

NDSU

NORTH DAKOTA STATE UNIVERSITY

Annual Financial Report
June 30, 2022

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North Dakota State University

Management's Discussion and Analysis

JUNE 30, 2022

North Dakota State University's (NDSU) discussion and analysis (MD&A) provides an overview of its financial activities for the year ending June 30, 2022 and should be read in conjunction with the accompanying financial statements and notes to the financial statements. The financial statements, notes, and the MD&A are the responsibility of management.

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

The financial statements presented are partially extracted from the audited System 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 unaudited.

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 an R1 research institution as defined by the Carnegie Classification of Institutions of Higher Education. 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.

Mission

We provide transformational education, create knowledge through innovative research, and share knowledge through community engagement that meets the needs of North Dakota and the world.

Vision

To lead the advancement of our land-grant ideals through innovative education, research, and outreach.

Financial Highlights

NDSU's overall financial standing continues to be sound with total assets of \$822 million and total liabilities of \$230 million, and a net position total of \$570 million (an increase of 46 million over the previous fiscal year). The University has done well in managing its financial resources during difficult times.

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 NDSU'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 NDSU 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 NDSU.

Management's Discussion and Analysis

Statement of Net Position

The following table shows a condensed Statement of Net Position at June 30, 2022 and 2021:

	2022	2021	Dollar Change	Percent Change
ASSETS				
Current assets	\$ 174,041,186	\$ 154,530,451	\$ 19,510,735	13%
Other non-current assets	69,657,918	80,395,545	(10,737,627)	-13%
Capital assets, net	578,360,122	548,943,677	29,416,445	5%
Total assets	<u>\$ 822,059,226</u>	<u>\$ 783,869,673</u>	<u>\$ 38,189,553</u>	<u>5%</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 37,300,461</u>	<u>\$ 57,427,726</u>	<u>\$ (20,127,265)</u>	<u>-35%</u>
LIABILITIES				
Current liabilities	\$ 58,403,666	\$ 61,515,294	\$ (3,111,628)	-5%
Noncurrent liabilities	171,627,296	239,641,111	(68,013,815)	-28%
Total liabilities	<u>\$ 230,030,962</u>	<u>\$ 301,156,405</u>	<u>\$ (71,125,443)</u>	<u>-24%</u>
DEFERRED INFLOWS OF RESOURCES	<u>\$ 59,586,819</u>	<u>\$ 16,349,576</u>	<u>\$ 43,237,243</u>	<u>264%</u>
NET POSITION				
Invested in capital assets, net	\$ 448,562,074	\$ 416,778,862	\$ 31,783,212	8%
Restricted	14,133,616	13,934,677	198,939	1%
Unrestricted	107,046,215	93,077,879	13,968,336	15%
Total net position	<u>\$ 569,741,905</u>	<u>\$ 523,791,418</u>	<u>\$ 45,950,487</u>	<u>9%</u>
Current Ratio (current assets to current liabilities)	<u>2.98</u>	<u>2.51</u>		
Primary Reserve Ratio (expendable net position to operating expenses)	<u>0.27</u>	<u>0.24</u>		

The increase in capital assets is due to the construction of the Indoor Practice Facility and Sugihara Hall.

GASB 68 Accounting and Reporting for Pensions continues to result in fluctuations in the financial statements primarily due to changes in the single discount rate. Per NDPERS, in FY21 the Pension plan was not on a path to full funding and had an infinite funding schedule. As a result, the single discount rate was reduced from 7.5% to 4.64% causing the liability to increase substantially. In FY22, the plan had 27% returns, resulting in the ability to increase the discount rate back up to 7%. This change in actuarial assumption reversed the fluctuation from the previous year causing a decrease in deferred outflows, decrease in pension liability (noncurrent liability), and increase in deferred inflows.

The increase in the invested in capital assets net position is due to the Indoor Practice Facility and Sugihara Hall. The increase in the Unrestricted Net Position is partially due to deferred construction projects for Auxiliaries.

Management's Discussion and Analysis

Statement of Revenues, Expenses, and Changes in Net Position

The following table shows a condensed Statement of Revenues, Expenses and Changes in Net Position, with operating and non-operating revenues and expenses combined, as of June 30, 2022 and 2021:

	2022	2021	Dollar Change	Percent Change
Revenues				
Student tuition and fees	\$ 116,718,433	\$ 118,092,337	\$ (1,373,904)	-1%
Grants, contracts & federal appropriations	88,032,692	81,621,460	6,411,232	8%
State appropriations	121,708,877	122,623,529	(914,652)	-1%
Sales and services of educational departments	40,449,104	29,727,329	10,721,775	36%
Auxiliary enterprises	43,166,032	39,402,162	3,763,870	10%
Gifts	21,433,179	23,985,263	(2,552,084)	-11%
Federal HEERF/Cares Act Stimulus	19,488,211	33,453,899	(13,965,688)	-42%
Other operating and nonoperating revenue	7,187,549	6,132,210	1,055,339	17%
Total revenues	\$ 458,184,077	\$ 455,038,189	\$ 3,145,888	1%
Expenses				
Salaries and wages	\$ 287,466,014	\$ 297,236,103	\$ (9,770,089)	-3%
Operating expenses	112,453,529	102,141,103	10,312,426	10%
Depreciation expense	29,777,246	26,853,839	2,923,407	11%
Student Scholarships and fellowships	6,732,211	6,396,832	335,379	5%
HEERF/Cares Act Aid to Students	11,487,017	3,912,585	7,574,432	194%
Other operating and nonoperating expenses	6,735,100	11,884,172	(5,149,072)	-43%
Total expenses	\$ 454,651,117	\$ 448,424,634	\$ 6,226,483	1%
Increase (decrease) prior to Capital Asset Funding	\$ 3,532,960	\$ 6,613,555	\$ (3,080,595)	-47%
Capital Asset Funding				
State appropriations - capital assets	\$ 21,101,646	\$ 34,604,723	\$ (13,503,077)	-39%
Capital grants and gifts	\$ 25,657,872	\$ 4,398,647	21,259,225	483%
Total Capital Asset Funding	\$ 46,759,518	\$ 39,003,370	\$ 7,756,148	20%
Increase (decrease) in Net Position	\$ 50,292,478	\$ 45,616,925	\$ 4,675,553	10%
Net Position, Beginning of Year, as restated	\$ 519,449,427	\$ 478,174,493	\$ 41,274,934	9%
Net Position, End of Year	\$ 569,741,905	\$ 523,791,418	\$ 45,950,487	9%

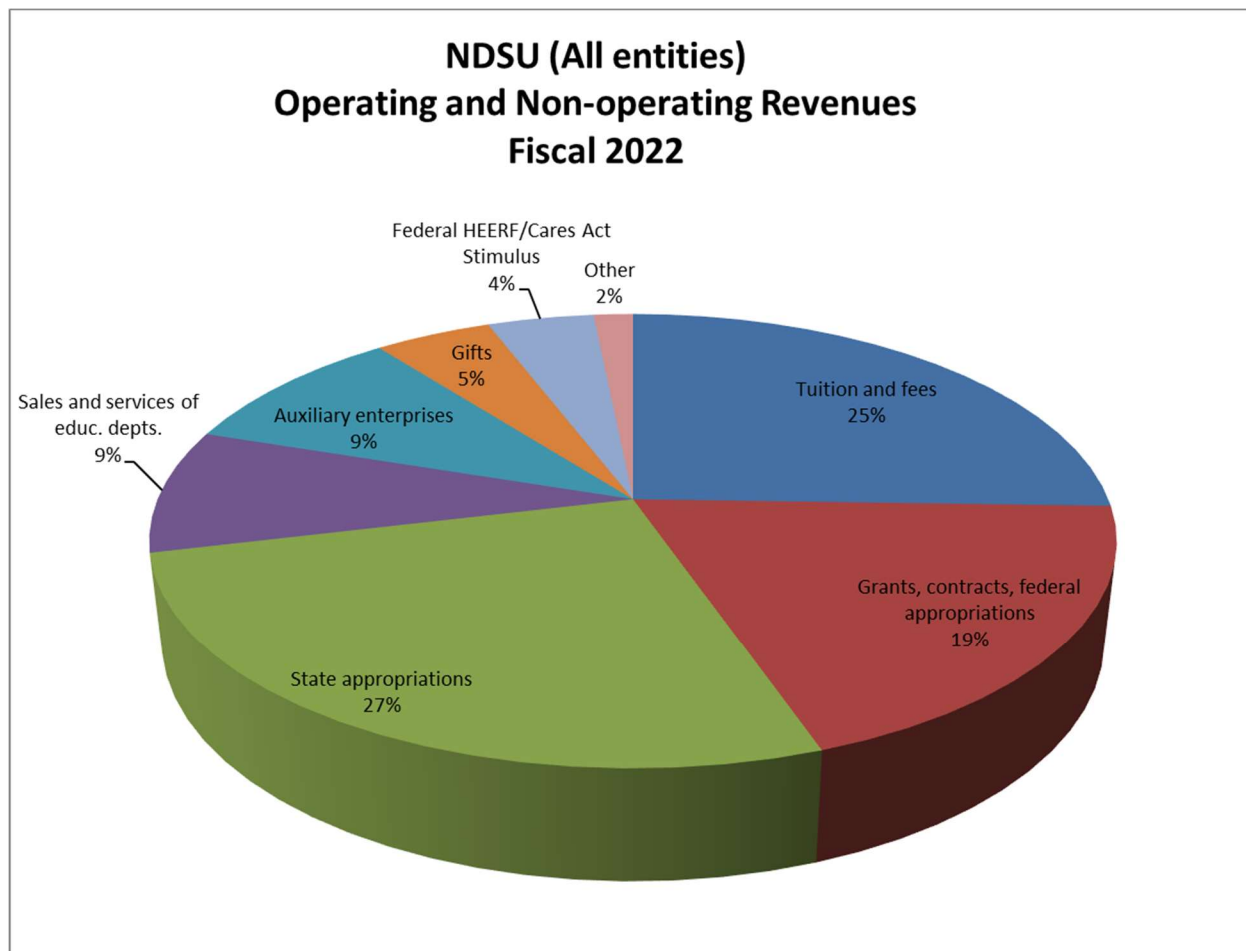
Overall, revenues increased 1% and expenses increased 1% from 2021 to 2022. There was a large overall increase in net position of \$45,950,487 with a majority of the increase due to an increase of invested in capital assets for the construction of the Indoor Practice Facility and Sugihara Hall.

Sales and services revenue and operating expenses increased primarily due to Athletics returning to normal operations after COVID.

Salaries and wages decreased by \$12 million for Pension expense. Nonoperating expenses decreased due to no new special assessments in FY22 compared to the previous year.

Graphs

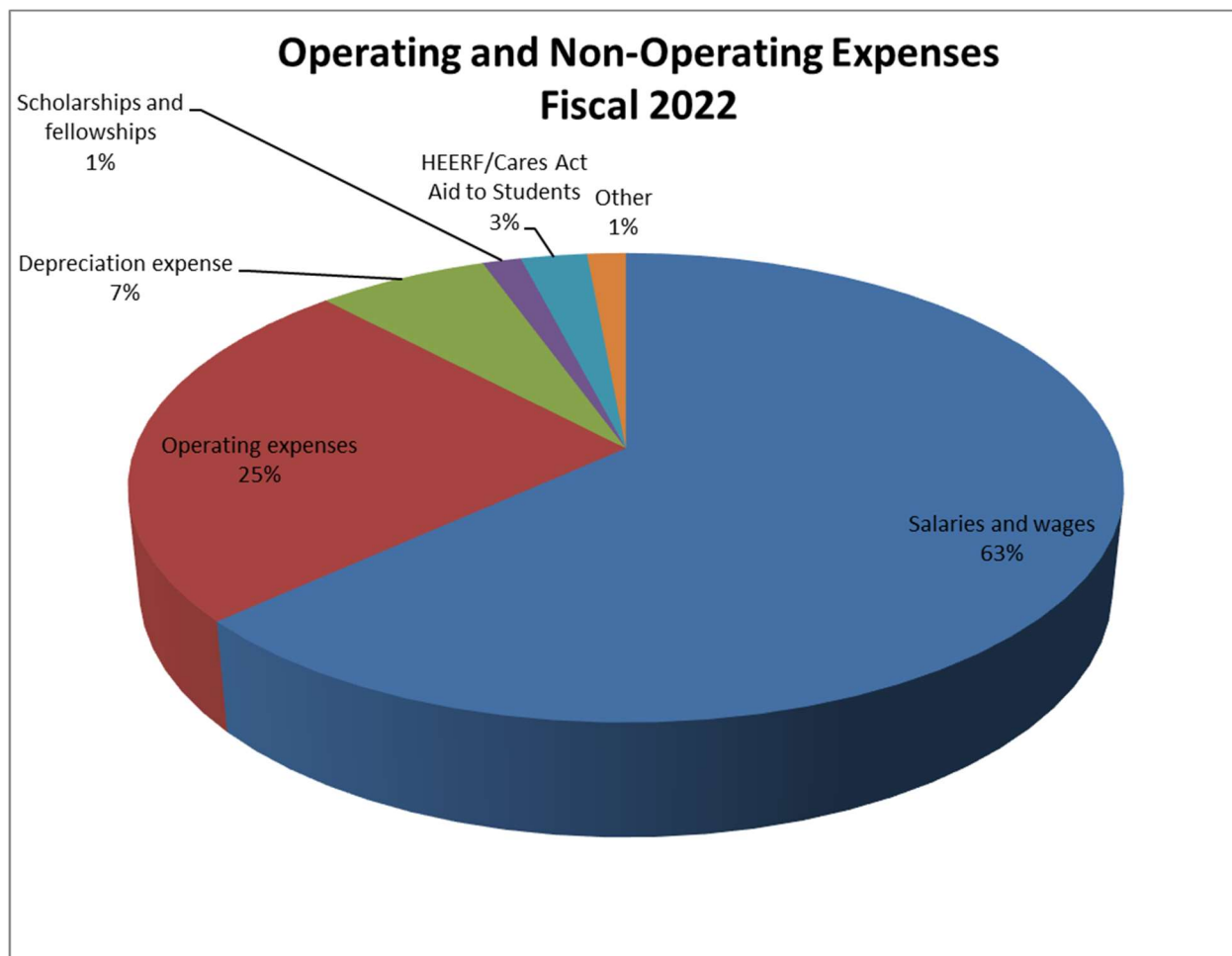
The following graph depicts sources of operating and non-operating revenues for fiscal year 2022:



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

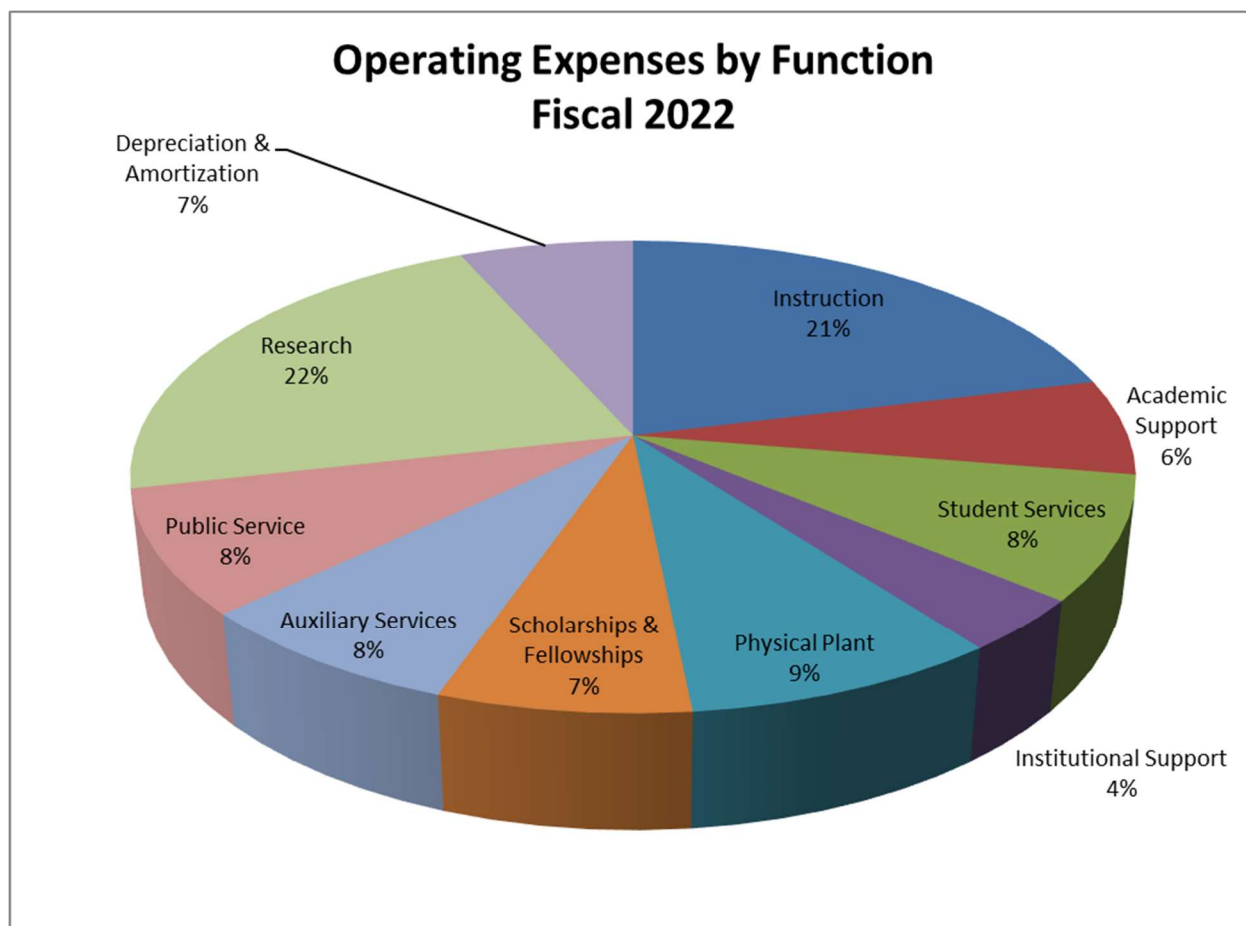
The following graph depicts objects of operating and non-operating expenses, by natural classification, for fiscal year 2022:



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 2022:



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

Financial Ratios

	2022	2021
Current Ratio (current assets to current liabilities)	2.98	2.51
Primary Ratio (expendable net position to operating expense)	0.27	0.24
Viability Ratio (expendable net position to long-term debt, less compensated absences)	0.88	0.76
Higher Learning Commission's Composite Financial Index (CFI):		
1. CFI, including CU's and including GASB 68 & 75	6.25	4.33
2. CFI, excluding CU's and including GASB 68 & 75	2.48	2.35
3. CFI, including CU's and excluding GASB 68 & 75	6.89	5.30
4. CFI, excluding CU's and excluding GASB 68 & 75	3.08	3.42
(CU's = Component Units)		

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, 2022, is 0.27, which indicates that in an emergency situation, the University could continue its current operations for approximately 14 weeks.

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. A ratio of less than .3 is of concern and NDSU is at .88 for fiscal 2022.

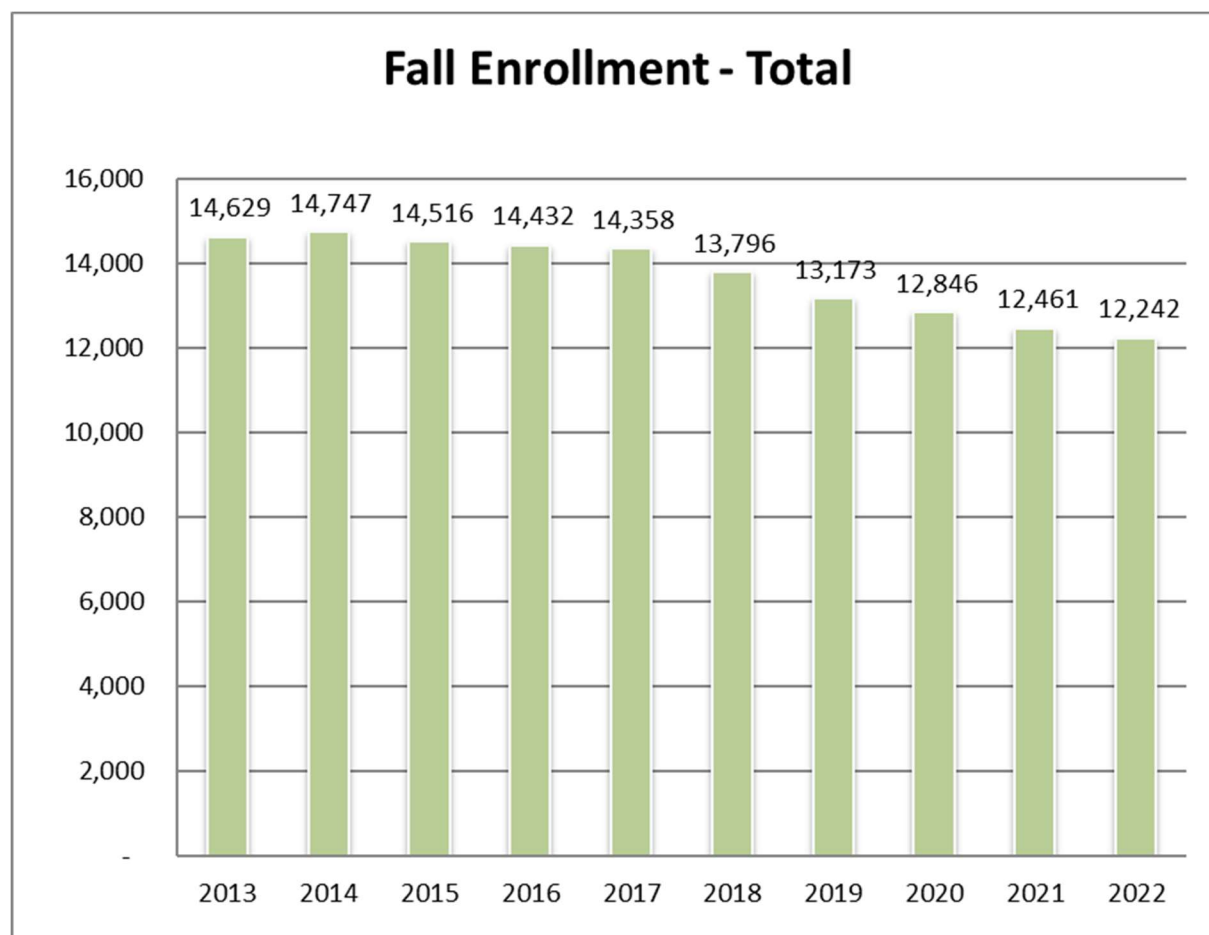
Higher Learning Commission's Composite Financial Index

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 uses its Composite Financial Index (CFI) to gauge the overall financial condition of a university. The CFI is 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 6.25 for fiscal 2022, and is well over the level set by the HLC requiring a review.

Other Highlights

Student Enrollment

NDSU's fall headcount student enrollment has been trending downward since 2014. This reflects a competitive environment with national downward trends in college and university enrollment. NDSU's fall headcount enrollment for fall 2022 was 12,242 students, which represents about 28% of the student enrollment for the entire ND University system. NDSU's fall headcount enrollment for the last ten fall terms is shown below:



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, Lisa Ripplinger, Controller, at lisa.m.ripplinger@ndsu.edu, or Travis Aho, Associate Controller, at travis.aho.1@ndsu.edu.

Basic Financial Statements

North Dakota State University Statement of Net Position For Years Ended June 30, 2022 & 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 85,783,332	\$ 83,720,751
Short-term investments	36,000,001	25,000,001
Accounts receivable, net	6,492,935	6,771,997
Due from other NDUS institutions	409,617	364,021
Due from component units	7,321,428	2,082,972
Due from State General Fund	8,481,409	9,342,231
Grants & contracts receivable, net	22,038,586	21,478,506
Inventories	1,400,141	1,243,383
Notes receivable, net	510,998	961,571
Other assets	5,602,739	3,565,018
Total Current Assets	\$ 174,041,186	\$ 154,530,451
Noncurrent Assets		
Restricted cash and cash equivalents	\$ 1,827,546	\$ 1,908,070
Restricted investments	17	27
Endowment investments	459,111	459,111
Notes receivable, net	2,029,783	2,523,776
Other long-term investments	65,280,777	75,346,421
Due from Component Units	60,684	59,130
Other noncurrent assets	-	99,010
Capital assets, net	578,360,122	548,943,677
Total Noncurrent Assets	\$ 648,018,040	\$ 629,339,222
Total Assets	\$ 822,059,226	\$ 783,869,673
DEFERRED OUTFLOWS OF RESOURCES	\$ 37,300,461	\$ 57,427,726
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 21,480,679	\$ 26,011,965
Due to other NDUS institutions	528,763	1,013,240
Due to component units	21,404	9,000
Accrued payroll	13,041,236	12,646,260
Unearned revenue	11,172,730	10,925,985
Deposits	827,015	853,739
Long-term liabilities—current portion:		
Due to component units	2,023,261	2,195,000
Due to others	9,308,578	7,860,105
Total Current Liabilities	\$ 58,403,666	\$ 61,515,294
Noncurrent Liabilities		
Pension Liability	\$ 29,048,332	\$ 91,410,954
OPEB Liability	1,477,257	2,324,363
Long-term liabilities:		
Due to component units	21,247,991	20,750,000
Due to others	119,853,716	125,155,794
Total Noncurrent Liabilities	\$ 171,627,296	\$ 239,641,111
Total Liabilities	\$ 230,030,962	\$ 301,156,405
DEFERRED INFLOWS OF RESOURCES	\$ 59,586,819	\$ 16,349,576

Statement of Net Position - Continued on Next Page

Basic Financial Statements

Statement of Net Position - Continued

	<u>2022</u>	<u>2021</u>
NET POSITION		
Invested in Capital Assets, net of related debt	\$ 448,562,074	\$ 416,778,862
Restricted for:		
Nonexpendable:		
Scholarships and fellowships	521,867	520,314
Expendable:		
Scholarships and fellowships	473,589	571,672
Research	5,262,524	4,793,103
Instructional department uses	2,263,126	1,143,950
Loans	3,697,807	4,912,089
Capital projects	-	-
Debt service	1,876,034	1,957,821
Other	38,669	35,728
Unrestricted	107,046,215	93,077,879
Total Net Position	<u>\$ 569,741,905</u>	<u>\$ 523,791,418</u>

Basic Financial Statements

North Dakota State University Statement of Revenues, Expenses, & Other Changes in Net Position For Years Ended June 30, 2022 & 2021

	<u>2022</u>	<u>2021</u>
REVENUES		
Operating Revenues:		
Student tuition and fees	\$ 116,718,433	\$ 118,092,337
Federal Grants and Contracts	55,875,718	48,891,445
State Grants and Contracts	8,882,839	9,292,672
Private Grants & Contracts	7,344,050	8,732,815
Sales and services of educational departments	40,449,104	29,727,329
Auxiliary enterprises	43,166,032	39,402,162
Other Operating Revenue	364,609	286,784
Total operating revenues	\$ 272,800,785	\$ 254,425,544
EXPENSES		
Operating expenses:		
Salaries and wages	\$ 287,466,014	\$ 297,236,103
Operating expenses	99,069,316	86,184,355
Data Processing	5,415,198	8,541,673
Depreciation Expense	29,777,246	26,853,839
Scholarships and fellowships	6,732,211	6,396,832
HEERF/Cares Act Aid to Students	11,487,017	3,912,585
Cost of Sales and services	7,969,015	7,415,075
Total operating expenses	\$ 447,916,017	\$ 436,540,462
Operating income (loss)	\$ (175,115,232)	\$ (182,114,918)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	\$ 121,708,877	\$ 122,623,529
Federal Appropriations	6,304,541	5,138,168
Federal grants and contracts	9,625,544	9,566,360
Federal grants and contracts stimulus	19,488,211	33,453,899
Gifts	21,433,179	23,985,263
Investment income	5,740,979	5,119,061
Interest on capital asset - related debt	(4,931,111)	(5,223,183)
Gain/(Loss) on capital assets	(1,414,751)	(229,054)
Insurance Proceeds	581,961	170,569
Tax revenues	500,000	555,796
Transfer to Industrial Commission	(241,758)	(242,045)
Other nonoperating revenues over (under) expenses	(147,480)	(6,189,890)
Net nonoperating revenues	\$ 178,648,192	\$ 188,728,473
Income (loss) before capital grants, gifts and transfers	\$ 3,532,960	\$ 6,613,555
State appropriations - capital assets	\$ 21,101,646	\$ 34,604,723
Capital grants and gifts	25,657,872	4,398,647
Total other revenues (expenses)	\$ 46,759,518	\$ 39,003,370
Increase (decrease) in net position	\$ 50,292,478	\$ 45,616,925
NET POSITION		
Net Position - beginning of year	\$ 523,791,418	\$ 477,508,804
Prior Period Adjustment-GASB 87 Lease Accounting	\$ (4,344,897)	
Prior Period Adjustment-Other	\$ 2,906	
Prior Period Adjustment-GASB 84 Fiduciary Activities		\$ 761,360
Prior Period Adjustment-NDPERS		\$ (95,671)
Net Position - end of year	\$ 569,741,905	\$ 523,791,418

Basic Financial Statements

North Dakota State University Statement of Cash Flows For Years Ended June 30, 2022 & 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Student tuition and fees	\$ 116,353,329	\$ 117,802,527
Grants and Contracts	71,233,841	61,945,018
Payments to suppliers	(118,964,330)	(87,414,857)
Payments to employees	(286,431,006)	(286,177,963)
Payments for scholarships and fellowships	(6,732,211)	(6,396,833)
Payments for HEERF/Cares Act Funds to Students	(11,487,017)	(3,912,585)
Loans issued to students	(137,051)	(45,242)
Collection of loans to students	1,002,483	1,258,844
Auxiliary enterprise charges	43,335,874	39,293,013
Sales and services of educational departments	40,479,234	29,039,822
Cash received (paid) on deposits	(26,724)	105,154
Other receipts (payments)	(1,481,245)	(2,993,592)
Net cash provided (used) by operating activities	<u>\$ (152,854,823)</u>	<u>\$ (137,496,694)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	\$ 121,793,108	\$ 122,452,344
Federal appropriations	6,304,541	5,138,169
Grants and gifts received for other than capital purposes	30,945,914	34,986,439
Federal stimulus revenues	19,488,211	33,453,900
Direct Lending Receipts	66,279,852	69,077,286
Direct Lending Disbursements	(66,279,852)	(69,077,286)
Agency fund cash increase (decrease)	-	-
Transfers to Industrial Commission	(241,758)	(242,045)
Tax revenues	500,000	555,796
Net cash provided/(used) by noncapital financing activities	<u>\$ 178,790,016</u>	<u>\$ 196,344,603</u>
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from issuance of debt	\$ -	\$ -
Capital appropriations	21,878,240	33,157,433
Capital grants and gifts received	20,284,151	8,228,696
Proceeds from sale of capital assets	51,234	-
Purchases of capital assets	(55,826,681)	(54,166,052)
Insurance proceeds	581,961	170,569
Principal paid on capital debt and lease	(10,627,404)	(10,205,673)
Interest paid on capital debt and lease	(5,106,427)	(5,393,997)
Net cash provided/(used) by capital and related financing activities	<u>\$ (28,764,926)</u>	<u>\$ (28,209,024)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	\$ 25,000,032	\$ 24,102,496
Interest on Investments	4,811,758	4,689,327
Purchases of investments	(25,000,000)	(24,000,000)
Net cash provided/(used) by investing activities	<u>\$ 4,811,790</u>	<u>\$ 4,791,823</u>
Net increase (decrease) in cash	<u>\$ 1,982,057</u>	<u>\$ 35,430,708</u>
Cash - Beginning of year, as restated	<u>\$ 85,628,821</u>	<u>\$ 50,198,113</u>
Cash - End of year	<u>\$ 87,610,878</u>	<u>\$ 85,628,821</u>

Statement of Cash Flows - Continued on Next Page

Basic Financial Statements

Statement of Cash Flows - Continued

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

	<u>2022</u>	<u>2021</u>
Operating Income (loss)	\$ (175,115,232)	\$ (182,114,918)
Adjustments:		
Depreciation	29,777,246	26,853,839
Other nonoperating revenues (expenses)	92,857	(990,033)
Change in assets and liabilities:		
Accounts receivable adjusted for interest receivable	133,736	(1,619,916)
Grant & contract receivables	(68,412)	(5,757,935)
Inventories	(156,758)	169,935
Notes receivable	944,566	1,231,207
Other assets	(1,938,711)	(2,290,344)
Accounts payable and accrued liabilities adjusted for interest payable	(6,487,122)	14,653,286
Pension Liability	(62,362,622)	56,591,604
OPEB Liability	(847,106)	80,412
Net change in deferred outflows	19,970,670	(38,669,359)
Net change in deferred inflows	43,237,422	(4,345,641)
Accrued payroll	394,976	(2,497,778)
Compensated absences	(158,686)	684,921
Unearned revenue	(244,923)	418,872
Deposits	(26,724)	105,154
Net cash provided (used) by operating activities	\$ (152,854,823)	\$ (137,496,694)

SUPPLEMENTAL DISCLOSURE ON NON CASH TRANSACTIONS

Assets acquired through capital lease	\$ 1,766,892	\$ 211,818
Expenses paid by capital lease / special assessments		5,214,638
Gifts of capital assets	100,000	80,000
Net Increase (Decrease) in value of investments	935,910	456,398
Total non cash transactions	\$ 2,802,802	\$ 5,962,854

Basic Financial Statements

North Dakota State University Statement of Fiduciary Net Position of Custodial Funds For Years Ended June 30, 2022 & 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ (210,605)	\$ 35,307
Accounts receivable, net	699,895	708,010
Due from component units	774	-
Total current assets	<u>\$ 490,064</u>	<u>\$ 743,317</u>
Noncurrent assets		
Total noncurrent assets	<u>\$ -</u>	<u>\$ -</u>
Total assets	<u>\$ 490,064</u>	<u>\$ 743,317</u>
 LIABILITIES		
Current liabilities		
Accounts payable	\$ 14,469	\$ 63,562
Accrued payroll	99,143	168,203
Deposits	-	141,416
Total current liabilities	<u>\$ 113,612</u>	<u>\$ 373,181</u>
Noncurrent liabilities		
Total noncurrent liabilities	<u>\$ -</u>	<u>\$ -</u>
Total liabilities	<u>\$ 113,612</u>	<u>\$ 373,181</u>
 NET POSITION		
Restricted for:		
Fiduciary Funds	<u>376,451</u>	<u>370,136</u>
Total Net Position	<u>\$ 376,451</u>	<u>\$ 370,136</u>

Basic Financial Statements

North Dakota State University Statement of Changes in Fiduciary Net Position of Custodial Funds For Years Ended June 30, 2022 & 2021

	<u>2022</u>	<u>2021</u>
ADDITIONS		
Nongovernmental grants and contracts	2,374,333	2,407,998
Sales and services of educational departments	188,601	282,952
Auxiliary enterprises	165	500
Gifts	27,216	4,327
Total additions	<u>\$ 2,590,315</u>	<u>\$ 2,695,777</u>
DEDUCTIONS		
Salaries and wages	2,490,260	2,495,470
Operating expenses	85,879	71,239
Data processing	7,020	3,603
Total deductions	<u>\$ 2,583,159</u>	<u>\$ 2,570,312</u>
INCREASE IN NET POSITION	<u>\$ 7,156</u>	<u>\$ 125,465</u>
NET POSITION		
Net position - beginning of year, as restated	<u>\$ 369,294</u>	<u>\$ 244,671</u>
Net position - end of year	<u>\$ 376,450</u>	<u>\$ 370,136</u>

Notes to the Financial Statements

JUNE 30, 2022

Note 1 – Summary of Significant Accounting Policies

The significant accounting policies, as summarized below, and the financial statements for North Dakota State University (NDSU) 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 (SBHE) is the governing body for North Dakota's eleven publicly supported colleges and universities. In addition to these eleven institutions, the SBHE also oversees the Agricultural Research Centers, Agronomy Seed Farm, North Dakota Cooperative Extension Service, Northern Crops Institute, School of Medicine and Health Sciences, the State Forest Service, and the Upper Great Plains Transportation Institute. The SBHE was established in 1939 when the voters of North Dakota approved an initiated measure to add Article VIII to the State Constitution. The SBHE consists of ten voting members. The Governor, with the advice and consent of the Senate, appoints seven of the eight voting members. The eighth member is a full-time resident student appointed by the Governor. A ninth member is a faculty member (non-voting) selected by the state-wide Council of College Faculties. A tenth member is a staff member (non-voting) selected by the statewide Staff Senate. The SBHE is an entity of the executive branch of the government of the State of North Dakota. The colleges and universities governed by the SBHE are collectively known and referred to as the North Dakota University System hereafter referred to as the System. The Board appoints a Commissioner of Higher Education (Chancellor) to serve as the chief executive officer of the Board and of the 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 System Office or NDUSO. 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 System Office and each institution on the PeopleSoft Finance Module.

NDSU is included in the reporting entity of the North Dakota University System (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 NDUS Consolidated Statements.

NDSU 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.

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. Governmental Accounting Standards Board (GASB) Statement No. 39, Determining Whether Certain Organizations Are Component Units, modifies and clarifies previously 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 NDSU (the primary institution) and its component units. The component units are included in NDSU's reporting entity because of the significance of their operational or financial relationships with NDSU.

The component units' financial statements are presented under Financial Accounting Standards Board (FASB) standards. As such, certain amounts reported on NDSU's financial statements (receivables from and payables to component units) are not reflected on the component units' financial statements. Certain 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.

NDSU 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 NDSU, exclusion would render the financial statements incomplete or misleading. Although the primary institution does not control the timing or amount

of receipts from the component units, the majority of resources, or income thereon, which the entities hold and invest are restricted by the donors to the activities of the primary institution or its constituents. Therefore, these entities are discretely presented in the financial statements using 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 primary 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 primary 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. NDSU has no non-major component units.

Major Component Units

NDSU Foundation (NDSU Foundation) is a legally separate non-profit corporation established to raise, manage, distribute, and steward private resources to support the various priorities of NDSU. The NDSU Foundation engages in development and outreach activities on behalf of NDSU. The NDSU 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.

The NDSU Foundation's fiscal year-end is December 31. Financial statements and footnote disclosures are presented as of December 31, 2021. Financial statements may be obtained at their administrative office at 1241 N. University Drive, Fargo, ND 58102.

NDSU Research & Technology Park, Inc., (NDSU RTP) is a legally separate non-profit organization developed 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 NDSU RTP's board of directors (seven of ten) works in private industry. 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 NDSU RTP. Financial statements may be obtained at their administrative office at 1854 NDSU Research Circle North, Fargo, ND 58102.

Non-major Component Units

North Dakota State University has no Non-major Component Units.

JOINT VENTURES

Tri-College University

Tri-College University (TCU) is a legally separate organization 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 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 organization also serves as a means for promoting and strengthening existing and potential educational programs and courses. A ten-member board of directors, including the presidents of the five universities, manages the TCU. All property, funds and income of the organization 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, 2022, the TCU had net position of approximately \$768,000 and is not considered a financial burden to NDSU. The financial activity of this organization is not reflected in the accompanying financial statements. Financial statements for the TCU may be obtained at their administrative office at NDSU, Renaissance Hall, 650 NP Avenue 110, Fargo, ND 58102.

INSIGNIFICANT COMPONENT UNITS

The following organizations are component units of NDSU but they have been deemed insignificant due to small total assets and revenues. Entities in this category had less than 1.0 percent each in total assets compared to total System assets and less than 10 percent in payments to or from NDSU. Separate boards of directors control these entities. In addition, the institution does not exercise financial or administrative control over these entities and/or the entities' relationship with the primary institution is not significant enough to warrant inclusion in the reporting entity's financial statements. The related organizations at June 30, 2022 were:

NDSU Research Foundation

NDSU Team Makers, Inc.

Alliance for Arts & Humanities

BASIS OF PRESENTATION

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

BASIS OF ACCOUNTING

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

The financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB) and are presented to provide a comprehensive entity-wide perspective of NDSU's assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, expenses, changes in net position and cash flows.

FIDUCIARY FUNDS

NDSU accounts for activities resulting from NDSU acting as an agent or fiduciary for various organizations as custodial funds.

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 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 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 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 System. Pell Grant revenues are considered non-operating revenues. Revenues from non-exchange transactions and state appropriations that represent subsidies or gifts to the System, as well as investment income, are considered non-operating since these are either investing, capital or noncapital financing activities. Operating expenses are expense transactions incurred other than those related to investing, capital or noncapital financing activities. Revenues received for capital financing activities, as well as related expenses, are considered neither operating nor non-operating activities and are presented after non-operating activities.

BUDGETARY PROCESS

The State of North Dakota operates through a biennial appropriation. Legislation requires the SBHE 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 (OMB). 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 SBHE allocates contingency and capital emergency funding within guidelines provided by the General Assembly. Any funds received by the SBHE and entities of the 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 SBHE has the authority to transfer funds between line items by notifying OMB in writing, with the exception that the SBHE may not approve transfers from any capital assets line item except as specifically provided by the General Assembly.

The North Dakota Constitution prohibits any transfers between institutions, even by the legislature. Institutions within the 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.

SBHE policy requires each college or university to submit a biennial budget for SBHE 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 SBHE 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 and investments in real estate. 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,

Notes to the Financial Statements – June 30, 2022

invested from bond proceeds or enabling legislation are 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; and 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 other 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 which are stated at appraised values. 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 and right-to-use leased assets with a unit cost of greater than \$5,000 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

Notes to the Financial Statements – June 30, 2022

donation. Internally developed intangible assets with a unit cost of \$50,000 or more are recorded at cost and are amortized.

The composite method is used for library book depreciation. All books purchased during a year are consolidated 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 – 50 years
Infrastructure	20 – 60 years
Buildings	10 – 120 years
Equipment	3 – 20 years
Internally developed software	2 – 10 years
Right-to-use assets	2 – 30 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 and apartment reservations and funds held by the 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 of resources 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.

OTHER POST-EMPLOYMENT BENEFITS

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB 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 are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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.

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 2022	
Net Position, Beginning of the year, as previously reported	\$ 523,791,418
GASB 87 Lease Accounting - Change in accounting method	\$ (4,344,897)
Other Adjustment	\$ 2,906
Net Position, Beginning of the year, as restated	\$ 519,449,427

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 of such items as allowances for uncollectible accounts, scholarship allowances, accrued expenses and other liability accounts.

New Accounting Pronouncements

Accounting Standards Implemented

During fiscal year 2022, NDSU adopted GASB Statement No. 87, Leases, GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period, and GASB Statement No. 92, Omnibus 2020.

Accounting Standards Issued but Not Yet Implemented

NDSU will implement the following new pronouncements for fiscal years ending after 2022: GASB Statement No. 91, Conduit Debt Obligations, GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, GASB Statement No. 96, Subscription-Based Information Technology Arrangements, GASB Statement No. 99, Omnibus 2022, GASB Statement No. 100, Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62, and GASB Statement No. 101, Compensated Absences. The effect that these GASB Statements will have on future financial statements has not yet been determined.

Note 2 – Deposits & Investments

LIMITATIONS

North Dakota Century Code (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 (BND) ...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 allows the System to receive donations, gifts, grants and bequests. These funds must be used for the specific purpose for which they are donated or given and 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.

Notes to the Financial Statements – June 30, 2022

DEPOSITS

Cash and Cash Equivalents are reported on the Statement of Net Position for June 30, 2022 as follows:

Deposits	Carrying Amount	Bank Balance	Uninsured Bank Balance (A)	(B)	(C)
Statement of Net Position					
Total Cash Deposits at BND	\$ 75,094,305	\$ 83,213,971	\$ 83,213,971		
CDs at BND	93,000,000	93,000,000	93,000,000		
Total Cash Deposits at Other	12,457,113	12,435,480		11,876,917	
CDs at Other					
Total Deposits	\$ 180,551,418	\$ 188,649,451	\$ 176,213,971	\$ 11,876,917	-
Cash on Hand/Petty Cash	59,460				
Less amts reported as investments	(93,000,000)				
Cash & Cash Equivalents-SNP	\$ 87,610,878				
Statement of Fiduciary Net Position					
Total Cash Deposits at BND	\$ (210,605)				
CDs at BND					
Total Cash Deposits at Other					
CDs at Other					
Total Deposits	\$ (210,605)	\$ -	\$ -	\$ -	-
Cash on Hand/Petty Cash	-				
Less amts reported as investments	-				
Cash & Cash Equivalents-SFNP	\$ (210,605)				

(A) - Uninsured and uncollateralized.

(B) - Uninsured and collateralized with securities held by the pledging financial institution but not in the institution's name.

(C) - Uninsured and collateralized with securities held by the pledging financial institution's trust department or agent but not in the institution's name.

Notes to the Financial Statements – June 30, 2022

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, 2022, \$674.3 million of the System's bank balance of \$676.1 million was exposed to custodial credit risk as follows:

Statement of Net Position:

Uninsured and uncollateralized	\$659.9 million
Uninsured and collateral held by pledging bank not in system's name	\$ 14.4 million

Investments

Investments are reported at fair value (market). The balances at June 30, 2022, are:

Account	Market Value	Maturities from June 30			
		Less than 1 year	1 year to 5 years	6 years to 10 years	More than 10 years
Debt Securities:					
US Treasuries	\$ -	\$ -	\$ -	\$ -	
Mutual Bond Funds	104,570		104,570		
Money market mutual funds	18				18
Total Securities w/ Maturities	\$ 104,588	\$ -	\$104,570	\$ -	\$ 18
Other Invest Types:					
Stocks	\$ 576,844				
Exchange Traded Funds	752,006				
Equity Mutual Funds	-				
BND Cd's Credit risked as investments but reported as deposits	93,000,000				
Investment in Real Estate	7,306,468				
Total reported on SNP	\$ 101,739,906				

Notes to the Financial Statements – June 30, 2022

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, 2022, the University's debt portfolio (excluding US Treasuries and US Agencies) included Standard & Poor's quality ratings as follows:

Investment Type	Market Value	Credit Quality Rating	
		AAA	Not Rated
Debt Securities:			
Mutual Bond Funds	\$ 104,570		\$ 104,570
Money market mutual funds	18	\$ 18	
Total	\$ 104,588	\$ 18	\$ 104,570

NDSU 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.

Notes to the Financial Statements – June 30, 2022

The balances of assets measured at fair value on a recurring basis at June 30, 2022 are:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total Fair Value</u>
Equity Securities	\$ 576,844			\$ 576,844
Exchange Traded Funds	\$ 752,006			\$ 752,006
Mutual Bond Funds	\$ 104,570			\$ 104,570
Real Estate			\$ 7,306,468	\$ 7,306,468
Total	<u>\$ 1,433,420</u>	<u>\$ -</u>	<u>\$ 7,306,468</u>	<u>\$ 8,739,888</u>

Note 3 – Receivables

Receivables at June 30, 2022 consist of the following amounts:

	<u>Current</u>	<u>Non-Current</u>	<u>Total</u>
Statement of Net Position			
Student & General	\$ 9,451,839		\$ 9,451,839
Interest Receivable	385,352		385,352
Allowance for doubtful Accts	(3,344,256)		(3,344,256)
Total Accounts Receivable, Net	<u>\$ 6,492,935</u>		<u>\$ 6,492,935</u>
Grants & Contracts Receivable	\$ 17,468,041		\$ 17,468,041
Due from Other State Agencies	4,570,545		4,570,545
Total Grants & Contracts Receivable, Net	<u>\$ 22,038,586</u>		<u>\$ 22,038,586</u>
Student	\$ 578,499	\$ 2,289,433	\$ 2,867,932
Allowance for Doubtful Notes	(67,502)	(259,650)	(327,152)
Total Notes Receivable, Net	<u>\$ 510,997</u>	<u>\$ 2,029,783</u>	<u>\$ 2,540,780</u>
Statement of Fiduciary Net Position			
Student & General	\$ 699,895		\$ 699,895
Allowance for doubtful Accts	0		0
Total Accounts Receivable, Net	<u>\$ 699,895</u>		<u>\$ 699,895</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. 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, 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, 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's endowment principal is held at a steady amount. All gains are recorded in restricted scholarship funds. NDSU determines the spending of endowment earnings based on an annual evaluation.

Net appreciation on investments is available for expenditure and consists of the following at June 30, 2022: \$439,776 reflected in net position as expendable scholarships and fellowships.

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

Note 5 – Leases Receivable

The University does not have any recorded Leases Receivable as of June 30, 2022.

Note 6 – Capital & Intangible Assets

Capital asset activity for the year ended June 30, 2022 was as follows:

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Land	\$ 10,552,252				\$ 10,552,252
Construction in Progress	57,901,275	\$ 41,438,183		\$(27,547,039)	71,792,419
Total non-depreciable capital assets	\$ 68,453,527	\$ 41,438,183	\$ -	\$(27,547,039)	\$ 82,344,671
Land Improvements/infrastructure	\$ 73,714,516	\$ 3,820,499			\$ 77,535,015
Buildings	628,365,433	3,690,851	\$ 1,991,530	\$ 27,547,039	657,611,793
Furniture, fixtures, and equipment	166,583,405	9,252,977	\$ 8,830,888		167,005,494
Intangibles:					
Computer Software	1,119,708				1,119,708
Right-to-use assets	5,621,633	1,330,165			6,951,798
Other	642,410				642,410
Library Materials	16,348,163	248,007	111,127		16,485,043
Total Depreciable Capital Assets	\$892,395,269	\$ 18,342,499	\$10,933,545	\$ 27,547,039	\$ 927,351,262
Less accumulated depreciation and amortization					
Land Improvements/infrastructure	\$ 40,784,213	\$ 2,073,070			\$ 42,857,283
Buildings	241,089,320	17,273,380	\$ 844,984		257,517,716
Furniture, fixtures, and equipment	111,674,281	8,645,432	7,975,739		112,343,974
Intangibles:					
Computer Software	1,018,885	34,562			1,053,447
Right-to-use assets		1,502,364			1,502,364
Other	359,997	32,121			392,118
Library Materials	15,563,720	216,317	111,127		15,668,910
Total accumulated depreciation and amortization	\$410,490,416	\$ 29,777,246	\$ 8,931,850	\$ -	\$ 431,335,812
Total depreciable capital assets, net	\$481,904,853	\$(11,434,747)	\$ 2,001,695	\$ 27,547,039	\$ 496,015,450
Capital Assets, net	\$550,358,380	\$ 30,003,437	\$ 2,001,695	\$ -	\$ 578,360,122

Notes to the Financial Statements – June 30, 2022

Construction in progress for the year ended June 30, 2022 was as follows:

Project	Amount <u>Authorized</u>	Expended <u>(CIP Balance)</u>	Expended (non-capitalized to bldgs) <u></u>	Authorized <u>Balance</u>
<u>Building Projects:</u>				
Main Campus				
Indoor Practice Facility	50,000,000	24,409,648		\$ 25,590,352
Dunbar Hall II (Sugihara Hall)	51,200,000	43,963,908		\$ 7,236,092
Dunbar Hall II (Sugihara Hall) - HVAC	34,085	34,085		\$ -
Agriculture Products Development Center	85,000,000	3,156,245		\$ 81,843,755
Indoor Softball Facility	2,600,000	115,157		\$ 2,484,843
Ag Experiment Station				
CGREC New Pasture Facility	200,000	43,000		\$ 157,000
CGREC New Residence	325,000	9,103		\$ 315,898
CREC Feedlot Facility	450,000	25,580		\$ 424,420
HREC New Machine Shed	300,000	35,555		\$ 264,445
DREC Agronomy Lab	2,200,000	35		\$ 2,199,965
Central Grassland Livestock Facility	1,963,000	35		\$ 1,962,965
Hettinger Livestock Processing Facility	1,529,000	35		\$ 1,528,965
Hettinger Sheep Processing Facility	1,891,000	35		\$ 1,890,965
Construction in Progress Total	<u>\$ 197,692,085</u>	<u>\$71,792,419</u>	<u>\$ -</u>	<u>\$125,899,666</u>

Note 7 – Accounts Payable & Accrued Liabilities

Accounts payable and accrued liabilities consisted of the following at June 30, 2022:

Statement of Net Position

Accounts Payable	\$ 11,963,387
Due to other state agencies	3,793,973
Sales Tax Payable	25,757
Accrued Interest	947,567
Contractor Payable/Retainage	4,749,995
Total Payables & Accrued Liabilities	<u>\$ 21,480,679</u>

Statement of Fiduciary Net Position

Accounts Payable	\$ 14,469
Total Payables & Accrued Liabilities	<u>\$ 14,469</u>

Note 8 – Long-Term Liabilities

The changes in long-term liabilities during fiscal year 2022 are as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Current Portion	Non-Current Portion
Bonds Payable	\$107,634,125	\$ -	\$ 5,497,755	\$ 102,136,370	\$ 5,717,755	\$ 96,418,615
Bonds Payable to component units	12,000,000	-	1,390,000	10,610,000	925,000	9,685,000
Notes Payable	197,226	439,646	109,533	527,339	101,017	426,322
Notes Payable to component units	3,283,079	-	285,300	2,997,779	298,753	2,699,026
Leases Payable	7,031,389	766,417	2,036,242	5,761,564	2,056,403	3,705,161
Leases Payable with component units	9,891,372	560,829	788,728	9,663,473	799,508	8,863,965
Special Assessments	6,403,460	-	787,600	5,615,860	166,250	5,449,610
Compensated Absences	15,279,848	-	158,687	15,121,161	1,267,153	13,854,008
Total	<u>\$161,720,499</u>	<u>\$1,766,892</u>	<u>\$ 11,053,845</u>	<u>\$ 152,433,546</u>	<u>\$ 11,331,839</u>	<u>\$141,101,707</u>

Note 9 – 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 NDSU, as of June 30, 2022 is presented below.

<u>Bond Issue</u>	<u>Date of Issue</u>	<u>Maturity Date</u>	<u>Original Amount of Issue</u>	<u>Bonds Outstanding 6/30/2021</u>	<u>Bond Principal paid this Fiscal Year</u>	<u>Bonds Outstanding 6/30/2022</u>
<u>Housing and Auxiliary System Revenue Bonds:</u>						
2012A Refunding (Series 2002 LLC Bonds)	3/1/2012	4/1/2027	\$ 5,730,000	\$ 2,525,000	\$ 395,000	\$ 2,130,000
2014A Refunding (Series 2004 Bison Court)	4/1/2014	4/1/2034	8,340,000	5,980,000	380,000	5,600,000
2015A Refunding (Series 2005, 2006A & B)	2/5/2015	4/1/2036	21,195,000	11,615,000	1,825,000	9,790,000
2015B Aquatic Addition (Series 2004 Bison Court)	6/24/2015	4/1/2035	9,355,000	7,320,000	395,000	6,925,000
2016A Refunding (Series 2007 LLCE/Ceres)	8/2/2016	4/1/2037	10,405,000	8,465,000	430,000	8,035,000
2017A Cater Hall (New Issue)	7/26/2017	4/1/2047	48,770,000	46,830,000	1,045,000	45,785,000
2017B Refunding (Series 2009 Niskanen/WDC)	7/26/2017	4/1/2039	22,755,000	20,245,000	760,000	19,485,000
Subtotal - NDSU			\$126,550,000	\$102,980,000	\$ 5,230,000	\$ 97,750,000
<u>NDSU Research & Tech Park, Inc.</u>						
Series 2016 Refunding, Research 1 and 2 (Series 2007A & B, R1 and R2)	7/27/2016	5/1/2032	\$ 18,790,000	\$ 12,000,000	\$ 1,390,000	\$ 10,610,000
Subtotal - NDSU Research & Tech Park, Inc.			\$ 18,790,000	\$ 12,000,000	\$ 1,390,000	\$ 10,610,000
GRAND TOTAL BONDS PAYABLE			\$ 145,340,000	\$ 114,980,000	\$ 6,620,000	\$ 108,360,000

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.

Scheduled Maturities of Bonds Payable

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	6,642,755	3,906,654	10,549,409
2024	6,612,755	3,637,550	10,250,305
2025	5,622,755	3,373,160	8,995,915
2026	5,852,755	3,145,041	8,997,796
2027	6,061,718	2,918,599	8,980,317
2028 - 2032	30,633,039	11,341,601	41,974,640
2033 - 2037	24,653,855	6,735,599	31,389,454
2038 - 2042	13,872,897	3,485,650	17,358,547
2043 - 2047	12,793,843	1,347,850	14,141,693
	<u>\$112,746,370</u>	<u>\$39,891,704</u>	<u>\$ 152,638,074</u>

Note 10 – Certificates of Participation

The University does not have any outstanding certificates of participation as of June 30, 2022.

Notes to the Financial Statements – June 30, 2022

Note 11 – Notes Payable

The summary of outstanding Notes Payable of NDSU, as of June 30, 2022 is presented below.

	Start		Terms (in	BALANCE DUE			BALANCE DUE
NUMBER	Date	DESCRIPTION	Months)	6/30/2021	NEW NOTES	PAID	6/30/2022
Notes Payable							
134	04/01/20	Bank of America - Tractor Case Puma IH 200	61	116,626		28,684	87,942
168	08/21/20	Bank of America - John Deere Utility Tractor	60	80,600		15,801	64,799
181	08/20/21	Bank of America - Plot Combine	60		238,267	-	238,267
186	03/11/22	Bank of America - Extruder TwinLab	60		201,379	65,049	136,330
				\$ 197,226	\$ 439,645	\$ 109,533	\$ 527,338
Due to Component Units - Notes Payable							
138	07/01/05	NDSU Foundation-Renaissance Hall	303	3,283,079		285,300	2,997,779
				\$ 3,283,079	\$ -	\$ 285,300	\$ 2,997,779
Grand Total				\$ 3,480,305	\$ 439,645	\$ 394,833	\$ 3,525,117

The note to the NDSU Foundation for the Renaissance Hall Project contains a nonappropriation clause. In the event of nonappropriation, NDSU may, upon prior written notice to the Foundation, terminate the lease at the end of the current biennium. The Foundation may take any available remedy by law to enforce payment of the outstanding bonds.

Scheduled Maturities of Notes Payable

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	399,770	124,120	523,890
2024	449,419	110,419	559,838
2025	449,665	96,092	545,757
2026	431,578	81,191	512,769
2027	431,394	66,135	497,529
2028 - 2032	1,363,291	110,562	1,473,852
	<u>\$ 3,525,117</u>	<u>\$ 588,519</u>	<u>\$ 4,113,636</u>

Note 12 – Leases Payable

NDSU leases land, office space and equipment from external parties. NDSU records right-to-use assets and lease liabilities based on the present value of expected payments over the term of the leases. The expected payments are discounted using the interest rate charged in the lease, if available, or the System's incremental borrowing rate. The right-to-use assets are amortized over the shorter of the lease term or the underlying asset useful life. For leases featuring payments tied to an index or market rate, the valuation is based on the initial index or market rate. NDSU does not have any leases with variable payments or any leases subject to residual value guarantees. There were no commitments under leases before the start of the lease term. Additionally, there were no sales-leaseback or lease-leaseback transactions in fiscal year 2022. NDSU has ten subleases with five external parties by which NDSU subleases space in a NDSU Research & Technology Park building. NDSU recognized revenue of \$127,600 for the rent received on these subleases.

A summary of the Leases Payable activity for fiscal 2022 is as follows:

Lease		DESCRIPTION	Terms (in Months)	BALANCE DUE			BALANCE DUE
LEASE	Start			6/30/2021	NEW LEASES	PAID	6/30/2022
NUMBER	Date						
Leases Payable							
132	06/24/12	Bank of America-Energy Savings Performance Contract	168	\$ 2,998,676		\$ 559,756	\$ 2,438,920
133	08/17/16	Wells Fargo-Athletics Scoreboard/Media System	84	304,468		182,379	122,089
140/149	11/01/18	Pat Copenhaver - Land	53	18,644		15,095	3,548
150	08/01/08	JPR Investments - Stop N Go Center	180	1,662,460		774,390	888,069
151	01/01/08	Bullinger Enterprises - Building	240	1,113,650		151,246	962,404
156	10/10/05	City of Fargo - Fargodome	360	665,362		34,663	630,699
157	11/01/18	3DomFuel, Inc. - Building	55	27,140		13,567	13,573
158	10/01/20	NDDOT - Office Space	60	18,043		-	18,043
160	01/01/21	Fessenden Co-op Association - Land	36	26,175		12,815	13,360
161/162	03/01/21	Annabelle McGhie - Land	24	24,075		24,075	-
164	11/01/20	Innosoft Canada - Fusion Servers	60	12,774		3,103	9,671
165	10/30/20	Clear Channel Airports - Lit Tension Display	36	28,705		13,689	15,016
167	07/21/20	Bank of America - Spectrometer	36	131,218		43,361	87,857
173	07/01/21	Pinnacle Development II - Gateway Building	24		53,017	26,042	26,975
174	01/01/22	Overlook, LLC - Forest Service Field Office	48		168,359	44,753	123,606
175	01/01/22	Overlook, LLC - Forest Service Firehall	48		267,160	71,016	196,144
176	11/01/21	Fetch Farms - Land	36		16,931	5,880	11,051
177-180	11/01/21	Edward J Lechner Trust / Edward J Lechner - Land	36		72,612	23,313	49,299
183	09/01/21	Elim Lutheran Church - Parking	24		55,322	20,198	35,124
184	03/25/22	Fireside - Wells Fargo - Kyocera Printer/Copier	48		8,095	642	7,453
185	03/28/22	Newman Signs	36		26,874	2,590	24,284
208/209	11/01/21	Municipal Airport Authority - City of Fargo - Land	36		98,049	30,938	67,111
		GASB 87 Implementation adjustments				(17,266)	17,266
				\$ 7,031,391	\$ 766,418	\$2,036,244	\$ 5,761,564
Leases Payable with component units							
139	05/01/12	US Bank for NDSU Foundation-Barry & Klai Hall	295	7,866,766		529,436	7,337,329
155	07/01/16	NDSU Research & Tech Park - Research II Building	190	1,763,698		131,114	\$ 1,632,584
163	01/01/21	NDSU Foundation - Criminal Justice & Public Policy Buildr	36	260,909		78,677	\$ 182,231
182	05/01/22	NDSU Research & Tech Park - Research I Building	36	-	560,829	49,500	\$ 511,329
				\$ 9,891,372	\$ 560,829	\$ 788,728	\$ 9,663,473
Grand Total				\$16,922,763	\$ 1,327,247	\$2,824,972	\$ 15,425,037

Scheduled Maturities of Lease Obligations

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	2,855,911	571,150	3,427,061
2024	1,931,452	413,638	2,345,090
2025	1,705,398	373,554	2,078,952
2026	1,468,326	283,957	1,752,283
2027	862,004	230,949	1,092,953
2028 - 2032	3,691,854	800,771	4,492,625
2033 - 2037	2,910,092	445,217	3,355,309
	<u>\$ 15,425,037</u>	<u>\$ 3,119,236</u>	<u>\$ 18,544,273</u>

Note 13 – Other Long-Term Liabilities

SPECIAL ASSESSMENTS

NDSU receives 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>
2023	166,250	241,406	407,656
2024	173,486	234,170	407,656
2025	181,040	226,616	407,656
2026	188,925	218,730	407,656
2027	197,158	210,498	407,656
2028 - 2032	1,102,971	916,797	2,019,768
2033 - 2037	1,277,720	659,646	1,937,366
2038 - 2042	1,427,596	377,410	1,805,006
2043 - 2047	900,715	77,842	978,557
	<u>\$ 5,615,860</u>	<u>\$ 3,163,116</u>	<u>\$ 8,778,976</u>

Compensated Absences

The compensated absences liability as of June 30, 2022 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, 2022 and 2021 totaled \$15,121,161 and \$15,279,848, respectively. Leave policies restrict the accumulation of unused vacation and thus limit the actual payments made to employees upon termination or retirement.

Note 14 – Deferred Outflows and Deferred Inflows

Deferred outflows and deferred inflows as of June 30, 2022 consist of the following:

Deferred Outflows

Pension	\$ 34,694,412
Other post-employment retirement benefits	647,215
Debt Refunding	1,958,834
	<u>\$ 37,300,461</u>

Deferred Inflows

Pension	\$ 58,799,613
Other post-employment retirement benefits	713,799
Debt Refunding	2,474
Grant amounts received prior to meeting time requirements	70,933
	<u>\$ 59,586,819</u>

Note 15 – Retirement Benefits

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 nine 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; one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

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 was 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. For members hired on or after January 1, 2020 the 2.00 percent multiplier was replaced with a 1.75 percent multiplier. 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 for 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 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 salaries and wages. Member contribution rates are 7 percent and employer contribution rates are 7.12 percent of covered compensation. For members hired on or after January 1, 2020, member contribution rates are 7 percent and employer contribution rates are 8.26 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 24 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

For additional information on this topic see the audited NDUS Financial Statements for the year ended June 30, 2022.

NDUS 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 retirement resolution with Teachers Insurance and Annuity Association of America (TIAA) as recordkeeper of the plan. 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 North Dakota University System Office, 600 E. Blvd, Bismarck, North Dakota 58505.

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. NDSU has no further liability once annual contributions are made. NDSU contributed \$16.6 million to TIAA-CREF during the fiscal year ending June 30, 2022.

Note 16 – Post-Employment Benefits

State Group Health Plan

The following description of NDPERS is provided for general information purposes only. Participants should refer to NDAC Chapter 71-06 for more complete information.

NDPERS OPEB plan is a cost-sharing multiple-employer defined benefit OPEB plan that covers members receiving retirement benefits from the PERS, the HPRS, and Judges retired under Chapter 27-17 of the North Dakota Century Code a credit toward their monthly health insurance premium under the state health plan based upon the member's years of credited service. Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. Effective August 1, 2019 the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long-term care plan premium expense. The Retiree Health Insurance Credit Fund is advance-funded on an actuarially determined basis.

Responsibility for administration of the NDPERS defined benefit OPEB plan is assigned to a Board comprised of nine 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, one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14 percent of covered compensation.

See the audited NDUS Financial Report for the year ended June 30, 2022 for additional information.

Note 17 – Termination Benefits

Termination benefits are benefits provided to employees who are involuntarily or voluntarily terminated, because 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. NDSU recorded a liability of \$120,515 for these arrangements at June 30, 2022.

Note 18 - Construction Commitments and Financing

The institutions have contracted for various construction projects as of June 30, 2022.

Estimated costs to complete the various projects and the sources of anticipated funding are as follows:

Project	Construction Commitments June 30, 2022			Funding for remaining costs		
	Contracts Awarded	Expended Through June 30, 2022	Total Cost To Complete	State Sources	Institutional Funds	Other Sources
Main Campus						
Sugihara (Science) Hall	\$ 42,465,236	\$ 39,388,448	\$ 3,076,788	\$ 3,076,788		
Nodak Ins Co Football Perf Ctr (IPF)	41,490,454	21,336,705	20,153,749			20,153,749
Ellig Sports Complex	3,596,066	2,521,352	1,074,714			1,074,714
Peltier Complex	73,894,625	-	73,894,625	8,894,625		65,000,000
Ladd Hall Reroof/Tuckpointing	736,929	502,026	234,903	78,293	\$ 156,610	
Ladd Hall Renovations	2,149,118	1,253,560	895,558	298,489	\$ 597,069	
North Weible Bathrooms	2,501,591	2,106,448	395,143			395,143
Underground Steam Tunnel	1,990,910	978,715	1,012,195	337,365	\$ 674,830	
Albrecht Blvd Reconstruction	393,036	34,643	358,393			358,393
15th Ave North Expansion	258,262	195,488	62,774			62,774
Renaissance Rewindow	664,200	311,733	352,467	117,477	\$ 234,990	
Ag Experiment Station						
CGREC New Pasture Facility	43,000	43,000	-			
Ag Service Center	686,067	686,067	-			
	<u>\$ 170,869,494</u>	<u>\$ 69,358,185</u>	<u>\$ 101,511,309</u>	<u>\$12,803,037</u>	<u>\$ 1,663,499</u>	<u>\$87,044,773</u>

Note 19 - Component Unit Transactions

MAJOR COMPONENT UNITS

NDSU Research and Technology Park, Inc. (NDSU RTP)

On December 30, 1999, NDSU through the State of North Dakota and the SBHE entered into a ground lease, whereby the NDSU RTP leases 40 acres of land for \$1 per year for the next seventy-five years.

On July 1, 2002, NDSU and NDSU 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 NDSU RTP entered into renewed agreements, whereby NDSU leases the Research Buildings I and II through May 1, 2022 and May, 2032. On May 1, 2022, NDSU and NDSU RTP entered into an annual service agreement for Research Building I to continue the services provided as the bonds related to Research Building I have been paid in full and NDSU exercised its option to terminate the Research Building I Lease and purchase Research Building I. During fiscal year 2022, total annual rent of \$327,000 was paid by NDSU for these two buildings, in addition to the \$1.39 million of principal and interest paid by NDSU directly to the bond trustee. The annual rent will be re-adjusted by mutual agreement every two years. These agreements are subject to funding and legislative appropriations.

During fiscal year 2020, NDSU and the RTP entered into an agreement where NDSU RTP creates, maintains, and operates makerspace at the Park to help recruit and educate future leaders in the STEM fields. Under the agreement NDSU will pay the RTP \$90,000 per year. During fiscal 2022, NDSU paid the NDSU RTP \$90,000 for this service.

NDSU Foundation (The Foundation)

Renaissance Hall

The former Northern School Supply building was donated to the Foundation by NDSU alumni in December of 2001. During fiscal year 2003 and 2004, the Foundation renovated the building with the intent to lease the facility to NDSU beginning fall 2004. The Foundation transferred nearly the entire ownership of the building to 650 NP Avenue, LLC and Kilbourne Design Group, LLC, for a five-year period in order to achieve tax credits that would ultimately reduce the cost of the building to NDSU. During the five-year tax credit period, NDSU leased the building from the two LLCs, with the lease payments composed of interest and fees. With the five-year tax credit period ending December 31, 2010 (as extended), and the ownership was transferred back to the Foundation, 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.

Notes to the Financial Statements – June 30, 2022

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 Foundation incident to ownership of the property. Ownership of the property will transfer to NDSU when the bonds are repaid in full. NDSU paid the Foundation \$413,156 in fiscal year 2022 for debt service under this agreement. As of June 30, 2022, the outstanding balance on the bonds, reflected as "Due to Component Units" by NDSU, is \$3.0 million.

Barry Hall Business Building and Klai Hall Architecture Building

Effective November 28, 2007, NDSU and the Foundation entered into lease agreements for two buildings in downtown Fargo, formerly known as the "Pioneer Mutual Building" and "Lincoln Mutual building". The Foundation financed the construction of the Barry Hall business building and Klai Hall architecture building projects through the sale of \$18.52 million of twenty-year University Facilities Revenue Bonds issue by the City of Fargo, North Dakota. The City has loaned the bond proceeds to the Foundation for payments equal to the sum of the semi-annual interest payments and installments of varying principal amounts on the variable rate bonds and the semi-annual principal and interest payments on the fixed rate bonds. The principal payments on the variable rate bonds will be funded from payments on donor pledges restricted for the project. Under the terms of the loan, the Foundation is responsible for the real estate taxes, insurance, repairs and maintenance, and other costs incident to ownership of the property.

The property is included with property in the financial statements and the bonds have been recorded as a direct obligation of the Foundation. Ownership of the property will transfer to NDSU when the bonds are repaid in full. The bonds are guaranteed by the Foundation. This property is leased to NDSU for rental equal to the sum of the semi-annual interest only payments on the variable term bonds plus the semi-annual principal and interest payments on the fixed-rate bonds for the term of the bonds, plus all the costs incurred by the Foundation incident to ownership of the property.

In May 2012, the Foundation refinanced the original bonds issued in November 2007. As a result, new leases were executed. Under the terms of the new leases, NDSU pays and recognizes a liability for the entire amount of the previously issued bonds. During fiscal year 2022, NDSU paid \$774,647 to the bond trustee on-behalf of the Foundation under the new leases for debt service on Barry Hall & Klai Hall. NDSU has an option to acquire the property upon full payment of the bonds. As of June 30, 2022, the outstanding balance on the bonds, reflected as "Due to Component Units" by NDSU, is \$7.3 million.

Other Transactions

The Foundation provides meeting space rental and database support service to NDSU for an annually negotiated fee. NDSU paid the foundation \$837,176 for the fiscal year ending December 31, 2021.

In addition to the debt service payments on Renaissance, Barry and Klai Halls, NDSU reimburses the Foundation 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 \$129,008 during the fiscal year ending December 31, 2021.

Notes to the Financial Statements – June 30, 2022

Based on an agreement that began January 1, 2015, and automatically renewed annually since then, NDSU pays \$87,592 of annual building rent to the Foundation for use the Criminal Justice and Public Policy building next to the NDSU main campus. This rent was paid again by NDSU during the fiscal year ending June 30, 2022.

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

Note 20 – Pledged Revenues

Pledged revenue required for future principal and interest on existing bonds	\$ 135,539,985		
Term of commitment ranging from	2023-2047		
Percentage of revenue pledged	7%		
Current year pledged revenue, by source:	Pledged Revenue	Recognized Revenue	Percentage of Pledged Revenue to Recognized Revenue
Net revenues from auxiliaries	\$ 7,875,444	\$ 43,166,032	18%
Tuition and student fees	1,087,884	116,718,433	1%
Other	-	-	
Total	\$ 8,963,328	\$ 159,884,465	6%
Current year principal and interest paid	\$ 8,963,328		

Note 21 – 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, 2022, using the “functional classification” are presented below:

Operating Expenses	
Instruction	\$ 94,448,245
Academic Support	29,430,253
Student Services	37,704,894
Institutional Support	16,356,361
Physical Plant	38,917,312
Scholarships & Fellowships	30,923,333
Auxiliary Services	34,249,604
Public Service	37,907,006
Research	98,201,763
Depreciation & Amortization	29,777,246
Total	<u>\$ 447,916,017</u>

Note 22 – Contingencies

Amounts received and expended by the System 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 System.

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

Note 23 – Risk Management

The 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 programs have been established to address some of these risks and loss exposures.

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.

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 statutory caps on State liability will increase each year starting in fiscal year 2023 through fiscal year 2027 as follows:

- Fiscal year 2023: \$375,000 per person, \$1.0 million per occurrence
- Fiscal year 2024: \$406,250 per person and \$1.625 million per occurrence
- Fiscal year 2025: \$437,500 per person and \$1.75 million per occurrence
- Fiscal year 2026: \$468,750 per person and \$1.875 million per occurrence
- Fiscal year 2027: \$500,000 per person and \$2.0 million per occurrence.

The Fund is a risk retention pool that is funded by contributions paid by all State agencies, boards and commissions. 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 System also participates in the North Dakota Fire and Tornado Fund and State Bonding Fund. The 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 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 24 – Subsequent Events

NDSU Foundation has drawn down \$9.8 million on the construction loan for the Nodak Insurance Football Performance Complex subsequent to the audit report date of April 29, 2022. NDSU Foundation has experienced endowment pool losses of 13 percent or \$57 million since April 29, 2022.

North Dakota State University
Supplementary Information - Component Units
Statement of Financial Position
For Year Ended June 30, 2022

FASB BASIS

Major Component Units

	NDSU Foundation December 31, 2021	NDSU Research & Technology Park June 30, 2022
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 9,917,880	\$ 634,949
Short-term investments	10,861,297	-
Accounts receivable, net	373,727	627,113
Receivable from primary institution	520,208	-
Notes Receivable, net	65,172	-
Unconditional promises to give, net	18,513,855	-
Current Portion of net investment in direct financing leases	-	822,438
Other assets	314,490	271,510
Total Current Assets	\$ 40,566,629	\$ 2,356,010
Noncurrent Assets		
Restricted cash and cash equivalents	\$ 930,521	\$ -
Investments, net of current portion	494,107,955	592,481
Real estate and equipment held for investment, net	26,996,798	-
Other long-term investments	16,807,827	-
Contracts for deed and notes receivable, net	582,400	-
Long term pledges receivable	46,423,630	\$ -
Notes Receivable, net	-	\$ 8,585,000
Net investment in direct financing leases, net of current portion	-	9,247,462
Other noncurrent assets	1,337,202	405,484
Capital assets, net	3,117,327	6,920,807
Total Noncurrent Assets	\$ 590,303,660	\$ 25,751,234
Total Assets	\$ 630,870,289	\$ 28,107,244

Statement of Financial Position - Continued on Next Page

Statement of Financial Position - Continued

FASB BASIS

Major Component Units

	NDSU Foundation December 31, 2021	NDSU Research & Technology Park June 30, 2022
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 796,318	\$ 151,667
Payable to primary institution	1,613,377	-
Accrued payroll	-	25,178
Current portion of gifts annuities and life income agreements	1,056,980	-
Deferred revenue	-	27,755
Other current liabilities	1,314,236	100,962
Long-term liabilities—current portion	736,580	948,146
Total Current Liabilities	\$ 5,517,491	\$ 1,253,708
Noncurrent Liabilities		
Long-term portion of split-interest agreements	8,413,105	-
Other noncurrent liabilities	-	152,020
Long-term liabilities	20,213,647	18,619,436
Total Noncurrent Liabilities	\$ 28,626,752	\$ 18,771,456
Total Liabilities	\$ 34,144,243	\$ 20,025,164
NET ASSETS		
Without donor restrictions	\$ 39,006,541	\$ 7,917,080
With donor restrictions	557,719,505	165,000
Total Net Assets	\$ 596,726,046	\$ 8,082,080
Total Liabilities and Net Assets	\$ 630,870,289	\$ 28,107,244

North Dakota State University
Supplementary Information - Component Units
Statement of Activities
For Year Ended June 30, 2022

FASB BASIS

Major Component Units

	NDSU Foundation December 31, 2021	NDSU Research & Technology Park June 30, 2022
Support and revenue		
Gifts and contributions	\$ 157,739,820	\$ 762,012
Investment Income	30,724,398	486,956
Net realized and unrealized gains (losses) on investments	20,930,677	-
Program and event income	-	58,600
Other Income	1,747,594	1,015,587
Total support and revenue	\$ 211,142,489	\$ 2,323,155
Expenses		
Program Services	\$ 19,885,008	\$ 1,074,687
Supporting Services	5,725,142	691,162
Fundraising expense	4,021,063	-
Total expenses	\$ 29,631,213	\$ 1,765,849
Change in Net Assets	\$ 181,511,276	\$ 557,306
Net Assets, Beginning of Year	\$ 415,214,770	\$ 7,524,774
Net Assets, End of Year	\$ 596,726,046	\$ 8,082,080