



Financial Statements
December 31, 2018 (with comparative totals for 2017)
Village Family Service Center

Village Family Service Center
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December 31, 2018
(with comparative totals for 2017)

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Village Family Service Center (Village) which comprise the statement of financial position as of December 31, 2018, and the related statement of activities, cash flows, and functional expenses for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Village Family Service Center as of December 31, 2018, 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.

Change of Accounting Principle

As discussed in Note 1 to the financial statements, the Village has adopted the provisions of Financial Accounting Standards Board Accounting Standards Update No. 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. Accordingly, the December 31, 2017 financial statements have been restated to adopt this standard. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Village Family Service Center's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 20, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects with the exception of the change in accounting principle identified in the preceding paragraph, with the audited financial statements from which it has been derived.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Fargo, North Dakota
June 5, 2019

Village Family Service Center
 Statement of Financial Position
 December 31, 2018
 (With Comparative Totals for December 31, 2017)

	2018	2017 (restated)
Assets		
Cash	\$ 1,278,621	\$ 1,211,468
Receivables, net	1,071,481	774,154
Due from Children's Village Foundation	410,288	501,313
Prepaid expenses	84,472	86,138
Investments	790	790
Goodwill	522,577	522,577
Property and equipment, net of accumulated depreciation	1,081,723	1,097,145
Property held for sale	-	414,149
Interest in Children's Village Foundation Net Assets	6,715,479	7,488,810
Total assets	\$ 11,165,431	\$ 12,096,544
Liabilities and Net Assets		
Liabilities		
Checks issued in excess of bank balance	\$ -	\$ 1,993
Accounts payable	186,779	273,579
Accrued liabilities	676,386	846,803
Deferred revenue	337,787	342,952
Long-term debt	-	2,069
Due to Children's Village Foundation	2,203,133	2,203,133
Total liabilities	3,404,085	3,670,529
Net Assets		
Without donor restrictions	1,025,599	912,622
With donor restrictions	6,735,747	7,513,393
Total net assets	7,761,346	8,426,015
Total liabilities and net assets	\$ 11,165,431	\$ 12,096,544

Village Family Service Center

Statement of Activities

Year Ended December 31, 2018

(With Comparative Totals for Year Ended December 31, 2017)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2018	2017 (restated)
Revenue, Support and Gains				
Foundation	\$ 208,396	\$ -	\$ 208,396	\$ 423,590
Change in interest in Children's Village Foundation net assets	-	(773,331)	(773,331)	2,843,580
Donations from businesses, individuals, and organizations	351,441	-	351,441	1,318,264
Federal and other grant revenue	311,326	91,224	402,550	575,412
Gross special events revenue	454,316	-	454,316	460,176
Less cost of direct benefits to donors	(174,234)	-	(174,234)	(202,745)
Net special events revenue	<u>280,082</u>	<u>-</u>	<u>280,082</u>	<u>257,431</u>
Total received from public	1,151,245	(682,107)	469,138	5,418,277
Allocated by United Way	<u>422,641</u>	<u>-</u>	<u>422,641</u>	<u>541,277</u>
Total public support	<u>1,573,886</u>	<u>(682,107)</u>	<u>891,779</u>	<u>5,959,554</u>
Revenue and Gains				
Counseling fees	7,252,829	-	7,252,829	6,351,765
Village Business Institute	2,164,253	-	2,164,253	2,113,187
Child care	-	-	-	492,601
First Step Recovery	1,812,703	-	1,812,703	1,652,055
Program and sublease rent	178,290	-	178,290	180,939
Adoption fees	111,345	-	111,345	101,502
Truancy intervention	98,491	-	98,491	130,850
Gain on sale of property and equipment	271,324	-	271,324	1,094,666
Miscellaneous revenues	29,023	-	29,023	677,301
Net assets released from restrictions	<u>95,539</u>	<u>(95,539)</u>	<u>-</u>	<u>-</u>
Total revenue and gains	<u>12,013,797</u>	<u>(95,539)</u>	<u>11,918,258</u>	<u>12,794,866</u>
Total revenue, support and gains	<u>13,587,683</u>	<u>(777,646)</u>	<u>12,810,037</u>	<u>18,754,420</u>
Expenses				
Program services				
Counseling services	5,093,075	-	5,093,075	4,233,667
Family therapy	1,947,880	-	1,947,880	2,185,705
Village Business Institute	2,091,075	-	2,091,075	2,153,274
Child care	95,223	-	95,223	1,286,479
First Step Recovery	1,583,340	-	1,583,340	1,515,720
Big Brother Big Sister	272,776	-	272,776	296,167
Adoption	184,317	-	184,317	193,775
Truancy intervention	130,133	-	130,133	170,119
Alternative to Abortion	49,285	-	49,285	71,365
Intensive outpatient	<u>330,886</u>	<u>-</u>	<u>330,886</u>	<u>91,916</u>
Total program services expenses	<u>11,777,990</u>	<u>-</u>	<u>11,777,990</u>	<u>12,198,187</u>

Village Family Service Center

Statement of Activities

Year Ended December 31, 2018

(With Comparative Totals for Year Ended December 31, 2017)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2018	2017 (restated)
Supporting services				
Management and general	\$ 1,332,132	\$ -	\$ 1,332,132	\$ 2,370,024
Fundraising	364,584	-	364,584	519,738
Total supporting services expenses	<u>1,696,716</u>	<u>-</u>	<u>1,696,716</u>	<u>2,889,762</u>
Total expenses	<u>13,474,706</u>	<u>-</u>	<u>13,474,706</u>	<u>15,087,949</u>
Change in Net Assets	112,977	(777,646)	(664,669)	3,666,471
Net Assets, Beginning of Year	<u>912,622</u>	<u>7,513,393</u>	<u>8,426,015</u>	<u>4,759,544</u>
Net Assets, End of Year	<u>\$ 1,025,599</u>	<u>\$ 6,735,747</u>	<u>\$ 7,761,346</u>	<u>\$ 8,426,015</u>

Village Family Service Center
Statement of Functional Expenses
Year Ended December 31, 2018
(With Comparative Totals for Year Ended December 31, 2017)

	Counseling Services	Family Therapy	Village Business Institute	Child Care	First Step Recovery	Big Brother Big Sister
Salaries	\$ 3,173,964	\$ 1,177,166	\$ 912,909	\$ -	\$ 936,010	\$ 162,041
Employee benefits	529,177	203,402	154,725	6,225	165,255	38,221
Travel	63,501	96,115	41,290	-	4,649	2,639
Allocated program rent and utilities	279,116	86,342	84,973	80,717	96,972	7,590
Contracted services	80,828	16,797	474,388	-	24,330	-
Office supplies and postage	32,285	9,441	22,774	27	16,183	4,124
Printing and publications	22,064	10,652	61,534	-	7,455	9,426
Telephone	43,028	27,780	18,502	-	4,806	2,282
Repairs, maint. and other rentals	26,818	22,860	12,138	-	15,464	5,627
Staff training	30,712	11,657	9,395	-	2,742	3,660
Professional fees	30,391	20,992	18,484	9,376	55,809	517
Advertising	47,227	46	6,368	-	14,695	583
Insurance	25,457	11,907	10,826	-	7,570	1,457
Interest	-	-	-	-	-	-
Client assistance and special programs	124	1,429	1,848	-	12,443	3,686
Donation to Children's Village Foundation	-	-	-	-	-	-
Administrative charge	665,092	245,234	259,045	-	218,144	30,270
Other	12,362	120	59	(1,122)	(5,623)	174
Total expenses before depreciation	5,062,146	1,941,940	2,089,258	95,223	1,576,904	272,297
Depreciation	30,929	5,940	1,817	-	6,436	479
Total expenses	\$ 5,093,075	\$ 1,947,880	\$ 2,091,075	\$ 95,223	\$ 1,583,340	\$ 272,776

Village Family Service Center
Statement of Functional Expenses
Year Ended December 31, 2018
(With Comparative Totals for Year Ended December 31, 2017)

	Adoption	Truancy Intervention	Alternative to Abortion	Intensive Outpatient	Total Program Services Expenses
Salaries	\$ 78,533	\$ 99,356	\$ 32,779	\$ 198,061	\$ 6,770,819
Employee benefits	17,250	17,071	6,720	36,796	1,174,842
Travel	3,397	1,362	-	1,931	214,884
Allocated program rent and utilities	7,890	-	-	21,754	665,354
Contracted services	41,098	-	-	19,085	656,526
Office supplies and postage	1,589	415	420	4,019	91,277
Printing and publications	1,198	242	-	2,556	115,127
Telephone	2,132	660	863	1,146	101,199
Repairs, maint. and other rentals	2,396	-	-	6,673	91,976
Staff training	381	-	-	856	59,403
Professional fees	3,009	-	4,254	579	143,411
Advertising	1,974	-	299	1,217	72,409
Insurance	2,258	1,316	-	1,103	61,894
Interest	-	-	-	-	-
Client assistance and special programs	(354)	65	-	7,603	26,844
Donation to Children's Village Foundation	-	-	-	-	-
Administrative charge	29,152	9,626	3,950	28,034	1,488,547
Other	(8,017)	20	-	(803)	(2,830)
Total expenses before depreciation	183,886	130,133	49,285	330,610	11,731,682
Depreciation	431	-	-	276	46,308
Total expenses	\$ 184,317	\$ 130,133	\$ 49,285	\$ 330,886	\$ 11,777,990

Village Family Service Center
Statement of Functional Expenses
Year Ended December 31, 2018
(With Comparative Totals for Year Ended December 31, 2017)

	<u>Support Services</u>			<u>Total Expenses</u>	
	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total Support</u>	<u>2018</u>	<u>2017</u>
	Salaries	\$ 1,700,569	\$ 266,953	\$ 1,967,522	\$ 8,738,341
Employee benefits	321,481	49,126	370,607	1,545,449	1,552,255
Travel	31,483	3,147	34,630	249,514	270,652
Allocated program rent and utilities	157,948	18,266	176,214	841,568	779,073
Contracted services	154,727	-	154,727	811,253	653,961
Office supplies and postage	53,589	3,150	56,739	148,016	207,116
Printing and publications	19,489	8,783	28,272	143,399	194,673
Telephone	32,542	2,606	35,148	136,347	134,865
Repairs, maint. and other rentals	48,957	1,387	50,344	142,320	181,925
Staff training	35,255	1,095	36,350	95,753	65,313
Professional fees	118,533	6,074	124,607	268,018	460,132
Advertising	24,206	120	24,326	96,735	109,838
Insurance	10,023	2,817	12,840	74,734	67,988
Interest	267	-	267	267	9,680
Client assistance and special programs	777	1,015	1,792	28,636	27,147
Donation to Children's Village Foundation	-	-	-	-	1,078,133
Administrative charge	(1,488,547)	-	(1,488,547)	-	-
Other	43,845	(373)	43,472	40,642	50,121
	<u>1,265,144</u>	<u>364,166</u>	<u>1,629,310</u>	<u>13,360,992</u>	<u>14,941,891</u>
Total expenses before depreciation					
Depreciation	66,988	418	67,406	113,714	146,058
	<u>66,988</u>	<u>418</u>	<u>67,406</u>	<u>113,714</u>	<u>146,058</u>
Total expenses	<u>\$ 1,332,132</u>	<u>\$ 364,584</u>	<u>\$ 1,696,716</u>	<u>\$ 13,474,706</u>	<u>\$ 15,087,949</u>

Village Family Service Center

Statement of Cash Flows

Year Ended December 31, 2018

(With Comparative Totals For Year Ended December 31, 2017)

	2018	2017
Operating Activities		
Change in net assets	\$ (664,669)	\$ 3,666,471
Adjustments to reconcile changes in net assets to net cash (used for) from operating activities		
Depreciation	113,714	146,058
Gain on sale of property and equipment	(271,324)	(1,094,666)
Change in interest in Children's Village Foundation net assets	773,331	(2,843,580)
Changes in assets and liabilities		
Receivables	(206,302)	166,756
Prepaid expenses	1,666	14,649
Checks issued in excess of bank balance	(1,993)	(62,855)
Accounts payable	(86,800)	(14,353)
Accrued liabilities	(170,417)	1,064,972
Deferred revenue	(5,165)	(30,285)
Net Cash From (Used For) Operating Activities	(517,959)	1,013,167
Investing Activities		
Purchases of property and equipment	(124,702)	(243,811)
Proceeds on sale of property and equipment	711,883	2,058,243
Net Cash From Investing Activities	587,181	1,814,432
Financing Activities		
Payments on long-term debt	(2,069)	(542,845)
Contributions restricted for long term and capital purposes	-	-
Net change in short-term notes payable	-	(1,114,462)
Net Cash Used For Financing Activities	(2,069)	(1,657,307)
Net Change in Cash	67,153	1,170,292
Cash, Beginning of Year	1,211,468	41,176
Cash, End of Year	\$ 1,278,621	\$ 1,211,468
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	\$ 267	\$ 9,680
Supplemental Disclosure of Non-cash Investing Activity		
Transfer of property and equipment to property held for sale	\$ -	\$ 414,149

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, 2017, from which the summarized information was derived.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and those differences could be material.

Income Taxes

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

Concentrations of Credit Risk

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

Cash and Cash Equivalents

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

Receivables and Credit Policy

Receivables are uncollateralized customer obligations due upon receipt. Payments on trade receivables are applied to the earliest unpaid invoices. The carrying amount of trade receivables is reduced by a valuation allowance that reflects management's best estimate of the amounts that will not be collected. Management reviews all aged trade receivable balances and based on an assessment of current creditworthiness, estimates the portion, if any, of the balance that will not be collected. The allowance for doubtful accounts as of December 31, 2018 and 2017 is \$70,000.

Goodwill

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

Goodwill is not amortized, rather potential impairment is considered on an annual basis, or more frequently upon the occurrence of an event or when circumstances indicate that the amount of goodwill is greater than its fair value. As of December 31, 2018 and 2017, 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, 2018 and 2017.

Property Held for Sale

Property held for sale represented two buildings and the related land that was used for the Nokomis Daycare Centers. During December 31, 2017, the Nokomis operations ceased and the buildings were placed for sale and subsequently sold in 2018.

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

Interest in Children's Village Foundation Net Assets

The Children's Village Foundation (Foundation) was created for the purpose of providing permanent support for the activities and programs of the Village. Amounts that are held by the Foundation are recorded as an asset and as net assets with donor restrictions. Separate financial statements of Children's Village Foundation are prepared and are available from the Foundation.

Deferred Revenue

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

Funds Held for Others

The Village acts as a custodian of funds held for others. These funds are included in cash and accounts payable in the financial statements. As of December 31, 2018 and 2017, the cash held for others was \$2,392 and \$3,212.

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 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

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. Grant revenue is recognized in the period received if unrestricted, if restrictions are noted the revenue is deferred until the restrictions are met.

Advertising Costs

Advertising costs are expensed as incurred and totaled \$96,735 and \$109,838 for the years ended December 31, 2018 and 2017.

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.

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.

Change in Accounting Principle

As of January 1, 2018, the Village adopted the provisions of Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements for Not-For-Profit Entities*. The provisions of the ASU replace the existing three classes of net assets with two new classes (net assets without donor restrictions and net assets with donor restrictions) and enhance the disclosure requirements for the Village's donor restricted endowment funds and underwater endowments. The ASU introduces new disclosure requirements to provide information about what is included or excluded from the Village's intermediate measure of operations as well as disclosures to improve a financial statement user's ability to assess the Village's liquidity and exposure to risk. The ASU also introduces new reporting requirements to present expenses by both function and natural classification in a single location and to present investment returns on the statements of activities net of external and direct internal investment expenses.

The amendments should be applied on a retrospective basis; however, if presenting comparative financial statements, the ASU allows for the option to omit, for any periods presented before the period of adoption, the analysis of expenses by both natural classification and functional classification (the separate presentation of expenses by functional classification and expenses by natural classification is still required), and the disclosure about liquidity and availability of resources. The Village has elected not to present comparative information for these amendments.

The Village has adopted this standard as management believes the standard improves the usefulness and understandability of the Village's financial reporting.

Subsequent Events

The Village has evaluated subsequent events through June 5, 2019, 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:

Financial Assets		
Cash		\$ 1,278,621
Receivables, net		1,071,481
Investments		790
Total financial assets		2,350,892
Less amounts not available for general expenditures within the next year:		
Subject to expenditure for a specific purpose		
Program services		20,268
Financial assets available for general expenditures within the next year		\$ 2,330,624

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 5.

Note 3 - Property and Equipment

Property and equipment consists of the following:

	2018			2017 Net
	Cost	Accumulated Depreciation	Net	
Land	\$ 277,218	\$ -	\$ 277,218	\$ 277,218
Building and leasehold improvements	1,546,692	961,035	585,657	547,332
Office furniture and equipment	587,864	381,087	206,777	257,306
Vehicles	16,094	4,023	12,071	15,289
	\$ 2,427,868	\$ 1,346,145	\$ 1,081,723	\$ 1,097,145

Note 4 - Leases

The Village rents office space for 14 satellite sites under operating leases. The terms of 3 of the leases are on a month-to-month basis while the remaining 11 leases have various ending times through October 2024.

The Village rents office equipment for its Fargo operation and satellite sites under leases expiring at various times through October 2024. These leases are accounted for as operating leases.

The Village leases 11 autos. These leases are accounted for as operating leases and have various ending times through July 2021.

The Village leased telephone equipment under a capital lease ended February 2018.

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

Years Ending December 31,	Operating Leases
2019	\$ 327,678
2020	196,645
2021	141,158
2022	135,736
2023	130,471
Thereafter	77,030
	\$ 1,008,718

Total rent expense for office space, equipment, and auto was \$662,274 and \$635,062 in 2018 and 2017.

Leased property under capital lease at December 31, 2018 and 2017 includes:

	2018	2017
Equipment	\$ 103,488	\$ 103,488
Less accumulated amortization	(103,488)	(101,419)
	\$ -	\$ 2,069

Note 5 - 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, 2018. As of December 31, 2018 and 2017, there is no outstanding balance. The line of credit matures July 2019 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

	2018	2017
0% note payable to the Foundation, due on demand, unsecured, subordinated to bank debt	\$ 2,203,133	\$ 2,203,133
Capital lease obligation - Note 4	-	2,069
	\$ 2,203,133	\$ 2,205,202

Minimum repayments of debt obligations to maturity are as follows:

Years Ending December 31,	Amount
2019	\$ 2,203,133

Note 6 - Net Assets with Donor Restrictions

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

	2018	2017
Subject to Expenditure for Specified Purpose		
Counseling services	\$ -	\$ 4,964
First Step Recovery	20,268	19,619
	20,268	24,583
Subject to the Passage of Time		
Interest in Children's Village Foundation net assets	4,859,234	5,645,080
Subject to the Passage of Time for Specified Purpose		
Interest in Children's Village Foundation net assets	1,554,440	1,551,925
Not Subject to Spending Policy or Appropriation		
Interest in Children's Village Foundation net assets	301,805	291,805
	\$ 6,735,747	\$ 7,513,393

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, 2018 and 2017:

	2018	2017
Satisfaction of Purpose Restrictions		
Counseling Services	\$ 95,539	\$ 86,198
Childcare	-	31,250
Development	-	4,633
	\$ 95,539	\$ 122,081

Note 7 - 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 5 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 2018 and 2017:

	2018	2017
Statement of Financial Position		
Due from Children's Village Foundation	\$ 410,288	\$ 501,313
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	\$ (773,331)	\$ 2,843,580
Contributions received for operations	147,059	432,752
Contributions for compensated absences	(18,332)	(58,429)
Contributions received for special assessments and property taxes	61,337	63,864
Contribution of excess proceeds from Village land sale	-	(1,078,133)
	\$ (583,267)	\$ 2,203,634

Note 8 - Restatement Resulting from Change in Accounting Policy

As disclosed in Note 1, the Village adopted the provisions of ASU 2016-14, *Presentation of Financial Statements for Not-For-Profit Entities* as of January 1, 2018. As a part of the adoption, changes were made to the presentation of the financial statements and the classification of net assets. Following is a summary of the effects of the change in accounting policy in the Village's December 31, 2017 net assets.

The effect on the Village's statement of financial position as of December 31, 2017 is as follows:

	As Previously Reported	Adoption of ASU 2016-14	As Restated
Unrestricted	\$ 912,622	\$ (912,622)	\$ -
Temporarily restricted	7,221,588	(7,221,588)	-
Permanently restricted	291,805	(291,805)	-
Net assets without donor restrictions	-	912,622	912,622
Net assets with donor restrictions	-	7,513,393	7,513,393