

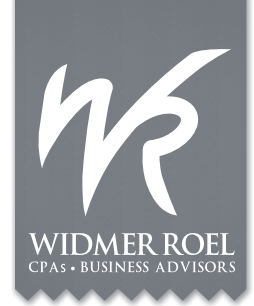
**FARGO-MOORHEAD AREA
FOUNDATION CORPORATION**

**CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

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, 2025 and 2024, 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, 2025 and 2024, 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 Poel" followed by a stylized flourish.

Fargo, North Dakota
August 27, 2026

FARGO-MOORHEAD AREA FOUNDATION CORPORATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2025 AND 2024

ASSETS	2025	2024
Cash and cash equivalents	\$ 1,798,570	\$ 2,415,508
Interest, contributions, and grants receivable	713,420	5,809,197
Prepaid expenses	48,054	37,969
Property and equipment, net	404,645	439,248
Notes receivable	236,988	430,505
Assets held in charitable remainder trusts	892,884	1,241,181
Investments	146,942,608	115,950,502
Cash surrender value of life insurance	725,446	702,313
Total assets	\$ <u>151,762,615</u>	\$ <u>127,026,423</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 147,549	\$ 27,346
Grants payable	7,724	-
Scholarships payable	4,805	21,905
Funds held as agency endowments	1,611,096	1,589,487
Liabilities under charitable remainder trusts	339,606	434,741
Total liabilities	<u>2,110,780</u>	<u>2,073,479</u>
NET ASSETS		
Net assets without donor restrictions	463,928	557,634
Net assets with donor restrictions	<u>149,187,907</u>	<u>124,395,310</u>
Total net assets	<u>149,651,835</u>	<u>124,952,944</u>
Total liabilities and net assets	\$ <u>151,762,615</u>	\$ <u>127,026,423</u>

FARGO-MOORHEAD AREA FOUNDATION CORPORATION
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2025

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions	\$ -	\$ 16,986,941	\$ 16,986,941
Net investment return	-	16,798,445	16,798,445
Royalty income	-	179,905	179,905
Change in cash surrender value of life insurance, net of premiums paid	-	23,133	23,133
Net assets released from restrictions	<u>9,195,827</u>	<u>(9,195,827)</u>	<u>-</u>
 Total support and revenue	 <u>9,195,827</u>	 <u>24,792,597</u>	 <u>33,988,424</u>
 EXPENSES			
Program services expense	<u>8,602,487</u>	<u>-</u>	<u>8,602,487</u>
Supporting services expense			
Management and general	520,930	-	520,930
Fundraising and development	<u>166,116</u>	<u>-</u>	<u>166,116</u>
 Total supporting services expenses	 <u>687,046</u>	 <u>-</u>	 <u>687,046</u>
 Total expenses	 <u>9,289,533</u>	 <u>-</u>	 <u>9,289,533</u>
 CHANGE IN NET ASSETS	 (93,706)	 24,792,597	 24,698,891
 TOTAL NET ASSETS, Beginning of year	 <u>557,634</u>	 <u>124,395,310</u>	 <u>124,952,944</u>
 TOTAL NET ASSETS, End of year	 <u>\$ 463,928</u>	 <u>\$ 149,187,907</u>	 <u>\$ 149,651,835</u>

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

	<u>Without Donor Restriction</u>	<u>With Donor Restrictions</u>	<u>Total</u>
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>\$ 557,634</u>	 <u>\$ 124,395,310</u>	 <u>\$ 124,952,944</u>

FARGO-MOORHEAD AREA FOUNDATION CORPORATION

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2025**

		Supporting Services		
	Program Services	Management and General	Fundraising and Development	Total
Salaries	\$ 242,927	\$ 347,639	\$ 56,204	\$ 646,770
Employee benefits	46,330	66,300	10,719	123,349
Payroll tax	17,028	24,368	3,940	45,336
Advertising	-	2,268	21,420	23,688
Bank fees	255	85	-	340
Board expenses	1,558	779	779	3,116
Caring catalog expense	-	-	564	564
Community sponsorships	25,500	-	-	25,500
Credit card fees	5,151	-	-	5,151
Depreciation	25,952	8,651	-	34,603
Development events	-	-	33,873	33,873
Dues and memberships	14,760	4,920	-	19,680
Equipment lease	559	186	-	745
Equipment maintenance	1,294	431	-	1,725
Fiscal sponsorship expense	637,959	-	-	637,959
Foundation event expense	4,848	-	14,545	19,393
Grants	7,092,640	-	-	7,092,640
Grounds maintenance	7,581	2,527	-	10,108
Insurance	6,761	2,254	-	9,015
Janitorial service	3,879	1,293	-	5,172
Local meeting	3,013	1,506	1,506	6,025
Maintenance expense	54,547	18,182	-	72,729
Nonprofit activities	2,810	-	-	2,810
Office equipment	10,424	3,475	-	13,899
Postage	1,260	420	-	1,680
Printing	1,942	-	14,232	16,174
Professional fees	27,952	19,634	-	47,586
Scholarships	325,856	-	-	325,856
Subscriptions	4,520	1,507	-	6,027
Supplies	7,007	2,336	-	9,343
Telephone	4,651	1,550	-	6,201
Travel expense	16,667	8,334	8,334	33,335
Utilities	3,559	1,186	-	4,745
Website expenses	3,297	1,099	-	4,396
Total expenses by function	\$ <u>8,602,487</u>	\$ <u>520,930</u>	\$ <u>166,116</u>	\$ <u>9,289,533</u>

FARGO-MOORHEAD AREA FOUNDATION CORPORATION

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

		Supporting Services		
	Program Services	Management and General	Fundraising and Development	Total
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	1,421	474	-	1,895
Total expenses by function	\$ <u>7,884,481</u>	\$ <u>518,561</u>	\$ <u>151,524</u>	\$ <u>8,554,566</u>

FARGO-MOORHEAD AREA FOUNDATION CORPORATION

**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS THEN ENDED DECEMBER 31, 2025 AND 2024**

	<u>2025</u>	<u>2024</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 24,698,891	\$ 16,852,931
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	34,603	37,053
Realized/unrealized gain on investments	(16,379,962)	(9,781,776)
Change in value of charitable remainder trusts	454,853	(56,999)
Change in cash surrender value of life insurance	(23,133)	32,718
Change in funds held as agency endowments	21,609	239,845
Changes in assets and liabilities		
Unconditional promises to give	-	768,802
Interest, contributions, and grants receivable	5,095,777	(5,109,577)
Prepaid expenses	(10,085)	(6,606)
Accounts payable and accrued expenses	120,203	5,769
Grants payable	7,724	-
Scholarships payable	<u>(17,100)</u>	<u>12,685</u>
Net cash provided by operating activities	<u>14,003,380</u>	<u>2,994,845</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments received on notes receivable	193,517	146,410
Purchases of investments	(97,429,145)	(65,820,429)
Proceeds from sale of investments	<u>82,817,001</u>	<u>63,299,623</u>
Net cash used in investing activities	<u>(14,418,627)</u>	<u>(2,374,396)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on liabilities under charitable remainder trusts	<u>(201,691)</u>	<u>(96,441)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(616,938)	524,008
CASH AND CASH EQUIVALENTS, Beginning of year	<u>2,415,508</u>	<u>1,891,500</u>
CASH AND CASH EQUIVALENTS, End of year	\$ <u><u>1,798,570</u></u>	\$ <u><u>2,415,508</u></u>

FARGO-MOORHEAD AREA FOUNDATION CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Fargo-Moorhead Area Foundation Corporation (the “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, 2025 AND 2024

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 donors' 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, 2025 AND 2024

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, 2025 and 2024 the amount held in the sweep account was \$1,753,901 and \$2,125,677, 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.

FARGO-MOORHEAD AREA FOUNDATION CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

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 is 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, 2025 and 2024.

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 BOK Financial 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 professional services are recorded at the respective fair values of the services received.

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, 2025 and 2024, no such liability existed. Management will continually evaluate expiring statutes of limitations, audits, proposed settlements, changes in tax law, and new authoritative rulings.

FARGO-MOORHEAD AREA FOUNDATION CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

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 has 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 and 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. The Organization believes that there have been no events subsequent to year end where disclosure is necessary.

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>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ <u>2,574,708</u>	\$ <u>2,631,113</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, 2025 AND 2024

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 2024 and 2023, the Foundation's Board of Directors approved a distribution policy of 4.75% and 4.50%, respectively. A spendable amount of \$4,442,538 and \$3,845,362 was made available for grant making from these endowed funds during 2025 and 2024, 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.

Following is the 2025 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 2026 is \$1,368,232.

FARGO-MOORHEAD AREA FOUNDATION CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

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 – 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 at December 31:

	<u>2025</u>	<u>2024</u>
Amounts due in:		
Less than one year	\$ 39,752	\$ 96,943
One to five years	197,236	306,992
More than five years	<u>-</u>	<u>26,570</u>
	<u>\$ 236,988</u>	<u>\$ 430,505</u>

FARGO-MOORHEAD AREA FOUNDATION CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	<u>2025</u>	<u>2024</u>
Equipment	\$ 72,597	\$ 90,314
Land	108,241	108,241
Building	481,486	481,486
Furniture and fixtures	77,254	77,987
Landscaping	171,380	171,380
Intangibles	<u>22,425</u>	<u>22,425</u>
	933,383	951,833
Accumulated depreciation	<u>(528,738)</u>	<u>(512,585)</u>
Total	<u>\$ 404,645</u>	<u>\$ 439,248</u>

NOTE 5 – INVESTMENTS

Investments consisted of the following at December 31:

	<u>2025</u>	<u>2024</u>
Cash and money market funds	\$ 7,735,209	\$ 3,022,649
Fixed income	41,917,535	36,641,255
Equities	93,684,135	73,194,557
Other		
Alternative investments funds	687,689	22,631
Commodities	465,504	56,780
Real estate funds	1,579,945	1,924,310
Mineral interests	<u>872,591</u>	<u>1,088,320</u>
Total	<u>\$ 146,942,608</u>	<u>\$ 115,950,502</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>2025</u>	<u>2024</u>
Investment income	\$ 4,113,472	\$ 3,617,514
Unrealized appreciation of investments	6,153,943	2,393,117
Realized gain (loss) on sale of investments	7,264,681	6,898,386
Trustee management fees	<u>(733,651)</u>	<u>(669,151)</u>
Net investment return	<u>\$ 16,798,445</u>	<u>\$ 12,239,866</u>

FARGO-MOORHEAD AREA FOUNDATION CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

NOTE 6 – 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.

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.

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.

FARGO-MOORHEAD AREA FOUNDATION CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

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, 2025:

<u>Assets</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and money market	\$ 7,735,209	\$ 7,735,209	\$ -	\$ -
Fixed income				
U.S. Treasury and agency obligations	9,174,082	9,174,082	-	-
Domestic mutual bond funds				
Long term	2,198,418	2,198,418	-	-
Intermediate term	10,598,862	10,598,862	-	-
Short-term	1,773,850	1,773,850	-	-
High yield bonds	1,158,242	1,158,242	-	-
Corporate bonds	2,783,799	2,783,799	-	-
Total return bonds	1,726,374	1,726,374	-	-
Preferred stocks	328,132	328,132	-	-
Inflation protected	19,989	19,989	-	-
Foreign mutual bond funds	1,380,166	1,380,166	-	-
Foreign corporate bonds	114,040	114,040	-	-
Taxable reinsurance funds	475,804	475,804	-	-
Taxable private debt	600,000	-	-	600,000
Mortgage backed bonds	1,039,940	-	1,039,940	-
Corporate bonds	8,300,798	8,300,798	-	-
Municipal bonds	245,039	-	245,039	-
Equities				
Domestic common stocks	17,647,122	17,647,122	-	-
Foreign common stocks	7,007	7,007	-	-
Domestic mutual equity funds				
Large cap	40,698,799	40,698,799	-	-
Mid cap	6,867,097	6,867,097	-	-
Small cap	4,033,923	4,033,923	-	-
Foreign mutual equity funds	19,845,553	19,845,553	-	-
Other equity	2,864,700	2,864,700	-	-
Closely held asset	6,000	-	-	6,000
Hedged equity	1,323,925	1,323,925	-	-
Other				
Alternative investments funds	687,689	687,689	-	-
Commodities	465,504	465,504	-	-
Real estate funds	1,579,945	1,579,945	-	-
Mineral interests	872,591	-	-	872,591
Assets held in charitable remainder trusts	892,884	-	-	892,884
Life insurance	725,446	-	725,446	-

(Continued)

FARGO-MOORHEAD AREA FOUNDATION CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

<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	148,170,929	143,789,029	2,010,425	2,371,475
Investments measured at net asset value	<u>390,009</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	\$ <u>148,560,938</u>	\$ <u>143,789,029</u>	\$ <u>2,010,425</u>	\$ <u>2,371,475</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>339,606</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>339,606</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, 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 mutual bond 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 mutual bond 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 mutual equity 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	-	-

(Continued)

FARGO-MOORHEAD AREA FOUNDATION CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

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	<u>1,241,181</u>	<u>-</u>	<u>-</u>	<u>1,241,181</u>
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	<u>1,379,005</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 117,893,996</u>	<u>\$ 110,482,209</u>	<u>\$ 3,703,281</u>	<u>\$ 2,329,501</u>
Liabilities	Total	Level 1	Level 2	Level 3
Liabilities under charitable remainder trusts	<u>\$ 434,741</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 434,741</u>

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 12/31/25	Fair Value as of 12/31/24	Valuation Techniques	Unobservable Inputs	Range (Weighted Average)	
Taxable private debt	\$ 600,000	\$ -	Analysis of trend in leverage	Maturity modified market yield*	5 - 18%	
Closely held asset	\$ 6,000	\$ -	Historical cost approximates fair value	Historical cost approximates fair value	N/A	
Assets held under charitable remainder trusts	\$ 892,884	\$ 1,241,181	Present value	Life expectancy Discount rate	6 - 16 years 3.8% - 7.0%	
Liabilities held under charitable remainder trusts	\$ (339,606)	\$ (434,741)	Present value	Life expectancy Discount rate	6 - 16 years 3.8% - 7.0%	
Mineral interests	\$ 872,591	\$ 1,088,320	Net income	Industry income Multiple	1 - 4 (4) Multiples	

*Maturity modified market yield is calculated based on the market yield of the security relative to its actual coupon and maturity date. The market yield is modified 75 basis points for every 1x delta in actual leverage versus market leverage of that issuer.

(Continued)

FARGO-MOORHEAD AREA FOUNDATION CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

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

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>Taxable Private Debt</u>	<u>Closely Held Asset</u>	<u>Assets Held in Charitable Remainder Trusts</u>	<u>Liabilities Held in Charitable Remainder Trusts</u>	<u>Mineral Interests</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>-</u>	<u>-</u>	<u>(96,441)</u>	<u>96,441</u>	<u>-</u>
Balance, December 31, 2024	-	-	1,241,181	(434,741)	1,088,320
Total gains (losses)	-	-	134,631	(30,794)	(215,729)
Total additions	600,000	6,000	83,624	(75,762)	-
Total payments	<u>-</u>	<u>-</u>	<u>(566,552)</u>	<u>201,691</u>	<u>-</u>
Balance, December 31, 2025	\$ <u>600,000</u>	\$ <u>6,000</u>	\$ <u>892,884</u>	\$ <u>(339,606)</u>	\$ <u>872,591</u>

Gains and losses (level 3 measurements) included in the change in net assets for the years ended December 31, 2025 and 2024 are presented in the consolidated statements of activities and change in net assets as follows:

	<u>2025</u>	<u>2024</u>
Change in unrealized appreciation (depreciation) of level 3 investments included in the net investment return	\$ <u>111,892</u>	\$ <u>(86,580)</u>

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 2025</u>	<u>Fair Value 2024</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
(A) \$	390,009	1,379,005	-	Quarterly	90 days

(A) - Private equity fund investments

FARGO-MOORHEAD AREA FOUNDATION CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

NOTE 7 – 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, 2025 and 2024, 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
- (6) other resources of the Foundation, and
- (7) the Foundation's investment policies.

FARGO-MOORHEAD AREA FOUNDATION CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

Board of Directors – Variance Power

The Board of Directors has 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, 2025 and 2024.

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, 2025 AND 2024

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, 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	557,634	108,026,745	16,368,565	124,952,944
Investment income	-	16,798,445	-	16,798,445
Contributions	-	11,339,638	5,647,303	16,986,941
Other income	-	203,038	-	203,038
Appropriations	<u>(93,706)</u>	<u>(9,195,827)</u>	<u>-</u>	<u>(9,289,533)</u>
Balance December 31, 2025	\$ <u>463,928</u>	\$ <u>127,172,039</u>	\$ <u>22,015,868</u>	\$ <u>149,651,835</u>

NOTE 8 – 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 9 – 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, 2025 AND 2024

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

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	1,589,487
Contributions	6,624
Investment income allocated	222,895
Grants	(186,706)
Administrative fees	<u>(21,204)</u>
Balance, December 31, 2025	<u>\$ 1,611,096</u>

NOTE 10 – 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 \$31,296 and \$31,724 for the years ended December 31, 2025 and 2024, respectively.

NOTE 11 – DONOR RESTRICTED NET ASSETS

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

	<u>2025</u>	<u>2024</u>
Subject to expenditure for a specific purpose - supporting organizations		
Pancratz Family Foundation	\$ 844,475	\$ 310,133
William C. & Jane B. Marcil Family Foundation	<u>88,940</u>	<u>72,273</u>
Total purpose restrictions	<u>933,415</u>	<u>382,406</u>
Subject to the passage of time - charitable remainder trusts		
Betty J. Pfaff Irrevocable Trust	25,470	-
Dale R. and Marilyn D. Larson Fund	-	175,458
Duane and Judy Lee Fund	48,712	35,597
Richard and Charlotte Rufer Charitable Remainder Trust	307,199	151,166
Terry Lodoen Trust Fund	20,109	18,082
The Gilbertson Charitable Remainder Trust	73,336	66,804
William B. Richardson Charitable Remainder Unitrust	385,650	359,291
Jaime A. Phillips Trust	-	1,917,278
Subject to the passage of time - life insurance		
Ronald and Marlene Hoffart	<u>725,085</u>	<u>701,952</u>
Total time restrictions	<u>1,585,561</u>	<u>3,425,628</u>

(Continued)

FARGO-MOORHEAD AREA FOUNDATION CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
Subject to endowment policy - restricted in perpetuity		
North Dakota Tax Credit endowed funds	<u>22,015,868</u>	<u>16,368,565</u>
Subject to expenditure for a specific purpose		
Discretionary	7,846,509	4,999,337
Designated	28,539,248	26,155,825
Donor advised	65,196,144	51,638,388
Organizational	1,795,449	1,793,017
Field of interest	7,963,879	7,279,512
Scholarship	<u>13,311,834</u>	<u>12,352,632</u>
Total specific purpose	<u>124,653,063</u>	<u>104,218,711</u>
Total net assets with donor restrictions	\$ <u>149,187,907</u>	\$ <u>124,395,310</u>

NOTE 12 – SUPPORTING ORGANIZATIONS

Summarized financial information for the Foundation's supporting organizations as of and for the year ended December 31, 2025 is as follows:

	<u>Pancratz Family Foundation</u>	<u>Marcil Family Foundation</u>	<u>Total</u>
Total assets	\$ <u>844,475</u>	\$ <u>88,940</u>	\$ <u>933,415</u>
Total revenues	\$ 505,887	\$ 2,025	\$ 507,912
Total expenses	\$ (4,836)	\$ (780)	\$ (5,616)
Change in unrealized appreciation (depreciation) of investments	\$ 33,291	\$ 15,422	\$ 48,713

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)
Change in unrealized appreciation (depreciation) of investments	\$ 16,206	\$ 13,645	\$ 29,851