



Financial Statements
December 31, 2020 (with comparative totals for 2019)
Children's Village Foundation

Children's Village Foundation
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December 31, 2020
(with comparative totals for 2019)

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Independent Auditor's Report

The Board of Directors
Children's Village Foundation
Fargo, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of Children's Village Foundation (Foundation), which comprise the statement of financial position as of December 31, 2020, and the related statement of activities and cash flows for the year 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 of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Children's Village Foundation as of December 31, 2020, 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.

Report on Summarized Comparative Information

We have previously audited the Children's Village Foundation's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 28, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Fargo, North Dakota
June 11, 2021

Children's Village Foundation
Statement of Financial Position
December 31, 2020
(With Comparative Totals for December 31, 2019)

	2020	2019
Assets		
Cash and cash equivalents	\$ 186,137	\$ 322,479
Marketable securities		
Marketable securities	3,542,719	3,178,632
Marketable securities-annuity reserve	219,566	195,082
	3,762,285	3,373,714
Investments, at cost	214,000	214,000
Receivables		
Note receivable from Village Family Service Center	2,203,133	2,203,133
Interest and dividends receivable	10,653	10,653
Other	116,504	5,000
	2,330,290	2,218,786
Land and improvements held for sale	716,436	917,962
Total assets	\$ 7,209,148	\$ 7,046,941
Liabilities and Net Assets		
Liabilities		
Annuities payable	\$ 35,024	\$ 30,397
Water rights payable	119,329	119,329
Due to Village Family Service Center	467,721	455,739
Total liabilities	622,074	605,465
Net Assets		
Without donor restrictions	4,474,573	4,456,639
With donor restrictions		
Purpose restriction, children's services	1,770,798	1,658,134
Perpetual in nature	341,703	326,703
	2,112,501	1,984,837
Total net assets	6,587,074	6,441,476
Total liabilities and net assets	\$ 7,209,148	\$ 7,046,941

Children's Village Foundation

Statement of Activities

Year Ended December 31, 2020

(With Comparative Totals for Year Ended December 31, 2019)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2020	2019
Net investment return	\$ 343,411	\$ 35,897	\$ 379,308	\$ 381,292
Contributions	-	127,664	127,664	128,592
Change in value of split-interest agreements	(4,627)	-	(4,627)	(4,275)
Miscellaneous	-	-	-	111
Net assets released from restriction	35,897	(35,897)	-	-
	<u>374,681</u>	<u>127,664</u>	<u>502,345</u>	<u>505,720</u>
Total revenue, gains, and support				
Program services				
Support of the Village's activities	250,003	-	250,003	224,432
Management and general				
Professional fees	19,200	-	19,200	75,141
Real estate taxes	3,766	-	3,766	61,593
Miscellaneous	2,252	-	2,252	3,288
	<u>25,218</u>	<u>-</u>	<u>25,218</u>	<u>140,022</u>
Total management and general expenses				
Losses				
Impairment loss on land held for sale	11,696	-	11,696	-
Loss on sale of land	69,830	-	69,830	415,269
	<u>81,526</u>	<u>-</u>	<u>81,526</u>	<u>415,269</u>
Total losses				
Total expenses and losses	<u>356,747</u>	<u>-</u>	<u>356,747</u>	<u>779,723</u>
Change in Net Assets	17,934	127,664	145,598	(274,003)
Net Assets, Beginning of Year	4,456,639	1,984,837	6,441,476	6,715,479
Net Assets, End of Year	<u>\$ 4,474,573</u>	<u>\$ 2,112,501</u>	<u>\$ 6,587,074</u>	<u>\$ 6,441,476</u>

Children's Village Foundation

Statement of Cash Flow

Year Ended December 31, 2020

(With Comparative Totals for Year Ended December 31, 2019)

	2020	2019
Operating Activities		
Change in net assets	\$ 145,598	\$ (274,003)
Adjustments to reconcile change in net assets to net cash flows from (used for) operating activities		
Change in unrealized losses and gains on investments	(282,002)	(295,415)
Realized gains and dividends on investments	(124,075)	(93,482)
Impairment loss on land held for sale	11,696	-
Loss on sale of land and improvements held for sale	69,830	415,269
Contributions restricted for endowment	(15,000)	(24,898)
Change in value of split-interest agreements	4,627	4,275
Changes in operating assets and liabilities		
Accounts receivable	(111,504)	(5,888)
Due to Village Family Service Center	11,982	45,451
Water rights payable	-	(86,341)
Net Cash Used For Operating Activities	(288,848)	(315,032)
Investing Activities		
Purchase of investment securities	(259,271)	(767,686)
Proceeds from sale and maturity of investment securities	276,777	367,109
Proceeds from land and improvements held for sale	120,000	923,344
Net Cash From Investing Activities	137,506	522,767
Financing Activity		
Contributions restricted for endowment	15,000	24,898
Net Change in Cash and Cash Equivalents	(136,342)	232,633
Cash and Cash Equivalents, Beginning of Year	322,479	89,846
Cash and Cash Equivalents, End of Year	\$ 186,137	\$ 322,479

Note 1 - Organization and Summary of Significant Accounting Policies**Organization**

The Children's Village Foundation (Foundation) is organized as a nonprofit corporation under the laws of the state of North Dakota.

The Foundation was created for the purpose of providing permanent support for the activities and programs of The Village Family Service Center (Village).

Comparative Financial Information

The accompanying financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with our audited financial statements for the year ended December 31, 2019, from which the summarized information was derived.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and those differences could be material.

Income Taxes

The Foundation is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the Internal Revenue Service (IRS). In addition, the Foundation is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes. The Foundation has determined it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

The Foundation believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Foundation would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Cash and Cash Equivalents

The Foundation considers cash and all highly liquid investments with an original maturity of three months or less when purchased, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents.

Investments

Investments in marketable securities are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments with readily determinable fair values are reported at their fair values in the statement of financial position. Net investment return is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment management and custodial fees.

Other investments without readily determinable fair values are stated at cost and adjusted for any observable price changes in orderly transactions of identical securities or similar securities of the same user, and are evaluated for impairment annually, or more frequently upon the occurrence of an event or when circumstances indicate that the amount of the investment is greater than its fair value. As of December 31, 2020 and 2019, the value of the real estate investments are not considered impaired.

Land and Improvements Held for Sale

Land and improvements held for sale represents land and improvements that were recorded at fair value at the date of donation. Land and improvements held for sale are no longer depreciated, but instead analyzed for impairment. The Foundation considers whether indicators of impairment are present and performs the necessary analysis to determine if the carrying values of assets are appropriate. An impairment of \$11,696 and \$0 was recognized for the years ended December 31, 2020 and 2019, respectively.

Charitable Gift Annuities

Under charitable gift annuity contracts, the Foundation receives immediate and unrestricted title to contributed assets and agrees to make fixed recurring payments over the stipulated period. Contributed assets are recorded at fair value on the date of receipt. The related liability for future payments to be made to the specified beneficiaries is recorded at fair value using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the liability. The excess of contributed assets over the annuity liability is recorded as a contribution without donor restrictions. In subsequent years, the liability for future payments to the donor is reduced by payments made to the donor and is adjusted to reflect changes in the fair value of the liability at the end of the year. Upon termination of the annuity contract, the remaining liability is removed and recognized as income. The estimated present value of future payments to be made under these agreements totals \$35,024 and \$30,397 at December 31, 2020 and 2019.

Net Assets

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

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Foundation reports contributions restricted by donors as increases in net assets 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue and Revenue Recognition

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. Also included in the statement of activities is the natural classification detail of expenses by function. The expenses are generally directly attributable to a functional category with no significant allocations between program service activities and supporting service activities occurring.

Subsequent Events

The Foundation has evaluated subsequent events through June 11, 2021, the date which the financial statements were available to be issued.

Note 2 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at December 31, 2020 and 2019:

	2020	2019
Financial Assets		
Cash and cash equivalents	\$ 186,137	\$ 322,479
Marketable securities	3,762,285	3,373,714
Interest and dividends receivable	10,653	10,653
Other receivable	116,504	5,000
Total financial assets	4,075,579	3,711,846
Less amounts not available for general expenditures within the next year:		
Subject to expenditure for a specific purpose		
Support of children's services or similar services	1,770,798	1,658,134
Investments to be held in perpetuity	341,703	326,703
Total financial assets not available for general expenditures within the next year	2,112,501	1,984,837
Financial assets available for general expenditures within the next year	\$ 1,963,078	\$ 1,727,009

As part of a liquidity management plan, cash in excess of daily requirements is deposited in cash and cash equivalents or invested in marketable securities.

The Foundation is a co-borrower on a line of credit with maximum borrowings of \$1,000,000 through Bremer Bank. The line of credit has an interest rate equal to 5.0% at December 31, 2020. As of December 31, 2020, and 2019, there is no outstanding balance. The line of credit matures August 1, 2021 and is secured by substantially all assets. Under terms of the line of credit agreement, the Foundation is required to satisfy certain measures of financial performance.

Note 3 - Note Receivable

The Foundation has a non-interest-bearing note receivable with the Village. The balance of the non-interest bearing receivable as of December 31, 2020 and 2019 is \$2,203,133, and is reviewed each year to determine what, if any, payments will be due.

Note 4 - Fair Value Measurements and Disclosures

Certain assets are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available.

A three-tier hierarchy categorizes the inputs as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Foundation can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, the Foundation develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to the entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Foundation's assessment of the quality, risk or liquidity profile of the asset or liability.

A significant portion of the Foundation's investment assets are classified within Level 1 because they are comprised of equity securities with readily determinable fair values based on daily redemption values. US Federal agency debt securities and corporate debt securities are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates and market-rate assumptions and are classified within Level 2. The Foundation also holds an investment in a real estate investment trust. This is valued based on the private sales and trading of the company's shares and are classified within Level 2. The mineral rights values are determined based on analysis and input by specialists. These are considered to be Level 3 measurements.

Children's Village Foundation

Notes to Financial Statements

December 31, 2020

The following table presents assets measured at fair value on a recurring basis at December 31, 2020 and 2019:

<u>December 31, 2020</u>	<u>Total</u>	<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Other Observable Inputs (Level 2)</u>	<u>Unobservable Inputs (Level 3)</u>
<u>Assets</u>				
Equity securities	\$ 1,555,440	\$ 1,555,440	\$ -	\$ -
Fixed income	1,487,632	-	1,487,632	-
Real estate investment trusts	719,210	-	719,210	-
Mineral rights	3	-	-	3
	<u>\$ 3,762,285</u>	<u>\$ 1,555,440</u>	<u>\$ 2,206,842</u>	<u>\$ 3</u>
<u>December 31, 2019</u>	<u>Total</u>	<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Other Observable Inputs (Level 2)</u>	<u>Unobservable Inputs (Level 3)</u>
<u>Assets</u>				
Equity securities	\$ 1,420,792	\$ 1,420,792	\$ -	\$ -
Fixed income	1,271,989	-	1,271,989	-
Real estate investment trusts	680,930	-	680,930	-
Mineral rights	3	-	-	3
	<u>\$ 3,373,714</u>	<u>\$ 1,420,792</u>	<u>\$ 1,952,919</u>	<u>\$ 3</u>

The following is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 3	\$ 25,220
Investment return, net	-	(25,217)
Balance, end of year	<u>\$ 3</u>	<u>\$ 3</u>

Note 5 - Endowments

The Foundation's endowment (the Endowment) consists of approximately 21 individual funds established by donors. The interest on these funds provides annual funding for specific activities and general operations. Net assets associated with Endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors has interpreted the North Dakota Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor restricted endowment funds, unless there are explicit donor stipulations to the contrary. At December 31, 2020 and 2019, there were no such donor stipulations. As a result of this interpretation, the Organization retains in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts donated to the Endowment and (b) any accumulations to the Endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA. The following factors are considered in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

Investment and Spending Policies

The Foundation has adopted investment and spending policies for the Endowment that attempt to provide a predictable stream of funding for operations while seeking to maintain the purchasing power of the endowment assets. Over time, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of the Endowment assets, to provide the necessary capital to fund the spending policy, and to cover the costs of managing the Endowment investments. The target rate of return is intended to maintain the purchasing power of current assets and all future contributions. To satisfy this long-term rate-of-return objective, the investment portfolio is structured on a total-return approach through which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

The Endowment's spending policy, as approved by the Foundation Board, is to annually make available the investment returns for the donor's intended purposes.

Children's Village Foundation

Notes to Financial Statements

December 31, 2020

Changes in Endowment net assets for the years ending December 31, 2020 and 2019 are as follows:

	For the Year Ending December 31, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	326,703	\$ 326,703
Investment return:			
Investment income	-	1,441	1,441
Net appreciation/(depreciation) (realized and unrealized)	-	34,456	34,456
Contributions	-	15,000	15,000
Transfer	-	(35,897)	(35,897)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 341,703</u>	<u>\$ 341,703</u>

	For the Year Ending December 31, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 301,805	\$ 301,805
Investment return:			
Investment income	-	3,894	3,894
Net appreciation/(depreciation) (realized and unrealized)	-	27,940	27,940
Contributions	-	24,898	24,898
Transfer	-	(31,834)	(31,834)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 326,703</u>	<u>\$ 326,703</u>

Note 6 - Net Assets with Donor Restrictions

Donor restricted net assets with a purpose restriction as of December 31, 2020 and 2019 are \$1,770,798 and \$1,658,134, which represent amounts contributed and to be used toward the support of children's services or similar services.

In 2020 and 2019, net assets were released from restrictions in the amount of \$35,897 and \$31,834, respectively. These amounts are included in net assets released from restrictions in the accompanying financial statements.

Donor restricted net assets that are perpetual in nature as of December 31, 2020 and 2019 are \$341,703 and \$326,703, which represent amounts contributed to the endowment to support the mission of the Foundation.

Note 7 - Commitments

The Foundation has been a named guarantor for a loan agreement that Pines Townhomes, LLLP has entered into. The Foundation carries an investment in the entity. Pursuant to the terms of the loan agreement, the Foundation has an absolute, unconditional and unlimited guaranty equal to the principal limitation of \$839,040 plus all accrued interest and other fees.

Note 8 - Related Party Transactions

The Foundation is affiliated with the Village (Note 1) and provides permanent support for the activities and programs of the Village. The Foundation annually provides support to the Village. The Village pays certain expenses of the Foundation and the Village is reimbursed by the Foundation for these expenses. See also Notes 3 and 5.

The following is a summary of transactions between the two entities for 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Statement of Financial Position		
Note receivable from Village Family Service Center	<u>\$ 2,203,133</u>	<u>\$ 2,203,133</u>
Due to Village Family Service Center	<u>\$ 467,721</u>	<u>\$ 455,739</u>
Statement of Activities		
Contributions for operations	\$ (250,003)	\$ (219,806)
Contributions for compensated absences	<u>-</u>	<u>(4,626)</u>
	<u>\$ (250,003)</u>	<u>\$ (224,432)</u>