



**MINNESOTA ASSISTANCE COUNCIL FOR VETERANS**  
**FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**



**MINNESOTA ASSISTANCE COUNCIL FOR VETERANS  
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DECEMBER 31, 2022 AND 2021**

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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, 2022 and 2021, 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, 2022 and 2021, 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.

#### **Adoption of New Accounting Standard**

As discussed in Note 1 to the financial statements, Minnesota Assistance Council for Veterans has adopted Accounted Standards Update (ASU) 2016-02, Leases. Our opinion is not modified with respect to this matter.

#### **Other Information Included in the Organization's Annual report**

Management is responsible for the other information included in the Organization's annual report. The other information comprises the financial information, a message from the President & CEO, and a description of program accomplishments for the year but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance on it.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2023, 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, PA*

June 20, 2023

**MINNESOTA ASSISTANCE COUNCIL FOR VETERANS  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2022 AND 2021**

	<b>2022</b>	<b>2021</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 2,851,539	\$ 3,035,937
Investments	2,394,474	1,476,551
Accounts Receivable	2,836,324	2,036,911
Prepaid Expenses	125,643	73,390
<b>Total Current Assets</b>	<b>8,207,980</b>	<b>6,622,789</b>
<b>Other Assets</b>		
Accounts Receivable, less current portion	-	147,391
Long-term Investments - deferred compensation plan	52,945	24,587
Security Deposit	12,473	12,473
<b>Total Other Assets</b>	<b>65,418</b>	<b>184,451</b>
<b>Property and Equipment</b>		
Land	1,119,430	1,060,842
Houses and Improvements	13,887,411	7,351,589
Furniture and Equipment	217,576	186,914
Vehicles	256,141	189,289
Construction in Progress	575,263	17,480
Accumulated Depreciation	(3,043,916)	(2,678,384)
Leased Assets, net	1,401,928	-
<b>Total Property and Equipment</b>	<b>14,413,833</b>	<b>6,127,730</b>
<b>Total Assets</b>	<b>\$ 22,687,231</b>	<b>\$ 12,934,970</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Long Term Debt	\$ 400,871	\$ -
Accounts Payable	281,242	201,556
Accrued Expenses	583,784	375,543
Deferred Rent	-	47,839
Lease Liabilities	137,254	-
<b>Total Current Liabilities</b>	<b>1,403,151</b>	<b>624,938</b>
<b>Long Term Debt, less current portion</b>	<b>2,690,137</b>	<b>2,543,540</b>
<b>Other Liabilities</b>		
Deferred Compensation	52,945	24,587
Refundable Advances	315,284	-
Lease Liabilities, less current portion	1,356,692	-
<b>Total Other Liabilities</b>	<b>1,724,921</b>	<b>24,587</b>
<b>Total Liabilities</b>	<b>5,818,209</b>	<b>3,193,065</b>
<b>NET ASSETS</b>		
Net Assets - Without Donor Restrictions	12,588,994	6,693,769
Net Assets - With Donor Restrictions	4,280,028	3,048,136
<b>Total Net Assets</b>	<b>16,869,022</b>	<b>9,741,905</b>
<b>Total Liabilities &amp; Net Assets</b>	<b>\$ 22,687,231</b>	<b>\$ 12,934,970</b>

See accompanying Notes to Financial Statements

**MINNESOTA ASSISTANCE COUNCIL FOR VETERANS**  
**STATEMENT OF ACTIVITY**  
**YEAR ENDED DECEMBER 31, 2022**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>			
Support			
Contributions	\$ 1,005,718	\$ 1,652,039	\$ 2,657,757
In-Kind Contributions	140,992	-	140,992
Total Support	<u>1,146,710</u>	<u>1,652,039</u>	<u>2,798,749</u>
Special events income net of direct donor benefits of \$16,000 in 2022	30,451	-	30,451
Revenue			
Government Grants	9,471,988	-	9,471,988
Contracts	60,000	-	60,000
Rental Income	231,185	-	231,185
Other Revenue	11,611	-	11,611
Total Revenue	<u>9,805,235</u>	<u>-</u>	<u>9,805,235</u>
Net Assets Released from Restriction	<u>922,833</u>	<u>(922,833)</u>	<u>-</u>
Total Support and Revenue	11,874,778	729,206	12,603,984
<b>EXPENSES</b>			
Program Services	10,129,137	-	10,129,137
Management and General	1,758,046	-	1,758,046
Fundraising	508,650	-	508,650
Total Expenses	<u>12,395,833</u>	<u>-</u>	<u>12,395,833</u>
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	(521,055)	729,206	208,151
<b>OTHER INCOME (LOSS)</b>			
Capital Activity Contributions	988,290	2,225,000	3,213,290
Capital Activity In-Kind Contributions	732,725	-	732,725
Capital Activity Government Grants	3,244,640	-	3,244,640
Gain on Sale of Property and Equipment	5,500	-	5,500
Investment Income (Loss), net	(277,189)	-	(277,189)
Net Assets Released from Restriction	1,722,314	(1,722,314)	-
Total Other Income (Loss)	<u>6,416,280</u>	<u>502,686</u>	<u>6,918,966</u>
<b>CHANGE IN NET ASSETS</b>	5,895,225	1,231,892	7,127,117
Net Assets - Beginning of Year	<u>6,693,769</u>	<u>3,048,136</u>	<u>9,741,905</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 12,588,994</u>	<u>\$ 4,280,028</u>	<u>\$ 16,869,022</u>

**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>
<b>SUPPORT AND REVENUE</b>			
Support			
Contributions	\$ 1,858,597	\$ 556,501	\$ 2,415,098
In-Kind Contributions	71,651	-	71,651
Total Support	<u>1,930,248</u>	<u>556,501</u>	<u>2,486,749</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
Rental Income	148,149	-	148,149
Other Revenue	23,131	-	23,131
Total Revenue	<u>7,579,752</u>	<u>24,500</u>	<u>7,604,252</u>
Net Assets Released from Restriction	<u>805,549</u>	<u>(805,549)</u>	<u>-</u>
Total Support and Revenue	10,315,549	(224,548)	10,091,001
<b>EXPENSES</b>			
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>
	476,315	(224,548)	251,767
<b>OTHER INCOME (LOSS)</b>			
Capital Activity In-Kind Contributions	321,542	-	321,542
Forgiveness of PPP loan	300,000	-	300,000
Gain on Sale of Property and Equipment	119,652	-	119,652
Investment Income (Loss), net	83,125	-	83,125
Total Other Income (Loss)	<u>824,319</u>	<u>-</u>	<u>824,319</u>
<b>CHANGE IN NET ASSETS</b>	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>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 6,693,769</u>	<u>\$ 3,048,136</u>	<u>\$ 9,741,905</u>

**MINNESOTA ASSISTANCE COUNCIL FOR VETERANS  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2022**

	Program Services								Total
	Management & General	Fundraising	Direct donor Benefits	Housing	Employment	Legal	Other Program Services	Total Program Services	
<b>Expenses</b>									
Salaries and Wages	\$ 887,249	\$ 322,457	\$ -	\$ 2,651,329	\$ 359,096	\$ 281,259	\$ 201,781	\$ 3,493,465	\$ 4,703,171
Fringe Benefits	73,220	21,490	-	427,754	62,780	55,487	19,493	565,514	660,224
Payroll Taxes	95,693	24,558	-	218,824	29,632	22,847	16,952	288,255	408,506
Total Personnel	1,056,162	368,505	-	3,297,907	451,508	359,593	238,226	4,347,234	5,771,901
Professional Services	206,922	47,618	-	170,806	22,256	9,672	6,130	208,864	463,404
Housing	-	-	-	3,294,450	65,860	-	12,664	3,372,974	3,372,974
Rent	71,492	13,656	-	88,635	41,292	19,702	1,925	151,554	236,702
Repairs and Maintenance	7,225	-	-	292,852	7,306	-	1,446	301,604	308,829
Utilities	-	-	-	240,675	4,075	-	262	245,012	245,012
Equipment and Supplies	103,645	9,817	-	200,041	25,394	5,395	14,831	245,661	359,123
Dues and Memberships	7,871	2,677	-	61,252	256	896	1,421	63,825	74,373
Office Equipment	57,448	1,841	-	6,788	1,556	1,147	122	9,613	68,902
Printing and Postage	6,259	10,038	-	9,689	1,908	1,907	844	14,348	30,645
Telephone and Internet	18,082	2,157	-	69,922	13,187	3,858	14,303	101,270	121,509
Insurance	99,515	-	-	3,692	-	-	-	3,692	103,207
Professional Development	36,410	8,347	-	20,281	9,315	12,291	9,587	51,474	96,231
Food	-	-	-	63,471	1,150	-	12,937	77,558	77,558
Travel	34,689	6,118	-	92,321	71,324	2,382	33,327	199,354	240,161
Marketing and Communications	8,383	7,853	-	233	748	155	8,242	9,378	25,614
Fundraising Events	190	3,373	16,000	25	-	-	615	640	20,203
Program Events	613	7,272	-	11,622	306	249	413	12,590	20,475
Staff Events	3,229	-	-	447	-	-	10	457	3,686
Depreciation	12,985	-	-	371,168	-	-	16,379	387,547	400,532
Interest	-	-	-	102,710	-	-	-	102,710	102,710
Bad debt	40	-	-	-	-	-	-	-	40
Miscellaneous Expenses	22,281	5,783	-	88,276	4,300	2,158	4,252	98,986	127,050
<b>Sub-Total Expenses</b>	<b>1,753,441</b>	<b>495,055</b>	<b>16,000</b>	<b>8,487,263</b>	<b>721,741</b>	<b>419,405</b>	<b>377,936</b>	<b>10,006,345</b>	<b>12,270,841</b>
Professional Services	-	7,500	-	-	-	3,752	-	3,752	11,252
Equipment and Supplies	4,605	6,095	-	28,540	-	-	500	29,040	39,740
Rent	-	-	-	90,000	-	-	-	90,000	90,000
In-Kind Expense	4,605	13,595	-	118,540	-	3,752	500	122,792	140,992
Less special events direct donor benefits	-	-	(16,000)	-	-	-	-	-	(16,000)
<b>Total Expenses</b>	<b>\$ 1,758,046</b>	<b>\$ 508,650</b>	<b>\$ -</b>	<b>\$ 8,605,803</b>	<b>\$ 721,741</b>	<b>\$ 423,157</b>	<b>\$ 378,436</b>	<b>\$ 10,129,137</b>	<b>\$ 12,395,833</b>

See accompanying Notes to Financial Statements



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

	<b>Program Services</b>								<b>Total</b>
	<b>Management &amp; General</b>	<b>Fundraising</b>	<b>Direct donor Benefits</b>	<b>Housing</b>	<b>Employment</b>	<b>Legal</b>	<b>Other Program Services</b>	<b>Total Program Services</b>	
<b>Expenses</b>									
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
<b>Total Personnel</b>	<b>726,730</b>	<b>325,700</b>	<b>-</b>	<b>2,256,182</b>	<b>511,221</b>	<b>336,375</b>	<b>99,953</b>	<b>3,203,731</b>	<b>4,256,161</b>
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
<b>Sub-Total Expenses</b>	<b>1,114,515</b>	<b>419,585</b>	<b>20,095</b>	<b>6,806,795</b>	<b>738,772</b>	<b>377,047</b>	<b>192,716</b>	<b>8,115,330</b>	<b>9,669,525</b>
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)
<b>Total Expenses</b>	<b>\$ 1,179,708</b>	<b>\$ 427,530</b>	<b>\$ -</b>	<b>\$ 6,917,696</b>	<b>\$ 738,772</b>	<b>\$ 382,812</b>	<b>\$ 192,716</b>	<b>\$ 8,231,996</b>	<b>\$ 9,839,234</b>

See accompanying Notes to Financial Statements  
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**MINNESOTA ASSISTANCE COUNCIL FOR VETERANS  
STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2021 AND 2020**

	<b>2022</b>	<b>2021</b>
<b>Cash flows from Operating Activities</b>		
Change In Net Assets	\$ 7,127,117	\$ 1,076,086
<b>Change in Cash from Operating Activities</b>		
Depreciation	400,532	293,362
Forgiveness of PPP loan	-	(300,000)
Gain on Sale of Property and Equipment	(5,500)	(119,652)
(Gain) Loss on Investments	277,189	(42,273)
Donated Property and Land Less Debt Assumed	(1,178,143)	(226,696)
Discount Amortization on Long Term Debt	102,721	83,131
Accounts Receivable	(652,022)	50,124
Prepaid Expenses	(52,253)	41,757
Leased Assets	142,423	-
Lease Liabilities	(50,405)	-
Accounts Payable	79,686	(28,831)
Accrued Expenses	208,241	58,945
Deferred Rent and Refundable Advances	267,445	2,744
<b>Net cash used by Operating Activities</b>	<b>6,667,031</b>	<b>888,697</b>
<b>Cash flows from Investing Activities</b>		
Purchase of Property and Equipment	(5,656,317)	(260,746)
Sale of Property and Equipment	-	185,000
Proceeds from Sale of Investments	639,920	355,871
Purchase of Investments	(1,835,032)	(1,767,782)
<b>Net cash used by Investing Activities</b>	<b>(6,851,429)</b>	<b>(1,487,657)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(184,398)</b>	<b>(598,960)</b>
Cash and Cash Equivalents - Beginning of Year	3,035,937	3,634,897
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 2,851,539</b>	<b>\$ 3,035,937</b>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Noncash investing and financing activities:		
Donated property and land in 2022 and 2021	\$ 1,445,947	\$ 203,389
Debt assumed on property acquisition, net of imputed interest of \$988,291 for 2022 and \$65,152 for 2021	\$ 444,756	\$ 94,848
Leased assets obtained in exchange for lease liabilities	\$ 1,544,351	
Forgiveness of PPP loan	\$ -	\$ 300,000

**MINNESOTA ASSISTANCE COUNCIL FOR VETERANS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

**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.

**Accounting Standard Adopted**

In 2022, the Organization adopted Accounting Standard Update (ASU) 2016-02: Leases (Topic 842) using the modified retrospective approach with January 1, 2022 as the date of initial adoption. The Organization elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed the Organization to carry forward the historical lease classification. The Organization also elected not to record leases with an initial term of 12 months or less on the statement of financial position. This ASU was issued to increase transparency and comparability in financial reporting by requiring balance sheet recognition of leases and note disclosure of certain information about lease arrangements. As a result of implementing ASU No. 2016-02, the Organization recognized right-of-use assets (leased assets) of \$1,544,351 and lease liabilities totaling \$1,592,190 in its consolidated statement of financial position as of January 1, 2022. The adoption did not result in a significant effect on amounts reported in the consolidated statement of activities for the year ended December 31, 2022.

In 2022, the Organization adopted ASU 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Non-for-Profit Entities for Contributed Nonfinancial Assets. Under the new standard, not-for-profits are required to show contributed nonfinancial assets as a separate line item in the statement of activities. Not-for-profits need to provide enhanced disclosures about in-kind contributions received including disaggregating by category depicting the type of contributed nonfinancial asset, disclosing qualitative information about whether the contributed nonfinancial assets were either monetized or used during the reporting period, and describing any donor-imposed restrictions associated with the contributed assets. In addition, the valuation techniques and inputs used to arrive at a fair value measure must be disclosed.

**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.

**MINNESOTA ASSISTANCE COUNCIL FOR VETERANS  
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DECEMBER 31, 2022 AND 2021**

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

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, 2022 and 2021, the Organization's uninsured cash balances were approximately \$2,599,000 and \$2,393,000. 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, 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, 2022 and 2021, an allowance was not warranted, as substantially all receivables were from government agencies and management believed they were all collectible.

**MINNESOTA ASSISTANCE COUNCIL FOR VETERANS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

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

**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 2022 or 2021.

**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.

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 activities at estimated market value only if the services create or enhance a nonfinancial asset or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided through donation.

Donated property and materials are valued and recorded at their estimated fair market value, determined by management referencing local market inputs and the type of goods donated, at the date of receipt. Donated houses are valued based on appraised value, or lacking an appraisal, the real estate tax value on the date of donation. Donated office space is valued and recorded at estimated rental value. The Organization utilizes donated property and materials in its programs and operations or according to any donor restrictions.

In 2022, two houses were donated to the Organization with values of \$332,100 and \$296,000, along with construction materials and services of \$94,375 for rehab of two other houses, and a van with a value of \$10,250. In 2021, two houses were donated to the Organization with values of \$201,000 and \$120,542. The houses and van are used in the Housing program.

**MINNESOTA ASSISTANCE COUNCIL FOR VETERANS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

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

**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-reimbursable federal and state contracts and grants. Revenue is recognized upon execution of the respective grant agreements and the restrictions are released when the Organization has accomplished the objectives in compliance with specific contract or grant provisions.

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

**Recognition of Rental Income**

Leases with tenants are classified as operating leases and generally have terms of one year or less. Rental income consists of rent and rental subsidies which are recognized monthly in accordance with the underlying agreements.

**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.

**Leases**

The Organization assesses whether an arrangement qualifies as a lease (i.e. conveys the right to control the use of an identified asset for a period of time in exchange for consideration) at inception and only reassesses its determination if the terms and conditions of the arrangement are changed.

Right of use assets (leased assets) represent the Organization's right to use an underlying asset for the lease term, and lease liabilities represent the Organization's obligation to make lease payments. Leased assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Organization's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise the option. Lease expense is recognized for these leases on a straight-line basis over the lease term. The Organization has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the balance sheet. Common area maintenance costs and other variable lease payments are recognized when invoiced and are not included in the leased assets and liabilities.

The Organization uses the implicit rate when it is readily determinable. When the leases do not provide an implicit rate, to determine the present value of lease payments, management uses the Organization's incremental borrowing rate.

**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.

**MINNESOTA ASSISTANCE COUNCIL FOR VETERANS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

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

**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 2019 through 2021 are open to examination by federal and state authorities.

**Subsequent Events**

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through June 20, 2023, the date these financial statements were available to be issued, and identified no further significant events or transactions to disclose.

**NOTE 2 ACCOUNTS RECEIVABLE**

Pledges receivable included in accounts receivable of \$150,000 are due in 2023.

**NOTE 3 INVESTMENTS**

Investments at December 31, 2022 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:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
<b>2022</b>				
Money market funds	\$ 94,744	\$ -	\$ -	\$ 94,744
Common stocks and ETFs	1,052,307	-	-	1,052,307
U.S. Treasuries	103,974	-	-	103,974
Bonds	628,168	-	-	628,168
Mutual funds	515,281	-	-	515,281
Investments at fair value				<u>\$ 2,394,474</u>
<b>2021</b>				
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>\$ 1,476,551</u>

**MINNESOTA ASSISTANCE COUNCIL FOR VETERANS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

**NOTE 3 INVESTMENTS (CONTINUED)**

Investment income included the following as of December 31, 2022:

	<b>2022</b>	<b>2021</b>
Interest and dividend income	\$ 76,240	\$ 40,895
Realized loss, net	(88,777)	(12,101)
Unrealized gains, net	(243,545)	68,266
Total investment income	(256,082)	97,060
Less: Investment management and service fees	(21,107)	(13,935)
Total investment income, net	<b>\$ (277,189)</b>	<b>\$ 83,125</b>

**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**

<b>Description</b>	<b>2022</b>	<b>2021</b>
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
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.	223,074	223,074



**MINNESOTA ASSISTANCE COUNCIL FOR VETERANS  
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**NOTE 4 LONG-TERM DEBT (CONTINUED)**

<u>Description</u>	<u>2022</u>	<u>2021</u>
<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>		
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
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 14, 2023. 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
Seven BATC Foundation loans, 0% annual interest with lump-sum payments due on various dates from October 6, 2029 and November 19, 2033. These loans are discounted at 5.00% and are secured by the related building projects.	1,207,000	927,456
County of Hennepin, Minnesota, 0% annual interest with lump-sum payment due on November 3, 2037. The loan is discounted at 5.00% and is secured by the related building project.	1,054,707	-
	<u>5,274,617</u>	<u>3,940,026</u>
Imputed Interest	<u>(2,183,609)</u>	<u>(1,396,486)</u>
Long-Term Debt	<u>\$ 3,091,008</u>	<u>\$ 2,543,540</u>

**MINNESOTA ASSISTANCE COUNCIL FOR VETERANS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

**NOTE 4 LONG-TERM DEBT (CONTINUED)**

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

<u>Year Ending December 31,</u>	<u>Amount</u>
2023	\$ 400,871
2024	-
2025	-
2026	475,000
2027	-
Thereafter	4,398,746
Total	<u>\$ 5,274,617</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. The Organization received full forgiveness on March 12, 2021.

**NOTE 6 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>	<b>2022</b>	<b>2021</b>
Outreach	\$ 141,956	\$ 329,542
Women's Program	20,240	32,782
Other Housing Costs	1,055,696	297,355
Other Program Restrictions	129,886	162,637
	<u>1,347,778</u>	<u>822,316</u>
<b>Subject to the passage of time:</b>		
Loan Discounts	2,315,251	1,429,890
Veteran Housing	308,026	336,957
Multi-Year Pledge Time Restrictions	150,000	300,000
	<u>2,773,277</u>	<u>2,066,847</u>
<b>Not subject to appropriation or expenditure:</b>		
Land	158,973	158,973
Total	<u>\$ 4,280,028</u>	<u>\$ 3,048,136</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  
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**NOTE 6 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:

	<u>2022</u>	<u>2021</u>
Loan Discount Amortization	\$ 102,719	\$ 83,131
Veteran Housing	28,931	-
Outreach Program	376,265	123,334
Women's Program	78,002	57,100
Other Housing Costs	1,759,102	307,740
Other Program Restrictions	150,128	84,244
Time Restrictions	150,000	150,000
Total	<u>\$ 2,645,147</u>	<u>\$ 805,549</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 \$184,742 and \$139,410 for the years ended December 31, 2022 and 2021, respectively.

The Organization has a 457(b) plan, 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.

**NOTE 8 LEASE COMMITMENTS**

The Organization occupies office space for its operations in four locations under noncancelable operating leases which expire at various times through 2031. In addition to base rent, the Organization pays utilities, repairs, and insurance on the leased properties (CAM).

The Organization also leases copiers under noncancelable operating leases which expire at various times through 2026.

The following tables provide quantitative information concerning the Organization's leases for the year ended December 31:

<u>Lease Cost</u>	<u>Classification</u>	<u>2022</u>	<u>2021</u>
Operating - building	Rent	\$ 210,455	\$ 171,741
Short-term leases - building	Rent	24,148	-
Variable lease payments	Rent	2,099	-
Operating - copiers	Printing and postage	8,460	-
Total lease cost		<u>\$ 245,162</u>	<u>\$ 171,741</u>

**MINNESOTA ASSISTANCE COUNCIL FOR VETERANS  
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**NOTE 8 LEASE COMMITMENTS (CONTINUED)**

**Lease Term and Discount Rate for Operating leases:**

	<b>2022</b>
Weighted Average Remaining Lease Term (years)	7.9
Weighted Average Discount Rate	5.00%

Minimum future rental payments required under the above-mentioned leases are as follows:

Year Ending December 31,	Amount
2023	\$ 210,471
2024	217,804
2025	219,390
2026	219,484
2027	226,434
Thereafter	746,830
Total lease payments	1,840,413
Less: imputed interest	(346,467)
Present value of lease liabilities	\$ 1,493,946

**NOTE 9 COMMITMENTS AND CONTINGENCIES**

**Government Grants** – The Organization has conditional promises to give totaling \$4,996,644 and \$4,969,065 at December 31, 2022 and 2021, 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 2023 through 2025.

**Litigation** – The Organization is subject to litigation in the normal course of its business. Management believes the outcome of such litigation will not have a material adverse effect on the operations or financial position of the Organization.

**NOTE 10 AVAILABILITY AND LIQUIDITY**

The following represents Minnesota Assistance Council for Veteran's financial assets at December 31, 2022 and 2021:

	<b>2022</b>	<b>2021</b>
Financial assets at year-end:		
Cash and cash equivalents	\$ 2,851,539	\$ 3,035,937
Investments	2,394,474	1,476,551
Accounts receivable	2,836,324	2,184,302
Total financial assets	8,082,337	6,696,790
Less amounts not available to be used within a year:		
Net assets with donor restrictions	(1,348,246)	(822,316)
Time restrictions	-	(150,000)
Financial assets available to meet general expenditures over the next twelve months	\$ 6,734,091	\$ 5,724,474

**MINNESOTA ASSISTANCE COUNCIL FOR VETERANS  
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**NOTE 10 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.