

OPERATION STAND DOWN TENNESSEE

FINANCIAL STATEMENTS

December 31, 2016 and 2015

OPERATION STAND DOWN TENNESSEE

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Operation Stand Down Tennessee (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits 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, 2016 and 2015, 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.

Frazier, Dean + Howard, PLLC

May 22, 2017

Nashville, Tennessee

**OPERATION STAND DOWN TENNESSEE
STATEMENTS OF FINANCIAL POSITION
December 31, 2016 and 2015**

	2016	2015
Assets		
Cash and cash equivalents, including \$18,352 and \$9,170 held for clients, respectively	\$ 1,227,092	\$ 897,780
Grant and contract receivables	101,091	88,985
Accounts and contributions receivable, including in-kind of \$28,739 and \$104,855, respectively	66,773	180,208
Prepaid expenses	63,112	14,996
Fixed assets, net	3,170,569	3,124,465
Total assets	\$ 4,628,637	\$ 4,306,434
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 84,461	\$ 45,874
Accrued expenses	96,076	101,141
Tenant deposits	12,986	12,986
Client savings liability	18,352	9,170
Long-term debt	2,706,078	2,822,070
Total liabilities	2,917,953	2,991,241
Net assets:		
Unrestricted	1,220,373	710,465
Temporarily restricted	490,311	604,728
Total net assets	1,710,684	1,315,193
Total liabilities and net assets	\$ 4,628,637	\$ 4,306,434

See accompanying notes to financial statements.

OPERATION STAND DOWN TENNESSEE
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public support and revenue:			
Public support:			
Grants	\$ 1,886,890	\$ -	\$ 1,886,890
Contributions (including in-kind of \$179,042)	606,407	209,216	815,623
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	(45,342)	-	(45,342)
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>
Revenue:			
Sales to the public	86,413	-	86,413
Rental income and other	81,159	-	81,159
Client fees	4,841	-	4,841
Total revenue	<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 revenue	<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	220,178	-	220,178
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 at beginning of year	<u>710,465</u>	<u>604,728</u>	<u>1,315,193</u>
Net assets at end of year	<u>\$ 1,220,373</u>	<u>\$ 490,311</u>	<u>\$ 1,710,684</u>

See accompanying notes to financial statements.

OPERATION STAND DOWN TENNESSEE
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public support and revenue:			
Public support:			
Grants	\$ 1,951,640	\$ -	\$ 1,951,640
Contributions (including in-kind of \$181,957)	336,106	202,319	538,425
United Way	19,783	-	19,783
Total contributions	<u>2,307,529</u>	<u>202,319</u>	<u>2,509,848</u>
Fundraising event (including in-kind of \$3,240)	198,594	-	198,594
Less: fundraising event expenses	(31,657)	-	(31,657)
Fundraising event, net	<u>166,937</u>	<u>-</u>	<u>166,937</u>
Total public support	<u>2,474,466</u>	<u>202,319</u>	<u>2,676,785</u>
Revenue:			
Sales to the public	98,153	-	98,153
Rental income and other	93,836	-	93,836
Client fees	25,306	-	25,306
Annual event	15,625	-	15,625
Total revenue	<u>232,920</u>	<u>-</u>	<u>232,920</u>
Net assets released from restriction	192,144	(192,144)	-
Total public support and revenue	<u>2,899,530</u>	<u>10,175</u>	<u>2,909,705</u>
Expenses:			
Program services	2,521,543	-	2,521,543
Management and general	250,538	-	250,538
Fundraising	141,916	-	141,916
Total expenses	<u>2,913,997</u>	<u>-</u>	<u>2,913,997</u>
Change in net assets	(14,467)	10,175	(4,292)
Net assets at beginning of year	<u>724,932</u>	<u>594,553</u>	<u>1,319,485</u>
Net assets at end of year	<u>\$ 710,465</u>	<u>\$ 604,728</u>	<u>\$ 1,315,193</u>

See accompanying notes to financial statements.

**OPERATION STAND DOWN TENNESSEE
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2016**

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
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	1,190,565	132,196	169,323	1,492,084
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	1,147,817	73,849	50,855	1,272,521
Total expenses	\$ 2,338,382	\$ 206,045	\$ 220,178	\$ 2,764,605

See accompanying notes to financial statements.

**OPERATION STAND DOWN TENNESSEE
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2015**

	<u>Supporting Services</u>			<u>Total</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	
Compensation expense:				
Salaries	\$ 1,157,622	\$ 140,507	\$ 110,427	\$ 1,408,556
Payroll taxes	100,397	12,186	9,577	122,160
Employee benefits	949	115	91	1,155
Total compensation expense	<u>1,258,968</u>	<u>152,808</u>	<u>120,095</u>	<u>1,531,871</u>
Other expenses:				
Assistance to clients	569,057	-	-	569,057
Occupancy	195,029	25,076	824	220,929
Depreciation	136,163	7,330	1,833	145,326
Supplies and general	82,067	31,769	12,875	126,711
Interest	109,402	11,285	2,821	123,508
Insurance	55,235	3,253	813	59,301
Transportation	40,599	8,721	32	49,352
Professional fees	24,206	1,491	2,623	28,320
Event expense	22,091	-	-	22,091
Telephone	19,477	-	-	19,477
Staff training	6,704	1,863	-	8,567
Taxes	-	4,696	-	4,696
Dues and subscriptions	2,184	2,152	-	4,336
Miscellaneous	361	94	-	455
Total other expenses	<u>1,262,575</u>	<u>97,730</u>	<u>21,821</u>	<u>1,382,126</u>
Total expenses	<u>\$ 2,521,543</u>	<u>\$ 250,538</u>	<u>\$ 141,916</u>	<u>\$ 2,913,997</u>

See accompanying notes to financial statements.

OPERATION STAND DOWN TENNESSEE
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$ 395,491	\$ (4,292)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Contributions restricted for long-term purposes	(27,437)	(202,319)
Depreciation	135,999	145,326
Donated fixed assets	(22,900)	(13,966)
Changes in operating assets and liabilities:		
Grant and contract receivables	(12,106)	(27,329)
Accounts and contributions receivable	85,547	375,526
Prepaid expenses	(48,116)	2,097
Accounts payable	1,061	12,109
Accrued expenses	(5,065)	(5,392)
Client savings liability	9,182	(33,613)
Net cash provided by operating activities	<u>511,656</u>	<u>248,147</u>
Cash flows from investing activities:		
Purchases of fixed assets	<u>(121,677)</u>	<u>(15,231)</u>
Net cash used in investing activities	<u>(121,677)</u>	<u>(15,231)</u>
Cash flows from financing activities:		
Proceeds from contributions restricted for long-term purposes	55,325	148,192
Repayment of line of credit, net	-	(15,000)
Repayment of long-term debt	<u>(115,992)</u>	<u>(107,485)</u>
Net cash (used in) provided by financing activities	<u>(60,667)</u>	<u>25,707</u>
Net increase in cash and cash equivalents	329,312	258,623
Cash and cash equivalents at beginning of year	<u>897,780</u>	<u>639,157</u>
Cash and cash equivalents at end of year	<u>\$ 1,227,092</u>	<u>\$ 897,780</u>
Supplemental information:		
Cash paid for interest	<u>\$ 111,465</u>	<u>\$ 123,508</u>
Schedule of non-cash investing and financing activities:		
Donated fixed assets	<u>\$ 22,900</u>	<u>\$ 13,966</u>
Accounts payable for additions to fixed assets	<u>\$ 37,526</u>	<u>\$ -</u>

See accompanying notes to financial statements.

OPERATION STAND DOWN TENNESSEE
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

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.

OPERATION STAND DOWN TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2016 and 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

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, 2016 and 2015.

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.

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 \$756,100 and \$379,900 at December 31, 2016 and 2015, respectively.

Restricted Cash

Cash of \$18,352 and \$9,170, as of December 31, 2016 and 2015, 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.

OPERATION STAND DOWN TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2016 and 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Promises to Give (Continued)

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, 2016 and 2015.

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, 2016 and 2015.

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 FINANCIAL STATEMENTS (Continued)
December 31, 2016 and 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (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 sales and costs 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.

OPERATION STAND DOWN TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2016 and 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allocation of Functional Expenses

Costs of providing the various programs are summarized and reported on a functional basis. Expenses that can be directly attributed to a particular function are charged to that function. Expenses of each program include costs directly associated with the program and other indirect costs determined to benefit that program. These costs have been allocated among more than one program or activity 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 2016 and 2015.

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.

Reclassifications

Certain reclassifications have been made to the 2015 financial statements to conform to the 2016 presentation.

Subsequent Events

The Organization evaluated subsequent events through May 22, 2017, 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 FINANCIAL STATEMENTS (Continued)
December 31, 2016 and 2015

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>2016</u>	<u>2015</u>
Less than one year, including in-kind of \$28,739 and \$76,116, respectively	\$ 53,296	\$ 114,326
One to five years, including in-kind of \$0 and \$28,739, respectively	<u>333</u>	<u>44,656</u>
Unconditional promises to give	53,629	158,982
Program receivables	<u>13,144</u>	<u>21,226</u>
	<u>\$ 66,773</u>	<u>\$ 180,208</u>

NOTE 4 – FIXED ASSETS

Fixed assets consist of the following as of December 31:

	<u>2016</u>	<u>2015</u>
Land	\$ 1,215,650	\$ 1,215,650
Buildings and improvements	2,829,292	2,758,782
Equipment and furniture	367,085	359,400
Vehicles	113,295	90,395
Construction in progress	<u>81,009</u>	<u>-</u>
	4,606,331	4,424,227
Less: accumulated depreciation	<u>(1,435,762)</u>	<u>(1,299,762)</u>
	<u>\$ 3,170,569</u>	<u>\$ 3,124,465</u>

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

NOTE 5 – LINE OF CREDIT

The Organization has 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 is secured by all equipment of the Organization and matures December 10, 2017. No amounts were outstanding at December 31, 2016 and 2015 under the line of credit agreement.

OPERATION STAND DOWN TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2016 and 2015

NOTE 6 – LONG-TERM DEBT

On April 15, 2014, the Industrial Development Board of the Metropolitan Government of Nashville and Davidson County issued a Revenue Bond Series 2014 (the “Bond”) 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:

	2016	2015
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 \$2,452,553 and \$2,444,526 at December 31, 2016 and 2015, respectively.	\$ 2,164,384	\$ 2,247,743
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 \$561,170 and \$605,243 at December 31, 2016 and 2015, respectively.	521,337	546,090
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.	<u>20,357</u>	<u>28,237</u>
	<u>\$ 2,706,078</u>	<u>\$ 2,822,070</u>

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

Year ending December 31,	
2017	\$ 124,828
2018	129,380
2019	131,147
2020	532,198
2021	103,853
Thereafter	<u>1,684,672</u>
	<u>\$ 2,706,078</u>

OPERATION STAND DOWN TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2016 and 2015

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2016</u>	<u>2015</u>
Capital campaign	\$ 328,593	\$ 491,034
Grants restricted for specific programs	121,200	-
Contributions restricted for future year operations, including in-kind of \$28,739 and \$104,855, respectively	40,518	108,094
Endowment fund	<u>-</u>	<u>5,600</u>
	<u>\$ 490,311</u>	<u>\$ 604,728</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 office space in Clarksville, Tennessee under an operating lease agreement with an initial term that expired in July 2016. The Organization has exercised the option to extend the lease term for an additional two years. Rent expense related to this facility amounted to \$16,550 and \$14,400 during 2016 and 2015, 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:

Year ending December 31,	
2017	\$ 35,250
2018	27,160
2019	<u>17,160</u>
	<u>\$ 79,570</u>

OPERATION STAND DOWN TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2016 and 2015

NOTE 9 – LEASES AND COMMITMENTS (Continued)

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 \$80,345 and \$89,586 for the years ended December 31, 2016 and 2015, respectively.

Future rental income is as follows:

Year ending December 31,	
2017	\$ 56,771
2018	58,269
2019	<u>19,591</u>
	<u>\$ 134,631</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 \$86,000 and \$98,000 in 2016 and 2015, respectively, which was used to assist in sustaining the Organization's job training program. In addition, approximately 3,100 and 4,000 articles of clothing were given at no cost to more than 560 and 750 needy veterans in 2016 and 2015, respectively.

Specialized services valued at approximately \$14,000 and \$5,000 were received during 2016 and 2015, respectively. In addition, approximately \$173,000 and \$180,000 of goods were received and used in various functions of the Organization in 2016 and 2015, including \$22,900 and \$13,966 of donated fixed assets, respectively.