United Service Organizations of Illinois, Inc.

Financial Report
December 31, 2018

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Independent Auditor's Report

To the Board of Directors
United Service Organizations of Illinois, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of United Service Organizations of Illinois, Inc. (the Organization) which comprise the statements of financial position as of December 31, 2018 and 2017, the related statements of activities, cash flows and its statements of functional expenses 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 audits 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 the Organization as of December 31, 2018 and 2017, and the results of its activities and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Emphasis of Matter
The Organization adopted ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities,* during 2018. The adoption of the standard resulted in additional footnote disclosures and significant changes to classification of net assets and the disclosures related to net assets. Our opinion is not modified with respect to this matter.

RSM US LLP

Chicago, Illinois
May 7, 2019

United Service Organizations of Illinois, Inc.

Statements of Financial Position
December 31, 2018 and 2017

	2018	2017
Assets		
Cash and cash equivalents	**$ 1,473,666**	$ 956,339
Investments	**2,941,993**	2,849,061
Pledges receivable, net	**783,838**	117,350
Interest receivable	**12,383**	7,442
Other receivables	**69,892**	220,154
Prepaid expenses	**32,736**	46,661
Property and equipment, net	**392,877**	32,651
	$ 5,707,385	$ 4,229,658
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	**$ 64,139**	$ 66,926
Accrued paid time off	**68,980**	67,764
Deferred rent liabilities and other leasing obligations	**332,141**	-
Total liabilities	**465,260**	134,690
Net assets:		
Without restriction, including Board designated of $0 in 2018 and $80,402 in 2017	**3,682,445**	3,802,881
With restriction	**1,559,680**	292,087
Total net assets	**5,242,125**	4,094,968
	$ 5,707,385	$ 4,229,658

See notes to financial statements.

United Service Organizations of Illinois, Inc.

Statements of Activities
Years Ended December 31, 2018 and 2017

	2018	2017
Changes in net assets without restriction:		
Revenues, gains and other support:		
Contributions:		
Donor contributions	**$ 1,145,507**	$ 1,391,041
In-kind program supplies	**1,777,181**	2,172,785
In-kind services	**254,170**	297,957
In-kind rent	**636,169**	621,174
Investment return	**31,483**	41,631
Gala	**945,095**	1,067,968
Derby	**159,385**	99,038
Clark After Dark	**207,869**	173,565
Net assets released from restrictions	**237,646**	167,721
Total revenues, gains and other support without restriction	**5,394,505**	6,032,880
Expenses:		
Program services:		
Programs - centers	**2,724,118**	3,994,927
Programs - general	**1,426,731**	381,352
Support services:		
Management and general expenses	**298,575**	467,526
Fundraising expenses	**495,414**	363,214
Gala	**275,649**	289,087
Derby	**67,300**	44,862
Clark After Dark	**73,960**	62,854
Capital campaign	**153,194**	54,097
Total expenses	**5,514,941**	5,657,919
Change in net assets without restriction before pension adjustments	**(120,436)**	374,961
Pension related changes other than net periodic benefit cost	**-**	61,593
Change in net assets without restriction	**(120,436)**	436,554
Changes in net assets with restriction:		
Contributions	**1,505,239**	423,460
Net assets released from restrictions	**(237,646)**	(167,721)
Change in net assets with restriction	**1,267,593**	255,739
Increase in net assets	**1,147,157**	692,293
Net assets:		
Beginning of year	**4,094,968**	3,402,675
End of year	**$ 5,242,125**	$ 4,094,968

See notes to financial statements.

United Service Organizations of Illinois, Inc.

Statements of Cash Flows
Years Ended December 31, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Increase in net assets	**$ 1,147,157**	$ 692,293
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	**18,202**	16,666
Net realized and unrealized loss (gain) on investments	**18,170**	(4,108)
Changes in assets and liabilities:		
Pledges receivable	**(666,488)**	(48,695)
Interest receivable	**(4,941)**	171
Other receivables	**150,262**	(183,012)
Prepaid expenses	**13,925**	(34,081)
Accounts payable and accrued expenses	**(2,787)**	18,013
Accrued paid time off	**1,216**	12,495
Accrued pension cost	**-**	(107,501)
Deferred rent liabilities and other leasing obligations	**332,141**	-
Net cash provided by operating activities	**1,006,857**	362,241
Cash flows from investing activities:		
Purchase of investments	**(1,925,038)**	(1,120,000)
Maturities of investments	**1,813,936**	681,713
Purchase of assets	**(378,428)**	(14,500)
Net cash used in investing activities	**(489,530)**	(452,787)
Net increase (decrease) in cash and cash equivalents	**517,327**	(90,546)
Cash and cash equivalents:		
Beginning	**956,339**	1,046,885
Ending	**$ 1,473,666**	$ 956,339

See notes to financial statements.

United Service Organizations of Illinois, Inc.

Statements of Functional Expenses
Year Ended December 31, 2018

	Program Services		Supporting Services						
	Programs - Centers	Programs- General	Management and General	Fundraising	Gala	Derby	Clark After Dark	Capital Campaign	Total
Salaries, Wages & Benefits	$ 781,671	$ 191,075	$ 100,619	$ 384,896	$ -	$ -	$ -	$ -	$ 1,458,261
Program Expenses	130,476	197,077	-	-	-	-	-	-	327,553
Food, Beverage & Supplies	884,123	1,000,251	1,791	464	118,130	35,213	4,896	-	2,044,868
Rent	652,214	15,376	12,034	23,399	-	-	-	-	703,023
Purchased Services	161,916	8,390	133,629	30,145	74,104	27,174	775	153,194	589,327
Printing	1,233	382	420	10,566	3,388	-	-	-	15,989
Telephone	17,940	2,422	4,470	4,000	-	-	-	-	28,832
Travel	10,332	5,687	3,514	10,282	17,681	19	509	-	48,024
Postage & Shipping	814	26	108	9,005	2,013	-	4	-	11,970
Awards & Gifts	2,235	2,100	3,557	791	218	-	-	-	8,901
Conferences & Meetings	1,945	852	18,348	3,653	-	-	-	-	24,798
Office Supplies	2,563	111	1,612	1,511	161	-	-	-	5,958
Dues & Subscriptions	553	119	125	1,006	-	-	-	-	1,803
Advertising & Publicity	4,745	-	-	331	2,364	-	8,179	-	15,619
Insurance	14,188	-	3,016	1,168	-	-	-	-	18,372
Equipment, R&M & Janitorial	44,135	2,863	8,960	10,584	-	-	-	-	66,542
Fundraising Events	-	-	-	1,113	57,590	4,894	59,597	-	123,194
Miscellaneous	-	-	1,205	2,500	-	-	-	-	3,705
	2,711,083	1,426,731	293,408	495,414	275,649	67,300	73,960	153,194	5,496,739
Depreciation and amortization	13,035	-	5,167	-	-	-	-	-	18,202
	$ 2,724,118	$ 1,426,731	$ 298,575	$ 495,414	$ 275,649	$ 67,300	$ 73,960	$ 153,194	$ 5,514,941

See notes to financial statements.

United Service Organizations of Illinois, Inc.

Statements of Functional Expenses
Year Ended December 31, 2017

	Program Services		Supporting Services						
	Programs - Centers	Programs- General	Management and General	Fundraising	Gala	Golf Outing	Clark After Dark	Capital Campaign	Total
Salaries, Wages & Benefits	$ 795,443	$ 178,955	$ 106,903	$ 315,201	$ -	$ -	$ -	$ -	$ 1,396,502
Program Expenses	136,085	193,510	-	-	1	-	-	-	329,596
Food, Beverage & Supplies	2,278,508	-	-	-	131,825	-	-	-	2,410,333
Rent	621,174	-	-	-	-	-	-	-	621,174
Purchased Services	39,398	100	313,807	3,630	61,501	490	597	51,054	470,577
Printing	1,166	147	1,563	8,372	4,392	-	89	14	15,743
Telephone	26,928	909	2,996	2,484	-	-	-	-	33,317
Travel	11,384	5,763	3,936	8,937	12,553	-	-	1,278	43,851
Postage & Shipping	331	-	198	2,790	4,802	-	-	-	8,121
Awards & Gifts	1,430	-	355	1,892	604	-	-	-	4,281
Conferences & Meetings	9,653	51	16,352	8,120	-	-	-	-	34,176
Office Supplies	575	-	228	2,672	-	-	-	-	3,475
Dues & Subscriptions	972	300	389	1,879	-	-	-	-	3,540
Advertising & Publicity	11,333	1,617	-	2,610	2,301	-	3,344	1,751	22,956
Insurance	13,327	-	2,920	1,098	-	-	-	-	17,345
Equipment, R&M & Janitorial	30,869	-	7,534	3,529	-	-	-	-	41,932
Fundraising Events	-	-	-	-	71,108	44,372	58,824	-	174,304
Miscellaneous	-	-	10,030	-	-	-	-	-	10,030
	3,978,576	381,352	467,211	363,214	289,087	44,862	62,854	54,097	5,641,253
Depreciation	16,351	-	315	-	-	-	-	-	16,666
	$ 3,994,927	$ 381,352	$ 467,526	$ 363,214	$ 289,087	$ 44,862	$ 62,854	$ 54,097	$ 5,657,919

See notes to financial statements.

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: The United Service Organizations of Illinois, Inc. (the Organization) strengthens America's Military Service members by keeping them connected to family, home and country throughout their service to the nation. As the premier provider of programs and centers, the Organization is the leader and trusted resource that serves the needs of the Military community in times of peace and war, and acts as a bridge to the public.

A summary of the Organization's significant accounting policies follows:

Basis of presentation: The financial statements are presented in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) as applicable to nonprofit organizations and reflect the accrual basis of accounting.

Accounting standards: The Organization follows accounting standards established by the Financial Accounting Standards Board (the FASB) to ensure consistent reporting of financial condition, results of operations and cash flows. References to generally accepted accounting principles in these footnotes are to the FASB Accounting Standards Codification, sometimes referred to as the Codification or ASC.

Accounting estimates: The preparation of financial statements 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 during the reporting period. Actual results could differ from those estimates.

Net assets: The net assets of the Organization and changes therein are classified and reported as follows:

> *Net assets without restriction*: Net assets are not subject to donor-imposed stipulations. As of December 31, 2018 and 2017, the Organization has $0 and $80,402, respectively, of net assets which represent funds that are Board designated for future projects, capital improvements, or other specific services determined by the Board.
>
> *Net assets with restriction*: Net assets that are subject to donor-imposed restriction that may or will be met either by actions of the Organization or the passage of time. Net assets with donor restriction are released and reclassified to net assets without donor restriction when the restriction is met or has expired. Amounts received in the same period in which the donor restriction is satisfied is recorded in net assets without donor restriction.

Cash and cash equivalents: For purposes of reporting cash flows, the Organization considers all highly liquid debt instruments purchased with maturity of three months or less to be cash equivalents. Cash equivalents consist primarily of money market accounts. The Organization maintains its cash balances in several financial institutions located in Chicago, Illinois. These balances are currently insured by the Federal Deposit Insurance Corporation up to $250,000. The Organization maintained cash deposits with $1,171,597 and $789,934 in excess of federal depository insurance limits for the years ended December 31, 2018 and 2017, respectively.

Investments: Investments are reflected at fair value based on quoted market prices.

The Organization invests in various investments such as certificates of deposit and common stocks. Such investments are exposed to various risks such as interest rate, market and credit risk. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Pledges receivable: Unconditional promises to give that are expected to be collected within one year are recorded at realizable value. Unconditional promises to give that are expected to be collected over periods in excess of one year are recorded at the present value of the estimated cash flows beyond one year. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. Based on management's assessment of the collectability of specific pledges and aging, no provision has been made for uncollectible amounts as of December 31, 2018 and 2017.

Other receivables: Other receivables represent contributions received by the Organization related to the current year that were in transit at year end.

Property and equipment: Property and equipment is stated at cost or, if donated, at estimated fair value at the date of donation. The capitalization threshold is assets over $1,000. Depreciation is computed by the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized using the straight-line method over the lesser of the remaining term of the lease or the estimated useful life of the assets.

Accrued paid time off: It is the Organization's policy to permit employees to accumulate earned but unused paid time off. All vested pay, in the event of termination in accordance with the Organization's policy, is accrued when incurred.

Deferred rent: Rent expense is recognized on a straight-line basis over the lease term. Deferred rent is recorded for the difference between cash paid and straight-line rent expense. Improvements funded by the landlord as a rental incentive are capitalized as leasehold improvements, with an equivalent amount included in deferred rent liabilities and other leasing obligations on the statement of financial position. Each is amortized over the term of the lease and included in amortization expense and as a reduction to rent expense.

Revenue recognition: Unconditional promises of others to give cash and other assets are recorded at fair value at the date the promise is made and reported as increases in net assets with restriction if they are received with donor stipulations that limit the use of the contributions. All contributions are considered to be available for unrestricted purposes unless specifically restricted by the donor. The Organization reports gifts of cash and other assets as restricted revenue if they are received with donor stipulations that limit the use of the donated assets.

In 2016, the leadership of the Organization recognized the military's changing dynamics and crafted a Strategic Plan to respond. From that plan, the Organization identified three major initiatives to meet these vital needs, calling for philanthropic resources totaling $3,000,000. These initiatives included: renovating and modernizing USO Centers, investing in new program delivery and establishing a new headquarters and service center.

Deferred revenue: Amounts collected in advance for future events are recorded as deferred revenue. There was no deferred revenue at December 31, 2018 or 2017.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Functional classification of expenses: The functional classifications used by the Organization are program services and supporting services. Expenses are based on actual costs incurred.

Program services represent the Organization's activities as described above. These activities are carried out in support of the members of the military and their families throughout the State of Illinois. Additionally, services are provided at the USO Centers in O'Hare International Airport, the Naval Station Great Lakes, Midway Airport and Rock Island Arsenal. Supporting services represent the administrative, general and fundraising costs of the Organization.

Reclassifications: Certain 2017 balances have been reclassified to conform to the current year presentation without any effect on previously reported net assets or changes in net assets.

Contributed facilities, materials and services: The Organization occupies without charge its facilities at O'Hare International Airport, Midway Airport, Naval Station Great Lakes and the Rock Island Arsenal. In addition, the Organization receives donated consumer goods and property and equipment. Both the contributions and use of facilities are recognized at their fair values as both revenue and expense in the period received and used. Accordingly, $2,413,350 and $2,793,959 for the years ended December 31, 2018 and 2017, respectively, have been included in contributions and $2,413,350 and $2,793,959 for the years ended December 31, 2018 and 2017, respectively, have been included in program services expense.

Contributions of donated services that require specialized skills and would typically need to be purchased if not provided by donations, are recorded at their fair values in the period received. There was $254,170 and $297,957 in donated legal, accounting and management services in 2018 and 2017, respectively, which have been included in both contributions and program services expense.

The Organization supports its programs and services with an active base of volunteers. In 2018, 658 volunteers contributed approximately 49,655 hours of time to the Organization. In 2017, 634 volunteers contributed approximately 51,580 hours of time to the Organization.

Income taxes: The Organization is exempt from income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code and applicable state law. The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Organization and various positions related to the potential sources of unrelated business taxable income (UBTI). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for the reporting periods presented in the financial statements.

The Organization files Form 990 in the U.S. Federal jurisdiction and the State of Illinois.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Adopted accounting pronouncements: In 2018, the Organization adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Key elements of the ASU include a reduction in the number of net asset categories from three to two, conforming requirements on releases of capital restrictions, several new requirements related to expense presentation and disclosure (including investment expenses), and new required disclosures communicating information useful in assessing liquidity. The adoption was retrospectively applied to 2017

Recent accounting pronouncements: In 2018, the FASB issued ASU 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The ASU also clarifies the guidance used by entities other than not-for-profits to identify and account for contributions made. The new standard is effective for the year ending December 31, 2019.

In February 2016, the FASB issued ASU 2016-02*, Leases (Topic 842)*. The guidance in this ASU and its subsequently issued amendments supersedes the leasing guidance in Topic 840*, Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than twelve months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities.

A modified retrospective transition approach is required. An entity may adopt the guidance either (1) retrospectively to each prior reporting period presented in the financial statements with a cumulative-effect adjustment recognized at the beginning of the earliest comparative period presented or (2) retrospectively at the beginning of the period of adoption through a cumulative-effect adjustment. This new standard is effective for the year ending December 31, 2020, with early adoption permitted.

The Organization is currently evaluating the impact of the pending adoption of these new standards on the financial statements.

Subsequent events: The Organization has evaluated subsequent events for potential recognition and/or disclosure through May 7, 2019, the date the financial statements were available to be issued.

Note 2. Liquidity and Availability

The Organization regularly monitors liquidity required to meet its annual operating needs and other contractual commitments while also striving to maximize the return on investment of its funds not required for annual operations. As of December 31, 2018, the following financial assets are available to meet annual operating needs for the 2019 calendar year:

	December 31, 2018
Cash and cash equivalents	$ 1,473,666
Marketable investments	1,766,135
Accounts and pledges receivable	480,379
Total financial assets available within one year	3,720,180
Less: amounts unavailable for general expenditures within one year due to:	
Restricted by donors for capital campaign	1,053,746
Restricted by donors for various programming	84,685
Total financial assets unavailable within one year for general expenditures	1,138,431
Total financial assets available to meet cash needs for general expenditures within one year	$ 2,581,749

The Organization has various sources of liquidity at its disposal, including cash and cash equivalents, certificates of deposit and equity securities.

Based on historical experience, only the portion of contributions receivable within one year are considered available for use in meeting annual operating needs (liquid).

Note 3. Investments

Investments consist of the following at December 31, 2018 and 2017:

	2018		2017	
	Cost	Fair Value	Cost	Fair Value
Equities	$ 91,788	$ 196,135	$ 90,087	$ 205,713
Certificates of deposit	2,763,320	2,745,858	2,653,288	2,643,348
	$ 2,855,108	$ 2,941,993	$ 2,743,375	$ 2,849,061

Note 4. Fair Value Disclosures

Fair value is the price that would be received to sell an asset and paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Organization utilizes valuation techniques to maximize the use of observable inputs and minimize the use of unobservable inputs. Assets and liabilities recorded at fair value are categorized based upon the level of judgment associated with the inputs used to measure their value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy are described below:

Level 1 – Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and corporate bond funds, which are traded by dealers or brokers in active markets. The Organization's certificates of deposit are also classified as Level 1. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third-party pricing services for identical or similar assets or liabilities.

Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

For the years ended December 31, 2018 and 2017, the application of valuation techniques applied to similar assets and liabilities has been consistent. The following is a description of the valuation methodologies used for instruments at fair value:

Investments
The fair value of investments is the market value based on quoted market prices, when available, or market prices provided by recognized broker-dealers.

Note 4. Fair Value Disclosures (Continued)

Fair value on a recurring basis

The table below presents the balances of assets and liabilities measured at fair value on a recurring basis:

	December 31, 2018			
	Total	Level 1	Level 2	Level 3
Equities, primarily U.S. companies	$ 196,135	$ 196,135	$ -	$ -
Certificates of deposit	2,745,858	2,745,858	-	-
Total assets	$ 2,941,993	$ 2,941,993	$ -	$ -

	December 31, 2017			
	Total	Level 1	Level 2	Level 3
Equities, primarily U.S. companies	$ 205,713	$ 205,713	$ -	$ -
Certificates of deposit	2,643,348	2,643,348	-	-
Total assets	$ 2,849,061	$ 2,849,061	$ -	$ -

Activity included in investment return is as follows at December 31, 2018 and 2017:

	2018	2017
Interest and dividends	$ 49,653	$ 37,523
Net realized and unrealized (loss) gain on investments	(18,170)	4,108
Investment return	$ 31,483	$ 41,631

Note 5. Pledges Receivable

Unconditional promises to give at December 31 consist of the following:

	2018	2017
Receivable in up to one year	$ 392,371	$ 117,350
Receivable in one to five years	419,950	-
	812,321	117,350
Less present value discount	(28,483)	-
	$ 783,838	$ 117,350

Unconditional promises to give are discounted using risk-free interest rates applicable to the years in which the promises are received.

Note 6. Property and Equipment

Major classes of property and equipment consist of the following at December 31, 2018 and 2017:

	2018	2017
Furniture and equipment	$ 262,188	$ 217,754
Leasehold improvements	514,586	169,503
	776,774	387,257
Less accumulated depreciation	383,897	354,606
Net property and equipment	$ 392,877	$ 32,651

Note 7. Net Assets with Restrictions

Net assets with restrictions are available for the following purposes at December 31, 2018 and 2017:

	2018	2017
Military youth and family programs	$ 23,647	$ 10,000
Military community connection programs	8,416	5,500
Center programs	26,782	19,592
Center support designations	840	1,100
Capital campaign fund	758,745	245,895
Time restricted funds	741,250	10,000
	$ 1,559,680	$ 292,087

Note 8. Net Assets Released From Restrictions

The following net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by donors at December 31, 2018 and 2017:

	2018	2017
Military youth and family programs	$ 196,232	$ 112,589
Military community connection programs	33,084	31,901
Center programs	8,070	4,336
Center support designations	260	18,895
	$ 237,646	$ 167,721

Note 9. Operating Leases

In 2018, the Organization executed a lease for its administrative office space with a lease term through April 2029. The lease provides for rental abatement. The rent abatement was recorded as a deferred rent obligation and is being recognized on a straight-line basis over the term of the lease, as a reduction to rent expense. Monthly base rental payments range in amounts up to $13,583 over the term of the lease In addition to rental abatement the lease also provided a tenant improvement allowance, as a lease incentive. As of December 31, 2018, the Organization had spent the full amount of this allowance, which is included in deferred rent liabilities and other leasing obligations on the statement of financial position. This obligation is being amortized as a reduction of rent expense on a straight-line basis over the term of the lease.

In addition to monthly base rent, the Organization is required to pay allocated building operating and maintenance costs and taxes. Rent expense and the Organization's share of building operating, maintenance and taxes paid under the office lease totaled $66,854 in 2018 and $0 in 2017. In prior years, the Organization occupied its office space without charge. The related fair value of rent for the use of the office space was included as an in-kind contribution with an offsetting in-kind expense on the Statement of Activities.

Annual minimum rental payments under the office lease agreement are as follows:

2019	$	118,048
2020		120,993
2021		124,021
2022		127,130
2023		130,320
2024 - 2029		796,142
	$	1,416,654