

MINNESOTA ASSISTANCE COUNCIL FOR VETERANS
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

**MINNESOTA ASSISTANCE COUNCIL FOR VETERANS
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DECEMBER 31, 2017 AND 2016**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Minnesota Assistance Council for Veterans
Minneapolis, 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, 2017 and 2016, 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, 2017 and 2016, 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 21, 2018, 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 solely 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 the effectiveness of Minnesota Assistance Council for Veterans' 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.

June 21, 2018

*Mahoney Ulbrich
Christiansen Russ P.A.*

**MINNESOTA ASSISTANCE COUNCIL FOR VETERANS
BALANCE SHEETS
DECEMBER 31, 2017 AND 2016**

	2017	2016
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 2,913,495	\$ 2,890,076
Accounts Receivable	912,483	1,298,479
Prepaid Expenses	30,004	17,401
Total Current Assets	3,855,982	4,205,956
Other Assets		
Certificates of Deposit	21,200	21,143
Investments	14,953	-
Security Deposits	4,810	-
Total Other Assets	40,963	21,143
Property and Equipment		
Land	817,734	781,234
Buildings and Improvements	5,799,076	5,526,345
Furniture and Equipment	70,497	128,960
Vehicles	147,990	142,007
Accumulated Depreciation	(1,840,444)	(1,728,190)
Total Property and Equipment	4,994,852	4,850,356
Total Assets	\$ 8,891,797	\$ 9,077,455
LIABILITIES AND NET ASSETS		
Current Liabilities		
Current Portion of Long-Term Debt	\$ -	\$ 24,446
Accounts Payable	126,730	202,265
Accrued Expenses	189,441	108,518
Total Current Liabilities	316,171	335,230
Long-Term Debt	1,885,821	1,655,836
Total Liabilities	2,201,992	1,991,066
NET ASSETS		
Net Assets - Unrestricted	3,571,846	4,030,091
Net Assets - Temporarily Restricted	2,958,986	2,897,325
Net Assets - Permanently Restricted	158,973	158,973
Total Net Assets	6,689,805	7,086,389
Total Liabilities and Net Assets	\$ 8,891,797	\$ 9,077,455

See accompanying Notes to Financial Statements

**MINNESOTA ASSISTANCE COUNCIL FOR VETERANS
STATEMENTS OF ACTIVITY
YEARS ENDED DECEMBER 31, 2017 AND 2016**

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
SUPPORT AND REVENUE				
Support:				
Contributions	\$ 416,150	\$ 548,727	\$ -	\$ 964,877
In-Kind Contributions	786,953	-	-	786,953
Total Support	<u>1,203,104</u>	<u>548,727</u>	<u>-</u>	<u>1,751,831</u>
Revenue:				
Program Service Fees	97,603	-	-	97,603
Governmental Grants	4,609,557	-	-	4,609,557
Interest Income	7,784	-	-	7,784
Rental Income	82,418	-	-	82,418
Debt Forgiveness	24,901	-	-	24,901
Capital Gains/(Losses)	(47)	-	-	(47)
Miscellaneous Income	9,878	-	-	9,878
Total Revenue	<u>4,832,094</u>	<u>-</u>	<u>-</u>	<u>4,832,094</u>
Net Assets Released from Restriction	<u>487,066</u>	<u>(487,066)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>6,522,264</u>	<u>61,661</u>	<u>-</u>	<u>6,583,925</u>
EXPENSE				
Program Expenses	5,960,341	-	-	5,960,341
Support Services:				
Management and General	952,677	-	-	952,677
Fundraising	67,491	-	-	67,491
Total Support Services	<u>1,020,168</u>	<u>-</u>	<u>-</u>	<u>1,020,168</u>
Total Expense	<u>6,980,509</u>	<u>-</u>	<u>-</u>	<u>6,980,509</u>
CHANGE IN NET ASSETS	(458,245)	61,661	-	(396,584)
Net Assets - Beginning of Year	<u>4,030,091</u>	<u>2,897,325</u>	<u>158,973</u>	<u>7,086,389</u>
NET ASSETS - END OF YEAR	<u>\$ 3,571,846</u>	<u>\$ 2,958,986</u>	<u>\$ 158,973</u>	<u>\$ 6,689,805</u>

See accompanying Notes to Financial Statements

**MINNESOTA ASSISTANCE COUNCIL FOR VETERANS
STATEMENTS OF ACTIVITY
YEARS ENDED DECEMBER 31, 2017 AND 2016**

	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	<u>7,075,023</u>	<u>(352,792)</u>	<u>-</u>	<u>6,722,231</u>
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 FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2017 AND 2016**

	2017			
	TOTAL	Program Services	Fundraising	Management & General
EXPENSES				
Salaries & Wages	\$ 2,527,934	\$ 2,112,838	\$ 14,028	\$ 401,068
Fringe Benefits	337,349	300,902	882	35,564
Payroll Taxes	286,531	181,755	1,128	103,648
Total Personnel Expenses	3,151,814	2,595,496	16,038	540,280
Board	255	-	-	255
Communications	94,428	79,555	48	14,825
Depreciation	176,808	167,689	-	9,119
Dues & Fees	149,050	99,987	18,990	30,073
Equip Rent/Lease	10,719	10,644	-	75
Finance Charges	241	59	-	183
Food	127,017	122,664	648	3,705
Housing	1,143,762	1,136,560	-	7,202
Insurance	46,533	33,292	-	13,241
Interest	65,552	44,382	-	21,170
Maintenance	71,625	70,252	-	1,373
Meetings	5,199	2,263	-	2,936
Participant Support	3,800	3,800	-	-
Postage	7,268	3,898	-	3,370
Printing	11,787	7,936	265	3,585
Professional Fees	359,137	127,016	30,368	201,753
Promotion	2,236	2,073	-	163
Rent	192,225	171,007	-	21,218
Participant Events	2,047	172	-	1,875
Supplies (w/ COGS)	183,727	130,835	979	51,912
Taxes	1,254	1,254	-	-
Training	15,912	13,211	-	2,701
Travel	198,097	176,906	154	21,037
Utilities	152,895	152,269	-	626
Sub-Total Expenses	6,173,389	5,153,221	67,491	952,677
Food	14,196	14,196	-	-
Clothing	186,469	186,469	-	-
Equipment/Supplies	462,199	462,199	-	-
Occupancy	113,903	113,903	-	-
Depreciation	30,354	30,354	-	-
Total In-Kind Donations (Expense)	807,120	807,120	-	-
Total All Expenses	\$ 6,980,509	\$ 5,960,341	\$ 67,491	\$ 952,677
Percent of Expenses	100.00%	85.39%	0.97%	13.65%
		85.39%	14.61%	
		Program Services	Support Services	

See accompanying Notes to Financial Statements

**MINNESOTA ASSISTANCE COUNCIL FOR VETERANS
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2017 AND 2016**

	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 CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (396,584)	\$ 357,222
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	207,162	203,271
Donated Equipment	(10,187)	-
Donated Stock-Investments	(14,953)	-
Donated Property and Land Less Debt Assumed	(135,151)	-
Discount Amortization on Notes Payable	65,591	61,884
Debt Forgiveness	(24,901)	-
Contributions Restricted for Payment of Debt	-	(199,574)
(Increase) Decrease in Assets:		
Prepaid Expenses	(12,603)	(12,751)
Accounts Receivable	385,996	(506,867)
Security Deposits	(4,810)	-
Increase (Decrease) In Liabilities		
Accounts Payable	(75,536)	67,365
Accrued Expenses	80,923	(63,396)
Net Cash (Used) Provided by Operating Activities	64,948	(92,846)
CASH FLOWS FROM INVESTING ACTIVITIES		
(Purchase) of Property and Equipment	(41,471)	(53,926)
(Purchase) of Long Term Investments	(57)	(229)
Net Cash Used by Investing Activities	(41,528)	(54,155)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions Restricted for Payment of Debt	-	199,574
Payments of Long-Term Debt	-	(214,002)
Net Cash Used by Financing Activities	-	(14,428)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	23,419	(161,429)
Cash and Cash Equivalents - Beginning of Year	2,890,076	3,051,505
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,913,495	\$ 2,890,076
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest Expense Paid	\$ -	\$ 16,714
Noncash investing and financing activities:		
Donated vehicle	\$ 10,187	\$ -
Debt assumed on property acquisition, net of imputed interest of \$135,151	\$ 164,849	\$ -

See accompanying Notes to Financial Statements

**MINNESOTA ASSISTANCE COUNCIL FOR VETERANS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

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 case management services are provided to the veteran without duplication of effort or resources. The Organization has three main program areas: 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, 2017 AND 2016**

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, 2017 and 2016, 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.

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.

**MINNESOTA ASSISTANCE COUNCIL FOR VETERANS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 2014 through 2016 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. As of December 31, 2017 and 2016, the Organization had financial assets that are measured at fair value on a recurring basis of \$14,953 and \$0.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through June 21, 2018, the date these financial statements were available to be issued.

**MINNESOTA ASSISTANCE COUNCIL FOR VETERANS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 2 LONG-TERM DEBT

Description	2017	2016
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. 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:		
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 was discounted at 3.25%. The loan was forgiven in 2017.	-	24,901

**MINNESOTA ASSISTANCE COUNCIL FOR VETERANS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 2 LONG-TERM DEBT (CONTINUED)

Description	2017	2016
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 purchased Duluth Veterans Housing. 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
BATC Foundation, 0% annual interest with lump-sum payment due on October 6, 2029. The loan is discounted at 5.00%.	300,000	-
	<u>3,368,338</u>	<u>3,093,239</u>
Imputed Interest on 0% loans	<u>(1,482,517)</u>	<u>(1,412,957)</u>
Subtotal	1,885,821	1,680,282
Less: Current Maturities	-	<u>(24,446)</u>
Long-Term Notes and Mortgages Payable	<u>\$ 1,885,821</u>	<u>\$ 1,655,836</u>

**MINNESOTA ASSISTANCE COUNCIL FOR VETERANS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 2 LONG-TERM DEBT (CONTINUED)

Principal payments required on all debt are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2018	\$ -
2019	-
2020	364,035
2021	-
2022	-
Thereafter	1,521,786
Total	<u>\$ 1,885,821</u>

NOTE 3 RESTRICTED NET ASSETS

Temporarily Restricted Net Assets

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

	<u>2017</u>	<u>2016</u>
Loan Discounts	\$ 1,483,336	\$ 1,413,776
In-kinds - Property	186,111	193,944
Property	435,006	462,452
House Sponsorship Funds	189,148	173,736
Outreach	337,193	321,684
Women's Program	38,916	87,715
Other Housing Costs	112,522	118,039
Walmart Foundation Program	1,704	4,657
StandDown Events	329	1,419
Other Program Restrictions	174,721	119,903
Total	<u>\$ 2,958,986</u>	<u>\$ 2,897,325</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, 2017 AND 2016**

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:

	2017	2016
Loan Discount Amortization	\$ 65,591	\$ 61,884
In-kind Amortization	5,943	5,943
Property Depreciation	29,335	30,443
House Sponsorship Expenses	25,314	235,620
Outreach Program	150,674	362,175
Women's Program	48,799	19,897
Other Housing Costs	5,517	5,517
Walmart Foundation Program	2,953	5,906
StandDown Events	13,520	18,091
Wounded Warrior	-	27,237
Other Program Restrictions	139,420	127,676
Total	\$ 487,066	\$ 900,389

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 \$75,412 and \$60,087 for the years ended December 31, 2017 and 2016, 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>
2018	\$ 47,740
2019	43,469
Total	\$ 91,209

The rental expense for the years ended December 31, 2017 and 2016 was \$133,776 and \$85,077, respectively. This amount is net of \$0 in sublease income in 2017 and 2016.

**MINNESOTA ASSISTANCE COUNCIL FOR VETERANS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 6 MASTER LEASE COMMITMENTS

MACV (the Tenant) entered into Master Lease agreements with various properties for the residential spaces noted below. Master lease expense for 2017 was \$41,249.

Future minimum lease payments due are as follows:

<u>Location</u>	<u>2018</u>	<u>2019</u>
4455 42 nd Ave S, Minneapolis, MN	\$ 14,400	\$ 6,000
422 Park Lane, Mankato, MN	725	-
3636 Fremont Ave N, Minneapolis, MN	1,440	-
3636 Fremont Ave N, Minneapolis, MN	1,900	-
3632 Fremont Ave N, Minneapolis, MN	<u>7,500</u>	<u>-</u>
Total	<u>\$ 25,965</u>	<u>\$ 6,000</u>