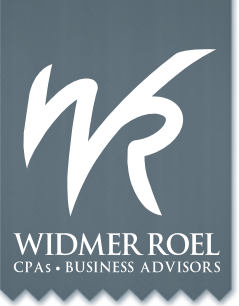


**FARGO-MOORHEAD AREA  
FOUNDATION CORPORATION**

**CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

**WITH INDEPENDENT AUDITOR'S REPORT**



4334 18th Avenue S.  
Ste 101  
Fargo, ND 58103-7414

Phone: 701.237.6022  
Toll Free: 888.237.6022  
Fax: 701.280.1495

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
**Fargo-Moorhead Area Foundation Corporation**  
Fargo, North Dakota

We have audited the accompanying consolidated financial statements of the **Fargo-Moorhead Area Foundation Corporation** (a North Dakota non-profit organization), which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, and the related consolidated statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements. We have also audited the related statement of functional expenses for the year ended December 31, 2018.

In the year of adoption of Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, the Organization has elected to omit the statement of functional expenses and liquidity and availability note disclosure for year ended December 31, 2017.

### ***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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the **Fargo-Moorhead Area Foundation Corporation** as of December 31, 2018 and 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.

***Emphasis of a Matter***

As discussed in Note 1 to the consolidated financial statements in 2018, the **Fargo-Moorhead Area Foundation Corporation** adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to these matters.

A handwritten signature in black ink, appearing to read "William R. Rupp". The signature is written in a cursive style with a large initial "W".

Fargo, North Dakota  
July 22, 2019

**FARGO-MOORHEAD AREA FOUNDATION CORPORATION****CONSOLIDATED STATEMENTS OF FINANCIAL POSITION****DECEMBER 31, 2018 AND 2017**

<b>ASSETS</b>	<b>2018</b>	<b>2017</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,716,911	\$ 1,784,160
Current portion of unconditional promises to give	336,857	78,750
Interest, contributions, & grants receivable	61,283	54,756
Current portion of note receivable	20,044	19,164
Other receivables	87,216	-
Prepaid expenses	-	3,337
	<u>2,222,311</u>	<u>1,940,167</u>
Total current assets		
	<u>2,222,311</u>	<u>1,940,167</u>
<b>PROPERTY AND EQUIPMENT, net</b>	<u>676,443</u>	<u>718,413</u>
<b>OTHER ASSETS</b>		
Unconditional promises to give, net of discount	1,732,418	-
Note receivable, net of current portion	41,029	61,073
Assets held in charitable remainder trusts	690,984	797,406
Investments	69,648,109	73,894,111
Cash surrender value of life insurance	998,801	965,957
	<u>73,111,341</u>	<u>75,718,547</u>
Total other assets		
	<u>73,111,341</u>	<u>75,718,547</u>
Total assets	<u>\$ 76,010,095</u>	<u>\$ 78,377,127</u>

<b>LIABILITIES AND NET ASSETS</b>	<b>2018</b>	<b>2017</b>
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 2,346	\$ 4,200
Accrued payroll	10,920	14,609
Grants payable	29,517	134,914
Current portion of liabilities under charitable remainder trusts	32,896	36,416
Funds held as agency endowments	906,969	842,079
Deferred revenue	-	45,500
	<u>982,648</u>	<u>1,077,718</u>
<b>LIABILITIES UNDER CHARITABLE REMAINDER TRUSTS, net of current portion</b>		
	<u>220,477</u>	<u>255,907</u>
Total liabilities	<u>1,203,125</u>	<u>1,333,625</u>
<b>NET ASSETS</b>		
Without donor restrictions		
Discretionary	6,328,933	6,966,428
Designated	17,668,389	18,133,425
Donor advised	30,715,022	32,240,662
Organizational	1,874,529	1,966,848
Field of interest	6,447,925	7,127,042
Scholarship	8,505,958	9,247,617
With donor restrictions	<u>3,266,214</u>	<u>1,361,480</u>
Total net assets	<u>74,806,970</u>	<u>77,043,502</u>
Total liabilities and net assets	<u>\$ 76,010,095</u>	<u>\$ 78,377,127</u>

**FARGO-MOORHEAD AREA FOUNDATION CORPORATION**  
**CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>			
Contributions	\$ 3,675,622	\$ 2,538,144	\$ 6,213,766
Net investment return	(4,708,862)	(186,239)	(4,895,101)
Royalty income	214,914	-	214,914
Increase in cash surrender value of life insurance, net of premiums paid	-	32,844	32,844
Special event income	850	-	850
Miscellaneous	25	-	25
Net assets released from restrictions	<u>480,015</u>	<u>(480,015)</u>	<u>-</u>
 Total support and revenue	 <u>(337,436)</u>	 <u>1,904,734</u>	 <u>1,567,298</u>
<b>EXPENSES</b>			
Program services expense			
Grants	2,537,939	-	2,537,939
Community programs	<u>700,569</u>	<u>-</u>	<u>700,569</u>
 Total program expenses	 <u>3,238,508</u>	 <u>-</u>	 <u>3,238,508</u>
Supporting services expense			
Management and general	440,757	-	440,757
Fundraising and development	<u>124,565</u>	<u>-</u>	<u>124,565</u>
 Total supporting services expenses	 <u>565,322</u>	 <u>-</u>	 <u>565,322</u>
 <b>CHANGE IN NET ASSETS</b>	 <u>(4,141,266)</u>	 <u>1,904,734</u>	 <u>(2,236,532)</u>
 <b>TOTAL NET ASSETS, Beginning of year</b>	 <u>75,682,022</u>	 <u>1,361,480</u>	 <u>77,043,502</u>
 <b>TOTAL NET ASSETS, End of year</b>	 <u>\$ 71,540,756</u>	 <u>\$ 3,266,214</u>	 <u>\$ 74,806,970</u>

**FARGO-MOORHEAD AREA FOUNDATION CORPORATION**  
**CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Without Donor Restriction</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>			
Contributions	\$ 3,062,843	\$ 193,078	\$ 3,255,921
Net investment return	9,642,182	177,302	9,819,484
Royalty income	159,836	-	159,836
Increase in cash surrender value of life insurance, net of premiums paid	-	10,996	10,996
Special event income	14,762	-	14,762
Miscellaneous	14,953	-	14,953
Sponsorships/grants received	20,286	-	20,286
Net assets released from restrictions	<u>504,020</u>	<u>(504,020)</u>	<u>-</u>
 Total support and revenue	 <u>13,418,882</u>	 <u>(122,644)</u>	 <u>13,296,238</u>
<b>EXPENSES</b>			
Program services expense			
Grants	2,689,224	-	2,689,224
Community programs	<u>639,295</u>	<u>-</u>	<u>639,295</u>
 Total program expenses	 <u>3,328,519</u>	 <u>-</u>	 <u>3,328,519</u>
Supporting services expense			
Management and general	321,182	-	321,182
Fundraising and development	<u>172,538</u>	<u>-</u>	<u>172,538</u>
 Total supporting services expenses	 <u>493,720</u>	 <u>-</u>	 <u>493,720</u>
 <b>CHANGE IN NET ASSETS</b>	 9,596,643	 (122,644)	 9,473,999
 <b>TOTAL NET ASSETS, Beginning of year,</b>	 <u>66,085,379</u>	 <u>1,484,124</u>	 <u>67,569,503</u>
 <b>TOTAL NET ASSETS, End of year</b>	 <u>\$ 75,682,022</u>	 <u>\$ 1,361,480</u>	 <u>\$ 77,043,502</u>

**FARGO-MOORHEAD AREA FOUNDATION CORPORATION**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Program Services</u>				
	<u>Grants</u>	<u>Community Programs</u>	<u>Management and General</u>	<u>Fundraising and Development</u>	<u>Total</u>
Salaries	\$ -	\$ 106,384	\$ 276,497	\$ 60,115	\$ 442,996
Employee benefits	-	25,493	66,257	14,405	106,155
Payroll tax	-	7,603	19,761	4,296	31,660
Advertising	-	3,488	3,974	13,540	21,002
Bank fees	-	-	434	-	434
Board expenses	-	5,841	2,920	2,920	11,681
Community sponsorships	-	9,850	-	-	9,850
Consultant	-	-	225	-	225
Credit card fees	-	1,839	-	-	1,839
Depreciation	-	51,227	17,075	-	68,302
Development events	-	-	-	4,571	4,571
Dues and memberships	-	12,240	4,080	-	16,320
Equipment lease	-	925	308	-	1,233
Fiscal sponsorship expense	-	349,307	-	-	349,307
Foundation event expense	-	-	-	9,619	9,619
Grants	2,267,288	20,500	-	-	2,287,788
Insurance	-	6,286	2,095	-	8,381
Janitorial service	-	4,013	1,338	-	5,351
Local meeting	-	4,645	2,322	2,322	9,289
Maintenance expense	-	37,129	12,376	-	49,505
Miscellaneous	-	-	2,943	-	2,943
Non profit activities	-	5,662	-	-	5,662
Postage	-	2,695	898	-	3,593
Printing	-	2,011	-	2,872	4,883
Professional fees	-	9,444	14,091	2,000	25,535
Scholarships	270,651	-	-	-	270,651
Supplies	-	6,856	2,285	-	9,141
Telephone	-	7,119	2,373	-	9,492
Travel expense	-	16,412	7,305	7,905	31,622
Utilities	-	3,600	1,200	-	4,800
Total expenses by function	\$ <u>2,537,939</u>	\$ <u>700,569</u>	\$ <u>440,757</u>	\$ <u>124,565</u>	\$ <u>3,803,830</u>



**FARGO-MOORHEAD AREA FOUNDATION CORPORATION**

**CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (2,236,532)	\$ 9,473,999
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	68,302	63,896
Realized/unrealized (gain) loss on investments	6,099,296	(8,770,548)
Change in value of charitable remainder trusts	112,932	445,193
Change in cash surrender value of life insurance	(32,844)	(10,996)
Changes in assets and liabilities		
Unconditional promises to give	(1,990,525)	(20,750)
Interest, contributions, and grants receivable	(6,527)	(54,756)
Other receivables	(87,216)	38,137
Prepaid expenses	3,337	(3,337)
Accounts payable	(1,854)	(26,406)
Accrued payroll	(3,689)	2,207
Grants payable	(105,397)	(7,731)
Funds held as agency endowments	64,890	70,334
Deferred revenue	<u>(45,500)</u>	<u>45,500</u>
Net cash provided by operating activities	<u>1,838,673</u>	<u>1,244,742</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments received on note receivable	19,164	18,322
Purchase of property and equipment	(26,573)	(21,311)
Purchases of investments	(39,396,136)	(42,139,551)
Proceeds from sale of investments	37,542,842	40,997,689
Loss on the sale of property and equipment	241	-
Premiums paid on life insurance policies	-	(25,000)
Proceeds from cash surrender value of life insurance	<u>-</u>	<u>93,301</u>
Net cash used in investing activities	<u>(1,860,462)</u>	<u>(1,076,550)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments on liabilities under charitable remainder trusts	<u>(45,460)</u>	<u>(185,778)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(67,249)	(17,586)
<b>CASH AND CASH EQUIVALENTS, Beginning of year</b>	<u>1,784,160</u>	<u>1,801,746</u>
<b>CASH AND CASH EQUIVALENTS, End of year</b>	\$ <u><u>1,716,911</u></u>	\$ <u><u>1,784,160</u></u>

# FARGO-MOORHEAD AREA FOUNDATION CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *Nature of Operations*

Fargo-Moorhead Area Foundation Corporation (“Organization”), is a publicly supported philanthropic organization that administers donations for charitable purposes. Historically, it has administered numerous individual trust funds contributed to it by individuals, non-profit agencies, governments, corporations, and other sources primarily for the benefit of residents of the Fargo, Moorhead, Cass County, and Clay County areas.

The Organization completed a corporate restructuring from a sole trust structure to a corporate structure, effective July 21, 2011, in order to enable greater flexibility in achieving the goals of the Organization. The primary purpose of the Organization is to receive, manage, and distribute such gifts as may be made to the Organization to serve its charitable purposes.

The majority of the Organization’s assets when operated as a Trust have been held by seven trustee institutions: Bank of the West, US Bank National Association, Wells Fargo Bank, N.A., Alerus Financial, Bremer Trust, Bell Bank, and Heartland Trust Company. Under the new corporate structure, all funds received under documents executed before the effective operational date of the Organization are allocated to the Trust. All funds received accompanied by documents executed after that date are allocated to the Organization.

The mission of the Organization is to enrich the quality the community by building partnerships, promoting philanthropy, and serving as a trusted resource now and for future generations.

The Organization has been in compliance with the National Standards for U.S. Community Foundations administered by the Council of Foundations since 2007. Compliance with the National Standards means that the Organization has met certain standards in philanthropy and has demonstrated a commitment to financial security, transparency, and accountability.

#### *Basis of Presentation*

The financial statements of Fargo-Moorhead Area Foundation Corporation have been prepared in accordance with U.S. generally accepted accounting principles (“US GAAP”), which require Fargo-Moorhead Area Foundation Corporation to report information regarding its financial position and activities according to the following net asset classifications:

*Net assets without donor restrictions:* Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of Fargo-Moorhead Area Foundation Corporation’s management and the board of directors.

*Net assets with donor restrictions:* Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of Fargo-Moorhead Area Foundation Corporation or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

## **FARGO-MOORHEAD AREA FOUNDATION CORPORATION**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

#### ***Basis of Consolidation***

The accompanying consolidated financial statements of the Organization are prepared including the financial activity of three entities: the Fargo-Moorhead Area Foundation Corporation, the William C. and Jane B. Marcil Family Foundation, and the ELM Family Foundation.

During 1996, the William C. and Jane B. Marcil Family Foundation was established as a supporting organization of Fargo-Moorhead Area Foundation Corporation within the meaning of Section 509(a)(3) of the Internal Revenue Code. A supporting organization is defined as an organization which is organized and is at all times operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more specific publicly supported organizations. All of the assets, liabilities, revenues, and expenses of the William C. and Jane B. Marcil Family Foundation are included in the consolidated financial statements of the Fargo-Moorhead Area Foundation Corporation.

During 2002, the ELM Family Foundation was established as a supporting organization of the Fargo-Moorhead Area Foundation Corporation. All of the assets, liabilities, revenues, and expenses of the ELM Family Foundation are included in the consolidated financial statements of the Fargo-Moorhead Area Foundation Corporation.

All intercompany transactions and accounts have been eliminated in the consolidated financial statements.

#### ***Cash and Cash Equivalents***

The Organization considers all highly liquid investments with an original maturity of three months or less to be cash or cash equivalents. Excluded from the definition of cash equivalents are such amounts that have been designated by the Board for investments.

#### ***Concentration of Credit Risk***

The Organization maintains cash balances at a local financial institution. The majority of these balances are held in interest bearing accounts subject to FDIC limits. At times, the Organization's bank balances exceed the federally insured limits. At December 31, 2018 and 2017, the Organization's uninsured cash balances totaled \$1,568,254 and \$1,329,273, respectively.

#### ***Promises to Give***

Contributions receivable (unconditional promises to give), net of an allowance for uncollectible contributions, are recorded as receivables and revenue when received. The Foundation distinguishes between contributions received for each net asset category in accordance with donor-imposed restrictions. Contributions are recorded after being discounted to the anticipated net present value of the future cash flows.

The Organization provides for losses on pledges receivable using the allowance method. The allowance is based on historical collection experience and other circumstances. It is the Foundation's policy to charge off uncollectible pledges receivable when management determines the receivable will not be collected. Management believes that all pledges receivable are collectible; thus, no allowance for pledges receivable has been established.

## **FARGO-MOORHEAD AREA FOUNDATION CORPORATION**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

#### ***Note Receivable***

Notes receivable represents funds advanced to a local not-for-profit organization for the purpose of furthering the tax-exempt objectives of that organization. The note receivable is stated at unpaid principal balance. Interest on the note is recognized over the term of the note and is calculated using the effective interest method. Management considers the note to be collectible, and, as a result, no allowance for loan losses has been established.

#### ***Investments***

Investments are carried at market or appraised value. Realized and unrealized gains and losses are included in the consolidated statements of activities and changes in net assets.

The Organization's investments are exposed to various risks, such as fluctuation in market value and credit risk. Thus, it is at least reasonably possible that changes in the near term could materially affect investment balances and the amounts reported in the financial statements.

The Organization has mineral interests held in a third party trust. The mineral interests are valued annually by the Bank of the West by applying a multiple of using net income for the estimated value of the interests.

#### ***Property and Equipment***

Purchases of property and equipment are recorded at cost at the time of purchase. Donated property and equipment are recorded at fair value at the date of the gift. The cost and related accumulated depreciation of assets retired or sold are removed from the appropriate asset and depreciation accounts and the resulting gain or loss is reflected in the consolidated statements of activities.

Depreciation is computed on a straight-line basis over the estimated useful lives of assets, currently at 5 years for furniture and equipment, 15 years for building improvements and landscaping, and 25 years for buildings. Expenditures for maintenance and repairs are charged to expense as incurred.

#### ***Donated Services***

Donated services are recorded at fair value when received.

#### ***Income Taxes***

The Organization is exempt from payment of federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. The ELM Family Foundation and the William C. and Jane B. Marcil Family Foundation also are exempt from payment of federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Organization is required to record a liability for uncertain tax positions when it is probable that a loss has been incurred and the amount can be reasonably estimated. As of December 31, 2018 and 2017, no such liability existed. Management will continually evaluate expiring statutes of limitations, audits, proposed settlements, changes in tax law, and new authoritative rulings.

The Organization files income tax returns in the U.S. federal jurisdiction. The Organization is no longer subject to U.S. federal examinations by tax authorities for years before 2015.

**FARGO-MOORHEAD AREA FOUNDATION CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

***Functional Allocation of Expenses***

The consolidated statement of functional expenses presents expenses by function and natural classification. Expenses have been allocated on a functional basis between program, supporting services, and fundraising based on a combination of estimated square footage used for program and general operational services as well as directly identifiable costs. Payroll is allocated based on personnel time devoted to various activities.

***Use of Estimates***

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue expenses during the reporting period. Actual results could differ from those estimates.

***New Accounting Pronouncement***

Also during 2018, the Organization adopted ASU No. 2016-14 – *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity’s liquidity, financial performance, and cash flows. Main provisions of this guidance include: presentation of two classes of net assets versus the previously required three. The guidance also enhances disclosures for board designated amounts, composition of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classification.

A recap of the net asset reclassifications driven by the adoption of ASU 2016-14 as of December 31, 2017 follows:

<u>Net Assets Classifications</u>	<u>ASU 2016-14 Classifications</u>		
	<u>Without donor Restrictions</u>	<u>With donor Restrictions</u>	<u>Total Net Assets</u>
As previously presented			
Unrestricted			
Discretionary	\$ 6,966,428	\$ -	\$ 6,966,428
Designated	18,133,425	-	18,133,425
Donor advised	32,006,994	-	32,006,994
Organizational	1,966,848	-	1,966,848
Field of interest	7,127,042	-	7,127,042
Scholarship	9,247,617	-	9,247,617
Temporarily restricted	<u>-</u>	<u>1,595,148</u>	<u>1,595,148</u>
Net assets, as previously presented	75,448,354	1,595,148	77,043,502
Reclassifications to implement ASU 2016-14	<u>233,668</u>	<u>(233,668)</u>	<u>-</u>
Net assets, as reclassified	\$ <u>75,682,022</u>	\$ <u>1,361,480</u>	\$ <u>77,043,502</u>

***Reclassification***

Certain amounts in the December 31, 2017 financial statements have been reclassified to conform to the December 31, 2018 presentation. Such reclassification has no effect on reported net income.

# FARGO-MOORHEAD AREA FOUNDATION CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

### NOTE 2 – AVAILABILITY AND LIQUIDITY

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:

	<u>2018</u>
Cash and cash equivalents	\$ 1,716,911
Long-term investments made available for current use	<u>1,963,334</u>
Total	<u>\$ 3,680,245</u>

The Foundation manages its cash available to meet general expenditures and grants following two guiding principles:

- Operating within a prudent budget, and
- Maintaining adequate liquid assets.

As part of the Foundation's liquidity management, financial assets are structured to be available as general expenditures, liabilities, and other obligations become due. The Foundation invests in short term investments and money market funds to make sure cash is available for current cash flow needs.

The amounts reflected above in cash and cash equivalents are available for the Foundation's general expenditures, liabilities and other obligations, as well as grants and scholarship available but not yet awarded at the end of the year from non-endowed grantmaking funds as well as our endowed funds.

The Foundation maintains two insurance policies with cash surrender value that is available for general expenditure. Cash surrender values are not included in assets available for general expenditure as it is not the intent of the Foundation to use those funds.

#### ***Grants and Program Expenses***

Grant and scholarship awards as well as program related expenses from the non-endowed funds are made available from the long-term investments at the beginning of each year based on the board approved spending policy at the end of the previous year.

In December 2018, the Foundation's Board of Directors approved a distribution policy of \$4.25% for 2019. A spendable amount of \$2,300,511 will be made available for grantmaking from these endowed funds during 2019. Once made available, any amounts over the FDIC insured limit will be kept in short term investments through a Money Center Institutional account with availability daily.

#### ***Administrative Fees***

The Board of Directors has approved an administrative fee charge to all funds assessed quarterly based on the average daily fund balance for that quarter. These fees are assessed based on the fund type and taking into consideration the level of administration involved in administering the fund. Since administrative fees are part of the overall amount allowed to be spent out of the fund under the Unified Prudent Management of Institutional Funds Act (UPMIFA), we monitor investment performance closely to ensure that the overall return is sufficient to cover the administrative fees, investment fees, and the amount available to grant to ensure that the principal is preserved and that the funds have growth for the future.

(Continued)

# FARGO-MOORHEAD AREA FOUNDATION CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

Following is the current annual administrative fee structure:

- Endowed Donor Advised and Endowed Donor Designated Funds
  - 1.125% under \$1,000,000
  - .375% over \$1,000,000
- Nonprofit Funds
  - 20% discount from above fee schedule
- Scholarship and Non-Endowed Funds
  - 2.125%

The administrative fees fund 95% of the operations of the Foundation. The Foundation does not fundraise for operational expenses as we feel that would conflict with our mission to support our nonprofit organizations, not compete with them. This ensures that we will always have the resources to fund our administrative operations while we fulfill our commitment to the community. In addition, an operating reserve is part of the Cash and Cash Equivalents balance and is equal to one quarter of the operational needs at any given time. It is important to note that funds have not been used from the operating reserve in over 9 years. The approved operations budget for 2019 is \$889,666.

### *Endowed Funds*

Endowed funds consist of donor restricted endowments and board designated endowments. Principal amounts held in donor restricted endowments are not available for general expenditure.

Endowed funds are invested in the Foundation's long-term pools. When the amount available for granting and fees (administrative and trustee) are transferred to the Foundation, they are held in our short-term pool where they are readily available.

### **NOTE 3 – CONTRIBUTIONS RECEIVABLE**

Contributions receivable consisted of the following outstanding pledges as of December 31:

	<u>2018</u>	<u>2017</u>
Amounts due in:		
Less than one year	\$ 336,857	\$ 78,750
One to five years	1,134,661	-
More than five years	<u>907,845</u>	<u>-</u>
	2,379,363	78,750
Unamortized discount	<u>(310,088)</u>	<u>-</u>
	<u>\$ 2,069,275</u>	<u>\$ 78,750</u>

Contributions receivable due in one year are reflected at the net realizable value. Contributions receivable with due dates extending beyond one year are discounted at a rate of 2.85%. Amortization of the discount is included in contributions in the statements of activities and changes in net assets.

**FARGO-MOORHEAD AREA FOUNDATION CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 4 – NOTE RECEIVABLE**

The Organization issued a note receivable to a local not-for-profit organization during the year ended December 31, 2016. The purpose of the note receivable was to provide funds for the recipient organization to make a down payment on its new location. The note carries a 4.5% fixed interest rate and is secured by a secondary real estate mortgage on the acquired property. The note requires monthly payments of \$1,865 until its maturity in November 2021. The note matures as follows: 2019 – \$20,044; 2020 – \$20,965; and 2021 – \$20,064.

**NOTE 5 – PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following as of December 31:

	<u>2018</u>	<u>2017</u>
Equipment	\$ 79,853	\$ 67,688
Land	84,000	84,000
Building	481,486	481,486
Furniture and fixtures	78,195	74,717
Landscaping	171,380	171,380
Intangibles	<u>22,425</u>	<u>22,425</u>
	917,339	901,696
Accumulated depreciation	<u>(240,896)</u>	<u>(183,283)</u>
Total	\$ <u>676,443</u>	\$ <u>718,413</u>

Depreciation expense totaled \$68,302 and \$63,896 for the years ended December 31, 2018 and 2017, respectively.

**NOTE 6 – INVESTMENTS**

Investments consisted of the following at December 31:

	<u>2018</u>	<u>2017</u>
Cash and money market funds	\$ 1,915,610	\$ 1,466,736
Fixed income	21,571,652	20,267,513
Equities	39,507,851	45,104,726
Other		
Alternative investments funds	2,406,331	2,504,418
Commodities	342,171	364,103
Common trust funds	1,389,891	1,608,428
Real asset funds	1,724,648	1,982,708
Mineral interests	<u>789,955</u>	<u>595,479</u>
Total	\$ <u>69,648,109</u>	\$ <u>73,894,111</u>



**FARGO-MOORHEAD AREA FOUNDATION CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

The following schedule summarizes the investment return and its classification in the consolidated statement of activities and changes in net assets for the year ended December 31, 2018:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Investment income	\$ 1,659,810	\$ 11,590	\$ 1,671,400
Unrealized depreciation of investments	(8,749,590)	(223,643)	(8,973,233)
Realized gains on sale of investments	2,864,450	25,814	2,890,264
Trustee management fees	<u>(483,532)</u>	<u>-</u>	<u>(483,532)</u>
Net investment return	\$ <u>(4,708,862)</u>	\$ <u>(186,239)</u>	\$ <u>(4,895,101)</u>

The following schedule summarizes the investment return and its classification in the consolidated statement of activities and changes in net assets for the year ended December 31, 2017:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Investment income	\$ 1,431,093	\$ 18,302	\$ 1,449,395
Unrealized appreciation of investments	6,208,764	151,894	6,360,658
Realized gains on sale of investments	2,402,784	7,106	2,409,890
Trustee management fees	<u>(400,459)</u>	<u>-</u>	<u>(400,459)</u>
Net investment return	\$ <u>9,642,182</u>	\$ <u>177,302</u>	\$ <u>9,819,484</u>

**NOTE 7 – FAIR VALUE MEASUREMENTS**

The three levels of the fair value hierarchy in accordance with ASC 820 *Fair Value Measurements* are described below:

**Level 1** – Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets.

**Level 2** – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active or inactive markets and inputs other than quoted prices that are observable for the asset or liability.

**Level 3** – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodologies used for assets measured at fair value.

**Mutual Funds, Exchange-Traded Funds, Hedged Equity Funds, Alternative Investments Funds, Commodities Funds, Complementary Strategies Funds, and Real Asset Funds** – Valued at the net asset value (“NAV”) of shares held by the Organization at year-end. Funds held by the Organization are open-ended funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily NAV and transact at that price. The funds held by the Organization are deemed to be actively traded.

**FARGO-MOORHEAD AREA FOUNDATION CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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**U.S. Treasury and Agency Obligations** – Valued at published prices.

**Common Stocks** – Valued at the closing price reported on the active market, on which the individual securities are traded.

**Corporate Bonds** – Valued at the most recent traded prices reported on the active market, on which the individual securities are traded.

**Municipal Bonds and Mortgage-Backed Securities** – Valued using pricing models maximizing the use of observable inputs for similar securities.

**Common Trust Funds, Pooled Investment Trust Funds, and Private Equity Investment Funds** – Valued based on the NAV of shares held by the Organization at year-end. The NAV value is based on the audited financial statements of the funds or determined by independent valuation specialists.

**Assets and Liabilities Related to Charitable Remainder Trusts** – Valued based the present value of expected future cash flows based on donor or beneficiaries’ life expectancies and various discount rates.

**Cash Surrender Value of Life Insurance** – Valued the estimated amounts of payout from the insurance companies in the event the policies are voluntarily terminated before their maturities, net of surrender charges.

**Mineral Rights** – Valued by applying a multiple of net income for the period of 12 months preceding the date of valuation.

The valuation methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**Level 3 Valuation Techniques**

The following table describes the valuation techniques used for the other recurring fair value measurements for assets in Level 3 of the fair value hierarchy:

<b>Quantitative Information about Level 3 Fair Value Measurements</b>						
	<b>Fair Value as of 12/31/18</b>	<b>Fair Value as of 12/31/17</b>	<b>Valuation Techniques</b>	<b>Unobservable Inputs</b>	<b>Range (Weighted Average)</b>	
Assets held under charitable remainder trusts	\$ 690,984	\$ 797,406	Present value	Life expectancy Discount rate	6 - 16 years 3.8% - 7.0%	
Liabilities held under charitable remainder trusts	\$ (253,373)	\$ (292,323)	Present value	Life expectancy Discount rate	6 - 16 years 3.8% - 7.0%	
Mineral interests	\$ 789,955	\$ 595,479	Net income	Industry income Multiple	1 - 4 (4) Multiples	

The Organization’s fair value measurement policies and procedures are reviewed annually to determine if the valuation techniques are still appropriate.

*(Continued)*

**FARGO-MOORHEAD AREA FOUNDATION CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

The following table sets forth by level, within the fair value hierarchy, the Organization's assets and liabilities measured at fair value on a recurring basis as of December 31, 2018:

<u>Assets</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and money market	\$ 1,915,610	\$ 1,915,610	\$ -	\$ -
Fixed income				
U.S. Treasury and agency securities	5,271,149	5,271,149	-	-
Domestic corporate bonds	3,389,266	3,389,266	-	-
Foreign corporate bonds	864,123	864,123	-	-
Mortgage-backed securities	1,042,210	-	1,042,210	-
Municipal bonds	107,827	-	107,827	-
Domestic bond mutual funds				
Bank loans	5,040	5,040	-	-
Commodities	9,683	9,683	-	-
Corporate bond fund	3,949,789	3,949,789	-	-
High yield bonds	876,367	876,367	-	-
Inflation protected	4,455	4,455	-	-
Intermediate-term bonds	2,974,447	2,974,447	-	-
Long-term bonds	120,935	120,935	-	-
Multisector bonds	501,534	501,534	-	-
Nontraditional	700,799	700,799	-	-
Preferred stocks	160,498	160,498	-	-
Short-term bonds	499,422	499,422	-	-
Total return bonds	42,450	42,450	-	-
Exchange-traded funds	311,629	311,629	-	-
Foreign bond mutual funds	740,029	740,029	-	-
Equities				
Domestic common stocks	16,108,817	16,108,817	-	-
Foreign common stocks	3,701,595	3,701,595	-	-
Domestic equity mutual funds				
Large cap	6,182,340	6,182,340	-	-
Mid cap	2,115,026	2,115,026	-	-
Small cap	1,693,310	1,693,310	-	-
Foreign equity mutual funds	8,869,310	8,869,310	-	-
Exchange-traded funds	285,325	285,325	-	-
Hedged equity funds	552,128	552,128	-	-
Other				
Alternative investments funds	2,406,331	2,406,331	-	-
Commodities funds	342,171	342,171	-	-
Real asset funds	1,724,648	1,724,648	-	-
Mineral interests	789,955	-	-	789,955
Cash surrender value of life insurance	998,801	-	998,801	-
Assets held in charitable remainder trusts	690,984	-	-	690,984
Total assets in the fair value hierarchy	69,948,003	66,318,226	2,148,838	1,480,939
Assets measured at net asset value *	1,389,891	-	-	-
Total assets	\$ <u>71,337,894</u>	\$ <u>66,318,226</u>	\$ <u>2,148,838</u>	\$ <u>1,480,939</u>

(Continued)

**FARGO-MOORHEAD AREA FOUNDATION CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

<u>Liabilities</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Liabilities under charitable remainder trusts	\$ <u>253,373</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>253,373</u>

The following table sets forth by level, within the fair value hierarchy, the Organization's assets and liabilities measured at fair value on a recurring basis as of December 31, 2017:

<u>Assets</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and money market	\$ 1,466,736	\$ 1,466,736	\$ -	\$ -
Fixed income				
U.S. Treasury and agency securities	1,645,112	1,645,112	-	-
Domestic corporate bonds	6,131,832	6,131,832	-	-
Foreign corporate bonds	304,459	304,459	-	-
Mortgage-backed securities	47,571	-	47,571	-
Municipal bonds	103,142	-	103,142	-
Domestic bond mutual funds				
Bank loans	48,992	48,992	-	-
Corporate bond fund	2,139,915	2,139,915	-	-
High yield bonds	990,231	990,231	-	-
Inflation protected	96,631	96,631	-	-
Intermediate-term bonds	5,949,757	5,949,757	-	-
Long-term bonds	110,663	110,663	-	-
Multisector bonds	594,754	594,754	-	-
Nontraditional	395,682	395,682	-	-
Preferred stocks	188,091	188,091	-	-
Short-term bonds	253,853	253,853	-	-
Exchange-traded funds	284,217	284,217	-	-
Foreign bond mutual funds	982,611	982,611	-	-
Equities				
Domestic common stocks	18,661,952	18,661,952	-	-
Foreign common stocks	4,419,094	4,419,094	-	-
Domestic equity mutual funds				
Large cap	6,845,240	6,845,240	-	-
Mid cap	3,077,656	3,077,656	-	-
Small cap	1,796,386	1,796,386	-	-
Foreign equity mutual funds	9,452,636	9,452,636	-	-
Exchange-traded funds	249,365	249,365	-	-
Hedged equity funds	602,397	602,397	-	-

*(Continued)*

**FARGO-MOORHEAD AREA FOUNDATION CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

<u>Assets</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Other				
Alternative investments funds	2,504,418	2,504,418	-	-
Commodities funds	364,103	364,103	-	-
Real asset funds	1,982,708	1,982,708	-	-
Mineral interests	595,479	-	-	595,479
Cash surrender value of life insurance	965,957	-	965,957	-
Assets held in charitable remainder trusts	<u>797,406</u>	<u>-</u>	<u>-</u>	<u>797,406</u>
Total assets in the fair value hierarchy	74,049,046	71,539,491	1,116,670	1,392,885
Assets measured at net asset value*	<u>1,608,428</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	\$ <u>75,657,474</u>	\$ <u>71,539,491</u>	\$ <u>1,116,670</u>	\$ <u>1,392,885</u>
<u>Liabilities</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Liabilities under charitable remainder trusts	\$ <u>292,323</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>292,323</u>

\* In accordance with Subtopic 820-10, certain investments that are measured at fair value using the net assets value per share (or its equivalent) using the practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position at December 31, 2018 and 2017.

The following table summarizes investments measured at fair values based in NAV per share that do not have a readily determinable fair value and are in investment companies or similar entities as of December 31:

	<u>Fair Value 2018</u>	<u>Fair Value 2017</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
(A) \$	1,389,891	\$ 1,608,428	-	Semi-monthly	5 business days

(A) - Common trust funds

**FARGO-MOORHEAD AREA FOUNDATION CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

The table below presents information about recurring fair value measurements that use significant unobservable inputs (Level 3 measurements) for the years ended December 31, 2018 and 2017:

	<u>Assets Held in Charitable Remainder Trusts</u>	<u>Liabilities Held in Charitable Remainder Trusts</u>	<u>Mineral Interests</u>
Balance, December 31, 2016	\$ 1,186,591	\$ (422,093)	\$ 544,730
Total gains (losses)	114,657	(56,008)	50,749
Total additions	2,056	-	-
Total payments	<u>(505,898)</u>	<u>185,778</u>	<u>-</u>
Balance, December 31, 2017	<u>797,406</u>	<u>(292,323)</u>	<u>595,479</u>
Total gains (losses)	(39,374)	(6,510)	194,476
Total additions	(240)	-	-
Total payments	<u>(66,808)</u>	<u>45,460</u>	<u>-</u>
Balance, December 31, 2018	\$ <u><u>690,984</u></u>	\$ <u><u>(253,373)</u></u>	\$ <u><u>789,955</u></u>

Gains and losses (level 3 measurements) included in the change in net assets for the years ended December 31, 2018 and 2017 are presented in the consolidated statements of activities and changes in net assets as follows:

	<u>2018</u>	<u>2017</u>
Change in unrealized (gains) losses included in the change in net assets for assets held at the end of the year	\$ (148,592)	\$ (109,398)

**NOTE 8 – ENDOWMENTS**

The Organization’s endowment funds include all funds without donor restrictions, established by the Board of Directors for various purposes. As required by accounting principles generally accepted in the United States, net assets associated with endowment funds are classified and reported based on existence or absence of donor-imposed restrictions. The Organization’s endowment funds do not include any donor restricted funds.

The changes in the Organization’s endowment funds are presented on the consolidated statements of activities and changes in net assets as changes in net assets without donor restrictions.

***Interpretation of Relevant Law***

As of December 31, 2018, the Organization’s endowment funds consist of six groups: discretionary, designated, donor advised, organizational, field of interest, and scholarship funds. All of the funds in these six groups have been designated by the Board of Directors to function as endowments.

## **FARGO-MOORHEAD AREA FOUNDATION CORPORATION**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

The Board of Directors has determined that the Organization's endowment funds are subject to the terms of its governing documents. In accordance with the fund agreements, the Board of Directors shall have the variance power to modify donor restrictions that are incapable of fulfillment or inconsistent with the charitable needs of the community. The Organization's governing documents further provide that absent contrary directions given in the transferring instrument regarding the use of principal, all or part of the principal of any fund may be used subject to certain conditions, including approval of the Board of Directors and Trustee holding each fund. Therefore, consistent with applicable professional standards and regulations, such contributions are reported as unrestricted net assets.

#### ***Spending Policy***

In establishing its spending policy, the Organization's Board of Directors considered the long-term expected return on its endowment funds. Accordingly, over the long-term period, the Board of Directors expects the current spending policy to allow its endowments to grow at average annual rate equal to, and preferably greater than, the market aggregate of investment grade securities. As a result, the spending policy specifies that up to 4.0% of principal may be expended in one year to maintain the integrity of existing programs or to establish new programs that are within the mission of the Organization.

#### ***Return Objectives and Risk Parameters***

The Organization has adopted an investment policy that attempts to maximize total return without exposure to undue risk. The Board of Directors expects the endowment funds to endure into perpetuity. Therefore, as approved by the Board of Directors, the Organization's endowment funds are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a long-term appreciation of the assets over a ten-year moving time period to achieve an average annual total return at a rate equal to, and preferably greater than, the market aggregate of investment grade securities. Actual returns in any given year may vary from this objective.

#### ***Investment Strategies***

To satisfy its long-term return objectives, the investment policy specifies that the long-term risk of not investing in growth securities outweighs the short-term volatility risk. The Board targets a diversified asset allocation mix of equity and fixed income securities with minimal investment in cash equivalents, real estate, and alternative investments.

#### **NOTE 9 – SPLIT-INTEREST AGREEMENTS**

The Organization is a beneficiary under several charitable remainder unitrusts. Each of the charitable remainder trusts provides for the payment of distributions based on the value of trust assets to the grantor or other designated beneficiaries over the trust's term. Under the terms of the agreements, the Organization will receive a portion of the income and principal after the death of the parties. The assets held in charitable remainder trusts presented on the consolidated statements of financial position are recorded at the fair market value of the underlying assets. The liabilities under charitable remainder trusts are recorded based on the present value of its expected future cash flows based on donors' or beneficiary life expectancy and the use of various discount rates.

**FARGO-MOORHEAD AREA FOUNDATION CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 10 – AGENCY TRANSACTIONS**

The liability account "Funds held as agency endowments" represent the value of funds held by the Organization on behalf of various local charitable organizations. The Organization's policy is to recognize the fair value of the funds received and an offsetting liability until the funds are distributed to the ultimate beneficiaries, at which time the asset and liability are removed from the Organization's books. The corresponding agency funds asset is included in the Organization's investments.

Changes in the funds held as agency endowments for the years ended December 31, 2018 and 2017, are as follows:

Balance, December 31, 2016	\$	771,745
Contributions		1,227
Investment income allocated		100,599
Grants		(19,025)
Administrative fees		<u>(12,467)</u>
Balance, December 31, 2017		842,079
Contributions		157,835
Investment income allocated		(58,040)
Grants		(20,605)
Administrative fees		<u>(14,300)</u>
Balance, December 31, 2018	\$	<u>906,969</u>

**NOTE 11 – RETIREMENT PLAN**

The Organization has a 401(k) retirement plan that covers all employees who have attained age 21 and have completed one year of employment. The Organization makes a matching contribution equal to each participant's salary reduction, not to exceed 5% of the participant's compensation. The contribution expense totaled \$20,429 and \$20,881 for the years ended 2018 and 2017, respectively.



**FARGO-MOORHEAD AREA FOUNDATION CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 12 – DONOR RESTRICTED NET ASSETS**

The Organization’s donor restricted net assets consisted of the following at December 31:

	<u>2018</u>	<u>2017</u>
<b>Subject to expenditure for a specific purpose - supporting organizations</b>		
Elm Family Foundation	\$ 235,827	\$ 256,528
William C. & Jane B. Marcil Family Foundation	<u>218,527</u>	<u>521,119</u>
Total purpose restrictions	<u>454,354</u>	<u>777,647</u>
<b>Subject to the passage of time - pledges receivable</b>		
Beverly & Lloyd W. Paulson Family Advised Fund	2,068,291	-
Beverly & Lloyd W. Paulson Evergreen Memorial Cemetery Fund	201,032	-
Houkom Fund	104,925	78,750
<b>Subject to the passage of time - charitable remainder trusts</b>		
Dale R. and Marilyn D. Larson Fund	111,386	124,376
Duane and Judy Lee Fund	60,063	74,837
Ralph and Carol Rudrud Fund	143,555	161,166
Rufer Fund	<u>122,608</u>	<u>144,704</u>
Total time restrictions	<u>2,811,860</u>	<u>583,833</u>
Total net assets with donor restrictions	\$ <u>3,266,214</u>	\$ <u>1,361,480</u>

**NOTE 13 – SUPPORTING ORGANIZATIONS**

Summarized financial information for the Organization’s supporting organizations as of and for the year ended December 31, 2018 is as follows:

	<u>Elm Family Foundation</u>	<u>Marcil Family Foundation</u>	<u>Total</u>
Total assets	\$ <u>235,827</u>	\$ <u>218,527</u>	\$ <u>454,354</u>
Total revenues	\$ (11,611)	\$ (102,353)	\$ (113,964)
Total expenses	\$ (9,090)	\$ (200,239)	\$ (209,329)

*(Continued)*

**FARGO-MOORHEAD AREA FOUNDATION CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

Summarized financial information for the Organization's supporting organizations as of and for the year ended December 31, 2017 is as follows:

	<u>Elm Family Foundation</u>	<u>Marcil Family Foundation</u>	<u>Total</u>
Total assets	\$ 257,252	\$ 521,119	\$ 778,371
Total liabilities	<u>(724)</u>	<u>-</u>	<u>(724)</u>
Total net assets	\$ <u>256,528</u>	\$ <u>521,119</u>	\$ <u>777,647</u>
Total revenues	\$ 100,787	\$ 112,470	\$ 213,257
Total expenses	\$ 23,232	\$ 3,023	\$ 26,255

**NOTE 14 – SUBSEQUENT EVENTS**

Subsequent events have been evaluated through July 22, 2019, which is the date the financial statements were available to be issued.