

**MINNESOTA ASSISTANCE COUNCIL FOR VETERANS**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

**MINNESOTA ASSISTANCE COUNCIL FOR VETERANS  
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DECEMBER 31, 2018 AND 2017**

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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, 2018 and 2017, 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, 2018 and 2017, 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)

***Change in Accounting Principle***

As discussed in Note 1 to the financial statements, Minnesota Assistance Council for Veterans has adopted Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to that matter.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 8, 2019, 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.

July 8, 2019

*Mahoney Ulbrich  
Christiansen Russ P.A.*

**MINNESOTA ASSISTANCE COUNCIL FOR VETERANS  
BALANCE SHEETS  
DECEMBER 31, 2018 AND 2017**

|   | <b>2018</b>  | <b>2017</b>  |
|---|--------------|--------------|
| <b>ASSETS</b>                           |              |              |
| <b>Current Assets</b>                   |              |              |
| Cash and Cash Equivalents               | \$ 3,043,892 | \$ 2,913,495 |
| Accounts Receivable                     | 901,456      | 912,483      |
| Prepaid Expenses                        | 101,464      | 30,004       |
| Total Current Assets                    | 4,046,812    | 3,855,982    |
| <b>Other Assets</b>                     |              |              |
| Certificates of Deposit                 | 23,261       | 21,200       |
| Investments                             | -            | 14,953       |
| Security Deposits                       | 10,789       | 4,810        |
| Total Other Assets                      | 34,050       | 40,963       |
| <b>Property and Equipment</b>           |              |              |
| Land                                    | 885,734      | 817,734      |
| Buildings and Improvements              | 6,313,180    | 5,799,076    |
| Furniture and Equipment                 | 122,997      | 70,497       |
| Vehicles                                | 147,990      | 147,990      |
| Accumulated Depreciation                | (2,075,603)  | (1,840,444)  |
| Total Property and Equipment            | 5,394,297    | 4,994,852    |
| Total Assets                            | \$ 9,475,160 | \$ 8,891,797 |
| <b>LIABILITIES AND NET ASSETS</b>       |              |              |
| <b>Current Liabilities</b>              |              |              |
| Accounts Payable                        | \$ 139,510   | \$ 126,730   |
| Accrued Expenses                        | 212,523      | 189,441      |
| Deferred Revenue                        | 13,942       | -            |
| Total Current Liabilities               | 365,975      | 316,171      |
| <b>Long-Term Debt</b>                   | 2,125,844    | 1,885,821    |
| Total Liabilities                       | 2,491,819    | 2,201,992    |
| <b>NET ASSETS</b>                       |              |              |
| Net Assets - Without Donor Restrictions | 3,916,256    | 4,192,964    |
| Net Assets - With Donor Restrictions    | 3,067,084    | 2,496,841    |
| Total Net Assets                        | 6,983,341    | 6,689,805    |
| Total Liabilities and Net Assets        | \$ 9,475,160 | \$ 8,891,797 |

See accompanying Notes to Financial Statements

**MINNESOTA ASSISTANCE COUNCIL FOR VETERANS  
STATEMENTS OF ACTIVITY  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

|                                      | <b>2018</b>                           |                                    |                     |
|--------------------------------------|---------------------------------------|------------------------------------|---------------------|
|                                      | <b>Without Donor<br/>Restrictions</b> | <b>With Donor<br/>Restrictions</b> | <b>Total</b>        |
| <b>SUPPORT AND REVENUE</b>           |                                       |                                    |                     |
| Support:                             |                                       |                                    |                     |
| Contributions                        | \$ 826,737                            | \$ 1,023,058                       | \$ 1,849,794        |
| In-Kind Contributions                | 619,022                               | 89,000                             | 708,022             |
| Total Support                        | <u>1,445,758</u>                      | <u>1,112,058</u>                   | <u>2,557,816</u>    |
| Revenue:                             |                                       |                                    |                     |
| Program Service Fees                 | 86,043                                | -                                  | 86,043              |
| Governmental Grants                  | 4,739,456                             | -                                  | 4,739,456           |
| Interest Income                      | 17,582                                | -                                  | 17,582              |
| Rental Income                        | 148,270                               | -                                  | 148,270             |
| Capital Gains/(Losses)               | 608                                   | -                                  | 608                 |
| Miscellaneous Income                 | 17,022                                | -                                  | 17,022              |
| Total Revenue                        | <u>5,008,981</u>                      | <u>-</u>                           | <u>5,008,981</u>    |
| Net Assets Released from Restriction | <u>541,814</u>                        | <u>(541,814)</u>                   | <u>-</u>            |
| Total Support and Revenue            | 6,996,553                             | 570,244                            | 7,566,797           |
| <b>EXPENSE</b>                       |                                       |                                    |                     |
| Program Expenses                     | 5,982,483                             | -                                  | 5,982,483           |
| Support Services:                    |                                       |                                    |                     |
| Management and General               | 1,012,732                             | -                                  | 1,012,732           |
| Fundraising                          | 278,046                               | -                                  | 278,046             |
| Total Support Services               | <u>1,290,778</u>                      | <u>-</u>                           | <u>1,290,778</u>    |
| Total Expense                        | <u>7,273,261</u>                      | <u>-</u>                           | <u>7,273,261</u>    |
| <b>CHANGE IN NET ASSETS</b>          | (276,708)                             | 570,244                            | 293,536             |
| Net Assets - Beginning of Year       | <u>4,192,964</u>                      | <u>2,496,841</u>                   | <u>6,689,805</u>    |
| <b>NET ASSETS - END OF YEAR</b>      | <u>\$ 3,916,256</u>                   | <u>\$ 3,067,084</u>                | <u>\$ 6,983,341</u> |

See accompanying Notes to Financial Statements

**MINNESOTA ASSISTANCE COUNCIL FOR VETERANS  
STATEMENTS OF ACTIVITY  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

|                                      | <b>2017</b>                           |                                    |                     |
|--------------------------------------|---------------------------------------|------------------------------------|---------------------|
|                                      | <b>Without Donor<br/>Restrictions</b> | <b>With Donor<br/>Restrictions</b> | <b>Total</b>        |
| <b>SUPPORT AND REVENUE</b>           |                                       |                                    |                     |
| 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>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>4,832,094</u>    |
| Net Assets Released from Restriction | <u>451,788</u>                        | <u>(451,788)</u>                   | <u>-</u>            |
| Total Support and Revenue            | <u>6,486,986</u>                      | <u>96,939</u>                      | <u>6,583,925</u>    |
| <b>EXPENSE</b>                       |                                       |                                    |                     |
| 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>1,020,168</u>    |
| Total Expense                        | <u>6,980,509</u>                      | <u>-</u>                           | <u>6,980,509</u>    |
| <b>CHANGE IN NET ASSETS</b>          | (493,523)                             | 96,939                             | (396,584)           |
| Net Assets - Beginning of Year       | <u>4,686,487</u>                      | <u>2,399,902</u>                   | <u>7,086,389</u>    |
| <b>NET ASSETS - END OF YEAR</b>      | <u>\$ 4,192,964</u>                   | <u>\$ 2,496,841</u>                | <u>\$ 6,689,805</u> |

See accompanying Notes to Financial Statements

**MINNESOTA ASSISTANCE COUNCIL FOR VETERANS  
STATEMENTS OF FUNCTIONAL EXPENSES  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

|                                   | <b>2018</b>         |                         |                         |                                 |
|-----------------------------------|---------------------|-------------------------|-------------------------|---------------------------------|
|                                   | <b>TOTAL</b>        | <b>Program Services</b> | <b>Fundraising</b>      | <b>Management &amp; General</b> |
| <b>EXPENSES</b>                   |                     |                         |                         |                                 |
| Salaries and Wages                | \$ 2,360,957        | \$ 1,825,783            | \$ 63,742               | \$ 471,432                      |
| Fringe Benefits                   | 278,149             | 227,932                 | 3,337                   | 46,880                          |
| Payroll Taxes                     | 232,017             | 164,594                 | 3,667                   | 63,756                          |
| <b>Total Personnel Exp.</b>       | <b>2,871,123</b>    | <b>2,218,308</b>        | <b>70,747</b>           | <b>582,067</b>                  |
| Telephone and internet            | 89,816              | 77,066                  | 1,273                   | 11,476                          |
| Depreciation                      | 204,124             | 187,491                 | -                       | 16,633                          |
| Dues and Fees                     | 224,032             | 148,803                 | 25,279                  | 49,951                          |
| Equipment Rent/Lease              | 5,454               | 5,454                   | -                       | -                               |
| Finance Charges                   | 15                  | -                       | -                       | 15                              |
| Food                              | 138,738             | 130,001                 | 3,033                   | 5,703                           |
| Housing                           | 1,544,384           | 1,541,651               | -                       | 2,732                           |
| Insurance                         | 53,510              | 38,284                  | -                       | 15,226                          |
| Interest                          | 75,339              | 44,413                  | -                       | 30,926                          |
| Maintenance                       | 123,468             | 122,725                 | -                       | 743                             |
| Meetings                          | 3,961               | 2,313                   | 40                      | 1,608                           |
| Participant Support               | 4,240               | 4,240                   | -                       | -                               |
| Postage                           | 6,019               | 3,017                   | 149                     | 2,853                           |
| Printing                          | 19,728              | 4,360                   | 11,410                  | 3,958                           |
| Professional Fees                 | 436,305             | 119,017                 | 123,407                 | 193,880                         |
| Promotion                         | 16,833              | 1,934                   | 11,463                  | 3,436                           |
| Rent                              | 180,541             | 141,690                 | 3,292                   | 35,559                          |
| Supplies                          | 220,438             | 169,009                 | 16,161                  | 35,268                          |
| Taxes                             | 2,585               | 2,585                   | -                       | -                               |
| Training                          | 20,192              | 15,012                  | -                       | 5,180                           |
| Travel                            | 190,257             | 171,790                 | 3,812                   | 14,656                          |
| Utilities                         | 192,103             | 191,868                 | -                       | 235                             |
| <b>Sub-Total Expenses</b>         | <b>6,623,204</b>    | <b>5,341,032</b>        | <b>270,066</b>          | <b>1,012,107</b>                |
| Food                              | 11,261              | 11,261                  | -                       | -                               |
| Clothing                          | 13,999              | 13,999                  | -                       | -                               |
| Equipment/Supplies                | 482,846             | 474,240                 | 7,980                   | 625                             |
| Occupancy                         | 110,916             | 110,916                 | -                       | -                               |
| Depreciation                      | 31,035              | 31,035                  | -                       | -                               |
| Total In-Kind Donations (Expense) | 650,057             | 641,451                 | 7,980                   | 625                             |
| <b>Total All Expenses</b>         | <b>\$ 7,273,261</b> | <b>\$ 5,982,483</b>     | <b>\$ 278,046</b>       | <b>\$ 1,012,732</b>             |
| <b>Percent of Expenses</b>        | <b>100.00%</b>      | <b>82.25%</b>           | <b>3.82%</b>            | <b>13.92%</b>                   |
|                                   |                     | <b>82.25%</b>           | <b>17.75%</b>           |                                 |
|                                   |                     | <b>Program Services</b> | <b>Support Services</b> |                                 |

See accompanying Notes to Financial Statements



**MINNESOTA ASSISTANCE COUNCIL FOR VETERANS  
STATEMENTS OF FUNCTIONAL EXPENSES  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

|                                   | <b>2017</b>         |                             |                         |                                     |
|-----------------------------------|---------------------|-----------------------------|-------------------------|-------------------------------------|
|                                   | <b>TOTAL</b>        | <b>Program<br/>Services</b> | <b>Fundraising</b>      | <b>Management &amp;<br/>General</b> |
| <b>EXPENSES</b>                   |                     |                             |                         |                                     |
| Salaries and 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                             |
| <b>Total Personnel Exp.</b>       | <b>3,151,814</b>    | <b>2,595,496</b>            | <b>16,038</b>           | <b>540,280</b>                      |
| <b>Board</b>                      | 255                 | -                           | -                       | 255                                 |
| <b>Telephone and internet</b>     | 94,428              | 79,555                      | 48                      | 14,825                              |
| <b>Depreciation</b>               | 176,808             | 167,689                     | -                       | 9,119                               |
| <b>Dues and Fees</b>              | 149,050             | 99,987                      | 18,990                  | 30,073                              |
| <b>Equipment Rent/Lease</b>       | 10,719              | 10,644                      | -                       | 75                                  |
| <b>Finance Charges</b>            | 241                 | 59                          | -                       | 183                                 |
| <b>Food</b>                       | 127,017             | 122,664                     | 648                     | 3,705                               |
| <b>Housing</b>                    | 1,143,762           | 1,136,560                   | -                       | 7,202                               |
| <b>Insurance</b>                  | 46,533              | 33,292                      | -                       | 13,241                              |
| <b>Interest</b>                   | 65,552              | 44,382                      | -                       | 21,170                              |
| <b>Maintenance</b>                | 71,625              | 70,252                      | -                       | 1,373                               |
| <b>Meetings</b>                   | 5,199               | 2,263                       | -                       | 2,936                               |
| <b>Participant Support</b>        | 3,800               | 3,800                       | -                       | -                                   |
| <b>Postage</b>                    | 7,268               | 3,898                       | -                       | 3,370                               |
| <b>Printing</b>                   | 11,787              | 7,936                       | 265                     | 3,585                               |
| <b>Professional Fees</b>          | 359,137             | 127,016                     | 30,368                  | 201,753                             |
| <b>Promotion</b>                  | 2,236               | 2,073                       | -                       | 163                                 |
| <b>Rent</b>                       | 192,225             | 171,007                     | -                       | 21,218                              |
| <b>Participant Events</b>         | 2,047               | 172                         | -                       | 1,875                               |
| <b>Supplies</b>                   | 183,727             | 130,835                     | 979                     | 51,912                              |
| <b>Taxes</b>                      | 1,254               | 1,254                       | -                       | -                                   |
| <b>Training</b>                   | 15,912              | 13,211                      | -                       | 2,701                               |
| <b>Travel</b>                     | 198,097             | 176,906                     | 154                     | 21,037                              |
| <b>Utilities</b>                  | 152,895             | 152,269                     | -                       | 626                                 |
| <b>Sub-Total Expenses</b>         | <b>6,173,389</b>    | <b>5,153,221</b>            | <b>67,491</b>           | <b>952,677</b>                      |
| 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                     | -                       | -                                   |
| <b>Total All Expenses</b>         | <b>\$ 6,980,509</b> | <b>\$ 5,960,341</b>         | <b>\$ 67,491</b>        | <b>\$ 952,677</b>                   |
| <b>Percent of Expenses</b>        | <b>100.00%</b>      | <b>85.39%</b>               | <b>0.97%</b>            | <b>13.65%</b>                       |
|                                   |                     | <b>85.39%</b>               | <b>14.61%</b>           |                                     |
|                                   |                     | <b>Program Services</b>     | <b>Support Services</b> |                                     |

See accompanying Notes to Financial Statements

**MINNESOTA ASSISTANCE COUNCIL FOR VETERANS  
STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

|   | <b>2018</b>  | <b>2017</b>  |
|---|--------------|--------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |              |              |
| Change in Net Assets  | \$ 293,536   | \$ (396,584) |
| Adjustments to Reconcile Change in Net Assets<br>to Net Cash Provided by Operating Activities:                |              |              |
| Depreciation  | 235,159      | 207,162      |
| Donated Equipment   | -            | (10,187)     |
| Donated Stock-Investments   | 14,953       | (14,953)     |
| Donated Property and Land Less Debt Assumed   | (222,772)    | (135,151)    |
| Discount Amortization on Notes Payable  | 75,339       | 65,591       |
| Debt Forgiveness  | -            | (24,901)     |
| (Increase) Decrease in Assets:  |              |              |
| Prepaid Expenses  | (71,461)     | (12,603)     |
| Accounts Receivable   | 11,027       | 385,996      |
| Security Deposits   | (5,979)      | (4,810)      |
| Increase (Decrease) In Liabilities  |              |              |
| Accounts Payable  | 12,780       | (75,536)     |
| Accrued Expenses  | 23,082       | 80,923       |
| Deferred Revenue  | 13,942       | -            |
| Net Cash (Used) Provided by Operating Activities  | 379,607      | 64,948       |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |              |              |
| (Purchase) of Property and Equipment  | (247,149)    | (41,471)     |
| (Purchase) of Long Term Investments   | (2,061)      | (57)         |
| Net Cash Provided by Investing Activities   | (249,210)    | (41,528)     |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>  | 130,397      | 23,419       |
| Cash and Cash Equivalents - Beginning of Year   | 2,913,495    | 2,890,076    |
| <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>  | \$ 3,043,892 | \$ 2,913,495 |
| <b>SUPPLEMENTAL CASH FLOW INFORMATION</b>   |              |              |
| Noncash investing and financing activities:   |              |              |
| Donated property and land in 2018 and vehicle in 2017   | \$ 387,456   | \$ 10,187    |
| Debt assumed on property acquisition, net of imputed<br>interest of \$133,772 and \$135,151 for 2018 and 2017 | \$ 164,684   | \$ 164,849   |

See accompanying Notes to Financial Statements

**MINNESOTA ASSISTANCE COUNCIL FOR VETERANS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

**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.

**Change in Accounting Principle**

FASB issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* to address the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented. As required by ASU 2016-14, the Organization is required to reclassify amounts that were previously reported as temporarily restricted net assets for donor-restricted property and equipment with implied time restrictions that expired over the useful life of the asset. Those amounts are now classified as net assets without donor restrictions when the related assets have been placed in service, which increased net assets without donor restrictions by \$656,396 and \$621,117 at December 31, 2016 and 2017, and decreased net assets with donor restrictions by the same amount.

**Financial Statement Presentation**

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

*Net Assets Without Donor Restrictions* - Net assets without donor restrictions are available for use at the discretion of the Board of Directors (the Board) and/or management for general operating purposes. From time to time the Board designates a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion.

*Net Assets With Donor Restrictions* - Net assets with donor restrictions consist of assets whose use is limited by donor-imposed time and/or purpose restrictions.

The Organization reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

See Note 3 for more information on the composition of net assets with donor restrictions and the release of restrictions.

**MINNESOTA ASSISTANCE COUNCIL FOR VETERANS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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. At December 31, 2018 and 2017, the Organization's uninsured cash balances were approximately \$1,013,000 and \$479,000. Management believes the Organization is not exposed to any significant credit risk on its accounts.

**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.

**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, 2018 and 2017, 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 \$5,000 (\$2,500 prior to 2018) 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. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. In the absence of stipulations regarding how long the related asset must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. 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 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, net assets with restrictions are reclassified to net assets without restrictions.

**Contributions**

Contributions received are recorded as contributions with or without donor restrictions, depending on the existence and/or nature of any donor restrictions.

**MINNESOTA ASSISTANCE COUNCIL FOR VETERANS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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.

**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 for refund is made.

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

**Functional Allocation of Expense**

The financial statements report certain categories of expenses that are attributable to more than one function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include office expenses, dues and fees, depreciation, salaries and wages, benefits, payroll taxes, food, supplies, professional services, telephone and internet, interest, insurance, maintenance, meetings, promotion, occupancy, training, travel, and utilities, which are allocated on the basis of estimates of employee time and effort.

**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 2015 through 2017 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, 2018 and 2017, respectively, the Organization had financial assets (investments) measured at fair value on a recurring basis of \$0 and \$14,953.

**Subsequent Events**

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through July 8, 2019, the date these financial statements were available to be issued.

**MINNESOTA ASSISTANCE COUNCIL FOR VETERANS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

**NOTE 2 LONG-TERM DEBT**

| Description   | 2018       | 2017       |
|---|------------|------------|
| 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 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     |
| 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     |

**MINNESOTA ASSISTANCE COUNCIL FOR VETERANS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

**NOTE 2 LONG-TERM DEBT (CONTINUED)**

| <u>Description</u>   | <u>2018</u>         | <u>2017</u>         |
|--|---------------------|---------------------|
| 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 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             | 300,000             |
| BATC Foundation, 0% annual interest with lump-sum payment due on October 31, 2030. The loan is discounted at 5.00%   | 298,456             | -                   |
|  | <u>3,666,794</u>    | <u>3,368,338</u>    |
| Imputed Interest on 0% loans   | <u>(1,540,950)</u>  | <u>(1,482,517)</u>  |
| Long-Term Notes and Mortgages Payable  | <u>\$ 2,125,844</u> | <u>\$ 1,885,821</u> |

**MINNESOTA ASSISTANCE COUNCIL FOR VETERANS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

**NOTE 2 LONG-TERM DEBT (CONTINUED)**

Principal payments required on all debt are as follows:

| <u>Year Ending December 31,</u> | <u>Amount</u>             |
|---------------------------------|---------------------------|
| 2019                            | \$ -                      |
| 2020                            | 376,046                   |
| 2021                            | -                         |
| 2022                            | -                         |
| 2023                            | 8,688                     |
| Thereafter                      | 1,741,110                 |
| Total                           | <u><u>\$2,125,844</u></u> |

**NOTE 3 NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are available for the following purposes at December 31:

| <b>Subject to expenditure for specified purpose:</b> | <u>2018</u>                | <u>2017</u>                |
|--|----------------------------|----------------------------|
| House Sponsorship Funds                              | \$ 143,474                 | \$ 189,148                 |
| Outreach   | 431,163                    | 337,193                    |
| Women's Program                                      | 14,836                     | 38,916                     |
| Other Housing Costs                                  | 112,521                    | 112,522                    |
| Walmart Foundation Program                           | 1,704                      | 1,704                      |
| StandDown Events                                     | 5,536                      | 329                        |
| Other Program Restrictions                           | 569,135                    | 174,720                    |
|  | <u>1,278,369</u>           | <u>854,532</u>             |
| <b>Subject to the passage of time:</b>               |                            |                            |
| Loan Discounts                                       | 1,540,742                  | 1,483,336                  |
| Veteran Housing                                      | 89,000                     | -                          |
| <b>Not subject to appropriation or expenditure:</b>  |                            |                            |
| Land   | 158,973                    | 158,973                    |
| Total  | <u><u>\$ 3,067,084</u></u> | <u><u>\$ 2,496,841</u></u> |

**Not subject to appropriation or expenditure**

Net assets with donor restrictions not subject to expenditure 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, 2018 AND 2017**

**NOTE 3 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)**

**Net Assets Released from Donor Restrictions**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes for years ended December 31 are as follows:

|                            | 2018       | 2017       |
|----------------------------|------------|------------|
| Loan Discount Amortization | \$ 76,366  | \$ 65,591  |
| House Sponsorship Expenses | 74,118     | 25,314     |
| Outreach Program           | 109,313    | 150,674    |
| Women's Program            | 44,104     | 48,799     |
| Other Housing Costs        | 1          | 5,517      |
| Walmart Foundation Program | -          | 2,953      |
| StandDown Events           | 7,538      | 13,520     |
| Other Program Restrictions | 230,374    | 139,420    |
| Total                      | \$ 541,814 | \$ 451,788 |

**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 \$70,230 and \$75,412 for the years ended December 31, 2018 and 2017, respectively.

**NOTE 5 LEASE COMMITMENTS**

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

| Year Ending December 31, | Amount    |
|--------------------------|-----------|
| 2019                     | \$ 68,401 |

The rental expense for the years ended December 31, 2018 and 2017 was \$116,740 and \$133,776, respectively. This amount is net of \$0 in sublease income in 2018 and 2017.

**MINNESOTA ASSISTANCE COUNCIL FOR VETERANS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

**NOTE 6 MASTER LEASE COMMITMENTS**

Minnesota Assistance Council for Veterans (the Tenant) entered into a Master Lease agreement for the residential spaces noted below. Master lease expense was \$156,802 and \$41,249 for 2018 and 2017.

Future minimum lease payments due are as follows:

| Location                              | 2019             | 2020            |
|---------------------------------------|------------------|-----------------|
| 6341 Douglas Dr, Brooklyn Park, MN    | \$ 1,200         | \$ -            |
| 6421 Douglas Dr, Brooklyn Park, MN    | 1,200            | -               |
| 3413 Dupont Ave N, Minneapolis, MN    | 12,600           | 1,050           |
| 689 Lowry Ave NE #1, Minneapolis, MN  | 5,677            | -               |
| 689 Lowry Ave NE #10, Minneapolis, MN | 880              | -               |
| Total                                 | <u>\$ 21,557</u> | <u>\$ 1,050</u> |

**NOTE 7 AVAILABILITY AND LIQUIDITY**

**Availability and Liquidity** - The following represents Minnesota Assistance Council for Veteran's financial assets at December 31, 2018 and 2017:

|   | 2018                | 2017                |
|---|---------------------|---------------------|
| Current financial assets at year-end:   |                     |                     |
| Cash and cash equivalents   | \$ 3,043,892        | \$ 2,913,495        |
| Accounts receivable   | 901,456             | 912,483             |
| Total current financial assets  | <u>3,945,348</u>    | <u>3,825,978</u>    |
| Less amounts not available to be used within a year:                                |                     |                     |
| Net assets with donor purpose restrictions  | <u>1,278,369</u>    | <u>854,532</u>      |
| Financial assets available to meet general expenditures over the next twelve months | <u>\$ 2,666,979</u> | <u>\$ 2,971,446</u> |

Minnesota Assistance Council for Veterans' goal is generally to maintain financial assets to meet 90 days of operating expenses. As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts and certificates of deposit.

Minnesota Assistance Council for Veterans is supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, Minnesota Assistance Council for Veterans must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of Minnesota Assistance Council for Veterans' liquidity management, the Organization structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due.