

# Volunteers Enlisted to Assist People (VEAP)

Bloomington, Minnesota

Financial Statements

Years Ended December 31, 2017 and 2016

**WIPFLI**<sup>LLP</sup>  
CPAs and Consultants



## Independent Auditor's Report

Board of Directors  
Volunteers Enlisted to Assist People (VEAP)  
Bloomington, Minnesota

We have audited the accompanying financial statements of Volunteers Enlisted to Assist People (VEAP) (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of VEAP as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

A handwritten signature in black ink that reads "Wipfli LLP".

Wipfli LLP

July 23, 2018  
Minneapolis, Minnesota

# Volunteers Enlisted to Assist People (VEAP)

## Statements of Financial Position

December 31, 2017 and 2016

	<i>Assets</i>	<b>2017</b>	<b>2016</b>
<b>Current assets:</b>			
Cash and cash equivalents		\$ 862,032	\$ 665,758
Accounts receivable		72,314	110,117
Pledges receivable, current		18,750	56,547
Inventories		182,726	246,273
Prepaid expenses		19,006	22,148
<b>Total current assets</b>		<b>1,154,828</b>	<b>1,100,843</b>
Long-term pledges receivable, net		52,451	61,750
Property and equipment, net		4,843,507	5,004,854
<b>TOTAL ASSETS</b>		<b>\$ 6,050,786</b>	<b>\$ 6,167,447</b>
<b><i>Liabilities and Net Assets</i></b>			
<b>Current liabilities:</b>			
Current maturities of mortgages payable		\$ 132,076	\$ 91,101
Current maturities of capital leases payable		3,111	11,448
Accounts payable		29,389	2,193
Accrued expenses		74,810	82,172
Accrued interest		2,785	3,182
<b>Total current liabilities</b>		<b>242,171</b>	<b>190,096</b>
<b>Long-term liabilities:</b>			
Mortgages payable		3,948,773	4,061,726
Capital leases payable		4,476	7,182
<b>Total long-term liabilities</b>		<b>3,953,249</b>	<b>4,068,908</b>
<b>Total liabilities</b>		<b>4,195,420</b>	<b>4,259,004</b>
<b>Net assets:</b>			
Unrestricted		1,845,366	1,846,693
Temporarily restricted		10,000	61,750
<b>Total net assets</b>		<b>1,855,366</b>	<b>1,908,443</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>		<b>\$ 6,050,786</b>	<b>\$ 6,167,447</b>

See accompanying notes to financial statements.

# Volunteers Enlisted to Assist People (VEAP)

## Statements of Activities

Years Ended December 31, 2017 and 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and revenue:						
Contributions:						
Congregations	\$ 171,169	\$ 0	\$ 171,169	\$ 175,767	\$ 0	\$ 175,767
Individuals	726,606	0	726,606	725,765	6,990	732,755
Other organizations	513,667	0	513,667	527,594	0	527,594
United Way	48,750	0	48,750	50,000	0	50,000
Special events:						
Gala, net direct costs of \$62,858 in 2017 and \$70,701 in 2016	131,752	0	131,752	224,682	0	224,682
Summer events, net direct costs of \$7,782 in 2017 and \$11,046 in 2016	6,353	0	6,353	18,147	0	18,147
Government grant revenue	682,497	0	682,497	763,268	0	763,268
Contract revenue	76,496	0	76,496	74,663	0	74,663
Rental revenue	367,600	0	367,600	375,595	0	375,595
Investment income	884	0	884	88	0	88
Donated goods and services	6,973,123	0	6,973,123	6,407,325	0	6,407,325
Other income	14,083	0	14,083	6,929	0	6,929
Net assets released from restriction	51,750	( 51,750)	0	152,913	( 152,913)	0
Total support and revenue	9,764,730	( 51,750)	9,712,980	9,502,736	( 145,923)	9,356,813
Expense:						
Program services	9,197,047	0	9,197,047	9,228,582	0	9,228,582
Support services:						
Management and general	347,854	0	347,854	163,876	0	163,876
Fundraising	221,156	0	221,156	150,256	0	150,256
Total support services	569,010	0	569,010	314,132	0	314,132
Total expenses	9,766,057	0	9,766,057	9,542,714	0	9,542,714
Change in net assets	( 1,327)	( 51,750)	( 53,077)	( 39,978)	( 145,923)	( 185,901)
Net assets - Beginning of year	1,846,693	61,750	1,908,443	1,886,671	207,673	2,094,344
Net assets - End of year	\$ 1,845,366	\$ 10,000	\$ 1,855,366	\$ 1,846,693	\$ 61,750	\$ 1,908,443

See accompanying notes to financial statements.

# Volunteers Enlisted to Assist People (VEAP)

## Statement of Functional Expenses

Year Ended December 31, 2017

	Program Services					Support Services		2017 Total
	Social Services	Food	Children and Youth Services	Transportation	Total	Management and General	Fundraising	
Salaries and wages	\$ 147,485	\$ 202,690	\$ 108,697	\$ 84,251	\$ 543,123	\$ 210,988	\$ 147,936	\$ 902,047
Payroll taxes	11,914	16,374	8,781	6,806	43,875	17,047	11,951	72,873
Fringe benefits	17,933	24,631	13,147	10,229	65,940	25,034	17,932	108,906
<b>Total salaries and related benefits</b>	<b>177,332</b>	<b>243,695</b>	<b>130,625</b>	<b>101,286</b>	<b>652,938</b>	<b>253,069</b>	<b>177,819</b>	<b>1,083,826</b>
Vehicle	0	7,517	0	13,537	21,054	0	0	21,054
Mileage	484	548	189	146	1,367	345	340	2,052
Membership	478	3,451	478	143	4,550	243	191	4,984
Food expense	0	709,800	0	0	709,800	0	0	709,800
Program supplies	0	19,430	0	0	19,430	0	0	19,430
Childcare expenses	0	0	22,737	0	22,737	0	0	22,737
In-kind donations	478	6,822,138	114,249	1,476	6,938,341	34,782	0	6,973,123
Client assistance	126,285	0	0	0	126,285	0	0	126,285
Insurance	6,220	42,297	6,220	1,866	56,603	3,725	2,488	62,816
Supplies	1,456	9,902	1,456	535	13,349	667	828	14,844
Printing	3,618	23,939	3,926	1,090	32,573	2,146	3,359	38,078
Professional fees	8,258	56,154	8,258	6,377	79,047	4,129	3,303	86,479
Continuing education	813	560	215	166	1,754	418	292	2,464
Recognition	2,314	3,503	1,705	1,673	9,195	3,310	2,321	14,826
Utilities	7,861	53,454	7,861	4,053	73,229	3,930	3,144	80,303
Building maintenance	7,102	50,790	7,187	2,117	67,196	3,746	2,823	73,765
Marketing	2,242	15,353	2,242	673	20,510	1,218	3,155	24,883
Equipment maintenance	253	1,882	253	76	2,464	126	101	2,691
Property and income tax expense	1,761	11,975	1,761	528	16,025	17,034	704	33,763
Interest expense	16,550	112,546	16,550	4,965	150,611	8,277	6,620	165,508
Bad debt expense	450	3,060	450	135	4,095	225	180	4,500
Other expense	2,013	7,524	1,553	758	11,848	1,560	6,365	19,773
<b>Total expenses before depreciation</b>	<b>365,968</b>	<b>8,199,518</b>	<b>327,915</b>	<b>141,600</b>	<b>9,035,001</b>	<b>338,950</b>	<b>214,033</b>	<b>9,587,984</b>
Depreciation	17,807	121,090	17,807	5,342	162,046	8,904	7,123	178,073
<b>Total expenses</b>	<b>\$ 383,775</b>	<b>\$ 8,320,608</b>	<b>\$ 345,722</b>	<b>\$ 146,942</b>	<b>\$ 9,197,047</b>	<b>\$ 347,854</b>	<b>\$ 221,156</b>	<b>\$ 9,766,057</b>

See accompanying notes to financial statements.

# Volunteers Enlisted to Assist People (VEAP)

## Statement of Functional Expenses (continued)

Year Ended December 31, 2016

	Program Services					Support Services		2016 Total
	Social Services	Food	Children and Youth Services	Transportation	Total	Management and General	Fundraising	
Salaries and wages	\$ 266,738	\$ 338,553	\$ 123,110	\$ 123,110	\$ 851,511	\$ 92,333	\$ 82,074	\$ 1,025,918
Payroll taxes	21,137	26,828	9,756	9,756	67,477	7,317	6,504	81,298
Fringe benefits	33,870	42,989	15,603	15,632	108,094	11,213	10,422	129,729
<b>Total salaries and related benefits</b>	<b>321,745</b>	<b>408,370</b>	<b>148,469</b>	<b>148,498</b>	<b>1,027,082</b>	<b>110,863</b>	<b>99,000</b>	<b>1,236,945</b>
Vehicle	0	6,743	0	10,389	17,132	0	0	17,132
Mileage	827	555	210	211	1,803	402	277	2,482
Membership	1,069	6,227	908	273	8,477	572	589	9,638
Food expense	0	792,070	0	0	792,070	0	0	792,070
Program supplies	23	14,776	1,834	11	16,644	0	0	16,644
Children and youth	0	0	42,211	0	42,211	0	0	42,211
In-kind donations	0	6,157,536	247,381	1,609	6,406,526	800	0	6,407,326
Toys and birthday bags	0	0	6,356	0	6,356	0	0	6,356
Client assistance	171,253	0	0	0	171,253	0	0	171,253
Insurance	6,553	44,560	6,553	1,966	59,632	3,288	2,621	65,541
Supplies	1,718	11,686	1,689	962	16,055	1,654	969	18,678
Printing	3,678	20,621	4,183	910	29,392	1,675	1,252	32,319
Professional fees	9,603	59,647	8,764	6,280	84,294	4,596	7,092	95,982
Continuing education	1,147	609	278	218	2,252	271	188	2,711
Recognition	3,895	5,886	1,794	2,103	13,678	1,372	1,189	16,239
Utilities	8,583	58,707	8,583	4,031	79,904	4,297	3,433	87,634
Building maintenance	6,902	47,400	6,902	2,071	63,275	2,279	2,761	68,315
Marketing	2,080	13,598	2,004	591	18,273	1,000	8,229	27,502
Equipment maintenance	28	708	28	9	773	14	11	798
Property and income tax expense	1,780	12,102	1,780	534	16,196	13,400	712	30,308
Interest expense	20,062	136,547	20,174	6,817	183,600	6,907	8,070	198,577
Other expense	2,222	6,998	1,335	761	11,316	1,673	6,813	19,802
<b>Total expenses before depreciation</b>	<b>563,168</b>	<b>7,805,346</b>	<b>511,436</b>	<b>188,244</b>	<b>9,068,194</b>	<b>155,063</b>	<b>143,206</b>	<b>9,366,463</b>
Depreciation	17,625	119,850	17,625	5,288	160,388	8,813	7,050	176,251
<b>Total expenses</b>	<b>\$ 580,793</b>	<b>\$ 7,925,196</b>	<b>\$ 529,061</b>	<b>\$ 193,532</b>	<b>\$ 9,228,582</b>	<b>\$ 163,876</b>	<b>\$ 150,256</b>	<b>\$ 9,542,714</b>

See accompanying notes to financial statements.

# Volunteers Enlisted to Assist People (VEAP)

## Statements of Cash Flows

Years Ended December 31, 2017 and 2016

	2017	2016
Increase (decrease) in cash and cash equivalents:		
Cash flows from operating activities:		
Change in net assets	(\$ 53,077)	(\$ 185,901)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	178,073	176,251
Amortization of loan costs	12,094	4,500
Bad debt expense	4,500	0
Discount on pledges receivable	( 1,049)	( 5,587)
Change in donated inventory	63,547	( 3,175)
Changes in operating assets and liabilities:		
Accounts receivable	33,303	11,808
Pledges receivable	48,145	89,376
Prepaid expenses	3,142	( 6,360)
Accounts payable	27,196	( 82,198)
Accrued expenses	( 7,362)	( 3,803)
Accrued interest	( 397)	( 44)
Net cash provided by (used in) operating activities	308,115	( 5,133)
Cash flows from investing activities:		
Purchase of property and equipment	( 16,726)	( 45,077)
Cash flows from financing activities:		
Proceeds from issuance of new debt	159,587	0
Payments on capital leases	( 11,043)	( 6,822)
Principal payments on long-term debt	( 243,659)	( 87,530)
Net cash (used in) financing activities	( 95,115)	( 94,352)
Increase (decrease) in cash and cash equivalents	196,274	( 144,562)
Cash and cash equivalents - Beginning of year	665,758	810,320
Cash and cash equivalents - End of year	\$ 862,032	\$ 665,758
<b>Supplemental disclosures of cash flow information:</b>		
Cash paid during the year for interest	\$ 165,508	\$ 194,121

See accompanying notes to financial statements.

# Volunteers Enlisted to Assist People (VEAP)

## Notes to Financial Statements

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### Note 1: Summary of Significant Accounting Policies

#### Nature of Operations

Since 1973, Volunteers Enlisted to Assist People (VEAP) has provided a range of services to help low-income individuals and families meet their immediate needs and attain stability. VEAP clients are low-income residents of Bloomington, Edina, Richfield, and a portion of south Minneapolis (south of 50th Street and west of Cedar Avenue). Eighty-one percent of all households accessing services have a monthly income of \$1,600 or less (\$19,200 annually), and 57% have children under the age of 18 living in the home. VEAP's basic needs programs include access to healthy foods, social services, transportation, and children- and youth-focused services. VEAP operates one of the largest food pantries in the state and distributes over three million pounds of food annually. To deliver its programs, VEAP depends on a growing corps of volunteers. Groups from area congregations, businesses, schools, and civic groups as well as individuals, share their time and talents with VEAP.

#### Basis of Presentation

All financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States (GAAP).

#### Classification of Net Assets

VEAP is required to report information regarding its financial position and activities according to three classes of net assets:

*Unrestricted net assets* are the net assets of VEAP that are neither permanently restricted nor temporarily restricted. Thus, they include all net assets whose use has not been restricted by donors or by law.

*Temporarily restricted net assets* are the net assets of VEAP whose use by VEAP has been limited by donors to a specific time period or purpose.

*Permanently restricted net assets* are the net assets of VEAP that are restricted by donors to be maintained by VEAP in perpetuity. Permanently restricted net assets generally increase through contributions with donor-imposed restrictions that do not expire with the passage of time and cannot be removed or fulfilled by organization actions. VEAP currently has no permanently restricted net assets.

#### Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### Cash and Cash Equivalents

The Organization considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.



# Volunteers Enlisted to Assist People (VEAP)

## Notes to Financial Statements

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### Pledges Receivable

Unconditional pledges are recorded as receivables in the year pledged. Conditional pledges receivable are recognized only when the conditions on which they depend are substantially met. Pledges and other promises to give whose eventual uses are restricted by the donors are recorded as increases in temporarily restricted net assets. Unrestricted pledges to be collected in future periods also are recorded as an increase to temporarily restricted net assets and reclassified to unrestricted net assets when received, unless the donor's intention is to support current-period activities.

Pledges receivable that are expected to be collected in less than one year are reported at net realizable value. Pledges receivable that are expected to be collected in future years are recorded at the present value of estimated future cash flows on a discounted basis applicable to the years in which the promises were received. The amortization of the discount is recognized as contribution income over the duration of the pledge.

Management individually reviews all past due pledges receivable balances and estimates the portion, if any, of the balance that will not be collected. The carrying amounts of pledges receivable are reduced by allowances that reflect management's estimate of uncollectible amounts. No allowance for doubtful accounts has been provided, since all contributions are considered to be collectible.

#### Inventories

Inventories consist of food, gift cards, gift certificates, toys, and back-to-school supplies. Inventory at December 31, 2016 is stated at the lower of cost or market. Cost is determined using the value of food per pound calculated by Feeding America through a study of approximate average wholesale value of one pound of donated product at the national level. Other materials received for use in programs are valued at the amount paid for similar items purchased for use. In 2017, the Organization adopted Accounting Standard Update (ASU) 2015-11, "Inventory – Simplifying the Measurement of Inventory," which changed how inventory is valued. Inventories as of December 31, 2017 are stated at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The adoption of ASU 2015-11 did not have a material impact on the Organization's financial statements.

#### Revenue Recognition

Contributions are considered available for unrestricted use unless specifically restricted by the donor. Contributions received are recorded as temporarily restricted or permanently restricted support, depending on the existence and nature of any donor restrictions. Unconditional promises to give cash and other assets to VEAP are reported at fair value at the date the promise is received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized.

# Volunteers Enlisted to Assist People (VEAP)

## Notes to Financial Statements

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### Grant Revenue

Grants are either recorded as contributions or exchange transactions based on criteria contained in the grant award.

- Grant awards that are contributions

Grants that qualify as contributions are recorded as invoiced to the funding sources. Revenue is recognized in the accounting period when the related allowable expenses are incurred. Amounts received in excess of expenses are reflected as grant funds received in advance.

- Grant awards that are exchange transactions

Exchange transactions reimburse based on a predetermined rate for services performed. The revenue is recognized in the period the service is performed.

#### Rental Income

Rental income is recognized when earned.

#### In-Kind Donations

VEAP has recorded in-kind contributions for food, food shelf items, professional expenses, and space used in operations on the statements of activities in accordance with financial accounting standards, which require that only contributions of goods or services received that create or enhance a nonfinancial asset or that require specialized skill by the individual possessing those skills and that would typically need to be purchased if not provided by donation be recorded.

In-kind contributions were \$6,973,123 and \$6,407,325 for the years ended December 31, 2017 and 2016, respectively. This includes food donations of \$6,822,138 and \$6,157,536 for the years ended December 31, 2017 and 2016, respectively.

No amounts have been reflected in the financial statements for donated volunteer services, since no specialized skills are required for these services. However, a substantial number of volunteers have donated significant amounts of their time in VEAP's program services.

# Volunteers Enlisted to Assist People (VEAP)

## Notes to Financial Statements

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### In-Kind Donations (Continued)

As of December 31, 2017 and 2016, donated hours are valued at \$24.14 and \$23.56 per hour, respectively, which is based on studies provided by Independent Sector, a nonprofit organization that provides leadership to the nonprofit sector.

	2017	2016
Donated hours	73,064	76,996
Estimated value of donated hours	\$ 1,763,773	\$ 1,814,026

As of December 31, 2017 and 2016, donated legal hours are valued at \$457.65 per hour based on the rate charged by attorneys used by the Organization in an arms-length transaction.

	2017	2016
Donated legal hours	76	28
Estimated value of donated legal hours	\$ 34,782	\$ 12,820

#### Property and Equipment

Property and equipment are capitalized at cost or, if donated, at fair value on the date of donation. Property and equipment is depreciated using the straight-line method over the estimated useful lives of the assets, with a cost greater than \$5,000 and an estimated useful life of more than one year. VEAP reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash and other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, VEAP reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

#### Functional Allocation of Expenses

Functional expenses not directly incurred by a program are allocated between program and supporting services on a basis considered reasonable by management. Salaries and related benefits are allocated based on estimates of time devoted to the various programs.

# Volunteers Enlisted to Assist People (VEAP)

## Notes to Financial Statements

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### **Note 1: Summary of Significant Accounting Policies** (Continued)

#### **Income Taxes**

VEAP is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and, as such, is subject to federal income tax only on net unrelated business income. VEAP is also exempt from Minnesota state income tax.

VEAP is required to assess whether it is more likely than not that a tax position will be sustained upon examination of the technical merits of the position, assuming the taxing authority has full knowledge of all information. If the tax position does not meet the more-likely-than-not recognition threshold, the benefit of that position is not recognized in the financial statements. VEAP has determined there are no amounts to record as assets or liabilities related to uncertain tax positions.

#### **Subsequent Events**

Subsequent events have been evaluated through July 23, 2018, which is the date the financial statements were available to be issued.

### **Note 2: Concentration of Credit Risk**

VEAP maintains cash balances at financial institutions where the accounts are insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000 at each institution. At certain times during the year, cash balances may be in excess of FDIC coverage. VEAP has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

# Volunteers Enlisted to Assist People (VEAP)

## Notes to Financial Statements

### Note 3: Pledges Receivable

The present values of the estimated realizable values of pledges receivable are recorded as assets and revenues in the statements of financial position and the statements of activities.

Pledges as of December 31 are summarized as follows:

	2017	2016
Pledges receivable	\$ 72,250	\$ 119,700
Unamortized discount	(1,049)	(1,403)
<b>Totals</b>	<b>\$ 71,201</b>	<b>\$ 118,297</b>
Amounts due in:		
Less than one year	\$ 18,750	\$ 56,547
One to five years	52,451	61,750
<b>Totals</b>	<b>\$ 71,201</b>	<b>\$ 118,297</b>

Pledges expected to be received over more than one year are recorded at their present value using a discount rate of 2.0% at December 31, 2017 and 2016.

### Note 4: Inventories

Inventories consisted of the following as of December 31:

	2017	2016
Food	\$ 151,943	\$ 138,344
Back-to-school items	-	16,834
Holiday toys	-	54,094
Birthday bags	23,901	17,755
Gift cards	5,652	17,346
Gas cards/bus tokens	1,230	1,900
<b>Totals</b>	<b>\$ 182,726</b>	<b>\$ 246,273</b>

# Volunteers Enlisted to Assist People (VEAP)

## Notes to Financial Statements

### Note 5: Property, Plant, and Equipment

Property, plant, and equipment consisted of the following as of December 31:

	2017	2016
Land	\$ 342,600	\$ 342,600
Buildings	1,007,400	1,007,400
Building improvements	3,866,943	3,866,943
Vehicles	155,444	138,717
Office equipment	142,163	142,163
Storage equipment	135,524	137,888
Subtotals	5,650,074	5,635,711
Accumulated depreciation	(806,567)	(630,857)
Totals	\$ 4,843,507	\$ 5,004,854

### Note 6: Line of Credit

VEAP maintained a revolving commercial loan with North American Bank in the amount of \$250,000, with interest of prime rate plus .25% (prime at December 31, 2017, was 4.50%), but not lower than 4.50%. The note was amended in 2015 for a new maturity date of May 25, 2018. There were no outstanding balances at December 31, 2017 and 2016.

# Volunteers Enlisted to Assist People (VEAP)

## Notes to Financial Statements

### Note 7: Mortgages Payable

Mortgages payable consisted of the following at December 31:

	2017	2016
<p>Mortgage payable of \$3.9 million to North American Banking Company with interest of 4.5%. Monthly payments of principal and interest are \$21,818 based on a 25-year amortization. A final payment of the unpaid balance is due on May 25, 2022. Collateralized by the property at 9600 Aldrich Avenue South, Bloomington, Minnesota. This loan was refinanced in May 2017 with a new loan.</p>	\$ -	\$ 3,761,827
<p>Revolving mortgage payable to North American Banking Company with interest of 4.5%. Monthly payments are interest only through April 2018, after which all unpaid principal and interest are due. Collateralized by the property at 9600 Aldrich Avenue South, Bloomington, Minnesota. This line of credit was refinanced in May 2017 with a new loan.</p>	-	400,000
<p>Refinanced mortgage payable of \$4.23 million to North American Banking Company with interest of 3.0%. Monthly payments of principal and interest are \$21,440 based on a 23-year amortization. A final payment of the unpaid balance is due on May 24, 2040. Collateralized by the property at 9600 Aldrich Avenue South, Bloomington, Minnesota.</p>	4,176,776	-
<p>Total mortgages payable</p>	4,176,776	4,161,827
<p>Less: Unamortized debt issuance costs</p>	(95,927)	(9,000)
<p>Less: Current maturities of mortgages payable</p>	(132,076)	(91,101)
<p>Total long-term mortgages payable</p>	\$ 3,948,773	\$ 4,061,726

# Volunteers Enlisted to Assist People (VEAP)

## Notes to Financial Statements

### Note 7: Mortgages Payable (Continued)

Future principal payments on mortgages as of December 31, 2017, were as follows:

2018	\$	132,076
2019		136,150
2020		140,018
2021		144,668
Thereafter		3,623,864
<hr/>		
Total	\$	4,176,776

The North American Banking Company mortgage agreement contains certain covenants that must be met. VEAP was in compliance with the loan covenants or had obtained the appropriate waivers as of December 31, 2017.

### Change in Accounting Principle

In 2016, VEAP retroactively adopted the requirements in Financial Accounting Standards Board Accounting Standards Codification Topic 835-30 to present debt issuance costs as a reduction of the carrying amount of the debt rather than as an asset.

Amortization of debt issuance costs of \$12,094 and \$4,500 is reported as interest expense in the statements of activities for the years ended December 31, 2017 and 2016, respectively.

### Note 8: Capital Lease Obligations

VEAP entered into capital lease agreements for various equipment. The first lease for plant equipment calls for monthly payments of \$173, including interest at 2.5%, maturing November 2017. The second lease for computer equipment calls for monthly payments of \$508, including interest at 9.99%, maturity November 2017. The third lease for a copier machine calls for monthly payments of \$248, including interest at 4.5%, maturing September 2020.

Property held under capital lease obligations at December 31 was as follows:

	2017	2016
Plant equipment	\$ -	\$ 18,464
Computer equipment	-	6,000
Copy machine	7,587	13,225
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Total property held under capital leases	7,587	37,689
Accumulated depreciation	(5,951)	(19,725)
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Property held under capital leases, net	\$ 1,636	\$ 17,964



# Volunteers Enlisted to Assist People (VEAP)

## Notes to Financial Statements

### Note 8: Capital Lease Obligations (Continued)

Debt service requirements at December 31, 2017, were as follows:

2018	\$	3,111
2019		2,819
2020		2,073
<hr/>		
Total minimum lease payments		8,003
Imputed interest		(416)
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Net present value of capital leases		7,587
Current maturity of capital leases		(3,111)
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Long-term capital lease obligations	\$	4,476

### Note 9: Operating Lease Agreements

VEAP leases various pieces of equipment on an annual basis. Lease expense was \$0 and \$2,425 for the years ended December 31, 2017 and 2016, respectively. There are no remaining commitments on these leases.

### Note 10: Lessor Activity

VEAP began leasing a portion of the building located at 9600 Aldrich Avenue, Bloomington, Minnesota, to Hennepin County (the "County") in December 2013. The lease is a 10-year agreement and provides for a termination option after seven years by delivering at least 270 days' prior written notice to VEAP.

The County has also agreed to pay its share of the cost of the common space. The total cost of the common space was \$80,460 and \$89,765 for the years ended December 31, 2017 and 2016, respectively. The County's share of the cost is based on \$3.50 per annum per net rentable square foot of the exclusive space and 50% of the shared space.

As of December 31, 2017, noncancelable minimum lease payments are as follows:

2018	\$	229,145
2019		231,435
2020		233,725
2021		236,014
2022		238,480
Thereafter		240,770
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Total	\$	1,409,569

# Volunteers Enlisted to Assist People (VEAP)

## Notes to Financial Statements

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### **Note 11: Retirement Plan**

VEAP maintains a 401(k) plan covering all eligible employees. The plan allows employees to defer compensation, and VEAP can elect to make discretionary contributions as determined by the Board of Directors. Since inception of the plan, the Board of Directors has authorized discretionary contributions of 5% of employees' compensation. Discretionary contributions were \$43,538 and \$56,812 for the years ended December 31, 2017 and 2016, respectively.

### **Note 12: Related-Party Transactions**

The Organization receives voluntary contributions from members of the Board. Contribution revenue from Board members was \$56,709 and \$46,240 for the years ended December 31, 2017 and 2016, respectively. In addition, pledges receivable from Board members consisted of \$25,000 and \$28,500 as of December 31, 2017 and 2016, respectively.

### **Note 13: Net Assets**

As of December 31, 2017 and 2016, VEAP had \$10,000 and \$61,750, respectively, of temporarily restricted net assets for time restrictions. The net assets will be released from restriction when the pledges receivable are received.