

**MAGNUS VETERANS FOUNDATION**

FINANCIAL STATEMENTS AS OF AND  
FOR THE YEAR ENDED  
DECEMBER 31, 2023 AND  
INDEPENDENT AUDITOR'S REPORT

# MAGNUS VETERANS FOUNDATION

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# **MURRY & ASSOCIATES, LLC**

## **Certified Public Accountants**

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### **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
Magnus Veterans Foundation  
Dayton, Minnesota

#### *Opinion*

We have audited the accompanying financial statements of Magnus Veterans Foundation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023, and the related statement of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Magnus Veterans Foundation as of December 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities 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 Magnus Veterans Foundation and to meet our other ethical responsibilities in accordance with the 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 audit opinion.

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, 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 Magnus Veterans Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## *Auditor's Responsibility 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 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 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.

In performing an audit in accordance with generally accepted 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 Magnus Veterans Foundation 's 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 Magnus Veterans Foundation 's 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.

*Muny Associates, LLC*

September 30, 2024

# MAGNUS VETERANS FOUNDATION

## STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2023

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### ASSETS

#### CURRENT ASSETS

Cash	\$ 311,633
Prepaid expenses	2,187
Total current assets	<u>313,820</u>

#### PROPERTY AND EQUIPMENT

Land	950,000
Buildings and improvements	3,261,614
Equipment	163,435
	<u>4,375,049</u>
Less accumulated depreciation	(356,021)
Total property and equipment	<u>4,019,028</u>

TOTAL ASSETS \$ 4,332,848

### LIABILITIES AND NET ASSETS

#### CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ 38,513
Current portion of long-term debt	416
Total current liabilities	<u>38,929</u>

LONG-TERM DEBT, net of current portion and loan origination fees 235,167

TOTAL LIABILITIES 274,096

#### NET ASSETS

Net assets without donor restrictions	4,058,752
Net assets with donor restrictions	-
Total net assets	<u>4,058,752</u>

TOTAL LIABILITIES AND NET ASSETS \$ 4,332,848

See notes to financial statements.

# MAGNUS VETERANS FOUNDATION

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2023

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### REVENUE AND SUPPORT

Contributions and grants	\$ 873,943
Special event revenue	163,651
Other income	3,116

Total revenue and support 1,040,710

### EXPENSES

Program expenses	444,934
General and administrative	199,246
Special event expenses	72,220
Interest expense	11,265
Depreciation expense	125,686

Total expenses 853,351

CHANGE IN TOTAL NET ASSETS WITHOUT DONOR RESTRICTIONS 187,359

NET ASSETS WITHOUT DONOR RESTRICTIONS - Beginning of year 3,871,393

NET ASSETS WITHOUT DONOR RESTRICTIONS - End of year \$ 4,058,752

See notes to financial statements.

# MAGNUS VETERANS FOUNDATION

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2023

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CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 187,359
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	125,686
Amortization of loan origination fees	189
Donated property	(1,642)
Changes in operating assets and liabilities:	
Accounts payable and accrued expenses	34,172
Prepaid expenses	(2,187)
	<hr/>
NET CASH PROVIDED BY OPERATING ACTIVITIES	343,577
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CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of building improvements and equipment	(120,149)
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NET CASH USED IN INVESTING ACTIVITIES	(120,149)
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INCREASE IN CASH AND CASH EQUIVALENTS	223,428
CASH AND CASH EQUIVALENTS, JANUARY 1	88,205
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CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 311,633
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SUPPLEMENTAL CASH FLOW INFORMATION:	
Cash paid during the year for:	
Interest	\$ 11,076
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See notes to financial statements.

# MAGNUS VETERANS FOUNDATION

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023

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### NOTE 1: ORGANIZATION

Magnus Veterans Foundation (the Organization) was formed in 2019 under the laws of the State of Minnesota. The Organization's mission is to heal and honor military veterans and their families through community fellowship and a comprehensive approach to restoring the mind, body, heart, and spirit.

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of presentation** – The accompanying financial statements have been prepared on the accrual basis of accounting.

**Cash and equivalents** – For purposes of the statement of cash flows, the Organization considers all short-term debt securities with an original maturity of three months or less to be cash equivalents. The Organization had no cash equivalents as of December 31, 2023.

**Revenue Recognition** – The Organization follows the provisions of Accounting Standards Codification 606, *Contracts with Customers* on revenues derived from special event revenue consisting of registrations and sponsorships. Special event revenue is recognized at a specific point in time when the respective performance obligations are met.

- **Performance Obligations** – The performance obligation related to special events are met at the occurrence of the event which is at a point in time.
- **Contract Balances** – Deferred revenue consists of payments received in advance that relate to registration received before the end of the fiscal year and are deferred and recognized as revenue in the period earned. Deferred revenue does not represent total values. All deferred revenue is classified as current and will be recognized over the next year. Deferred revenue is \$0 as of December 31, 2023.

The Organization follows FASB Accounting Standards Codification 958-605, *Revenue Recognition for Not-for-Profit Entities* for contributions, grants, and other similar revenues. Revenue is recognized when the contribution is received, and contributions received are recorded as donor restricted support or unrestricted support depending on the existence and/or nature of any donor restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. However, if a restriction is fulfilled in the same period in which the contribution is received, the Organization reports the support as unrestricted support. The Organization has not received any donor restricted support for the year ended December 31, 2023.



Contributions of property are recognized at fair market value when received. The amounts reflected in the accompanying financial statements as in-kind support are offset by like amounts included in property and equipment. During 2023, the Organization recognized \$1,642 of in-kind donations of building improvements, which is recorded in contribution and grant revenue in the statement of activities.

**Property and equipment** – Property and equipment is stated at cost, or if donated, at fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally five to forty years. When property and equipment is sold or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any gain or loss on the disposition is reflected in operations. Repairs and maintenance are charged to expense as incurred.

Depreciation expense was \$125,686 for the year ended December 31, 2023.

**Net assets** – Net assets of the Organization are classified based on the presence or absence of donor-imposed restrictions. Net assets are comprised of two groups as follows:

Net assets without donor restrictions – Amounts that are not subject to usage restrictions based on donor-imposed requirements. This class also includes assets previously restricted where restrictions have expired or been met.

Net assets with donor restrictions – Assets subject to usage limitations based on donor-imposed or grantor restrictions. These restrictions may be temporary or may be based on a particular use. Restrictions may be met by the passage of time or by actions of the Organization. Certain restrictions may need to be maintained in perpetuity.

Earnings related to restricted net assets will be included in net assets without donor-restrictions unless otherwise specifically required to be included in donor-restricted net assets by the donor.

All net assets of the Organization at December 31, 2023 were considered to be net assets without donor restrictions.

**Income taxes** – The Organization is a qualified not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code but is subject to U.S. tax on any unrelated business income. The Organization did not have any unrelated business income subject to taxation for the year ended December 31, 2023.

**Advertising** – The Organization expenses advertising costs as incurred. The Organization had \$2,500 of advertising costs during the year ended December 31, 2023.

**Use of estimates** – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement. Actual results could differ from those estimates.

### NOTE 3: LIQUIDITY

At December 31, 2023, the Organization has \$311,609 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure, consisting only of cash accounts. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date.

Cash needs of the Organization are expected to be met on a monthly basis from contribution receipts received and draws from the revolving mortgage (Note 4).

### NOTE 4: REVOLVING MORTGAGE

In November 2020, the Organization obtained a line of credit that converts to an amortizing mortgage with 21<sup>st</sup> Century Bank to fund capital improvements and start-up operating capital in the amount of \$530,000. Per the agreement, availability is limited to \$530,000. The mortgage matures on November 18, 2050 and is secured by the land and building owned by the Organization. The note was modified in December of 2022 to extend the line of credit term of the loan. The interest rate on the note since inception has been 4.5% annually and beginning on November 18, 2025, the interest rate adjusts and fixes for five year increments based on the Wall Street Journal U.S. Prime Rate (WSJP) plus 0.5%, with a rate floor of 4.5 percent. The loan's line of credit feature is available through November 18, 2024 and until that date, interest only loan payments are due monthly based on the amount of credit outstanding. On November 18, 2024, the loan balance outstanding will be amortized at 4.5% over the remaining term of the loan (26 years). The payment will change as the interest rate changes to ensure full amortization of the loan balance over the remaining term of the loan. The balance outstanding was \$240,673 at December 31, 2023.

Proceeds from the mortgage were reduced by loan origination fees of \$5,673, which are being amortized to interest expense over the life of the mortgage. Interest expense includes \$189 of amortization related to loan origination fees for the year ended December 31, 2023.

Revolving mortgage payable	\$ 240,673
Less unamortized loan origination fees	<u>(5,090)</u>
Total long-term debt, net	<u>\$ 235,583</u>

The scheduled maturities of the revolving mortgage payable are as follows:

<u>Year Ended</u>	
2024	\$ 416
2025	4,969
2026	5,200
2027	5,442
2028	5,667
Thereafter	<u>218,979</u>
Total	<u>\$240,673</u>

#### **NOTE 5: CONCENTRATIONS OF RISK**

**Market or geographic area** – Operations of the Organization are concentrated in Dayton, Minnesota and provide program services to the greater Twin Cities, Minnesota area.

**Cash and cash equivalents** - The Organization maintains its cash and cash equivalents in one financial institution. The balances are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to \$250,000. As of December 31, 2023, the Organization had uninsured cash balances of \$61,773.

#### **NOTE 6: FUNCTIONAL EXPENSES**

As of December 31, 2023, the Organization classifies expenditures on a functional basis which is summarized in the table below. Payroll and compensation expenditures are allocated based on job descriptions and the best estimates of management. Other expenditures, which are not directly identifiable by program or general and administrative functions are allocated on the best estimates of management.

	<b>2023</b>	
	<u>Program Services</u>	<u>General and Administrative</u>
Payroll and compensation	\$ 387,325	\$ 58,450
Facilities	46,774	23,216
Other	10,835	81,321
Insurance	-	36,259
Special events	72,220	-
Interest	-	11,265
Depreciation	<u>124,526</u>	<u>1,160</u>
	<u>\$ 641,680</u>	<u>\$ 211,671</u>

**NOTE 7: SUBSEQUENT EVENTS**

The Organization has evaluated events occurring subsequent to the end of the year through September 30, 2024, which was the date the financial statements were available to be issued. The Organization has determined that no events have occurred as of that date that would require adjustment to or disclosure in the financial statements.