Financial Statements
December 31, 2017 (with comparative totals for 2016)

Children's Village Foundation

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Children's Village Foundation
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(with comparative totals for 2016)

CPAs & BUSINESS ADVISORS

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, which comprise the statement of financial position as of December 31, 2017, 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 audits. 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.

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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, 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.

Report on Summarized Comparative Information

We have previously audited the Children's Village Foundation'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 audited financial statements from which it has been derived.

Eide Bailly LLP

Fargo, North Dakota
April 20, 2018

Children's Village Foundation
Statement of Financial Position
December 31, 2017
(With Comparative Totals for December 31, 2016)

	2017	2016
Assets		
Cash and cash equivalents	$ 117,150	$ 162,258
Prepaid expenses	-	2,200
Marketable securities		
Marketable securities	2,778,478	2,494,156
Marketable securities-annuity reserve	172,261	155,547
	2,950,739	2,649,703
Investments, at cost	214,000	214,000
Receivables		
Note receivable from Village Family Service Center	1,125,000	1,125,000
Due from Village Family Service Center	1,078,133	5,000
Interest and dividends receivable	12,685	34,776
	2,215,818	1,164,776
Land and improvements held for sale	2,731,575	1,056,575
Total assets	$ 8,229,282	$ 5,249,512
Liabilities and Net Assets		
Liabilities		
Annuities payable	$ 33,491	$ 33,491
Water rights payable	205,670	-
Due to Village Family Service Center	501,311	570,791
Total liabilities	740,472	604,282
Net Assets		
Unrestricted	5,645,080	3,126,501
Temporarily restricted	1,551,925	1,246,925
Permanently restricted	291,805	271,804
Total net assets	7,488,810	4,645,230
Total liabilities and net assets	$ 8,229,282	$ 5,249,512

Children's Village Foundation
Statement of Activities
Year Ended December 31, 2017
(With Comparative Totals for Year Ended December 31, 2016)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2017	Total 2016
Revenue, Gains, and Support					
Interest and dividends	$ 96,416	$ 3,651	$ -	$ 100,067	$ 132,566
Donations and bequests	2,678,954	305,000	20,001	3,003,955	1,479,687
Change in unrealized gains and losses on investments	86,515	11,508	-	98,023	112,640
Realized gain (loss) on investments	98,055	13,103	-	111,158	(29,808)
Miscellaneous	934	-	-	934	623
Net assets released from restrictions	28,262	(28,262)	-	-	-
Total revenue, gains, and support	2,989,136	305,000	20,001	3,314,137	1,695,708
Expenses and losses					
Program services	438,187	-	-	438,187	390,586
Management fees	20,267	-	-	20,267	16,962
Professional fees	4,547	-	-	4,547	6,323
Interest	4,325	-	-	4,325	4,334
Miscellaneous	3,231	-	-	3,231	45
Total expenses and losses	470,557	-	-	470,557	418,250
Change in net assets	2,518,579	305,000	20,001	2,843,580	1,277,458
Net Assets, Beginning of Year	3,126,501	1,246,925	271,804	4,645,230	3,367,772
Net Assets, End of Year	$ 5,645,080	$ 1,551,925	$ 291,805	$ 7,488,810	$ 4,645,230

	2017	2016
Operating Activities		
Change in net assets	$ 2,843,580	$ 1,277,458
Adjustments to reconcile change in net assets to cash flows from operating activities		
Change in unrealized losses and gains on investments	(98,023)	(112,640)
Realized losses (gains) on investments	(111,158)	29,808
Donation of land and improvements held for sale	(1,675,000)	(1,056,575)
Contributions restricted for specific purposes	(20,001)	(55,907)
Changes in operating assets and liabilities		
Prepaid expenses	2,200	-
Accounts receivable	22,091	(17,744)
Due from Village Family Service Center	(1,073,133)	(5,000)
Due to Village Family Service Center	(69,480)	53,981
Water rights payable	205,670	-
Net Cash From Operating Activities	26,746	113,381
Investing Activities		
Purchase of investment securities	(549,810)	(1,092,835)
Proceeds from sale and maturity of investment securities	457,955	999,851
Net Cash Used For Investing Activities	(91,855)	(92,984)
Financing Activity		
Contributions restricted for specific purposes	20,001	55,907
Net Change in Cash and Cash Equivalents	(45,108)	76,304
Cash and Cash Equivalents, Beginning of Year	162,258	85,954
Cash and Cash Equivalents, End of Year	$ 117,150	$ 162,258
Supplemental Disclosure of Noncash Investing Activity		
Donation of land and improvements held for sale	$ 1,675,000	$ 1,056,575

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, 2016, from which the summarized information was derived.

Income Taxes

The Foundation is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the 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.

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.

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 gain/(loss) 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.

Real estate investments without readily determinable fair values are stated at cost, 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, 2017 and 2016, 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. No impairment was identified for the years ended December 31, 2017 and 2016.

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 an unrestricted contribution. 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 $33,491 at December 31, 2017 and 2016.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-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. Unrestricted board-designated net assets consist of net assets designated by the Board of Directors for operating reserve and board-designated endowment.
>
> *Temporarily Restricted Net Assets* – Net assets subject to donor restrictions that may or will be met by expenditures or actions of the Foundation 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 Foundation's Board of Directors.

The Foundation reports contributions as temporarily restricted support 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, temporarily restricted net assets are reclassified 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 the Foundation’s action. The restrictions stipulate that resources be maintained permanently but permit the Foundation to expend the income generated in accordance with the provisions of the agreements.

Revenue and Revenue Recognition

Revenue is recognized when earned. 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.

Contributions

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Conditional promises to give are reported at fair value when conditions have been substantially met. The Foundation 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.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited as noted in Note 7.

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 - 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, 2017 and 2016 is $1,125,000, and is reviewed each year to determine what, if any, payments will be due. These notes were subordinated to bank debt held by the Village. The Village paid the bank debt off during 2017.

Note 3 - 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.

The following table presents assets measured at fair value on a recurring basis at December 31, 2017 and 2016:

December 31, 2017	Total	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Assets				
Equity securities	$ 1,252,523	$ 1,252,523	$ -	$ -
U.S. Federal agency debt securities	17,114	-	17,114	-
Corporate debt securities	1,070,964	-	1,070,964	-
Real estate investment trusts	584,918	-	584,918	-
Mineral rights	25,220	-	-	25,220
	$ 2,950,739	$ 1,252,523	$ 1,672,996	$ 25,220

December 31, 2016	Total	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Assets				
Equity securities	$ 1,129,996	$ 1,129,996	$ -	$ -
U.S. Federal agency debt securities	182,579	-	182,579	-
Corporate debt securities	758,998	-	758,998	-
Real estate investment trusts	552,910	-	552,910	-
Mineral rights	25,220	-	-	25,220
	$ 2,649,703	$ 1,129,996	$ 1,494,487	$ 25,220

Note 4 - Net Investment Return

Net investment return consists of the following for the year ended December 31, 2017 and 2016:

	2017	2016
Interest and dividends	$ 100,067	$ 132,566
Net realized and unrealized gains and losses	209,181	82,832
Less investment management and trustee fees	(20,267)	(16,962)
	$ 288,981	$ 198,436

Note 5 - Endowments

The Foundation's endowment (the Endowment) consists of approximately 18 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 Foundation's Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At December 31, 2017 and 2016, there were no such donor stipulations. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the Endowment, (b) the original value of subsequent gifts donated to the Endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. The remaining portion of the donor-restricted endowment is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. The Foundation considers the following factors 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.

Changes in Endowment net assets for the years ending December 31, 2017 and 2016 are as follows:

	For the Year Ending December 31, 2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ -	$ -	$ 271,804	$ 271,804
Investment return:				
Investment income	-	3,651	-	3,651
Net appreciation/(depreciation) (realized and unrealized)	-	24,611	-	24,611
Contributions	-	-	20,001	20,001
Appropriation of endowment assets for expenditure	-	(28,262)	-	(28,262)
Endowment net assets, end of year	$ -	$ -	$ 291,805	$ 291,805

	For the Year Ending December 31, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ -	$ -	$ 215,897	$ 215,897
Investment return:				
Investment income	-	2,629	-	2,629
Net appreciation/(depreciation) (realized and unrealized)	-	10,214	-	10,214
Contributions	-	-	55,907	55,907
Appropriation of endowment assets for expenditure	-	(12,843)	-	(12,843)
Endowment net assets, end of year	$ -	$ -	$ 271,804	$ 271,804

Note 6 - Temporarily and Permanently Restricted Net Assets

Included in temporarily restricted net assets as of December 31, 2017 and 2016 is $1,551,925 and $1,246,925, contributed to be used toward the support of child care or similar services.

In 2017, net assets were released from restrictions in the amount of $28,262. In 2016, net assets were released from restrictions in the amount of $12,843. These amounts are included in net assets released from restrictions in the accompanying financial statements.

Permanently restricted net assets as of December 31, 2017 and 2016 is $291,805 and $271,804, contributed to Endowment funds to support the mission of the Foundation.

Note 7 - Functional Expenses

Total expenses by function were as follows for the years ended December 31, 2017 and 2016:

	2017	2016
Support of Village's activities	$ 438,187	$ 390,586
Management and general fees	32,370	27,664
	$ 470,557	$ 418,250

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 2 and 9.

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

	2017	2016
Statement of Financial Position		
Note receivable from Village Family Service Center	$ 1,125,000	$ 1,125,000
Due from Village Family Service Center	$ 1,078,133	$ 5,000
Due to Village Family Service Center	$ 501,311	$ 570,791
Statement of Activities		
Contributions for operations	$ (432,752)	$ 249,561
Contributions for compensated absences	58,429	6,416
Contributions for special assessments and property taxes	(63,864)	(147,441)
Contributions of excess proceeds from Village land sale	1,078,133	-
	$ 639,946	$ 108,536

Note 9 - Contingencies

The Foundation has signed as a co-borrower of the bank debt of the Village held by Bremer Bank. As of December 31, 2016, the total outstanding balance due to Bremer Bank was $1,633,531. During the year ended December 31, 2017, this debt was paid in full.

The Foundation has signed as a co-borrower on a line of credit with the Village. The 5.0% line of credit matures on July 1, 2018 and has a maximum draw down amount of $1,000,000. As of December 31, 2017, there is no amount outstanding.

Note 10 - Subsequent Events

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