



INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statement of financial position of Village Family Service Center as of December 31, 2008 and the related statements of activities, cash flows and functional expenses for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2007 financial statements and in our report dated March 25, 2008, we expressed as unqualified opinion on those financial statements.

We conducted our audits 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express such an opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Village Family Service Center as of December 31, 2008, and the results of its operations, functional expenses and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Eide Bailly LLP

Fargo, North Dakota
April 21, 2009

VILLAGE FAMILY SERVICE CENTER
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2008 (With Comparative Totals as of December 31, 2007)

	General Fund	Temporarily Restricted	Trust Fund	Total	
				2008	2007
ASSETS					
CASH	\$ 496,530	\$ -	\$ 18,337	\$ 514,867	\$ 27,448
RECEIVABLES	515,277	-	-	515,277	684,300
DUE FROM CHILDREN'S VILLAGE FOUNDATION	251,505	-	-	251,505	268,363
PREPAID EXPENSES	110,564	-	-	110,564	87,917
DUE FROM OTHER FUNDS	-	149,159	-	149,159	119,912
PROPERTY AND EQUIPMENT, NET OF ACCUMULATED DEPRECIATION	1,520,698	-	-	1,520,698	1,544,797
	<u>\$2,894,574</u>	<u>\$ 149,159</u>	<u>\$ 18,337</u>	<u>\$3,062,070</u>	<u>\$2,732,737</u>
LIABILITIES AND NET ASSETS					
LIABILITIES					
Outstanding checks in excess of bank balance	\$ -	\$ -	\$ -	\$ -	\$ 58,578
Due to other funds	149,159	-	-	149,159	119,912
Short-term notes payable	750,000	-	-	750,000	665,939
Long-term debt	1,035,505	-	-	1,035,505	704,929
Accounts payable	162,726	-	-	162,726	221,956
Accrued liabilities	414,836	-	-	414,836	426,995
Deferred revenue	139,683	-	-	139,683	155,339
Funds held for FRC clients	-	-	18,337	18,337	27,448
	<u>2,651,909</u>	<u>-</u>	<u>18,337</u>	<u>2,670,246</u>	<u>2,381,096</u>
NET ASSETS					
Temporarily restricted	-	149,159	-	149,159	119,912
Unrestricted	242,665	-	-	242,665	231,729
	<u>242,665</u>	<u>149,159</u>	<u>-</u>	<u>391,824</u>	<u>351,641</u>
	<u>\$2,894,574</u>	<u>\$ 149,159</u>	<u>\$ 18,337</u>	<u>\$3,062,070</u>	<u>\$2,732,737</u>

VILLAGE FAMILY SERVICE CENTER

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2008 (With Comparative Totals for Year Ended December 31, 2007)

	General Fund	Temporarily Restricted	Total	
			2008	2007
PUBLIC SUPPORT				
Foundations	\$ 321,260	\$ -	\$ 321,260	\$ 299,615
Donations from businesses, individuals, and organizations	452,857	-	452,857	471,134
Fund Raising Events, Net of related expenses	191,325	-	191,325	41,373
Total received from public	965,442	-	965,442	812,122
Allocated by United Ways	465,271	-	465,271	442,776
Total public support	1,430,713	-	1,430,713	1,254,898
OTHER REVENUE				
Counseling fees	3,235,043	-	3,235,043	3,631,164
Financial Resource Center	1,059,414	-	1,059,414	963,306
Federal and other grant revenue	521,489	1,057,125	1,578,614	1,503,427
Adoption fees	159,544	-	159,544	214,213
VBI	1,358,397	-	1,358,397	1,236,523
Program and sublease rent	176,992	-	176,992	176,783
Child care	789,330	-	789,330	640,417
Client assistance and special program revenues, net	158,315	-	158,315	193,405
Magazine sales	128,204	-	128,204	149,535
Miscellaneous revenues	21,128	-	21,128	65,379
Net assets released from restrictions	1,027,878	(1,027,878)	-	-
Total other revenue	8,635,734	29,247	8,664,981	8,774,152
Total public support and other revenue	10,066,447	29,247	10,095,694	10,029,050
EXPENSES				
Program services				
Family Therapy	2,915,475	-	2,915,475	3,514,774
Counseling Services	1,265,949	-	1,265,949	1,133,119
Financial Resource Center	1,476,131	-	1,476,131	1,398,759
Child Care	1,317,199	-	1,317,199	1,207,577
VBI	1,324,804	-	1,324,804	1,234,326
Big Brother Big Sister	238,989	-	238,989	245,606
Village Magazine	155,960	-	155,960	155,982
Adoption	225,544	-	225,544	221,007
Truancy Intervention	158,315	-	158,315	201,806
	9,078,366	-	9,078,366	9,312,956
Supporting services				
Management and general	761,144	-	761,144	830,764
Fundraising	216,001	-	216,001	286,946
	977,145	-	977,145	1,117,710
Total expenses	10,055,511	-	10,055,511	10,430,666

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STATEMENT OF ACTIVITIES – Page 2

	General Fund	Temporarily Restricted	Total	
			2008	2007
CHANGE IN NET ASSETS	<u>10,936</u>	<u>29,247</u>	<u>40,183</u>	<u>(401,616)</u>
NET ASSETS, BEGINNING OF YEAR	<u>231,729</u>	<u>119,912</u>	<u>351,641</u>	<u>753,257</u>
NET ASSETS, END OF YEAR	<u>\$ 242,665</u>	<u>\$ 149,159</u>	<u>\$ 391,824</u>	<u>\$ 351,641</u>

VILLAGE FAMILY SERVICE CENTER
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2008

OPERATING ACTIVITIES	
Change in net assets	\$ 40,183
Adjustments to reconcile changes in net assets to net cash used in operating activities	
Depreciation	82,727
Changes in assets and liabilities	
Receivables	185,881
Prepaid expenses	(22,647)
Deferred revenue	(15,656)
Accrued liabilities	(12,159)
Outstanding checks in excess of bank balance	(58,578)
Accounts payable	<u>(59,230)</u>
NET CASH USED FOR OPERATING ACTIVITIES	<u>140,521</u>
INVESTING ACTIVITIES	
Purchases of property and equipment	(58,628)
Decrease in funds held for FRC clients - liabilities	<u>(9,111)</u>
NET CASH USED FOR INVESTING ACTIVITIES	<u>(67,739)</u>
FINANCING ACTIVITIES	
Payments on long-term debt	(669,424)
Proceeds from issuance of long-term debt	1,000,000
Net advances on short-term debt	<u>84,061</u>
NET CASH FROM FINANCING ACTIVITIES	<u>414,637</u>
NET CHANGE IN CASH	487,419
CASH, BEGINNING OF YEAR	<u>27,448</u>
CASH, END OF YEAR	<u>\$ 514,867</u>
SUPPLEMENTAL SCHEDULE OF CASH PAYMENTS FOR	
Interest	<u>\$ 36,993</u>

VILLAGE FAMILY SERVICE CENTER
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2008

	Family Therapy	Counseling Services	Financial Resource Center
Salaries	\$ 1,688,280	\$ 697,121	\$ 782,618
Employee benefits	360,699	136,342	197,940
Travel	220,186	25,724	18,851
Allocated program rent and utilities	97,283	87,920	80,803
Contracted services	39,858	18,984	9,702
Office supplies and postage	37,792	26,524	40,881
Printing and publications	12,250	14,003	60,221
Telephone	46,996	11,485	30,477
Repairs, maint. and other rentals	11,245	28,018	16,019
Staff training	30,705	31,321	26,222
Professional fees	29,589	14,855	34,686
Advertising	7,339	32,244	23,824
Insurance	28,363	8,740	13,431
Interest	19,637	6,217	705
Client Assistance and special programs	5,339	313	-
Administrative charge	264,854	114,931	134,199
Other	7,987	8,804	3,031
	<u>2,908,402</u>	<u>1,263,546</u>	<u>1,473,610</u>
Total expenses before depreciation			
Depreciation of property and equipment	<u>7,073</u>	<u>2,403</u>	<u>2,521</u>
Total expenses	<u>\$ 2,915,475</u>	<u>\$ 1,265,949</u>	<u>\$ 1,476,131</u>

See Notes to Financial Statements

Child Care	Village Business Institute	Big Brother Big Sister	Adoption	Truancy Intervention	The Village Family Magazine
\$ 839,391	\$ 518,698	\$ 138,262	\$ 81,915	\$ 118,477	\$ 40,229
129,223	98,334	37,632	21,442	19,294	5,064
5,446	36,318	1,588	6,050	3,827	3,959
42,744	60,152	10,389	14,405	-	3,789
259	360,140	609	52,359	-	1,763
90,525	21,809	1,646	3,383	401	12,494
2,175	50,749	8,110	2,010	229	87,073
3,505	14,052	1,127	3,129	870	412
3,748	4,940	213	2,391	350	-
3,754	15,051	(5)	329	166	962
2,768	2,672	90	1,417	-	-
1,996	9,785	479	14,164	450	-
23,787	7,523	2,413	716	2,400	-
11,411	-	-	2,085	-	-
-	2,125	12,546	(1,058)	124	-
119,745	120,412	23,027	27,638	11,727	-
13,164	966	684	(7,142)	-	126
1,293,641	1,323,726	238,810	225,233	158,315	155,871
23,558	1,078	179	311	-	89
<u>\$ 1,317,199</u>	<u>\$ 1,324,804</u>	<u>\$ 238,989</u>	<u>\$ 225,544</u>	<u>\$ 158,315</u>	<u>\$ 155,960</u>

Total Program Services Expenses	Support Services			Total Expenses	
	Management and General	Fund Raising	Total Support	2008	2007
	\$ 4,904,991	\$ 982,290	\$ 113,310	1,095,600	\$ 6,000,591
1,005,970	97,369	24,004	121,373	1,127,343	1,221,215
321,949	95,223	4,184	99,407	421,356	458,250
397,485	148,629	15,527	164,156	561,641	556,979
483,674	10,562	5,334	15,896	499,570	353,864
235,455	53,446	10,470	63,916	299,371	256,207
236,820	11,950	16,973	28,923	265,743	228,457
112,053	21,535	2,207	23,742	135,795	140,430
66,924	61,498	5,564	67,062	133,986	226,845
108,505	11,488	5,782	17,270	125,775	140,231
86,077	35,669	651	36,320	122,397	110,739
90,281	13,158	5,058	18,216	108,497	119,946
87,373	(31,977)	2,069	(29,908)	57,465	101,096
40,055	(3,062)	-	(3,062)	36,993	74,197
19,389	1,338	3,514	4,852	24,241	9,189
816,533	(816,533)	-	(816,533)	-	-
27,620	21,501	1,265	22,766	50,386	50,501
9,041,154	714,084	215,912	929,996	9,971,150	10,347,939
37,212	47,060	89	47,149	84,361	82,727
<u>\$ 9,078,366</u>	<u>\$ 761,144</u>	<u>\$ 216,001</u>	<u>\$ 977,145</u>	<u>\$ 10,055,511</u>	<u>\$ 10,430,666</u>

VILLAGE FAMILY SERVICE CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Village Family Service Center (Village) is organized as a nonprofit corporation under the laws of the state of North Dakota. The Village is exempt from the payment of federal income taxes under Section 501(c)(3) of the Internal Revenue Code of 1986 and from the payment of state income taxes under Section 57-38-09 of the North Dakota Century Code.

The mission of the Village is to improve the quality of life through services designed to strengthen individuals, families, and organizations.

Financial Reporting

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. Certain items in the prior year financial statements have been reclassified to conform to current year presentations. These reclassifications had no effect on net assets or the net income previously reported.

Contributions

The organization reports gifts of cash and other assets as restricted support if they are received with donor restrictions that limit the use of donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions. There are no permanently restricted net assets.

Concentration of Credit Risk

In the normal course of business, the Village extends credit to individuals, third party payers and governmental agencies. The Village does not require collateral.

Receivables and Credit Policy

Trade 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.

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the useful lives of the assets, which range from 2 to 40 years.

NOTES TO FINANCIAL STATEMENTS

Deferred Revenue

Deferred revenue is recorded when the Village receives advance payments for counseling or other services.

Use of 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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Advertising Costs

The organization expenses advertising costs as incurred. Advertising expense totaled \$108,496 and \$119,946 in 2008 and 2007, respectively.

NOTE 2 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	2008			2007
	Cost	Accumulated Depreciation	Net	Net
Land	\$ 377,218	\$ -	\$ 377,218	\$ 377,218
Building and leasehold improvements	1,785,699	712,792	1,072,907	1,113,766
Office furniture and equipment	353,678	283,105	70,573	53,813
Automobiles	17,750	17,750	-	-
	<u>\$ 2,534,345</u>	<u>\$ 1,013,647</u>	<u>\$ 1,520,698</u>	<u>\$ 1,544,797</u>

NOTE 3 - OPERATING LEASES

The Village rents office space for 16 satellite sites under operating leases. The terms of 5 of the leases are on a month-to-month basis while the remaining 11 leases have various ending times through June 2012.

The Village rents office equipment for its Fargo operation and satellite sites under leases expiring at various times through July 2012. These leases are accounted for as operating leases.

The Village leases 10 autos. These leases are accounted for as operating leases and have various ending times through February 2013.

NOTES TO FINANCIAL STATEMENTS

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

<u>Year</u>	<u>Amount</u>
2009	\$ 256,487
2010	233,376
2011	122,420
2012	44,941
2013	477
	<u>\$ 657,701</u>

Total rent expense for office space, equipment, and auto was \$391,823 and \$330,262 in 2007 and 2006, respectively.

NOTE 4 - NOTES PAYABLE

Line of Credit and Short-Term Notes Payable

The organization has a line of credit at 7% interest. The amount outstanding as of December 31, 2008 was \$750,000.

Long-Term Notes Payable

	<u>2008</u>	<u>2007</u>
5% note payable to the Foundation, due in monthly installments of \$10,359, to July 1, 2012	\$ 407,046	\$ -
Non -interest bearing note to Foundation, due upon demand (1)	479,751	-
3.375 % note payable to bank, due in monthly installments of \$2,202 to March 1, 20015, secured by substantially all assets	148,708	169,722
Notes refinanced during 2008	-	535,207
	<u>\$ 1,035,505</u>	<u>\$ 704,929</u>

(1) This note will be reviewed by the Foundation each year to determine what, if any, repayments will be due. For the purposes of the maturity schedule, this note has been considered current.

NOTES TO FINANCIAL STATEMENTS

Minimum repayments of debt obligations to maturity are as follows:

<u>Years</u>	<u>Amount</u>
2009	\$ 607,802
2010	134,237
2011	140,781
2012	95,508
2013	25,162
Thereafter	<u>32,015</u>
	<u><u>\$ 1,035,505</u></u>

All notes are guaranteed by the Children's Village Foundation up to total borrowings of \$1,700,000.

NOTE 5 - PENSION PLAN

Employees with one year of service and a minimum of 1,000 hours are eligible for participation in the Village's contribution pension plan, a 401(a) plan, and the matching thrift plan, a 403(b) plan. The Village contributes 2 percent of the employees' eligible compensation to the defined benefit pension plan the second year, 4 percent the third year, 6 percent the fourth year and 8 percent for every year thereafter. The Village will match up to 1 percent of the employees' salary as a contribution into the matching thrift plan for the second year through the fifth year and 2 percent every year thereafter.

Pension expense was \$312,555 and \$322,411 in 2008 and 2007, respectively.

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.

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

NOTES TO FINANCIAL STATEMENTS

The following is a summary of transactions between the two entities for 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Statement of Financial Position		
Due from Children's Village Foundation	<u>\$ 251,505</u>	<u>\$ 268,263</u>
Statement of Support, Revenues and Expenses		
Support and revenue		
Contributions for operations	<u>\$ 321,260</u>	<u>\$ 299,615</u>

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following programs:

Financial Resource Center	\$ 31,170
Counseling Services	21,263
Family Therapy	<u>96,726</u>
	<u>\$ 149,159</u>