



MINNESOTA ASSISTANCE COUNCIL FOR VETERANS

**FINANCIAL STATEMENTS
AND
SINGLE AUDIT REPORTS**

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020



**MINNESOTA ASSISTANCE COUNCIL FOR VETERANS
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DECEMBER 31, 2021 AND 2020**

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of Minnesota Assistance Council for Veterans (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activity, functional expenses, and cash flows for the years then ended, and the related notes to financial statements.

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, 2021 and 2020, 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.

Basis for Opinion

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. Our responsibility under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Minnesota Assistance Council for Veterans and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Minnesota Assistance Council for Veterans' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Minnesota Assistance Council for Veterans' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Minnesota Assistance Council for Veterans' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2022, 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.

*Mahoney Ulbrich
Christiansen Russ P.A.*

September 15, 2022

**MINNESOTA ASSISTANCE COUNCIL FOR VETERANS
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020**

	2021	2020
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 3,035,937	\$ 3,634,897
Investments	1,476,551	-
Accounts Receivable	2,036,911	1,942,207
Prepaid Expenses	73,390	115,147
Total Current Assets	6,622,789	5,692,251
Other Assets		
Accounts Receivable, less current portion	147,391	292,219
Certificates of Deposit	-	22,367
Long-term investments - deferred compensation plan	24,587	-
Security Deposit	12,473	12,473
Total Other Assets	184,451	327,059
Property and Equipment		
Land	1,060,842	1,038,881
Houses and Improvements	7,351,589	6,919,908
Furniture and Equipment	186,914	195,713
Vehicles	189,289	189,289
Construction in Progress	17,480	48,363
Accumulated Depreciation	(2,678,384)	(2,488,002)
Total Property and Equipment	6,127,730	5,904,152
Total Assets	\$ 12,934,970	\$ 11,923,462
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	\$ 201,556	\$ 230,387
Accrued Expenses	375,543	316,598
Deferred Rent	47,839	45,095
Total Current Liabilities	624,938	592,080
Long Term Debt	2,543,540	2,665,563
Other Liabilities		
Deferred Compensation	24,587	-
Total Other Liabilities	24,587	-
Total Liabilities	3,193,065	3,257,643
NET ASSETS		
Net Assets - Without Donor Restrictions	6,693,769	5,393,135
Net Assets - With Donor Restrictions	3,048,136	3,272,684
Total Net Assets	9,741,905	8,665,819
Total Liabilities & Net Assets	\$ 12,934,970	\$ 11,923,462

**MINNESOTA ASSISTANCE COUNCIL FOR VETERANS
STATEMENT OF ACTIVITY
YEAR ENDED DECEMBER 31, 2021**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Support			
Contributions	\$ 1,858,597	\$ 556,501	\$ 2,415,098
In-Kind Contributions	393,193	-	393,193
Total Support	<u>2,251,790</u>	<u>556,501</u>	<u>2,808,291</u>
Special events income net of direct donor benefits of \$20,095 in 2021	23,956	-	23,956
Revenue			
Government Grants	7,324,516	24,500	7,349,016
Contracts	60,000	-	60,000
Forgiveness of PPP loan	300,000	-	300,000
Rental Income	148,149	-	148,149
Gain on Sale of House	119,652	-	119,652
Interest Income	40,852	-	40,852
Investment Income, net	42,273	-	42,273
Other Revenue	23,131	-	23,131
Total Revenue	<u>8,082,529</u>	<u>24,500</u>	<u>8,107,029</u>
Net Assets Released from Restriction	<u>805,549</u>	<u>(805,549)</u>	<u>-</u>
Total Support and Revenue	11,139,868	(224,548)	10,915,320
EXPENSE			
Program Services	8,231,996	-	8,231,996
Management and General	1,179,708	-	1,179,708
Fundraising	427,530	-	427,530
Total Expenses	<u>9,839,234</u>	<u>-</u>	<u>9,839,234</u>
CHANGE IN NET ASSETS	1,300,634	(224,548)	1,076,086
Net Assets - Beginning of Year	<u>5,393,135</u>	<u>3,272,684</u>	<u>8,665,819</u>
NET ASSETS - END OF YEAR	<u>\$ 6,693,769</u>	<u>\$ 3,048,136</u>	<u>\$ 9,741,905</u>

**MINNESOTA ASSISTANCE COUNCIL FOR VETERANS
STATEMENT OF ACTIVITY
YEAR ENDED DECEMBER 31, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Support			
Contributions	\$ 2,101,370	\$ 981,756	\$ 3,083,126
In-Kind Contributions	359,064	183,305	542,369
Total Support	<u>2,460,434</u>	<u>1,165,061</u>	<u>3,625,495</u>
Revenue			
Government Grants	6,814,330	35,531	6,849,861
Contracts	58,190	-	58,190
Interest Income	8,040	-	8,040
Rental Income	143,498	-	143,498
Other Revenue	6,874	-	6,874
Total Revenue	<u>7,030,932</u>	<u>35,531</u>	<u>7,066,463</u>
Net Assets Released from Restriction	<u>962,458</u>	<u>(962,458)</u>	<u>-</u>
Total Support and Revenue	10,453,824	238,134	10,691,958
EXPENSE			
Program Services	7,548,519	-	7,548,519
Management and General	1,122,538	-	1,122,538
Fundraising	338,470	-	338,470
Total Expenses	<u>9,009,527</u>	<u>-</u>	<u>9,009,527</u>
CHANGE IN NET ASSETS	1,444,297	238,134	1,682,431
Net Assets - Beginning of Year	<u>3,948,838</u>	<u>3,034,550</u>	<u>6,983,388</u>
NET ASSETS - END OF YEAR	<u>\$ 5,393,135</u>	<u>\$ 3,272,684</u>	<u>\$ 8,665,819</u>

**MINNESOTA ASSISTANCE COUNCIL FOR VETERANS
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021**

	Program Services								Total
	Management & General	Fundraising	Direct donor Benefits	Housing	Employment	Legal	Other Program Services	Total Program Services	
Expenses									
Salaries and Wages	\$ 599,007	\$ 290,957	\$ -	\$ 1,849,678	\$ 417,724	\$ 261,510	\$ 86,350	\$ 2,615,262	\$ 3,505,226
Fringe Benefits	46,893	12,863	-	246,954	57,301	52,869	6,173	363,297	423,053
Payroll Taxes	80,830	21,880	-	159,550	36,196	21,996	7,430	225,172	327,882
Total Personnel	726,730	325,700	-	2,256,182	511,221	336,375	99,953	3,203,731	4,256,161
Professional Services	126,435	41,061	-	97,709	12,921	5,621	-	116,251	283,747
Housing	250	-	-	2,787,143	44,483	-	1,946	2,833,572	2,833,822
Rent	28,167	12,712	-	74,838	37,506	18,518	-	130,862	171,741
Repairs and Maintenance	1,225	199	-	309,673	3,354	-	-	313,027	314,451
Utilities	1,259	-	-	156,442	2,523	-	-	158,965	160,224
Equipment and Supplies	52,184	8,367	715	108,739	17,518	3,723	13,133	143,113	204,379
Dues and Memberships	5,337	2,678	-	39,812	381	1,183	606	41,982	49,997
Office Equipment	9,591	5,014	-	33,186	2,939	-	100	36,225	50,830
Printing and Postage	4,531	9,384	-	7,802	2,075	1,210	3,491	14,578	28,493
Telephone and Internet	8,509	1,724	-	65,307	16,762	4,822	14,583	101,474	111,707
Insurance	78,711	-	-	97	-	-	-	97	78,808
Professional Development	21,087	2,482	-	8,542	4,282	4,285	3,900	21,009	44,578
Food	-	-	-	420,771	1,400	-	1,435	423,606	423,606
Travel	3,910	2,033	69	49,319	77,033	5	19,192	145,549	151,561
Marketing and Communications	2,689	3,162	-	30	-	-	7,710	7,740	13,591
Fundraising Events	441	3,596	18,130	687	-	-	-	687	22,854
Program Events	2,274	-	-	1,112	-	-	8,426	9,538	11,812
Staff Events	9,726	-	-	349	-	-	548	897	10,623
Depreciation	11,122	-	-	265,495	-	-	16,745	282,240	293,362
Interest	-	-	-	81,129	-	-	-	81,129	81,129
Bad debt	-	-	-	6,650	-	-	-	6,650	6,650
Miscellaneous Expenses	20,337	1,473	1,181	35,781	4,374	1,305	948	42,408	65,399
Sub-Total Expenses	1,114,515	419,585	20,095	6,806,795	738,772	377,047	192,716	8,115,330	9,669,525
Professional Services	-	7,500	-	-	-	5,765	-	5,765	13,265
Equipment and Supplies	65,193	445	-	20,901	-	-	-	20,901	86,539
Rent	-	-	-	90,000	-	-	-	90,000	90,000
In-Kind Expense	65,193	7,945	-	110,901	-	5,765	-	116,666	189,804
Less special events direct donor benefits	-	-	(20,095)	-	-	-	-	-	(20,095)
Total Expenses	\$ 1,179,708	\$ 427,530	\$ -	\$ 6,917,696	\$ 738,772	\$ 382,812	\$ 192,716	\$ 8,231,996	\$ 9,839,234

MINNESOTA ASSISTANCE COUNCIL FOR VETERANS
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020

	Program Services							Total
	Management & General	Fundraising	Housing	Employment	Legal	Other Program Services	Total Program Services	
Expenses								
Salaries and Wages	\$ 602,050	\$ 216,899	\$ 1,723,792	\$ 434,299	\$ 235,985	\$ 7,230	\$ 2,401,306	\$ 3,220,255
Fringe Benefits	36,610	10,679	220,895	57,731	40,785	688	320,099	367,388
Payroll Taxes	71,549	18,037	148,515	37,599	19,875	643	206,632	296,218
Total Personnel	710,209	245,615	2,093,202	529,629	296,645	8,561	2,928,037	3,883,861
Professional Services	151,251	45,859	221,688	17,119	14,471	200	253,478	450,588
Housing	903	-	2,784,086	40,147	299	3,469	2,828,001	2,828,904
Rent	41,970	11,403	72,654	32,066	16,545	297	121,562	174,935
Repairs and Maintenance	3,071	-	254,296	3,530	139	651	258,616	261,687
Utilities	840	-	143,191	2,083	-	-	145,274	146,114
Equipment and Supplies	55,781	6,428	94,191	13,622	7,171	11,280	126,264	188,473
Dues and Memberships	4,927	2,812	58,960	488	1,917	578	61,943	69,682
Office Equipment	20,155	2,153	8,945	209	131	2,719	12,004	34,312
Printing and Postage	4,624	1,258	8,789	2,528	3,016	1,388	15,721	21,603
Telephone and Internet	7,750	1,533	58,290	14,283	5,603	9,400	87,576	96,859
Insurance	61,528	-	-	-	-	-	-	61,528
Professional Development	6,240	4,493	2,187	2,937	1,446	22,887	29,457	40,190
Food	928	116	1,199	115	12	1,443	2,769	3,813
Travel	3,971	1,488	24,996	25,868	1,955	14,594	67,413	72,872
Marketing and Communications	2,211	1,321	270	-	967	8,665	9,902	13,434
Fundraising Events	70	6,152	-	-	-	-	-	6,222
Program Events	-	-	4,300	10	799	1,201	6,310	6,310
Staff Events	11	-	-	-	-	298	298	309
Depreciation	24,277	-	234,774	-	-	11,238	246,012	270,289
Interest	2,000	-	83,159	-	-	-	83,159	85,159
Miscellaneous Expenses	8,301	923	19,042	6,086	702	374	26,204	35,428
Sub-Total Expenses	1,111,018	331,554	6,168,219	690,720	351,818	99,243	7,310,000	8,752,572
Professional Services	-	6,916	-	450	85,172	3,459	89,081	95,997
Equipment and Supplies	11,520	-	34,020	-	-	-	34,020	45,540
Rent	-	-	114,218	-	-	-	114,218	114,218
Other	-	-	-	-	-	1,200	1,200	1,200
In-Kind Expense	11,520	6,916	148,238	450	85,172	4,659	238,519	256,955
Total Expenses	\$ 1,122,538	\$ 338,470	\$ 6,316,457	\$ 691,170	\$ 436,990	\$ 103,902	\$ 7,548,519	\$ 9,009,527

See accompanying Notes to Financial Statements

**MINNESOTA ASSISTANCE COUNCIL FOR VETERANS
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021	2020
Cash flows from Operating Activities		
Change In Net Assets	\$ 1,076,086	\$ 1,682,431
Change in Cash from Operating Activities		
Depreciation	293,362	270,289
Forgiveness of PPP loan	(300,000)	-
Gain on Sale of House	(119,652)	-
Gain on Investments	(42,273)	-
Donated Property and Land Less Debt Assumed	(226,696)	(492,640)
Discount Amortization on Notes Payable	83,131	83,159
Accounts Receivable	50,124	(988,280)
Prepaid Expenses	41,757	(29,840)
Security Deposit	-	10,164
Accounts Payable	(28,831)	130,471
Accrued Expenses	58,945	102,771
Deferred Rent	2,744	16,964
Net cash used by Operating Activities	888,697	785,489
Cash flows from Investing Activities		
Purchase of Property and Equipment	(260,746)	(414,282)
Sale of Property and Equipment	185,000	-
Proceeds from Sale of Investments	355,871	-
Purchase of Investments	(1,767,782)	(1,049)
Net cash used by Investing Activities	(1,487,657)	(415,331)
Cash flows from Financing Activities		
Proceeds from Paycheck Protection Program Loan	-	300,000
Net cash used by Financing Activities	-	300,000
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(598,960)	670,158
Cash and Cash Equivalents - Beginning of Year	3,634,897	2,964,739
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 3,035,937	\$ 3,634,897
SUPPLEMENTAL CASH FLOW INFORMATION		
Noncash investing and financing activities:		
Donated property and land in 2021 and 2020	\$ 203,389	\$ 455,859
Debt assumed on property acquisition, net of imputed interest of \$65,152 for 2021 and \$76,135 for 2020	\$ 94,848	\$ 92,865
Forgiveness of PPP loan	\$ 300,000	\$ -

**MINNESOTA ASSISTANCE COUNCIL FOR VETERANS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

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, the 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 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 6 for more information on the composition of net assets with donor restrictions and the release of restrictions.

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, 2021 and 2020, the Organization's uninsured cash balances were approximately \$2,393,000 and \$1,458,000. Management believes the Organization is not exposed to any significant credit risk on its accounts.

**MINNESOTA ASSISTANCE COUNCIL FOR VETERANS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, except for money market funds held in broker accounts which is shown in investments.

Fair Value Measurements

The Organization determines fair value, when necessary, based on the assumptions that market participants would use when pricing the asset or liability. Valuation techniques require using inputs which are categorized using the following hierarchy:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs that are observable, directly or indirectly, other than the quoted prices included in Level 1; and
- Level 3 - unobservable inputs.

Investments

Investments in marketable securities are reported at fair value. Realized and unrealized gains and losses are reported as changes in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law.

Investments are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect investment balances and the amounts reported on the statement of financial position.

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, 2021 and 2020, 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 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. Management evaluates these assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. No impairment loss was recognized during 2021 or 2020.

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.

**MINNESOTA ASSISTANCE COUNCIL FOR VETERANS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

In 2021, two houses were donated to the Organization with values of \$201,000 and \$120,542. In 2020, two houses were donated to the Organization with values of \$392,164 and \$322,987.

Government Grants and Contracts

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are contributions conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Funds received but not yet earned are recorded as deferred revenue. Expenditures under government grants and contracts are subject to review by the granting authority. If, as a result of such a review, expenditures are determined to be unallowable, the disallowance will be recorded at the time the assessment for refund is made.

The Organization's revenue is also derived from non-cost-reimbursable federal and state contracts and grants, which are contributions temporarily restricted for a time period and purpose. Revenue is recognized upon execution of the respective grant agreements and the restrictions are released when the Organization has incurred expenditures in compliance with specific contract or grant provisions.

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. The expenses that are allocated include office equipment, telephone and internet, dues and memberships, depreciation, salaries and wages, benefits, payroll taxes, food, equipment and supplies, professional services, telephone and internet, insurance, repairs and maintenance, events, marketing and communications, rent, professional development, travel, utilities, and miscellaneous, which are allocated on the basis of estimates of employee time and effort.

Rent Expense

Base rent expense is recognized evenly over the term of the lease. Excess rent recognized over payments due is reported as deferred rent. Common area maintenance costs are recognized when invoiced.

**MINNESOTA ASSISTANCE COUNCIL FOR VETERANS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

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 2018 through 2020 are open to examination by federal and state authorities.

Subsequent Events

In July 2022, the Organization purchased two apartment buildings for \$876,800 and \$2,150,000. Additionally, in August 2022, the Organization purchased an apartment building for \$895,000.

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through September 15, 2022, the date these financial statements were available to be issued, and identified no further significant events or transactions to disclose.

NOTE 2 ACCOUNTS RECEIVABLE

Accounts receivable are due in the following years ending December 31:

2022		\$ 2,036,911
2023		150,000
		2,186,911
Less discounts to net present value (1.77%)		(2,609)
		2,184,302
Less current portion		(2,036,911)
Accounts receivable, long-term portion		\$ 147,391

**MINNESOTA ASSISTANCE COUNCIL FOR VETERANS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 3 INVESTMENTS

Investments at December 31, 2021 are held in a brokerage account and consist of the following funds. The following tables set forth by level within the fair value hierarchy the Organization's investments at fair value as of December 31, 2021:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Money market funds	\$ 25,160	\$ -	\$ -	\$ 25,160
Common stocks and ETFs	955,169	-	-	955,169
U.S. Treasuries	84,717	-	-	84,717
Bonds	35,202	-	-	35,202
Mutual funds	376,303	-	-	376,303
Investments at fair value				<u>\$ 1,451,391</u>

Investment income included the following as of December 31, 2021:

Interest and dividend income	\$ 37,020
Realized loss, net	(12,101)
Unrealized gains, net	68,266
Total investment income	93,185
Less: Investment management and service fees	(13,892)
Total investment income, net	<u>\$ 79,293</u>

The Organization did not have any investments in 2020.

Long-term investments – The Organization holds shares in mutual funds selected by employees who are covered by the 457(b) plan (See Note 7).

NOTE 4 LONG-TERM DEBT

Description	2021	2020
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
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

**MINNESOTA ASSISTANCE COUNCIL FOR VETERANS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 4 LONG-TERM DEBT (CONTINUED)

Description	2021	2020
<p>City of Minneapolis Department of Community Planning and Economic Development (CPED), 'simple' interest of 1% per annum on the outstanding balance, deferred. The loan is discounted at 5.26% and matures on January 18, 2037, at which time a lump-sum payment is due. The loan is secured by the related building projects. The outstanding balance and accrued interest will be immediately due and payable upon the occurrence of any one of the following: 1) the sale, assignment, conveyance, transfer, lease, lien, encumbrance, or refinancing of the project by the borrower without the Lender's prior written consent; 2) any use of the project or a portion that violates any federal, state or local law, statute or ordinance, which includes discrimination, pornography, gambling, or drug related activities; provided however that the Borrower shall not be in default as a result of illegal activities at the Project by tenants of the Project if Borrower is pursuing all reasonable actions to prohibit such illegal activities; or 3) default by the borrower in the performance of any other covenant, term or condition of this Note, the Loan Agreement or any other agreement or mortgage relating to encumbering the Project.</p>	223,074	223,074
<p>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:</p>		
<p>Greater Minnesota Housing Fund (GMHF), 0% annual interest with lump-sum payment due on June 26, 2037. The loan is discounted at 3.25%.</p>	165,000	165,000
<p>Minnesota Housing Finance Agency (MHFA), 0% annual interest with lump-sum payment due on June 26, 2037. The loan is discounted at 3.25%.</p>	90,289	90,289
<p>City of Duluth, 0% annual interest with lump-sum payment due on April 1, 2023. The loan is discounted at 3.25%.</p>	10,000	10,000
<p>City of Duluth, 0% annual interest with lump-sum payment due on July 24, 2036. The loan is discounted at 3.25%.</p>	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>		
<p>City of Duluth, 0% annual interest with lump-sum payment due on March 14, 2023. The loan is discounted at 3.25%.</p>	391,600	391,600
<p>Duluth Economic Development Authority, 0% annual interest with lump-sum payment due on March 8, 2031. The loan is discounted at 3.25%.</p>	300,000	300,000
<p>Greater Minnesota Housing Fund (GMHF), 0% annual interest with lump-sum payment due on January 29, 2040. The loan is discounted at 3.25%.</p>	255,000	255,000

**MINNESOTA ASSISTANCE COUNCIL FOR VETERANS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 4 LONG-TERM DEBT (CONTINUED)

<u>Description</u>	<u>2021</u>	<u>2020</u>
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	298,456
BATC Foundation, 0% annual interest with lump-sum payment due on October 9, 2031. The loan is discounted at 5.00% and is secured by the related building project.	169,000	169,000
BATC Foundation, 0% annual interest with lump-sum payment due on May 7, 2032. The loan is discounted at 5.00% and is secured by the related building project.	160,000	-
Choice Financial Group (CFG), 1% annual interest with lump-sum payment due on April 1, 2022, if not forgiven. See Note 5.	-	300,000
	<u>3,940,026</u>	<u>4,080,026</u>
Imputed Interest	<u>(1,396,486)</u>	<u>(1,414,463)</u>
Long-Term Debt	<u>\$ 2,543,540</u>	<u>\$ 2,665,563</u>

Principal payments required on all long-term debt are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2022	\$ -
2023	400,871
2024	-
2025	-
2026	-
Thereafter	<u>2,142,669</u>
Total	<u><u>\$2,543,540</u></u>

NOTE 5 PAYCHECK PROTECTION PROGRAM LOAN PAYABLE

In April 2020, the Organization entered into a promissory note with Choice Financial Group in the amount of \$300,000 pursuant to the Paycheck Protection Program (PPP) created by the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and governed by the Small Business Administration (SBA). The note accrued interest at 1.00% per annum and was scheduled to mature April 2022. Up to 100% of the loan was forgivable when used to pay specified payroll and other costs within the qualified period (generally 24 weeks after receiving the funds). The Organization received full forgiveness on March 12, 2021.

**MINNESOTA ASSISTANCE COUNCIL FOR VETERANS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 6 NET ASSETS WITH DONOR RESTRICTIONS

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

Subject to expenditure for specified purpose:	2021	2020
Outreach	\$ 329,542	\$ 284,895
Women's Program	32,782	29,920
Other Housing Costs	297,355	353,903
Other Program Restrictions	162,637	210,169
	<u>822,316</u>	<u>878,887</u>
Subject to the passage of time:		
Loan Discounts	1,429,890	1,447,867
Veteran Housing	336,957	336,957
Multi-Year Pledge Time Restrictions	300,000	450,000
Not subject to appropriation or expenditure:		
Land	158,973	158,973
Total	<u>\$ 3,048,136</u>	<u>\$ 3,272,684</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.

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:

	2021	2020
Loan Discount Amortization	\$ 83,131	\$ 83,159
United Way Housing	-	2,997
Outreach Program	123,334	185,069
Women's Program	57,100	22,914
Other Housing Costs	307,740	395,337
St. Paul House Project	-	90,000
Other Program Restrictions	84,244	182,982
Time Restrictions	150,000	-
Total	<u>\$ 805,549</u>	<u>\$ 962,458</u>

NOTE 7 PENSION PLANS

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 \$139,410 and \$123,265 for the years ended December 31, 2021 and 2020, respectively.

The Organization started a 457(b) plan in 2021, which is a voluntary retirement plan that is offered to certain highly compensated employees. The plan is an employee funded tax deferred annuity plan. Employees are fully vested in their contributions.

**MINNESOTA ASSISTANCE COUNCIL FOR VETERANS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 8 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:

<u>Year Ending December 31,</u>	<u>Amount</u>
2022	\$ 164,709
2023	190,736
2024	198,365
2025	206,300
2026	214,552
Thereafter	969,139
Total	<u>\$ 1,943,801</u>

The rental expense for the years ended December 31, 2021 and 2020 was \$171,741 and \$174,935, respectively. In August 2022, the metro office lease was extended through January 31, 2031 with an additional 1,157 of rentable square feet for a total of 8,458.

NOTE 9 COMMITTED GRANTS AND CONTRACTS

Government Grants – The Organization has conditional promises to give totaling \$4,969,065 and \$2,860,166 at December 31, 2021 and 2020, respectively, which consists of government grants with remaining commitments that are conditional upon incurring eligible expenditures or performing certain services. Conditional promises to give are recognized in the financial statements when conditions have been met. The remaining contributions are expected to be recognized in 2022 and 2023.

NOTE 10 COVID-19

In December 2019, a novel strain of coronavirus (COVID-19) surfaced. The spread of COVID-19 around the world during 2020 has caused significant volatility in the U.S. and international markets. There is a significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies and, as such, the Organization is unable to determine if it will have a material impact to its operations.

NOTE 11 AVAILABILITY AND LIQUIDITY

The following represents Minnesota Assistance Council for Veteran's financial assets at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 3,035,937	\$ 3,634,897
Investments	1,476,551	-
Accounts receivable	2,184,302	2,234,427
Total financial assets	<u>6,696,790</u>	<u>5,869,324</u>
Less amounts not available to be used within a year:		
Net assets with donor restrictions	(822,316)	(878,887)
Time restrictions	<u>(150,000)</u>	<u>(300,000)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 5,724,474</u>	<u>\$ 4,690,437</u>

**MINNESOTA ASSISTANCE COUNCIL FOR VETERANS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 11 AVAILABILITY AND LIQUIDITY (CONTINUED)

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.

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.

SINGLE AUDIT REPORTS



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statements of Minnesota Assistance Council for Veterans, which comprise the statement of financial position as of December 31, 2021, and the related statements of activity, functional expenses, and cash flows for the year then ended, and the related notes to financial statements, and have issued our report thereon dated September 15, 2022. We conducted our audit 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.

Report on Internal Control over Financial

In planning and performing our audit of the financial statements, we considered Minnesota Assistance Council for Veterans' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Minnesota Assistance Council for Veterans' internal control. Accordingly, we do not express an opinion on the effectiveness of Minnesota Assistance Council for Veterans' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Minnesota Assistance Council for Veterans' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control 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 or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Minnesota Assistance Council for Veterans' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Mahoney Ulbrich
Christiansen Russ P.A.*

September 15, 2022



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Minnesota Assistance Council for Veterans' compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on Minnesota Assistance Council for Veterans' major federal program for the year ended December 31, 2021. Minnesota Assistance Council for Veterans' major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, Minnesota Assistance Council for Veterans complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2021.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Minnesota Assistance Council for Veterans and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of Minnesota Assistance Council for Veterans' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Minnesota Assistance Council for Veterans' federal program.

(Continued)
(21)

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Minnesota Assistance Council for Veterans' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Minnesota Assistance Council for Veterans' compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Minnesota Assistance Council for Veterans' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Minnesota Assistance Council for Veterans' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Minnesota Assistance Council for Veterans' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Mahoney Ulbrich
Christiansen Russ P.A.*

September 15, 2022

**MINNESOTA ASSISTANCE COUNCIL FOR VETERANS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	Federal Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
Continuum of Care	14.267	\$ 374,861
Passed Through City of Duluth*		
Emergency Solutions Grant Program	14.231	3,000
CARES ACT Emergency Solutions Grant Program	14.231	50,000
Passed Through City of Saint Paul*		
Emergency Solutions Grant Program	14.231	31,260
Passed Through City of Duluth*		
Community Development Block Grant Program	14.218	9,150
HOME Investment Partnerships	14.239	<u>391,600</u>
Subtotal Housing and Urban Development		859,871
U.S. DEPARTMENT OF LABOR		
Homeless Veterans' Reintegration Program	17.805	910,993
DEPARTMENT OF VETERANS AFFAIRS		
VA Homeless Providers Grant and Per Diem Program	64.024	146,022
VA Supportive Services for Veteran Families Program - Shallow Subsidies	64.033	52,769
VA Supportive Services for Veteran Families Program	64.033	<u>4,804,362</u>
Subtotal Department of Veteran Affairs		5,003,153
Total		<u><u>\$ 6,774,017</u></u>

*Pass-through identification numbers not available.

See accompanying Notes to the Schedule of Expenditures of Federal Awards.

**MINNESOTA ASSISTANCE COUNCIL FOR VETERANS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Minnesota Assistance Council for Veterans under programs of the federal government for the year ended December 31, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Minnesota Assistance Council for Veterans, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Minnesota Assistance Council for Veterans.

Note 2. Summary of Significant Accounting Policies

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting except for the loan balances as discussed in Note 3. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) Minnesota Assistance Council for Veterans has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3. Loans

The accompanying schedule of expenditures of federal awards includes loans with continuing compliance requirements in the amount of \$391,600 in program 14.239.

The loan balance did not change during the year.

**MINNESOTA ASSISTANCE COUNCIL FOR VETERANS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified		
"Going concern" emphasis-of-matter paragraph included in the auditor's report?	_____ yes	_____ <u>X</u> no	
Internal control over financial reporting:			
• Material weakness(es) identified?	_____ yes	_____ <u>X</u> no	
• Significant deficiency(s) identified?	_____ yes	_____ <u>X</u> none reported	
Noncompliance material to financial statements noted?	_____ yes	_____ <u>X</u> no	

FEDERAL AWARDS

Internal control over major program:			
• Material weakness(es) identified?	_____ yes	_____ <u>X</u> no	
• Significant deficiency(s) identified?	_____ yes	_____ <u>X</u> none reported	
Type of auditor's report issued on compliance for major program	Unmodified		
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	_____ yes	_____ <u>X</u> no	
Identification of major program:	Assistance Listing Number 64.033 – VA Supportive Services for Veteran Families Program		
Dollar threshold used to distinguish between type A and type B programs	\$ <u>750,000</u>		
Auditee qualified as low-risk auditee?	_____ <u>X</u> yes	_____ no	

SECTION II – FINDINGS – FINANCIAL STATEMENTS AUDIT: No matters were reported.

SECTION III – FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT:
No matters were reported.

SECTION IV – PRIOR AUDIT FINDINGS AND QUESTIONED COSTS: No matters were reported.