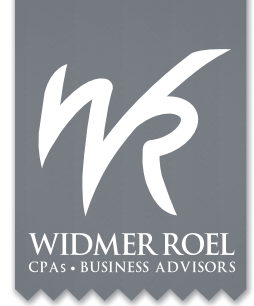


**FARGO-MOORHEAD AREA
FOUNDATION CORPORATION**

**CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

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

Opinion

We have audited the 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, 2024 and 2023, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of **Fargo-Moorhead Area Foundation Corporation** as of December 31, 2024 and 2023, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of **Fargo-Moorhead Area Foundation Corporation**, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about **Fargo-Moorhead Area Foundation Corporation's** ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of **Fargo-Moorhead Area Foundation Corporation's** internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about **Fargo-Moorhead Area Foundation Corporation's** ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

A handwritten signature in black ink, appearing to read "Widmer Pool", followed by a stylized flourish.

Fargo, North Dakota
July 23, 2025

FARGO-MOORHEAD AREA FOUNDATION CORPORATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2024 AND 2023

ASSETS	2024	2023
Cash and cash equivalents	\$ 2,415,508	\$ 1,891,500
Interest, contributions, and grants receivable	5,809,197	699,620
Prepaid expenses	37,969	31,363
Property and equipment, net	439,248	476,301
Unconditional promises to give	-	768,802
Notes receivable	430,505	576,915
Assets held in charitable remainder trusts	1,241,181	1,139,104
Investments	115,950,502	103,647,920
Cash surrender value of life insurance	702,313	735,031
Total assets	\$ <u>127,026,423</u>	\$ <u>109,966,556</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 27,346	\$ 21,577
Scholarship payable	21,905	9,220
Funds held as agency endowments	1,589,487	1,349,642
Liabilities under charitable remainder trusts	<u>434,741</u>	<u>486,104</u>
Total liabilities	<u>2,073,479</u>	<u>1,866,543</u>
NET ASSETS		
Net assets without donor restrictions	557,634	464,168
Net assets with donor restrictions	<u>124,395,310</u>	<u>107,635,845</u>
Total net assets	<u>124,952,944</u>	<u>108,100,013</u>
Total liabilities and net assets	\$ <u>127,026,423</u>	\$ <u>109,966,556</u>

FARGO-MOORHEAD AREA FOUNDATION CORPORATION
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	\$ -	\$ 12,991,431	\$ 12,991,431
Net investment return	-	12,239,866	12,239,866
Royalty income	-	208,918	208,918
Change in cash surrender value of life insurance, net of premiums paid	-	(32,718)	(32,718)
Net assets released from restrictions	<u>8,648,032</u>	<u>(8,648,032)</u>	<u>-</u>
Total support and revenue	<u>8,648,032</u>	<u>16,759,465</u>	<u>25,407,497</u>
EXPENSES			
Program services expense	<u>7,884,481</u>	<u>-</u>	<u>7,884,481</u>
Supporting services expense			
Management and general	518,561	-	518,561
Fundraising and development	<u>151,524</u>	<u>-</u>	<u>151,524</u>
Total supporting services expenses	<u>670,085</u>	<u>-</u>	<u>670,085</u>
Total expenses	<u>8,554,566</u>	<u>-</u>	<u>8,554,566</u>
CHANGE IN NET ASSETS	93,466	16,759,465	16,852,931
TOTAL NET ASSETS, Beginning of year	<u>464,168</u>	<u>107,635,845</u>	<u>108,100,013</u>
TOTAL NET ASSETS, End of year	\$ <u><u>557,634</u></u>	\$ <u><u>124,395,310</u></u>	\$ <u><u>124,952,944</u></u>

FARGO-MOORHEAD AREA FOUNDATION CORPORATION
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2023

	Without Donor Restriction	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	\$ -	\$ 5,655,682	\$ 5,655,682
Net investment return	-	13,573,445	13,573,445
Royalty income	-	226,655	226,655
Change in cash surrender value of life insurance, net of premiums paid	-	(7,404)	(7,404)
Net assets released from restrictions	<u>8,394,753</u>	<u>(8,394,753)</u>	<u>-</u>
Total support and revenue	<u>8,394,753</u>	<u>11,053,625</u>	<u>19,448,378</u>
EXPENSES			
Program services expense	<u>7,614,249</u>	<u>-</u>	<u>7,614,249</u>
Supporting services expense			
Management and general	523,094	-	523,094
Fundraising and development	<u>156,652</u>	<u>-</u>	<u>156,652</u>
Total supporting services expenses	<u>679,746</u>	<u>-</u>	<u>679,746</u>
Total expenses	<u>8,293,995</u>	<u>-</u>	<u>8,293,995</u>
CHANGE IN NET ASSETS	100,758	11,053,625	11,154,383
TOTAL NET ASSETS, Beginning of year	<u>363,410</u>	<u>96,582,220</u>	<u>96,945,630</u>
TOTAL NET ASSETS, End of year	\$ <u><u>464,168</u></u>	\$ <u><u>107,635,845</u></u>	\$ <u><u>108,100,013</u></u>

FARGO-MOORHEAD AREA FOUNDATION CORPORATION

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2024**

		<u>Supporting Services</u>		
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising and Development</u>	<u>Total</u>
Salaries	\$ 243,413	\$ 344,136	\$ 53,181	\$ 640,730
Employee benefits	51,170	72,344	11,180	134,694
Payroll tax	17,905	25,315	3,912	47,132
Advertising	-	2,817	19,742	22,559
Bank fees	960	320	-	1,280
Board expenses	5,275	2,637	2,637	10,549
Caring catalog expense	-	-	12,253	12,253
Community sponsorships	11,100	-	-	11,100
Credit card fees	5,747	-	-	5,747
Depreciation	27,790	9,263	-	37,053
Development events	-	-	29,476	29,476
Dues and memberships	11,772	3,924	-	15,696
Equipment lease	418	140	-	558
Equipment maintenance	958	320	-	1,278
Fiscal sponsorship expense	445,591	-	-	445,591
Foundation event expense	2,412	-	7,235	9,647
Grants	6,591,495	-	-	6,591,495
Grounds maintenance	7,158	2,386	-	9,544
Insurance	6,059	2,020	-	8,079
Janitorial service	4,726	1,576	-	6,302
Local meeting	3,329	1,664	1,664	6,657
Maintenance expense	43,281	14,427	-	57,708
Nonprofit activities	3,027	-	-	3,027
Office equipment	6,957	2,319	-	9,276
Postage	1,963	655	-	2,618
Printing	1,270	-	4,289	5,559
Professional fees	14,924	19,405	-	34,329
Scholarships	343,062	-	-	343,062
Subscriptions	3,217	1,073	-	4,290
Supplies	6,204	2,068	-	8,272
Telephone	6,742	2,247	-	8,989
Travel expense	11,909	5,955	5,955	23,819
Utilities	3,226	1,076	-	4,302
Website expenses	<u>1,421</u>	<u>474</u>	<u>-</u>	<u>1,895</u>
Total expenses by function	\$ <u><u>7,884,481</u></u>	\$ <u><u>518,561</u></u>	\$ <u><u>151,524</u></u>	\$ <u><u>8,554,566</u></u>

FARGO-MOORHEAD AREA FOUNDATION CORPORATION

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023**

		Supporting Services		
	Program Services	Management and General	Fundraising and Development	Total
Salaries	\$ 201,380	\$ 338,601	\$ 73,983	\$ 613,964
Employee benefits	43,822	73,683	16,099	133,604
Payroll tax	14,306	24,055	5,256	43,617
Advertising	-	6,012	12,506	18,518
Bank fees	1,020	340	-	1,360
Board expenses	5,140	2,570	2,570	10,280
Caring catalog expense	-	-	11,932	11,932
Community sponsorships	20,836	-	-	20,836
Credit card fees	5,035	-	-	5,035
Depreciation	29,773	9,924	-	39,697
Development events	-	-	13,291	13,291
Dues and memberships	11,390	3,797	-	15,187
Equipment lease	558	186	-	744
Equipment maintenance	697	232	-	929
Fiscal sponsorship expense	297,781	-	-	297,781
Foundation event expense	2,934	-	8,801	11,735
Grants	6,558,962	-	-	6,558,962
Grounds maintenance	7,775	2,592	-	10,367
Insurance	5,855	1,952	-	7,807
Janitorial service	5,695	1,898	-	7,593
Local meeting	3,834	1,917	1,917	7,668
Maintenance expense	41,987	13,996	-	55,983
Nonprofit activities	2,691	-	-	2,691
Office equipment	8,088	2,696	-	10,784
Postage	2,198	733	-	2,931
Printing	1,337	-	1,928	3,265
Professional fees	19,319	23,326	800	43,445
Scholarships	285,650	-	-	285,650
Subscriptions	3,283	1,094	-	4,377
Supplies	5,233	1,744	-	6,977
Telephone	7,224	2,408	-	9,632
Travel expense	15,139	7,569	7,569	30,277
Utilities	3,624	1,208	-	4,832
Website expenses	1,683	561	-	2,244
Total expenses by function	\$ <u>7,614,249</u>	\$ <u>523,094</u>	\$ <u>156,652</u>	\$ <u>8,293,995</u>

FARGO-MOORHEAD AREA FOUNDATION CORPORATION

**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS THEN ENDED DECEMBER 31, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 16,852,931	\$ 11,154,383
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	37,053	39,697
Realized/unrealized gain on investments	(9,781,776)	(12,967,845)
Change in value of charitable remainder trusts	(56,999)	55,672
Change in cash surrender value of life insurance	32,718	7,404
Changes in funds held as agency endowments	239,845	51,953
Changes in assets and liabilities		
Unconditional promises to give	768,802	198,974
Interest, contributions, and grants receivable	(5,109,577)	(625,072)
Prepaid expenses	(6,606)	(1,206)
Other receivables	-	6,798
Accounts payable and accrued expenses	5,769	10,066
Grants payable	-	(31,180)
Scholarship payable	<u>12,685</u>	<u>9,220</u>
Net cash provided by (used in) operating activities	<u>2,994,845</u>	<u>(2,091,136)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments received on notes receivable	146,410	57,878
Purchases of investments	(65,820,429)	(63,084,262)
Proceeds from sale of investments	63,299,623	65,418,593
Proceeds from insurance policy	<u>-</u>	<u>153,548</u>
Net cash provided by (used in) investing activities	<u>(2,374,396)</u>	<u>2,545,757</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on liabilities under charitable remainder trusts	<u>(96,441)</u>	<u>(88,805)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	524,008	365,816
CASH AND CASH EQUIVALENTS, Beginning of year	<u>1,891,500</u>	<u>1,525,684</u>
CASH AND CASH EQUIVALENTS, End of year	\$ <u><u>2,415,508</u></u>	\$ <u><u>1,891,500</u></u>

FARGO-MOORHEAD AREA FOUNDATION CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

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 had been held by multiple trustee institutions. 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 help donors maximize their philanthropy to create a vibrant community full of opportunity for everyone.

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 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 Pancratz 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 Pancratz 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 Pancratz 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.

FARGO-MOORHEAD AREA FOUNDATION CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

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. The Foundation maintains variance power over non-endowed funds. The Foundation will continue its stewardship responsibilities by attempting to honor all donor's original intent. The reserve cash balance is considered without donor restriction.

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 statement of activities.

Generally, in accordance with state law, all funds given to the Foundation are subject to UPMIFA and considered donor restricted. For federal tax purposes, the Foundation must also have variance power in order for the donors to receive a tax deduction. The policy of the Foundation is to consider all endowed funds and non-endowed funds donor restricted for financial statement purposes.

The Foundation shall have the power to modify any restriction or condition on the distribution of funds for any specified charitable purposes or to a specified organization if the sole judgment of the board of directors (without the necessity of the approval of any participating trustee, custodian, or agent), is that such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community or area served. In the event that variance power is used, the board of directors may, by resolution adopted by affirmation vote of a majority of its members, appropriate the applicable endowed funds for distribution for the benefit of the community.

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 matches the original charitable intent of the donor.

FARGO-MOORHEAD AREA FOUNDATION CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

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 utilizing the educational institution or the Foundation's selection committees.

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 and investment balances at local financial institutions, which may, at times, exceed the federally insured limit of \$250,000 set by the Federal Deposit Insurance Corporation.

The Foundation maintains a sweep account arrangement with its financial institution to optimize cash management and interest income. Under this arrangement, funds in the Foundation's primary operating account are automatically transferred (swept) on a daily basis to and from an interest-bearing investment account. The sweep account is governed by a written agreement with the financial institution. The swept funds are invested in other federally insured financial institutions and balances are maintained below the federally insured limit of \$250,000. As of December 31, 2024 and 2023 the amount held in the sweep account was \$2,125,677 and \$1,053,889, respectively. The Foundation monitors the sweep account activity regularly and considers the arrangement to be an appropriate method of managing its short-term cash needs while maximizing returns.

Promises to Give

Contributions receivable (unconditional promises to give), net of an allowance for uncollectible contributions, are recorded as receivable 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.

FARGO-MOORHEAD AREA FOUNDATION CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

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. Unconditional promises to give are presented net of the discount and current portion within the other assets section on the statement of financial position.

Notes Receivable and Current Expected Credit Losses

Notes receivable represent funds advanced to local not-for-profit organizations for the purpose of furthering the tax-exempt objectives of their organizations. 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. The current expected credit loss for notes receivable is evaluated at the time the receivable is recorded and is based upon management's periodic review of the collectability of the note in light of historical experience, current conditions, and future projections. The evaluation is inherently subjective as it requires estimates that are susceptible to significant revisions as more information becomes available.

Based on management's evaluation, no significant losses are expected, and accordingly, no current expected credit loss was considered necessary at December 31, 2024 and 2023.

Investments

Investments are carried at market or appraised value. Realized and unrealized gains and losses are included in the consolidated statement 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 reasonable that changes in the near term could materially affect investment balances, and the amounts reported in the consolidated financial statements.

The Foundation has mineral interests held in a third-party trust. The mineral interests are valued annually by BMO by applying a multiple of net income for the estimated value of the interests.

Property and Equipment

Purchases of property and equipment are recorded at the 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 statement 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.

FARGO-MOORHEAD AREA FOUNDATION CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

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 Pancratz Family Foundation and the William C. and Jane B. Marcil Family Foundation are also 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 reasonably estimated. As of December 31, 2024 and 2023, 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 recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Functional Allocation of Expenses

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

The cost of providing program services to the Foundation's community partners lies in the core of the Foundation's principles and have been summarized on a functional basis with the cost allocated based on relative efforts expended on that function, a time study of staff resources or directly identifiable costs. Along with grant and scholarship support that are provided, program services include direct service, human resources, communication and marketing, and other administrative costs directly related to providing grant and scholarship 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.

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. In 2024, the Foundation obtained ownership of a property through a trust in which they had been named the beneficiary. In May 2025, the Foundation closed on the sale of the property.

FARGO-MOORHEAD AREA FOUNDATION CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 2 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at December 31:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ <u>2,631,113</u>	\$ <u>2,330,711</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.

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 amount reflected above in cash and cash equivalents is available for the Foundation's general expenditures, liabilities, and other obligations, as well as grants and scholarships 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 2023 and 2022, the Foundation's Board of Directors approved a distribution policy of 4.50% and 4.25%, respectively. A spendable amount of \$3,845,362 and \$2,829,329 was made available for grant making from these endowed funds during 2024 and 2023 respectively.

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), the Foundation monitors 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.

FARGO-MOORHEAD AREA FOUNDATION CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

Following is the 2024 annual administrative fee structure:

- Endowed Donor Advised and Endowed Donor Designated Funds
 - 1.125% first \$2,000,000
 - 0.500% next \$3,000,000
 - 0.375% over \$5,000,000
- Nonprofit Funds
 - 20.00% 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 to not conflict with the mission to support local nonprofit organizations, and to not compete with them. This ensures that the Foundation will always have the resources to fund the administrative operations while fulfilling the 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. The approved operations budget for 2025 is \$1,220,138.

Endowed Funds

Endowed funds consist of board designated endowments and contributions received toward qualified endowments under North Dakota Century Code 57-38-01.21.

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 – UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give consisted of the following outstanding pledges as of December 31:

	<u>2024</u>	<u>2023</u>
Amounts due in:		
Less than one year	\$ -	\$ 213,298
One to five years	<u>-</u>	<u>639,894</u>
	-	853,192
Unamortized discount	<u>-</u>	<u>(84,390)</u>
	\$ <u><u>-</u></u>	\$ <u><u>768,802</u></u>

Unconditional promises to give due in one year are reflected at the net realizable value. Unconditional promises to give with due dates extending beyond one year are discounted at a rate of 1.40%. Amortization of the discount is included in contributions in the consolidated statement of activities and changes in net assets.

FARGO-MOORHEAD AREA FOUNDATION CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 4 – NOTES RECEIVABLE

The Foundation issued two notes receivable to a local not-for-profit organization during the year ended December 31, 2021. The notes carry a 3.00% fixed interest rate. The notes require monthly payments of \$5,825 until their maturities in September 2031 and October 2031.

The Foundation issued a note receivable to a local not-for-profit organization during the year ended December 31, 2021. The note carries a 2.65% fixed interest rate. The note requires \$1,899 monthly payments until its maturity in February 2031.

The Foundation issued a note receivable to an individual for assets held for sale as of December 31, 2021, during the year ended December 31, 2022. The note carries a 4.00% fixed interest rate. The note requires \$12,944 quarterly payments until its maturity in January 2029.

The Foundation issued a note receivable to a local not-for-profit organization during the year ended December 31, 2023. The note carries a 5.00% fixed interest rate. The note requires \$986 monthly payments until its maturity in January 2029.

Notes receivable are due to the Foundation as follows as of December 31:

	<u>2024</u>	<u>2023</u>
Amounts due in:		
Less than one year	\$ 96,943	\$ 96,032
One to five years	306,992	410,210
More than five years	<u>26,570</u>	<u>70,673</u>
	<u>\$ 430,505</u>	<u>\$ 576,915</u>

NOTE 5 – PROPERTY AND EQUIPMENT

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

	<u>2024</u>	<u>2023</u>
Equipment	\$ 90,314	\$ 90,314
Land	108,241	108,241
Building	481,486	481,486
Furniture and fixtures	77,987	77,987
Landscaping	171,380	171,380
Intangibles	<u>22,425</u>	<u>22,425</u>
	951,833	951,833
Accumulated depreciation	<u>(512,585)</u>	<u>(475,532)</u>
Total	<u>\$ 439,248</u>	<u>\$ 476,301</u>

FARGO-MOORHEAD AREA FOUNDATION CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 6 – INVESTMENTS

Investments consisted of the following at December 31:

	<u>2024</u>	<u>2023</u>
Cash and money market funds	\$ 3,022,649	\$ 2,740,345
Fixed income	36,641,255	32,843,390
Equities	73,194,557	64,730,665
Other		
Alternative investments funds	22,631	509,394
Commodities	56,780	179,770
Common trust funds	-	4,079
Real estate funds	1,924,310	1,529,355
Mineral interests	<u>1,088,320</u>	<u>1,110,922</u>
Total	\$ <u>115,950,502</u>	\$ <u>103,647,920</u>

The following schedule summarizes the investment return in the consolidated statement of activities and changes in net assets for the years ended December 31:

	<u>2024</u>	<u>2023</u>
Investment income	\$ 3,617,514	\$ 2,896,779
Unrealized appreciation of investments	2,393,117	12,315,524
Realized gain (loss) on sale of investments	6,898,386	(1,018,105)
Trustee management fees	<u>(669,151)</u>	<u>(620,753)</u>
Net investment return	\$ <u>12,239,866</u>	\$ <u>13,573,445</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 Estate 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.

(Continued)

FARGO-MOORHEAD AREA FOUNDATION CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

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 and Private Equity Investment Funds – Valued based on the NAV of shares held by the Foundation at year-end used as a practical expedient to determine fair value. 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 12/31/24	Fair Value as of 12/31/23	Valuation Techniques	Unobservable Inputs	Range (Weighted Average)	
Assets held under charitable remainder trusts	\$ 1,241,181	\$ 1,139,104	Present value	Life expectancy Discount rate	6 - 16 years 3.8% - 7.0%	
Liabilities held under charitable remainder trusts	\$ (434,741)	\$ (486,104)	Present value	Life expectancy Discount rate	6 - 16 years 3.8% - 7.0%	
Mineral interests	\$ 1,088,320	\$ 1,110,922	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.

(Continued)

FARGO-MOORHEAD AREA FOUNDATION CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

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, 2024:

<u>Assets</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and money market	\$ 3,022,649	\$ 3,022,649	\$ -	\$ -
Fixed income				
U.S. Treasury and agency obligations	10,903,311	10,903,311	-	-
Domestic bond mutual funds				
Long term	484,465	484,465	-	-
Intermediate term	11,003,149	11,003,149	-	-
Short-term	1,792,603	1,792,603	-	-
High yield bonds	568,453	568,453	-	-
Multisector bonds	111,930	111,930	-	-
Foreign bond mutual funds	895,027	895,027	-	-
Foreign corporate bonds	113,854	113,854	-	-
Taxable reinsurance funds	700,210	700,210	-	-
Mortgage backed securities	2,405,377	-	2,405,377	-
Corporate bonds	7,067,285	7,067,285	-	-
Municipal bonds	595,591	-	595,591	-
Equities				
Domestic common stocks	59,333	59,333	-	-
Foreign common stocks	1,115,681	1,115,681	-	-
Domestic equity mutual funds				
Large cap	44,451,064	44,451,064	-	-
Mid cap	3,620,519	3,620,519	-	-
Small cap	5,354,166	5,354,166	-	-
Foreign equity mutual funds	16,387,624	16,387,624	-	-
Exchange traded funds	105,066	105,066	-	-
Other equity	722,099	722,099	-	-
Other				
Alternative investments funds	22,631	22,631	-	-
Commodities	56,780	56,780	-	-
Real estate funds	1,924,310	1,924,310	-	-
Mineral interests	1,088,320	-	-	1,088,320
Life insurance	702,313	-	702,313	-
Assets held in charitable remainder trusts	1,241,181	-	-	1,241,181
Total assets in the fair value hierarchy	116,514,991	110,482,209	3,703,281	2,329,501
Investments measured at net asset value	1,379,005	-	-	-
Total	\$ <u>117,893,996</u>	\$ <u>110,482,209</u>	\$ <u>3,703,281</u>	\$ <u>2,329,501</u>

(Continued)

FARGO-MOORHEAD AREA FOUNDATION CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

<u>Liabilities</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Liabilities under charitable remainder trusts	\$ <u>434,741</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</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, 2023:

<u>Assets</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and money market	\$ 2,740,345	\$ 2,740,345	\$ -	\$ -
Fixed income				
U.S. Treasury and agency securities	11,760,883	11,760,883	-	-
Domestic bond mutual funds				
Long term	421,441	421,441	-	-
Intermediate term	6,022,946	6,022,946	-	-
Short-term	1,657,286	1,657,286	-	-
High yield bonds	1,682,302	1,682,302	-	-
Corporate bonds	1,972,315	1,972,315	-	-
Multisector bonds	105,977	105,977	-	-
Total return bonds	314,720	314,720	-	-
Preferred stocks	16,638	16,638	-	-
Inflation protected	12,607	12,607	-	-
Foreign bond mutual funds	701,101	701,101	-	-
Foreign corporate bonds	69,200	69,200	-	-
Taxable reinsurance funds	1,909,507	1,909,507	-	-
Mortgage backed securities	1,615,447	-	1,615,447	-
Corporate bonds	4,027,465	4,027,465	-	-
Municipal bonds	553,555	-	553,555	-
Equities				
Domestic common stocks	14,944,620	14,944,620	-	-
Foreign common stocks	672,337	672,337	-	-
Domestic equity mutual funds				
Large cap	21,609,844	21,609,844	-	-
Mid cap	3,878,645	3,878,645	-	-
Small cap	4,270,640	4,270,640	-	-
Foreign equity mutual funds	15,873,366	15,873,366	-	-
Other equity	1,852,783	1,852,783	-	-
Hedged equity	315,306	315,306	-	-
Other				
Alternative investments funds	509,394	509,394	-	-
Commodities	179,770	179,770	-	-
Real estate funds	1,529,355	1,529,355	-	-
Mineral interests	1,110,922	-	-	1,110,922
Life insurance	735,031	-	735,031	-
Assets held in charitable remainder trusts	<u>1,139,104</u>	<u>-</u>	<u>-</u>	<u>1,139,104</u>

(Continued)

FARGO-MOORHEAD AREA FOUNDATION CORPORATION

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023**

<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	104,204,852	99,050,793	2,904,033	2,250,026
Investments measured at net asset value	<u>1,317,203</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	\$ <u>105,522,055</u>	\$ <u>99,050,793</u>	\$ <u>2,904,033</u>	\$ <u>2,250,026</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>486,104</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

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

	<u>Assets Held in Charitable Remainder Trusts</u>	<u>Liabilities Held in Charitable Remainder Trusts</u>	<u>Mineral Interests</u>
Balance, December 31, 2022	\$ 1,054,301	\$ (434,434)	\$ 1,129,268
Total gains (losses)	173,559	(140,426)	(18,346)
Total additions	49	(49)	-
Total payments	<u>(88,805)</u>	<u>88,805</u>	<u>-</u>
Balance, December 31, 2023	1,139,104	(486,104)	1,110,922
Total gains (losses)	150,690	(41,508)	(22,602)
Total additions	47,828	(3,570)	-
Total payments	<u>(96,441)</u>	<u>96,441</u>	<u>-</u>
Balance, December 31, 2024	\$ <u>1,241,181</u>	\$ <u>(434,741)</u>	\$ <u>1,088,320</u>

Gains and losses (level 3 measurements) included in the change in net assets for the years ended December 31, 2024 and 2023 are presented in the consolidated statements of activities and change in net assets as follows:

	<u>2024</u>	<u>2023</u>
Change in unrealized depreciation of level 3 investments included in the net investment return	\$ <u>(86,580)</u>	\$ <u>(14,787)</u>

(Continued)

FARGO-MOORHEAD AREA FOUNDATION CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

Fair Value of Investments in Entities that use Net Asset Value

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</u> <u>2024</u>	<u>Fair Value</u> <u>2023</u>	<u>Unfunded</u> <u>Commitments</u>	<u>Redemption</u> <u>Frequency</u>	<u>Redemption</u> <u>Notice Period</u>
(A) \$	-	-	-	Semi-monthly	5 business days
(B) \$	1,379,005	1,317,203	-	Quarterly	90 days

(A) - Common trust funds

(B) - Private equity fund investments

NOTE 8 – ENDOWMENTS

The Foundation's endowment funds include funds with donor restrictions. 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. Donor restricted endowed funds consist of corpus contributions received toward qualified endowment funds under the North Dakota Century Code, eligible for the North Dakota tax credit.

The changes in the Foundation's endowment funds are presented on the consolidated statement of activities and changes in net assets as changes in net assets with or without donor restrictions, depending on the nature of the contribution and the stipulations made by donors.

Interpretation of Relevant Law

As of December 31, 2024 and 2023, the Foundation's endowment funds consist of six groups: discretionary, designated, donor advised, organizational, field of interest, and scholarship funds. In accordance with the Foundation's policy, these funds are considered donor restricted and function as a part of the endowed funds. Additionally, the Foundation maintains ND Tax Credit endowed funds that are restricted in perpetuity.

The Foundation has interpreted state law as requiring it preserve the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in with donor restricted net assets (in perpetuity) is classified as donor restricted net assets (as to time or purpose) until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by state law. In accordance with state law, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) the duration and preservation of the various funds,
- (2) the purposes of the donor-restricted endowment funds,
- (3) general economic conditions,
- (4) the possible effects of inflation and deflation,
- (5) the expected total return from income and the appreciation of investments

(Continued)

FARGO-MOORHEAD AREA FOUNDATION CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

- (6) other resources of the Foundation, and
- (7) the Foundation's investment policies.

Board of Directors – Variance Power

The Board of Directors have determined that the Foundation's endowment funds are subject to the terms of its governing documents. The bylaws of the Foundation include a variance power provision giving the Board of Directors the power to modify any restriction or condition on the distribution of funds for any specified charitable purpose or to specified organizations if, in the sole judgment of the Board of Directors, without the necessity of approval of the donor, such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. The Foundation will continue its stewardship responsibilities by internally accounting for and reporting on all net assets in accordance with each donor's original intent, except as previously indicated. Therefore, consistent with applicable professional standards and regulations, endowment funds are reported as with donor restrictions. The Board of Directors make every effort to fulfill the donor's original intent and only in rare circumstances where the fulfillment of the donor's original intent becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community has variance power been exercised.

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 4.50% 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.

Donations received for the purpose of the North Dakota State tax credit qualified endowments are with donor restrictions in perpetuity and may not be spent. Any earnings on these funds may be spent and are recorded as without donor restrictions until the board appropriates for expenditure.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. When there are deficient donor-restricted endowment funds, the policy of the Foundation is not to distribute any monies until the funds have regained the original corpus. These deficiencies result from unfavorable market fluctuations that may occur shortly after the investment of new contributions for donor-restricted endowment funds. There were no such deficiencies as of December 31, 2024 and 2023.

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.

FARGO-MOORHEAD AREA FOUNDATION CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

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.

Changes in the endowment fund are as follows during the years ended December 31:

	Without Donor Restrictions	With Donor Restriction - Other	With Donor Restriction - ND Tax Credit	Total
Balance December 31, 2022	\$ 363,410	\$ 82,467,534	\$ 14,114,686	\$ 96,945,630
Investment income	-	13,573,445	-	13,573,445
Contributions	-	4,496,645	1,159,037	5,655,682
Other income	-	219,251	-	219,251
Appropriations	<u>100,758</u>	<u>(8,394,753)</u>	<u>-</u>	<u>(8,293,995)</u>
Balance December 31, 2023	464,168	92,362,122	15,273,723	108,100,013
Investment income	-	12,239,866	-	12,239,866
Contributions	-	11,896,589	1,094,842	12,991,431
Other income	-	176,200	-	176,200
Appropriations	<u>93,466</u>	<u>(8,648,032)</u>	<u>-</u>	<u>(8,554,566)</u>
Balance December 31, 2024	\$ <u>557,634</u>	\$ <u>108,026,745</u>	\$ <u>16,368,565</u>	\$ <u>124,952,944</u>

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's life expectancy and the use of various discount rates.

NOTE 10 – AGENCY TRANSACTIONS

The liability account "Funds held as agency endowments" represents 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 financial records. The corresponding agency funds asset is included in the Foundation's investments.

FARGO-MOORHEAD AREA FOUNDATION CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

Changes in the funds held as agency endowments for the years ended December 31:

Balance, December 31, 2022	\$ 1,297,689
Contributions	61,910
Investment loss allocated	208,892
Grants	(197,942)
Administrative fees	<u>(20,907)</u>
Balance, December 31, 2023	1,349,642
Contributions	112,508
Investment income allocated	212,012
Grants	(64,217)
Administrative fees	<u>(20,458)</u>
Balance, December 31, 2024	\$ <u><u>1,589,487</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 six months of employment. The Foundation makes a matching contribution equal to each participant's salary reduction, not to exceed 5.00% of the participant's compensation. The contribution expense totaled \$31,724 and \$27,947 for the years ended December 31, 2024 and 2023, respectively.

NOTE 12 – DONOR RESTRICTED NET ASSETS

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

	<u>2024</u>	<u>2023</u>
Subject to expenditure for a specific purpose - supporting organizations		
Pancratz Family Foundation	\$ 310,133	\$ 288,452
William C. & Jane B. Marcil Family Foundation	<u>72,273</u>	<u>56,364</u>
Total purpose restrictions	<u>382,406</u>	<u>344,816</u>
Subject to the passage of time - pledges receivable		
Beverly & Lloyd W. Paulson Family Advised Fund	-	773,205
Beverly & Lloyd W. Paulson Evergreen Memorial Cemetery Fund	-	79,987
Subject to the passage of time - charitable remainder trusts		
Dale R. and Marilyn D. Larson Fund	175,458	108,538
Duane and Judy Lee Fund	35,597	30,175
Rufer Fund	151,166	137,887
Terry Lodoen Trust Fund	18,082	-
The Gilbertson Charitable Remainder Trust	66,804	60,847
William B. Richardson Charitable Remainder Unitrust	359,291	315,553
Jaime A. Phillips Trust	1,917,278	-

(Continued)

FARGO-MOORHEAD AREA FOUNDATION CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
Subject to the passage of time - life insurance		
Bushell Family Charitable Fund	-	660,160
Ronald and Marlene Hoffart	<u>701,952</u>	<u>735,031</u>
 Total time restrictions	 <u>3,425,628</u>	 <u>2,901,383</u>
Subject to endowment policy - restricted in perpetuity		
North Dakota Tax Credit endowed funds	<u>16,368,565</u>	<u>15,273,723</u>
Subject to expenditure for a specific purpose		
Discretionary	4,999,337	4,765,370
Designated	26,155,825	23,742,281
Donor advised	51,638,388	43,364,062
Field of interest	7,279,512	6,376,540
Organizational	1,793,017	1,765,387
Scholarship	<u>12,352,632</u>	<u>9,102,283</u>
 Total specific purpose	 <u>104,218,711</u>	 <u>89,115,923</u>
 Total net assets with donor restrictions	 \$ <u><u>124,395,310</u></u>	 \$ <u><u>107,635,845</u></u>

NOTE 13 – SUPPORTING ORGANIZATIONS

Summarized financial information for the Foundation's supporting organizations as of and for the year ended December 31, 2024 is as follows:

	<u>Pancratz Family Foundation</u>	<u>Marcil Family Foundation</u>	<u>Total</u>
Total assets	\$ <u>310,133</u>	\$ <u>72,273</u>	\$ <u>382,406</u>
Total revenues	\$ 14,648	\$ 2,494	\$ 17,142
Total expenses	\$ (9,174)	\$ (231)	\$ (9,405)

Summarized financial information for the Foundation's supporting organizations as of and for the year ended December 31, 2023 is as follows:

	<u>Pancratz Family Foundation</u>	<u>Marcil Family Foundation</u>	<u>Total</u>
Total assets	\$ <u>288,452</u>	\$ <u>56,364</u>	\$ <u>344,816</u>
Total revenues	\$ 13,438	\$ 1,345	\$ 14,783
Total expenses	\$ (13,665)	\$ (630)	\$ (14,295)