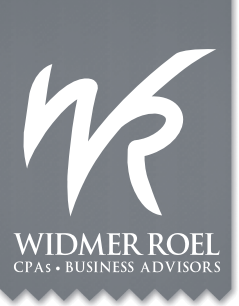


**FARGO-MOORHEAD AREA
FOUNDATION CORPORATION**

**CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

WITH INDEPENDENT AUDITOR'S REPORT



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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 **Fargo-Moorhead Area Foundation Corporation** (a North Dakota non-profit organization), which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 **Fargo-Moorhead Area Foundation Corporation** as of December 31, 2020 and 2019, 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.

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

Fargo, North Dakota
September 27, 2021

FARGO-MOORHEAD AREA FOUNDATION CORPORATION**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION****DECEMBER 31, 2020 AND 2019**

ASSETS	2020	2019
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,613,183	\$ 2,243,781
Current portion of unconditional promises to give	226,932	311,932
Interest, contributions, and grants receivable	58,331	69,237
Current portion of note receivable	273,155	39,410
Other receivables	4,000	13,543
	<u>3,175,601</u>	<u>2,677,903</u>
Total current assets		
	<u>3,175,601</u>	<u>2,677,903</u>
PROPERTY AND EQUIPMENT, net	<u>592,485</u>	<u>633,448</u>
OTHER ASSETS		
Unconditional promises to give, net of discount	1,309,188	1,517,773
Note receivable, net of current portion	-	118
Assets held in charitable remainder trusts	1,461,275	1,284,378
Investments	99,348,075	91,722,755
Cash surrender value of life insurance	963,774	975,804
Assets held for sale	412,250	-
	<u>103,494,562</u>	<u>95,500,828</u>
Total other assets		
	<u>103,494,562</u>	<u>95,500,828</u>
Total assets	<u>\$ 107,262,648</u>	<u>\$ 98,812,179</u>

LIABILITIES AND NET ASSETS	2020	2019
CURRENT LIABILITIES		
Accounts payable	\$ 880	\$ 688
Accrued payroll	9,795	8,764
Grants payable	21,966	106,244
Current portion of liabilities under charitable remainder trusts	108,289	72,242
Funds held as agency endowments	<u>1,416,965</u>	<u>1,084,594</u>
Total current liabilities	<u>1,557,895</u>	<u>1,272,532</u>
LIABILITIES UNDER CHARITABLE REMAINDER TRUSTS, net of current portion		
	<u>474,791</u>	<u>419,272</u>
Total liabilities	<u>2,032,686</u>	<u>1,691,804</u>
NET ASSETS		
Without donor restrictions		
Discretionary	6,287,167	5,866,417
Designated	24,487,546	22,134,815
Donor advised	50,220,122	46,038,687
Organizational	2,876,712	2,411,783
Field of interest	7,887,482	7,538,660
Scholarship	10,199,992	9,645,654
With donor restrictions	<u>3,270,941</u>	<u>3,484,359</u>
Total net assets	<u>105,229,962</u>	<u>97,120,375</u>
Total liabilities and net assets	<u>\$ 107,262,648</u>	<u>\$ 98,812,179</u>

FARGO-MOORHEAD AREA FOUNDATION CORPORATION
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions	\$ 3,678,625	\$ 115,474	\$ 3,794,099
Net investment return	11,474,374	199,485	11,673,859
Royalty income	126,535	-	126,535
Change in cash surrender value of life insurance, net of premiums paid	-	(12,029)	(12,029)
Net assets released from restrictions	<u>516,348</u>	<u>(516,348)</u>	<u>-</u>
 Total support and revenue	 <u>15,795,882</u>	 <u>(213,418)</u>	 <u>15,582,464</u>
EXPENSES			
Program services expense			
Grants and scholarships	6,165,968	-	6,165,968
Community programs	<u>671,799</u>	<u>-</u>	<u>671,799</u>
 Total program expenses	 <u>6,837,767</u>	 <u>-</u>	 <u>6,837,767</u>
Supporting services expense			
Management and general	539,616	-	539,616
Fundraising and development	<u>95,494</u>	<u>-</u>	<u>95,494</u>
 Total supporting services expenses	 <u>635,110</u>	 <u>-</u>	 <u>635,110</u>
 CHANGE IN NET ASSETS	 8,323,005	 (213,418)	 8,109,587
 TOTAL NET ASSETS, Beginning of year	 <u>93,636,016</u>	 <u>3,484,359</u>	 <u>97,120,375</u>
 TOTAL NET ASSETS, End of year	 <u>\$ 101,959,021</u>	 <u>\$ 3,270,941</u>	 <u>\$ 105,229,962</u>

FARGO-MOORHEAD AREA FOUNDATION CORPORATION
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Without Donor Restriction</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions	\$ 14,599,103	\$ 609,490	\$ 15,208,593
Net investment return	13,234,555	294,187	13,528,742
Royalty income	182,623	-	182,623
Change in cash surrender value of life insurance, net of premiums paid	-	(22,997)	(22,997)
Miscellaneous	302	-	302
Net assets released from restrictions	<u>662,535</u>	<u>(662,535)</u>	<u>-</u>
 Total support and revenue	 <u>28,679,118</u>	 <u>218,145</u>	 <u>28,897,263</u>
EXPENSES			
Program services expense			
Grants and scholarships	5,496,792	-	5,496,792
Community programs	<u>504,640</u>	<u>-</u>	<u>504,640</u>
 Total program expenses	 <u>6,001,432</u>	 <u>-</u>	 <u>6,001,432</u>
Supporting services expense			
Management and general	486,617	-	486,617
Fundraising and development	<u>95,809</u>	<u>-</u>	<u>95,809</u>
 Total supporting services expenses	 <u>582,426</u>	 <u>-</u>	 <u>582,426</u>
 CHANGE IN NET ASSETS	 22,095,260	 218,145	 22,313,405
 TOTAL NET ASSETS, Beginning of year	 <u>71,540,756</u>	 <u>3,266,214</u>	 <u>74,806,970</u>
 TOTAL NET ASSETS, End of year	 <u>\$ 93,636,016</u>	 <u>\$ 3,484,359</u>	 <u>\$ 97,120,375</u>

FARGO-MOORHEAD AREA FOUNDATION CORPORATION

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Program Services</u>		<u>Management and General</u>	<u>Fundraising and Development</u>	<u>Total</u>
	<u>Grants and Scholarships</u>	<u>Community Programs</u>			
Salaries	\$ -	\$ 161,559	\$ 326,288	\$ 46,048	\$ 533,895
Employee benefits	-	43,935	88,733	12,523	145,191
Payroll tax	-	11,435	23,095	3,260	37,790
Advertising	-	-	21,648	5,793	27,441
Bank fees	-	450	151	-	601
Board expenses	-	2,911	1,455	1,456	5,822
Community sponsorships	-	10,320	-	-	10,320
Credit card fees	-	5,506	-	-	5,506
Depreciation	-	39,270	13,089	-	52,359
Development events	-	-	-	3,563	3,563
Dues and memberships	-	12,436	4,145	-	16,581
Equipment lease	-	532	178	-	710
Equipment maintenance	-	201	67	-	268
Fiscal sponsorship expense	-	273,577	-	-	273,577
Grants	5,840,592	-	-	-	5,840,592
Grounds maintenance	-	6,216	2,072	-	8,288
Insurance	-	4,914	1,638	-	6,552
Janitorial service	-	6,634	2,211	-	8,845
Local meeting	-	1,160	580	580	2,320
Maintenance expense	-	22,972	7,658	-	30,631
Office equipment	-	7,555	2,518	-	10,073
Postage	-	2,949	983	-	3,932
Printing	-	2,219	-	2,575	4,794
Professional fees	-	30,989	34,589	800	66,378
Scholarships	325,376	-	-	-	325,376
Special event expense	-	-	-	17,406	17,406
Subscriptions	-	2,217	739	-	2,956
Supplies	-	6,181	2,060	-	8,241
Telephone	-	8,168	2,723	-	10,891
Travel expense	-	2,982	1,491	1,490	5,963
Utilities	-	3,403	1,135	-	4,538
Website expenses	-	1,108	370	-	1,478
Total expenses by function	\$ <u>6,165,968</u>	\$ <u>671,799</u>	\$ <u>539,616</u>	\$ <u>95,494</u>	\$ <u>7,472,878</u>

FARGO-MOORHEAD AREA FOUNDATION CORPORATION

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Program Services		Management and General	Fundraising and Development	Total
	Grants and Scholarships	Community Programs			
Salaries	\$ -	\$ 129,338	\$ 304,892	\$ 48,630	\$ 482,860
Employee benefits	-	32,742	77,183	12,311	122,236
Payroll tax	-	9,061	21,361	3,407	33,829
Advertising	-	-	3,430	3,724	7,154
Bank fees	-	-	473	-	473
Board expenses	-	2,270	1,135	1,135	4,540
Community sponsorships	-	11,550	-	-	11,550
Credit card fees	-	3,130	-	-	3,130
Depreciation	-	51,500	17,166	-	68,666
Development events	-	-	-	6,406	6,406
Dues and memberships	-	9,465	3,156	-	12,621
Equipment lease	-	6,004	2,001	-	8,005
Fiscal sponsorship expense	-	150,401	-	-	150,401
Grants	5,215,976	-	-	-	5,215,976
Insurance	-	8,600	2,867	-	11,467
Janitorial service	-	3,137	1,046	-	4,183
Local meeting	-	3,678	1,839	1,838	7,355
Maintenance expense	-	29,437	9,812	-	39,249
Miscellaneous	-	-	11,017	-	11,017
Non profit activities	-	3,402	-	-	3,402
Office equipment	-	4,739	1,580	-	6,319
Postage	-	2,160	720	-	2,880
Printing	-	2,271	-	2,455	4,726
Professional fees	-	10,521	14,335	500	25,356
Promotional products	-	-	-	997	997
Scholarships	280,816	-	-	-	280,816
Special event expense	-	-	-	7,828	7,828
Subscriptions	-	1,275	425	-	1,700
Supplies	-	6,304	2,101	-	8,405
Telephone	-	7,159	2,387	-	9,546
Travel expense	-	13,156	6,578	6,578	26,312
Utilities	-	3,340	1,113	-	4,453
Total expenses by function	\$ <u>5,496,792</u>	\$ <u>504,640</u>	\$ <u>486,617</u>	\$ <u>95,809</u>	\$ <u>6,583,858</u>

FARGO-MOORHEAD AREA FOUNDATION CORPORATION

**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 8,109,587	\$ 22,313,405
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Depreciation	52,359	68,666
Realized/unrealized (gain) loss on investments	(10,139,893)	(11,589,009)
Contribution of stock	(91,249)	-
Contribution of land	(321,000)	-
Change in value of charitable remainder trusts	26,286	(286,267)
Change in cash surrender value of life insurance	12,029	22,997
Changes in assets and liabilities		
Unconditional promises to give	293,585	239,570
Interest, contributions, and grants receivable	10,906	(7,954)
Other receivables	9,543	73,673
Accounts payable	192	(1,658)
Accrued payroll	1,031	(2,156)
Grants payable	(84,278)	76,727
Funds held as agency endowments	<u>332,371</u>	<u>177,625</u>
 Net cash (used in) provided by operating activities	 <u>(1,788,531)</u>	 <u>11,085,619</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Issuance of note receivable	(273,155)	-
Payments received on notes receivable	39,528	21,545
Purchase of property and equipment	(11,396)	(25,671)
Purchases of investments	(53,998,537)	(70,868,490)
Proceeds from sale of investments	<u>56,513,110</u>	<u>60,382,853</u>
 Net cash provided by (used in) investing activities	 <u>2,269,550</u>	 <u>(10,489,763)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on liabilities under charitable remainder trusts	<u>(111,617)</u>	<u>(68,986)</u>
 NET CHANGE IN CASH AND CASH EQUIVALENTS	 369,402	 526,870
CASH AND CASH EQUIVALENTS, Beginning of year	<u>2,243,781</u>	<u>1,716,911</u>
CASH AND CASH EQUIVALENTS, End of year	\$ <u><u>2,613,183</u></u>	\$ <u><u>2,243,781</u></u>
 SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING ACTIVITIES		
Contributed stock	\$ <u><u>91,249</u></u>	\$ <u><u>-</u></u>
Contributed land	\$ <u><u>321,000</u></u>	\$ <u><u>-</u></u>

FARGO-MOORHEAD AREA FOUNDATION CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Fargo-Moorhead Area Foundation Corporation (“Foundation”), 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 Foundation 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 Foundation. The primary purpose of the Foundation is to receive, manage, and distribute such gifts as may be made to the Foundation to serve its charitable purposes.

The majority of the Foundation’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 Foundation are allocated to the Trust. All funds received accompanied by documents executed after that date are allocated to the Foundation.

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

The Foundation 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 Foundation 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 Foundation. 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, whereby 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 consolidated statements of activities.

FARGO-MOORHEAD AREA FOUNDATION CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

Net Asset Fund Types

The Foundation maintains the following types of funds within its net assets:

Discretionary Funds are established to provide broad charitable support for community needs in various areas of interest. This provides the most flexibility in meeting the evolving needs in our community with support that will have the greatest impact.

Designated Funds are established by donor(s) to support the work of a specifically named nonprofit organization(s). If the selected nonprofit organization ceases to exist, the Foundation's Board of Directors will identify another nonprofit whose purpose most closely match the original charitable intent of the donor.

Donor Advised Funds are a flexible and convenient vehicle for individual and family philanthropy. Advised funds enable donors to recommend grants to qualified nonprofit organizations in their area of interest and are not limited by the Foundation's service area. Donor advisors work with Foundation staff to facilitate their grantmaking throughout the year.

Organizational Funds are funds that are set up by action of a nonprofit's Board of Directors to support the program and operations of that specific nonprofit organization. This is a way that a nonprofit can benefit from the Foundation's overall investment benefits such as discounted fee scales by being part of a larger pool of funds.

Field of Interest Funds connect charitable investments with specific areas of interest or concern, such as a geographical location, area of interest, or any area that enhances the well-being of a community. The donor identifies interests, and the Foundation awards grants to organizations and programs that are making a difference in those fields through a competitive grant process reviewed by a committee of community volunteers. Gifts to these funds provide the Foundation to respond to future challenges and opportunities as they are identified.

Scholarship Funds are established to award scholarships that help students achieve their educational aspirations. They provide access to educational opportunities for a wide variety of students. A scholarship fund may award scholarships to recipients in a specific community, educational institution, or field of study. Scholarship fund holders have the option of naming their own selection committee or utilize the educational institution or the Foundation's selection committees.

Basis of Consolidation

The accompanying consolidated financial statements of the Foundation 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.

FARGO-MOORHEAD AREA FOUNDATION CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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 Foundation 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 Foundation maintains cash balances at a financial institution. The majority of these balances are held in interest bearing accounts subject to FDIC limits. At times, the Foundation's bank balances exceed the federally insured limits. At December 31, 2020 and 2019, the Foundation's uninsured cash balances totaled \$639,138 and \$725,646, 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 Foundation provides for losses on contributions 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 contributions receivable when management determines the receivable will not be collected. Management believes that all contributions receivable are collectible; thus, no allowance for contributions receivable has been established.

Notes Receivable

Notes receivable represent funds advanced to a local not-for-profit organization for the purpose of furthering the tax-exempt objectives of that organization. The notes receivable are stated at unpaid principal balance. Interest on the notes are recognized over the term of the note and is calculated using the effective interest method. Management considers the notes to be collectible, and, as a result, no allowance for loan losses have 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 Foundation'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 consolidated financial statements.

FARGO-MOORHEAD AREA FOUNDATION CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

The Foundation 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.

Assets Held for Sale

As of December 31, 2020, farmland and stocks were donated that were sold in early fiscal year 2021. The farmland is recorded for the appraised value as of December 31, 2020. The stocks are recorded for the amount that was received from the sale in early 2021.

Income Taxes

The Foundation 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 Foundation 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 reasonable estimated. As of December 31, 2020 and 2019, no such liability existed. Management will continually evaluate expiring statutes of limitations, audits, proposed settlements, changes in tax law, and new authoritative rulings.

Revenue Recognition

The Foundation's primary source of revenue is from contributions. Due to contributions being both voluntary and nonreciprocal, they do not fall under ASU No. 2014-19, "Revenue from Contracts with Customers (Topic 606)". The Foundation has analyzed the provisions of Topic 606, including the five-step approach to evaluating contracts and has concluded that no changes are necessary to conform with the standard.

Functional Allocation of Expenses

The consolidated statements of functional expenses presents expenses by function and natural classification of programs, management and general, fundraising and development.

FARGO-MOORHEAD AREA FOUNDATION CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

The cost of providing program services to our community partners lies in the core of what we do as a Foundation and have been summarized on a functional basis with the cost allocated based on relative efforts expended on that function. Along with Grant and Scholarship support that we provide, Community Program services include the following expenses:

Direct Service: Encompasses a range of services to support the nonprofit sector in the community that we serve and the areas that our donors designate with grant and scholarship support.

Human Resources: Encompasses expenses related to training, maintaining, and continued skill development of competent professionals to ensure the best quality of service.

Communications and Marketing: Expenses that heighten awareness and understanding of the services that we provide and the recipients of our support.

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.

Reclassification

Certain amounts in the December 31, 2019, financial statements have been reclassified to conform to the December 31, 2020 presentation. Such reclassification has no effect on reported net income.

Subsequent Events

Management has evaluated subsequent events through the date of the auditor's report, which is the date the financial statements were available to be issued. The Foundation believes that there have been no events subsequent to year end where disclosure is necessary.

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>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 2,613,183	\$ 2,243,781
Long-term investments made available for current use	<u>2,799,645</u>	<u>2,457,560</u>
Total	<u>\$ 5,412,828</u>	<u>\$ 4,701,341</u>

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

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

FARGO-MOORHEAD AREA FOUNDATION CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

Cash and Cash Equivalents

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 grant-making funds as well as the Foundation's endowed funds.

Grants, Scholarships, 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 2020, the Foundation's Board of Directors approved a distribution policy of 4.25% for 2021. A spendable amount of \$3,055,262 will be made available in early 2021 for grant making from these endowed funds during 2021. 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.

Following is the 2020 annual administrative fee structure:

- Endowed Donor Advised and Endowed Donor Designated Funds
 - 1.125% first \$1,000,000
 - 0.5% next \$3,000,000
 - 0.375% over \$5,000,000
- Nonprofit Funds
 - 20% discount from above fee schedule
- Scholarship and Non-Endowed Funds
 - 2.125%

FARGO-MOORHEAD AREA FOUNDATION CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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 10 years. The approved operations budget for 2021 is \$1,016,376.

Endowed Funds

Endowed funds consist of board designated endowments.

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>2020</u>	<u>2019</u>
Amounts due in:		
Less than one year	\$ 226,932	\$ 311,932
One to five years	1,134,661	1,134,661
More than five years	<u>453,865</u>	<u>680,797</u>
	1,815,458	2,127,390
Unamortized discount	<u>(279,338)</u>	<u>(297,685)</u>
	<u>\$ 1,536,120</u>	<u>\$ 1,829,705</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 consolidated statements of activities and changes in net assets.

NOTE 4 – NOTE RECEIVABLE

The Foundation issued a note receivable to a local not-for-profit organization during the year ended December 31, 2020. The purpose of the note receivable was to provide funds for the recipient organization to build and sell homes. The note carries a 1% fixed interest rate. The note requires one lump sum payment at its maturity in September 2021.

The Foundation 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 carried a 4.5% fixed interest rate and was secured by a secondary real estate mortgage on the acquired property. The note required monthly payments of \$3,365 until its maturity in January 2021.

FARGO-MOORHEAD AREA FOUNDATION CORPORATION

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

NOTE 5 – PROPERTY AND EQUIPMENT

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

	<u>2020</u>	<u>2019</u>
Equipment	\$ 80,624	\$ 80,625
Land	108,241	103,713
Building	481,486	481,486
Furniture and fixtures	80,007	76,127
Landscaping	171,380	171,380
Intangibles	<u>22,425</u>	<u>22,425</u>
	944,163	935,756
Accumulated depreciation	<u>(351,678)</u>	<u>(302,308)</u>
 Total	 <u>\$ 592,485</u>	 <u>\$ 633,448</u>

Depreciation expense totaled \$52,359 and \$68,666 for the years ended December 31, 2020 and 2019, respectively.

NOTE 6 – INVESTMENTS

Investments consisted of the following at December 31:

	<u>2020</u>	<u>2019</u>
Cash and money market funds	\$ 1,936,703	\$ 14,893,377
Fixed income	26,917,700	22,372,159
Equities	64,998,982	48,624,779
Other		
Alternative investments funds	2,332,636	2,499,332
Commodities	-	192,700
Common trust funds	1,343,464	1,449,515
Real asset funds	1,309,514	965,751
Mineral interests	<u>509,076</u>	<u>725,142</u>
 Total	 <u>\$ 99,348,075</u>	 <u>\$ 91,722,755</u>

FARGO-MOORHEAD AREA FOUNDATION CORPORATION

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

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, 2020:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Investment income	\$ 2,028,834	\$ 24,064	\$ 2,052,898
Unrealized appreciation of investments	9,348,865	193,536	9,542,401
Realized gains on sale of investments	599,870	1,793	601,663
Trustee management fees	<u>(503,195)</u>	<u>(19,908)</u>	<u>(523,103)</u>
Net investment return	\$ <u>11,474,374</u>	\$ <u>199,485</u>	\$ <u>11,673,859</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, 2019:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Investment income	\$ 2,430,346	\$ 19,129	\$ 2,449,475
Unrealized appreciation of investments	8,332,965	278,656	8,611,621
Realized gains on sale of investments	2,943,553	7,419	2,950,972
Trustee management fees	<u>(472,309)</u>	<u>(11,017)</u>	<u>(483,326)</u>
Net investment return	\$ <u>13,234,555</u>	\$ <u>294,187</u>	\$ <u>13,528,742</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, and Real Asset Funds – Valued at the net asset value (“NAV”) of shares held by the Foundation at year-end. Funds held by the Foundation 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 Foundation are deemed to be actively traded.

FARGO-MOORHEAD AREA FOUNDATION CORPORATION

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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 Foundation 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 Foundation 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:

Quantitative Information about Level 3 Fair Value Measurements						
	Fair Value as of 12/31/20	Fair Value as of 12/31/19	Valuation Techniques	Unobservable Inputs	Range (Weighted Average)	
Assets held under charitable remainder trusts	\$ 1,461,275	\$ 1,284,378	Present value	Life expectancy Discount rate	6 - 16 years 3.8% - 7.0%	
Liabilities held under charitable remainder trusts	\$ (583,080)	\$ (491,514)	Present value	Life expectancy Discount rate	6 - 16 years 3.8% - 7.0%	
Mineral interests	\$ 509,076	\$ 725,142	Net income	Industry income Multiple	1 - 4 (4) Multiples	

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

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The following table sets forth by level, within the fair value hierarchy, the Foundation's assets and liabilities measured at fair value on a recurring basis as of December 31, 2020:

December 31, 2020					
<u>Assets</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Cash and money market	\$ 1,922,705	\$ 1,922,705	\$ -	\$ -	
Fixed income					
U.S. Treasury and agency securities	6,053,107	6,053,107	-	-	
Domestic corporate bonds	6,838,291	6,838,291	-	-	
Foreign corporate bonds	1,078,648	1,078,648	-	-	
Mortgage-backed securities	1,456,933	-	1,456,933	-	
Municipal bonds	554,555	-	554,555	-	
Domestic bond mutual funds					
Corporate bond fund	1,957,801	1,957,801	-	-	
High yield bonds	1,463,072	1,463,072	-	-	
Inflation protected	137,286	137,286	-	-	
Intermediate-term bonds	1,819,029	1,819,029	-	-	
Long-term bonds	434,401	434,401	-	-	
Multisector bonds	1,884,489	1,884,489	-	-	
Nontraditional	611,555	611,555	-	-	
Preferred stocks	201,031	201,031	-	-	
Short-term bonds	471,536	471,536	-	-	
Total return bonds	1,838,940	1,838,940	-	-	
Exchange-traded funds	81,860	81,860	-	-	
Foreign bond mutual funds	35,166	35,166	-	-	
Equities					
Domestic common stocks	20,580,005	20,580,005	-	-	
Foreign common stocks	718,450	718,450	-	-	
Domestic equity mutual funds					
Large cap	17,010,981	17,010,981	-	-	
Mid cap	5,736,915	5,736,915	-	-	
Small cap	2,353,395	2,353,395	-	-	
Foreign equity mutual funds	13,433,617	13,433,617	-	-	
Exchange-traded funds	1,975,148	1,975,148	-	-	
Other equity	843,786	843,786	-	-	
Hedged equity funds	1,556,647	1,556,647	-	-	
Other					
Alternative investments funds	2,332,636	2,332,636	-	-	
Real asset funds	1,309,514	1,309,514	-	-	
Mineral interests	509,076	-	-	509,076	
Cash surrender value of life insurance	963,774	-	963,774	-	
Assets held in charitable remainder trusts	1,461,275	-	-	1,461,275	

(Continued)

FARGO-MOORHEAD AREA FOUNDATION CORPORATION

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

December 31, 2020				
<u>Assets</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Total assets in the fair value hierarchy	99,625,624	94,680,011	2,975,262	1,970,351
Assets measured at net asset value*	<u>2,133,502</u>	-	-	-
Total assets	\$ <u>101,759,126</u>	\$ <u>94,680,011</u>	\$ <u>2,975,262</u>	\$ <u>1,970,351</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>583,080</u>	\$ -	\$ -	\$ <u>583,080</u>

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets and liabilities measured at fair value on a recurring basis as of December 31, 2019:

<u>Assets</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and money market	\$ 14,893,377	\$ 14,893,377	\$ -	\$ -
Fixed income				
U.S. Treasury and agency securities	6,387,670	6,387,670	-	-
Domestic corporate bonds	2,362,888	2,362,888	-	-
Foreign corporate bonds	273,626	273,626	-	-
Mortgage-backed securities	1,088,553	-	1,088,553	-
Municipal bonds	189,902	-	189,902	-
Domestic bond mutual funds				
Bank loans	-	-	-	-
Commodities	-	-	-	-
Corporate bond fund	4,540,812	4,540,812	-	-
High yield bonds	1,097,431	1,097,431	-	-
Inflation protected	64,538	64,538	-	-
Intermediate-term bonds	1,860,776	1,860,776	-	-
Long-term bonds	7,734	7,734	-	-
Multisector bonds	264,832	264,832	-	-
Nontraditional	446,979	446,979	-	-
Preferred stocks	33,828	33,828	-	-
Short-term bonds	885,366	885,366	-	-
Total return bonds	1,754,157	1,754,157	-	-
Exchange-traded funds	53,069	53,069	-	-
Foreign bond mutual funds	1,059,998	1,059,998	-	-
Equities				
Domestic common stocks	16,823,410	16,823,410	-	-
Foreign common stocks	611,280	611,280	-	-
Domestic equity mutual funds				
Large cap	11,230,116	11,230,116	-	-
Mid cap	4,105,089	4,105,089	-	-
Small cap	2,363,500	2,363,500	-	-

(Continued)

FARGO-MOORHEAD AREA FOUNDATION CORPORATION

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

<u>Assets</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Foreign equity mutual funds	10,713,784	10,713,784	-	-
Exchange-traded funds	1,095,271	1,095,271	-	-
Hedged equity funds	991,013	991,013	-	-
Other				
Alternative investments funds	2,499,332	2,499,332	-	-
Commodities funds	192,700	192,700	-	-
Real asset funds	965,750	965,750	-	-
Mineral interests	725,142	-	-	725,142
Cash surrender value of life insurance	975,804	-	975,804	-
Assets held in charitable remainder trusts	<u>1,284,378</u>	<u>-</u>	<u>-</u>	<u>1,284,378</u>
Total assets in the fair value hierarchy	91,842,105	87,578,326	2,254,259	2,009,520
Assets measured at net asset value*	<u>2,140,831</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	\$ <u>93,982,936</u>	\$ <u>87,578,326</u>	\$ <u>2,254,259</u>	\$ <u>2,009,520</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>491,514</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>491,514</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 consolidated statements of financial position at December 31, 2020 and 2019.

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 2020</u>	<u>Fair Value 2019</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
(A)	\$ 1,343,464	\$ 1,499,515	-	Semi-monthly	5 business days
(B)	\$ 790,038	\$ 691,316	-	Quarterly	90 days

(A) - Common trust funds

(B) - Private equity fund investments

FARGO-MOORHEAD AREA FOUNDATION CORPORATION

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The table below presents information about recurring fair value measurements that use significant unobservable inputs (Level 3 measurements) for the years ended December 31, 2020 and 2019:

	<u>Assets Held in Charitable Remainder Trusts</u>	<u>Liabilities Held in Charitable Remainder Trusts</u>	<u>Mineral Interests</u>
Balance, December 31, 2018	\$ 690,984	\$ (253,373)	\$ 789,955
Total gains (losses)	193,050	(95,396)	(64,813)
Total additions	502,474	(211,731)	-
Total payments	<u>(102,130)</u>	<u>68,986</u>	<u>-</u>
Balance, December 31, 2019	<u>1,284,378</u>	<u>(491,514)</u>	<u>725,142</u>
Total gains (losses)	248,135	(163,784)	(216,066)
Total additions	95,228	(39,399)	-
Total payments	<u>(166,466)</u>	<u>111,617</u>	<u>-</u>
Balance, December 31, 2020	\$ <u><u>1,461,275</u></u>	\$ <u><u>(583,080)</u></u>	\$ <u><u>509,076</u></u>

Gains and losses (level 3 measurements) included in the change in net assets for the years ended December 31, 2020 and 2019 are presented in the consolidated statements of activities and changes in net assets as follows:

	<u>2020</u>	<u>2019</u>
Change in unrealized gains included in the change in net assets for assets held at the end of the year	\$ 131,715	\$ (32,841)

NOTE 8 – ENDOWMENTS

The Foundation’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 Foundation’s endowment funds do not include any donor restricted funds.

The changes in the Foundation’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, 2020, the Foundation’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, 2020 AND 2019

The Board of Directors has determined that the Foundation'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 Foundation'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 Foundation'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 4.25% 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 Foundation.

Return Objectives and Risk Parameters

The Foundation 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 Foundation'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 Foundation 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 Foundation will receive a portion of the income and principal after the death of the parties. The assets and liabilities held under the charitable remainder trusts presented on the consolidated statements of financial position 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

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NOTE 10 – AGENCY TRANSACTIONS

The liability account "Funds held as agency endowments" represent the value of funds held by the Foundation on behalf of various local charitable organizations. The Foundation'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 Foundation's books. The corresponding agency funds asset is included in the Foundation's investments.

Changes in the funds held as agency endowments for the years ended December 31, 2020 and 2019, are as follows:

Balance, December 31, 2018	\$	906,969
Contributions		25,531
Investment income allocated		189,871
Grants		(22,630)
Administrative fees		<u>(15,147)</u>
Balance, December 31, 2019		1,084,594
Contributions		206,112
Investment income allocated		177,039
Grants		(33,750)
Administrative fees		<u>(17,030)</u>
Balance, December 31, 2020	\$	<u><u>1,416,965</u></u>

NOTE 11 – RETIREMENT PLAN

The Foundation has a 401(k)-retirement plan that covers all employees who have attained age 21 and have completed one year of employment. The Foundation makes a matching contribution equal to each participant's salary reduction, not to exceed 5% of the participant's compensation. The contribution expense totaled \$24,263 and \$20,662 for the years ended 2020 and 2019, respectively.

FARGO-MOORHEAD AREA FOUNDATION CORPORATION

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 12 – DONOR RESTRICTED NET ASSETS

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

	<u>2020</u>	<u>2019</u>
Subject to expenditure for a specific purpose - supporting organizations		
Elm Family Foundation	\$ 298,949	\$ 265,071
William C. & Jane B. Marcil Family Foundation	<u>278,340</u>	<u>299,035</u>
Total purpose restrictions	<u>577,289</u>	<u>564,106</u>
Subject to the passage of time - pledges receivable		
Beverly & Lloyd W. Paulson Family Advised Fund	1,654,632	1,861,461
Beverly & Lloyd W. Paulson Evergreen Memorial Cemetery Fund	160,826	180,929
Houkom Fund	-	85,000
Subject to the passage of time - charitable remainder trusts		
Dale R. and Marilyn D. Larson Fund	122,538	132,246
Duane and Judy Lee Fund	81,021	72,653
Ralph and Carol Rudrud Fund	106,567	161,515
Rufer Fund	150,528	133,733
The Gilbertson Charitable Remainder Trust	56,817	-
William B. Richardson Charitable Remainder Unitrust	<u>360,723</u>	<u>292,716</u>
Total time restrictions	<u>2,693,652</u>	<u>2,920,253</u>
Total net assets with donor restrictions	\$ <u><u>3,270,941</u></u>	\$ <u><u>3,484,359</u></u>

NOTE 13 – SUPPORTING ORGANIZATIONS

Summarized financial information for the Foundation’s supporting organizations as of and for the year ended December 31, 2020 is as follows:

	<u>Elm Family Foundation</u>	<u>Marcil Family Foundation</u>	<u>Total</u>
Total assets	\$ <u><u>298,949</u></u>	\$ <u><u>278,340</u></u>	\$ <u><u>577,289</u></u>
Total revenues	\$ 37,911	\$ (17,449)	\$ 20,462
Total expenses	\$ (4,033)	\$ (3,247)	\$ (7,280)

FARGO-MOORHEAD AREA FOUNDATION CORPORATION

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

Summarized financial information for the Foundation's supporting organizations as of and for the year ended December 31, 2019 is as follows:

	<u>Elm Family Foundation</u>	<u>Marcil Family Foundation</u>	<u>Total</u>
Total assets	\$ <u>265,071</u>	\$ <u>299,035</u>	\$ <u>564,106</u>
Total revenues	\$ 47,583	\$ 86,751	\$ 134,334
Total expenses	\$ (18,339)	\$ (6,258)	\$ (24,597)