

NDSU

NORTH DAKOTA STATE UNIVERSITY

Annual Financial Report
June 30, 2013

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North Dakota State University

Management's Discussion and Analysis

JUNE 30, 2013

North Dakota State University's (herein referred to as "NDSU" or the "University") discussion and analysis provides an overview of the University's financial activities for the year ending June 30, 2013. It is designed to focus on current year activities in an effort to assist readers in understanding how those activities impacted the accompanying financial statements.

The financial activity of the 11 public post-secondary campuses under the control of the North Dakota University System (herein referred to as "NDUS"), including NDSU, is combined into a single financial report audited by the North Dakota State Auditor's Office (SAO). NDSU's financial statements are not audited as a separate entity, they are audited as part of the NDUS as a whole.

The financial statements presented are partially extracted from the audited NDUS financial report. **NDSU's Annual Financial Report, alone, is considered not audited; and therefore no audit opinion letter is included in this report.**

NDSU's financial statements include the balances and activities of the following state agencies that have separate legislative state appropriations: Agricultural Experiment Station, Extension Service, Research Centers, Northern Crops Institute, Upper Great Plains Transportation Institute, and the North Dakota Forest Service.

Financial statements for the legally separate foundations that are affiliated with NDSU are presented in the Supplementary Information section of this report. The figures in this section were extracted from the foundation's audited reports; however, as with NDSU's basic financial statements and notes, the supplementary information presented in this report must be considered not audited.

Background Information

North Dakota State University is distinctive as a student-focused, land-grant, research university, ranked by the Carnegie Commission on Higher Education among the top 108 public and private universities in the country. NDSU is in the elite category of "Research Universities/Very High Research Activity.", and is one of two flagship universities in North Dakota, with several programs ranked in the Top 100 by the National Science Foundation. NDSU is fully accredited as an institution by the Higher Learning Commission of the North Central Association of Colleges and Secondary Schools.

The main campus is located in Fargo, N.D., with Extension Service and Experiment Station Research Centers located all across the state.

Mission

With energy and momentum, North Dakota State University addresses the needs and aspirations of people in a changing world by building on our land-grant foundation.

Vision

We envision a vibrant university that will be globally identified as a contemporary metropolitan land-grant institution.

Financial Highlights

NDSU's overall financial standing continues to be sound with total assets of \$501 million and total liabilities of \$182 million, resulting in a net assets total of \$319 million (an increase of \$34 million over the previous fiscal year). The University has done well in managing its financial resources and is better off as a result of the current year's activities.

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets; Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows provide information on the University as a whole and present a long-term view of the University's finances. Refer to Note 1 in the accompanying financial statements for activities included in the University's basic financial statements.

The statements assist in answering the question "Is the University as a whole financially better off or worse off as a result of the year's activities?". The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets report information in a way that helps answer this question. The Statement of Cash Flows summarizes transactions affecting cash during the fiscal year. It also provides information about the ability of the University to generate future cash flows necessary to meet its obligations and to evaluate its potential for additional financing.

Other non-financial factors, such as the condition of the campuses infrastructure, changes in legislative funding and changes in student enrollments, need to be considered in order to assess the overall health of the System.

Management's Discussion and Analysis

Statement of Net Assets

The following table shows a condensed Statement of Net Assets at June 30, 2013 and 2012:

	2013	2012	Dollar Change	Percent Change
ASSETS				
Current assets	\$ 86,431,265	\$ 74,740,841	\$ 11,690,424	16%
Other non-current assets	83,514,049	71,982,994	11,531,055	16%
Capital assets, net	331,886,213	315,461,631	16,424,582	5%
Total assets	<u>\$ 501,831,527</u>	<u>\$ 462,185,466</u>	<u>\$ 39,646,061</u>	<u>9%</u>
LIABILITIES				
Current liabilities	\$ 43,220,539	\$ 34,324,812	\$ 8,895,727	26%
Noncurrent liabilities	139,277,539	142,853,385	(3,575,846)	-3%
Total liabilities	<u>\$ 182,498,078</u>	<u>\$ 177,178,197</u>	<u>\$ 5,319,881</u>	<u>3%</u>
NET ASSETS				
Invested in capital assets, net	\$ 205,711,923	\$ 193,282,993	\$ 12,428,930	6%
Restricted	25,395,320	22,876,047	2,519,273	11%
Unrestricted	88,226,206	68,848,229	19,377,977	28%
Total net assets	<u>\$ 319,333,449</u>	<u>\$ 285,007,269</u>	<u>\$ 34,326,180</u>	<u>12%</u>
Current Ratio (current assets to current liabilities)	<u>2.0</u>	<u>2.2</u>		
Primary Reserve Ratio (expendable net assets to operating expenses)	<u>0.31</u>	<u>0.26</u>		

During fiscal 2013, assets were transferred from the non-current to capital assets, because of construction projects completed and capitalized. Current assets increased due to the overall improvement in the University's financial performance.

Noncurrent liabilities decreased during fiscal 2013 due to the refinancing and early retirement of bonds and leases payable.

Invested in capital assets, net, increased due to the capitalization of construction projects, as well as the reduction of long-term debt. The restricted net assets increase is primarily due to a construction project cost savings on revenue bond financed project where the savings is restricted for future debt service obligations. Unrestricted net assets increased due to the overall improvement in financial performance of the University. Increased carryover balances are recognized in Agricultural Experiment Station, Research Centers, ND Forest Service, as well as University appropriation funds.

Management's Discussion and Analysis

Statement of Revenues, Expenses, and Changes in Net Assets

The following table shows a condensed version of Statement of Revenues, Expenses and Changes in Net Assets, with operating and non-operating revenues and expenses combined, as of June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Revenues				
Student tuition and fees	\$ 99,277,441	\$ 96,268,445	\$ 3,008,996	3%
Grants, contracts, (operating and nonoperating)	90,629,792	99,301,644	(8,671,852)	-9%
State appropriations (operating and nonoperating)	134,019,974	104,336,108	29,683,866	28%
Sales and services of educational departments	23,606,398	21,448,147	2,158,251	10%
Auxiliary enterprises	46,069,619	45,071,208	998,411	2%
Gifts	9,231,214	9,772,784	(541,570)	-6%
Other, (operating and nonoperating)	3,009,102	2,798,357	210,745	8%
Total revenues	\$ 405,843,540	\$ 378,996,693	\$ 26,846,847	7%
Expenses				
Salaries and wages	\$ 241,842,660	\$ 233,120,287	\$ 8,722,373	4%
Operating expenses	99,504,876	89,076,303	10,428,573	12%
Depreciation expense	19,746,928	18,901,210	845,718	4%
Scholarships and fellowships	3,777,526	5,370,497	(1,592,971)	-30%
Other, (operating and nonoperating)	6,186,406	7,777,543	(1,591,137)	-20%
Total expenses	\$ 371,058,396	\$ 354,245,840	\$ 16,812,556	5%
Increase (decrease) in net assets	\$ 34,785,144	\$ 24,750,853	\$ 10,034,291	41%
Net Assets, Beginning of Year	\$ 284,548,305	\$ 260,256,416	\$ 24,291,889	9%
Net Assets, End of Year	\$ 319,333,449	\$ 285,007,269	\$ 34,326,180	12%

Overall revenues increased 7% and expenses increased 5% from 2012 to 2013.

On the revenues side: Student tuition and fees increased 3% due to small increase in student fees, as well as a slight enrollment increase. Overall state appropriations increased 28% due to normal fluctuations between the first and second year of the state's biennium with this revenue source. State Appropriations are authorized as a lump sum for a two year period. NDSU is only allowed to draw state general funds as needed. As a result the first year of the biennium NDSU typically recognizes a proportionally lower share of State Appropriation revenues because of the carryover balances from the previous biennium are first expended. The second year of a biennium NDSU typically recognizes a proportionately higher share of the biennium's appropriation because the money has to be drawn down in the second year.

Revenues from sales and services of educational departments increased 10% primarily due to increased commodity prices in the Agricultural Experiment Station and Research Centers. Grant & contract revenues decreased 9% due to reductions in the availability of federal & state research funding.

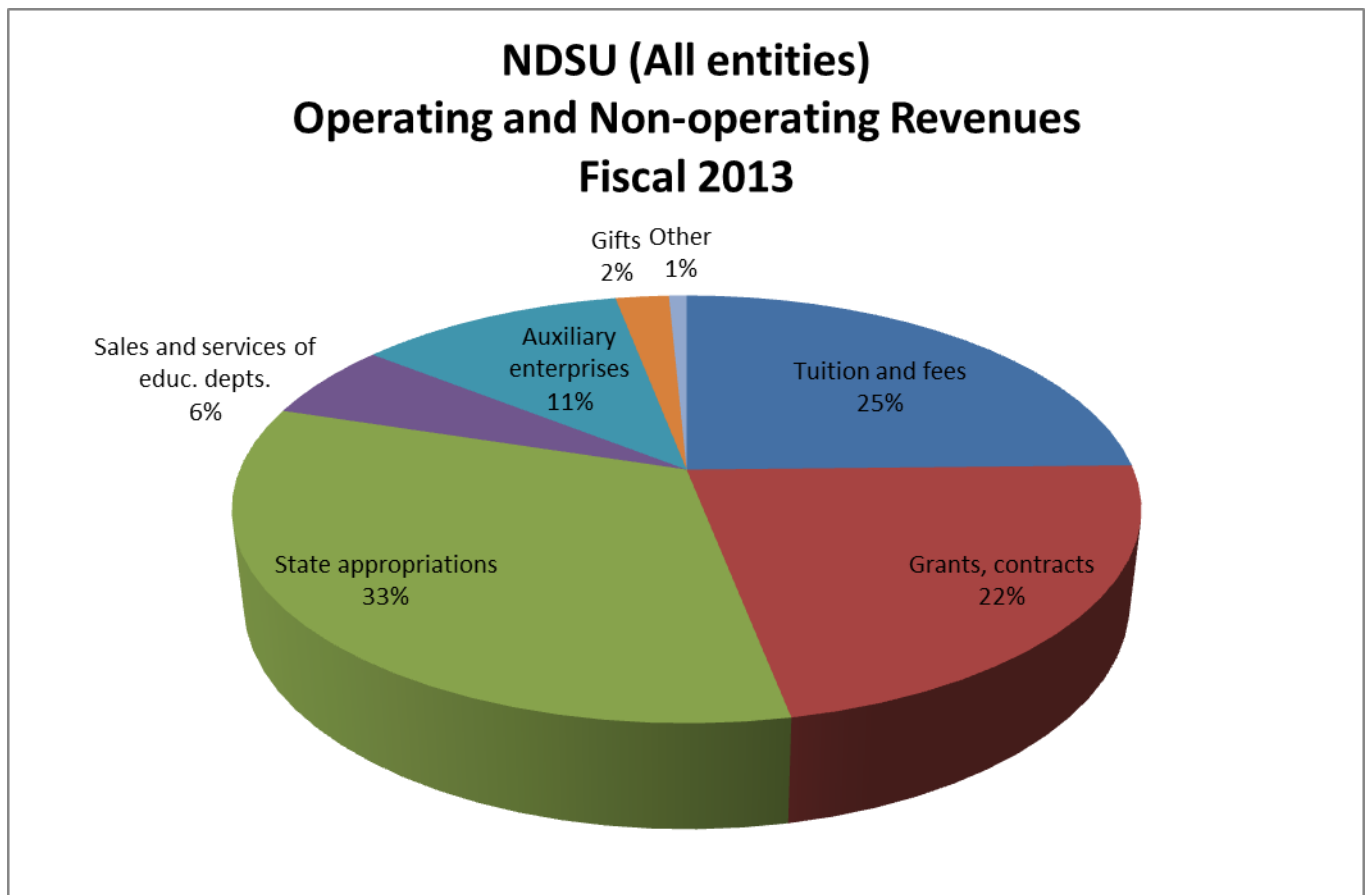
On the expenses side: increase in operating expenses is primarily due to one-time deferred maintenance project expensed as repairs during fiscal 2013. Decreases in scholarships and

Management's Discussion and Analysis

fellowships were primarily due to reductions in federal financial aid (such as: Pell grants) and the recognition of revenue and scholarship expense of the ND State Grant Program at ND University System Level. Decreases in other non-operating expenses is the result of interest savings on capital debt achieved in the previous year (fiscal 2012).

Graphs

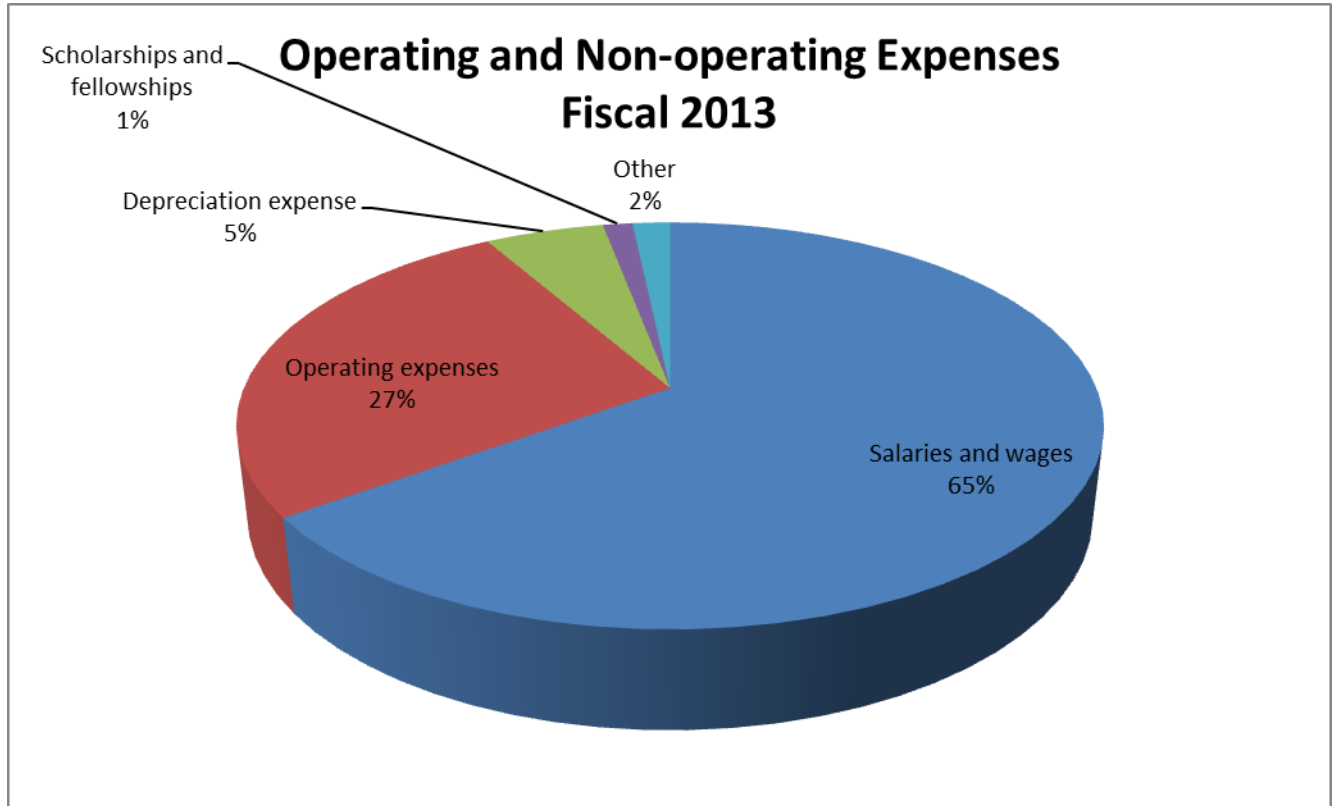
The following graph depicts sources of operating and non-operating revenues for fiscal year 2013:



The activities of all NDSU entities are combined in this graph, including the Agriculture Experiment Station, and other similar separately appropriated agencies.

Management's Discussion and Analysis

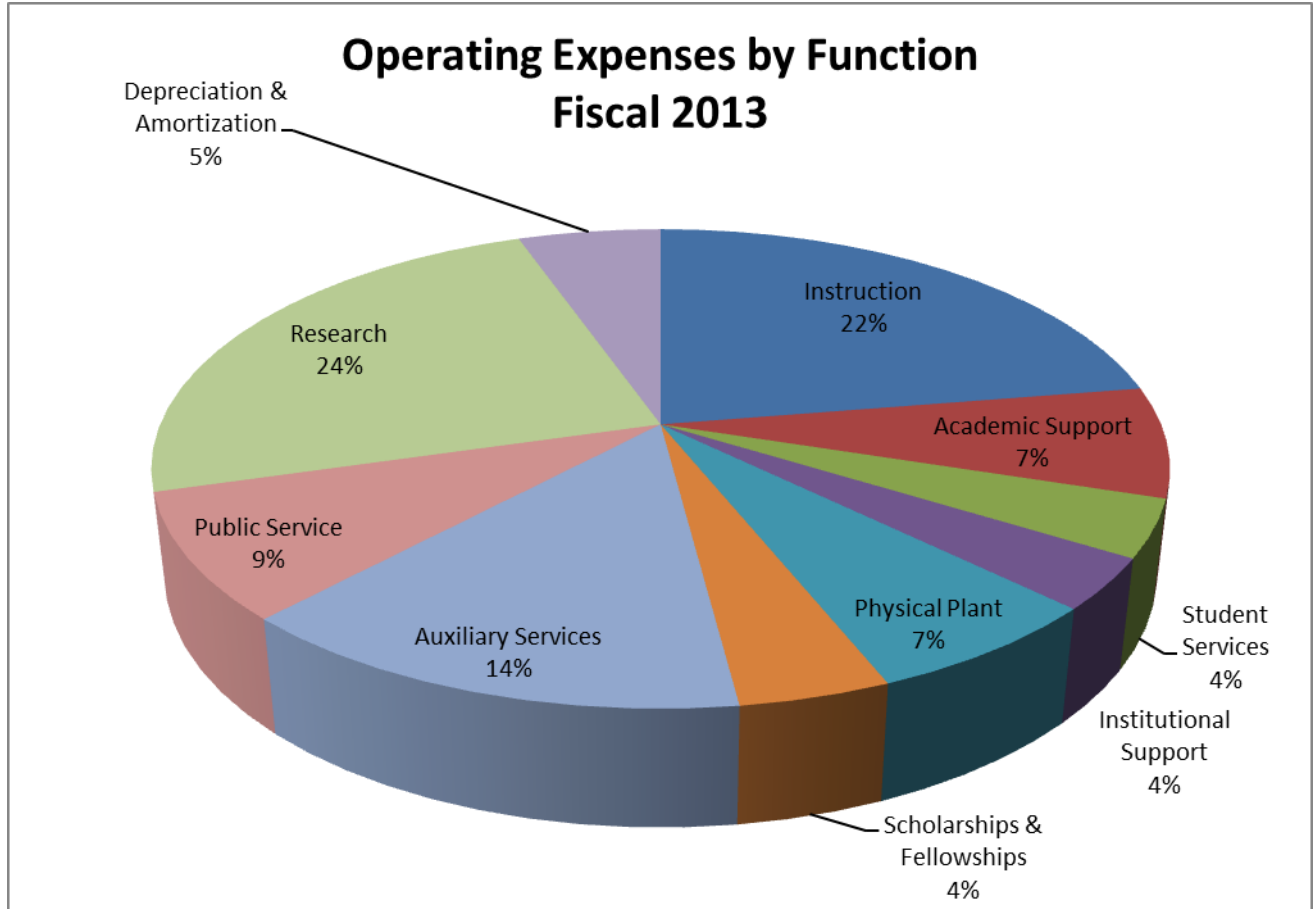
The following graph depicts objects of operating and non-operating expenses for fiscal year 2013:



The activities of all NDSU entities are combined in this graph, including the Agriculture Experiment Station, and other similar separately appropriated agencies.

Management's Discussion and Analysis

The following graph depicts operating expenses only, by institutional function for fiscal year 2013:



The activities of all NDSU entities are combined in this graph, including the Agriculture Experiment Station, and other similar separately appropriated agencies.

Long-term Debt

During fiscal year 2012, three long-term debt obligations (bonds and leases) were either refinanced or retired early on the scheduled call date. This debt restructuring contributed to the University improved overall financial performance for the year. These savings contributed to a lower capital interest cost in fiscal 2013, compared to fiscal 2012. A summary is as follows:

Bond Issue	PV Savings	% of PV Savings of Refunded Bonds
City of Fargo, ND University Facilities Revenue Refunding Bonds, Series 2012 (Barry/Klai Hall)	\$1,666,712.94	13.52%
NDSU Housing & Auxiliary Facilities Revenue Refunding Bonds, Series 2012A (LLC)	\$ 688,240.68	11.11%
Early retirement on call date of NDSU Facilities Revenue Bonds, Series 2002 (Minard)	<u>\$ 948,980.64</u>	39.87%
Total	<u><u>\$3,303,934.26</u></u>	

Financial Ratios

	2013	2012	2011
Current Ratio (current assets to current liabilities)	2.00	2.18	2.00
Primary Ratio (expendable net assets to operating expense)	0.31	0.26	0.24
Net Income Margin (increase in net assets to total revenue)	8.57%	6.53%	8.45%
Viability Ratio (expendable net assets to long-term debt)	0.78	0.61	0.53

Current Ratio

The current ratio measures whether or not the University has enough readily available resources to pay its short-term bills and liabilities. A ratio of 2 or greater is considered healthy. By comparison, the ND University System's current ratio was 2.5 for both fiscal years 2013 and 2012.

Primary Reserve Ratio

The primary reserve ratio measures the ability of the University to continue operating at current levels, within current restrictions, without future revenues. A ratio of 1.0 denotes that an institution would have the ability to cover its expenses for one year with any revenues. The University's primary reserve ratio at June 30, 2013, is 0.31, which

Management's Discussion and Analysis

indicates that in an emergency situation, the University could continue its current operations for approximately 16.1 weeks. By comparison, the ND University System's primary reserve ratio was 0.29 and 0.28 for fiscal years 2013 and 2012, respectively.

Net Income Margin

The net income margin indicates whether total activities resulted in income or a deficit. A positive margin indicates that the institution experienced income for one year. NDSU's fiscal 2013 margin is 8.57%. By comparison, the ND University System's net income margin is 5.5% and 6.9% for fiscal year 2013 and 2012, respectively.

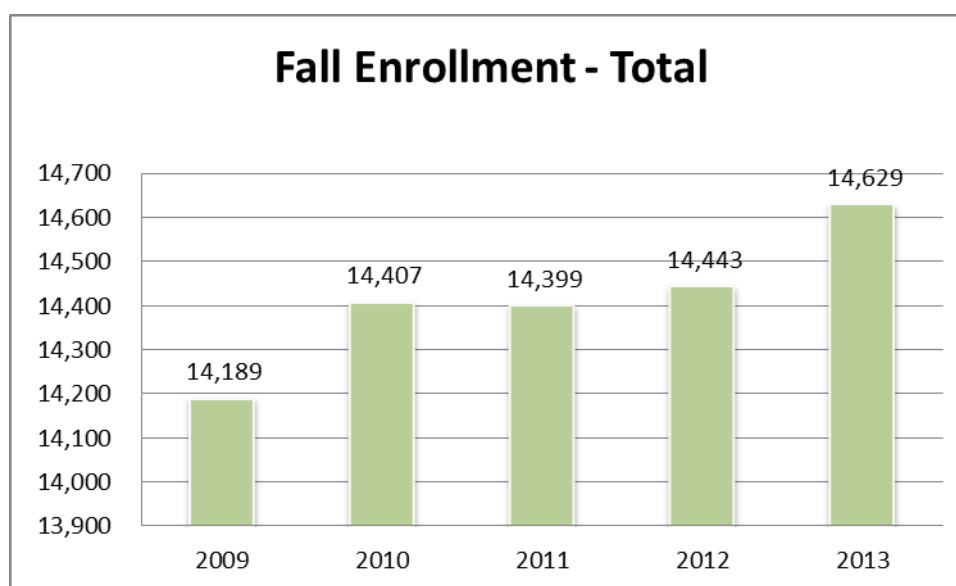
Viability Ratio

The viability ratio is a measure of financial health; the availability of expendable net assets to cover debt should the University need to settle its obligations as of the fiscal year end. Expendable net assets are the balances in the total net assets, excluding investment in capital assets and non-expendable scholarships and fellowships. NDSU's viability ratio has been improving and is now at 0.78. By comparison, the ND University System's net income margin is 0.9 and 0.8 for fiscal year 2013 and 2012, respectively.

Other Highlights

Student Enrollment

NDSU's annual unduplicated degree credit headcount for fall 2013 was 14,629 students, which represents 30% of the student enrollment for the entire ND University system. NDSU's degree credit headcount for the last five fall terms is as follows:



Financial Contact

The University's financial statements are designed to present users with a general overview of the University's finances and to demonstrate accountability. If you have questions about the report or need additional financial information, contact the NDSU Accounting Office, Gary Wawers, Controller, at gary.wawers@ndsu.edu or Ramona Adams, Associate Controller, at ramona.adams@ndsu.edu.

North Dakota State University
Statement of Net Assets
For Years Ended June 30, 2013 & 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 34,321,276	\$ 22,248,069
Short-term investments	11,604,743	8,304,750
Accounts receivable, net	5,614,676	5,505,059
Due from other NDUS institutions	1,261,288	
Due from component units	1,228,466	597,706
Due from State General Fund	9,148,768	17,049,913
Grants & contracts receivable, net	19,664,958	17,041,130
Inventories	1,734,982	2,066,337
Notes receivable, net	1,477,005	1,470,460
Other assets	375,103	457,417
Total Current Assets	\$ 86,431,265	\$ 74,740,841
Noncurrent Assets		
Restricted cash and cash equivalents	\$ 3,990,449	\$ 6,597,177
Restricted investments	4,845,584	6,053,393
Endowment investments	366,782	370,698
Notes receivable, net	5,237,625	5,287,044
Other long-term investments	65,691,735	49,881,259
Unamortized bond discount and cost of issuance	2,448,618	2,573,123
Due From Component Units	933,256	1,220,300
Capital assets, net	331,886,213	315,461,631
Total Noncurrent Assets	\$ 415,400,262	\$ 387,444,625
Total Assets	\$ 501,831,527	\$ 462,185,466
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 17,881,636	\$ 9,346,571
Accrued payroll	10,309,141	9,869,336
Deferred revenue	7,598,788	7,966,920
Deposits	1,417,883	1,188,830
Long-term liabilities—current portion:		
Payable to component units	2,164,237	2,283,681
Payable to others	3,848,854	3,669,474
Total Current Liabilities	\$ 43,220,539	\$ 34,324,812
Noncurrent Liabilities		
Payable to others	8,767	25,716
Long-term liabilities:		
Payable to component units	41,445,666	43,609,903
Payable to others	97,823,106	99,217,766
Total Noncurrent Liabilities	\$ 139,277,539	\$ 142,853,385
Total Liabilities	\$ 182,498,078	\$ 177,178,197
NET ASSETS		
Invested in Capital Assets, net of related debt	\$ 205,711,923	\$ 193,282,993
Restricted for:		
Nonexpendable:		
Scholarships and fellow ships	368,855	372,771
Expendable:		
Scholarships and fellow ships	207,910	123,053
Research	6,551,544	8,549,270
Instructional department uses	1,062,310	1,723,898
Loans	7,032,635	7,057,463
Capital projects	43,772	27,901
Debt service	10,128,294	5,021,691
Unrestricted	88,226,206	68,848,229
Total Net Assets	\$ 319,333,449	\$ 285,007,269

North Dakota State University
Statement of Revenues, Expenses, & Other Changes in Net Assets
For Years Ended June 30, 2013 & 2012

	<u>2013</u>	<u>2012</u>
REVENUES		
Operating Revenues:		
Student tuition and fees	\$ 99,277,441	\$ 96,268,445
Federal Grants and Contracts	46,538,383	53,578,855
State Grants and Contracts	7,259,487	9,195,960
Private Grants & Contracts	10,287,622	9,372,488
Sales and services of educational departments	23,606,398	21,448,147
Auxiliary enterprises	46,069,619	45,071,208
Other Operating Revenue	900,816	761,115
Total operating revenues	<u>\$ 233,939,766</u>	<u>\$ 235,696,218</u>
EXPENSES		
Operating expenses:		
Salaries and wages	\$ 241,842,660	\$ 233,120,287
Operating expenses	83,779,809	74,437,588
Data Processing	5,119,033	4,102,430
Depreciation Expense	19,746,928	18,901,210
Scholarships and fellow ships	3,777,526	5,370,497
Cost of Sales and services	10,606,034	10,536,285
Total operating expenses	<u>\$ 364,871,990</u>	<u>\$ 346,468,297</u>
Operating income (loss)	<u>\$ (130,932,224)</u>	<u>\$ (110,772,079)</u>
NONOPERATING REVENUES (EXPENSES)		
State appropriations	\$ 127,388,181	\$ 91,679,136
Federal Appropriations	5,127,259	7,325,897
Federal grants and contracts	11,157,031	11,742,071
Gifts	9,231,214	9,772,784
Investment income	2,013,833	1,753,531
Interest on capital asset - related debt	(5,885,244)	(6,776,674)
Gain/(Loss) on capital assets	(16,020)	(685,406)
Insurance Proceeds	4,404	175,861
Tax Revenues	88,727	107,850
Other nonoperating revenues over (under) expenses	1,322	(30,971)
Net nonoperating revenues	<u>\$ 149,110,707</u>	<u>\$ 115,064,079</u>
Income (loss) before capital grants, gifts and transfers	<u>\$ 18,178,483</u>	<u>\$ 4,292,000</u>
State appropriations - capital assets	\$ 6,631,793	\$ 12,656,972
Transfer from Building Authority	(285,142)	(284,492)
Capital grants and gifts	10,260,010	8,086,373
Total other revenues (expenses)	<u>\$ 16,606,661</u>	<u>\$ 20,458,853</u>
Increase (decrease) in net assets	<u>\$ 34,785,144</u>	<u>\$ 24,750,853</u>
NET ASSETS		
Net assets-beginning of year	<u>\$ 285,007,269</u>	<u>\$ 260,256,416</u>
Prior Period Adjustment	<u>\$ (458,964)</u>	
Net assets - end of year	<u><u>\$ 319,333,449</u></u>	<u><u>\$ 285,007,269</u></u>

North Dakota State University
Statement of Cash Flows
For Years Ended June 30, 2013 & 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Student tuition and fees	\$ 100,147,909	\$ 93,949,978
Grants and Contracts	62,874,990	78,773,698
Payments to suppliers	(91,054,764)	(88,669,345)
Payments to employees	(240,263,180)	(234,143,926)
Payments for scholarships and fellow ships	(3,903,699)	(5,370,497)
Loans issued to students	(1,187,359)	(1,212,827)
Collection of loans to students	1,088,973	1,001,348
Auxiliary enterprise charges	46,376,257	45,146,252
Sales and services of educational departments	23,128,945	23,873,328
Cash received (paid) on deposits	(35,026)	47,521
Other receipts (payments)	1,020,358	522,234
Net cash provided (used) by operating activities	<u>\$ (101,806,596)</u>	<u>\$ (86,082,236)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	\$ 134,837,635	\$ 84,505,721
Federal appropriations	4,228,545	6,810,055
Grants and gifts received for other than capital purposes	20,388,245	21,514,854
Direct Lending Receipts	53,747,818	56,457,820
Direct Lending Disbursements	(53,966,261)	(56,314,792)
Agency fund cash increase (decrease)	(682,729)	397,835
Tax revenues	88,727	107,850
Net cash provided/(used) by financing activities	<u>\$ 158,641,980</u>	<u>\$ 113,479,343</u>
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from issuance of debt	\$	\$ 5,730,000
Transfers (to)/from Building Authority	(285,142)	(284,492)
Capital appropriations	7,083,482	15,325,261
Capital grants and gifts received	8,048,249	10,151,857
Proceeds from sale of capital assets	6,634	10,700
Purchases of capital assets	(35,433,770)	(37,267,011)
Insurance proceeds	4,404	175,861
Principal paid on capital debt and lease	(5,170,599)	(7,632,007)
Deposits with capital debt and lease		(6,195,000)
Interest paid on capital debt and lease	(5,681,520)	(6,520,987)
Net cash provided/(used) by capital and related financing activities	<u>\$ (31,428,262)</u>	<u>\$ (26,505,818)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	\$ 9,270,614	\$ 10,480,795
Interest on Investments	1,788,743	1,690,760
Purchases of investments	(27,000,000)	(14,893,196)
Net cash provided/(used) by investing activities	<u>\$ (15,940,643)</u>	<u>\$ (2,721,641)</u>
Net increase (decrease) in cash	<u>\$ 9,466,479</u>	<u>\$ (1,830,352)</u>
Cash - Beginning of year	<u>\$ 28,845,246</u>	<u>\$ 30,675,598</u>
Cash - End of year	<u><u>\$ 38,311,725</u></u>	<u><u>\$ 28,845,246</u></u>

Statement of Cash Flows - Continued

RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES

	2013	2012
Operating Income (loss)	\$ (130,932,224)	\$ (110,772,079)
Adjustments:		
Depreciation	19,746,928	18,901,210
Other nonoperating revenues (expenses)	(15,629)	(54,170)
Change in assets and liabilities:		
Accounts receivable adjusted for interest receivable	(1,645,922)	1,338,315
Intergovernmental receivables	(1,504,310)	5,946,097
Inventories	331,355	(93,627)
Notes receivable	42,875	(50,128)
Other assets	82,314	(184,712)
Accounts payable and accrued liabilities adjusted for interest payable	8,063,295	(1,091,384)
Accrued payroll	929,800	330,603
Compensated absences	1,655,803	(1,354,243)
Deferred revenue	1,474,144	954,360
Deposits	(35,026)	47,521
Net cash provided (used) by operating activities	\$ (101,806,597)	\$ (86,082,237)

SUPPLEMENTAL DISCLOSURE ON NON CASH TRANSACTIONS

Assets acquired through capital lease	\$ 238,713	\$ 340,516
Gifts of capital assets		39,000
Net Increase (Decrease) in value of investments	159,853	13,000
Total non cash transactions	\$ 398,566	\$ 392,516

Notes to Financial Statements

JUNE 30, 2013

Note 1 – Summary of Significant Accounting Policies

The significant accounting policies, as summarized below, and the financial statements for the North Dakota State University are in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) which is the accepted primary standard-setting body for establishing governmental accounting and financial reporting principles.

REPORTING ENTITY

The North Dakota State Board of Higher Education (Board) is the governing body for North Dakota's eleven publicly supported colleges and universities. North Dakota State University, including the Agricultural Research Centers, Agronomy Seed Farm, North Dakota Cooperative Extension Service, Northern Crops Institute, State Forest Service, and the Upper Great Plains Transportation Institute, is included in reporting entity of the North Dakota University System. The Board was established in 1939 when the voters of North Dakota approved an initiated measure to add Article VIII to the State Constitution. The Board consists of eight voting members. The Governor, with the advice and consent of the Senate, appoints seven of the eight voting members. The eighth member is a full-time resident student appointed by the Governor. A ninth member is a faculty member (non-voting) selected by the statewide Council of College Faculties. The Board is an entity of the executive branch of the government of the State of North Dakota. The colleges and universities governed by the Board are collectively known and referred to as the North Dakota University System hereafter referred to as the University System. The Board appoints a Commissioner of Higher Education (Chancellor) to serve as the chief executive officer of the Board and of the University System. The Chancellor and the Chancellor's staff must have their principal office in the State Capitol per the North Dakota Constitution. This office is referred to as the University System Office. The North Dakota Legislature appropriates funds it deems necessary and as required by law for those agencies and institutions authorized to exist by the constitution and statutes. Separate general ledgers are maintained for the NDUS office and each institution on the Oracle/PeopleSoft Finance Systems.

North Dakota State University is included in the reporting entity of the NDUS. The NDUS is an entity of the executive branch of government of the State of north Dakota, and is thus a component unit of the State of North Dakota. The financial statements presented here are also included in the comprehensive annual financial report of the State of North Dakota as part of the University System Consolidated Statements.

The University was created by the North Dakota Constitution and/or North Dakota Century Code (NDCC). As stated above these entities are under the control and administration of the State Board of Higher Education. Each entity receives a separate appropriation from the North Dakota Legislature as provided by North Dakota Constitutional Article VIII, S 6(6)(e) and state statute.

Notes to Financial Statements

Component Units

The process of evaluating potential component units involves the application of criteria set forth in GASB Statement No. 14, The Financial Reporting Entity. In accordance with GASB Statement No. 14, a financial reporting entity consists of the primary institution, organizations for which the primary institution is financially accountable and other organizations for which the nature and significance of their relationship with the primary institution are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The definition of the reporting entity is based primarily on the criteria of financial accountability. The primary institution is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and it is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary institution. The GASB issued Statement No. 39, Determining Whether Certain Organizations Are Component Units, modifies and clarifies existing criteria of determining whether an organization should be reported as a component unit and how that component unit should be reported in the financial statements. The nature and significance of the organization's relationship and the extent of financial integration with the primary institution are now considered when determining potential component units.

As required by generally accepted accounting principles, the accompanying financial statements present the University and its component units. The component units are included in the University reporting entity because of the significance of their operational or financial relationships with the University.

The component units' financial statements are presented under Financial Accounting Standards Board (FASB) standards. As such, certain amounts reported on the University financial statements (receivables from and payables to component units) are not reflected on the component units' financial statements. Certain other amounts have been reclassified for consistent presentation.

Blended Component Units

A component unit whose governing body is substantively the same as the governing body of the primary institution, a financial benefit/burden relationship exists and the entity provides services entirely or almost entirely to the primary institution or otherwise exclusively or almost exclusively benefits the primary institution even though it does not provide services directly to it, is included in the primary institutions financial statements using the blending method.

North Dakota State University has no blended Component Units.

Discretely Presented Component Units

The following component units are legally separate entities; however, a fiscal dependency relationship exists whereby the entity does not have the ability to complete certain essential fiscal events without substantive approval from the primary institution or due to the nature and significance of the relationship to the University, exclusion would render the financial statements incomplete or misleading. Although the institution does not control the timing or amount of receipts from the component units, the majority of resources, or income thereon, which the entities hold and invest is restricted to the activities of the institution or its constituents by the donors. Therefore, these entities are discretely presented in the financial statements using Financial Accounting Standards Board (FASB) standards, including Statement No. 117, Financial Reporting for Not-for-Profit Organizations. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation

Notes to Financial Statements

features. With the exception of necessary presentation adjustments, no modifications have been made to the foundation's financial information in the financial report for these differences. Component units that are significant relative to the other component units and to the institution are considered "major" component units and are displayed in separate columns in the component unit section of the financial statements and are included in Note 15 under Major Component Units. In this financial report, the major component units are included as supplementary information. Component units that are not significant relative to the other component units and to the institution are considered non-major component units and are displayed in a separate column in the component unit section of the financial statements. Note disclosures are not provided for "non-major" component units.

Major Component Units

North Dakota State University Development Foundation is an incorporated, nonprofit organization developed solely for the benefit of NDSU. The foundation is approved by the IRS as a charitable, tax-exempt organization and designated by the University as the repository for private giving to the University. Its purpose is to raise, manage, and disburse contributions for the benefit of NDSU. The foundation is managed by a board of trustees comprised of 60 elected alumni and friends of the university as well as four ex-officio members – the president of NDSU, the president and vice president of the Alumni Association and the executive director of the Development Foundation and Alumni Foundation. Complete financial statements for North Dakota State University Development Foundation may be obtained at the entity's administrative office at 1241 N. University Drive, Fargo, ND 58102, or PO Box 5144, Fargo, ND 58105.

NDSU Research & Technology Park, Inc., is a nonprofit organization established in 1999 to promote an economic environment dedicated to applied research and technology discovery for the benefit of NDSU, its faculty and staff and students and the citizens of North Dakota. The majority of the Park's board of directors (7 of 10) works in private industry. Vacancies are filled by a majority vote of the board. Officers of NDSU fill the remaining three positions. The President of NDSU serves as president of the board of directors and has control over final building plans for any new building at the Park. Complete financial statements for NDSU Research & Technology Park, Inc. may be obtained at the entity's administrative office at 1854 NDSU Research Circle North, Fargo, ND 58104.

Non-major Component Units

North Dakota 4-H Foundation is a legally separate, non-profit 501(c)(3) organization committed to supporting 4-H programs with private funds for furthering leadership development, education, research and scholarships and creating opportunities for the youth of North Dakota. The foundation is managed by board of directors comprised of 15 voting members, of which 2 are employees of NDSU. Complete financial statements for the North Dakota 4-H Foundation may be obtained at the entity's administrative office at FLC 219 Dept 7280, PO Box 6050, Fargo ND 58108-6050.

North Dakota State University Research Foundation is a legally separate, non-profit 501(c)(3) organization created to provide support to NDSU in its mission by enabling NDSU faculty to enhance their involvement in research, technology transfer, and business endeavors. Through linkages with public and private businesses and industries, the foundation facilitates the commercialization of research technologies developed by NDSU faculty and staff. The foundation is managed by an 11-member board of directors, comprised of five NDSU

Notes to Financial Statements

employees and six individuals who are not employed by NDSU. Complete financial statements for the Research Foundation may be obtained at the entity's administrative office at 1735 NDSU Research Park Drive, Fargo, ND 58108-6050.

North Dakota State University Team Makers Club was established in 1950 by a group of local business leaders who recognized the need for a community-based support group to benefit NDSU Bison Athletics. Team Makers is a legally separate, non-profit 501(c)(3) organization to provide financial support, promotion and spirit for NDSU student-athletes and the NDSU Athletics Department in order to achieve excellence. The foundation is managed by board of directors comprised of 11 voting members, of which one is an employee of NDSU. Complete financial statements for the NDSU Team Makers may be obtained at the entity's administrative office at NDSU Dept 1200, PO Box 6050, Fargo ND 58108-6050.

JOINT VENTURES

Tri-College University

Tri-College University (TCU) is a legally separate organization that is organized exclusively for educational purposes within the meaning of section 501(c)(3) of the Internal Revenue Code. TCU's purpose is to assist in the establishment and maintenance of coordinated programs between Concordia College, Minnesota State University Moorhead and NDSU, as a means of maximizing higher educational services for the people of the region. The organization serves as an agency through which resources are received and dispensed to supplement the educational endeavors of the three universities. The corporation also serves as a means for promoting and strengthening existing and potential educational programs and courses. An eight-member board of directors, including the presidents of the three universities, handles the affairs of the corporation. All property, funds and income of this corporation are held for the exclusive use and benefit of Concordia College, Minnesota State University Moorhead and NDSU. Administration of funds and other resources received by TCU for use in connection with specific programs at NDSU are the responsibility of the university. As of June 30, 2013, Tri-College University had net assets of approximately \$568,410 and is not considered a financial burden to NDSU. The financial activity of this organization is not reflected in the accompanying financial statements. Complete audited financial statements for Tri-College University may be obtained at the entity's administrative office at North Dakota State University, Renaissance Hall, 650 NP Avenue 100, Fargo, ND 58102.

INSIGNIFICANT COMPONENT UNITS

The following organizations are component units of North Dakota State University but have been deemed insignificant due to small total assets and revenues balances. Entities in this category had less than \$1 million dollars each in total assets and less than \$750,000 each in total revenues. Separate boards of directors control these entities. In addition, the college or university does not exercise financial or administrative control over these entities and/or the entities' relationship with the primary institutions are not significant enough to warrant inclusion in the reporting entity's financial statements. The related organizations at June 30, 2012 were:

NDSU: Alliance for Arts & Humanities
221 Minard Hall, Albrecht Blvd
PO Box 6050 Center
Fargo, ND 58108-6050

RSVP Enterprise

Notes to Financial Statements

Dept. 2020
Box 6050
Fargo, ND 58108-6050

BASIS OF PRESENTATION

The financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, and Statement No. 35, Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities, issued in June and November, 1999, as amended by GASB Statement Nos. 36, 37 and 38. The System follows the "business-type activities" (BTA) reporting requirements of GASB Statement No. 34 that provides a comprehensive one-line look at the System's activities.

BASIS OF ACCOUNTING

The financial statements of North Dakota State University have been prepared using the economic resources measurement focus and the accrual basis of accounting, whereby all revenues are recorded when earned and all expenses are recorded when they have been reduced to a legal or contractual obligation to pay.

North Dakota State University follows the pronouncements of the Governmental Accounting Standards Board (GASB), which is the nationally accepted standard setting body for establishing generally accepted accounting principles for governmental entities. The University follows all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989 unless those pronouncements conflict with GASB pronouncements.

UNRESTRICTED NET ASSETS

Unrestricted net assets include resources derived from student tuition and fees, sales and services, unrestricted gifts, royalties, and interest income.

Restricted and unrestricted resources are tracked using a fund accounting system and are spent in accordance with established fund authorities. Fund authorities provide rules for the fund activity and are separately established for restricted and unrestricted activities. When both restricted and unrestricted funds are available for expenditure, the decision for funding is transactional based within the departmental management system in place at the University.

RESTRICTED ASSETS

The University, based on certain bond covenants, is required to establish and maintain prescribed amounts of resources that can be used only to service outstanding debt. Also, included are unspent bond proceeds that will be expended for construction of capital assets.

REVENUE AND EXPENSE RECOGNITION

The University presents its revenues and expenses as operating or non-operating based on recognition definitions from GASB Statement No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting. Operating activities are those activities that are necessary and essential to the mission of the University System.

Operating revenues include all charges to customers, grants received for student financial assistance, research contracts and grants, and interest earned on loans. Grants received for

Notes to Financial Statements

student financial assistance are considered operating revenues because they provide resources for student charges and such programs are necessary and essential to the mission of the University. Revenues from non-exchange transactions and state appropriations that represent subsidies or gifts to the University, as well as investment income, are considered non-operating since these are either investing, capital or noncapital financing activities. Operating expenses are all expense transactions incurred other than those related to investing, capital or noncapital financing activities. Revenues received for capital financing activities, as well as related expenses, are considered neither operating nor non-operating activities and are presented after non-operating activities.

BUDGETARY PROCESS

The State of North Dakota operates through a biennial appropriation. Legislation requires the Board to present a single unified budget request covering the needs of all the institutions under its control to the Governor through the Director of the Office of Management and Budget. The Governor is required by legislation to present his budget to the General Assembly at the beginning of each session. The General Assembly enacts the budget of the various institutions through the passage of specific appropriation acts. Before signing the appropriation acts, the Governor may veto or reduce any specific appropriation, subject to legislative override. Once passed and signed, the budget becomes the state's financial plan for the next two years.

The Board allocates contingency and capital emergency funding within guidelines provided by the General Assembly. Any funds received by the Board and entities of the University System pursuant to federal acts, private grants, and other sources not deposited in the operating funds in the state treasury are appropriated for the biennial period. The Board has the authority to transfer funds between line items by notifying the Office of Management and Budget in writing, with the exception that the Board may not approve transfers from any capital assets line item.

The North Dakota Constitution prohibits any transfers between institutions, even by the legislature. Institutions within the University System do not use encumbrance accounting. The legal level of budgetary control is at the institutional line item level, with administrative controls established at lower levels of detail in certain instances.

Board policy requires each college or university to submit a biennial budget for Board approval and annual budgets to be approved by the Chancellor. These budgets are prepared on an accrual basis and include activity relative to current funds and unexpended plant funds. These annual budgets are prepared within the framework of the legislative-approved appropriations and become each institution's financial plan for the coming year. The Board allows each institution's discretion in transferring funds between departments.

CASH AND CASH EQUIVALENTS

This classification includes cash on-hand, cash in-bank, regular and money market savings accounts, and certificates of deposit and time saving certificates (original maturity of 3 months or less). For purposes of the Statement of Cash Flows, the University considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash equivalents representing assets of the University's endowment, unspent bond proceeds and cash restricted by bond covenants are included in non-current restricted cash.

INVESTMENTS

Investments consist of certificates of deposit (maturity greater than three months), U.S. Treasuries, bonds, stocks and other securities held by trust departments or broker dealers. Investments are reported at fair value for year-end financial reporting. Fair value is the amount

Notes to Financial Statements

at which an investment could be exchanged between two willing parties, which for financial reporting purposes is based on quoted market prices. The net increase (decrease) in the fair value of investments is recognized as a part of investment income. Investments are classified as Investments, if the maturity date is more than three months to one year, or as Other Long-term Investments, if the maturity date is more than one-year from the date of the financial statements. Investments restricted by bond covenants or invested from bond proceeds are classified as Restricted Investments. Investments held by endowment funds are classified as Endowment Investments.

RECEIVABLES

Accounts receivables include tuition, fees, food service, room and board charges and apartment rent; accrued interest on investments. Grants and contracts receivables include federal and private grants and contracts revenue and state grants and other income due from other state agencies. Loan fund notes receivable represents amounts due from students for Perkins and other federal loans, and short-term institutional loans. Net receivables are shown on the basic financial statements. The allowances for doubtful accounts/notes are detailed in *Note 3*.

INVENTORIES

Inventories held for resale in auxiliaries (including food, books and other merchandise) and unrestricted physical plant supplies are generally stated at the lower of cost (generally determined on the first-in, first-out, or moving weighted average method) or fair market value.

CAPITAL AND INTANGIBLE ASSETS

Land, buildings, equipment, and other property are stated at historical cost, with the exception of property acquired prior to July 1, 1964. Professional consultants for the purposes of insurance and financial record keeping evaluated these assets. Library books and periodicals are stated at an estimated inventory value as of June 30, 1974, with subsequent additions at cost and deletions at an average cost.

Capital assets, including purchased software with a unit cost of \$5,000 or greater and all library books, are recorded at cost at the date of acquisition, or if donated, at fair market value at the date of donation. Infrastructure assets are included in the financial statements and are depreciated. Depreciation is not allocated to the functional categories. Intangible assets, excluding purchased software, with a unit cost of \$25,000 or more are recorded at cost at the date of acquisition, or if donated, at fair market value at the date of donation. Internally developed intangible assets with a unit cost of \$50,000 or more are recorded at cost and are amortized.

The composite method is used for library book depreciation. All books purchased during a year are consolidated together and depreciated as a group of assets rather than individually. Expenses for construction in progress are capitalized as incurred. Interest expense relating to construction is capitalized, net of interest income earned on resources set aside for the construction or remodeling costs. Certain reserves have been established by bond indenture for the repayment of revenue bond indebtedness. Such reserves are recorded in the appropriate restricted assets category (cash/investments) and as "net assets restricted for debt service" on the Statement of Net Assets.

Depreciation and intangible amortization is calculated using the straight-line method over the following estimated useful lives:

Land Improvements 10 – 35 years

Notes to Financial Statements

Infrastructure 20 – 60 years
Buildings 10 – 50 years
Equipment 3 – 20 years
Internally developed software 2 – 10 years
Purchased software 3 – 5 years
Other Intangibles 3 – 20 years
Library Books 10 years

DEPOSITS

Money received in advance for subsequent year's residence hall, apartment reservations and flight training costs and funds held by an institution in a fiduciary capacity are classified as deposits.

COMPENSATED ABSENCES

Annual and sick leave are a part of permanent employees' compensation as set forth in NDCC section 54-06-14. In general, accrued annual leave cannot exceed 30 days at each calendar year end while accrued sick leave is not limited. Employees are entitled to earn leave based on tenure of employment, within a range from a minimum of one working day, to a maximum of two working days per month, established by the rules and regulations adopted by the employing unit. Employees are paid for all unused annual leave upon termination or retirement. Employees who vest at 10 years of credible service are paid one-tenth of their accumulated sick leave upon termination or retirement. Compensated absences are accrued when earned.

SCHOLARSHIP ALLOWANCES

Student tuition and fees, and certain other revenues received from students are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses and Changes in Net assets. Scholarship discounts and allowances are the difference between the System's state rates and charges and the amount actually paid by students and/or third parties making payments on behalf of students. Under this approach, scholarships, waivers and grants are considered as reductions in tuition and fee revenues rather than as expenses. Therefore, student tuition and fees and auxiliary revenues are presented net of scholarships applied to student's accounts. Certain other scholarship amounts paid or refunded directly to the student are generally reflected as expenses.

NET ASSETS

Net assets are classified according to external donor restrictions or availability of assets for satisfaction of University obligations. Restricted Net Assets represent funds that have been restricted for specific purposes by donors or granting agencies for scholarships and fellowships, instructional department uses, loan funds, debt service and other. Unrestricted Net Assets are all other funds available at the discretion of the University. Invested in Capital Assets represents the cost or gifted value of buildings, equipment, land improvements and infrastructure, less accumulated depreciation and related outstanding debt.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The accompanying financial statements include estimates such items as allowances for uncollectible accounts, scholarship allowances, accrued expenses and other liability accounts.

Notes to Financial Statements

New Accounting Pronouncements

In November 2010, the GASB issued Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements." The statement applies to certain service concession arrangements, which are a type of public-private or public-public partnership. The statement is effective for periods beginning after December 15, 2011.

In June 2011, the GASB issued Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position." The statement is effective for periods beginning after December 15, 2011.

In March 2012, the GASB issued Statement No. 65, "Items Previously Reported as Assets and Liabilities." This statement defines deferred inflows and outflows and is effective for periods beginning after December 15, 2012.

In March 2012, the GASB issued Statement No. 66, "Technical Corrections-2012, an amendment of GASB Statements No. 10 and No. 62." The statement is effective for periods beginning after December 15, 2012.

In June 2012, the GASB issued Statement No. 67, "Financial Reporting for Pension Plans –an amendment of GASB Statement No. 25." The statement is effective for periods beginning after June 15, 2013.

In June 2012, the GASB issued Statement No. 68, "Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27." The statement is effective for periods beginning after June 15, 2014.

The effect these statements will have on future financial statements has not yet been determined.

Note 2 – Deposits & Investments

LIMITATIONS

The NDCC governs the deposit and investment policies of the University. NDCC Section 6-09-07 states, "All state funds...must be deposited in the Bank of North Dakota...or must be deposited in accordance with constitutional and statutory provisions."

In addition, NDCC Section 21-04-02 provides that public funds belonging to or in the custody of the state shall be deposited in the Bank of North Dakota. NDCC Section 15-10-12 requires that all moneys not deposited in the special revenue fund within the State Treasury (unless restricted by the terms of a grant, donation or bequest), received by the University from federal, state, and local grants and contracts, indirect cost recoveries, tuition, special student fees, room and board, and other auxiliary enterprise fees, student activity fees, continuing education program fees, internal service fund revenues, and all other revenues must be deposited in the Bank of North Dakota.

NDCC Sections 15-55-05 and 15-55-06 govern the investment of proceeds of revenue bonds and revenues pledged to bondholders. Such proceeds must be invested in the Bank of North

Notes to Financial Statements

Dakota, in a separate fund in the State Treasury or in a duly authorized depository for the state funds that is a member of the federal deposit insurance corporation. The SBHE may invest such funds in direct obligations of, or in obligations where the United States of America guarantees the principal and interest, or obligations of the State of North Dakota or any municipality as defined in NDCC Section 21-03-01.

NDCC Section 54-06-08 states clearing accounts and cash balances must be maintained in the Bank of North Dakota, or, if the state entity is located outside Bismarck, in another state or federally chartered financial institution. The account is used for clearing or cashing of checks and making change.

DEPOSITS

Cash and Cash Equivalents are reported on the Statement of Net Assets as follows:

Deposits	Carrying Amount	Bank Balance
Total Cash Deposits at BND	\$ 32,359,052	\$ 37,988,648
CDs at BND	75,000,000	75,000,000
Total Cash Deposits at Other	5,864,343	5,507,868
CDs at Other	300,000	300,000
Total Deposits	<u>\$ 113,523,395</u>	<u>\$ 118,796,517</u>
Cash on Hand/Petty Cash	\$ 88,330	
Less amts reported as investments	(75,300,000)	
Cash & Cash Equ-SNA	<u>\$ 38,311,725</u>	

Deposits and Investments

Custodial credit risk is the risk that in the event of a financial institution failure, the University's deposits may not be returned to it. The NDCC does not specifically address policies concerning custodial credit risk, and while the deposits in the Bank of North Dakota are backed by the State of North Dakota, they are deemed to be uninsured and uncollateralized by GASB definition. As of June 30, 2012, \$98.071 million of the University's bank balance of \$98.836 million was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 91,724,673
Uninsured and collateral held by pledging bank not in University's name	\$ 6,346,808

(FY13 INFORMATION WILL BE AVAILABLE IN FY13 FINAL AUDIT)

Notes to Financial Statements

Investments

Investments are reported at fair value (market) and reported on the Statement of Net Assets as of June 30, 2013, as shown below:

		Maturities from June 30			
Account	Market Value	Less than 1 year	1 year to 5 years	6 years to 10 years	More than 10 years
Debt Securities:					
US Treasuries	\$ 79,989	\$ 12,673	\$ 67,316		
US Strips					
Mutual Bond Funds					
Money market mutual funds	6,161,977	6,161,977			
Total Securities w/ Maturities	\$ 6,241,966	\$ 6,174,650	\$ 67,316	\$ -	-
Other Invest Types:					
Stocks	\$ 914,805				
Equity Mutual Funds					
BND Cd's Credit risked as investments but reported as deposits	75,000,000				
Non-BND Cd's Credit risked as investments but reported as deposits	300,000				
Investment in Real Estate					
Alternate Investments	52,072				
Total reported on SNA	\$ 82,508,843				

Interest Rate Risk

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Per NDCC the University is limited to investing funds with the Bank of North Dakota, with the exception of gifts governed by an endowment agreement. Accordingly, the University does not have a formal investment policy that limits maturities as a means of managing its exposure to fair value losses arising from changing interest rates. The University chooses terms based on maximizing the return within the limits of their cash flow needs. The University relies on brokers to provide year-end market values for the investments held with those brokers.

Credit Risk

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill their obligation. As of June 30, 2013, the University's debt portfolio (excluding US Treasuries and US Agencies) included Standard & Poor's quality ratings as follows:

Notes to Financial Statements

Investment Type	Market	Credit Quality Rating	
	Value	AAA	A
Debt Securities:			
Mutual Bond Funds			
Money market mutual funds	6,161,977	6,146,885	15,092
Total	\$ 6,161,977	\$ 6,146,885	\$ 15,092

Note 3 – Receivables

Receivables at June 30, 2013 consist of the following amounts:

	Current	NonCurrent	Total
Student & General	\$ 8,070,059		\$ 8,070,059
Interest Receivable	275,894		275,894
Allow ance for doubtful Accts	(2,731,276)		(2,731,276)
Total Accounts Receivable, Net	\$ 5,614,677		\$ 5,614,677
Grants & Contracts Receivable	\$ 17,512,385		\$ 17,512,385
Due from Other State Agencies	2,152,573		2,152,573
Total Grants & Contracts Receivable, Net	\$ 19,664,958		\$ 19,664,958
Student	\$ 1,688,684	\$ 5,999,630	\$ 7,688,313
Allow ance for Doubtful Notes	(211,679)	(762,005)	(973,684)
Total Notes Receivable, Net	\$ 1,477,005	\$ 5,237,625	\$ 6,714,629

Note 4 – Endowment Funds

The endowment funds reported herein are donor-restricted funds in the custody of the University System. NDCC Section 59-21 applies to the investment of endowments governed by a gift instrument. Subject to any limitations in the gift instrument such funds may be invested in any real or personal property deemed advisable by the governing board. NDCC Section 59-21-02.5a(7) applies to standard of conduct in the administration of powers to make and retain investments. It states that in managing and investing an institutional fund, the needs of the institution and the fund to make distributions and to preserve capital must be considered. Given the flexibility in NDCC 59-21-02, campuses have differing policies with respect to spending investment income and net appreciation on endowment funds. NDSU gives departments authority to spend all investment income earned on the endowment funds.

Notes to Financial Statements

Endowment funds reported herein do not include the Federal Land Grant Fund held by the State Land Department. The annual proceeds from assets held by the State Land Commissioner are deposited into the University's operating fund at the State Treasury and are used for current operating purposes.

Total Land Department assets	\$ 74.1 million
NDSU Proceeds	\$ 712,000

Note 5 – Capital & Intangible Assets

Capital asset activity for the year ended June 30, 2013 was as follows:

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Land	\$ 7,343,932				\$ 7,343,932
Construction in Progress	37,683,451	\$ 18,502,745		\$ (17,599,769)	38,586,427
Total non-depreciable capital assets	\$ 45,027,383	\$ 18,502,745	\$ -	\$ (17,599,769)	\$ 45,930,359
Land Improvements/infrastructure	\$ 47,311,385	\$ 2,064,502			\$ 49,375,887
Buildings	343,645,550	8,216,872	\$ 43,899	\$ 17,599,769	369,418,292
Furniture, fixtures, and equipment	118,648,806	7,958,216	\$ 2,484,941		124,122,081
Intangibles:					
Computer Software	976,526	13,925	226,925		763,526
Other	642,410				642,410
Library Materials	17,387,054	374,953	606,278		17,155,729
Total Depreciable Capital Assets	\$ 528,611,731	\$ 18,628,468	\$ 3,362,043	\$ 17,599,769	\$ 561,477,925
Less accumulated depreciation and amortization					
Land Improvements/infrastructure	\$ 30,938,205	\$ 1,244,640			\$ 32,182,845
Buildings	148,931,227	9,836,210	\$ 16,247		158,751,190
Furniture, fixtures, and equipment	65,048,459	7,627,756	1,614,368		71,061,847
Intangibles:					
Computer Software	691,670	48,785	165,447		575,008
Other	106,054	16,975			123,029
Library Materials	12,461,868	972,562	606,278		12,828,152
Total Accumulated depreciation and amortization	\$ 258,177,483	\$ 19,746,928	\$ 2,402,340	\$ -	\$ 275,522,071
Total Depreciable Capital Assets, net	\$ 270,434,248	\$ (1,118,460)	\$ 959,703	\$ 17,599,769	\$ 285,955,854
Capital Assets, net	\$ 315,461,631	\$ 17,384,285	\$ 959,703	\$ -	\$ 331,886,213

Notes to Financial Statements

Construction in progress for the year ended June 30, 2013 was as follows:

Project	Amount <u>Authorized</u>	Expended <u>(CIP Balance)</u>	Expended <u>(non-capitalized)</u>	Authorized <u>Balance</u>
<u>Building Projects:</u>				
Ag Research Greenhouse-Phase III	\$ 9,412,816	\$ 7,838,565	\$ 109,536	1,464,715
Minard Hall	22,874,300	18,100,337		4,773,963
Bison Sports Arena	35,404,356	1,582,751	13,783	33,807,822
Research 1 Expansion	9,011,750	7,114,833		1,896,917
<u>Equipment IT Networks:</u>				
Virtualized Server System		89,368		-89,368
Storage System		201,916		-201,916
InnerCore System	3,700,000	3,387,777		312,223
Backup System	868,118	270,880		597,238
Construction in Progress Total	<u>81,271,340</u>	<u>38,586,427</u>	<u>123,319</u>	<u>42,561,594</u>

Notes to Financial Statements

Note 6 – Accounts Payable & Accrued Liabilities

Accounts payable and accrued liabilities consisted of the following at June 30, 2013:

Accounts Payable	\$ 16,179,839
Due to other state agencies	607,755
Accrued Interest	1,094,042
Total Payables & Accrued Liabilities	<u>\$ 17,881,636</u>

Note 7 – Long-Term Liabilities

The changes in long-term liabilities during fiscal year 2013 are as shown below:

	Beginning Balance	Additions	Retirements	Ending Balance	Current Portion	Non-Current Portion
Bonds Payable	\$ 79,390,000		\$ 2,060,000	\$ 77,330,000	\$ 2,145,000	\$ 75,185,000
Due to CU - Bonds Payable	21,865,000		925,000	\$ 20,940,000	965,000	19,975,000
Capital Leases	8,430,785	238,713	986,491	\$ 7,683,007	794,914	6,888,093
Due to CU - Capital Leases	24,028,583		1,358,681	\$ 22,669,902	1,199,237	21,470,665
Special Assessments	2,233,887		63,305	\$ 2,170,582	67,166	2,103,416
Compensated Absences	12,832,569	1,655,803		\$ 14,488,372	841,774	13,646,598
Total	<u>\$ 148,780,824</u>	<u>\$ 1,894,516</u>	<u>\$ 5,393,477</u>	<u>\$ 145,281,863</u>	<u>\$ 6,013,091</u>	<u>\$ 139,268,772</u>

Note 8 – Bonds Payable

Revenue bonds are limited obligations of the University. The principal and interest on the bonds are payable generally from the net income of specific auxiliary activities, designated student fees, interest subsidies and debt service reserve funds. These revenues are generally pledged to the payment of bonds in accordance with the specific terms of the specific indenture.

Amounts held by the trustee specifically for payment on bonds are reflected in Net Assets, Restricted for Debt Service.

The summary of outstanding obligations of the campuses, as of June 30, 2013 is presented below and the detail is presented in the Supplementary Information section following these notes.

Notes to Financial Statements

<u>Bond Issue</u>	<u>Date of Issue</u>	<u>Maturity Date</u>	<u>Original Amount of Issue</u>	<u>Bonds Outstanding 6/30/12</u>	<u>Bond Principal paid this Fiscal Year</u>	<u>Bonds Outstanding 6/30/13</u>
<u>Housing and Auxiliary System Revenue Bonds:</u>						
2004 Bison Court Replacement	8/1/2004	4/1/2034	\$ 10,350,000	\$ 8,745,000	\$ 240,000	\$ 8,505,000
2005 Memorial Union Addition	8/1/2005	4/1/2035	18,700,000	17,065,000	450,000	16,615,000
2006A Wellness Center Addition	5/1/2006	4/1/2036	9,990,000	8,895,000	215,000	8,680,000
2006B Wellness Center Refunding(Series 1999)	5/1/2006	4/1/2029	2,845,000	2,520,000	100,000	2,420,000
2007 Living Learning Center East/Ceres Hall	7/31/2007	4/1/2037	12,000,000	11,170,000	220,000	10,950,000
2009 Niskanen/West Dining Center	7/29/2009	4/1/2039	26,245,000	25,265,000	515,000	24,750,000
2012A Refunding (Series 2002 LLC Bonds)	3/1/2012	4/1/2027	5,730,000	5,730,000	320,000	5,410,000
Subtotal - NDSU			\$ 85,860,000	\$ 79,390,000	\$ 2,060,000	\$ 77,330,000
<u>NDSU Research & Tech Park, Inc.</u>						
Series 2007A, Research 1 (Refunding Series 2000)	1/25/2007	4/1/2022	\$ 4,535,000	\$ 4,200,000	\$ 350,000	\$ 3,850,000
Series 2007B, Research 2 (Refunding Series 2002)	1/25/2007	4/1/2032	17,715,000	17,665,000	575,000	17,090,000
Subtotal - NDSU Research & Tech Park, Inc.			\$ 22,250,000	\$ 21,865,000	\$ 925,000	\$ 20,940,000
GRAND TOTAL BONDS PAYABLE			\$ 114,610,000	\$ 101,255,000	\$ 2,985,000	\$ 98,270,000

Refunding and Defeased Bonds

The purpose of a refunding bond is to refund in advance of maturity another bond issue. Under an advanced refunding arrangement, refunding bonds are issued, and the net proceeds plus additional resources that may be required, are used to purchase securities issued or guaranteed by the United States Government. These securities are then deposited in an irrevocable trust under an escrow agreement which provides that all proceeds from the trust will be used to fund the principal and interest payments of the previously issued bonded debt being refunded. The trust deposits have been computed so that the securities in the trust, along with future cash flow generated by the securities, will be sufficient to service the previously issued bonds. As a result, trust account assets and liabilities for the defeased bonds are not included in the University's financial statements. The following is a description of the University's defeased bonds and the balance of the bonds outstanding in the trust.

North Dakota State University

On March 1, 2012, North Dakota State University issued \$5.730 million of Housing and Auxiliary Facilities Revenue Refunding Bonds (Series 2012) with an interest rates ranging from 2.0 to 3.0 percent. The bonds were used to call \$6,195,000 of outstanding Series 2002 Housing and Auxiliary Facilities Revenue Bonds. The University advance refunded the bonds to reduce its total debt service payments over the next 20 years by approximately \$1,192,255 and to obtain an economic gain (difference of the present values of the debt service payments on the old and new debt) of approximately \$688,240. The reduction in the reserve requirement of \$507,510 and the net proceeds of \$6,407,510 (after payment of underwriting fees and other issuance costs) were used to pay the principal and outstanding interest on the 2002 bonds. As a result, the 2002 bonds are considered paid in full and the liability for those bonds has been removed from the Statement of Net Assets.

Notes to Financial Statements

Scheduled Maturities of Bonds Payable

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 3,110,000	\$ 4,376,169	\$ 7,486,169
2015	3,250,000	4,261,185	7,511,185
2016	3,375,000	4,140,500	7,515,500
2017	3,515,000	4,014,749	7,529,749
2018	3,645,000	3,876,594	7,521,594
2019 - 2023	20,045,000	17,008,212	37,053,212
2024 - 2028	22,030,000	12,484,463	34,514,463
2029 - 2033	23,240,000	7,267,952	30,507,952
2034 - 2038	14,430,000	2,258,844	16,688,844
2039 - 2043	1,630,000	85,575	1,715,575
	<u>\$ 98,270,000</u>	<u>\$ 59,774,243</u>	<u>\$ 158,044,243</u>

Note 9 – Notes Payable

The University does not have any outstanding notes payable as of June 30, 2013.

Note 10 – Capital Leases

The University leases various types of capital assets under capital lease agreements. Capital leases give rise to property rights and lease obligations and therefore, the assets under lease are recorded as assets of the institution and the lease obligation is recognized as a liability. The leases have varying interest rates with maturities to 2026.

Notes to Financial Statements

A summary of the Capital Lease & Due to Component Unit activity for fiscal 2013 is as follows:

LEASE NUMBER	Lease Start Date	DESCRIPTION	Terms (in Months)	PRINCIPAL BALANCE DUE 7/1/2012	PRINCIPAL NEW LEASES	PRINCIPAL PAID	PRINCIPAL BALANCE DUE 6/30/2013
Capital Leases							
0499	03/06/08	GE Capital-2007 Case Skid Steer	55	\$ 3,782		\$ 3,782	
0501	06/04/08	GE Capital-Almaco Row Crop Planter	50	5,775		5,775	
0515	02/04/09	GE Capital-Forage Harvester	55	10,425		10,425	
0527	11/12/08	Wells Fargo-Athletic Field Turf	96	335,504		60,187	\$ 275,318
0521	06/30/09	JPR Investments LLC-StopNGo--Build Out	36	95,000		95,000	
0530	09/25/09	Wells Fargo-File Servers	44	7,243		7,243	
0533	08/15/09	Cityscapes- Security Office Fit-up loan	58	102,808		52,833	49,974
0534	10/01/09	Cityscapes- Bookstore Fit-up loan	56	78,810		39,614	39,195
0573	06/24/12	Bank of America-Energy Savings Performance Contract	168	7,266,959		412,501	6,854,458
0544	03/10/10	Wells Fargo-File Servers	45	12,215		8,059	4,156
0553	06/02/10	Wells Fargo-File Servers	38	15,482		15,482	
0554	06/10/10	Wells Fargo-Maxxum 125 MFD Loader	49	23,959		7,671	16,288
0555	07/12/10	Wells Fargo-New Holland Tractor/Loader	48	59,998		59,998	
0567	12/17/10	Wells Fargo-Analytical Instruments	49	59,623		19,081	40,542
0568	12/21/10	Wells Fargo-New Case 440 Skidsteer	49	13,744		4,398	9,345
0571	06/02/11	Wells Fargo-John Deere 444 K 2011 Loader	39	42,689		13,588	29,101
0572	03/11/11	Wells Fargo-2007 Case IH MX245 MFD Tractor	53	38,227		8,889	29,338
0578	12/30/11	Wells Fargo-Almaco Model SPC2-B Combine	25	157,108		77,215	79,894
0584	03/15/12	Wells Fargo-Truax FLEXII Drill, Model FLXII-812RD	60	21,051		3,905	17,146
0585	06/30/12	Wells Fargo-Zurn 150 Demo Plot Combine	49	80,382		17,433	62,949
0587	07/01/12	Wells Fargo-New Holland Long Reach Cab	49		\$ 114,000	29,774	84,226
0588	08/15/12	Wells Fargo-GMI Gas Analyzer	24		23,100	11,782	11,318
0590	09/15/12	Wells Fargo-Zurn 150 Plot Combine	48		101,613	21,855	79,757
				<u>\$ 8,430,785</u>	<u>\$ 238,713</u>	<u>\$ 986,491</u>	<u>\$ 7,683,007</u>
Due to Component Units - Capital Leases							
0433	01/01/03	NDSU Development Fnd-Equine Science Center	282	\$ 3,070,000		\$ 185,000	\$ 2,885,000
0465	10/10/05	NDSU Development Fnd-Fargodome-Paid from Gifts @ NDSUDF	180	2,286,500		222,878	2,063,622
0486	06/28/07	GE Capital for NDSU Dev Fnd-Aircraft	120	1,357,084		235,804	1,121,280
0476	11/29/07	NDSU Development Foundation-Renaissance Hall	303	5,405,000		195,000	5,210,000
0586	11/29/07	US Bank for NDSU Development Foundation-Barry & Klai Hall	295	11,910,000		520,000	11,390,000
				<u>\$ 24,028,584</u>	<u>\$ -</u>	<u>\$ 1,358,682</u>	<u>\$ 22,669,902</u>
		Grand Total		<u>\$ 32,459,368</u>	<u>\$ 238,713</u>	<u>\$ 2,345,172</u>	<u>\$ 30,352,908</u>

Notes to Financial Statements

Scheduled Maturities of Capital Leases & Due to Component Units

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$1,994,151	\$1,178,866	\$ 3,173,017
2015	1,887,018	1,098,513	2,985,531
2016	1,911,703	1,021,272	2,932,975
2017	1,957,224	942,236	2,899,460
2018	1,575,468	869,251	2,444,719
2019 - 2023	7,776,327	3,455,958	11,232,285
2024 - 2028	5,371,262	2,168,128	7,539,390
2029 - 2033	3,467,495	1,433,720	4,901,215
2034 - 2038	3,637,424	645,716	4,283,140
2039 - 2043	774,837	100,817	875,654
	<u>\$ 30,352,909</u>	<u>\$ 12,914,477</u>	<u>\$ 43,267,386</u>

Note 11 – Other Long-Term Liabilities

SPECIAL ASSESSMENTS

The institutions receive special assessments from the city or county for improvements made to roads and infrastructure owned by the city or county that are adjacent to or on campus property.

Scheduled Maturities of Special Assessments

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 67,166	\$ 109,693	\$ 176,859
2015	70,029	106,169	176,198
2016	72,805	102,500	175,305
2017	76,415	98,693	175,108
2018	76,753	94,698	171,451
2019 - 2023	422,711	410,749	833,460
2024 - 2028	520,786	295,484	816,270
2029 - 2033	595,924	155,245	751,169
2034 - 2038	267,993	19,849	287,842
	<u>\$ 2,170,582</u>	<u>\$ 1,393,080</u>	<u>\$ 3,563,662</u>

Compensated Absences

The compensated absences liability as of June 30, 2013 consists of accumulated unpaid annual leave, compensatory time, payable portion of accumulated sick leave, personal holiday hours, and Saturday/legal holiday hours earned and vested. Compensated absences for employees at June 30, 2013 and 2012 totaled \$14,488,372 and \$12,832,569, respectively. Leave policies restrict the accumulation of unused vacation and thus limit the actual payments made to employees upon termination or retirement.

Note 12 – Retirement Benefits

The North Dakota University System participates in two major retirement systems: North Dakota Public Employees' Retirement System administered by the State of North Dakota and a privately administered retirement system: Teachers' Insurance Annuity Association and College Retirement Equity Fund. The following is a brief description of each plan:

NORTH DAKOTA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (NDPERS)

Description of Plan

NDPERS is a cost-sharing, multiple-employer, defined benefit pension plan covering substantially all broadband employees of the University. The plan provides retirement, disability and death benefits. If an active employee dies with less than three years of credited service, a death benefit equal to the value of the employee's accumulated contributions, plus interest, is paid to the employee's beneficiary. If the employee has earned more than three years of credited service, the surviving spouse will be entitled to a single payment refund, lifetime monthly payments in an amount equal to 50 percent of the employee's accrued normal retirement benefit, monthly payments in an amount equal to the employee's accrued 100 percent joint and survivor retirement benefit if the member had reached normal retirement age prior to date of death. If the surviving spouse dies before the employee's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary. Eligible employees, who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits that are equal to 25 percent of their final average salary with a minimum benefit of \$100. To qualify under this section, the employee must meet the criteria established by the Retirement Board for being considered totally disabled.

Employees are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85, or at normal retirement age (65), equal to 2 percent of their final average salary for each year of service. The plan permits early retirement at ages 55-64, with three or more years of service. A financial report that includes financial statements and the required supplementary information for NDPERS can be obtained by writing to NDPERS; 400 East Broadway, Suite 505; P.O. Box 1657; Bismarck, ND 58502.

Funding Policy

NDPERS is funded by employee contributions (set by statute) of 4 percent of regular compensation. During the 1983-1985 biennium the State implemented the employer pickup

Notes to Financial Statements

provision of the IRS code whereby the employer makes all or a portion of the required employee contributions. The State is paying the full employee contribution. Employer contributions of 4.12 percent of covered compensation are set by statute. The required contributions are determined using an entry age normal actuarial funding method.

The North Dakota Retirement Board was created by the State Legislature and is the governing authority of NDPERS. Benefit and contribution provisions are administered in accordance with chapter 54-52 of the North Dakota Century Code, changes to the plan documents must be approved by the legislature and Governor. The University System's required and actual contributions to NDPERS for the fiscal years ending June 30, 2013 and 2012 were \$3,244,304 and \$2,959,920, respectively.

Teachers' Insurance Annuity Association and College Retirement Fund (TIAA-CREF)

Description of Plan

This is a privately administered defined contribution retirement plan which provides individual retirement fund contracts for eligible employees as defined by the Board of Higher Education in its approved TIAA-CREF retirement resolution. All benefits vest immediately to the participant. The State Board of Higher Education has the authority for establishing or amending plan provision and establishing or amending contribution requirements. Further information can be obtained by writing to TIAA-CREF; Denver Regional Office; 1700 Broadway, Suite 770; Denver, Colorado 80290 or by calling 800-842-2009.

Funding Policy

The plan requires employee and employer contributions be based on a classification system and years of service based on the following schedule:

Employment Class	Years of Service	Contributions by the Participant	Contributions by the Institution
I	0 thru 10	2.5%	10.5%
	over 10	3.0%	11.0%
II	0 thru 2	1.5%	5.5%
	3 thru 10	2.5%	10.5%
	over 10	3.0%	11.0%
President/Chancellor (additional employer contribution)	0 thru 12	0.0%	8.33%*
	or		
	less than 3	0.0%	0.0%
	3 to less than 6	0.0%	4.0%
	6 yrs and over	0.0%	8.0%

* A final contribution is made in the year the president terminates employment equal to the difference between total contributions made and the president's final annual salary in year of termination of employment.

Plan contributions are made on a tax-deferred basis in accordance with Section 414(h)(2) of the Internal Revenue Code. All contributions are applied as premiums to retirement annuity contracts owned by the participant. The University has no further liability once annual contributions are made. The University contributed \$12,736,273 and \$11,733,735 in June 30, 2013, and 2012 respectively to TIAA-CREF.

Note 13 - Post Retirement Benefits

State Group Health Plan

Members who receive retirement benefits from the Public Employees Retirement System may receive a credit toward their monthly health insurance premium under the state health plan based upon the member's years of credited service. The benefits are set by statute and the plan is a cost-sharing multiple-employer defined benefit plan. The employer contribution for the Public Employees Retirement System is set by statute on an actuarially determined basis (projected unit actuarial cost method) at 1.14% of covered compensation.

Early Retirement Agreements

When early retirement is deemed to be in the mutual benefit of an employee and the University, the SBHE has adopted Policy 703.1 on Early Retirement. This policy applies to tenured faculty, professional staff, president, vice president, provosts, deans, and other officers responsible for a major unit of an institution who report directly to a president, vice president, provost who are members of TIAA-CREF, TFFR, or TIRF. During the fiscal year ended June 30, 2012, no employees elected early retirement.

Under the Tenured (Contract) Purchase Option, the employee is eligible for payment of up to 100% of the employee's final contract salary if the sum of the employee's age and total years of employment equals 70 or greater. Payments will be pursuant to the approved agreement, but cannot be made until at least 90 days after the date of Early Retirement Agreement. During the fiscal year ended June 30, 2013, no University employees elected to participate in this option. Policy 703.1 also allows the Early Retirement Agreements to retain the retiree on the applicable group health and life insurance plan. Payment by the University is negotiable. Total costs to the University for these termination benefits will be \$0 over the term of the new contract. Amounts payable to employees at June 30, 2013, for outstanding contract buyouts and future health and life premiums, adjusted for projected health insurance premium increases and discounted to the present were \$0.00, assuming health insurance premium increases of 5-10 % and a discount rate of .3%.

Under the Phased Retirement Option, retirement occurs over a period of time. The percentage of workload is negotiated each year. The University may pay all or part of the retirement contributions on the current salary or part of the individual's salary until the individual terminates employment. During the fiscal year ended June 30, 2013, no employees elected this option.

Severance Agreements

In fiscal year 2013, NDSU paid a total of \$12,195 to 12 employees under separate employment separation agreements.

Notes to Financial Statements

Note 14 - Construction Commitments and Financing

The University has contracted for the construction of various projects as of June 30, 2013. Estimated costs to complete the various projects and the sources of anticipated funding are presented below:

Project	Contracts Awarded	Expended Through June 30, 2013	Total Cost To Complete	Funding for remaining costs			
				Federal Sources	State Sources	Institutional Funds	Other Sources
Minard Hall	\$ 20,381,005	\$ 19,455,282	\$ 925,723		\$ 925,723		
Indoor Track Facility	5,177,333	5,088,914	88,419				\$ 88,419
Research 1 Expansion	7,431,739	6,551,258	880,481	\$ 493,069	387,412		
Bison Sports Arena	2,138,732	1,573,594	565,138				565,138
Ceres Hall Reroofing	838,223	269,789	568,434		568,434		
Stockbridge Hall Bathroom Renovation	852,734	114,365	738,368			\$ 738,368	
Memorial Union Food Court Renovation	670,451	272,824	397,627			397,627	
Residence Dining Center Coffee Shop	284,400	95,551	188,849			188,849	
Parking Lot Repair/Replacement T Lot Phase	738,273	166,662	571,611			571,611	
AES Research Greenhouse	34,944,981	31,155,127	3,789,854				3,789,854
Grand Totals	\$ 83,370,048	\$ 60,579,216	\$ 22,790,832	\$ 3,288,150	\$ 11,657,432	\$ -	\$ 7,845,250

Note 15 - Component Unit Transactions

MAJOR COMPONENT UNITS

North Dakota State University and NDSU Research and Technology Park, Inc.

On December 30, 1999, NDSU through the State of North Dakota and the North Dakota State Board of Higher Education entered into a ground lease, whereby the NDSU Research & Technology Park, Inc. (component unit) leases 40 acres of land for \$1 per year for the next seventy-five years.

On November 1, 2000, NDSU Research and Technology Park, Inc. (RTP) entered into a \$6.5 million lease agreement with the City of Fargo to finance the construction of laboratory and research facilities and all equipment and furnishings located on property owned by the city. The agreement assigned to NDSU all of RTP's obligations under the lease, including but not limited to the payment of all rent, maintenance, and repair of the facility, maintenance of all insurance required under the lease, and restrictions of use of the facility as set forth in the lease. Upon payment of all the bonds, title to the facility will revert to RTP. On August 1, 2002, essentially the same legal and financial structure used to construct Research Building #1 was used to construct a second Research Building. The second lease agreement was for \$20,450,000.

On January 25, 2007, the city of Fargo, on behalf of the NDSU Research & Technology Park, issued \$4,735,000 of Series 2007A (Research 1) and \$18,100,000 of Series 2007B (Research 2) Lease Revenue Refunding Bonds. These bonds are used to advance refund the callable maturities of both the Series 2000 (Research 1) and Series 2002 (Research 2) bonds and to pay the costs of issuance (including the insurance premium for the insurance policy and the reserve fund surety bond) relating to bonds for both Series A and 2B bonds. For the Series 2000 bonds, there is a principal amount of \$4,365,000 of callable maturities on October 1 in

Notes to Financial Statements

years 2011 through 2021. For the Series 2002 bonds, there is a principal amount of \$17,215,000 of callable maturities on October 1 in years 2013 through 2032. The Series 2000 and 2002 bonds were repaid in full with funds held in escrow from the Series 2007 A & B bond refinancing during fiscal 2011 & 2012. As of June 30, 2013 there is no outstanding principal on the original Series 2000 & 2002 bonds.

On July 1, 2002, NDSU and the RTP entered into an agreement for cooperation and assistance between entities. The agreement is an annual agreement, which automatically extends for one-year periods unless cancelled by either party to the agreement.

During fiscal 2013, NDSU and the RTP entered into renewed agreements, whereby NDSU leases the Research Buildings #1 and #2 for an annual rent of \$628,943 and \$1,525,963, respectively, through June 30, 2022. NDSU directly pays the utility costs under these agreements. The annual rent will be re-adjusted by mutual agreement every two years. These agreements are subject to funding and legislative appropriations.

Other Transactions

During fiscal 2013 NDSU made other payments to the RTP that were unrelated to the building leases for Research #1 & #2. These payments consist of the following: 1) \$28,242 for an operating lease for lab space in the RTP's Appareo Building, 2) \$65,707 for defeasance escrow settlement (including trustee & appraisal fees) for repurchase of equipment originally purchased from Series 2000 & 2002 bond proceeds., 3) \$131,222 for grant sub-awards. Also, during fiscal 2013, the RTP paid NDSU a total of \$32,613 as reimbursement of NDSU operating expenses.

North Dakota State University and NDSU Development Foundation

NDSU Equine Center

Effective January 1, 2003, NDSU and the NDSU Development Foundation entered into a ten-year lease agreement with an option for an additional ten year term to facilitate the construction of an Equine Science Center. Under the agreement, NDSU will pay rent to the NDSU Development Foundation for use of the premises. The amount of the rent is tied to the \$4.355 million debt service retirement plus necessary insurance and taxes incurred by the Development Foundation. NDSU paid the Development Foundation \$333,568 in fiscal year 2013 under this agreement.

The facility is included in long-term investments and the debt is included in long-term liabilities on the financial reports of the NDSU Development Foundation. NDSU has also recorded a capital asset and a capital lease payable, reflected as "Due to Component Units" by NDSU, of \$2,885,000 as of June 30, 2013. Since the Development Foundation is a discretely presented component unit of the University System and the component unit and the University System are reporting the same assets and debt for the Equine Center, a reclassification entry was made to ending balances in the component unit consolidating financial statements to show the appropriate due from primary institution.

Fargodome Lease and Improvements

In fiscal year 2006, the NDSU Development Foundation financed the construction and equipping of office space, locker rooms, meetings rooms, and related facilities in the Fargodome for use by NDSU through the sale of revenue bonds issued by Cass County. The Foundation has leased the space in the Fargodome from the City of Fargo and subleased the space, furniture, fixtures and equipment to NDSU. Under the agreement, NDSU will pay rent to the NDSU Development Foundation for use of the premises. The amount of the rent is tied to the

Notes to Financial Statements

\$3.5 million debt service retirement plus the Fargodome annual space rent and all costs incurred by the Development Foundation incident to the lease, less any contributions received by the Foundation for the project. Under this agreement in fiscal year 2013, the Development Foundation paid the debt service and other fees on behalf of NDSU in the amount of \$337,991.

The facility is included in long-term investments and the debt is included in long-term liabilities on the financial reports of the NDSU Development Foundation. NDSU has also recorded a capital asset and a capital lease payable, reflected as "Due to Component Units" by NDSU, of \$2,063,622 as of June 30, 2013. Since the Development Foundation is a discretely presented component unit of the University System and the component unit and the University System are reporting the same assets and debt for the Fargodome improvements, a reclassification entry was made to ending balances in the component unit consolidating financial statements to show the appropriate due from primary institution.

Renaissance Hall

The former Northern School Supply building was donated to the NDSU Development Foundation by NDSU alum in December of 2001. During fiscal year 2003 and 2004, the NDSU Development Foundation renovated the building with the intent to lease the facility to NDSU beginning fall 2004. The Development Foundation transferred nearly the entire ownership of the building to 650 NP Avenue, LLC and Kilbourne Design Group, LLC, for a five-year period in order to achieve tax credits that would ultimately reduce the cost of the building to NDSU. During the five-year tax credit period, NDSU leased the building from the two LLCs, with the lease payments composed of interest and fees. With the five-year tax credit period ending December 31, 2010 (as extended), and the ownership was transferred back to the Development Foundation, permanent financing was put in place on December 17, 2010, with the issuance of \$5,650,000 of 20-year University Facilities Lease Revenue Bonds, Series 2010 (Renaissance Hall Project). The financing structure involving the five-year temporary ownership transfer resulted in achieving tax credits of \$4.9 million which directly lowered the leasing cost to NDSU.

Under this refinanced debt issuance and lease agreement, as approved by the State Board of Higher Education on December 16, 2010, the property is leased to NDSU for rent equal to the semi-annual principal and interest on the bonds, plus all costs incurred by the Development Foundation incident to ownership of the property. Ownership of the property will transfer to NDSU when the bonds are repaid in full. NDSU paid the Development Foundation \$432,785 in fiscal year 2013 under this agreement. As of June 30, 2013 the outstanding balance on the bonds, reflected as "Due to Component Units" by NDSU, is \$5,210,000.

Aircraft

Effective June 28, 2007, NDSU and the NDSU Development Foundation entered into a \$2,348,000, ten-year, lease agreement for the purchase of an aircraft. Under the agreement, NDSU will pay rent to the NDSU Development Foundation for use of the aircraft. The amount of the rent is equal to the amount of the principal and interest payments on the loan, for the life of the loan. During fiscal year 2013, NDSU made \$322,919 of debt service payments to the NDSU Development Foundation on the Aircraft lease. The University is responsible for all costs incurred in operation and maintenance of the aircraft. Upon completion of the loan payments, ownership of the aircraft will be transferred to NDSU. Since the Development Foundation is a discretely presented component unit of the University System and the component unit and the University System are reporting the same assets and debt for the leased aircraft, a reclassification entry was made to ending balances in the component unit consolidating financial

Notes to Financial Statements

statements to show the appropriate due from primary institution. As of June 30, 2013 the outstanding balance on the lease, reflected as "Due to Component Units" by NDSU, is \$1,121,280.

Barry Hall Business Building and Klai Hall Architecture Building

Effective November 28, 2007, NDSU and the NDSU Development Foundation entered into lease agreements for two buildings in downtown Fargo, formerly known as the "Pioneer Mutual Building" and "Lincoln Mutual building". The Foundation financed the construction of the Barry Hall business building and Klai Hall architecture building projects through the sale of \$18.52 million of 20-year University Facilities Revenue Bonds issue by the City of Fargo, North Dakota. The City has loaned the bond proceeds to the Foundation for payments equal to the sum of the semi-annual interest payments and installments of varying principal amounts on the variable rate bonds and the semi-annual principal and interest payments on the fixed-rate bonds. The principal payments on the variable rate bonds will be funded from payments on donor pledges restricted for the project. Under the terms of the loan, the Foundation is responsible for the real estate taxes, insurance, repairs and maintenance, and other costs incident to ownership of the property. The property is included with property in the financial statements and the bonds have been recorded as a direct obligation of the Foundation. Ownership of the property will transfer to NDSU when the bonds are repaid in full. The bonds are guaranteed by the Foundation. This property is leased to NDSU for rental equal to the sum of the semi-annual interest only payments on the variable term bonds plus the semi-annual principal and interest payments on the fixed-rate bonds for the term of the bonds, plus all the costs incurred by the Foundation incident to ownership of the property.

In May 2012, the NDSU Development Foundation refinanced the original bonds issued in November 2007. As a result new leases were executed. Under the terms of the new leases, NDSU pays and recognizes a liability for entire amount of the previously issued bonds, including the portion originally planned to be paid from the collections of pledges. During fiscal 2013, NDSU paid \$934,576 to the NDSU Development Foundation for under the new leases for debt service, property taxes and insurance on Barry Hall & Klai Hall. During fiscal 2013, the Foundation paid \$93,544 to NDSU from the collection of pledges. NDSU has an option to acquire the property upon full payment of the bonds. As of June 30, 2013 the outstanding balance on the bonds, reflected as "Due to Component Units" by NDSU, is \$11,390,000 and the portion payable by the Foundation to NDSU for the collection of pledges is recognized by NDSU as a current & non-current "Due from Component Units" for \$1,233,256.

NDSU President's House

On September 15, 2008, the NDSU Development Foundation financed the construction of a new residence for the NDSU President through the sale of \$900,000 of 30 year University Facilities Bonds. The interest rate is a fixed rate of 4.20% with semi-annual principal and interest payments. The repayment source is private donations and pledges. The bonds payable have a balance of \$829,510 at December 31, 2012. During fiscal year 2010, the President's House was capitalized on NDSU's books for the sum of the Foundation & NDSU costs, plus the donated services (\$2,605,983). The bonds are an obligation of the NDSU Development Foundation, therefore are only reflected as bonds payable on the books of the Foundation. The bonds are not included in NDSU's liabilities.

Other Transactions

NDSU also has agreements in place with the Foundation for maintenance of the University's alumni records, for use and insurance on certain land and buildings and for lease of a vehicle. Amounts paid by NDSU under these agreements as of June 30, 2013 totaled \$480,998. In

Notes to Financial Statements

addition, the Development Foundation may contract with NDSU for materials and personnel in the service and utility areas and will reimburse NDSU based on separate agreements.

NDSU Development Foundation fiscal year end is December 31, NDSU year end is June 30. Timing differences in amounts may occur between entity financial statements, due to different year end dates.

NON-MAJOR COMPONENT UNITS

North Dakota State University and North Dakota State University Research Foundation

Revenues from research fees & royalties received from patents and other intellectual property or know-how are first used to cover expenses incurred in patenting, licensing, collection, and other expenses related to the technology. After these expenses have been paid, the net research fee (royalty) income is divided so that at least 30% of the net proceeds will be paid to those responsible for the invention, and 70% is distributed by negotiation between the department, college, and the Foundation. The portion distributable to an NDSU department is credited to a liability account called Distributable Managed Funds and recognized as an expense at the Foundation. NDSU reports an offsetting revenue and receivable (Due from Component Units) in its financial statements.

Note 16 – On-Behalf Payments

On-behalf payments for fringe benefits and salaries are direct payments made by one entity to a third party recipient for the employees of another legally separate entity. On-behalf payments include pension plan contributions, employee health and life insurance premiums, and salary supplements or stipends. The amount of on-behalf payments for fringe benefits and salaries for fiscal year ended June 30, 2013 is \$198,800. There were no on-behalf payments made as contributions to a pension plan for which the System is not legally responsible.

Note 17 – Functional Expense Classification

The System reports operating expenses using the “natural classification” on the Statement of Revenues, Expenses and Changes in Net Assets. Operating expenses for the year ending June 30, 2013, using the “functional classification” are presented below:

Notes to Financial Statements

Operating Expenses

Instruction	\$ 81,920,602
Academic Support	27,177,110
Student Services	14,132,971
Institutional Support	12,610,686
Physical Plant	24,210,646
Scholarships & Fellowships	14,886,221
Auxiliary Services	51,331,280
Public Service	31,068,577
Research	87,786,969
Depreciation & Amortization	19,746,928
Total	<u>\$ 364,871,990</u>

Note 18 – Operating Leases

The campuses are obligated under certain leases for equipment, vehicles and facility rental, which are accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore, the resulting expenditures are recognized as incurred. Lease expenditures for the year ended June 30, 2013, amounted to \$2.3 million.

Future Minimum Lease Payments at June 30, 2013:

<u>Fiscal Year</u>	<u>Future Minimum Lease Payments</u>
2014	\$ 1,994,270
2015	1,685,848
2016	1,438,040
2017	1,262,061
2018	981,318
2019 - 2023	345,893
Total	<u>\$ 7,707,430</u>

Note 19 – Contingencies

Amounts received and expended by the North Dakota State University under various federal and state programs are subject to audit by governmental agencies. In the opinion of management, audit adjustments, if any, will not have a significant effect on the financial position of the University.

Notes to Financial Statements

In the normal course of its activities, the University is party to various legal actions. Because, in the opinion of management and counsel, the risk of material loss in excess of insurance coverage for these items is remote, the outcome of the legal proceedings and claims is not expected to have a material effect on the financial position of the University System. Therefore, an estimated liability has not been recorded.

Minard Hall

Minard Hall is the largest academic facility located in the historical district on NDSU's campus. Legislative appropriations were approved for the 2007-09 & 2009-11 biennia for the renovation and an addition to Minard Hall. Original authorized funding for the project is \$18,000,000: \$17,500,000 general funds and \$500,000 special/local funds.

Minard Hall experienced an unprecedented partial collapse of the north wall in the early morning hours of December 27, 2009. The partial collapse of Minard Hall's North wall, during the construction of the legislatively approved addition, resulted in a delay in the completion of the project, increased costs for construction and legal expenses, as well as numerous other issues, such as relocation of faculty, staff, and classroom space. Since that time NDSU has been periodically updating the State Board of Higher Education and the Legislative Assembly's Budget Section, as information becomes available.

In November & December of 2011, the State Board of Higher Education and Legislative Assembly's Budget Section approved NDSU to incur additional costs of \$4,874,300 due to the collapse. The State Board of Higher Education approved a \$4,874,300 increase with the intent that up to this amount (less any recovered from insurance or legal action) be ultimately funded by a state general fund deficiency appropriation per NDCC 48-01-.2-25. The Budget Section's approval indicated the additional funding come from insurance proceeds, legal settlements, and other available funds.

As of June 30, 2013, total costs charged to the Minard Hall project are \$20,747,453. This total is comprised of the following: \$16,765,331 for construction costs on Phase I, II, III (\$18,000,000 legislative authority) and \$3,982,122 for collapse related costs (\$4,874,300 budget section authority). As of the reporting date for the fiscal 2013 financials, NDSU is pursuing litigation against multiple parties in order to recoup the damages incurred as a result of the collapse.

Note 20 – Risk Management

The University System is exposed to various risks of loss related to torts; theft, damage, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The following are funds/pools established by the state for risk management issues.

RISK MANAGEMENT FUND

The 1995 Legislative Session established the Risk Management Fund (RMF), an internal service fund, to provide a self-insurance vehicle for funding the liability exposures of state agencies resulting from the elimination of the state's sovereign immunity. The RMF manages the tort liability of the state, its agencies, employees and the University System. All state agencies participate in the RMF and each fund's contribution was determined using a projected cost allocation approach. The system obtains most of its insurance through the RMF.

Notes to Financial Statements

NORTH DAKOTA FIRE AND TORNADO AND STATE BONDING FUND

The University System also participates in the North Dakota Fire and Tornado Fund and State Bonding Fund. The University System pays an annual premium to the Fire and Tornado Fund to cover property damage to personal property. Replacement cost coverage is determined in consultation with the Fire and Tornado Fund. The State Bonding Fund currently provides the University System with blanket fidelity bond coverage in the amount of \$750,000 to \$2,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

NORTH DAKOTA WORKFORCE SAFETY AND INSURANCE

The University System participates in the North Dakota Workforce Safety and Insurance, an Enterprise Fund of the State of North Dakota. The Bureau is a state insurance fund and is a no fault insurance system. It covers the state's employers and employees financed by premiums assessed to employers. The premiums are available for the payment of claims to employees injured in the course of employment.

There have been no significant reductions in insurance coverage from the prior year and settled claims from these risks have not exceeded insurance coverage in any of the past three fiscal years.

Note 21 – Asbestos Settlement

During fiscal year 1999, the University System settled an asbestos lawsuit against W.R. Grace & Co. The Chancellor has designated the dollars for asbestos related projects at the campuses. The designated amount for NDSU at June 30, 2013 is \$292,282.

Note 22– Deficit Net Asset Balances > \$100,000

As of June 30, 2013 the University had a negative net asset balance in excess of \$100,000.

Fund 28100 – Barry Hall Finishing Costs - Deficit balance at June 30, 2013 was \$1,057,226.

The deficit is the result of paying furniture, IT equipment and landscaping costs on the Barry Hall project in FY10. Original NDSU plans were to pay for these costs through a lease agreement with the NDSU Development Foundation. During a performance audit in FY10, the State Auditor's Office questioned the legality of lease agreements on Barry Hall; as a result, the lease agreement on the Barry Hall finishing costs was put on hold. Based on advice from the ND University System Office, NDSU did not enter into the planned lease agreement; but instead accumulated the costs in a university fund/project, reporting the deficit, and is currently developing a plan to repay the deficit over 5 years. Paying for the costs using inter-fund borrowing in this manner, results in interest savings and keeps the university's long-term debt down. During FY12 NDSU made the annual \$530,000 installment payment. The deficit is in line with the deficit reduction plan for Barry Hall as approved by the SBHE Budget Audit & Finance Committee on May 5, 2011.

Fund 28100 – Minard Hall Collapse Related Costs - Deficit balance at June 30, 2013 was \$3,982,122.

Notes to Financial Statements

These are costs are related to the additional project authorization of \$4,874,300 approved by the SBHE November 2011 and Budget Section (December 2011). The costs include collapse related change orders, department relocation, forensic and legal costs. These costs were initially covered from the original \$18,000,000 general and special fund authority, until January 2013, when that authority was insufficient to cover the Phase I, II, III base project costs and the collapse related costs. In January 2013 the collapse related costs were entirely redistributed to a local capital improvement fund, formally creating this deficit.

Note 23– Prior Period Adjustment

A prior period adjustment of \$458,964 is the result of the administrative system (PeopleSoft) incorrectly computing depreciation expense in previous years on a material capital equipment item (IT network). NDSU staff corrected this computational error during fiscal 2013 and revised the settings in the system to correctly compute the depreciation expense on this item in the future.

Note 24 – Subsequent Events

Sale of Airplane and Lease Payoff

On 10/21/2013, a closing was held where NDSU sold an airplane and paid off the related lease payable through the NDSU Development Foundation. The airplane's sales price was \$1,350,000 and the lease payoff was \$1,088,753 (including \$28,972 interest). After deducting a \$1,000 closing fee, the cash proceeds of \$260,247 were sent to NDSU and are being held in local unrestricted funds. Both the capital asset and related debt will be removed from NDSU's general ledger in fiscal 2014.

Early Retirement of 2003 Equine Science Center Debt

On November 4, 2013, NDSU used the 10 year call provision in the Series 2003 lease revenue bond indenture to pay off the remaining bonds in the amount of \$2,695,984. These bonds were issued through the NDSU Development Foundation in 2003 to construct the Equine Science Center and have been treated like a capital lease on NDSU's records. This debt will be removed from NDSU's general ledger in fiscal 2014.

North Dakota State University
Supplementary Information - Component Units
Statement of Financial Position
For Year Ended June 30, 2013

	Major Component Units		Non-Major Component Units	
	NDSU	NDSU Research	NDSU	NDSU Team
	Development	& Technology	Research	Makers Club
	Foundation	Park	Foundation	Makers Club
	December 31, 2012	June 30, 2013	June 30, 2013	December 31, 2012
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 17,374,284	\$ 2,083,797	\$ 187,210	\$ 2,365,570
Short-term investments	16,757,181			
Accounts receivable, net		51,744		
Unconditional promises to give, net	5,414,203	2,500		136,991
Inventories				5,073
Other assets	1,875,653	23,792	13,551	2,673
Total Current Assets	\$ 41,421,321	\$ 2,161,833	\$ 200,761	\$ 2,510,307
Noncurrent Assets				
Restricted cash and cash equivalents			\$ 301,497	
Investments, net of current portion	\$ 101,641,987			\$ 1,750,292
Real estate held for investment, net	45,050,789			
Endowment Investments			4,499,828	
Contracts for deed and notes receivable, net	1,234,213			
Long term pledges receivable	17,478,807	\$ 9,909		
Notes Receivable, net		6,490,000		
Other noncurrent assets	485,185	386,391		
Capital assets, net	3,650,836	25,186,786		19,819
Total Noncurrent Assets	\$ 169,541,817	\$ 32,073,086	\$ 4,801,325	\$ 1,770,111
Total Assets	\$ 210,963,138	\$ 34,234,919	\$ 5,002,086	\$ 4,280,418
LIABILITIES				
Current Liabilities				
Accounts payable	\$ 2,854,552	\$ 217,611	\$ 32,953	\$ 413,954
Payable to Primary Institution	1,641,230			2,562,444
Accrued payroll		27,919		
Current portion of split-interest agreements	803,873			
Deferred revenue	113,000			2,214
Other current liabilities	217,915			25,000
Long-term liabilities—current portion	1,488,091	1,038,291		
Total Current Liabilities	\$ 7,118,661	\$ 1,283,821	\$ 32,953	\$ 3,003,612
Noncurrent Liabilities				
Long-term portion of split-interest agreements	6,059,132			
Other noncurrent liabilities				
Long-term liabilities	23,779,419	27,087,525		65,632
Total Noncurrent Liabilities	\$ 29,838,551	\$ 27,087,525	\$ -	\$ 65,632
Total Liabilities	\$ 36,957,212	\$ 28,371,346	\$ 32,953	\$ 3,069,244
NET ASSETS				
Temporarily restricted	\$ 48,524,994	\$ 12,409		
Permanently restricted	95,240,552			
Unrestricted	30,240,380	5,851,164	\$ 4,969,133	\$ 1,211,174
Total Net Assets	\$ 174,005,926	\$ 5,863,573	\$ 4,969,133	\$ 1,211,174

North Dakota State University
Supplementary Information - Component Units
Statement of Activities
For Year Ended June 30, 2013

	Major Component Units		Non-Major Component Units	
	NDSU Development Foundation	NDSU Research & Technology Park	NDSU Research Foundation	NDSU Team Makers Club
	December 31, 2012	June 30, 2013	June 30, 2013	December 31, 2012
Support and revenue				
Gifts and contributions	\$ 16,975,506	\$ 1,285,769		\$ 3,150,757
Investment Income	4,802,710	12,598	\$ 104,195	215,955
Net realized and unrealized gains (losses) on investments	9,620,761		580,104	
Program and event income		33,100		360,918
Other Income	1,076,822	2,624,181	2,691,467	18,477
Total support and revenue	\$ 32,475,799	\$ 3,955,648	\$ 3,375,766	\$ 3,746,107
Expenses				
Program Services	\$ 10,878,896	\$ 2,388,791	\$ 2,001,058	\$ 2,807,902
Supporting Services	8,610,490	139,062	86,784	112,991
Fund raising expense		13,108		50,405
Total expenses	\$ 19,489,386	\$ 2,540,961	\$ 2,087,842	\$ 2,971,298
Change in Net Assets	\$ 12,986,413	\$ 1,414,687	\$ 1,287,924	\$ 774,809
Net Assets, Beginning of Year	\$ 161,119,513	\$ 4,448,886	\$ 3,681,209	\$ 436,365
Net Assets, End of Year	\$ 174,105,926	\$ 5,863,573	\$ 4,969,133	\$ 1,211,174