

OPERATION STAND DOWN TENNESSEE

FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2018 and 2017

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 statements of financial position as of December 31, 2018 and 2017, 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, 2018 and 2017, 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.

Changes in Financial Statement Presentation

As discussed in Note 2, Operation Stand Down Tennessee adopted Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The ASU has been applied retrospectively to all periods presented with the exception of the disclosure of liquidity and availability of resources, which has been implemented prospectively as allowed under the provisions of ASU 2016-14. Our opinion is not modified with respect to this matter.



Nashville, Tennessee
June 18, 2019

OPERATION STAND DOWN TENNESSEE **STATEMENTS OF FINANCIAL POSITION**

DECEMBER 31, 2018 AND 2017

	2018	2017
ASSETS		
Cash and cash equivalents, including \$-0- and \$6,856 held for clients, respectively	\$ 2,134,781	\$ 1,604,184
Grant and contract receivables	131,982	135,336
Accounts and contributions receivable	58,360	203,856
Prepaid expenses	34,366	47,052
Fixed assets, net	3,158,964	3,075,240
Total Assets	\$ 5,518,453	\$ 5,065,668
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 217,779	\$ 40,398
Accrued expenses	109,275	107,477
Tenant deposits	12,986	12,986
Client savings liability	-	6,856
Long-term debt	2,452,774	2,580,608
Total Liabilities	2,792,814	2,748,325
Net Assets:		
Without donor restrictions	1,539,819	1,357,905
With donor restrictions	1,185,820	959,438
Total Net Assets	2,725,639	2,317,343
Total Liabilities and Net Assets	\$ 5,518,453	\$ 5,065,668

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, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenues:			
Contributions:			
Grants	\$ 1,637,237	\$ -	\$ 1,637,237
Contributions (including in-kind of \$193,349)	574,823	543,500	1,118,323
United Way	93,025	-	93,025
Total Contributions	2,305,085	543,500	2,848,585
Fundraising event	417,268	-	417,268
Less fundraising event expenses	(49,295)	-	(49,295)
Fundraising event, net	367,973	-	367,973
Total Public Support	2,673,058	543,500	3,216,558
Revenues:			
Sales to the public	118,074	-	118,074
Rental income and other	78,840	-	78,840
Client fees	12,276	-	12,276
Total Revenues	209,190	-	209,190
Net assets released from restriction	317,118	(317,118)	-
Total Public Support and Revenues	3,199,366	226,382	3,425,748
Expenses:			
Program services	2,520,293	-	2,520,293
Management and general	286,470	-	286,470
Fundraising	210,689	-	210,689
Total Expenses	3,017,452	-	3,017,452
Change in net assets	181,914	226,382	408,296
Net assets, beginning of year	1,357,905	959,438	2,317,343
Net assets, end of year	\$ 1,539,819	\$ 1,185,820	\$ 2,725,639

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, 2017

	Without Donor Restrictions	With Donor Restrictions	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	2,288,984	807,330	3,096,314
Fundraising event	318,597	-	318,597
Less fundraising event expenses	(38,726)	-	(38,726)
Fundraising event, net	279,871	-	279,871
Total Public Support	2,568,855	807,330	3,376,185
Revenues:			
Sales to the public	104,843	-	104,843
Rental income and other	56,717	-	56,717
Client fees	31,490	-	31,490
Total Revenues	193,050	-	193,050
Net assets released from restriction	338,203	(338,203)	-
Total Public Support and Revenues	3,100,108	469,127	3,569,235
Expenses:			
Program services	2,450,379	-	2,450,379
Management and general	246,136	-	246,136
Fundraising	266,061	-	266,061
Total Expenses	2,962,576	-	2,962,576
Change in net assets	137,532	469,127	606,659
Net assets, beginning of year	1,220,373	490,311	1,710,684
Net assets, end of year	\$ 1,357,905	\$ 959,438	\$ 2,317,343

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, 2018

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Compensation Expense:				
Salaries	\$ 1,173,305	\$ 175,411	\$ 151,107	\$ 1,499,823
Payroll taxes	95,258	14,241	12,268	121,767
Total Compensation Expense	1,268,563	189,652	163,375	1,621,590
Other Expenses:				
Assistance to clients	507,982	-	-	507,982
Professional fees	170,354	17,253	12,415	200,022
Occupancy	141,662	3,922	2,608	148,192
Depreciation	135,047	2,533	3,725	141,305
Interest	80,243	25,987	8,853	115,083
Supplies and general	53,910	22,282	11,346	87,538
Dues and subscriptions	35,808	15,440	3,481	54,729
Insurance	46,551	5,177	2,765	54,493
Telephone	32,058	682	1,203	33,943
Transportation	32,489	330	150	32,969
Staff training	15,626	3,212	768	19,606
Total Other Expenses	1,251,730	96,818	47,314	1,395,862
Total Expenses	\$ 2,520,293	\$ 286,470	\$ 210,689	\$ 3,017,452

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

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
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
Dues and subscriptions	41,509	1,373	9,177	52,059
Telephone	28,326	2,116	706	31,148
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><u>\$ 2,450,379</u></u>	<u><u>\$ 246,136</u></u>	<u><u>\$ 266,061</u></u>	<u><u>\$ 2,962,576</u></u>

OPERATION STAND DOWN TENNESSEE **STATEMENTS OF CASH FLOWS**

YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ 408,296	\$ 606,659
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Contributions restricted for long-term purposes	(389,000)	(631,830)
Depreciation	141,305	139,346
Loss on disposal of fixed assets	-	9,849
Donated fixed assets	(37,490)	(16,143)
Changes in operating assets and liabilities:		
Grant and contract receivables	3,354	(34,245)
Accounts and contributions receivable	15,121	(21,696)
Prepaid expenses	12,686	16,060
Accounts payable	177,381	(6,537)
Accrued expenses	1,797	11,401
Client savings liability	(6,856)	(11,496)
Net cash provided by operating activities	<u>326,594</u>	<u>61,368</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	(187,538)	(65,692)
Net cash used in investing activities	<u>(187,538)</u>	<u>(75,249)</u>
Cash flows from financing activities:		
Proceeds from contributions restricted for long-term purposes	519,375	516,443
Repayment of long-term debt	(127,834)	(125,470)
Net cash provided by financing activities	<u>391,541</u>	<u>390,973</u>
Net increase in cash and cash equivalents	530,597	377,092
Cash and cash equivalents, beginning of year	1,604,184	1,227,092
Cash and cash equivalents, end of year	<u>\$ 2,134,781</u>	<u>\$ 1,604,184</u>
Supplemental information:		
Cash paid for interest	<u>\$ 115,083</u>	<u>\$ 114,227</u>
Schedule of noncash investing and financing activities:		
Donated fixed assets	<u>\$ 37,490</u>	<u>\$ 16,143</u>

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

OPERATION STAND DOWN TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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 (“GAAP”). The significant accounting policies followed are described below.

Basis of Presentation – Under GAAP, the Organization is required to report information regarding its financial position and activities according to the 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 funds be maintained in perpetuity. The Organization had net assets with donor restrictions of \$1,185,820 and \$959,438 as of December 31, 2018 and 2017, respectively. None of the donor restricted net assets are perpetual in nature at December 31, 2018 and 2017.

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.

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

OPERATION STAND DOWN TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

Note 2—Summary of significant accounting policies (continued)

Revenue Recognition – 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.

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.

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.

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 approximately \$1,653,852 and \$1,114,000 at December 31, 2018 and 2017, respectively. Cash of \$-0- and \$6,856, as of December 31, 2018 and 2017, 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, 2018 and 2017.

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, 2018 and 2017.

OPERATION STAND DOWN TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

Note 2—Summary of significant accounting policies (continued)

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

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.

Supporting Services - 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.

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 2018 and 2017.

The Organization follows Financial Accounting Standards Board ("FASB") 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 50% likely of being realized upon ultimate settlement. The Organization has no tax penalties or interest reported in the accompanying financial statements.

OPERATION STAND DOWN TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

Note 2—Summary of significant accounting policies (continued)

New Accounting Pronouncement – In August 2016, the FASB issued Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The ASU addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The ASU has been applied retrospectively to all periods presented with the exception of the disclosure of liquidity and availability of resources, which have been implemented prospectively as allowed under the provisions of ASU 2016-14.

Accounting Policies for Future Pronouncements – In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 clarifies the principles for recognizing revenue and develops a common revenue standard under GAAP under which an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 is effective for the Organization for the year ending December 31, 2019. The Organization is currently evaluating the effect of the implementation of this new standard.

In February 2016, the FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right of use asset and lease liability on the balance sheet at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the income statement. This standard will be effective for the fiscal year ending December 31, 2020. The Organization is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

In November 2016, the FASB issued accounting standard ASU 2016-18, *Statement of Cash Flows: Restricted Cash (Topic 230)*, which requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. As a result, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. This standard will be effective for the year ending December 31, 2020. Early adoption is permitted. The Organization is currently evaluating the effect that the standard will have on its financial statements and related disclosures.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The standard provides guidance on determining whether a transaction should be accounted for as contribution or as an exchange transaction. A primary aspect of this determination is whether the two parties receive and sacrifice commensurate value. The standard also provides guidance on determining whether a contribution is conditional, helping entities better distinguish a donor-imposed condition from a donor-imposed restriction. The standard will be effective for the fiscal year ending December 31, 2019. The Organization is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

OPERATION STAND DOWN TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

Note 3—Subsequent events

The Organization evaluated subsequent events through June 18, 2019, when these financial statements were available to be issued.

On May 2, 2018, the Organization entered into a lease agreement as “Landlord” in which the Organization is to receive advance payment of \$750,000 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 currently plans to construct a facility to provide housing to needy veterans, among others. The Organization received full payment of \$750,000 on March 20, 2019.

Additionally, on March 27, 2019, the Organization was notified that it would receive a bequest from an estate and on April 10, 2019, received payment of approximately \$420,000.

Note 4—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:

	2018	2017
Less than one year,	\$ 53,794	\$ 186,219
One to five years	-	-
Unconditional promises to give	53,794	186,219
Program receivables	4,566	17,637
	<u>\$ 58,360</u>	<u>\$ 203,856</u>

Note 5—Fixed assets

Fixed assets consist of the following as of December 31:

	2018	2017
Land	\$ 1,215,650	\$ 1,215,650
Buildings and improvements	3,148,321	2,969,110
Equipment and furniture	393,026	372,405
Vehicles	86,389	61,193
	<u>4,843,386</u>	<u>4,618,358</u>
Less accumulated depreciation	<u>(1,684,422)</u>	<u>(1,543,118)</u>
	<u>\$ 3,158,964</u>	<u>\$ 3,075,240</u>

OPERATION STAND DOWN TENNESSEE **NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2018 AND 2017

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>2018</u>	<u>2017</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 \$2,622,068 and \$2,517,733 at December 31, 2018 and 2017, respectively.	\$ 1,986,529	\$ 2,077,284
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 \$466,292 and \$513,642 at December 31, 2018 and 2017, respectively.	461,648	490,847
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.	4,597	12,477
	<u>\$ 2,452,774</u>	<u>\$ 2,580,608</u>

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

<u>Years Ending December 31,</u>	
2019	\$ 118,733
2020	527,339
2021	103,853
2022	108,138
2023	112,600
Thereafter	1,482,111
	<u>\$ 2,452,774</u>

OPERATION STAND DOWN TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

Note 7—Net assets with donor restrictions

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

	<u>2018</u>	<u>2017</u>
Capital campaign restricted for facility renovation and debt repayment	\$ 1,069,905	\$ 779,129
Contributions restricted for specific programs	70,134	102,477
Contributions restricted for future years' operations	45,781	77,832
	<u>\$ 1,185,820</u>	<u>\$ 959,438</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 \$26,356 and \$30,756 during 2018 and 2017, 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:

Years Ending December 31,

2019	\$ 32,692
2020	15,532
2021	3,546
	<u>\$ 51,770</u>

The Organization serves as lessor for a portion of its building. The 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 \$68,647 and \$64,149 for the years ended December 31, 2018 and 2017, respectively, and future rental income expected to be \$17,315 for 2019. At April 2019, this lease was not renewed.

OPERATION STAND DOWN TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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 \$118,000 and \$105,000 in 2018 and 2017, respectively, which was used to assist in sustaining the Organization's job training program. In addition, approximately \$193,000 and \$186,000 of goods were received and used in various functions of the Organization in 2018 and 2017, including \$37,490 and \$16,143, respectively, of donated fixed assets.

Note 11—Liquidity and availability of financial resources

As part of the Organization's liquidity management plan, the Organization structures its financial assets to be available as its obligations come due. The Organization considers general expenditures to include program expenses, management and administrative expenses, and any commitments or liabilities to be paid in the subsequent year. Cash is held in interest bearing bank accounts.

Financial assets available to meet cash needs for general expenditures within one year at December 31, 2018 are as follows:

Financial assets:

Cash and cash equivalents	\$ 2,134,781
Grants receivable	131,982
Accounts receivable	58,360
Total financial assets, at year-end	<u>2,325,123</u>

Less amounts unavailable for general expenditures within one year, due to:

Capital campaign restricted for facility renovation and debt repayment	(1,069,905)
Contributions restricted for specific programs	(70,134)
Contributions restricted for future year operations	<u>(45,781)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,139,303</u>

Note 12—Contingency

The Organization is a defendant in litigation brought by one of its former commercial tenants relating to a lease extension and related damages. Management believes that all claims will be resolved in its favor, however, the ultimate outcome of these matters cannot presently be determined.