

**GARY SINISE FOUNDATION AND SUBSIDIARY**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
**(WITH COMPARATIVE TOTALS FOR 2016)**

## **TABLE OF CONTENTS**

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated Statement of Financial Position	3
Consolidated Statements of Activities and Changes in Net Assets	4
Consolidated Statement of Functional Expenses	5
Consolidated Statement of Cash Flows	6
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	7 - 16



## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
**GARY SINISE FOUNDATION AND SUBSIDIARY**  
Woodland Hills, California

We have audited the accompanying consolidated financial statements of Gary Sinise Foundation and Subsidiary (the "Organization"), which comprise the consolidated statement of financial position as of December 31, 2017, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### **Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Gary Sinise Foundation and Subsidiary as of December 31, 2017, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Report on Summarized Comparative Information**

We have previously audited Gary Sinise Foundation and Subsidiary's 2016 consolidated financial statements, and our report dated June 30, 2017 expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent with the audited consolidated financial statements from which it has been derived.



Armanino<sup>LLP</sup>  
Los Angeles, California

July 18, 2018

**THE GARY SINISE FOUNDATION AND SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2017**  
**(WITH COMPARATIVE TOTALS FOR 2016)**

**ASSETS**

	<b>2017</b>	<b>2016</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 14,232,496	\$ 10,644,625
Investments	15,821,217	13,232,271
Receivables	196,381	10,414
Receivables from agreements with outside organizations	1,250,000	50,000
Beneficial interests in grants receivable	70,465	281,860
Grants receivable, current portion	3,428,420	4,231,303
Inventory	93,231	123,426
Prepaid expenses	324,470	400,116
<b>Total Current Assets</b>	<b>35,416,680</b>	<b>28,974,015</b>
Property and equipment - net	1,690,796	264,969
Grants receivable, net of current portion	145,000	105,000
Deposits	24,411	19,628
<b>TOTAL ASSETS</b>	<b>\$ 37,276,887</b>	<b>\$ 29,363,612</b>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 503,345	\$ 399,747
Deferred income	9,250	32,500
Grant payable, current portion	144,379	129,379
Deferred rent	269,373	111,363
<b>Total Current Liabilities</b>	<b>926,347</b>	<b>672,989</b>
<b>LONG-TERM LIABILITIES</b>		
Grant payable, net of current portion	15,000	129,379
<b>TOTAL LIABILITIES</b>	<b>941,347</b>	<b>802,368</b>

**COMMITMENTS (Notes 3 and 6)**

<b>NET ASSETS</b>		
Unrestricted		
Operations	15,771,850	10,653,028
Board-designated endowment	11,722,978	10,167,865
Total unrestricted net assets	27,494,828	20,820,893
Temporarily restricted	8,840,712	7,740,351
<b>TOTAL NET ASSETS</b>	<b>36,335,540</b>	<b>28,561,244</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 37,276,887</b>	<b>\$ 29,363,612</b>

See independent auditor's report and accompanying notes.

**THE GARY SINISE FOUNDATION AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
**(WITH COMPARATIVE TOTALS FOR 2016)**

	2017			2016
	Unrestricted	Temporarily Restricted	Total	
<b>PUBLIC SUPPORT AND REVENUE</b>				
Bequests	\$ 1,754,027	\$ 140,857	\$ 1,894,884	\$ 2,074,870
Foundations	446,087	5,305,808	5,751,895	8,507,837
Individuals	9,002,244	827,096	9,829,340	6,889,612
Corporations	2,070,675	1,282,997	3,353,672	2,275,175
In-kind donations	3,703,506	-	3,703,506	2,578,400
Performances	181,500	-	181,500	177,500
Board contributions	230,388	1,623,759	1,854,147	532,387
In-direct public support	623,420	13,791	637,211	591,442
Merchandise sales	57,233	-	57,233	108,009
Proceeds from dissolution of other organization	-	1,200,000	1,200,000	
Other income	86,618	-	86,618	-
Investment income, net of investment management fees of \$47,046	360,065	-	360,065	122,281
Realized/Unrealized gain on investments	697,468	-	697,468	58,057
<b>Total Support and Revenue</b>	<u>19,213,231</u>	<u>10,394,308</u>	<u>29,607,539</u>	<u>23,915,570</u>
Net Assets Released from Restrictions: Restricted satisfied by payments	<u>9,293,947</u>	<u>(9,293,947)</u>	<u>-</u>	<u>-</u>
<b>TOTAL PUBLIC SUPPORT AND REVENUE</b>	<u>28,507,178</u>	<u>1,100,361</u>	<u>29,607,539</u>	<u>23,915,570</u>
<b>FUNCTIONAL EXPENSES</b>				
Program services	19,894,469	-	19,894,469	14,767,452
General and administrative	1,085,212	-	1,085,212	770,608
Fundraising	853,562	-	853,562	952,351
<b>Total Functional Expenses</b>	<u>21,833,243</u>	<u>-</u>	<u>21,833,243</u>	<u>16,490,411</u>
<b>CHANGE IN NET ASSETS</b>	6,673,935	1,100,361	7,774,296	7,425,159
<b>BEGINNING NET ASSETS</b>	<u>20,820,893</u>	<u>7,740,351</u>	<u>28,561,244</u>	<u>21,136,085</u>
<b>ENDING NET ASSETS</b>	<u>\$ 27,494,828</u>	<u>\$ 8,840,712</u>	<u>\$ 36,335,540</u>	<u>\$ 28,561,244</u>

See independent auditor's report and accompanying notes.

**THE GARY SINISE FOUNDATION AND SUBSIDIARY  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(WITH COMPARATIVE TOTALS FOR 2016)**

	2017						2017				
	Program Services						Supporting Services				
	R.I.S.E.	Relief and Resiliency	Community Outreach and Education	Military Support Concerts	First Responders	Total	Management and General	Fund Raising	Total	2017	2016
Salaries, payroll taxes and employee benefits	\$ 366,975	\$ 298,561	\$ 303,449	\$ 219,712	\$ 27,548	\$ 1,216,245	\$ 180,462	\$ 351,266	\$ 531,728	\$ 1,747,973	\$ 1,464,947
Accounting	-	-	-	-	-	-	204,500	-	204,500	204,500	192,000
Advertising and promotion	38,667	-	-	-	-	38,667	94,787	19,523	114,310	152,977	99,613
Commissions	-	-	-	7,500	-	7,500	-	-	-	7,500	7,500
Computer	8,816	7,225	7,753	5,648	664	30,106	45,658	46,841	92,499	122,605	118,444
Construction costs	11,153,684	-	-	-	-	11,153,684	-	-	-	11,153,684	7,299,323
Contributions	146,917	549,828	511,710	-	288,708	1,497,163	-	-	-	1,497,163	1,697,772
Depreciation and amortization	19,809	16,119	16,384	11,863	1,491	65,666	9,740	18,969	28,709	94,375	56,264
Equipment rental	52,199	650,963	4,163	-	-	707,325	6,487	37,263	43,750	751,075	492,210
Furnishings - In-kind	481,000	-	-	-	-	481,000	-	-	-	481,000	340,000
Insurance	12,362	10,175	8,818	17,282	803	49,440	6,210	10,209	16,419	65,859	123,289
Legal	528,338	39,533	17,852	3,810	-	589,533	21,741	14,641	36,382	625,915	391,477
Merchandise cost	-	-	-	-	-	-	65,297	830	66,127	66,127	113,297
Merchant fees	11,667	6,578	6,475	855	1,829	27,404	112,713	27,883	140,596	168,000	107,952
Miscellaneous	9,577	10,467	11,726	6,457	686	38,913	14,233	10,612	24,845	63,758	62,786
Occupancy	34,356	24,612	92,062	18,113	2,276	171,419	14,871	28,963	43,834	215,253	250,297
Outside services	485,135	568,709	442,632	163,805	-	1,660,281	69,939	133,687	203,626	1,863,907	1,498,516
Postage	12,404	7,265	11,729	1,302	227	32,927	4,468	24,197	28,665	61,592	82,201
Printing	8,422	9,993	5,256	2,198	276	26,145	1,805	41,058	42,863	69,008	53,914
Repairs and maintenance	22,837	1,950	2,544	1,435	181	28,947	1,178	2,295	3,473	32,420	12,539
Supplies	41,137	40,395	76,038	9,672	862	168,104	4,913	36,947	41,860	209,964	190,961
Taxes and licenses	38,173	-	-	-	-	38,173	7,757	-	7,757	45,930	118,041
Telephone	1,874	1,525	1,977	1,122	141	6,639	921	1,794	2,715	9,354	11,894
Travel and entertainment	312,366	692,239	690,481	14,143	-	1,709,229	210,122	15,152	225,274	1,934,503	1,632,197
Venue costs	-	100,000	-	-	-	100,000	-	17,000	17,000	117,000	-
Website	15,071	12,264	12,465	9,025	1,134	49,959	7,410	14,432	21,842	71,801	72,977
<b>TOTAL EXPENSES</b>	<b>\$ 13,801,786</b>	<b>\$ 3,048,401</b>	<b>\$ 2,223,514</b>	<b>\$ 493,942</b>	<b>\$ 326,826</b>	<b>\$ 19,894,469</b>	<b>\$ 1,085,212</b>	<b>\$ 853,562</b>	<b>\$ 1,938,774</b>	<b>\$ 21,833,243</b>	<b>\$ 16,490,411</b>

See independent auditor's report and accompanying notes.

**THE GARY SINISE FOUNDATION AND SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
**(WITH COMPARATIVE TOTALS FOR 2016)**

	<u>2017</u>	<u>2016</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 7,774,296	\$ 7,425,159
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	94,375	56,264
Realized/Unrealized gain on investments	(697,468)	(58,057)
Donated inventory	-	(80,056)
(Increase) decrease in operating assets		
Grants receivable	974,278	(1,659,305)
Accounts receivable	(185,967)	186,034
Receivable from outside organization, net	(1,200,000)	50,000
Inventory	30,195	(7,228)
Prepaid expenses	75,646	(201,605)
Deposits	(4,783)	(922)
Increase (decrease) in operating liabilities		
Accounts payable and accrued liabilities	103,598	144,933
Deferred rent	158,010	70,330
Deferred income	(23,250)	(8,101)
Grants payable	(99,379)	258,758
<b>Cash provided by operating activities</b>	<u>6,999,551</u>	<u>6,176,204</u>
<b>Cash flows from investing activities</b>		
Capital expenditures	(1,520,202)	(38,803)
Purchases of investments	(10,935,555)	(13,786,878)
Liquidation of money market funds	6,284,613	-
2017 board designation of funds	(500,000)	-
Proceeds from sale of investments	3,259,464	612,664
Proceeds from sale of donated land	-	1,200
<b>Cash provided (used) by investing activities</b>	<u>(3,411,680)</u>	<u>(13,211,817)</u>
<b>(Decrease) increase in cash and cash equivalents</b>	3,587,871	(7,035,613)
<b>Cash and cash equivalents, beginning of year</b>	<u>10,644,625</u>	<u>17,680,238</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 14,232,496</u>	<u>\$ 10,644,625</u>

See independent auditor's report and accompanying notes.



**GARY SINISE FOUNDATION AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**NOTE 1 – NATURE OF OPERATIONS**

Gary Sinise Foundation (“GSF”) (a Delaware nonprofit corporation) was formed in October 2010 with a mission to serve America by honoring its defenders, veterans, first responders, their families and those in need. GSF does this by creating and supporting unique programs designed to entertain, educate, inspire, strengthen and build communities.

GSF believes the ramifications of war leave an indelible impact on all service members. It furthermore believes it is the individual responsibility of each citizen to support America’s defenders. GSF is committed to ensuring the sacrifices made by all of our nation’s heroes are honored and remembered.

R.I.S.E. (Restoring Independence Supporting Empowerment) builds mortgage-free, specially adapted smart homes for our most severely wounded heroes and their loved ones. In addition, the program provides adapted vehicles, mobility devices, wheelchairs, and home modifications for our injured, wounded, ill and/or aging defenders. Through *R.I.S.E.* GSF provides our heroes with the resources necessary to overcome their new life challenges and reclaim their independence.

*Relief and Resiliency Outreach* lifts spirits and provides complete support to injured, wounded (visible and invisible), ill and/or aging veterans, their loved ones, and gold star families as they cope with trauma and loss during their time of urgent need. GSF is also hosting day-long *Invincible Spirit Festivals* at America’s military centers to boost the morale and spirits of the patients, families and staff. GSF’s *Mentorship Program* is a seven-day retreat pairing post-9/11 heroes at the beginning of their rehabilitation with wounded veterans from the Vietnam and Korean Wars who have successfully overcome similar struggles. In December 2017, Snowball Express became an official GSF program with a focus of serving the children and surviving spouses or guardians of our fallen military heroes.

GSF’s *Community Outreach and Education* programs honor our active duty service members as well as the generations that have served before us. *Serving Heroes* shows appreciation by serving hearty, classic American meals to our defenders all across the world. *Arts and Entertainment Outreach* offers free dinner and performances to local veterans at the Steppenwolf Theatre in Chicago. And *Soaring Valor* provides WWII veterans a chance to visit The National WWII Museum and sponsors a historian to document their first-hand accounts of the war. In 2017, the program expanded by inviting students to join the veterans for an educational experience. With an impressive panel of individuals, the *Ambassador Council* inspires, educates, and reminds communities to remember the sacrifices made by all American defenders. A small fraction of our population volunteers to protect our nation, in December 2017 GSF opened their *Center for Education and Outreach* to provide a place to bring civilians and defenders together. The Center will host educational speaking series, workshops, and summits with character building exercises for civilians, injured heroes, first responders, and their families/caregivers.

*First Responder Outreach* provides grants for equipment, training, and wellness to ensure our firefighters, police, and EMTs have the tools they need to perform to the best of their abilities.

**See independent auditor's report.**

**GARY SINISE FOUNDATION AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**NOTE 1 – NATURE OF OPERATIONS (Continued)**

The Lt. Dan Band (“LDB”) (a Delaware limited liability company) is wholly owned by GSF and was formed in March 2011. Its proceeds help support GSF’s mission. *Gary Sinise and the Lt. Dan Band* continue to bring their exhilarating performances to our nation’s service members and their families across the world. Whether boosting morale on military bases at home and abroad or raising awareness and funding through benefit concerts, the band entertains, educates, inspires and builds communities with its explosive live show.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Consolidation**

The accompanying consolidated financial statements include the accounts of GSF and LDB (collectively referred to as the “Organization”). All significant intercompany transactions and balances have been eliminated in consolidation.

**Tax Status**

GSF is a nonprofit public benefit corporation organized under the laws of Delaware and is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and corresponding state provisions.

LDB is a single member limited liability company that is a disregarded entity under the Internal Revenue Code. However, LDB is subject to a California state income tax as well as other state and tax jurisdictions. For California income tax purposes, a limited liability company is required to pay a fee based on its gross receipts as defined, plus \$800 annually.

The Organization’s federal income tax and informational returns for tax years ending December 31, 2014 and subsequent remain subject to examination by the Internal Revenue Service. The returns for California, the Organization’s most significant jurisdiction, remain subject to examination by the California Franchise Tax Board for tax years ending December 31, 2013 and subsequent.

**Basis of Presentation**

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

*Unrestricted General Net Assets* – Include contributions, fundraising, fees and other forms of unrestricted revenue and expenditures related to the general operations and fundraising efforts of the Organization.

*Unrestricted Board Designated Endowment* – The Board of Directors, as part of the Organization’s long-term strategic plan, has established a board designated endowment fund. All investment earnings and gains/losses for the year are reported as part of the endowment.

**See independent auditor's report.**

**GARY SINISE FOUNDATION AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Temporarily Restricted Net Assets* – Include gifts and grants received that are temporarily restricted with respect to time or use by the donor or grantor. When the restrictions expire, the net assets of this fund are reclassified to unrestricted net assets. Restricted gifts and grants received are reported as unrestricted revenue if the restriction is met in the same reporting period.

*Permanently Restricted Net Assets* – Included assets that have been restricted by the donor in perpetuity and cannot be expended by the Organization. There were no permanently restricted net assets as of December 31, 2017.

**Cash and Cash Equivalents**

For the purpose of the financial statement, the Organization considers all investments purchased with a maturity date of three months or less to be cash equivalents. At December 31, 2017, the Organization's cash and cash equivalents balance includes \$354,785 in short-term money market funds.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Grants Receivable**

Grants receivable are expected to be received as follows; \$3,428,420 in 2018, \$60,000 in 2019, \$60,000 in 2020, and \$25,000 in 2021.

**Receivables**

Receivables consist of a tenant improvement reimbursement due from the landlord.

**Inventory**

Inventory consists of t-shirts and other merchandise and is stated at the lower of cost or market on a first-in, first-out basis.

**Property and Equipment**

Purchases of property and equipment are recorded at cost. Donated items are recorded at fair value when received. Depreciation and amortization on both purchased and donated items are recorded using the straight-line method over the shorter of the estimated useful life of the related asset as follows:

Furniture and office equipment	3-7 years
Computer equipment	3 years
Website	3 years
Leasehold improvements	10 years
Vehicle	5 years
Equipment	5-7 years

**See independent auditor's report.**

**GARY SINISE FOUNDATION AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Normal repairs and maintenance are expensed as incurred, whereas significant charges that materially increase values or extend useful lives are capitalized and depreciated over the estimated useful lives of the related assets.

**Impairment of Long-Lived Assets**

Management reviews each asset or asset group for impairment whenever events or circumstances indicate that the carrying value of an asset or asset group may not be recoverable, but at least annually.

**Deferred Income**

Deferred income at December 31, 2017 was \$9,250 which is LDB performance revenue received for an event that will take place in 2018.

**In-Kind Donations**

In-kind donations consist of contributed assets and contributed services.

Contributed assets are recognized at the asset's fair value on the date of contribution.

Contributed services are recognized if the services received: a) create or enhance long-lived assets or b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

The amounts recognized as in-kind donations are as follows:

Donated services	\$ 2,246,256
Donated materials	1,457,250
	<u>\$ 3,703,506</u>

All of these expenses are included in program expenses.

**Contributions**

Contributions consist primarily of donations from foundations, businesses and individuals. Contributions are accrued when committed to the Organization by the donor.

**Concentration of Risk**

Occasionally the Organization's cash balances exceed FDIC-insured limits. The Organization has not experienced and does not anticipate any losses related to these balances.

**Functional Expenses**

The Organization allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program or support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated accordingly.

**See independent auditor's report.**

**GARY SINISE FOUNDATION AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Comparative Financial Information**

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

**Fair Value Measurements**

The fair value of financial assets and liabilities is measured according to the Fair Value Measurements and Disclosures topic of the FASB Accounting Standards Codification. Fair value is required to be evaluated and adjusted according to the following valuation techniques:

**Level 1** – Fair value is determined using quoted market prices in active markets for identical assets and liabilities.

**Level 2** – Fair value is determined using quoted market prices in active markets for similar assets and liabilities.

**Level 3** – Fair value is determined using unobservable market prices in a market that is typically inactive.

**Subsequent Events**

The Organization has evaluated events subsequent to December 31, 2017, to assess the need for potential recognition or disclosure in the consolidated financial statements. Such events were evaluated through July 18, 2018, the date the consolidated financial statements were available to be issued. As discussed in Note 6, the Organization expanded their office and entered into a new lease for the additional space and entered into a lease for an office in Texas.

**NOTE 3 - RECEIVABLES FROM AGREEMENTS WITH OUTSIDE ORGANIZATIONS**

In June 2014 the Organization entered into an agreement with another nonprofit organization in relation to the Smart Home program. Under the agreement, the Organization assumed responsibility for 14 Smart Homes, and the other nonprofit assumed responsibility for 7 Smart Homes. Under the agreement, funds received by either organization for the benefit of Smart Homes for which it is not responsible are to be transferred to the other organization.

In April 2016, the Organization entered into an agreement that modified the original agreement. Under the new agreement, the Organization and the other nonprofit agreed to apply certain offsets of funds they were holding and grant money they expected to receive for certain Smart Homes once completed. The remaining balance to be collected in regards to this agreement is \$50,000.

**See independent auditor's report.**

**GARY SINISE FOUNDATION AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**NOTE 3 - RECEIVABLES FROM AGREEMENTS WITH OUTSIDE ORGANIZATIONS (Continued)**

All agreements noted above have been included within the accompanying consolidated financial statements.

On December 15, 2017, the Organization agreed to become the recipient of the net assets of Snowball Express (Snowball), a Texas-based nonprofit organization dedicated to providing comprehensive support programs for families of military services members. In this transaction Snowball will dissolve and the Organization will assume all of Snowball's assets and certain of its liabilities. The Organization has agreed to continue Snowball's programs indefinitely and offer continued employment to Snowball's employees for a minimum of one year. The net assets have been recorded as a receivable and revenue in 2017, the composition of which is as follows:

Cash	\$ 1,621,039
Investments	107,478
Grant receivable, payable over 5 years, \$85,000 per year through 2021 and a final payment of \$87,000 in 2022. The present value of the grant as of December 31, 2017 is:	388,721
Contributions receivable	13,139
Fixed assets, at book value	667
Lease deposit	1,175
Accounts payable	(866,716)
Reserve for dissolution expenses	(65,503)
Net receivable	<u>\$ 1,200,000</u>

**NOTE 4 - PROPERTY AND EQUIPMENT**

Property and equipment consist of the following:

Furniture and office equipment	\$ 277,512
Computer equipment	175,497
Leasehold improvements	1,391,277
Website	111,410
Vehicle	40,624
Equipment	11,744
	<u>2,008,064</u>
Accumulated depreciation and amortization	(317,268)
Net property and equipment	<u>\$ 1,690,796</u>

**See independent auditor's report.**

**GARY SINISE FOUNDATION AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**NOTE 5 - GRANTS PAYABLE**

The Organization issued grants to two organizations that were payable as follows for the years ending December 31:

2018	\$ 144,379
2019	15,000
	<u>\$ 159,379</u>

**NOTE 6 - COMMITMENTS**

**Smart Home Construction**

Through its R.I.S.E. program, the Organization is committed to building 21 Smart Homes. The total budgeted cost of those Smart Homes total \$14,649,096; as of December 31, 2017, the Organization had expended \$4,837,649 on those homes, resulting in a remaining net commitment of \$9,811,447.

**Leases**

In November 2013, the Organization entered into an operating lease for offices that commenced April 2014 and originally expired in August 2020; in May 2017 the Organization extended the lease until November 2022.

In July 2017, the Organization assumed the operating lease for the space for the Center for Education and Outreach. Also, in February 2018, the Organization expanded their office and entered into an operating lease for the additional space, both leases end in November 2022.

In March 2018, the Organization entered into an operating lease for their office in Dallas, Texas which expires in December 2021.

The scheduled minimum lease payments under the lease terms are as follows:

<u>Year Ending December 31,</u>	
2018	\$ 370,557
2019	412,839
2020	425,760
2021	414,733
2022	391,751
	<u>\$ 2,015,640</u>

Total rent expense was \$215,253 in 2017.

Deferred rent represents the difference between the lease payments and the lease expense. The lease expense is recognized on a straight-line basis giving consideration to planned lease escalations and free rent concessions.

**See independent auditor's report.**

**GARY SINISE FOUNDATION AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**NOTE 7 - RELATED PARTIES**

The founder of the Organization donated \$1,623,759 during the year ended December 31, 2017, to underwrite the cost of the build-out costs and the rent for the Center for Education and Outreach. The founder also does not receive any salary or other form of compensation from the Organization.

**NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consist of the following as of December 31, 2017:

	<u>Beginning Balance</u>	<u>Contributions</u>	<u>Net assets Released</u>	<u>Ending Balance</u>
Smart Homes (R.I.S.E. Program)	\$ 7,350,351	\$ 6,875,755	\$ (7,649,233)	\$ 6,576,873
Center for Education and Outreach	-	1,623,759	(1,335,075)	288,684
Hurricane relief	-	164,079	(8,167)	155,912
Snowball Express	-	1,595,715	(51,472)	1,544,243
First Responders	-	35,000	-	35,000
General R.I.S.E.	140,000	-	-	140,000
General support	250,000	100,000	(250,000)	100,000
	<u>\$ 7,740,351</u>	<u>\$ 10,394,308</u>	<u>\$ (9,293,947)</u>	<u>\$ 8,840,712</u>
Totals	<u>\$ 7,740,351</u>	<u>\$ 10,394,308</u>	<u>\$ (9,293,947)</u>	<u>\$ 8,840,712</u>

Included within temporary restricted net assets above are grants receivable totaling \$3,613,420 that are also time restricted.

**NOTE 9 - BENEFICIAL INTERESTS IN GRANTS RECEIVABLE**

The Department of Veterans Affairs offers a Specially Adapted Housing Grant ("SAHG") for Veterans who have a service-connected disability due to military service. During 2016, the Organization completed homes for four Veterans who qualified for a SAHG. Upon completion of the homes, the Veterans entered into an agreement with the Organization to pay the proceeds of the SAHG to the Organization as partial reimbursement of the land acquisition and construction costs. In both years, these amounts consisted of four such grants in the amount of \$70,465. As of December 31, 2017, the Organization received \$211,395, the remaining balance of \$70,465 is expected to be received in 2018.

**See independent auditor's report.**



**GARY SINISE FOUNDATION AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**NOTE 10 – BOARD-DESIGNATED ENDOWMENT**

In the February 2016, the Board of Directors established a board designated endowment fund in the amount of \$10,000,000 as part of the Organization’s long-term strategic plan. The Organization has adopted an endowment investment policy, approved by the Board, for endowment assets that attempt to maximize the return on invested assets while minimizing risk and expenses. This is to be done through prudent investing and planning, as well as through the maintenance of a diversified portfolio. The Organization targets a diversified asset allocation that places an emphasis on fixed income securities and equity investments with approximately 5% to be held in cash and cash equivalents accounts to be available for program expenditures, administrative costs, and other anticipated expenses. Five percent (5%) of the total market value of the fund as of September 30 of each year may be utilized over the course of the following calendar year for the Organization’s administrative and overhead expenses. No such allocation was made in 2017. In 2017 the Board designated an additional \$500,000 to the board designated endowment.

Activity in the 2017 Board-Designated endowment was as follows:

Balance, December 31, 2016	\$ 10,167,865
2017 board designation	500,000
Purchases of investments	5,703,372
Proceeds from sales of investments	(1,809,425)
Conversion of money market funds	(3,574,992)
Unrealized gains	760,145
Realized loss	<u>(23,987)</u>
Balance, December 31, 2017	<u>\$ 11,722,978</u>

**NOTE 11 – INVESTMENTS**

The following table sets forth by level, within the fair value hierarchy, investments at fair value as of December 31, 2017:

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 695,909	\$ -	\$ -	\$ 695,909
Mutual funds	6,271,372	-	-	6,271,372
Corporate stocks	2,341,665	-	-	2,341,665
Corporate bonds	-	4,964,263	-	4,964,263
U.S. Treasury notes	1,036,978	-	-	1,036,978
Other marketable security funds	<u>511,030</u>	<u>-</u>	<u>-</u>	<u>511,030</u>
	<u>\$10,856,954</u>	<u>\$4,964,263</u>	<u>\$ -</u>	<u>\$ 15,821,217</u>

**See independent auditor's report.**

**GARY SINISE FOUNDATION AND SUBSIDIARY  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2017**

**NOTE 11 – INVESTMENTS (Continued)**

Activity in the investments during the year was as follows:

Balance, December 31, 2016	\$ 13,232,271
Purchases of investments	10,935,555
2017 board designation	500,000
Proceeds from sales of investments	(3,259,464)
Conversion of money market funds	(6,284,613)
Unrealized gains	739,470
Realized loss	<u>(42,002)</u>
Balance, December 31, 2017	<u><u>\$ 15,821,217</u></u>

**See independent auditor's report.**