

MINNESOTA ASSISTANCE COUNCIL FOR VETERANS

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2016 AND 2015

**MINNESOTA ASSISTANCE COUNCIL FOR VETERANS
TABLE OF CONTENTS
DECEMBER 31, 2016 AND 2015**

INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
BALANCE SHEETS	3
STATEMENTS OF ACTIVITY	4
STATEMENTS OF FUNCTIONAL EXPENSES	6
STATEMENTS OF CASH FLOWS	8
NOTES TO FINANCIAL STATEMENTS	9



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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, 2016 and 2015, 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.

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, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

(Continued)

(1)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2017, 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
June 5, 2017

**MINNESOTA ASSISTANCE COUNCIL FOR VETERANS
BALANCE SHEETS
DECEMBER 31, 2016 AND 2015**

	2016	2015
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 2,890,076	\$ 3,051,505
Accounts Receivable	1,298,479	791,612
Short Term Investments	-	20,914
Prepaid Expenses	17,401	4,651
Total Current Assets	4,205,956	3,868,682
Long Term Investments		
Certificates of Deposit	21,143	-
Total Long-Term Investments	21,143	-
Property and Equipment		
Land	781,234	781,234
Buildings and Improvements	5,526,345	5,472,419
Furniture and Equipment	128,960	161,385
Vehicles	142,007	142,007
Accumulated Depreciation	(1,728,190)	(1,557,344)
Net Property and Equipment	4,850,356	4,999,700
Total Assets	\$ 9,077,455	\$ 8,868,382
LIABILITIES AND NET ASSETS		
Current Liabilities		
Current Portion of Long-Term Debt	\$ 24,446	\$ 14,539
Accounts Payable	202,266	134,901
Accrued Expenses	108,518	171,914
Total Current Liabilities	335,230	321,353
Long-Term Debt	1,655,836	1,817,862
Total Liabilities	1,991,066	2,139,215
NET ASSETS		
Net Assets - Unrestricted	4,030,091	3,320,077
Net Assets - Temporarily Restricted	2,897,325	3,250,117
Net Assets - Permanently Restricted	158,973	158,973
Total Net Assets	7,086,389	6,729,167
Total Liabilities and Net Assets	\$ 9,077,455	\$ 8,868,382

See accompanying Notes to Financial Statements
(3)

**MINNESOTA ASSISTANCE COUNCIL FOR VETERANS
STATEMENTS OF ACTIVITY
YEARS ENDED DECEMBER 31, 2016 AND 2015**

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
SUPPORT AND REVENUE				
Support:				
Contributions	\$ 372,623	\$ 547,597	\$ -	\$ 920,220
In-Kind Contributions	834,144	-	-	834,144
Total Support	<u>1,206,767</u>	<u>547,597</u>	<u>-</u>	<u>1,754,364</u>
Revenue:				
Program Service Fees	87,233	-	-	87,233
Governmental Grants	4,818,490	-	-	4,818,490
Interest Income	5,580	-	-	5,580
Rental Income	54,358	-	-	54,358
Miscellaneous Income	2,206	-	-	2,206
Total Revenue	<u>4,967,867</u>	<u>-</u>	<u>-</u>	<u>4,967,867</u>
Net Assets Released from Restriction	<u>900,389</u>	<u>(900,389)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	7,075,023	(352,792)	-	6,722,231
EXPENSES				
Program Expenses	5,568,741	-	-	5,568,741
Support Services:				
Management and General	749,452	-	-	749,452
Fundraising	46,816	-	-	46,816
Total Support Services	<u>796,268</u>	<u>-</u>	<u>-</u>	<u>796,268</u>
Total Expenses	<u>6,365,009</u>	<u>-</u>	<u>-</u>	<u>6,365,009</u>
CHANGE IN NET ASSETS	710,014	(352,792)	-	357,222
Net Assets - Beginning of Year	<u>3,320,077</u>	<u>3,250,117</u>	<u>158,973</u>	<u>6,729,167</u>
NET ASSETS - END OF YEAR	<u>\$ 4,030,091</u>	<u>\$ 2,897,325</u>	<u>\$ 158,973</u>	<u>\$ 7,086,389</u>

See accompanying Notes to Financial Statements

**MINNESOTA ASSISTANCE COUNCIL FOR VETERANS
STATEMENTS OF ACTIVITY
YEARS ENDED DECEMBER 31, 2016 AND 2015**

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
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	<u>1,978,514</u>	<u>530,832</u>	<u>-</u>	<u>2,509,346</u>
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	<u>4,152,605</u>	<u>-</u>	<u>-</u>	<u>4,152,605</u>
Net Assets Released from Restriction	<u>381,486</u>	<u>(381,486)</u>	<u>-</u>	<u>-</u>
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	<u>588,431</u>	<u>-</u>	<u>-</u>	<u>588,431</u>
Total Expenses	<u>5,756,465</u>	<u>-</u>	<u>-</u>	<u>5,756,465</u>
CHANGE IN NET ASSETS	756,140	149,346	-	905,486
Net Assets - Beginning of Year	<u>2,563,937</u>	<u>3,100,771</u>	<u>158,973</u>	<u>5,823,681</u>
NET ASSETS - END OF YEAR	<u>\$ 3,320,077</u>	<u>\$ 3,250,117</u>	<u>\$ 158,973</u>	<u>\$ 6,729,167</u>

**MINNESOTA ASSISTANCE COUNCIL FOR VETERANS
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2016 AND 2015**

	2016			
	TOTAL	Program Services	Fundraising	Management & General
EXPENSES				
Salaries & Wages	\$ 1,941,495	\$ 1,693,548	\$ 5,827	\$ 242,120
Fringe Benefits	300,073	259,114	252	40,708
Payroll Taxes	144,149	123,649	501	19,999
Total Personnel Expenses	2,385,717	2,076,310	6,580	302,827
Bad Debts	1,028	-	-	1,028
Board	199	-	-	199
Communications	65,159	60,583	-	4,575
Depreciation	172,828	159,658	-	13,170
Dues & Fees	156,758	84,667	12,021	60,071
Equip Rent/Lease	9,011	8,711	-	300
Finance Charges	103	-	103	-
Food	133,466	121,432	-	12,033
Housing	1,358,476	1,357,463	-	1,013
Insurance	56,244	40,625	-	15,619
Interest	75,782	57,165	-	18,617
Maintenance	60,290	60,040	-	250
Meetings	6,421	4,108	-	2,313
Participant Support	4,160	4,160	-	-
Postage	6,713	2,437	-	4,276
Printing	12,869	9,886	-	2,983
Professional Fees	384,258	107,614	27,063	249,581
Promotion	2,290	2,290	-	-
Rent	127,234	112,757	-	14,477
Participant Events	3,996	1,371	-	2,625
Supplies	125,145	107,614	1,051	16,480
Taxes	1,244	1,244	-	-
Training	6,889	5,086	-	1,803
Travel	190,604	166,425	-	24,179
Utilities	153,539	152,507	-	1,032
Sub-Total Expenses	5,500,422	4,704,154	46,816	749,452
Food	1,968	1,968	-	-
Clothing	256,642	256,642	-	-
Equipment/Supplies	473,198	473,198	-	-
Occupancy	102,336	102,336	-	-
Depreciation	30,443	30,443	-	-
Total In-Kind Contributions (Expense)	864,587	864,587	-	-
Total All Expenses	\$ 6,365,009	\$ 5,568,741	\$ 46,816	\$ 749,452
Percent of Expenses	100.00%	87.49%	0.74%	11.77%
		87.46%	12.51%	
		Program Services	Support Services	

See accompanying Notes to Financial Statements

**MINNESOTA ASSISTANCE COUNCIL FOR VETERANS
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2016 AND 2015**

	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 CASH FLOWS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 357,222	\$ 905,486
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	203,271	214,572
Discount Amortization on Notes Payable	61,884	63,116
Contributions Restricted for Payment of Debt	(199,574)	-
(Increase) Decrease in Assets:		
Prepaid Expenses	(12,751)	1,568
Accounts Receivable	(506,867)	315,516
Increase (Decrease) In Liabilities		
Accounts Payable	67,365	44,591
Accrued Expenses	(63,396)	(54,463)
Deferred Revenue	-	(60,257)
Net Cash (Used) Provided by Operating Activities	(92,846)	1,430,129
CASH FLOWS FROM INVESTING ACTIVITIES		
(Purchase) of Property and Equipment	(53,926)	(45,729)
(Purchase) of Long Term Investments	(229)	(237)
Net Cash Used by Investing Activities	(54,155)	(45,966)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions Restricted for Payment of Debt	199,574	-
Payments of Long-Term Debt	(214,002)	(72,497)
Net Cash Used by Financing Activities	(14,428)	(72,497)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(161,429)	1,311,665
Cash and Cash Equivalents - Beginning of Year	3,051,505	1,739,840
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,890,076	\$ 3,051,505
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest Expense Paid	\$ 16,715	\$ 17,704

**MINNESOTA ASSISTANCE COUNCIL FOR VETERANS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

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, 2016 AND 2015**

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, 2016 and 2015, 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, 2016 AND 2015**

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 2013 through 2015 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 June 5, 2017, the date these financial statements were available to be issued.

**MINNESOTA ASSISTANCE COUNCIL FOR VETERANS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 2 LONG-TERM DEBT

Description	2016	2015
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. During December 2016, the remaining five of these mortgages were paid off. These loans were dated January 31, 2002 and matured on February 1, 2032. Interest rate was 5.25%. Payments ranged from \$226 to \$645 per month. The loans were secured by the homes, which must be used exclusively as shelters primarily for homeless veterans and their families.	\$ -	\$214,002
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.	100,000	100,000
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.	464,588	464,588
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 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.	278,842	278,842
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.	150,000	150,000
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.		

**MINNESOTA ASSISTANCE COUNCIL FOR VETERANS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 2 LONG-TERM DEBT (CONTINUED)

Description	2016	2015
Below are the various funding sources:		
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
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:		
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
	3,093,239	3,307,241

**MINNESOTA ASSISTANCE COUNCIL FOR VETERANS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 2 LONG-TERM DEBT (CONTINUED)

<u>Description</u>	<u>2016</u>	<u>2015</u>
Imputed Interest on 0% loans	\$(1,412,957)	\$(1,474,840)
Subtotal	1,680,282	1,832,401
Less: Current Maturities	(24,446)	(14,539)
Long-Term Debt	<u>\$1,655,836</u>	<u>\$1,817,862</u>

Principal payments required on all debt are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2017	\$ 24,446
2018	-
2019	-
2020	391,600
2021	-
Thereafter	1,264,236
Total	<u>\$1,680,282</u>

NOTE 3 RESTRICTED NET ASSETS

Temporarily Restricted Net Assets

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

	<u>2016</u>	<u>2015</u>
Loan Discounts	\$ 1,413,776	\$ 1,475,660
In-kinds - Property	193,944	201,777
Property	462,452	491,005
House Sponsorship Funds	173,736	252,981
Outreach	321,684	271,124
Women's Program	87,715	68,293
Other Housing Costs	118,039	123,556
Walmart Foundation Program	4,657	10,563
StandDown Events	1,419	12,756
Wounded Warrior	-	27,237
Other Program Restrictions	119,903	315,165
Total	<u>\$ 2,897,325</u>	<u>\$ 3,250,117</u>

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.

**MINNESOTA ASSISTANCE COUNCIL FOR VETERANS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 3 RESTRICTED NET ASSETS (CONTINUED)

Temporarily Restricted Net Assets Released from Restrictions

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

	<u>2016</u>	<u>2015</u>
Loan Discount Amortization	\$ 61,884	\$ 63,116
In-kind Amortization	5,943	5,946
Property Depreciation	30,443	31,551
House Sponsorship Expenses	235,620	45,630
Women's Program	19,897	10,268
Outreach Program	362,175	115,344
Other Housing Costs	5,517	5,517
Walmart Foundation Program	5,906	5,906
StandDown Events	18,091	15,364
Wounded Warrior	27,237	39,881
Other Program Restrictions	127,676	42,963
Total	<u>\$ 900,389</u>	<u>\$ 381,486</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 \$60,087 and \$58,638 for the years ended December 31, 2016 and 2015, 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>
2017	\$ 76,456
2018	47,626
2019	40,795
Total	<u>\$ 164,877</u>

The rental expense for the years ended December 31, 2016 and 2015 was \$85,077 and \$50,177, respectively. This amount is net of \$0 in sublease income in 2016 and 2015.