
Weighted-average discount rate		
Operating leases	3.76%	1.69%
Finance leases	8.84%	11.47%

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 as of December 31, 2023:

Years ending December 31,	**Operating Leases**	**Finance Leases**
2024	$ 87,333	$ 41,676
2025	48,654	40,482
2026	46,560	34,517
2027	46,560	30,746
2028	3,880	10,902
Thereafter	-	-
Total lease payments	232,987	158,323
Less imputed interest	(13,457)	(14,044)
Total present value of lease liabilities	**$ 219,530**	**$ 144,279**

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 $120,236 and $81,894 of goods were received and used in various functions of the Organization in 2023 and 2022, respectively.

The following represents donated goods and services:

	2023	**2022**
Food	$ 42,761	$ 51,132
Gift card	3,896	3,286
Auction donation	-	15,854
Hygiene	5,400	11,622
Clothing	8,230	-
Hotel stay donations	1,357	-
Mixed donations	46,258	-
Laptop donations	12,000	-
Appliances	334	-
Total revenues	**$ 120,236**	**$ 81,894**

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:

	2023	2022
Cash and cash equivalents	$ 1,884,294	$ 4,701,762
Cash restricted for long-term assets	1,509,069	250,000
	$ 3,393,363	**$ 4,951,762**

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:

	2023	2022
Financial assets		
Cash and cash equivalents	$ 3,393,363	$ 4,951,762
Grant and contract receivables	700,097	428,238
Accounts receivable	11,033	9,682
Contributions receivable, net	226,237	258,251
Employee Retention Credit receivable	184,301	-
Beneficial interest in agency endowment fund held by the Community Foundation of Middle Tennessee	8,644	7,727
Total financial assets at year-end	4,523,675	5,655,660
Less amounts not available to be used within one year		
Endowment fund	(8,644)	(7,727)
Contributions restricted for long-term assets	(1,509,069)	(500,000)
Contributions restricted for specific programs	(185,636)	(254,886)
Contributions restricted for future year operations	(200,000)	(48,110)
Financial assets available to meet cash needs for general expenditures within one year	**$ 2,620,326**	**$ 4,844,937**

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, 2023 totaled $184,301, which represents refunds due on the Forms 941-X for the quarters ended March 31, 2021 and June 30, 2021.

Note 18. **Cash Restricted for Long-Term Assets**

At December 31, 2023 and 2022, the Organization had cash on hand of $1,509,069 and $250,000 that was restricted for long-term assets related to the capital campaign. The amounts reflected in the statements of cash flows for 2023 and 2022 of $2,399,262 and $1,905,100, 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 2023 and 2022 there was $492,069 and $1,375,375, 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. The Organization expects to apply for reimbursement of eligible costs under the grant agreement once the project has been finalized and inspected by the Department of Veterans Affairs.

Note 20. **Subsequent Events**

Management has evaluated subsequent events through May 15, 2024, the date on which the financial statements were available for issuance.

Compliance Information

BLANKENSHIP

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, 2023, 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, 2024.

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
May 15, 2024

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, 2023. 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, 2023.

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
Brentwood, Tennessee
May 15, 2024

Operation Stand Down Tennessee
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2023

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	OSDT832-1377-626-SC-21	$ 240,948
	VA Homeless Providers Grant and Per Diem Program	64.024	OSDT832-4117-626-PD-24	53,378
	VA Homeless Providers Grant and Per Diem Program	64.024	OSDT832-1378-626-PD-21	564,015
	VA Homeless Providers Grant and Per Diem Program	64.024	OSDT832-3622-626-PD-24	203,930
	VA Homeless Providers Grant and Per Diem Program	64.024	OSDT832-2222-626-CM-22	88,043
	VA Homeless Providers Grant and Per Diem Program	64.024	OSDT832-5300-626-CM-24	29,290
	VA Homeless Providers Grant and Per Diem Program	64.024	OSDT832-2435-626-CG-22	492,069
	Total Program 64.024			1,671,673
N/A - Direct	VA Supportive Services for Veteran Families Program	64.033	14-TN-285	1,944,753
	Covid 19 - VA Supportive Services for Veteran Families Program	64.033	14-TN-285	136,878
	VA Supportive Services for Veteran Families Program - Shallow Subsidies	64.033	14-TN-285SS	428,871
	VA Supportive Services for Veteran Families Program	64.033	14-TN-285-LT	94,803
	Total Program 64.033			2,605,305
N/A - Direct	Staff Sergeant Parker Gordon Fox Suicide Prevention Grant Program	64.055	TN-SSG-1333-22	578,870
N/A - Direct	Legal Services for Veterans Grants	64.056	TN-832-LSV-176-22	15,246
US Department of Housing and Urban Development /	CDBG - Entitlement Grants Cluster			
City of Clarksville	Community Development Block Grants/Entitlement Grants	14.218	N/A	20,000
	Total CDBG - Entitlement Grants Cluster			20,000
Metropolitan Development and Housing Agency	Emergency Solutions Grants Program	14.231	N/A	2,021
Federal Emergency Management Agency / United Way	Emergency Food and Shelter National Board Program	97.024	N/A	17,121
Total federal awards				**$ 4,910,236**

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 2023 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.

Operation Stand Down Tennessee
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2023

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)	
64.024 VA Homeless Providers Grant and Per Diem Program	
64.055 Staff Sergeant Parker Gordon Fox Suicide Prevention Grant 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 Year Findings
For the Year Ended December 31, 2023

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.