



Financial Statements  
December 31, 2021 (with comparative totals for 2020)  
**Children's Village Foundation**

Children's Village Foundation  
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December 31, 2021  
(with comparative totals for 2020)

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## Independent Auditor's Report

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

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of Children's Village Foundation (Foundation), which comprise the statements of financial position as of December 31, 2021, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2021, 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 audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 the Foundation's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

## **Auditor's Responsibilities of 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 GAAS 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 GAAS, 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 the 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 the 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.

### ***Report on Summarized Comparative Information***

We have previously audited the Foundation's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 11, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Fargo, North Dakota  
April 29, 2022

Children's Village Foundation  
Statement of Financial Position  
December 31, 2021  
(With Comparative Totals for December 31, 2020)

	2021	2020
<b>Assets</b>		
Cash and cash equivalents	\$ 129,393	\$ 186,137
Marketable securities		
Marketable securities	3,970,798	3,542,719
Marketable securities-annuity reserve	238,352	219,566
	4,209,150	3,762,285
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	5,000	116,504
	2,218,786	2,330,290
Land and improvements held for sale	716,436	716,436
Total assets	\$ 7,487,765	\$ 7,209,148
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Annuities payable	\$ 29,726	\$ 35,024
Water rights payable	119,329	119,329
Due to Village Family Service Center	522,692	467,721
	671,747	622,074
<b>Net Assets</b>		
Without donor restrictions	4,528,564	4,474,573
With donor restrictions		
Purpose restriction, children's services	1,894,651	1,770,798
Perpetual in nature	392,803	341,703
	2,287,454	2,112,501
Total net assets	6,816,018	6,587,074
Total liabilities and net assets	\$ 7,487,765	\$ 7,209,148

# Children's Village Foundation

## Statement of Activities

Year Ended December 31, 2021

(With Comparative Totals for Year Ended December 31, 2020)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2021	2020
Net investment return	\$ 323,584	\$ 30,084	\$ 353,668	\$ 379,308
Contributions	-	174,953	174,953	127,664
Change in value of split-interest agreements	5,298	-	5,298	(4,627)
Net assets released from restriction	30,084	(30,084)	-	-
<b>Total revenue, gains, and support</b>	<b>358,966</b>	<b>174,953</b>	<b>533,919</b>	<b>502,345</b>
Program services				
Support of the Village's activities	250,004	-	250,004	250,003
Management and general				
Professional fees	54,971	-	54,971	19,200
Real estate taxes	-	-	-	3,766
Miscellaneous	-	-	-	2,252
<b>Total management and general expenses</b>	<b>54,971</b>	<b>-</b>	<b>54,971</b>	<b>25,218</b>
Losses				
Impairment loss on land held for sale	-	-	-	11,696
Loss on sale of land	-	-	-	69,830
<b>Total losses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>81,526</b>
<b>Total expenses and losses</b>	<b>304,975</b>	<b>-</b>	<b>304,975</b>	<b>356,747</b>
Change in Net Assets	53,991	174,953	228,944	145,598
Net Assets, Beginning of Year	4,474,573	2,112,501	6,587,074	6,441,476
Net Assets, End of Year	\$ 4,528,564	\$ 2,287,454	\$ 6,816,018	\$ 6,587,074

# Children's Village Foundation

## Statement of Cash Flows

Year Ended December 31, 2021

(With Comparative Totals for Year Ended December 31, 2020)

	2021	2020
Operating Activities		
Change in net assets	\$ 228,944	\$ 145,598
Adjustments to reconcile change in net assets to net cash flows from (used for) operating activities		
Change in unrealized losses and gains on investments	(196,531)	(282,002)
Realized gains and dividends on investments	(170,741)	(124,075)
Impairment loss on land held for sale	-	11,696
Loss on sale of land and improvements held for sale	-	69,830
Contributions restricted for endowment	(51,100)	(15,000)
Change in value of split-interest agreements	(5,298)	4,627
Changes in operating assets and liabilities		
Accounts receivable	111,504	(111,504)
Due to Village Family Service Center	54,971	11,982
Net Cash Used For Operating Activities	(28,251)	(288,848)
Investing Activities		
Purchase of investment securities	(360,360)	(259,271)
Proceeds from sale and maturity of investment securities	280,767	276,777
Proceeds from land and improvements held for sale	-	120,000
Net Cash From Investing Activities	(79,593)	137,506
Net Cash From Financing Activity		
Contributions restricted for endowment	51,100	15,000
Net Change in Cash and Cash Equivalents	(56,744)	(136,342)
Cash and Cash Equivalents, Beginning of Year	186,137	322,479
Cash and Cash Equivalents, End of Year	\$ 129,393	\$ 186,137

## **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, 2020, 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, 2021 and 2020, 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 \$- and \$11,696 was recognized for the years ended December 31, 2021 and 2020, 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 \$29,726 and \$35,024 at December 31, 2021 and 2020.

**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 April 29, 2022, 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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Financial Assets		
Cash and cash equivalents	\$ 129,393	\$ 186,137
Marketable securities	4,209,150	3,762,285
Interest and dividends receivable	10,653	10,653
Other receivable	5,000	116,504
	<u>4,354,196</u>	<u>4,075,579</u>
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	1,894,651	1,770,798
Investments to be held in perpetuity	392,803	341,703
Total financial assets not available for general expenditures within the next year	<u>2,287,454</u>	<u>2,112,501</u>
Financial assets available for general expenditures within the next year	<u>\$ 2,066,742</u>	<u>\$ 1,963,078</u>

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, 2021. As of December 31, 2021 and 2020, there is no outstanding balance. The line of credit matures August 1, 2022 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, 2021 and 2020 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, 2021

The following table presents assets measured at fair value on a recurring basis at December 31, 2021 and 2020:

<u>December 31, 2021</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	\$ 1,736,738	\$ 1,736,738	\$ -	\$ -
Fixed income	1,688,919	-	1,688,919	-
Real estate investment trusts	783,490	-	783,490	-
Mineral rights	3	-	-	3
	<u>\$ 4,209,150</u>	<u>\$ 1,736,738</u>	<u>\$ 2,472,409</u>	<u>\$ 3</u>
<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>

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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 3	\$ 3
Investment return, net	-	-
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, 2021 and 2020, there were no such donor stipulations. As a result of this interpretation, the Foundation 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, 2021

Changes in Endowment net assets for the years ending December 31, 2021 and 2020 are as follows:

	For the Year Ending December 31, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 341,703	\$ 341,703
Investment return:			
Investment income	-	(1,777)	(1,777)
Net appreciation/(depreciation) (realized and unrealized)	-	31,861	31,861
Contributions	-	51,100	51,100
Transfer	-	(30,084)	(30,084)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 392,803</u>	<u>\$ 392,803</u>
	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>

**Note 6 - Net Assets with Donor Restrictions**

Donor restricted net assets with a purpose restriction as of December 31, 2021 and 2020 are \$1,894,651 and \$1,770,798, which represent amounts contributed and to be used toward the support of children's services or similar services.

In 2021 and 2020, net assets were released from restrictions in the amount of \$30,084 and \$35,897, 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, 2021 and 2020 are \$392,803 and \$341,703, 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 2021 and 2020:

	<u>2021</u>	<u>2020</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>\$ 522,692</u>	<u>\$ 467,721</u>
Statement of Activities		
Contributions for operations	<u>\$ (250,004)</u>	<u>\$ (250,003)</u>

Subsequent to year-end, the Foundation forgave the note receivable from the Village Family Service Center in full.