

MINNESOTA ASSISTANCE COUNCIL FOR VETERANS

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

**MINNESOTA ASSISTANCE COUNCIL FOR VETERANS
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DECEMBER 31, 2015 AND 2014**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Minnesota Assistance Council for Veterans
Saint Paul, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of Minnesota Assistance Council for Veterans (a nonprofit organization), which comprise the balance sheets as of December 31, 2015 and 2014, and the related statements of activity, functional expenses, and cash flows for the years then ended, and the related notes to 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

(Continued)

(1)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Minnesota Assistance Council for Veterans as of December 31, 2015 and 2014, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 12, 2016 on our consideration of Minnesota Assistance Council for Veterans' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Minnesota Assistance Council for Veterans' internal control over financial reporting and compliance.

*Mahoney Ulbrich
Christiansen Russ P.A.*

Saint Paul, Minnesota
August 12, 2016

**MINNESOTA ASSISTANCE COUNCIL FOR VETERANS
BALANCE SHEETS
DECEMBER 31, 2015 AND 2014**

	2015	2014
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 3,051,505	\$ 1,739,840
Accounts Receivable	791,612	1,107,128
Short-Term Investments	20,914	-
Prepaid Expenses	4,651	6,219
Total Current Assets	3,868,682	2,853,187
Long-Term Investments		
Certificates of Deposit	-	20,677
Total Long-Term Investments	-	20,677
Property and Equipment		
Land	781,234	781,234
Houses and Improvements	5,472,419	5,444,287
Furniture and Equipment	161,385	143,787
Vehicles	142,007	142,007
Accumulated Depreciation	(1,557,344)	(1,342,772)
Net Property and Equipment	4,999,700	5,168,543
Total Assets	\$ 8,868,382	\$ 8,042,407
LIABILITIES AND NET ASSETS		
Current Liabilities		
Current Portion of Long-Term Debt	\$ 14,539	\$ 10,644
Accounts Payable	134,901	90,309
Accrued Expenses	171,914	226,377
Deferred Revenue	-	60,257
Total Current Liabilities	321,353	387,588
Long-Term Debt	1,817,862	1,831,138
Total Liabilities	2,139,215	2,218,726
NET ASSETS		
Unrestricted	3,320,077	2,563,937
Temporarily Restricted	3,250,117	3,100,771
Permanently Restricted	158,973	158,973
Total Net Assets	6,729,167	5,823,681
Total Liabilities and Net Assets	\$ 8,868,382	\$ 8,042,407

See accompanying Notes to Financial Statements.

**MINNESOTA ASSISTANCE COUNCIL FOR VETERANS
STATEMENTS OF ACTIVITY
YEARS ENDED DECEMBER 31, 2015 AND 2014**

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
SUPPORT AND REVENUE				
Support:				
Contributions	\$ 735,816	\$ 530,832	\$ -	\$ 1,266,648
In-Kind Contributions	1,226,487	-	-	1,226,487
Special Events (Net of Expenses of \$8,555)	16,211	-	-	16,211
Total Support	1,978,514	530,832	-	2,509,346
Revenue:				
Program Service Fees	98,991	-	-	98,991
Governmental Grants	3,963,377	-	-	3,963,377
Interest Income	3,395	-	-	3,395
Rental Income	75,681	-	-	75,681
Miscellaneous Income	11,161	-	-	11,161
Total Revenue	4,152,605	-	-	4,152,605
Net Assets Released from Restriction	381,486	(381,486)	-	-
Total Support and Revenue	6,512,606	149,346	-	6,661,951
EXPENSES				
Program Expenses	5,168,035	-	-	5,168,035
Support Services:				
Management and General	549,083	-	-	549,083
Fundraising	39,348	-	-	39,348
Total Support Services	588,431	-	-	588,431
Total Expenses	5,756,465	-	-	5,756,465
CHANGE IN NET ASSETS	756,140	149,346	-	905,486
Net Assets - Beginning of Year	2,563,937	3,100,771	158,973	5,823,681
NET ASSETS - END OF YEAR	\$ 3,320,077	\$ 3,250,117	\$ 158,973	\$ 6,729,167

See accompanying Notes to Financial Statements.

**MINNESOTA ASSISTANCE COUNCIL FOR VETERANS
STATEMENTS OF ACTIVITY
YEARS ENDED DECEMBER 31, 2015 AND 2014**

	2014			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
SUPPORT AND REVENUE				
Support:				
Contributions	\$ 312,705	\$ 468,025	\$ -	\$ 780,730
In-Kind Contributions	1,300,924	-	-	1,300,924
Special Events (Net of Expenses of \$7,685)	9,608	-	-	9,608
Total Support	1,623,237	468,025	-	2,091,262
Revenue:				
Program Service Fees	127,603	-	-	127,603
Governmental Grants	3,514,944	-	-	3,514,944
Interest Income	3,965	-	-	3,965
Rental Income	58,147	-	-	58,147
Miscellaneous Income	-	-	-	-
Total Revenue	3,704,659	-	-	3,704,659
Net Assets Released from Restriction	326,902	(326,902)	-	-
Total Support and Revenue	5,654,798	141,123	-	5,795,921
EXPENSES				
Program Expenses	4,860,916	-	-	4,860,916
Support Services:				
Management and General	448,933	-	-	448,933
Fundraising	51,857	-	-	51,857
Total Support Services	500,790	-	-	500,790
Total Expenses	5,361,706	-	-	5,361,706
CHANGE IN NET ASSETS	293,093	141,122	-	434,215
Net Assets - Beginning of Year	2,270,844	2,959,649	158,973	5,389,466
NET ASSETS - END OF YEAR	\$ 2,563,937	\$ 3,100,771	\$ 158,973	\$ 5,823,681

See accompanying Notes to Financial Statements.

**MINNESOTA ASSISTANCE COUNCIL FOR VETERANS
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2015 AND 2014**

	2015			
	TOTAL	Program Services	Fundraising	Management & General
EXPENSES				
Salaries & Wages	\$ 1,751,512	\$ 1,478,977	\$ 2,833	\$ 269,703
Fringe Benefits	248,935	219,280	121	29,533
Payroll Taxes	123,525	99,098	107	24,321
Total Personnel Expenses	2,123,972	1,797,354	3,061	323,557
Board	449	-	-	449
Communications	53,964	49,423	-	4,540
Depreciation	183,023	161,160	-	21,863
Dues & Fees	99,947	61,855	8,944	29,149
Equip Rent/Lease	9,216	8,023	887	305
Food	123,578	120,660	-	2,918
Housing	972,901	972,901	-	-
Insurance	56,509	39,860	-	16,648
Interest	75,519	54,288	-	21,231
Maintenance	51,583	51,400	-	183
Meetings	6,280	4,463	-	1,817
Participant Support	4,401	4,401	-	-
Postage	5,580	2,290	-	3,289
Printing	7,135	5,389	121	1,625
Professional Fees	149,415	55,662	25,463	68,291
Promotion	1,376	1,255	-	121
Rent	75,800	58,066	-	17,734
Participant Events	2,319	2,319	-	-
Supplies	107,252	94,704	859	11,689
Taxes	10,707	10,707	-	-
Training	8,481	6,111	-	2,370
Travel	209,519	188,979	14	20,527
Utilities	159,505	158,729	-	776
Sub-Total Expenses	4,498,429	3,909,998	39,348	549,083
Food	7,092	7,092	-	-
Clothing	453,378	453,378	-	-
Equipment/Supplies	666,017	666,017	-	-
Occupancy	100,000	100,000	-	-
Depreciation	31,549	31,549	-	-
Total In-Kind Contributions (Expense)	1,258,036	1,258,036	-	-
Total All Expenses	\$ 5,756,465	\$ 5,168,035	\$ 39,348	\$ 549,083
Percent of Expenses	100.00%	89.78%	0.68%	9.54%
		89.78%	10.22%	
		Program Services	Support Services	

See accompanying Notes to Financial Statements.

**MINNESOTA ASSISTANCE COUNCIL FOR VETERANS
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2015 AND 2014**

	2014			
	TOTAL	Program Services	Fundraising	Management & General
EXPENSES				
Salaries & Wages	\$ 1,542,560	\$ 1,308,359	\$ 4,402	\$ 229,799
Fringe Benefits	219,910	197,654	353	21,902
Payroll Taxes	117,236	97,076	288	19,872
Total Personnel Expenses	1,879,706	1,603,089	5,043	271,574
Board	617	-	-	617
Communications	53,615	49,815	-	3,800
Depreciation	180,233	157,133	-	23,100
Dues & Fees	82,455	50,696	14,418	17,340
Equip Rent/Lease	5,637	5,266	-	371
Food	131,718	129,199	135	2,383
Housing	767,270	767,270	-	-
Insurance	63,800	53,201	-	10,599
Interest	72,168	55,886	-	16,282
Maintenance	39,320	38,999	-	321
Meetings	6,780	5,629	-	1,151
Participant Support	4,131	4,131	-	-
Postage	5,300	1,749	-	3,551
Printing	9,207	9,049	42	116
Professional Fees	133,406	51,994	30,938	50,474
Promotion	1,596	296	-	1,300
Rent	70,892	55,313	-	15,580
Participant Events	2,025	2,025	-	-
Supplies	88,217	75,562	1,059	11,595
Taxes	520	520	-	-
Training	14,195	14,175	-	20
Travel	200,750	183,621	222	16,906
Utilities	215,674	213,823	-	1,851
Sub-Total Expenses	4,029,233	3,528,442	51,857	448,933
Food	5,163	5,163	-	-
Clothing	856,862	856,862	-	-
Equipment/Supplies	344,899	344,899	-	-
Occupancy	94,000	94,000	-	-
Depreciation	31,549	31,549	-	-
Total In-Kind Contributions (Expense)	1,332,473	1,332,473	-	-
Total All Expenses	\$ 5,361,706	\$ 4,860,916	\$ 51,857	\$ 448,933
Percent of Expenses	100.00%	90.66%	0.97%	8.37%
		90.66%	9.34%	
		Program Services	Support Services	

See accompanying Notes to Financial Statements.

**MINNESOTA ASSISTANCE COUNCIL FOR VETERANS
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 905,486	\$ 434,215
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	214,572	211,782
Discount Amortization on Notes Payable	63,116	56,829
(Increase) Decrease in Assets:		
Prepaid Expenses	1,568	(3,508)
Accounts Receivable	315,516	(417,224)
Increase (Decrease) In Liabilities:		
Accounts Payable	44,591	66,076
Accrued Expenses	(54,463)	(54,501)
Deferred Revenue	(60,257)	40,949
Net Cash Provided by Operating Activities	1,430,129	334,619
CASH FLOWS FROM INVESTING ACTIVITIES		
(Purchase) of Property and Equipment	(45,729)	(379,849)
(Purchase) of Short-Term Investments	(237)	-
(Purchase) of Long-Term Investments	-	(677)
Net Cash Used by Investing Activities	(45,966)	(380,526)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of Long-Term Debt	(72,497)	(12,754)
Net Cash Used by Financing Activities	(72,497)	(12,754)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,311,665	(58,660)
Cash and Cash Equivalents - Beginning of Year	1,739,840	1,798,500
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 3,051,505	\$ 1,739,840
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest Expense Paid	\$ 17,704	\$ 20,471

See accompanying Notes to Financial Statements.

**MINNESOTA ASSISTANCE COUNCIL FOR VETERANS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organizational Purpose

Minnesota Assistance Council for Veterans (the Organization) is a Minnesota nonprofit organization formed in December 1990 to provide/coordinate preventive, transitional and supportive services for veterans who are experiencing homelessness or who are in danger of becoming homeless and who are motivated towards positive change. The Organization provides services statewide through its regional offices located in Duluth, Twin Cities, and Mankato.

In addition to direct housing (Transitional and Permanent Supportive), the Organization assists many veterans with rental/mortgage assistance, employment services and civil legal assistance to prevent homelessness and re-house homeless veterans and their families. The Organization does not duplicate services already provided or available to veterans through Federal, State or County benefits; rather, the Organization frequently acts as a resource or liaison between government agencies and other service providers to ensure direct, comprehensive services are provided to the veteran without duplication of effort or resources. The Organization has four main program emphases: emergency assistance, housing, employment and civil legal services. The Organization provides inclusive support services for each program area.

Financial Statement Presentation

Net assets and support, revenues, gains, and losses are classified based on donor imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as:

Unrestricted – Resources over which the board of directors has discretionary control. Designated amounts represent those revenues which the board has set aside for a particular purpose.

Temporarily Restricted – Those resources subject to donor imposed restrictions which will be satisfied by actions of the Organization or passage of time.

Permanently Restricted – Those resources whose use has been permanently restricted by the donor.

Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Concentration of Credit Risk

The Organization maintains cash balances with quality financial institutions. At times, such balances may be in excess of the FDIC insurance limit.

Cash and Cash Equivalents

The Organization considers all highly liquid securities purchased with an original maturity of 90 days or less to be cash equivalents.

**MINNESOTA ASSISTANCE COUNCIL FOR VETERANS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Accounts receivable are recorded at net realizable value. The Organization provides an allowance for bad debts based on management judgment considering historical information. An allowance is provided when a significant pattern of uncollectibility has occurred. When all collection efforts have been exhausted, the accounts are written off against the related allowance. At December 31, 2015 and 2014, an allowance was not warranted, as substantially all receivables were from government agencies and management believed they were all collectible.

Property and Equipment

Expenditures for property and equipment over \$2,500 are capitalized at cost. Costs of repairs and minor replacements are charged to expense as incurred. Contributed property and equipment is recorded at fair market value at date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulation, contributions of property and equipment are recorded as unrestricted. Depreciation is provided on the estimated useful life of each asset through the use of the straight-line method.

Interest-free and Below-Market-Interest Loans

When the Organization is allowed to pay below-market or no interest on a loan, the difference between the stated interest rate and market interest rate for comparable financing represents a contribution. Such loans are initially recorded at fair value based on the market interest rate. The difference between the principal amount of the loan payable and the fair value of the loan is recorded as a discount and as temporarily restricted contribution revenue. Amortization of the loan discount is recorded using the effective interest method by recognizing interest expense and increasing the loan payable. As interest expense is recognized, temporarily restricted net assets are reclassified to unrestricted net assets.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activity as net assets released from restrictions.

Unconditional contributions and pledges are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional contributions are recognized when the conditions on which they depend are substantially met.

In-kind Services, Facilities and Materials

Donated services are recorded in the statement of activity at estimated market value if the services create or enhance non-financial assets or require specialized skills which would have been purchased if not provided through donation.

**MINNESOTA ASSISTANCE COUNCIL FOR VETERANS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated materials are valued and recorded at their estimated market value at the date of receipt. Donated office space is valued and recorded at estimated rental value.

Government Grants and Contracts

Government grants and contract funds are recorded as revenue when earned. Revenue is earned when eligible expenditures, as defined in each grant or contract, are made. Funds received, but not yet earned, are shown as deferred revenue. Expenditures under government contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, the Organization will record such disallowance at the time the final assessment is made.

Government grants are from a limited number of federal and state agencies.

Functional Allocation of Expense

Salaries and related expenses are allocated based on time reports and the best estimates of management. Expenses other than salaries and related expenses which are not directly identifiable by program or support service, are allocated based on salary allocations or the best estimates of management.

Income Tax

The Organization has a tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and Minnesota Statute. It has been classified as an organization that is not a private foundation under the Internal Revenue Code and charitable contributions by donors are tax deductible. The Organization believes that it has appropriate support for any tax positions taken, and accordingly, does not have any uncertain tax positions that are material to the financial statements.

The Organization's tax returns are subject to review and examination by federal and state authorities. The tax returns for the years 2012 through 2014 are open to examination by federal and state authorities.

Fair Value Measurements

The Organization measures fair value when necessary using a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation. The Organization currently does not have any financial assets or financial liabilities that are measured at fair value on a recurring basis.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through August 12, 2016, the date these financial statements were available to be issued.

**MINNESOTA ASSISTANCE COUNCIL FOR VETERANS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 2 LONG-TERM DEBT

Description	2015	2014
<p>The Organization has entered into nine mortgages for the purchase of nine homes. During 2005, three of these mortgages were paid in full. During January 2007, one of these mortgages was paid in full as a result of the sale of the home. These loans were dated January 31, 2002 and mature on February 1, 2032. Interest rate is 5.25%. Payments range from \$226 to \$645 per month. The loans are secured by the homes, which must be used exclusively as shelters primarily for homeless veterans and their families.</p>	\$214,002	\$286,500
<p>Greater Minnesota Housing Fund (GMHF), 0% annual interest with lump-sum payment due on December 8, 2035. The loan is discounted at 7.25% and is secured by the related building project.</p>	100,000	100,000
<p>Minnesota Housing Finance Agency (MHFA), 0% annual interest with lump-sum payment due on December 8, 2035. The loan is discounted at 7.25% and is secured by the related building project.</p>	464,588	464,588
<p>City of Minneapolis Department of Community Planning and Economic Development (CPED), 'simple' interest of 1% per annum on the outstanding balance, deferred. The loan is discounted at 5.26% and matures on January 18, 2037 at which time a lump-sum payment is due. The loan is secured by the related building projects. The loan is secured by the related building projects. The outstanding balance and accrued interest will be immediately due and payable upon the occurrence of any one of the following: 1) the sale, assignment, conveyance, transfer, lease, lien, encumbrance, or refinancing of the project by the borrower without the Lender's prior written consent; 2) any use of the project or a portion that violates any federal, state or local law, statute or ordinance, which includes discrimination, pornography, gambling, or drug related activities; provided however that the Borrower shall not be in default as a result of illegal activities at the Project by tenants of the Project if Borrower is pursuing all reasonable actions to prohibit such illegal activities; or 3) default by the borrower in the performance of any other covenant, term or condition of this Note, the Loan Agreement or any other agreement or mortgage relating to encumbering the Project.</p>	278,842	278,842
<p>St. Louis County HRA, 0% annual interest with lump-sum payment due on February 23, 2030. The loan is discounted at 4.875% and is secured by the related building project.</p>	150,000	150,000
<p>The Organization purchased a property for \$1 from the House of Phoenix, LLC in 2011. All mortgages and restrictions were assumed by the Organization as part of the transaction. Several funding sources were treated as contributions and have continuing compliance requirements. Below are the various funding sources:</p>		

**MINNESOTA ASSISTANCE COUNCIL FOR VETERANS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 2 LONG-TERM DEBT (CONTINUED)

Description	2015	2014
Greater Minnesota Housing Fund (GMHF), 0% annual interest with lump-sum payment due on June 26, 2037. The loan is discounted at 3.25%.	165,000	165,000
Minnesota Housing Finance Agency (MHFA), 0% annual interest with lump-sum payment due on June 26, 2037. The loan is discounted at 3.25%.	90,289	90,289
Housing Redevelopment Agency (HRA), 0% annual interest with lump-sum payment due on June 26, 2017. The loan is discounted at 3.25%.	24,901	24,901
City of Duluth, 0% annual interest with lump-sum payment due on April 1, 2023. The loan is discounted at 3.25%.	10,000	10,000
City of Duluth, 0% annual interest with lump-sum payment due on July 24, 2036. The loan is discounted at 3.25%.	15,000	15,000
<p>The Organization acquired the Duluth Veterans Housing Project in 2011. Loans and grants included in this agreement were transferred to the Organization and included resources from Greater Minnesota Housing Fund, Duluth Economic Development Authority, and Minnesota Housing Finance Agency. Several funding sources were treated as contributions and have continuing compliance requirements. Below are the various funding sources:</p>		
City of Duluth, 0% annual interest with lump-sum payment due on March 7, 2020. The loan is discounted at 3.25%.	\$391,600	\$391,600
Duluth Economic Development Authority, 0% annual interest with lump-sum payment due on March 8, 2031. The loan is discounted at 3.25%.	300,000	300,000
Greater Minnesota Housing Fund (GMHF), 0% annual interest with lump-sum payment due on January 29, 2040. The loan is discounted at 3.25%.	255,000	255,000
Minnesota Housing Finance Agency (MHFA), 0% annual interest with lump-sum payment due on March 8, 2041. The loan is discounted at 3.25%.	373,019	373,019
Minnesota Housing Finance Agency (MHFA), 0% annual interest with lump-sum payment due on March 3, 2026. The loan is discounted at 3.25%.	475,000	475,000
	3,307,241	3,379,739

**MINNESOTA ASSISTANCE COUNCIL FOR VETERANS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 2 LONG-TERM DEBT (CONTINUED)

<u>Description</u>	<u>2015</u>	<u>2014</u>
Imputed Interest on 0% loans	(1,474,840)	(1,537,957)
Subtotal	1,832,401	1,841,782
Less: Current Maturities	(14,539)	(10,644)
Long-Term Debt	<u>\$1,817,862</u>	<u>\$1,831,138</u>

Principal payments required on all debt are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2016	\$ 14,539
2017	38,984
2018	16,143
2019	10,518
2020	9,644
Thereafter	1,742,573
Total	<u>\$1,832,401</u>

NOTE 3 RESTRICTED NET ASSETS

Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at December 31:

	<u>2015</u>	<u>2014</u>
Loan Discounts	\$ 1,475,660	\$ 1,538,776
In-kinds - Property	201,777	213,388
Property	491,005	516,889
House Sponsorship Funds	252,981	181,644
Outreach	271,124	216,843
Women's Program	68,293	54,694
Other Housing Costs	123,556	129,573
Walmart Foundation Program	10,563	16,468
StandDown Events	12,756	7,563
Wounded Warrior	27,237	67,119
Other Program Restrictions	315,165	157,814
Total	<u>\$ 3,250,117</u>	<u>\$ 3,100,771</u>

**MINNESOTA ASSISTANCE COUNCIL FOR VETERANS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 3 RESTRICTED NET ASSETS (CONTINUED)

Permanently Restricted Net Assets

Permanently restricted net assets consist of donated land valued at \$165,825 which is to be used for housing of military veterans, reduced by \$6,852 for real estate taxes assumed in the transaction.

Temporarily Restricted Net Assets Released from Restrictions

Temporarily restricted net assets released from restriction for years ended December 31 are as follows:

	<u>2015</u>	<u>2014</u>
Loan Discount Amortization	\$ 63,116	\$ 56,829
In-kind Amortization	5,946	5,946
Property Depreciation	31,551	31,549
House Sponsorship Expenses	45,630	38,520
Women's Program	10,268	23,643
Outreach Program	115,344	71,285
Other Housing Costs	5,517	5,517
Walmart Foundation Program	5,906	5,906
StandDown Events	15,364	18,761
Wounded Warrior	39,881	13,486
Other Program Restrictions	42,963	55,460
Total	<u>\$ 381,486</u>	<u>\$ 326,902</u>

NOTE 4 PENSION PLAN

The Organization maintains a 403(b) plan covering all eligible employees. The Organization makes contributions to the plan equal to 4.1% of an individual's compensation. Pension expense was \$58,638 and \$59,207 for the years ended December 31, 2015 and 2014, respectively.

NOTE 5 LEASE COMMITMENTS

The Organization occupies office space for its operations in five locations. Rental lease commitments with payments due only to the renewal date are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2016	\$ 38,022
2017	30,245
Total	<u>\$ 68,267</u>

The rental expense for the years ended December 31, 2015 and 2014 was \$50,177 and \$66,396, respectively. This amount is net of \$0 in sublease income in 2015 and 2014.