

OPERATION STAND DOWN TENNESSEE

FINANCIAL STATEMENTS

*As of and for the Years Ended December 31, 2017
and 2016*

And Report of Independent Auditor

OPERATION STAND DOWN TENNESSEE

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Report of Independent Auditor

To the Board of Directors
Operation Stand Down Tennessee
Nashville, Tennessee

We have audited the accompanying financial statements of Operation Stand Down Tennessee (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Operation Stand Down Tennessee as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements as of December 31, 2016, were audited by other auditors whose report dated May 22, 2017, expressed an unmodified opinion on those statements



Nashville, Tennessee
June 18, 2018

OPERATION STAND DOWN TENNESSEE
STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and cash equivalents, including \$6,856 and \$18,352 held for clients, respectively	\$ 1,604,184	\$ 1,227,092
Grant and contract receivables	135,336	101,091
Accounts and contributions receivable, including in-kind of \$-0- and \$28,739, respectively	203,856	66,773
Prepaid expenses	47,052	63,112
Fixed assets, net	<u>3,075,240</u>	<u>3,170,569</u>
Total Assets	<u><u>\$ 5,065,668</u></u>	<u><u>\$ 4,628,637</u></u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 40,398	\$ 84,461
Accrued expenses	107,477	96,076
Tenant deposits	12,986	12,986
Client savings liability	6,856	18,352
Long-term debt	<u>2,580,608</u>	<u>2,706,078</u>
Total Liabilities	<u>2,748,325</u>	<u>2,917,953</u>
Net Assets:		
Unrestricted	1,357,905	1,220,373
Temporarily restricted	<u>959,438</u>	<u>490,311</u>
Total Net Assets	<u>2,317,343</u>	<u>1,710,684</u>
Total Liabilities and Net Assets	<u><u>\$ 5,065,668</u></u>	<u><u>\$ 4,628,637</u></u>

OPERATION STAND DOWN TENNESSEE
STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2017

	Unrestricted	Temporarily Restricted	Total
Public Support and Revenues:			
Contributions:			
Grants	\$ 1,678,992	\$ -	\$ 1,678,992
Contributions (including in-kind of \$186,321)	525,411	807,330	1,332,741
United Way	84,581	-	84,581
Total Contributions	<u>2,288,984</u>	<u>807,330</u>	<u>3,096,314</u>
Fundraising event	318,597	-	318,597
Less fundraising event expenses	<u>(38,726)</u>	<u>-</u>	<u>(38,726)</u>
Fundraising event, net	<u>279,871</u>	<u>-</u>	<u>279,871</u>
Total Public Support	<u>2,568,855</u>	<u>807,330</u>	<u>3,376,185</u>
Revenues:			
Sales to the public	104,843	-	104,843
Rental income and other	56,717	-	56,717
Client fees	<u>31,490</u>	<u>-</u>	<u>31,490</u>
Total Revenues	<u>193,050</u>	<u>-</u>	<u>193,050</u>
Net assets released from restriction	<u>338,203</u>	<u>(338,203)</u>	<u>-</u>
Total Public Support and Revenues	<u>3,100,108</u>	<u>469,127</u>	<u>3,569,235</u>
Expenses:			
Program services	2,450,379	-	2,450,379
Management and general	246,136	-	246,136
Fundraising	<u>266,061</u>	<u>-</u>	<u>266,061</u>
Total Expenses	<u>2,962,576</u>	<u>-</u>	<u>2,962,576</u>
Change in net assets	137,532	469,127	606,659
Net assets, beginning of year	<u>1,220,373</u>	<u>490,311</u>	<u>1,710,684</u>
Net assets, end of year	<u>\$ 1,357,905</u>	<u>\$ 959,438</u>	<u>\$ 2,317,343</u>

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

OPERATION STAND DOWN TENNESSEE
STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public Support and Revenues:			
Contributions:			
Grants	\$ 1,886,890	\$ -	\$ 1,886,890
Contributions (including in-kind of \$179,042)	606,407	209,216	815,623
United Way	-	-	-
Total Contributions	<u>2,493,297</u>	<u>209,216</u>	<u>2,702,513</u>
Fundraising event (including in-kind of \$8,000)	330,512	-	330,512
Less fundraising event expenses	<u>(45,342)</u>	<u>-</u>	<u>(45,342)</u>
Fundraising event, net	<u>285,170</u>	<u>-</u>	<u>285,170</u>
Total Public Support	<u>2,778,467</u>	<u>209,216</u>	<u>2,987,683</u>
Revenues:			
Sales to the public	86,413	-	86,413
Rental income and other	81,159	-	81,159
Client fees	<u>4,841</u>	<u>-</u>	<u>4,841</u>
Total Revenues	<u>172,413</u>	<u>-</u>	<u>172,413</u>
Net assets released from restriction	<u>323,633</u>	<u>(323,633)</u>	<u>-</u>
Total Public Support and Revenues	<u>3,274,513</u>	<u>(114,417)</u>	<u>3,160,096</u>
Expenses:			
Program services	2,338,382	-	2,338,382
Management and general	206,045	-	206,045
Fundraising	<u>220,178</u>	<u>-</u>	<u>220,178</u>
Total Expenses	<u>2,764,605</u>	<u>-</u>	<u>2,764,605</u>
Change in net assets	509,908	(114,417)	395,491
Net assets, beginning of year	<u>710,465</u>	<u>604,728</u>	<u>1,315,193</u>
Net assets, end of year	<u>\$ 1,220,373</u>	<u>\$ 490,311</u>	<u>\$ 1,710,684</u>

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

OPERATION STAND DOWN TENNESSEE
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2017

	<u>Supporting Services</u>			Total
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	
Compensation Expense:				
Salaries	\$ 1,082,548	\$ 124,185	\$ 195,584	\$ 1,402,317
Payroll taxes	88,500	10,152	15,989	114,641
Total Compensation Expense	<u>1,171,048</u>	<u>134,337</u>	<u>211,573</u>	<u>1,516,958</u>
Other Expenses:				
Assistance to clients	585,887	-	-	585,887
Occupancy	168,237	10,942	5,922	185,101
Professional fees	110,684	17,947	8,815	137,446
Depreciation	113,522	20,354	5,470	139,346
Interest	80,730	26,113	7,384	114,227
Supplies and general	44,634	26,065	7,382	78,081
Insurance	47,968	6,384	3,727	58,079
Transportation	50,731	489	1,912	53,132
Telephone	28,326	2,116	706	31,148
Dues and subscriptions	41,509	1,373	9,177	52,059
Staff training	7,103	16	3,993	11,112
Total Other Expenses	<u>1,279,331</u>	<u>111,799</u>	<u>54,488</u>	<u>1,445,618</u>
Total Expenses	<u>\$ 2,450,379</u>	<u>\$ 246,136</u>	<u>\$ 266,061</u>	<u>\$ 2,962,576</u>

OPERATION STAND DOWN TENNESSEE
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2016

	<u>Supporting Services</u>			Total
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	
Compensation Expense:				
Salaries	\$ 1,098,810	\$ 122,008	\$ 156,274	\$ 1,377,092
Payroll taxes	91,755	10,188	13,049	114,992
Total Compensation Expense	<u>1,190,565</u>	<u>132,196</u>	<u>169,323</u>	<u>1,492,084</u>
Other Expenses:				
Assistance to clients	504,856	-	-	504,856
Occupancy	134,306	8,676	4,253	147,235
Professional fees	117,280	12,013	7,480	136,773
Depreciation	125,744	5,085	5,170	135,999
Interest	97,375	7,005	7,085	111,465
Supplies and general	65,235	18,612	18,534	102,381
Insurance	48,237	9,628	2,807	60,672
Transportation	23,660	2,802	250	26,712
Telephone	24,763	650	530	25,943
Miscellaneous	-	6,379	2,447	8,826
Dues and subscriptions	3,041	2,436	2,262	7,739
Staff training	3,320	563	37	3,920
Total Other Expenses	<u>1,147,817</u>	<u>73,849</u>	<u>50,855</u>	<u>1,272,521</u>
Total Expenses	<u>\$ 2,338,382</u>	<u>\$ 206,045</u>	<u>\$ 220,178</u>	<u>\$ 2,764,605</u>

OPERATION STAND DOWN TENNESSEE
STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ 606,659	\$ 395,491
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Contributions restricted for long-term purposes	(631,830)	(27,437)
Depreciation	139,346	135,999
Loss on disposal of fixed assets	9,849	-
Donated fixed assets	(16,143)	(22,900)
Changes in operating assets and liabilities:		
Grant and contract receivables	(34,245)	(12,106)
Accounts and contributions receivable	(21,696)	85,547
Prepaid expenses	16,060	(48,116)
Accounts payable	(6,537)	1,061
Accrued expenses	11,401	(5,065)
Client savings liability	(11,496)	9,182
Net cash provided by operating activities	<u>61,368</u>	<u>511,656</u>
Cash flows from investing activities:		
Payments on accounts payable for additions to fixed assets	(37,526)	-
Proceeds from sale of fixed assets	27,969	-
Purchases of fixed assets	(65,692)	(121,677)
Net cash used in investing activities	<u>(75,249)</u>	<u>(121,677)</u>
Cash flows from financing activities:		
Proceeds from contributions restricted for long-term purposes	516,443	55,325
Repayment of long-term debt	(125,470)	(115,992)
Net cash provided by (used in) financing activities	<u>390,973</u>	<u>(60,667)</u>
Net increase in cash and cash equivalents	377,092	329,312
Cash and cash equivalents, beginning of year	1,227,092	897,780
Cash and cash equivalents, end of year	<u>\$ 1,604,184</u>	<u>\$ 1,227,092</u>
Supplemental information:		
Cash paid for interest	<u>\$ 114,227</u>	<u>\$ 111,465</u>
Schedule of noncash investing and financing activities:		
Donated fixed assets	<u>\$ 16,143</u>	<u>\$ 22,900</u>
Accounts payable for additions to fixed assets	<u>\$ -</u>	<u>\$ 37,526</u>

OPERATION STAND DOWN TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

Note 1—Nature of activities

Operation Stand Down Tennessee (the “Organization”) assists veterans and their families so they can be self-sustaining and better connected to the community. The Organization operates two service centers providing and/or coordinating a variety of services to veterans and their families with special emphasis on those who are homeless, at-risk, or in transition. The Organization provides employment training and counseling, technical assistance, job training, placement assistance, computer training, and job retention to veterans with the focus of helping them find sustainable employment. The Organization operates a transitional housing program for veterans, providing the necessary social and support services to ensure a successful return to responsible living. The Organization provides assistance for veterans seeking permanent housing and assists veterans with maintaining current housing to prevent homelessness. The Organization coordinates events with other Middle Tennessee agencies to provide supplies and social and support services to homeless veterans (“Stand Downs”). The Organization also operates a thrift store that provides a job-training program for veterans, provides clothes to veterans and their families (at no cost to them), and generates revenue to support programs in the veteran support centers.

Note 2—Summary of significant accounting policies

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

Basis of Presentation – Under accounting principles generally accepted in the United States of America, the Organization is required to report information regarding its financial position and activities according to the three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows.

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:

Unrestricted Net Assets – net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets – net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Permanently Restricted Net Assets – net assets subject to donor imposed stipulations that they be maintained permanently by the Organization. Generally donors of these assets permit the Organization to use all or part of the income earned for general or specific purposes. The Organization had no permanently restricted net assets as of December 31, 2017 and 2016.

Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses and allocation of functional expenses during the reporting period. Actual results could differ from those estimates.

OPERATION STAND DOWN TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

Note 2—Summary of significant accounting policies (continued)

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 approximately \$1,114,000 and \$756,000 at December 31, 2017 and 2016, respectively.

Restricted Cash – Cash of \$6,856 and \$18,352, as of December 31, 2017 and 2016, respectively, is held by the Organization as trustee under a savings plan for the benefit of certain clients of the Organization.

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 at the present value of estimated future cash flows. The discount on those amounts 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, 2017 and 2016.

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, 2017 and 2016.

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:

Buildings and improvements	5 to 27 years
Equipment and furniture	3 to 7 years
Vehicles	5 years

Revenue Recognition – Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for future periods or for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a restriction is fulfilled (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted and reported in the statements of activities as net assets released from restrictions.

The Organization also receives grant revenue from federal agencies. Grant revenue is recognized in the period a liability is incurred for eligible expenditures under the terms of the grants.

OPERATION STAND DOWN TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

Note 2—Summary of significant accounting policies (continued)

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 unrestricted 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 or funds restricted for the acquisition of long-lived assets are reported as restricted support. Expirations of donor 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.

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.

Program and Supporting Services – The following program and supporting services are included in the accompanying financial statements.

Program Services

Includes costs of operating the service centers, providing employment training and counseling, operation of transitional housing, coordination of Stand Downs, and operation of a thrift store.

Supporting Services

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, including special events. 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. These costs have been allocated between program and supporting services based on estimates made by management.

Income Taxes – The Organization is exempt from federal and state income taxes under section 501(c)(3) of the Internal Revenue Code and is not a private foundation. Accordingly, no provision for income taxes has been made. The Organization pays tax on unrelated business income from certain activities. These activities and the related tax were insignificant in 2017 and 2016.

The Organization follows Financial Accounting Standards Board Accounting Standards Codification 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 fifty percent likely of being realized upon ultimate settlement. The Organization has no tax penalties or interest reported in the accompanying financial statements.

Subsequent Events – The Organization evaluated subsequent events through June 18, 2018, when these financial statements were available to be issued. The Organization is not aware of any significant events that occurred subsequent to the statement of financial position date but prior to the filing of this report that would have a material impact on the financial statements.

OPERATION STAND DOWN TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

Note 3—Accounts and contributions receivable

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

	<u>2017</u>	<u>2016</u>
Less than one year, including in-kind of \$-0- and \$28,739, respectively	\$ 186,219	\$ 53,296
One to five years	-	333
	<u>186,219</u>	<u>53,629</u>
Unconditional promises to give	17,637	13,144
Program receivables	<u>\$ 203,856</u>	<u>\$ 66,773</u>

Note 4—Fixed assets

Fixed assets consist of the following as of December 31:

	<u>2017</u>	<u>2016</u>
Land	\$ 1,215,650	\$ 1,215,650
Buildings and improvements	2,969,110	2,829,292
Equipment and furniture	372,405	367,085
Vehicles	61,193	113,295
Construction in progress	-	81,009
	<u>4,618,358</u>	<u>4,606,331</u>
Less accumulated depreciation	(1,543,118)	(1,435,762)
	<u>\$ 3,075,240</u>	<u>\$ 3,170,569</u>

At December 31, 2016, the construction in progress consisted of building improvements to the Organization's Nashville campus.

Note 5—Line of credit

The Organization had a \$50,000 line of credit agreement with a bank bearing interest at a variable rate based on the U.S. Prime Rate, but not less than 5%. The line of credit agreement was secured by all equipment of the Organization and matured on December 10, 2017. No amounts were outstanding during the years ended December 31, 2017 and 2016 under the line of credit agreement.

OPERATION STAND DOWN TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

Note 6—Long-term debt

On April 15, 2014, the Industrial Development Board of the Metropolitan Government of Nashville and Davidson County issued Revenue Bond Series 2014 in the amount \$2,375,000 to provide funds for the Organization to finance the purchase of real property from which it operates. The bonds were purchased by a bank, to which all principal and interest payments are being made.

Long-term debt consists of the following as of December 31:

	<u>2017</u>	<u>2016</u>
Bond payable, due in monthly installments of \$14,525, including interest at 4.05% through May 2034, secured by real estate with a net book value of \$2,517,733 and \$2,452,553 at December 31, 2017 and 2016, respectively.	\$ 2,077,284	\$ 2,164,384
Note payable to bank, due in monthly installments of \$4,116, including interest at 4.17%, through October 2020, with remaining principal and interest due November 2020, secured by real estate with a net book value of \$513,642 and \$561,170 at December 31, 2017 and 2016, respectively.	490,847	521,337
Note payable to Metropolitan Development and Housing Agency (MDHA), non-interest bearing, forgiven on a pro rata basis over five years, subject to certain conditions, secured by real estate.	12,477	20,357
	<u>\$ 2,580,608</u>	<u>\$ 2,706,078</u>

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

<u>Years Ending December 31,</u>	
2018	\$ 129,380
2019	131,147
2020	530,311
2021	103,853
2022	108,138
Thereafter	<u>1,577,779</u>
	<u>\$ 2,580,608</u>

OPERATION STAND DOWN TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

Note 7—Temporarily restricted net assets

Temporarily restricted net assets consist principally of contributions restricted for the following purposes as of December 31:

	<u>2017</u>	<u>2016</u>
Capital campaign restricted for facility renovation and debt repayment	\$ 779,129	\$ 328,593
Contributions restricted for specific programs	102,477	121,200
Contributions restricted for future year operations, including in-kind of \$0 and \$28,739, respectively	<u>77,832</u>	<u>40,518</u>
	<u>\$ 959,438</u>	<u>\$ 490,311</u>

Note 8—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.

Note 9—Leases and commitments

The Organization leases certain office space and equipment under noncancellable agreements. Rent expense related to these agreements amounted to \$30,756 and \$16,550 during 2017 and 2016, respectively.

The Organization entered into a multi-year agreement for case management software. The agreement expires November 2019 unless extended.

Future minimum lease and other commitments are as follows:

<u>Years Ending December 31,</u>	
2018	\$ 42,692
2019	32,692
2020	15,532
2021	<u>3,545</u>
	<u>\$ 94,461</u>

In conjunction with the property purchase in April 2014, the Organization assumed two tenant leases for a portion of the purchased property. The first lease required minimum monthly rental payments of \$2,745, including additional rent for real estate taxes and other shared expenses, through December 2016. The second lease requires minimum monthly rental payments ranging from \$4,303 to \$4,898, including additional rent for real estate taxes and other shared expenses, through April 2019. Rental income totaled \$64,149 and \$80,345 for the years ended December 31, 2017 and 2016, respectively.

OPERATION STAND DOWN TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

Note 9—Leases and commitments (continued)

Future rental income is as follows:

<u>Years Ending December 31,</u>	
2018	\$ 58,269
2019	19,591
	<u>\$ 77,860</u>

Note 10—Donated goods and services

The Organization is the recipient of numerous donated goods and services, which play a vital role in the Organization's operations and in the sustaining of certain programs and activities.

The donation of various items of used clothing and furniture resulted in the ability to sell goods to the public for approximately \$105,000 and \$86,000 in 2017 and 2016, respectively, which was used to assist in sustaining the Organization's job training program. In addition, approximately 3,500 and 3,100 articles of clothing were given at no cost to more than 570 and 560 needy veterans in 2017 and 2016, respectively.

Specialized services valued at approximately \$0 and \$14,000 were received during 2017 and 2016, respectively. In addition, approximately \$186,000 and \$173,000 of goods were received and used in various functions of the Organization in 2017 and 2016, including \$16,143 and \$22,900 of donated fixed assets, respectively.