



Financial Statements  
December 31, 2021 (with comparative totals for 2020)  
**Village Family Service Center**

Village Family Service Center  
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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  
Village Family Service Center  
Fargo, North Dakota

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of Village Family Service Center (Village), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, 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 Village Family Service Center 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 Village 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 Village'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 Village'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 Village'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 Village's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 6, 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.

*Eide Bailly LLP*

Fargo, North Dakota  
April 29, 2022

## Village Family Service Center

### Statement of Financial Position

December 31, 2021

(With Comparative Totals for December 31, 2020)

	2021	2020
<b>Assets</b>		
Cash	\$ 2,058,084	\$ 2,404,933
Receivables, net	854,500	1,161,979
Due from Children's Village Foundation	522,692	467,721
Prepaid expenses	92,021	87,730
Goodwill	522,577	522,577
Property and equipment, net of accumulated depreciation	1,213,878	1,315,134
Beneficial interest in assets held by community foundation	28,186	-
Interest in Children's Village Foundation Net Assets	6,816,018	6,587,074
Total assets	\$ 12,107,956	\$ 12,547,148
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 124,709	\$ 77,948
Accrued liabilities	754,734	709,784
Deferred revenue	240,890	265,269
Refundable advance	-	2,347,700
Due to Children's Village Foundation	2,203,133	2,203,133
Total liabilities	3,323,466	5,603,834
<b>Net Assets</b>		
Without donor restrictions	1,738,711	187,610
With donor restrictions	7,045,779	6,755,704
Total net assets	8,784,490	6,943,314
Total liabilities and net assets	\$ 12,107,956	\$ 12,547,148

# Village Family Service Center

## 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
<b>Revenue, Support and Gains</b>				
Foundation	\$ 250,004	\$ -	\$ 250,004	\$ 250,004
Change in interest in Children's Village				
Foundation net assets	-	228,944	228,944	145,598
Investment income	-	28,186	28,186	-
Paycheck Protection Program contribution	2,078,825	-	2,078,825	-
Donations from businesses, individuals, and organizations	341,096	-	341,096	410,922
Federal and other grant revenue	445,377	143,230	588,607	957,217
<b>Total revenue, support and gains</b>	<b>3,115,302</b>	<b>400,360</b>	<b>3,515,662</b>	<b>1,763,741</b>
Gross special events revenue	367,754	-	367,754	189,047
Less cost of direct benefits to donors	(91,669)	-	(91,669)	(68,595)
<b>Net special events revenue</b>	<b>276,085</b>	<b>-</b>	<b>276,085</b>	<b>120,452</b>
<b>Total received from public</b>	<b>3,391,387</b>	<b>400,360</b>	<b>3,791,747</b>	<b>1,884,193</b>
Allocated by United Way	164,979	-	164,979	191,244
<b>Total public support</b>	<b>3,556,366</b>	<b>400,360</b>	<b>3,956,726</b>	<b>2,075,437</b>
<b>Revenue and Gains</b>				
Counseling fees	8,459,422	-	8,459,422	7,889,830
Village Business Institute	1,980,928	-	1,980,928	2,066,044
First Step Recovery	1,126,523	-	1,126,523	1,244,151
Program and sublease rent	75,782	-	75,782	75,782
Adoption fees	140,271	-	140,271	30,927
Truancy intervention	-	-	-	68,144
Financial Resource Center	162,884	-	162,884	206,456
Miscellaneous revenues	10,247	-	10,247	35,935
Net assets released from restrictions	110,285	(110,285)	-	-
<b>Total revenue and gains</b>	<b>12,066,342</b>	<b>(110,285)</b>	<b>11,956,057</b>	<b>11,617,269</b>
<b>Total revenue, support and gains</b>	<b>15,622,708</b>	<b>290,075</b>	<b>15,912,783</b>	<b>13,692,706</b>
<b>Expenses</b>				
<b>Program services</b>				
Counseling services	6,336,798	-	6,336,798	6,011,844
Family therapy	2,005,943	-	2,005,943	2,229,671
Village Business Institute	1,577,876	-	1,577,876	1,506,016
First Step Recovery	1,245,952	-	1,245,952	1,295,618
Financial Resource Center	203,527	-	203,527	241,989
Big Brother Big Sister	268,187	-	268,187	296,916
Adoption	300,301	-	300,301	190,608
Child care	-	-	-	-
Truancy intervention	-	-	-	69,390
Alternative to Abortion	50,109	-	50,109	49,508
Intensive outpatient	361,012	-	361,012	391,959
<b>Total program services expenses</b>	<b>12,349,705</b>	<b>-</b>	<b>12,349,705</b>	<b>12,283,519</b>

## Village Family Service Center

### 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
Supporting services				
Management and general	\$ 1,407,823	\$ -	\$ 1,407,823	\$ 1,347,018
Fundraising	314,079	-	314,079	388,900
Total supporting services expenses	1,721,902	-	1,721,902	1,735,918
Total expenses	14,071,607	-	14,071,607	14,019,437
Change in Net Assets	1,551,101	290,075	1,841,176	(326,731)
Net Assets, Beginning of Year	187,610	6,755,704	6,943,314	7,270,045
Net Assets, End of Year	\$ 1,738,711	\$ 7,045,779	\$ 8,784,490	\$ 6,943,314



**Village Family Service Center**  
 Statement of Functional Expenses  
 Year Ended December 31, 2021  
 (With Comparative Totals for Year Ended December 31, 2020)

	Counseling Services	Family Therapy	Village Business Institute	First Step Recovery	Financial Resource Center
Salaries	\$ 3,856,651	\$ 1,234,316	\$ 809,502	\$ 729,405	\$ 108,693
Employee benefits	707,373	266,776	134,722	132,818	21,762
Travel	19,632	32,546	5,005	-	448
Allocated program rent and utilities	417,545	60,621	96,300	109,919	2,000
Contracted services	12,872	15,430	178,494	5,133	-
Office supplies and postage	17,994	4,426	7,570	6,574	2,516
Printing and publications	19,332	4,665	14,557	4,653	16,953
Telephone	27,226	20,610	5,794	1,062	325
Repairs, maintenance and other rentals	29,137	4,596	7,160	5,002	1,363
Staff training	3,644	167	3,057	-	-
Professional fees	59,008	18,619	17,907	13,294	11,053
Advertising	40,476	48	3,780	14,913	490
Insurance	959	4,733	384	-	3,000
Interest	-	-	-	-	-
Client assistance and special programs	6,545	343	-	1,233	-
Administrative charge	1,029,246	319,601	282,454	208,895	33,660
Other	48,643	14,122	4,695	71	-
<b>Total expenses before depreciation</b>	<b>6,296,283</b>	<b>2,001,619</b>	<b>1,571,381</b>	<b>1,232,972</b>	<b>202,263</b>
Depreciation	40,515	4,324	6,495	12,980	1,264
<b>Total expenses</b>	<b>\$ 6,336,798</b>	<b>\$ 2,005,943</b>	<b>\$ 1,577,876</b>	<b>\$ 1,245,952</b>	<b>\$ 203,527</b>

Village Family Service Center  
Statement of Functional Expenses  
Year Ended December 31, 2021  
(With Comparative Totals for Year Ended December 31, 2020)

	Big Brother Big Sister	Adoption	Alternative to Abortion	Intensive Outpatient	Total Program Services Expenses
Salaries	\$ 155,106	\$ 162,670	\$ 32,779	\$ 213,326	\$ 7,302,448
Employee benefits	41,077	35,157	7,111	30,959	1,377,755
Travel	201	4,373	-	-	62,205
Allocated program rent and utilities	15,421	19,062	-	37,748	758,616
Contracted services	-	9,240	-	7,142	228,311
Office supplies and postage	937	1,513	420	1,232	43,182
Printing and publications	9,443	833	-	1,010	71,446
Telephone	379	1,261	815	415	57,887
Repairs, maintenance and other rentals	660	735	-	2,038	50,691
Staff training	150	-	-	200	7,218
Professional fees	4,163	10,651	5,034	3,443	143,172
Advertising	3,430	3,345	-	2,041	68,523
Insurance	-	-	-	-	9,076
Interest	-	-	-	-	-
Client assistance and special programs	943	1,468	-	261	10,793
Administrative charge	34,329	48,111	3,950	58,755	2,019,001
Other	740	9	-	6	68,286
	<u>266,979</u>	<u>298,428</u>	<u>50,109</u>	<u>358,576</u>	<u>12,278,610</u>
Total expenses before depreciation					
Depreciation	<u>1,208</u>	<u>1,873</u>	<u>-</u>	<u>2,436</u>	<u>71,095</u>
Total expenses	<u>\$ 268,187</u>	<u>\$ 300,301</u>	<u>\$ 50,109</u>	<u>\$ 361,012</u>	<u>\$ 12,349,705</u>

Village Family Service Center

Statement of Functional Expenses

Year Ended December 31, 2021

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

	Support Services			Total Expenses	
	Management and General	Fund Raising	Total Support	2021	2020
Salaries	\$ 2,004,484	\$ 205,996	\$ 2,210,480	\$ 9,512,928	\$ 9,595,470
Employee benefits	368,022	39,968	407,990	1,785,745	1,764,258
Travel	6,035	148	6,183	68,388	59,239
Allocated program rent and utilities	126,749	16,459	143,208	901,824	873,579
Contracted services	200,835	-	200,835	429,146	454,415
Office supplies and postage	23,713	3,796	27,509	70,691	72,663
Printing and publications	31,368	13,905	45,273	116,719	125,199
Telephone	54,673	788	55,461	113,348	151,536
Repairs, maintenance and other rentals	130,539	-	130,539	181,230	195,533
Staff training	29,779	144	29,923	37,141	56,468
Professional fees	150,047	26,697	176,744	319,916	201,354
Advertising	40,547	1,742	42,289	110,812	124,090
Insurance	93,311	-	93,311	102,387	66,035
Interest	19,059	-	19,059	19,059	16,644
Client assistance and special programs	-	-	-	10,793	16,344
Administrative charge	(2,013,958)	-	(2,013,958)	5,043	(4,549)
Other	79,878	1,855	81,733	150,019	98,823
Total expenses before depreciation	1,345,081	311,498	1,656,579	13,935,189	13,867,101
Depreciation	62,742	2,581	65,323	136,418	152,336
Total expenses	\$ 1,407,823	\$ 314,079	\$ 1,721,902	\$ 14,071,607	\$ 14,019,437

## Village Family Service Center

### 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	\$ 1,841,176	\$ (326,731)
Adjustments to reconcile changes in net assets to net cash from (used for) operating activities		
Depreciation	136,418	152,336
Change in value of beneficial interest	(26,838)	-
Change in interest in Children's Village Foundation net assets	(228,944)	(145,598)
Changes in assets and liabilities		
Receivables	252,508	(53,532)
Prepaid expenses	(4,291)	18,405
Accounts payable	46,761	(135,316)
Accrued liabilities	44,950	106,370
Refundable advance	(2,347,700)	2,347,700
Deferred revenue	(24,379)	99,088
	(310,339)	2,062,722
Net Cash From (Used For) Operating Activities		
Investing Activities		
Purchases of property and equipment	(35,162)	(5,091)
Proceeds from distributions of beneficial interests	(1,348)	-
Sale of investments	-	790
	(36,510)	(4,301)
Net Cash Used For Investing Activities		
Net Change in Cash	(346,849)	2,058,421
Cash, Beginning of Year	2,404,933	346,512
Cash, End of Year	\$ 2,058,084	\$ 2,404,933
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	\$ 19,059	\$ 16,644

## **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, 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.

### **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**

Accounts receivable consist primarily of uncollateralized client and third-party payor obligations. Payments of client receivables are allocated to the specific claims identified in the remittance advice.

The carrying amount of the client receivables is reduced by a valuation allowance that reflects management's estimate of amounts that will not be collected from clients and third-party payors. Management determines the allowance for uncollectable accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable.

### **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, 2021 and 2020, 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, 2021 and 2020.

### **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 net assets with donor restrictions. Separate financial statements of Children's Village Foundation are prepared and are available from the Foundation.

### **Assets Held Under Split-Interest Agreements**

#### *Beneficial Interest in Assets Held by Community Foundation*

The Village established a permanent fund (the Fund) under a community foundation (the CF). As the Village has variance power to direct the benefits of the fund, the Village recognizes the assets held by the CF. The Fund is held and invested by the CF for the Village's benefit and is reported at fair value in the statement of financial position, with distributions and changes in fair value recognized in the statement of activities.

### **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.

### **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, 2021 and 2020, the cash held for others was \$2,140 and \$2,046.

### **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 Village reports contributions restricted by donors as increases in net assets without donor restrictions 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 net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, 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.

### **Revenue and Revenue Recognition**

The Village records special events revenue equal to the cost of direct benefits to donors, and contribution revenue for the difference. Except for goods and services provided in connection with membership dues, which are transferred over the period of membership, all goods and services are transferred at a point in time.

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.

Net service revenue is reported at the amount that reflects the consideration to which the Village expects to be entitled in exchange for providing care. These amounts are due from individuals, third-party payors (including health insurers and government programs), and others. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Village. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total actual charges. The Village believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to individuals in the program receiving behavioral services. Revenue for performance obligations satisfied at a point in time is recognized when goods or services are provided, and the Village does not believe it is required to provide additional goods or services to the individual.

The Village determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors and discounts provided to uninsured individuals in accordance with the Village's policy, if applicable. The Village determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies and historical experience. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to net service revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the client's ability to pay are recorded as bad debt expense.

#### **Advertising Costs**

Advertising costs are expensed as incurred and totaled \$110,812 and \$124,090 for the years ended December 31, 2021 and 2020, respectively.

#### **Functional Allocation of Expenses**

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy which is allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, depreciation, and amortization, and other, which are allocated on the basis of estimates of time and effort.

#### **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. The Village files an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS to report its unrelated business taxable income.

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.



**Reclassification**

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

**Subsequent Events**

The Village 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:

	2021	2020
Cash	\$ 2,058,084	\$ 2,404,933
Receivables, net	854,500	1,161,979
Investments	28,186	-
Total financial assets	2,940,770	3,566,912
Less amounts not available for general expenditures within the next year:		
Investments	28,186	-
Subject to expenditure for a specific purpose	201,575	168,630
Financial assets available for general expenditures within the next year	\$ 2,711,009	\$ 3,398,282

As part of a liquidity management plan, cash is maintained in deposit accounts at a local bank.

The Village also has a \$1,000,000 line of credit available to meet short-term needs as discussed in Note 6.

### 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 can be accessed 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, inputs are developed 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 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 Village's assessment of the quality, risk, or liquidity profile of the asset or liability.

All of investment assets are classified within Level 3 because the fair value of beneficial interests in various investments are determined by the Village using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the underlying assets and are based on fair values of trust investments as reported by the trustees.

The following table presents assets measured at fair value on a recurring basis:

	Total	Fair Value Measurements at Report Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2021				
Beneficial interest in assets held by community foundation	\$ 28,186	-	-	\$ 28,186
	<u>\$ 28,186</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,186</u>

Below 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 year ended December 31, 2021:

Fair Value Measurements at Report Date Using Significant Unobservable Inputs (Level 3)  
Beneficial Interest in Assets Held by Community Foundation

Balance at December 31, 2020	\$ -
Investment return, net	29,534
Distributions	<u>(1,348)</u>
Balance at December 31, 2021	<u>\$ 28,186</u>

**Note 4 - Property and Equipment**

Property and equipment consist of the following:

	2021			2020 Net
	Cost	Accumulated Depreciation	Net	
Land	\$ 277,218	\$ -	\$ 277,218	\$ 277,218
Building and leasehold improvements	1,990,360	1,139,663	850,697	948,921
Office furniture and equipment	704,726	621,177	83,549	83,362
Vehicles	16,094	13,680	2,414	5,633
	<u>\$ 2,988,398</u>	<u>\$ 1,774,520</u>	<u>\$ 1,213,878</u>	<u>\$ 1,315,134</u>

**Note 5 - Leases**

The Village rents office space for their satellite sites under operating leases. The terms of these leases vary with some being month to month and others being long-term with expected payments as detailed below.

The Village rents office equipment for its Fargo operation and satellite sites under leases expiring at various times with expected payments as detailed below. These leases are accounted for as operating leases.

The Village leases 8 autos. These leases are accounted for as operating leases and have various ending times through October 2024.

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

<u>Years Ending December 31,</u>	<u>Operating Leases</u>
2022	\$ 626,297
2023	566,469
2024	468,224
2025	358,115
2026	206,657
Thereafter	<u>392,786</u>
	<u>\$ 2,618,548</u>

Total rent expense for office space, equipment, and auto was \$697,294 and \$739,694 in 2021 and 2020.

The Village has a master lease agreement line of credit with a major automaker for up to \$400,000 of leased vehicles.

## Note 6 - 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 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 Village is required to satisfy certain measures of financial performance. The Children's Village Foundation is a co-borrower on the note.

### Long-Term Notes Payable

	<u>2021</u>	<u>2020</u>
0% note payable to the Foundation, due on demand, unsecured, subordinated to bank debt	<u>\$ 2,203,133</u>	<u>\$ 2,203,133</u>

The full balance of the debt is due on demand and therefore considered current.

**Note 7 - Net Assets with Donor Restrictions**

Net assets with donor restrictions are restricted for the following purposes or periods.

	2021	2020
Subject to Expenditure for Specified Purpose		
Big Brothers Big Sisters	\$ 138,948	\$ 70,430
Adoption program	17,457	30,000
Child Development program	-	33,400
Girls 360 program	-	7,453
Other programming	45,170	27,347
	201,575	168,630
Subject to the Passage of Time		
Interest in Children's Village Foundation net assets	4,528,564	4,474,573
Subject to the Passage of Time for Specified Purpose		
Interest in Children's Village Foundation net assets	1,894,651	1,770,798
Not Subject to Spending Policy or Appropriation		
Interest in Children's Village Foundation net assets	392,803	341,703
Perpetual in nature, not subject to spending policy or appropriation		
Beneficial interest in assets held by community foundation	28,186	-
	\$ 7,045,779	\$ 6,755,704

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended December 31, 2021 and 2020:

	2021	2020
Satisfaction of Purpose Restrictions		
Big Brothers Big Sisters	\$ 14,688	\$ 70,000
First Step Recovery	-	14,339
Adoption program	30,000	-
Child Development program	33,400	-
Girls 360 Program	7,453	-
Other Programming	24,744	-
	\$ 110,285	\$ 84,339

**Note 8 - 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 6 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 2021 and 2020:

	2021	2020
Statement of Financial Position		
Due from Children's Village Foundation	\$ 522,692	\$ 467,721
Note payable to Children's Village Foundation	\$ 2,203,133	\$ 2,203,133
Statement of Activities		
Change in interest in Children's Village Foundation net assets	\$ 228,944	\$ 145,598
Contributions received for operations	250,004	250,003
	\$ 478,948	\$ 395,601

Subsequent to year-end, Children's Village Foundation forgave the note payable in full.

**Note 9 - Paycheck Protection Program Advance**

The Village was granted a \$2,347,700 loan in April 2020 under the Paycheck Protection Program (PPP) administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal Government. The Village is eligible for loan forgiveness up to 100% of the loan, upon meeting certain requirements. The Village has elected to account for the funding as a conditional contribution by applying ASC 958-605, Not-for-Profit Revenue Recognition. The Village initially recorded the loan as a refundable advance and subsequently recorded contribution revenue in accordance with guidance for conditional contributions, that is, once the measurable performance or other barrier and right of return of the PPP loan note longer existed. During 2021, the Village paid back \$309,806 of the loan to the SBA. The Village recognized \$2,078,825 as contribution revenue for the year ended December 31, 2021, of which, \$30,931 was interest expense forgiveness.