

NDSU

NORTH DAKOTA STATE UNIVERSITY

Annual Financial Report
June 30, 2017

Table of Contents

	<u>Page</u>
Management's Discussion and Analysis	1
Basic Financial Statements	
Statement of Net Position	12
Statement of Revenues, Expenses, and Changes in Net Position	14
Statement of Cash Flows	15
Notes to Financial Statements	17
Supplementary Information	
Statement of Financial Position - Major Component Units	55
Statement of Activities - Major Component Units	57

Prepared by the North Dakota State University Accounting Office

North Dakota State University

Management's Discussion and Analysis

JUNE 30, 2017

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, 2017. 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 two major 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, that provides affordable access to an excellent education at a top-ranked institution that combines teaching and research in a rich learning environment, educating future leaders who will create solutions to national and global challenges that will shape a better world. NDSU is listed in the National Science Foundation's top 100 in several areas, including agricultural sciences, social sciences, physical sciences, chemistry, psychology and computer sciences. NDSU is fully accredited as an institution by the Higher Learning Commission. The main campus is located in Fargo, N.D., with Extension Service and Experiment Station Research Centers located all across the state.

Management's Discussion and Analysis

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 \$651 million and total liabilities of \$201 million, and a net position total of \$458 million (an increase of \$28 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 Position, the Statement of Revenues, Expenses, and Changes in Net Position, 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 Position and the Statement of Revenues, Expenses, and Changes in Net Position 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 University.

Management's Discussion and Analysis

Statement of Net Position

The following table shows a condensed Statement of Net Position at June 30, 2017 and 2016:

	2017	2016	Dollar Change	Percent Change
ASSETS				
Current assets	\$ 103,940,296	\$ 101,225,795	\$ 2,714,501	3%
Other non-current assets	80,563,837	86,011,574	(5,447,737)	-6%
Capital assets, net	466,766,399	437,961,985	28,804,414	7%
Total assets	<u>\$ 651,270,532</u>	<u>\$ 625,199,354</u>	<u>\$ 26,071,178</u>	<u>4%</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 12,132,571</u>	<u>\$ 5,370,010</u>	<u>\$ 6,762,561</u>	<u>126%</u>
LIABILITIES				
Current liabilities	\$ 46,959,065	\$ 47,022,531	\$ (63,466)	0%
Noncurrent liabilities	154,865,996	151,033,765	3,832,231	3%
Total liabilities	<u>\$ 201,825,061</u>	<u>\$ 198,056,296</u>	<u>\$ 3,768,765</u>	<u>2%</u>
DEFERRED INFLOWS OF RESOURCES	<u>\$ 3,308,327</u>	<u>\$ 3,016,333</u>	<u>\$ 291,994</u>	<u>10%</u>
NET POSITION				
Invested in capital assets, net	\$ 355,980,725	\$ 323,338,473	\$ 32,642,252	10%
Restricted	19,012,412	19,149,818	(137,406)	-1%
Unrestricted	83,276,578	87,008,442	(3,731,864)	-4%
Total net position	<u>\$ 458,269,715</u>	<u>\$ 429,496,733</u>	<u>\$ 28,772,982</u>	<u>7%</u>
Current Ratio (current assets to current liabilities)	<u>2.21</u>	<u>2.15</u>		
Primary Reserve Ratio (expendable net assets to operating expenses)	<u>0.24</u>	<u>0.26</u>		

The increase in capital assets in fiscal 2017 is due to capitalization of major construction projects during the year. This change also impacted the Invested in Capital Assets line item under the Net Position category.

Overall changes in current and non-current assets and liabilities were relatively small. The 6% decrease in "Other non-current assets" is due to the expenditure of restricted investments for an Aquatics Center construction project that was funded revenue bonds. Otherwise, current and Primary Reserve Ratios changed very little as a result of the minor fluctuations in current and non-current assets and liabilities.

Deferred Inflows of Resources increased about 10% and Deferred Outflows increased 126% with both increases due to the allocated share deferred inflows from the state's share of pension liability, as recorded under GASB Statement No. 68.

Management's Discussion and Analysis

Statement of Revenues, Expenses, and Changes in Net Position

The following table shows a condensed version of Statement of Revenues, Expenses and Changes in Net Position, with operating and non-operating revenues and expenses combined, as of June 30, 2017 and 2016:

	2017	2016	Dollar Change	Percent Change
Revenues				
Student tuition and fees	\$ 120,304,338	\$ 114,588,546	\$ 5,715,792	5%
Grants, contracts, (operating and nonoperating)	103,706,509	91,207,393	12,499,116	14%
State appropriations (operating and nonoperating)	130,968,947	156,433,146	(25,464,199)	-16%
Sales and services of educational departments	33,495,287	33,882,633	(387,346)	-1%
Auxiliary enterprises	43,999,768	44,101,630	(101,862)	0%
Gifts	13,685,854	11,932,176	1,753,678	15%
Other, (operating and nonoperating)	3,154,353	6,387,330	(3,232,977)	-51%
Total revenues	\$ 449,315,056	\$ 458,532,854	\$ (9,217,798)	-2%
Expenses				
Salaries and wages	\$ 284,840,699	\$ 278,899,097	\$ 5,941,602	2%
Operating expenses	100,464,122	105,387,371	(4,923,249)	-5%
Depreciation expense	24,514,315	23,141,528	1,372,787	6%
Scholarships and fellowships	6,632,512	1,659,601	4,972,911	300%
Other, (operating and nonoperating)	4,090,426	5,175,058	(1,084,632)	-21%
Total expenses	\$ 420,542,074	\$ 414,262,655	\$ 6,279,419	2%
Increase (decrease) in net assets	\$ 28,772,982	\$ 44,270,199	\$ (15,497,217)	-35%
Net Position, Beginning of Year, as restated	\$ 429,496,733	\$ 385,226,534	\$ 44,270,199	11%
Net Position, End of Year	\$ 458,269,715	\$ 429,496,733	\$ 28,772,982	7%

Overall, 2017 revenues and expenses varied 2% from 2016.

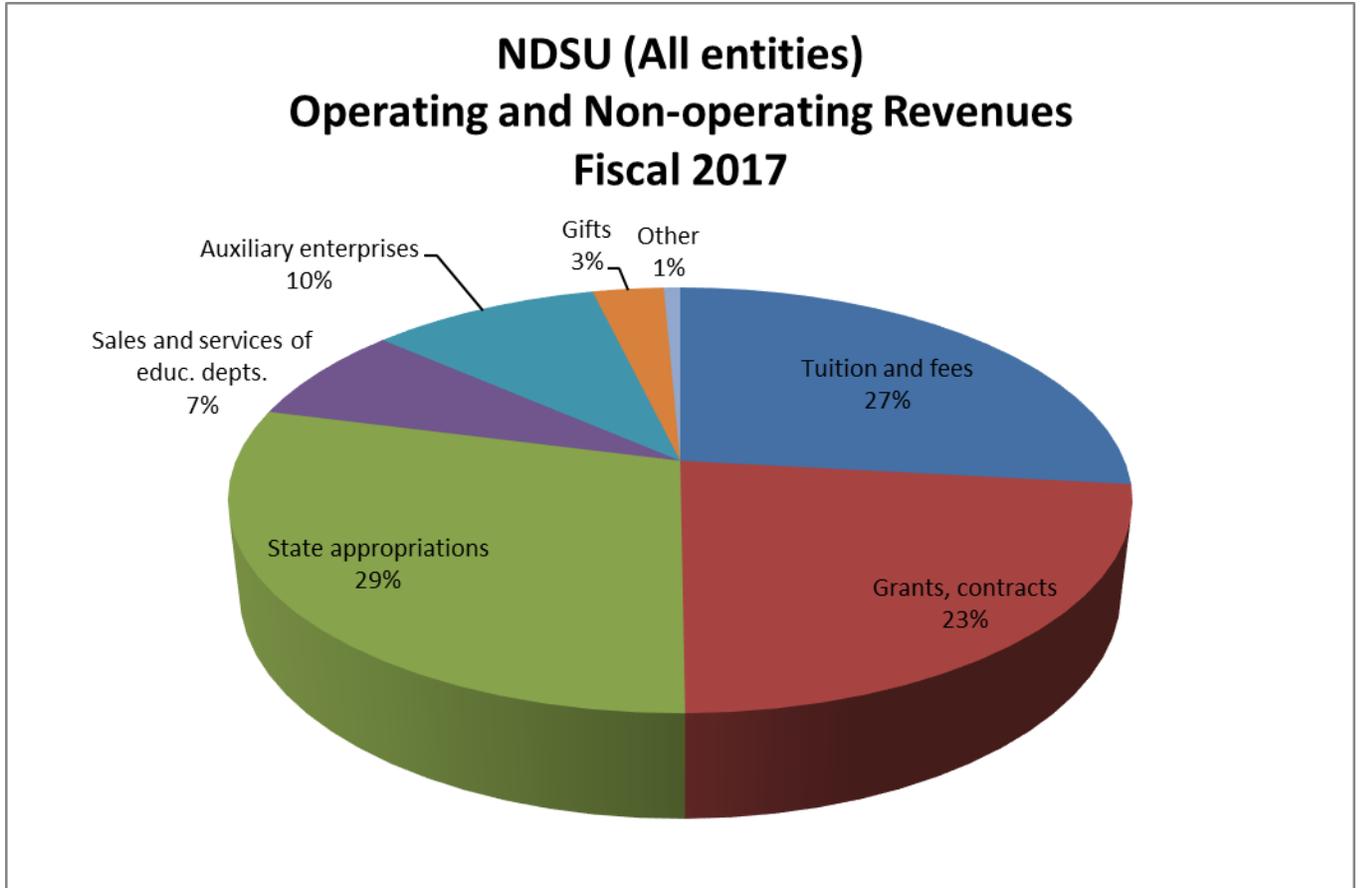
On the revenues side: Student tuition and fees increased 5% primarily due to a small increase in student tuition and fees. Overall state appropriations decreased 16% due to a combination of reduced state support for operations and a temporary increase in state funded capital projects in fiscal 2016. Grants and contracts increased primarily because revenues related to capital construction projects. Gift revenues increased primarily because of increased support from the NDSU Foundation & Alumni Association. Other non-operating revenues went down during fiscal 2017 primarily because of expensing special assessments and recording bond cost of issuance expense on revenue bond issues.

On the expenses side: fluctuations in each line item are minimal except for the scholarships and fellowship line item. This fluctuation is misleading as it is caused by a North Dakota University System change in the scholarship allowance calculation recorded under GASB 34 and 35. This was a change proposed by NDSU as it eliminated the effect of scholarships paid by the ND University System Office.

Management's Discussion and Analysis

Graphs

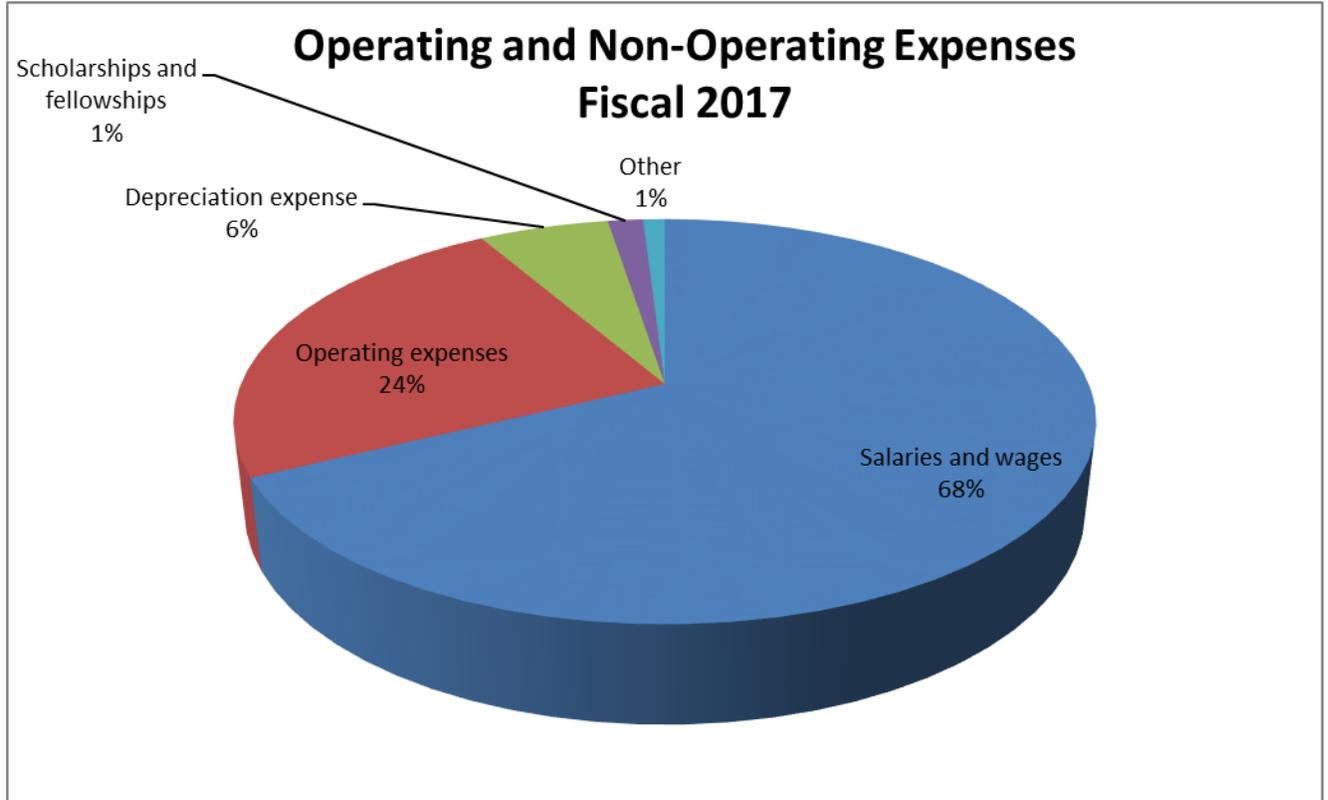
The following graph depicts sources of operating and non-operating revenues for fiscal year 2017:



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

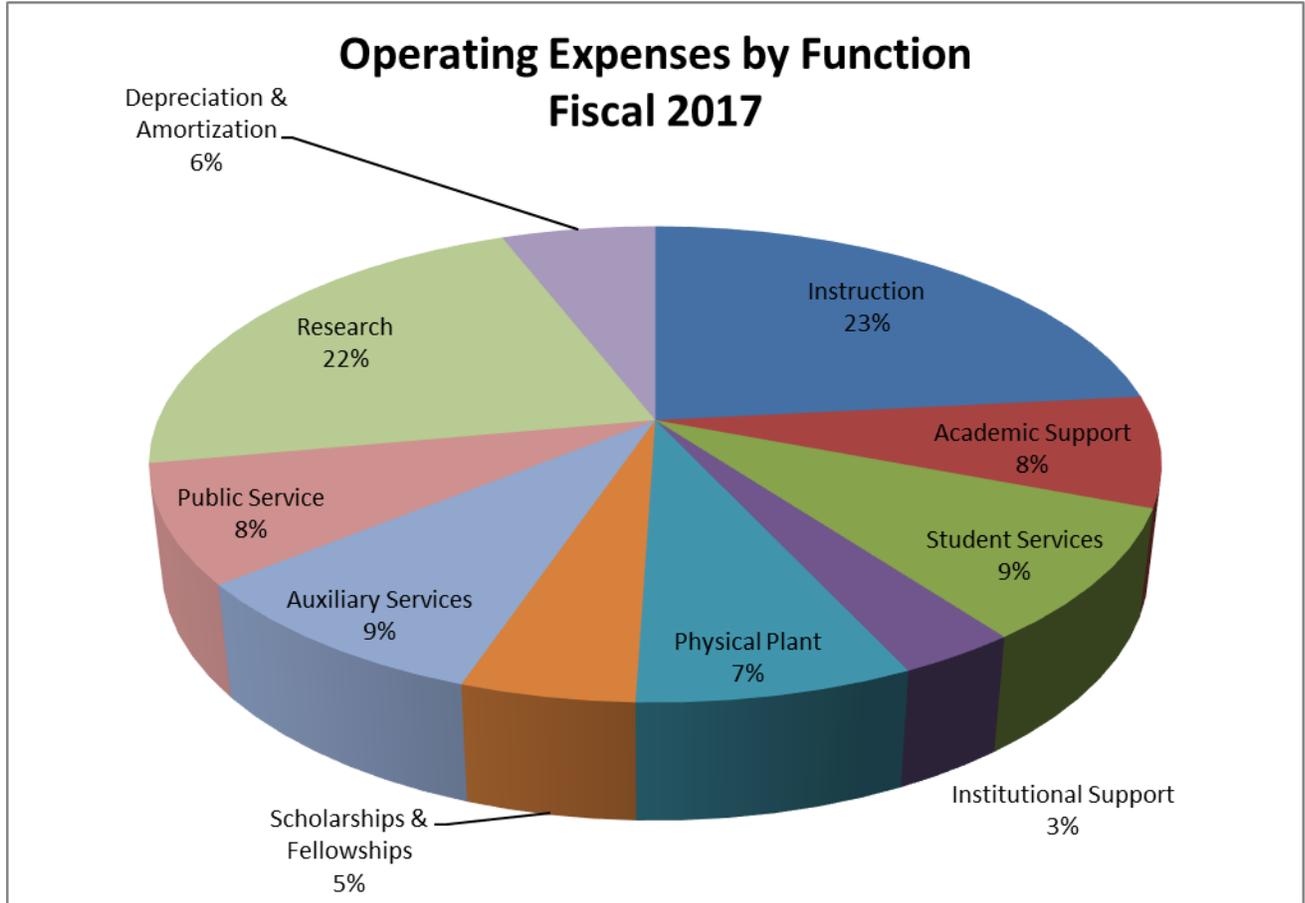
The following graph depicts objects of operating and non-operating expenses for fiscal year 2017:



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 2017:



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

Long-term Debt

Between fiscal years 2010 through fiscal 2017, numerous long-term debt obligations (bonds and leases) were either refinanced or retired early on the scheduled call date. This debt restructuring contributed to continuing University improved financial performance over this period of time and will benefit future periods through lower interest expense. There were two bonds refunded in August 2016 and one bond refunded in July 2017. A summary is as follows:

Facilities	Date	NPV Savings	% of NPV Savings of Refunded Bonds
<u>Bond Refunding</u>			
Living Learning Center-West	3/1/2012	\$ 1,777,922	28.7%
Barry & Klai Hall	5/23/2012	\$ 1,666,713	13.5%
Bison Court	2/27/2014	\$ 1,147,093	13.5%
Memorial Union	2/11/2015	\$ 3,438,084	21.3%
Wellness Center	2/11/2015	\$ 1,488,260	17.6%
Wellness Center	2/11/2015	\$ 371,635	16.1%
R1 & R2	7/27/2016	\$ 891,082	5.0%
Living Learning Center East	8/2/2016	\$ 1,862,671	18.3%
Niskanen Apts/West Dining Ctr	7/26/2017	\$ 2,940,243	13.0%
<u>Early Retirement</u>			
Minard Hall	4/1/2012	\$ 1,345,125	
Equine Science Center	11/4/2013	\$ 742,763	
Aircraft	10/7/2013	\$ 119,413	
<u>Interfund Borrowing</u>			
Barry Hall Finishing Cost	8/1/2010	\$ 222,393	

Financial Ratios

	2017	2016	2015
Current Ratio (current assets to current liabilities)	2.21	2.15	2.20
Primary Ratio (expendable net position to operating expense)	0.24	0.26	0.25
Net Income Margin (increase in net position to total revenue)	6.40%	9.65%	9.70%
Viability Ratio (expendable net position to long-term debt)	0.78	0.78	0.73
Higher Learning Commission's Composite Financial Index	2.29	2.71	3.36

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.

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 without any revenues. The University's primary reserve ratio at June 30, 2017, is 0.24, which indicates that in an emergency situation, the University could continue its current operations for approximately 12.5 weeks.

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 2017 margin is 6.40%. A positive margin is considered good.

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 stayed about the same from fiscal 2016 to 2017.

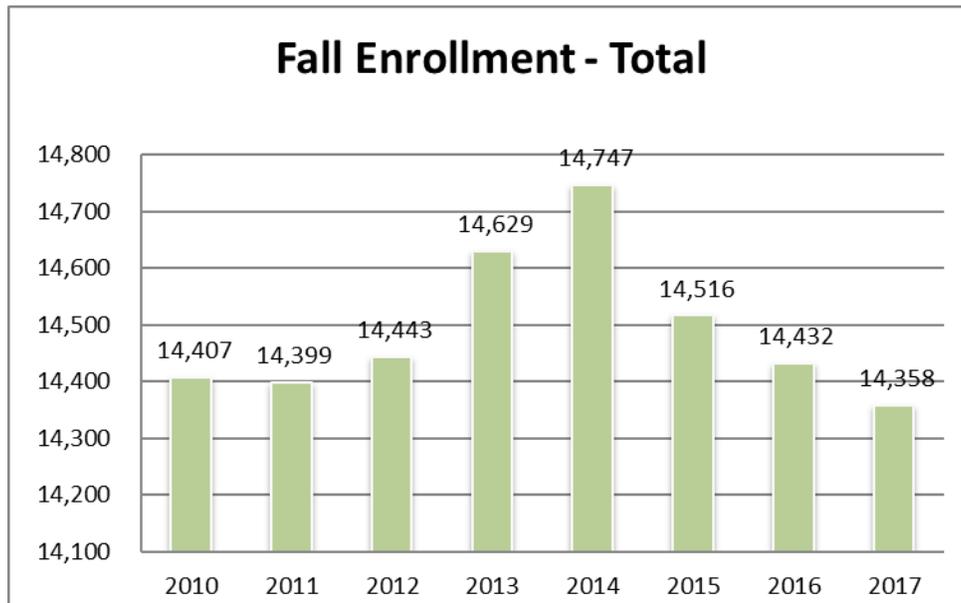
Higher Learning Commission's Composite Financial Index

The Higher Learning Commission (HLC) reviews accredited and candidate institutions' financial information to determine whether an institution operates with integrity in its financial functions. The HLC's uses its Composite Financial Index (CFI) to gauge the overall financial condition of a university. The CFI a weighted index of various financial ratios. A CFI less than 1.0 for two consecutive years is a flag to the HLC that an institution will need a special review to gain or retain its accreditation. NDSU's CFI is well above the 1.0 benchmark at 2.29 for fiscal 2017, which is well over the level set by the HLC requiring a review.

Other Highlights

Student Enrollment

NDSU's annual unduplicated degree credit headcount for fall 2017 was 14,358 students, which represents 30% of the student enrollment for the entire ND University system. NDSU's degree credit headcount for the last eight 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. The NDSU Accounting Office is responsible for the contents of this report. 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 Lisa Ripplinger, at lisa.m.riplinger@ndsu.edu, or Travis.aho.1@ndsu.edu.

North Dakota State University
Statement of Net Position
For Years Ended June 30, 2017 & 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 50,990,461	\$ 54,679,641
Short-term investments	14,000,016	12,000,004
Accounts receivable, net	4,874,139	5,541,879
Due from other NDUS institutions	66,735	87,547
Due from component units	380,363	895,037
Due from State General Fund	14,458,009	9,844,079
Grants & contracts receivable, net	15,010,182	14,298,631
Inventories	1,801,816	1,830,992
Notes receivable, net	1,570,962	1,456,982
Other assets	787,613	591,003
Total Current Assets	\$ 103,940,296	\$ 101,225,795
Noncurrent Assets		
Restricted cash and cash equivalents	\$ 1,841,841	\$ 1,748,933
Restricted investments	6,744	3,615,537
Endowment investments	499,770	497,275
Notes receivable, net	5,622,826	5,244,752
Other long-term investments	72,107,313	74,325,529
Other noncurrent assets	485,343	579,548
Capital assets, net	466,766,399	437,961,985
Total Noncurrent Assets	\$ 547,330,236	\$ 523,973,559
Total Assets	\$ 651,270,532	\$ 625,199,354
 DEFERRED OUTFLOWS OF RESOURCES	 \$ 12,132,571	 \$ 5,370,010
 LIABILITIES		
Current Liabilities		
Accounts payable	\$ 13,256,960	\$ 17,453,434
Due to other NDUS institutions	124,044	94,993
Due to component units	14,595	217
Accrued payroll	14,585,857	12,476,550
Unearned revenue	9,481,661	7,720,096
Deposits	1,524,645	1,541,626
Long-term liabilities—current portion:		
Payable to component units	2,308,775	2,075,391
Payable to others	5,662,528	5,660,224
Total Current Liabilities	\$ 46,959,065	\$ 47,022,531
Noncurrent Liabilities		
Pension Liability	\$ 32,875,560	\$ 24,058,074
Payable to others	226,014	74,590
Long-term liabilities:		
Payable to component units	30,001,768	31,784,713
Payable to others	91,762,654	95,116,388
Total Noncurrent Liabilities	\$ 154,865,996	\$ 151,033,765
Total Liabilities	\$ 201,825,061	\$ 198,056,296
 DEFERRED INFLOWS OF RESOURCES	 \$ 3,308,327	 \$ 3,016,333

Statement of Net Position - Continued on Next Page

Statement of Net Position - Continued

	<u>2017</u>	<u>2016</u>
NET POSITION		
Invested in Capital Assets, net of related debt	\$ 355,980,725	\$ 323,338,473
Restricted for:		
Nonexpendable:		
Scholarships and fellow ships	512,215	509,719
Expendable:		
Scholarships and fellow ships	1,480,215	1,386,826
Research	5,650,863	6,846,949
Instructional department uses	1,405,619	1,060,565
Loans	7,543,672	7,210,910
Capital projects	534,284	43,275
Debt service	1,885,544	2,091,574
Unrestricted	<u>83,276,578</u>	<u>87,008,442</u>
Total Net Position	<u><u>\$ 458,269,715</u></u>	<u><u>\$ 429,496,733</u></u>

North Dakota State University
Statement of Revenues, Expenses, & Other Changes in Net Position
For Years Ended June 30, 2017 & 2016

	<u>2017</u>	<u>2016</u>
REVENUES		
Operating Revenues:		
Student tuition and fees	\$ 120,304,338	\$ 114,588,546
Federal Grants and Contracts	40,910,368	40,133,889
State Grants and Contracts	7,280,406	8,797,216
Private Grants & Contracts	11,920,273	11,485,461
Sales and services of educational departments	33,495,287	33,882,633
Auxiliary enterprises	43,999,768	44,101,630
Other Operating Revenue	788,636	846,749
Total operating revenues	\$ 258,699,076	\$ 253,836,124
 EXPENSES		
Operating expenses:		
Salaries and wages	\$ 284,840,699	\$ 278,899,097
Operating expenses	87,103,803	91,310,659
Data Processing	4,614,515	4,278,001
Depreciation Expense	24,514,315	23,141,528
Scholarships and fellow ships	6,632,512	1,659,601
Cost of Sales and services	8,745,804	9,798,711
Total operating expenses	\$ 416,451,648	\$ 409,087,597
Operating income (loss)	\$ (157,752,572)	\$ (155,251,473)
 NONOPERATING REVENUES (EXPENSES)		
State appropriations	\$ 124,986,789	\$ 128,742,010
Federal Appropriations	7,301,633	6,488,330
Federal grants and contracts	10,124,007	10,068,079
Gifts	13,685,854	11,932,176
Investment income	2,932,732	2,909,945
Interest on capital asset - related debt	(4,090,426)	(4,970,901)
Gain/(Loss) on capital assets	(668,029)	426,549
Insurance Proceeds	749,234	18,641
Tax Revenues	500,000	511,634
Other nonoperating revenues over (under) expenses	(1,148,220)	1,619,353
Net nonoperating revenues	\$ 154,373,574	\$ 157,745,816
Income (loss) before capital grants, gifts and transfers	\$ (3,378,998)	\$ 2,494,343
State appropriations - capital assets	\$ 5,982,158	\$ 27,691,136
Inter-institutional transfers		
Transfer from Building Authority		(204,157)
Interinstitutional Transfers		54,459
Capital grants and gifts	26,169,822	14,234,418
Total other revenues (expenses)	\$ 32,151,980	\$ 41,775,856
Increase (decrease) in net position	\$ 28,772,982	\$ 44,270,199
 NET POSITION		
Net Position - beginning of year,	<u>\$ 429,496,733</u>	<u>\$ 379,750,506</u>
Prior Period Adjustment-GASB 72- Commercial Property		\$ 5,476,028
Net Position - end of year	<u>\$ 458,269,715</u>	<u>\$ 429,496,733</u>

North Dakota State University
Statement of Cash Flows
For Years Ended June 30, 2017 & 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Student tuition and fees	\$ 120,836,597	\$ 116,537,069
Grants and Contracts	61,169,933	61,319,570
Payments to suppliers	(106,352,768)	(102,683,577)
Payments to employees	(279,849,318)	(278,164,257)
Payments for scholarships and fellow ships	(6,632,511)	(1,659,601)
Loans issued to students	(1,469,671)	(1,518,825)
Collection of loans to students	1,207,949	1,293,935
Auxiliary enterprise charges	43,805,204	44,027,200
Sales and services of educational departments	33,264,723	34,011,752
Cash received (paid) on deposits	(44,432)	154,116
Other receipts (payments)	623,302	6,426,376
Net cash provided (used) by operating activities	<u>\$ (133,440,992)</u>	<u>\$ (120,256,242)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	\$ 119,923,474	\$ 128,867,027
Federal appropriations	7,301,633	6,488,330
Grants and gifts received for other than capital purposes	23,722,390	22,010,987
Direct Lending Receipts	56,662,324	53,644,907
Direct Lending Disbursements	(56,658,944)	(52,567,857)
Agency fund cash increase (decrease)	139,237	(96,502)
Tax revenues	500,000	511,634
Net cash provided/(used) by financing activities	<u>\$ 151,590,114</u>	<u>\$ 158,858,526</u>
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from issuance of debt	\$ 29,505,288	\$ -
Transfers (to)/from Building Authority	-	(204,157)
Capital appropriations	6,431,543	31,521,012
Capital grants and gifts received	26,829,527	15,030,582
Proceeds from sale of capital assets	-	640,000
Purchases of capital assets	(50,825,082)	(71,393,534)
Insurance proceeds	842,506	18,646
Principal paid on capital debt and lease	(8,254,573)	(6,347,299)
Deposits with capital debt and lease	(28,075,000)	-
Interest paid on capital debt and lease	(4,951,059)	(5,025,542)
Net cash provided/(used) by capital and related financing activities	<u>\$ (28,496,850)</u>	<u>\$ (35,760,292)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	\$ 16,084,297	\$ 23,062,369
Interest on Investments	2,727,580	2,967,341
Purchases of investments	(12,060,422)	(14,811,592)
Net cash provided/(used) by investing activities	<u>\$ 6,751,455</u>	<u>\$ 11,218,118</u>
Net increase (decrease) in cash	<u>\$ (3,596,273)</u>	<u>\$ 14,060,110</u>
Cash - Beginning of year	<u>\$ 56,428,575</u>	<u>\$ 42,368,465</u>
Cash - End of year	<u>\$ 52,832,302</u>	<u>\$ 56,428,575</u>

Statement of Cash Flows - Continued on Next Page

Statement of Cash Flows - Continued

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

	<u>2017</u>	<u>2016</u>
Operating Income (loss)	\$ (157,752,572)	\$ (155,251,473)
Adjustments:		
Depreciation	24,514,315	23,141,528
Other nonoperating revenues (expenses)	(67,985)	4,796,935
Change in assets and liabilities:		
Accounts receivable adjusted for interest receivable	454,590	1,921,355
Intergovernmental receivables	1,059,207	927,870
Inventories	29,175	(198,701)
Notes receivable	(198,045)	(186,853)
Other assets	(101,481)	782,692
Accounts payable and accrued liabilities adjusted for interest payable	(6,312,250)	2,815,795
Pension Liability	8,817,486	1,340,654
Net change in deferred outflow s	(6,078,147)	(76,359)
Net change in deferred inflow s	292,174	(1,502,619)
Accrued payroll	2,109,075	399,728
Compensated absences	(149,528)	548,573
Deferred revenue	(12,574)	130,521
Deposits	(44,432)	154,116
Net cash provided (used) by operating activities	<u>\$ (133,440,992)</u>	<u>\$ (120,256,238)</u>

SUPPLEMENTAL DISCLOSURE ON NON CASH TRANSACTIONS

Assets acquired through capital lease	\$ 1,150,444	\$ 315,475
Expenses paid by capital lease	1,222,821	167,390
Gifts of capital assets	10,000	70,393
Net Increase (Decrease) in value of investments	198,921	6,870
Total non cash transactions	<u>\$ 2,582,186</u>	<u>\$ 560,128</u>

Notes to Financial Statements

JUNE 30, 2017

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 SBHE is made up of seven citizen members appointed to four-year terms by the governor and one student appointed by the governor to serve a one-year term. The Council of College Faculties selects the board's non-voting faculty advisor, and the NDUS Staff Senate selects the board's non-voting staff advisor. 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 Governmental Accounting Standards Board (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. 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. GASB Statement No. 61 amends the requirements established by GASB statement No. 14 and GASB statement No. 39 for inclusion of component units in the financial reporting entity. GASB Statement No. 61 requires a financial benefit or burden relationship in addition to a fiscal dependency.

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's 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

Notes to Financial Statements

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 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. 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

NDSU Foundation and Alumni Association 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. The NDSU Foundation and Alumni Association builds enduring relationships that maximize advocacy and philanthropy to support North Dakota State University. The foundation raises, manages, and disburses contributions for the benefit of NDSU. The foundation engages in development and outreach activities on behalf of North Dakota State University. The foundation is governed by an Executive Governing Board comprised of 11 voting members as well as two ex-officio members – the president of NDSU and the President/CEO of the foundation.

Effective January 1, 2016, the foundation changed its name from NDSU Development Foundation to NDSU Foundation and Alumni Association. The Foundation's fiscal year-end is December 31st. Foundation financial statements and footnote disclosures are presented as of December 31, 2016. Complete financial statements for NDSU Foundation and Alumni Association may be obtained at the entity's administrative office at 1241 N. University Drive, Fargo, ND 58102.

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 State University has no blended Non-Major Component Units.

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, Minnesota State Community and Technical College – Moorhead, NDSCS 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 five member institutions. 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 the participating institutions. 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, 2017, Tri-College University had net position of approximately \$682,000 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 110, 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 1.0% each in total assets compared to total NDUS assets and less than 10% in payments to or from the primary institution. Separate boards of directors control these entities. In addition, the 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 to NDSU at June 30, 2017 were:

NDSU Research Foundation

NDSU Team Makers, Inc.

Alliance for Arts & Humanities

NDSU 4H Foundation

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

Notes to Financial Statements

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.

Unrestricted Net Position

Unrestricted net position includes 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 each institution.

Restricted Assets

The University System, 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 System 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 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 System. Revenues from non-exchange transactions and state appropriations that represent subsidies or gifts to the University System, 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.

Notes to Financial Statements

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 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

Notes to Financial Statements

classified as Restricted Investments. Investments held by endowment funds are classified as Endowment Investments.

Investments are measured at fair value using the hierarchy established by generally accepted accounting principles. These levels are:

- Level 1 – Valuation is based upon quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- Level 2 – Valuation is based upon quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.
- Level 3 – Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect our own estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

Fair values are based on the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

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

Notes to Financial Statements

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 position restricted for debt service" on the Statement of Net Position.

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

Land Improvements	10 – 35 years
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.

Pensions

For purposes of measuring the net pension liability, deferred outflows and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System (NDPERS) and additions to/deductions from NDPERS' fiduciary net position have been determined on the same basis as they are reported by NDPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Notes to Financial Statements

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 position. 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 Position

Net position is classified according to external donor restrictions or availability of assets for satisfaction of University obligations. Restricted Net Position 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 Position is 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.

Restatement of Beginning Net Position

	Primary Institution
Fiscal 2017	
Net Position, Beginning of the year, as previously reported	\$ 429,496,733
<u>Prior Period Adjustments:</u>	
No Fiscal 2017 Adjustments	
Net Position, Beginning of the year, as previously reported	<u>\$ 429,496,733</u>

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

Accounting Standards Implemented:

In March 2016, the GASB issued Statement No. 82, "Pension Issues an amendment of GASB Statement No. 67, No. 68, and No. 73. The statement addresses issues regarding the presentation of payroll-related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes and the classification of payments made by employers to satisfy employee (plan member contribution requirements. The statement is effective for reporting periods beginning after June 15, 2016, except for the requirements of paragraph 7 in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

Accounting Standards Issued but Not Yet Implemented

In June 2015, the GASB issued Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." This statement is effective for periods beginning after June 15, 2017.

In March 2016, the GASB issued Statement No. 81, "Irrevocable Split-Interest Agreements." This statement is effective for reporting periods beginning after December 15, 2016.

In November 2016, the GASB issued Statement No. 83, "Certain Asset Retirement Obligations." The statement is effective for reporting periods beginning after June 15, 2018.

In January 2017, the GASB issued Statement No. 84, "Fiduciary Activities." The statement is effective for reporting periods beginning after December 15, 2018.

In March 2017, the GASB issued Statement No. 85, "Omnibus 2017." The statement is effective for reporting periods beginning after June 15, 2017.

In May 2017, the GASB issued Statement No. 86, "Certain Debt Extinguishment Issues." The statement is effective for reporting periods beginning after June 15, 2017.

In June 2017, the GASB issued Statement No. 87, "Leases." The statement is effective for reporting periods beginning after December 15, 2019.

The effect, if any, 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 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 Position for June 30, 2017 as follows:

Notes to Financial Statements

Deposits	Carrying Amount	Bank Balance	Uninsured Bank Balance		
			(A)	(B)	(C)
Total Cash Deposits at BND	41,777,365	49,032,043	49,032,043		
CDs at BND	80,000,000	80,000,000	80,000,000		
Total Cash Deposits at Other	10,968,612	10,445,002	947,184	9,000,000	
CDs at Other					
Total Deposits	132,745,977	139,477,045	129,979,227	9,000,000	-
Cash on Hand/Petty Cash	86,325				
Less amts reported as investments	(80,000,000)				
Cash & Cash Equ-SNA	52,832,302				

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the System's deposits may not be returned to it. The System 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, 2017, \$411.7 million of the System's bank balance of \$414.5 million was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 400.6 million
Uninsured and collateral held by pledging bank not in system's name	\$ 11.1 million

Investments

Investments are reported at fair value (market) and reported on the Statement of Net Position as of June 30, 2017, as shown below:

Notes to Financial Statements

<u>Account</u>	<u>Market Value</u>	<u>Maturities from June 30</u>			
		<u>Less than 1 year</u>	<u>1 year to 5 years</u>	<u>6 years to 10 years</u>	<u>More than 10 years</u>
Debt Securities:					
US Treasuries	\$ -		\$ -		
US Strips	-				
Mutual Bond Funds	231,518	231,518			
Money market mutual funds	6,760	6,760			
Total Securities w/ Maturities	\$ 238,278	\$ 238,278	\$ -	\$ -	-
Other Invest Types:					
Stocks	\$ 835,083				
Equity Mutual Funds					
BND Cd's Credit risked as investments but reported as deposits	80,000,000				
Non-BND Cd's Credit risked as investments but reported as deposits					
Investment in Real Estate	5,487,500				
Alternate Investments	52,982				
Total reported on SNA	\$ 86,613,843				

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, 2017, 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	Not Rated
Debt Securities:			
Mutual Bond Funds			
Money market mutual funds	\$ 231,518		\$ 231,518
Other	6,760	6,760	
Total	\$ 238,278	\$ 6,760	\$ 231,518

The NDUS categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

Fair Value Hierarchy

In accordance with GASB Statement No. 72, assets are grouped at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

- Level 1 – Valuation is based upon quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- Level 2 – Valuation is based upon quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.
- Level 3 – Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect our own estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

Fair values are based on the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

The balances of assets measured at fair value on a recurring basis at June 30, 2017 are:

	Level 1	Level 2	Level 3	Total Fair Value
Equity Securities	\$ 835,083			\$ 835,083
Mutual bond funds	231,518			231,518
Real estate			5,487,500	5,487,500
Total	\$ 1,066,601	\$ -	\$ 5,487,500	\$ 6,554,101

Notes to Financial Statements

Note 3 – Receivables

Receivables at June 30, 2017 consist of the following amounts:

	Current	NonCurrent	Total
Student & General	\$ 8,635,899		\$ 8,635,899
Interest Receivable	187,804		187,804
Allow ance for doubtful Accts	(3,949,564)		(3,949,564)
Total Accounts Receivable, Net	<u>\$ 4,874,139</u>		<u>\$ 4,874,139</u>
Grants & Contracts Receivable	\$ 11,775,705		\$ 11,775,705
Due from Other State Agencies	3,234,477		3,234,477
Total Grants & Contracts Receivable, Net	<u>\$ 15,010,182</u>		<u>\$ 15,010,182</u>
Student	\$ 1,723,240	\$ 6,172,288	\$ 7,895,528
Allow ance for Doubtful Notes	(152,278)	(549,462)	(701,740)
Total Notes Receivable, Net	<u>\$ 1,570,962</u>	<u>\$ 5,622,826</u>	<u>\$ 7,193,788</u>

Note 4 – Endowment Funds

The endowment funds reported herein are institutional funds under the terms of the gift instrument and are not wholly expendable by the institution. NDCC Section 59-21 the Uniform Prudent Management of Institutional Funds Act (UPMIFA) applies to the investment of endowments governed by a gift instrument. NDUS SBHE policy 810 stipulates endowment funds shall be invested according to the intent of the donor provided such intent is consistent with applicable laws. Absent terms expressing donor intent in a gift instrument, NDUS institution officers initially shall deposit the funds in institution accounts at the Bank of North Dakota. Thereafter, the funds may be invested according to NDCC 59-21. Subject to the intent of the donor, NDUS institution officers are delegated authority to manage and invest these institutional funds as provided by UPMIFA. 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

Note 5 – Capital & Intangible Assets

Capital asset activity for the year ended June 30, 2017 was as follows:

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Land	\$ 10,552,252				\$ 10,552,252
Construction in Progress	47,695,526	\$ 23,450,567		\$ (44,960,656)	26,185,437
Total non-depreciable capital assets	\$ 58,247,778	\$ 23,450,567	\$ -	\$ (44,960,656)	\$ 36,737,689
Land Improvements/infrastructure	\$ 56,424,969	\$ 1,204,705			\$ 57,629,674
Buildings	472,315,634	21,853,893		\$ 44,960,656	539,130,183
Furniture, fixtures, and equipment	139,133,839	7,762,142	\$ 3,528,420		143,367,561
Intangibles:					
<i>Computer Software</i>	1,115,373				1,115,373
<i>Other</i>	642,410				642,410
Library Materials	16,837,973	91,455	109,149		16,820,279
Total Depreciable Capital Assets	\$ 686,470,198	\$ 30,912,195	\$ 3,637,569	\$ 44,960,656	\$758,705,480
Less accumulated depreciation and amortization					
Land Improvements/infrastructure	\$ 33,997,561	\$ 1,346,121			\$ 35,343,682
Buildings	174,755,309	13,371,100			188,126,409
Furniture, fixtures, and equipment	82,639,777	9,106,366	2,484,387		89,261,756
Intangibles:					
<i>Computer Software</i>	801,396	104,338			905,734
<i>Other</i>	155,149				155,149
Library Materials	14,406,800	586,390	109,149		14,884,041
Total Accumulated depreciation and amortiz:	\$ 306,755,992	\$ 24,514,315	\$ 2,593,536	\$ -	\$328,676,771
Total Depreciable Capital Assets, net	\$ 379,714,207	\$ 6,397,880	\$ 1,044,033	\$ 44,960,656	\$430,028,710
Capital Assets, net	\$ 437,961,985	\$ 29,848,447	\$ 1,044,033	\$ -	\$466,766,399

Notes to Financial Statements

Construction in progress for the year ended June 30, 2017 was as follows:

Project	Amount <u>Authorized</u>	Expended <u>(CIP Balance)</u>	Expended <u>(non-capitalized)</u>	Authorized <u>Balance</u>
<u>Budiling Projects:</u>				
VDL	\$ 18,000,000	\$ 14,824,503	\$ -	\$ 3,175,497
Carrington Seed Cleaning Plant	1,500,000	563,215		936,785
NCREC Seed Cleaning Plant	1,500,000	59,918		1,440,082
New Residence Hall	39,505,000	796,710		38,708,290
Univ Village-Phase 1	10,000,000	453		9,999,547
Churchill Hall	11,000,000	9,940,638		1,059,362
Construction in Progress Total	<u>\$ 81,505,000</u>	<u>\$ 26,185,437</u>	<u>\$ -</u>	<u>\$ 55,319,563</u>

Notes to Financial Statements

Note 6 – Accounts Payable & Accrued Liabilities

Accounts payable and accrued liabilities consisted of the following at June 30, 2017:

Accounts Payable	\$ 10,858,028
Due to other state agencies	286,476
Sales Tax Payable	0
Accrued Interest	777,897
Contractor Payable/Retainage	1,334,559
Total Payables & Accrued Liabilities	<u>\$ 13,256,960</u>

Note 7 – Long-Term Liabilities

The changes in long-term liabilities during fiscal year 2017 are as shown below:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Current Portion</u>	<u>Non-Current Portion</u>
Bonds Payable	\$ 77,109,800	\$ 10,405,000	\$ 13,640,156	\$ 73,874,644	\$ 3,777,020	\$ 70,097,624
Due to CU - Bonds Payable	17,905,000	18,790,000	19,340,000	17,355,000	1,310,000	16,045,000
Capital Leases	7,250,011	1,150,444	2,221,521	6,178,934	705,178	5,473,756
Due to CU - Capital Leases	15,955,104		999,561	14,955,543	998,775	13,956,768
Special Assessments	2,294,947	1,222,821	118,490	3,399,278	146,884	3,252,394
Compensated Absences	14,121,854		149,528	13,972,326	1,033,446	12,938,880
Total	<u>\$ 134,636,716</u>	<u>\$ 31,568,265</u>	<u>\$ 36,469,256</u>	<u>\$ 129,735,725</u>	<u>\$ 7,971,303</u>	<u>\$ 121,764,422</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 Position, Restricted for Debt Service.

The summary of outstanding obligations of the campuses, as of June 30, 2017 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 6/30/16</u>	<u>New Bonds issued this Fiscal Year</u>	<u>Refunding Bonds</u>	<u>Bond Principal paid this Fiscal Year</u>	<u>Bonds Outstanding 6/30/17</u>
Housing and Auxiliary System Revenue Bonds:								
2007 Living Learning Center East/Ceres Hall	7/31/2007	4/1/2037	\$ 12,000,000	\$ 10,170,000		\$ 10,170,000	\$ -	\$ -
2009 Niskanen/West Dining Center	7/29/2009	4/1/2039	26,245,000	23,120,000			580,000	22,540,000
2012A Refunding (Series 2002 LLC Bonds)	3/1/2012	4/1/2027	5,730,000	4,385,000			355,000	4,030,000
2014A Refunding (Series 2004 Bison Court)	4/1/2014	4/1/2034	8,340,000	7,725,000			330,000	7,395,000
2015A Refunding (Series 2005, 2006A & B)	2/5/2015	4/1/2036	21,195,000	19,805,000			1,545,000	18,260,000
2015B Aquatic Addition (Series 2004 Bison Court)	6/24/2015	4/1/2035	9,355,000	9,110,000			330,000	8,780,000
2016 Refunding (Series 2007 LLCE/Ceres)	8/2/2016	4/1/2036	10,405,000		10,405,000		340,000	10,065,000
Subtotal - NDSU			\$ 93,270,000	\$ 74,315,000	\$ 10,405,000	\$ 10,170,000	\$ 3,480,000	\$ 71,070,000
NDSU Research & Tech Park, Inc.								
Series 2007A, Research 1 (Refunding Series 2000)	1/25/2007	4/1/2022	\$ 4,535,000	\$ 2,715,000		\$ 2,715,000	\$ -	\$ -
Series 2007B, Research 2 (Refunding Series 2002)	1/25/2007	4/1/2032	17,715,000	15,190,000		15,190,000		
Series 2016, Research 1 and 2 (Series 2007A & B, R1 and R2)	7/27/2016	5/1/2032	18,790,000		18,790,000		\$ 1,435,000	\$ 17,355,000
Subtotal - NDSU Research & Tech Park, Inc.			\$ 22,250,000	\$ 17,905,000	\$ 18,790,000	\$ 17,905,000	\$ 1,435,000	\$ 17,355,000
GRAND TOTAL BONDS PAYABLE			\$ 140,810,000	\$ 92,220,000	\$ 29,195,000	\$ 28,075,000	\$ 4,915,000	\$ 88,425,000

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

North Dakota State University issued \$10.4 million of Housing and Auxiliary Facilities bonds with an interest rate of 2.00 – 4.0 percent. The bonds were used to recall \$10.2 million of outstanding Series 2007 Housing and Auxiliary bonds. The bonds were refunded to reduce total debt service payments over the next twenty years by \$2.4 million. The economic gain realized as a result of the refunding was \$1.9 million.

Notes to Financial Statements

Scheduled Maturities of Bonds Payable

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 5,087,020	\$ 3,268,906	\$ 8,355,926
2019	5,222,020	3,138,001	8,360,021
2020	5,347,020	3,005,985	8,353,005
2021	5,492,020	2,856,474	8,348,494
2022	5,682,020	2,660,953	8,342,973
2023 - 2027	23,880,100	10,293,846	34,173,946
2028 - 2032	22,105,100	6,299,094	28,404,194
2033 - 2037	15,229,344	2,561,372	17,790,716
2038 - 2042	3,185,000	252,787	3,437,787
	<u>\$ 91,229,644</u>	<u>\$ 34,337,418</u>	<u>\$ 125,567,062</u>

Note 9 – Notes Payable

The University does not have any outstanding notes payable as of June 30, 2017.

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 2037.

Notes to Financial Statements

A summary of the Capital Lease & Due to Component Unit activity for fiscal 2017 is as follows:

LEASE NUMBER	Lease Start	DESCRIPTION	Terms (in Months)	PRINCIPAL BALANCE DUE	PRINCIPAL	PRINCIPAL	PRINCIPAL BALANCE DUE
	Date			6/30/2016	NEW LEASES	PAID	6/30/2017
Capital Leases							
0527	11/12/08	Wells Fargo-Athletic Field Turf	96	\$ 74,391		\$ 74,391	\$ -
0573	06/24/12	Bank of America-Energy Savings Performance Contract	168	5,529,588		472,440	5,057,148
0584	03/15/12	Wells Fargo-Truax FLEXII Drill, Model FLXII-812RD	60	4,539		4,539	-
0585	06/30/12	Wells Fargo-Zurn 150 Demo Plot Combine	49	16,933		16,933	-
0590	09/15/12	Wells Fargo-Zurn 150 Plot Combine	48	21,420		21,420	-
0608	07/15/14	Wells Fargo-Two Skid Steers, NH-L L220; Blow Hard Bunk Clean	60	38,164		12,263	25,901
0612	08/18/14	Wells Fargo-New Zuern 150 Plot Combine	48	182,985		182,985	-
0619	09/30/14	Wells Fargo-New Case 1H Patriot 2240 Sprayer w/attachments	59	114,620	(131)	114,489	-
0622	07/30/14	Wells Fargo-Dakota Field Athletic Bubble	62	1,014,060		1,014,060	-
0625	08/15/15	Wells Fargo-2015 150 Plot Harvester w/attachments-accessorie	38	57,975		57,975	-
0636	09/23/15	Wells Fargo-New Lanier Pro C7110SX Color MFP Prod. System	36	83,291		36,319	46,973
0637	07/15/15	Wells Fargo-Used 2002 Case IH 220 Tractor w attachments	60	45,444		10,690	34,754
0640	07/27/15	Deere Credit, Inc - "The Gator" Crossover Utility Vehicle	36	8,142		8,142	-
0643	06/12/16	Wells Fargo-New Case Forage Wagon	61	58,460		10,834	47,626
0644	08/17/16	Wells Fargo-Athletics Scoreboard/Media System	84		1,150,444	183,912	966,532
				\$ 7,250,011	\$ 1,150,313	\$ 2,221,390	\$ 6,178,934
Due to Component Units - Capital Leases							
0465	10/10/05	NDSU Development Fnd-Fargodome-Paid from Gifts @ NDSUDF	180	\$ 1,325,104		\$ 299,561	\$ 1,025,543
0476	11/29/07	NDSU Development Foundation-Renaissance Hall	303	4,565,000		235,000	4,330,000
0586	11/29/07	US Bank for NDSU Development Foundation-Barry & Klai Hall	295	10,065,000		465,000	9,600,000
				\$ 15,955,104	\$ -	\$ 999,561	\$ 14,955,543
		Grand Total		\$ 23,205,115	\$ 1,150,313	\$ 3,220,951	\$ 21,134,477

Scheduled Maturities of Capital Leases & Due to Component Units

Fiscal Year	Principal	Interest	Total
2018	\$ 1,703,953	\$ 747,116	\$ 2,451,069
2019	1,724,373	685,677	2,410,050
2020	1,779,254	620,347	2,399,601
2021	1,621,641	555,699	2,177,340
2022	1,546,813	501,310	2,048,123
2023 - 2027	6,278,443	1,758,829	8,037,272
2028 - 2032	3,695,000	867,078	4,562,078
2033 - 2037	2,785,000	287,900	3,072,900
2038 - 2042			-
	\$ 21,134,477	\$ 6,023,956	\$ 27,158,433

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>
2018	\$ 146,884	\$ 164,670	\$ 311,554
2019	131,100	157,382	288,482
2020	136,558	150,852	287,410
2021	136,020	150,852	286,872
2022	139,132	144,122	283,254
2023 - 2027	808,775	575,355	1,384,130
2028 - 2032	892,206	370,606	1,262,812
2033 - 2037	704,309	153,131	857,440
2038 - 2042	304,294	31,701	335,995
	<u>\$ 3,399,278</u>	<u>\$ 1,898,671</u>	<u>\$ 5,297,949</u>

Compensated Absences

The compensated absences liability as of June 30, 2017 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, 2017 and 2016 totaled \$13,972,326 and \$14,121,854, respectively. Leave policies restrict the accumulation of unused vacation and thus limit the actual payments made to employees upon termination or retirement.

Note 12 – Deferred Outflows and Deferred Inflows

Deferred outflows and deferred inflows as of June 30, 2017 consist of the following:

Deferred Outflows	
Pension	\$ 10,550,751
Debt Refunding	1,581,820
	<u>\$ 12,132,571</u>
Deferred Inflows	
Pension	\$ 3,249,274
Debt Refunding	3,373
Grant amounts received prior to meeting time requirements	55,680
	<u>\$ 3,308,327</u>

Note 13 – 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 description of each plan:

NORTH DAKOTA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (NDPERS)

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDCC Chapter 54-52 for more complete information.

NDPERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all employees of the State of North Dakota, its agencies and various participating political subdivisions. NDPERS provides for pension, death and disability benefits. The cost to administer the plan is financed through the contributions and investment earnings of the plan.

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of seven members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system; and one member elected by the retired public employees. Effective July 1, 2015, the board was expanded to include two members of the legislative assembly appointed by the chairman of the legislative management.

Notes to Financial Statements

Pension Benefits

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Member of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 will be replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. The plan permits early retirement at ages 55-64 with three or more years of service.

Members may elect to receive the pension benefits in the form of a single life, joint and survivor, term-certain annuity, or partial lump sum with ongoing annuity. Members may elect to receive the value of their accumulated contributions, plus interest, as a lump sum distribution upon retirement or termination, or they may elect to receive their benefits in the form of an annuity. For each member electing an annuity, total payment will not be less than the members' accumulated contributions plus interest.

Death and Disability Benefits

Death and disability benefits are set by statute. If an active member dies with less than three years of service for the Main System, a death benefit equal to the value of the member's accumulated contributions, plus interest, is paid to the member's beneficiary. If the member has earned more than three years of credited service for the Main System, the surviving spouse will be entitled to a single payment refund, life-time monthly payments in an amount equal to 50% of the member's accrued normal retirement benefit, or monthly payments in an amount equal to the member's accrued 100% 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 member's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

Eligible members who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the member has to become disabled during the period of eligible employment and apply for benefits within one year of termination. The definition of disabled is set by the NDPERS in the North Dakota Administrative Code.

Refunds of Member Account Balance

Upon termination, if a member of the Main System is not vested (is not 65 or does not have three years of service), they will receive the accumulated member contributions and vested employer contributions, plus interest, or may elect to receive this amount at a later date. If the member has vested, they have the option of applying for a refund or can remain as a terminated

Notes to Financial Statements

vested participant. If a member terminated and withdrew their accumulated member contribution and is subsequently reemployed, they have the option of repurchasing their previous service.

Member and Employer Contributions

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of covered compensation. Member contribution rates are 7.0 percent and employer contribution rates are 7.12 percent of covered compensation.

The member's account balance includes the vested employer contributions equal to the member's contributions to an eligible deferred compensation plan. The minimum member contribution is \$25 and the maximum may not exceed the following:

1 to 12 months of service – Greater of one percent of monthly salary or \$25

13 to 25 months of service – Greater of two percent of monthly salary or \$25

25 to 36 months of service – Greater of three percent of monthly salary or \$25

Longer than 36 months of service – Greater of four percent of monthly salary or \$25

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The NDUS proportion of the net pension liability was based on the NDUS share of covered payroll in the Main System pension plan relative to the covered payroll of all participating NDPERS employers.

Pension liability recorded as of June 30, 2017	\$	100,749,199
Proportionate share of net pension liability		10.34%
Change from its proportion measured as of June 30, 2016		-0.74%
Total pension expense recognized as of June 30, 2017	\$	12,237,892

At June 30, 2017, the NDUS reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Notes to Financial Statements

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$ 1,513,466	\$ 932,856
Changes of assumptions	9,287,790	5,061,304
Net difference between projected and actual earnings on pension plan investments	14,055,962	109,311
Changes in proportion and differences between employer contributions and proportionate share of contributions	519,484	5,782,364
Employer contributions subsequent to the measurement date	7,546,277	-
Total	<u>\$ 32,922,979</u>	<u>\$ 11,885,835</u>

Employer contributions made subsequent to the measurement date of \$7.5 million are reported as deferred outflows of resources and a reduction of pension expense at June 30, 2018.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense by the NDUS as follows:

Year ended June 30:	
2018	\$ 2,266,465
2019	2,266,465
2020	5,276,647
2021	3,013,089
2022	668,213
Thereafter	-

Notes to Financial Statements

Actuarial assumptions. The total pension liability in the July 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation 3.50%

Salary increases 4.50% per annum

Investment rate of return 8.00%, net of investment expenses

Cost-of-living adjustments None

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%.

The actuarial assumptions used were based on the results of an actuarial experience study completed in 2015. They are the same as the assumptions used in the July 1, 2016, funding actuarial valuation for NDPERS.

As a result of the 2015 actuarial experience study, the NDPERS Board adopted several changes to the actuarial assumptions effective July 1, 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31%	6.90%
International Equity	21%	7.55%
Private Equity	5%	11.30%
Domestic Fixed Income	17%	1.52%
International Fixed Income	5%	0.45%
Global Real Assets	20%	5.38%
Cash Equivalents	1%	0.00%

Notes to Financial Statements

Discount rate

The discount rate used to measure the total pension liability was 8 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2016, Actuarial Valuation Report.

For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2016.

Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Employer's proportionate share of the net pension liability	\$ 142,910,794	\$ 100,749,199	\$ 65,225,869

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued NDPERS financial report at <https://ndpers.nd.gov/employers/employer-resources/governmental-accounting-standards-board-gasb/>

TIAA RETIREMENT PLAN

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 SBHE in its approved TIAA-CREF retirement resolution. All benefits vest immediately to the participant. The SBHE has the authority for establishing or amending plan provision and establishing or amending contribution requirements. Further information can be obtained by writing to TIAA; Denver Regional Office; 1700 Broadway, Suite 770; Denver, Colorado 80290 or by calling 800-842-2009.

Notes to Financial Statements

Funding Policy

The plan requires employee and employer contributions be based on a classification system and years of service based on the following schedule. Beginning, January 1, 2014 contributions in class I and II increased from 3.5 percent to 4.5 percent for participant contributions and from 11.5 percent to 12.5 percent for institution contributions for employees with zero to ten years of service. Contributions for employees with more than ten years of service increased from 4.0 percent to 5.0 percent for participant contributions for employee contributions and from 12.0 percent to 13.0 percent for institution contributions.

Employment Class	Years of Service	Contributions by the Participant	Contributions by the Institution
I and III	0 thru 10	4.5%	12.5%
	over 10	5.0%	13.0%
II	0 thru 2	3.5%	7.5%
	3 thru 10	4.5%	12.5%
	over 10	5.0%	13.0%
IV	Closed to new participants	4.0%	12.0%
President/Chancellor (additional employer contribution)	less than 3	0.0%	0.0%
	3 to less than 6	0.0%	4.0%
	6 yrs and over	0.0%	8.0%

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 North Dakota University System has no further liability once annual contributions are made. The University System contributed \$44.2 million to TIAA-CREF during the fiscal years ending June 30, 2017.

Note 14 - 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 percent of covered compensation.

Notes to Financial Statements

There are approximately 897 retired University System employees receiving these benefits and 3,078 active employees with retiree health credit. The actuarially determined required employer contribution of \$1,213,697 for the year ended June 30, 2017 is 1.14 percent of the covered payroll. The University System's actual and required contributions for the fiscal years ending June 30, 2017, 2016 and 2015 were \$1,213,697, \$1,176,853, and \$1,183,344, respectively.

As of June 30, 2017, there was \$117.6 million in net position available for benefits under the state retiree health insurance credit plan. The actuarially accrued liability was \$196.7 million and the underfunded actuarially accrued liability was \$82.1 million at June 30, 2017.

TERMINATION BENEFITS

Termination benefits are benefits provided to employees who are involuntarily or voluntarily terminated, as a result of budget reductions. Termination benefits agreements may include contract buyouts, retirement incentives, severance lump-sum payouts and continuing healthcare coverage for a designated period of time or a combination of these benefits. The agreement terms vary by institution. The outstanding liability is measured at the discounted present value and projected increases in health insurance rates.

NDUS entered into voluntary termination agreements with 181 employees for a cost of \$6.3 million in fiscal year 2017. The time-period for payment of benefits range from one month to two years. NDUS recorded a liability at June 30, 2017 of \$5.6 million for future payments.

During the same time-period, the NDUS entered into involuntary separation agreements with 27 employees for a cost of \$175,000. The time-period for payment of benefits range from one to two months. NDUS recorded a liability at June 30, 2017 of \$77,000 for future payments.

In fiscal year 2017, NDUS incurred \$932,000 in expenses related to voluntary termination agreements entered into in prior fiscal years for 29 employees. The terms for these agreements range from one month to thirty-eight months. At June 30, 2017, the liability for future payments was \$183,000.

There were no costs incurred in fiscal year 2017 for involuntary termination agreements entered into in prior fiscal years.

Note 15 - Construction Commitments and Financing

The institutions have contracted for various construction projects as of June 30, 2017. Estimated costs to complete the various projects and the sources of anticipated funding are as follows:

Notes to Financial Statements

On July 27, 2017, the RTP issued \$18.790 million of Series 2016 Taxable Lease Revenue Refunding Bonds. These bonds are used to advance refund the callable maturities of the Series 2007A and Series 2007B bonds and pay the related costs of issuance. During the year end June 30, 2017, both the Series 2007A and 2007B bonds were repaid in full from the funds held in escrow from the Series 2016 bond refinancing. The audited financial statements of RTP for fiscal year 2017 report these transactions as an operating lease and report the related capital assets and related debt as assets and debt of RTP.

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 year 2017, NDSU and the RTP entered into renewed agreements, whereby NDSU leases the Research Buildings #1 and #2 through June 30, 2022. During fiscal year 2017, total annual rent of \$312,000 was paid by NDSU for these two buildings, in addition to the \$1,806,231 of principal and interest paid by NDSU directly to the bond trustee. NDSU reimbursed the RTP \$41,882 for property insurance on the two buildings and directly pays the utility costs under these agreements. The annual rent will be readjusted by mutual agreement every two years. These agreements are subject to funding and legislative appropriations.

Other Transactions

During fiscal year 2017 NDSU made other payments unrelated to the building leases totaling \$29,540 for a subaward on an EPSCoR grant.

NDSU Foundation and Alumni Association

Fargodome Lease and Improvements

In fiscal year 2006, the NDSUFAA 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 NDSUFAA 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 NDSUFAA for use of the premises. The amount of the rent is tied to the \$3.5 million debt service retirement plus the Fargodome annual space rent and all costs incurred by the NDSUFAA incident to the lease, less any contributions received by the NDSUFAA for the project. Under this agreement in fiscal year 2017, the NDSUFAA paid the debt service and other fees on behalf of NDSU in the amount of \$331,996.

The facility is included in long-term investments and the debt is included in long-term liabilities on the financial reports of the NDSUFAA. NDSU has also recorded a capital asset and a capital lease payable, reflected as "Due to Component Units" by NDSU, of \$1.025 million as of June 30, 2017. Since the NDSUFAA 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 NDSUFAA by NDSU alum in December of 2001. During fiscal year 2003 and 2004, the NDSUFAA renovated the building

Notes to Financial Statements

with the intent to lease the facility to NDSU beginning fall 2004. The NDSUFAA 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 NDSUFAA, permanent financing was put in place on December 17, 2010, with the issuance of \$5.65 million 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 SBHE 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 NDSUFAA incident to ownership of the property. Ownership of the property will transfer to NDSU when the bonds are repaid in full. NDSU paid the NDSUFAA \$414,360 in fiscal year 2017 for debt service under this agreement. As of June 30, 2017 the outstanding balance on the bonds, reflected as "Due to Component Units" by NDSU, is \$4.330 million.

Barry Hall Business Building and Klai Hall Architecture Building

Effective November 28, 2007, NDSU and the NDSUFAA entered into lease agreements for two buildings in downtown Fargo, formerly known as the "Pioneer Mutual Building" and "Lincoln Mutual building". The NDSUFAA 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 NDSUFAA 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 NDSUFAA 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 NDSUFAA. 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 NDSUFAA incident to ownership of the property.

In May 2012, the NDSUFAA 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 year 2017, NDSU paid \$625,185 to the bond trustee on-behalf of the NDSUFAA under the new leases for debt service on Barry Hall & Klai Hall. During fiscal year 2017, the NDSUFAA paid \$236,448 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, 2017 the outstanding balance on the bonds, reflected as "Due to Component Units" by NDSU, is \$9.600 million and the portion payable by the

Notes to Financial Statements

NDSUFAA to NDSU for the collection of pledges is recognized by NDSU as a current & non-current "Due from Component Units" for \$62,637.

Other Transactions

NDSU also has agreements in place with the NDSUFAA for maintenance of the University's alumni records, for use and insurance on certain land and building. Amounts paid by NDSU under these agreements as of June 30, 2017 totaled \$646,766.

NDSU pays the NDSUFAA rent under operating lease agreements for two buildings (Criminal Justice and Graduate Center), as well as pasture rent paid from NDSU's Agricultural Experiment Station. Those operating lease payments totaled \$139,108 during fiscal year 2017. In addition to the debt service payments on the Fargodome, Renaissance, Barry and Klai Halls, NDSU reimburses the NDSUFAA for other operating expenses related to those buildings, such as property insurance, flood insurance, boiler inspection fees, real estate taxes and bond administrative fees. Those costs totaled \$94,957 during fiscal year 2017.

NDSUFAA 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.

Note 17 – On-Behalf Payments

No on-behalf payments at NDSU in fiscal 2017.

Note 18 – Functional Expense Classification

The System reports operating expenses using the “natural classification” on the Statement of Revenues, Expenses and Changes in Net Position. Operating expenses for the year ending June 30, 2017, using the “functional classification” are presented below:

Operating Expenses	
Instruction	\$ 97,167,254
Academic Support	31,263,170
Student Services	37,415,250
Institutional Support	13,449,547
Physical Plant	31,079,959
Scholarships & Fellowships	19,536,954
Auxiliary Services	37,026,263
Public Service	33,355,505
Research	91,643,431
Depreciation & Amortization	24,514,315
Total	<u>\$ 416,451,648</u>

Note 19 – Operating Leases

The institutions 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, 2017, amounted to \$4.4 million.

Notes to Financial Statements

Future minimum lease payments at June 30, 2017:

<u>Fiscal Year</u>	<u>Future Minimum Lease Payments</u>
2018	\$ 1,731,691
2019	853,454
2020	491,805
2021	312,000
2022	294,000
2023 - 2027	782,000
Total	<u>\$ 4,464,950</u>

Note 20 – Contingencies

Amounts received and expended by 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.

In the normal course of its activities, North Dakota State 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 NDSU. Therefore, an estimated liability has not been recorded.

Note 21 – 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 programs established by the state to address some of these risks and loss exposures.

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 years.

RISK MANAGEMENT FUND

The Risk Management Fund (N.D.C.C. ch. 32-12.2) was established by the 1995 North Dakota Legislature as a result of a court decision that eliminated the State's sovereign immunity. The Risk Management Division of the Office of Management and Budget administers the Fund.

Notes to Financial Statements

The Fund provides liability coverage and defense of a claim/lawsuit brought against the state of North Dakota, its agencies and employees acting within the scope of employment. The coverage amounts are \$250,000 per person and \$1,000,000 per occurrence.

The Fund is a risk retention pool that is funded by contributions paid by all State agencies. The contributions are calculated by an actuary based on various factors, including the agency's loss history and number of full-time employees.

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 \$2,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

Risk Management Workers Compensation Program

The Risk Management Workers Compensation Program (N.D.C.C. § 65-04-03.1) was established by the 2001 North Dakota Legislature and created a single workers' compensation account for all state agencies. This cross agency program is designed to save premium dollars through a deductible program while enhancing recovery of injured employees. The program is administered by the Risk Management Division of the Office of Management and Budget. Workers compensation provides money and medical benefits to an employee who has an injury as a result of an accident, injury or occupational disease on-the-job. The question of negligence or fault is usually not at issue.

Workforce Safety & Insurance (WSI) continues to determine the level of compensation an injured worker and his or her care provider are entitled to receive; and will determine experience rates, dividends, assessments, and the premiums payable by State entities for workers' compensation coverage. Effective July 1, 2001, workers' compensation premiums are paid to the Risk Management Division rather than to WSI.

Note 22 – 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, 2017 is \$324,318.

Note 23– Deficit Net Position Balances > \$100,000

As of June 30, 2017 the University had no reportable fund deficits in excess of \$100,000.

Note 24 – Subsequent Events

On July 26, 2017, NDSU issued two refunding bond issues, as follows:

Notes to Financial Statements

- Housing and Auxiliary Facilities Revenue Bonds in the amount of \$48.8 million were issued to finance construction of a new residence hall for \$39.5 million and a renovation project for phase I of the University Village Renovation project for \$10.0 million.
- Housing and Auxiliary Facilities Revenue Bonds in the amount of \$22.8 million were issued to advance refund NDSU Housing and Auxiliary Facilities Revenue Bonds, Series 2009, with an outstanding principal balance of \$22.5 million.

North Dakota State University
Supplementary Information - Component Units
Statement of Financial Position
For Year Ended June 30, 2017

FASB BASIS	Major Component Units	
	NDSU Foundation and Alumni Association December 31, 2016	NDSU Research & Technology Park June 30, 2017
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 5,361,167	\$ 2,303,122
Short-term investments	12,532,572	
Accounts receivable, net	813,375	201,298
Unconditional promises to give, net	8,282,969	2,500
Current Portion of net investment in direct financing leases		1,067,911
Other assets	152,420	9,639
Total Current Assets	\$ 27,142,503	\$ 3,584,470
Noncurrent Assets		
Restricted cash and cash equivalents	\$ 3,280,233	
Investments, net of current portion	173,923,747	
Real estate held for investment, net	35,525,131	
Contracts for deed and notes receivable,	900,289	
Long term pledges receivable	23,411,613	\$ 2,000
Notes Receivable, net		6,490,000
Net investment in direct financing leases, net of current portion		14,830,206
Other noncurrent assets	527,661	241,904
Capital assets, net	3,411,163	6,322,020
Total Noncurrent Assets	\$ 240,979,837	\$ 27,886,130
Total Assets	\$ 268,122,340	\$ 31,470,600

**Statement of Financial Position - Continued on Next
Page**

Statement of Financial Position - Continued

FASB BASIS	Major Component Units	
	NDSU Foundation and Alumni Association December 31, 2016	NDSU Research & Technology Park June 30, 2017
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 462,890	\$ 208,562
Accrued payroll		24,236
Current portion of gifts annuities and life income agreements	971,677	
Deferred revenue	8,394	
Other current liabilities	277,690	
Long-term liabilities—current portion	3,130,974	1,332,311
Total Current Liabilities	\$ 4,851,625	\$ 1,565,109
Noncurrent Liabilities		
Long-term portion of split-interest agreeer	6,455,668	
Other noncurrent liabilities		
Long-term liabilities	27,836,073	22,978,590
Total Noncurrent Liabilities	\$ 34,291,741	\$ 22,978,590
Total Liabilities	\$ 39,143,366	\$ 24,543,699
NET POSITION		
Temporarily restricted	\$ 30,343,273	\$ 4,500
Permanently restricted	166,417,960	
Unrestricted	32,217,741	6,922,401
Total Net Position	\$ 228,978,974	\$ 6,926,901

North Dakota State University
Supplementary Information - Component Units
Statement of Activities
For Year Ended June 30, 2017

FASB BASIS

	<u>Major Component Units</u>	
	NDSU	
	Foundation and Alumni Association	NDSU Research & Technology Park
	<u>December 31, 2016</u>	<u>June 30, 2017</u>
Support and revenue		
Gifts and contributions	\$ 28,199,843	\$ 265,049
Investment Income	5,105,426	720,323
Net realized and unrealized gains (losses) on investments	7,869,989	
Program and event income		72,250
Other Income	979,636	928,801
Total support and revenue	\$ 42,154,894	\$ 1,986,423
 Expenses		
Program Services	\$ 20,198,071	\$ 1,071,078
Supporting Services	8,606,620	1,620,034
Fund raising expense		
Total expenses	\$ 28,804,691	\$ 2,691,112
 Change in Net Assets	\$ 13,350,203	\$ (704,689)
 Net Position, Beginning of Year	\$ 215,628,771	\$ 7,631,590
Net Position, End of Year	\$ 228,978,974	\$ 6,926,901