



Financial Statements  
December 31, 2017 (with comparative totals for 2016)  
**Village Family Service Center**

Village Family Service Center  
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December 31, 2017  
(with comparative totals for 2016)

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## Independent Auditor's Report

The Board of Directors  
Village Family Service Center  
Fargo, North Dakota

### Report on the Financial Statements

We have audited the accompanying financial statements of the Village Family Service Center which comprise the statement of financial position as of December 31, 2017, and the related statement of activities, cash flows, and functional expenses 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 the Village Family Service Center as of December 31, 2017, 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.

**Correction of Error**

As discussed in Note 7 to the financial statements, an error resulting in the understatement of amounts previously reported for the interest in Children's Village Foundation net assets as of December 31, 2016, was discovered during the current year. Accordingly, the 2016 financial statements have been corrected and an adjustment made to increase the interest in Children's Village Foundation net assets and temporarily and permanently restricted net assets as of December 31, 2016. Our opinion is not modified with respect to this matter.

**Report on Summarized Comparative Information**

We have previously audited the Village Family Service Center's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 21, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects with the exception of the correction of error identified in the preceding paragraph, 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  
April 20, 2018

**Village Family Service Center**  
 Statement of Financial Position  
 December 31, 2017  
 (With Comparative Totals for December 31, 2016)

	2017	2016 (restated)
<b>Assets</b>		
Cash	\$ 1,211,468	\$ 41,176
Receivables, net	774,154	876,433
Due from Children's Village Foundation	501,313	565,790
Prepaid expenses	86,138	100,787
Investments	790	790
Goodwill	522,577	522,577
Property and equipment, net of accumulated depreciation	1,097,145	1,462,118
Property held for sale	414,149	-
Interest in Children's Village Foundation Net Assets	7,488,810	4,645,230
Land held for future projects	-	915,000
Total assets	\$ 12,096,544	\$ 9,129,901
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Checks issued in excess of bank balance	\$ 1,993	\$ 64,848
Short-term notes payable	-	1,114,462
Accounts payable	273,579	287,932
Accrued liabilities	846,803	859,964
Deferred revenue	342,952	373,237
Due to Children's Village Foundation	1,078,133	-
Long-term debt	1,127,069	1,669,914
Total liabilities	3,670,529	4,370,357
<b>Net Assets</b>		
Unrestricted	912,622	52,422
Temporarily restricted	7,221,588	4,435,318
Permanently restricted	291,805	271,804
Total net assets	8,426,015	4,759,544
Total liabilities and net assets	\$ 12,096,544	\$ 9,129,901

Village Family Service Center  
Statement of Activities  
Year Ended December 31, 2017  
(With Comparative Totals for Year Ended December 31, 2016)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2017	2016 (restated)
<b>Revenue, Support and Gains</b>					
Foundation	\$ 423,590	\$ -	\$ -	\$ 423,590	\$ 249,561
Change in interest in Children's Village Foundation net assets	-	2,823,579	20,001	2,843,580	1,277,458
Donations from businesses, individuals, and organizations	1,318,264	-	-	1,318,264	509,911
Federal and other grant revenue	490,640	84,772	-	575,412	596,458
Gross special events revenue	460,176	-	-	460,176	535,661
Less cost of direct benefits to donors	(202,745)	-	-	(202,745)	(257,066)
Net special events revenue	257,431	-	-	257,431	278,595
Total received from public	2,489,925	2,908,351	20,001	5,418,277	2,911,983
Allocated by United Way	541,277	-	-	541,277	695,317
Total public support	3,031,202	2,908,351	20,001	5,959,554	3,607,300
<b>Revenue and Gains</b>					
Counseling fees	6,351,765	-	-	6,351,765	6,040,410
Village Business Institute	2,113,187	-	-	2,113,187	2,096,491
Child care	492,601	-	-	492,601	952,746
First Step Recovery	1,652,055	-	-	1,652,055	1,309,092
Program and sublease rent	180,939	-	-	180,939	190,526
Adoption fees	101,502	-	-	101,502	119,994
Truancy intervention	130,850	-	-	130,850	129,667
Gain on sale of property and equipment	1,094,666	-	-	1,094,666	-
Miscellaneous revenues	677,301	-	-	677,301	69,759
Net assets released from restrictions	122,081	(122,081)	-	-	-
Total revenue and gains	12,916,947	(122,081)	-	12,794,866	10,908,685
Total revenue, support and gains	15,948,149	2,786,270	20,001	18,754,420	14,515,985
<b>Expenses</b>					
<b>Program services</b>					
Counseling services	4,233,667	-	-	4,233,667	3,914,244
Family therapy	2,185,727	-	-	2,185,727	2,241,923
Village Business Institute	2,153,274	-	-	2,153,274	2,290,028
Child care	1,286,479	-	-	1,286,479	1,678,772
Financial Resource Center	-	-	-	-	406
First Step Recovery	1,515,720	-	-	1,515,720	1,344,365
Big Brother Big Sister	296,167	-	-	296,167	315,125
Adoption	193,775	-	-	193,775	199,880
Truancy intervention	170,119	-	-	170,119	161,015
Alternative to Abortion	71,365	-	-	71,365	46,520
Intensive outpatient	91,916	-	-	91,916	-
Total program services expenses	12,198,209	-	-	12,198,209	12,192,278

**Village Family Service Center**  
**Statement of Activities**  
**Year Ended December 31, 2017**  
**(With Comparative Totals for Year Ended December 31, 2016)**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2017	2016 (restated)
Supporting services					
Management and general	\$ 2,370,002	\$ -	\$ -	\$ 2,370,002	\$ 493,056
Fundraising	519,738	-	-	519,738	534,088
Total supporting services expenses	<u>2,889,740</u>	<u>-</u>	<u>-</u>	<u>2,889,740</u>	<u>1,027,144</u>
Total expenses	<u>15,087,949</u>	<u>-</u>	<u>-</u>	<u>15,087,949</u>	<u>13,219,422</u>
Change in Net Assets	860,200	2,786,270	20,001	3,666,471	1,296,563
Net Assets, Beginning of Year	<u>52,422</u>	<u>4,435,318</u>	<u>271,804</u>	<u>4,759,544</u>	<u>3,462,981</u>
Net Assets, End of Year	<u>\$ 912,622</u>	<u>\$ 7,221,588</u>	<u>\$ 291,805</u>	<u>\$ 8,426,015</u>	<u>\$ 4,759,544</u>

# Village Family Service Center

## Statement of Cash Flows

Year Ended December 31, 2017

(With Comparative Totals For Year Ended December 31, 2016)

	2017	2016 (restated)
Operating Activities		
Change in net assets	\$ 3,666,471	\$ 1,296,563
Adjustments to reconcile changes in net assets to net cash from operating activities		
Depreciation	146,058	127,979
Gain on sale of property and equipment	(1,094,666)	-
Increase in interest in Children's Village Foundation net assets	(2,843,580)	(1,277,458)
Contributions restricted for long term and capital purposes	-	(218,928)
Changes in assets and liabilities		
Receivables	166,756	(112,213)
Prepaid expenses	14,649	(2,517)
Checks issued in excess of bank balance	(62,855)	36,330
Accounts payable	(14,353)	35,493
Accrued liabilities and due to Children's Village Foundation	1,064,972	141,723
Deferred revenue	(30,285)	27,071
Net Cash From Operating Activities	1,013,167	54,043
Investing Activities		
Purchases of property and equipment	(243,811)	(172,350)
Proceeds on sale of property and equipment	2,058,243	-
Sale of investments	-	25,167
Net Cash From (Used For) Investing Activities	1,814,432	(147,183)
Financing Activities		
Payments on long-term debt	(542,845)	(101,806)
Contributions restricted for long term and capital purposes	-	218,928
Net change in short-term notes payable	(1,114,462)	(7,619)
Net Cash Used For Financing Activities	(1,657,307)	109,503
Net Change in Cash	1,170,292	16,363
Cash, Beginning of Year	41,176	24,813
Cash, End of Year	\$ 1,211,468	\$ 41,176
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	\$ 9,680	\$ 61,008
Supplemental Disclosure of Non-cash Investing Activity		
Transfer of property and equipment to property held for sale	\$ 414,149	\$ -



Village Family Service Center  
Statement of Functional Expenses  
Year Ended December 31, 2017  
(With Comparative Totals for Year Ended December 31, 2016)

	Counseling Services	Family Therapy	Village Business Institute	Child Care	First Step Recovery	Big Brother Big Sister
Salaries	\$ 2,660,359	\$ 1,279,719	\$ 929,914	\$ 746,612	\$ 940,593	\$ 179,037
Employee benefits	412,127	252,939	150,885	104,453	148,023	44,945
Travel	53,030	107,706	42,957	2,485	1,440	2,836
Allocated program rent and utilities	242,643	90,682	101,303	30,678	92,989	7,106
Contracted services	39,368	6,370	455,225	32,116	127	-
Office supplies and postage	31,011	10,484	30,577	52,453	11,984	2,591
Printing and publications	17,004	12,751	67,248	152	9,512	8,757
Telephone	37,291	32,959	19,379	3,979	5,112	2,013
Repairs, maint. and other rentals	44,171	13,532	12,793	2,694	15,969	2,295
Staff training	7,363	9,777	10,876	1,515	2,397	4,382
Professional fees	30,752	30,763	21,118	2,817	56,021	381
Advertising	32,267	1,158	9,018	(264)	25,500	1,571
Insurance	21,729	11,809	10,678	3,969	6,153	1,512
Interest	7,307	14,717	-	3,282	10,000	-
Client assistance and special programs	(87)	258	3,334	-	14,054	3,525
Donation to Children's Village Foundation	-	-	-	-	-	-
Administrative charge	571,626	303,819	280,556	259,666	176,550	31,649
Other	8,579	55	152	(2,153)	(6,011)	1,659
<b>Total expenses before depreciation</b>	<b>4,216,540</b>	<b>2,179,498</b>	<b>2,146,013</b>	<b>1,244,454</b>	<b>1,510,413</b>	<b>294,259</b>
Depreciation	17,127	6,229	7,261	42,025	5,307	1,908
<b>Total expenses</b>	<b>\$ 4,233,667</b>	<b>\$ 2,185,727</b>	<b>\$ 2,153,274</b>	<b>\$ 1,286,479</b>	<b>\$ 1,515,720</b>	<b>\$ 296,167</b>

Village Family Service Center  
Statement of Functional Expenses  
Year Ended December 31, 2017  
(With Comparative Totals for Year Ended December 31, 2016)

	Adoption	Truancy Intervention	Alternative to Abortion	Intensive Outpatient	Total Program Services Expenses
Salaries	\$ 80,690	\$ 126,170	\$ 31,989	\$ 58,435	\$ 7,033,518
Employee benefits	17,924	25,739	6,558	6,242	1,169,835
Travel	4,032	1,613	-	661	216,760
Allocated program rent and utilities	12,454	-	-	9,021	586,876
Contracted services	43,875	-	-	1,805	578,886
Office supplies and postage	2,163	180	420	2,033	143,896
Printing and publications	2,115	247	-	1,454	119,240
Telephone	2,217	960	760	268	104,938
Repairs, maint. and other rentals	2,401	930	-	6,061	100,846
Staff training	282	-	-	388	36,980
Professional fees	3,152	-	4,119	250	149,373
Advertising	814	-	23,664	1,067	94,795
Insurance	1,868	1,196	-	310	59,224
Interest	272	-	-	-	35,578
Client assistance and special programs	(1,742)	482	-	3,838	23,662
Donation to Children's Village Foundation	-	-	-	-	-
Administrative charge	28,598	12,602	3,855	-	1,668,921
Other	(7,998)	-	-	-	(5,717)
<b>Total expenses before depreciation</b>	<b>193,117</b>	<b>170,119</b>	<b>71,365</b>	<b>91,833</b>	<b>12,117,611</b>
Depreciation	658	-	-	83	80,598
<b>Total expenses</b>	<b>\$ 193,775</b>	<b>\$ 170,119</b>	<b>\$ 71,365</b>	<b>\$ 91,916</b>	<b>\$ 12,198,209</b>

Village Family Service Center  
Statement of Functional Expenses  
Year Ended December 31, 2017  
(With Comparative Totals for Year Ended December 31, 2016)

	<u>Support Services</u>			<u>Total Expenses</u>	
	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total Support</u>	<u>2017</u>	<u>2016</u>
	Salaries	\$ 1,724,452	\$ 341,049	\$ 2,065,501	\$ 9,099,019
Employee benefits	306,822	75,598	382,420	1,552,255	1,371,068
Travel	39,073	14,819	53,892	270,652	301,228
Allocated program rent and utilities	166,858	25,339	192,197	779,073	782,981
Contracted services	71,599	3,476	75,075	653,961	617,633
Office supplies and postage	59,217	4,003	63,220	207,116	296,016
Printing and publications	52,191	23,242	75,433	194,673	155,282
Telephone	27,758	2,169	29,927	134,865	133,657
Repairs, maint. and other rentals	73,960	7,119	81,079	181,925	150,361
Staff training	27,495	838	28,333	65,313	88,794
Professional fees	299,684	11,075	310,759	460,132	219,172
Advertising	11,826	3,217	15,043	109,838	78,419
Insurance	5,073	3,691	8,764	67,988	66,202
Interest	(25,898)	-	(25,898)	9,680	61,008
Client assistance and special programs	1,205	2,280	3,485	27,147	25,299
Donation to Children's Village Foundation	1,078,133	-	1,078,133	1,078,133	-
Administrative charge	(1,668,921)	-	(1,668,921)	-	-
Other	55,696	142	55,838	50,121	5,749
	<u>2,306,223</u>	<u>518,057</u>	<u>2,824,280</u>	<u>14,941,891</u>	<u>13,091,443</u>
Total expenses before depreciation					
Depreciation	63,779	1,681	65,460	146,058	127,979
	<u>63,779</u>	<u>1,681</u>	<u>65,460</u>	<u>146,058</u>	<u>127,979</u>
Total expenses	<u>\$ 2,370,002</u>	<u>\$ 519,738</u>	<u>\$ 2,889,740</u>	<u>\$ 15,087,949</u>	<u>\$ 13,219,422</u>

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

### **Organization and Nature of Operations**

The Village Family Service Center (Village) is a nonprofit organization established to improve the quality of life through services designed to strengthen individuals, families, and organizations.

### **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 the audited financial statements for the year ended December 31, 2016, 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 Village is organized as a North Dakota nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). The Village is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Village is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. Management has determined that the Village 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 Village 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 Village 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.

### **Concentrations of Credit Risk**

The Village maintains its cash accounts in various deposit accounts, the balances of which are periodically in excess of federally insured limits.

### **Cash and Cash Equivalents**

The Village considers all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to capital expenditures or other long-term purposes of the Village are excluded from this definition.

### **Receivables and Credit Policy**

Receivables are uncollateralized customer obligations due upon receipt. Payments on trade receivables are applied to the earliest unpaid invoices. The carrying amount of trade receivables is reduced by a valuation allowance that reflects management's best estimate of the amounts that will not be collected. Management reviews all aged trade receivable balances and based on an assessment of current creditworthiness, estimates the portion, if any, of the balance that will not be collected. The allowance for doubtful accounts as of December 31, 2017 and 2016 is \$70,000.

### **Goodwill**

Goodwill represents costs in excess of purchase price over the fair value of the assets of businesses acquired, including other identifiable intangible assets.

Goodwill is not amortized, rather potential impairment is considered on an annual basis, or more frequently upon the occurrence of an event or when circumstances indicate that the amount of goodwill is greater than its fair value. As of December 31, 2017 and 2016, the carrying value of the Village's goodwill of \$522,577 was not considered impaired.

### **Property and Equipment**

Property and equipment additions over \$1,000 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 2 to 40 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed.

Carrying values of property and equipment are reviewed for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ending December 31, 2017 and 2016.

### **Property Held for Sale**

Property held for sale represents two buildings and the related land that were used for the Nokomis Daycare Centers. During December 31, 2017, the Nokomis operations ceased and the buildings were placed for sale and are expected to be sold in 2018. The Village has recorded real estate liens in relation to the property held for sale in the amount of \$210,585 for the year ended December 31, 2017. These liens will be due upon sale and are included in the accrued expenses in the statement of financial position.

The Village considers whether indicators of impairment are present and performs the necessary analysis to determine if the carrying values of assets are appropriate. No impairment was identified for the year ended December 31, 2017.

### **Interest in Children's Village Foundation Net Assets**

The Children's Village Foundation (Foundation) was created for the purpose of providing permanent support for the activities and programs of the Village. Amounts that are held by the Foundation are recorded as an asset and as temporarily or permanently restricted net assets, depending on the nature of the donor restriction. Separate financial statements of Children's Village Foundation are prepared and are available from the Foundation.

### **Land Held for Future Projects**

Land held for future projects represents land recorded at fair value at the date of donation and is to be used to support the mission of the Village. During 2017, the Village sold this land. As part of the sale, the Village paid off the notes and line of credits from Bremer Bank plus accrued interest (Note 4). The Village also paid related taxes and settlement charges. Once the sale was finalized, the Village received a check for \$1,078,133.

### **Deferred Revenue**

Program service fees and payments under contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred.

### **Funds Held for Others**

The Village acts as a custodian of funds held for others. These funds are included in cash and accounts payable in the financial statements. As of December 31, 2017 and 2016, the cash held for others was \$3,212 and \$3,824.

### **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:

*Unrestricted Net Assets* – Net assets available for use in general operations.

*Temporarily Restricted Net Assets* – Net assets subject to donor restrictions that may or will be met by expenditures or actions of the Village and/or the passage of time, and certain income earned on permanently restricted net assets that has not yet been appropriated for expenditure by the Village's Board of Directors.

The Village reports contributions restricted by donors as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are classified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

*Permanently Restricted Net Assets* – Net assets whose use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by action of the Village. The restrictions stipulate that resources be maintained permanently but permit the Village to expend the income generated in accordance with the provisions of the agreements.

### Revenue and Revenue Recognition

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. 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 are not recognized until the conditions on which they depend have been substantially met. Grant revenue is recognized in the period received if unrestricted, if restrictions are noted the revenue is deferred until the restrictions are met.

### Advertising Costs

Advertising costs are expensed as incurred and totaled \$109,838 and \$78,419 for the years ended December 31, 2017 and 2016.

### Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activity. The statement of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

### Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

### Note 2 - Property and Equipment

Property and equipment consists of the following:

	2017			2016
	Cost	Accumulated Depreciation	Net	Net
Land	\$ 277,218	\$ -	\$ 277,218	377,218
Building and leasehold improvements	1,463,225	915,893	547,332	763,470
Office furniture and equipment	603,535	346,229	257,306	321,430
Vehicles	16,094	805	15,289	-
	\$ 2,360,072	\$ 1,262,927	\$ 1,097,145	\$ 1,462,118

**Note 3 - Leases**

The Village rents office space for 13 satellite sites under operating leases. The terms of 2 of the leases are on a month-to-month basis while the remaining 11 leases have various ending times through October 2024.

The Village rents office equipment for its Fargo operation and satellite sites under leases expiring at various times through April 2019. These leases are accounted for as operating leases.

The Village leases 11 autos. These leases are accounted for as operating leases and have various ending times through November 2020.

The Village leases telephone equipment under a capital lease ending February 2018.

Future minimum lease payments under leases with terms greater than month-to-month are as follows:

<u>Years Ending December 31,</u>	<u>Capital Lease</u>	<u>Operating Leases</u>
2018	\$ 2,081	\$ 459,921
2019	-	252,700
2020	-	123,200
2021	-	87,766
2022	-	89,412
Thereafter	-	168,091
	<hr/>	<hr/>
Total minimum lease payments	2,081	\$ 1,181,090
Less portion representing interest	(12)	<hr/>
	<hr/>	<hr/>
Present value of minimum lease payments - Note 4	\$ 2,069	
	<hr/> <hr/>	

Total rent expense for office space, equipment, and auto was \$635,062 and \$647,693 in 2017 and 2016.

Leased property under capital lease at December 31, 2017 and 2016 includes:

	<u>2017</u>	<u>2016</u>
Equipment	\$ 103,488	\$ 103,488
Less accumulated amortization	(101,419)	(77,643)
	<hr/>	<hr/>
	\$ 2,069	\$ 25,845
	<hr/> <hr/>	<hr/> <hr/>



**Note 4 - Notes Payable**

**Line of Credit and Short-Term Notes Payable**

The Village has a line of credit with maximum borrowings of \$1,000,000 through Bremer Bank. The line of credit has an interest rate equal 5.0% at December 31, 2017. The outstanding balance was \$664,462 at December 31, 2016. As of December 31, 2017, there is no outstanding balance. The line of credit matures July 2018 and is secured by substantially all assets. Under terms of the line of credit agreement, the Village is required to satisfy certain measures of financial performance.

The Village had a second line of credit with maximum borrowings of \$250,000 through Bremer Bank. The line of credit was paid in full during the year.

The Village had a short-term note payable with a balance of \$200,000 through Bremer Bank. The short-term note payable was paid in full during the year.

The Children's Village Foundation is a co-borrower on all notes with Bremer Bank.

**Long-Term Notes Payable**

	2017	2016
0% note payable to the Foundation, due on demand, unsecured, subordinated to bank debt	\$ 1,125,000	\$ 1,125,000
Capital lease obligation - Note 3	2,069	25,845
4.0% notes payable to Bremer Bank, paid in full	-	519,069
	\$ 1,127,069	\$ 1,669,914

Minimum repayments of debt obligations to maturity are as follows:

Years Ending December 31,	Amount
2018	\$ 1,127,069

**Note 5 - Temporarily and Permanently Restricted Net Assets**

Temporarily restricted net assets are available for the following programs as of December 31, 2017 and 2016:

	2017	2016
Counseling services	\$ 4,964	\$ 26,009
First Step Recovery	19,619	-
Interest in Children's Village Foundation net assets	7,197,005	4,373,426
Childcare	-	31,250
Development	-	4,633
	\$ 7,221,588	\$ 4,435,318

Temporarily restricted net assets were released from restrictions for the following programs as of December 31, 2017 and 2016:

	2017	2016
Counseling Services	\$ 86,198	\$ 151,094
Childcare	31,250	43,750
Development	4,633	-
Financial Resource Center	-	33,463
	\$ 122,081	\$ 228,307

Permanently restricted net assets are held in perpetuity and consisted of the following as of December 31, 2017 and 2016:

	2017	2016
Interest in Children's Village Foundation net assets	\$ 291,805	\$ 271,804

**Note 6 - Related Party Transactions**

The Village is affiliated with the Children's Village Foundation (Foundation). The Foundation was created for the purpose of providing permanent support for the activities and programs of the Village. See Note 4 for financing provided by the Foundation to the Village.

The Village annually receives support from the Foundation. The Village pays certain expenses of the Foundation and is reimbursed by the Foundation for these expenses.

The following is a summary of transactions between the two entities for 2017 and 2016:

	2017	2016
<b>Statement of Financial Position</b>		
Due from Children's Village Foundation	\$ 501,313	\$ 565,790
Due to Children's Village Foundation	\$ 1,078,133	\$ -
Note payable to Children's Village Foundation	\$ 1,125,000	\$ 1,125,000
<b>Statement of Activities</b>		
Contributions received for operations	\$ 432,752	\$ 249,561
Contributions for compensated absences	(58,429)	(6,416)
Contributions received for special assessments and property taxes	63,864	147,441
Contribution of excess proceeds from Village land sale	(1,078,133)	-
	\$ (639,946)	\$ 390,586

**Note 7 - Correction of Error**

During 2017, the Village discovered an error in accounting for the interest in the Children's Village Foundation net assets. The error was corrected in 2016 by increasing the interest in the Children's Village Foundation net assets by \$4,645,230, increasing the change in interest in the Children's Village Foundation net assets by \$1,277,458, and increasing the net assets beginning balance by \$3,367,772.

The impact to the 2016 financial statements is as follows:

	As Previously Reported	Correction of Error	As Restated
<b>Statement of Financial Position</b>			
As of December 31, 2016			
Interest in Children's Village Foundation	\$ -	\$ 4,645,230	\$ 4,645,230
Total assets	4,484,671	4,645,230	9,129,901
Temporarily restricted net assets	61,892	4,373,426	4,435,318
Permanently restricted net assets	-	271,804	271,804
Total net assets	114,314	4,645,230	4,759,544
Total liabilities and net assets	4,484,671	4,645,230	9,129,901
<b>Statement of Activities</b>			
Year ended December 31, 2016			
Change in interest in Children's Village Foundation net assets	\$ -	\$ 1,277,458	\$ 1,277,458
Total received from public	1,634,525	1,277,458	2,911,983
Total public support	2,329,842	1,277,458	3,607,300
Total revenues, gains and support	13,238,527	1,277,458	14,515,985
Change in net assets	19,105	1,277,458	1,296,563
Net assets, beginning of year	95,209	3,367,772	3,462,981
Net assets, end of year	114,314	4,645,230	4,759,544
<b>Statement of Cash Flows</b>			
Year ended December 31, 2016			
Change in net assets	\$ 19,105	\$ 1,277,458	\$ 1,296,563
Increase in interest in Children's Village Foundation net assets	-	(1,277,458)	(1,277,458)

### Note 8 - Subsequent Events

The Village has evaluated subsequent events through April 20, 2018, the date of the financial statements were available to be issued.