

ANNUAL FINANCIAL REPORT

June 30, 2013



NORTH DAKOTA UNIVERSITY SYSTEM

ANNUAL FINANCIAL REPORT

Fiscal Year Ended
JUNE 30, 2013

Prepared by the North Dakota University System Director of Financial Reporting
in collaboration with Campus Controllers and Accounting Staff.



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NORTH DAKOTA UNIVERSITY SYSTEM

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STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. BOULEVARD AVENUE - DEPT. 117
BISMARCK, NORTH DAKOTA 58505

INDEPENDENT AUDITOR'S REPORT

Honorable Jack Dalrymple, Governor

Members of the Legislative Assembly

The State Board of Higher Education

We have audited the accompanying financial statements of the business-type activities, and the aggregate discretely presented component units of the North Dakota University System as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the North Dakota University System's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component units, which represent 100% of the assets, and revenues of the aggregate discretely presented component unit opinion unit. Those statements were audited by other auditors whose report has been furnished to us and our opinion, insofar as it relates to the amounts included for the discretely presented component units, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the discretely presented component units were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor

considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, and the aggregate discretely presented component units, of the North Dakota University System as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 22 to the financial statements, the State of North Dakota adopted the provisions of GASB 60 *Accounting and Financial Reporting for Service Concession Arrangements*, GASB 61 *The Financial Reporting Entity: Omnibus*, GASB 62 *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, and GASB 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The opinion is not modified with the implementation of these GASB statements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that

collectively comprise the North Dakota University System's basic financial statements. The Combining Statement of Net Position, Combining Statement of Revenues, Expenses, and Changes in Net Position, Combining Statement of Cash Flows, Statement of Net Position – Non-Major Component Units, Statement of Revenues, Expenses, and Changes in Net Position – Non-Major Component Units and Schedule of Bonds Payable – Primary Institution are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The Combining Statement of Net Position, Combining Statement of Revenues, Expenses, and Changes in Net Position, Combining Statement of Cash Flows, Statement of Net Position – Non-Major Component Units, Statement of Revenues, Expenses, and Changes in Net Position – Non-Major Component Units and Schedule of Bonds Payable – Primary Institution is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the procedures performed as described above, and the report of other auditors the Combining Statement of Net Position, Combining Statement of Revenues, Expenses, and Changes in Net Position, Combining Statement of Cash Flows, Statement of Net Position – Non-Major Component Units, Statement of Revenues, Expenses, and Changes in Net Position – Non-Major Component Units and Schedule of Bonds Payable – Primary Institution is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Financial Information for Revenue Producing Buildings has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2013 on our consideration of the North Dakota University System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the North Dakota University System's internal control over financial reporting and compliance.



Robert R. Peterson
State Auditor

Fargo, North Dakota

December 10, 2013

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**NORTH DAKOTA UNIVERSITY SYSTEM
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

The North Dakota University System’s (the “System”) discussion and analysis (MD&A) provides an overview of the System’s financial activities and issues for the year ended June 30, 2013. It is designed to focus on the current year’s activities, resulting changes and currently known facts to assist readers in understanding the accompanying financial statements.

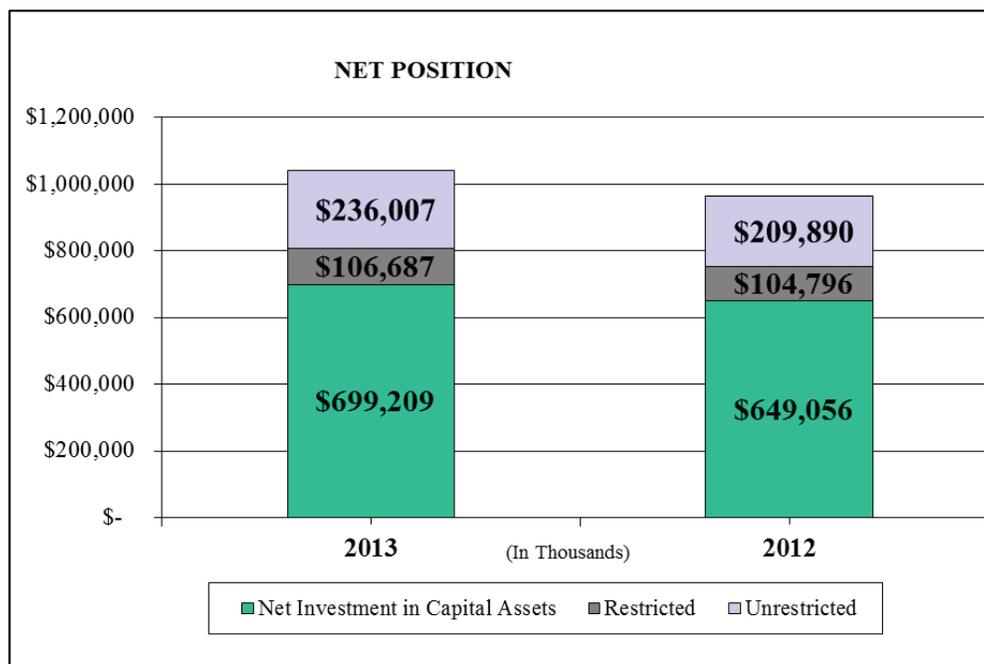
This discussion provides an overview of the financial position of the System for the year ended June 30, 2013 and should be read in conjunction with the accompanying financial statements and notes to the financial statements. The financial statements, notes, and this discussion and analysis are the responsibility of management.

Activities from the eleven public post-secondary campuses, the North Dakota University System Office, and the System’s component units are included in the accompanying financial statements. For a detailed listing of these entities, refer to Note 1 of the accompanying financial statements.

FINANCIAL HIGHLIGHTS

The System’s overall financial standing continues to be sound with total assets of \$1.5 billion and total liabilities of \$428.4 million, resulting in a net position total of \$1.042 billion (an increase of \$78.2 million over the previous fiscal year). The System has done well in managing its financial resources and is better off as a result of the current year’s activities. Total operating revenues were flat compared to FY12. Total operating expenses increased 3 percent.

Total net position was \$1.042 billion at June 30, 2013 and \$963.7 million at June 30, 2012. The following graph illustrates the net position breakdown for fiscal years ending June 30, 2013 and 2012:



MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

As a percent of total net position, invested in capital assets is the largest category of net position due to the significant size of the System's physical infrastructure.

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 System as a whole and present a long-term view of the System's finances. Refer to Note 1 in the accompanying financial statements for activities included in the System's basic financial statements.

The statements assist in answering the question "Is the System 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 on the System as a whole and on its activities in a way that helps answer this question. The Statement of Cash Flows summarizes transactions affecting cash and cash equivalents during the fiscal year. It also provides information about the ability of the System to generate future cash flows necessary to meet its obligations and to evaluate its potential for additional financing.

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

STATEMENT OF NET POSITION

The Statement of Net Position presents the financial position of the System at one point in time and includes all assets and liabilities of the System. Net Position is the difference between assets and liabilities and may be thought of as one way to measure the System's financial health, or financial position. Over time, increases or decreases in the System's net position are an indicator of whether its financial health is improving or deteriorating.

Assets and liabilities are classified as either current or noncurrent. Current assets are those resources that are convertible to cash within one year and are available to satisfy current liabilities. Current assets include cash and cash equivalents, short-term investments and accounts receivable. Noncurrent assets are mainly long-term investments and property, equipment and intangibles. Current liabilities are those obligations of the System that are due within one year of the statement date. Noncurrent liabilities are comprised of long-term debt and other obligations of the System.

Net position is reported in three categories: investment in capital assets, restricted net position (both nonexpendable and expendable); and unrestricted net position. Net investment in capital assets consists of capital assets less the balance of the outstanding debt incurred during the construction or improvement of those assets. Restricted net position is limited in use due to the constraints put in place by the donors or by law. Unrestricted net position is those assets that do not qualify as either invested in capital assets or restricted net position but may have Board or other campus designated restrictions on use.

Unrestricted net position encompasses a wide array of core operational functions of the campuses. The balances shown are not only cash balances, but consist of investments, accounts receivable, inventories, and other non-liquid assets. Operating cycles create significant balance fluctuations during the fiscal year. Therefore, although some funds are not yet expended as of a particular point in time, they are generally designated for specific uses.

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013

The following table shows the Condensed Statement of Net Position at June 30, 2013 and 2012:

	June 30 (in Thousands)		Dollar Change	Percent Change
	2013	2012		
Current assets	\$ 291,617	\$ 260,916	\$ 30,701	12%
Capital assets, net	983,820	960,433	23,387	2%
Other noncurrent assets	194,844	178,310	16,534	9%
Total assets	<u>\$ 1,470,281</u>	<u>\$ 1,399,659</u>	<u>\$ 70,622</u>	<u>5%</u>
Current liabilities	\$ 115,482	\$ 106,277	\$ 9,205	9%
Noncurrent liabilities	312,895	329,640	(16,745)	-5%
Total liabilities	<u>\$ 428,378</u>	<u>\$ 435,917</u>	<u>\$ (7,540)</u>	<u>-2%</u>
Invested in capital assets	\$ 699,209	\$ 649,056	\$ 50,153	8%
Restricted	106,687	104,796	1,891	2%
Unrestricted	236,007	209,890	26,117	12%
Total net position	<u>\$ 1,041,903</u>	<u>\$ 963,742</u>	<u>\$ 78,162</u>	<u>8%</u>
Current Ratio				
(current assets to current liabilities)	<u>2.5</u>	<u>2.5</u>		
Primary Reserve Ratio				
(expendable net position to operating expenses)	<u>0.31</u>	<u>0.29</u>		

Total assets increased \$70.6 million during fiscal year 2013 to a total of \$1.470 billion. Cash and equivalents increased \$213.2 thousand and investments increased \$25.6 million. Grants and contracts receivables increased \$382.9 thousand. Net capital assets increased \$53.4 million for net additions to property and equipment less depreciation expense, as discussed in a later section of this MD&A.

Total liabilities decreased \$7.5 million during fiscal year 2013 to a total of \$428.4 million. Accounts payable and accrued liabilities increased \$4.5 million due primarily to timing of billings. Long-term liabilities decreased \$16.7 million, as discussed in a later section of this MD&A.

The current ratio, calculated by dividing current assets by current liabilities, measures the System's ability to meet current obligations. The System's current ratio at June 30, 2013 was 2.5 to 1, which indicates the System's current assets are almost three times that of its current liabilities. A ratio of less than 1 to 1 would be cause for concern.

Total net position increased \$78.2 million during fiscal year 2013 as a result of the year's activity.

The primary reserve ratio (calculated by dividing expendable and unrestricted net position by operating expenses), measures the ability of the System to continue operating at current levels, within current restrictions, without future revenues. Proof of an adequate reserve ratio is often required to secure long-term financing. The System's primary reserve ratio at June 30, 2013 is 0.31 to 1, which indicates in an emergency situation, the System could continue its current operations for approximately 14 weeks.

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The Statement of Revenues, Expenses, and Changes in Net Position provides information about the System's activities during the year by reporting all the revenues and expenses for the year. In the Statement of Revenues, Expenses and Changes in Net Position, all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. When revenues and other support exceed expenses, the result is an increase in net position. When the reverse occurs, the result is a decrease in net position. The relationship between revenues and expenses may be thought of as the System's operating results.

Revenues and expenses are categorized as either operating or nonoperating. Operating revenues are revenues earned by the System in exchange for its goods and services, such as tuition and fees, grants and contracts, sales and services of educational departments and auxiliary enterprise revenues. Operating expenses are expenses incurred during the normal operations of the System and include, salaries and wages, operating expenses, depreciation, scholarships and fellowships and cost of sales and services. Nonoperating revenues and expense are those derived from non-exchange transactions. Examples include: insurance proceeds, investment income, gifts, state appropriations, interest on capital asset-related debt and gains or losses on capital assets. Even though state appropriations fund operating expenses, they are classified as nonoperating revenues as the Government Accounting Standards Board has ruled that they are not an exchange for goods or services. Other nonoperating items that are reported separately at the bottom of the statement include capital related transactions – appropriations, gifts, grants and transfers.

The following table shows a Condensed Statement of Revenues, Expenses and Changes in Net Position for the fiscal years ended June 30, 2013 and 2012:

	June 30 (in Thousands)		Dollar Change	Percent Change
	2013	2012		
Operating revenues	\$ 653,993	\$ 656,440	\$ (2,447)	0%
Operating expenses	1,067,196	1,034,658	32,538	3%
Operating loss	(413,203)	(378,218)	(34,985)	9%
Nonoperating revenues, net of expenses	429,211	388,157	41,054	11%
Income before capital grants, gifts, and transfers	16,008	9,939	6,070	61%
Capital appropriations, grants and gifts	68,806	57,794	11,012	19%
Transfers	(6,166)	(6,140)	(26)	0%
Increase in net position	\$ 78,648	\$ 61,593	\$ 17,056	28%

Tuition and Fees Funding Ratio

(tuition and fees to operating expenses)

27%	27%
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Net Income Margin (increase in net position to total revenue)

6.7%	5.5%
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From June 30, 2012, operating expenses increased 3 percent and operating loss increased 9 percent. Net income margin, calculated by dividing increase in net position by total revenue, is a measure of current year financial status. The System's net income margin for fiscal year 2013 is 6.7 percent. A positive margin is good, as it signifies the System is not spending more than it is taking in.

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013

Revenues

The following table shows revenues by source for the fiscal years ended June 30, 2013 and 2012:

	June 30 (in Thousands)		Dollar Change	Percent Change
	2013	2012		
Operating revenues				
Student tuition and fees	\$ 289,265	\$ 279,042	\$ 10,223	4%
Grants and contracts	170,845	190,662	(19,816)	-10%
Sales and services of education departments	79,550	73,701	5,848	8%
Auxiliary enterprises	113,148	111,530	1,618	1%
Other	1,186	1,505	(319)	-21%
Total operating revenues	<u>\$ 653,993</u>	<u>\$ 656,440</u>	<u>\$ (2,446)</u>	<u>0%</u>
Nonoperating revenues, capital gifts and grants				
State Appropriations	\$ 364,097	\$ 321,967	\$ 42,131	13%
Federal appropriations	5,127	7,326	(2,199)	-30%
Federal grants and contracts	40,110	42,997	(2,887)	-7%
Gifts	24,201	24,239	(37)	0%
Investment income	6,326	4,074	2,252	55%
Insurance proceeds	338	278	61	22%
Tax revenues	3,113	2,794	320	11%
Gain on sale of capital assets	521	-	521	0%
State appropriations-capital assets	48,941	36,583	12,358	34%
Capital grants & gifts	19,866	21,211	(1,345)	-6%
Total nonoperating revenues, capital gifts and grants	<u>\$ 512,640</u>	<u>\$ 461,469</u>	<u>\$ 51,174</u>	<u>11%</u>
Total Revenues	<u><u>\$ 1,166,633</u></u>	<u><u>\$ 1,117,909</u></u>	<u><u>\$ 48,728</u></u>	<u><u>4%</u></u>

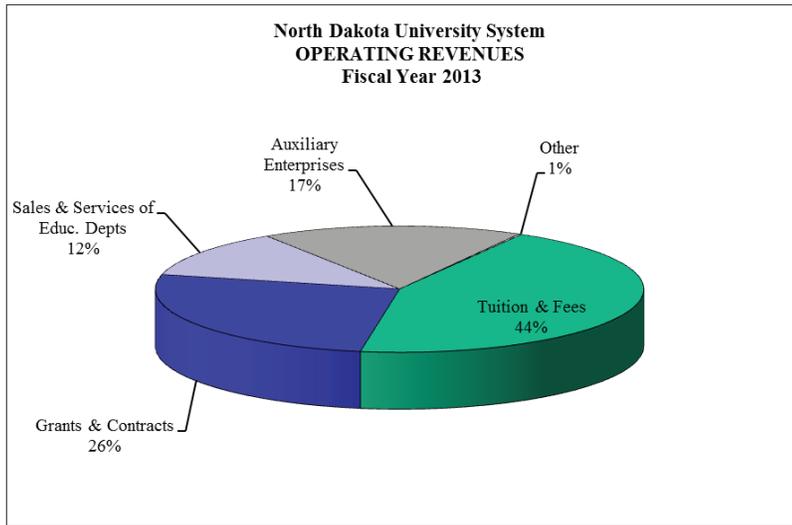
Tuition and fee revenues increased 4 percent from fiscal year 2012. Grant and contract revenues (included in operating revenues) decreased 10 percent in fiscal year 2012. Within this total, federal grants and contracts revenue decreased \$22.2 million and state grants and contracts revenue decreased \$1.2 million while private grants and contracts increased \$3.6 million.

Revenues from auxiliary enterprises such as housing, bookstore and foodservice increased 1.5 percent from fiscal year 2012.

State appropriations, excluding capital assets, increased 13 percent over fiscal year 2012. Investment income increased 55 percent from fiscal year 2012.

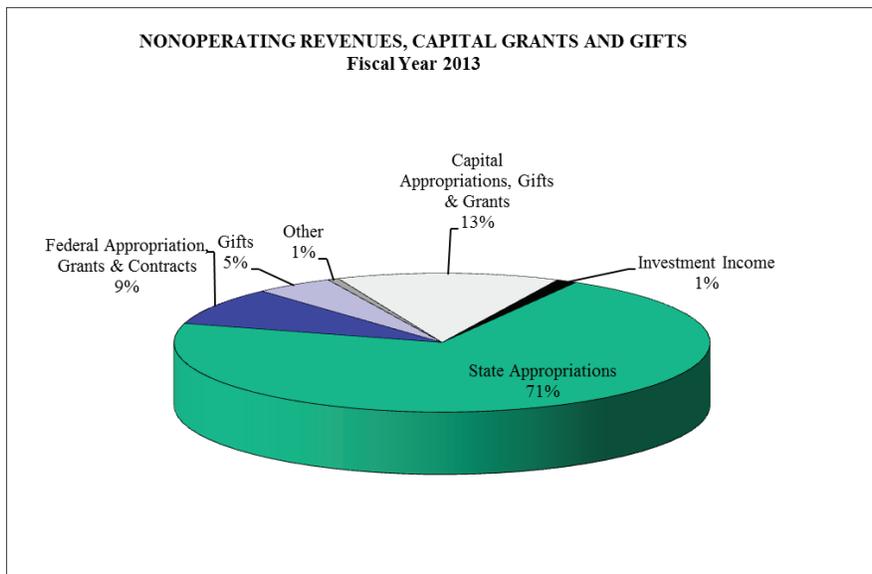
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013

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



In fiscal year 2013, tuition and fees accounted for 44 percent of operating revenues, an increase of 1 percent from the previous fiscal year.

The following chart depicts sources of nonoperating revenues, capital grants and gifts for fiscal year 2013:



No major changes in these percentages have occurred from the previous fiscal year.

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013

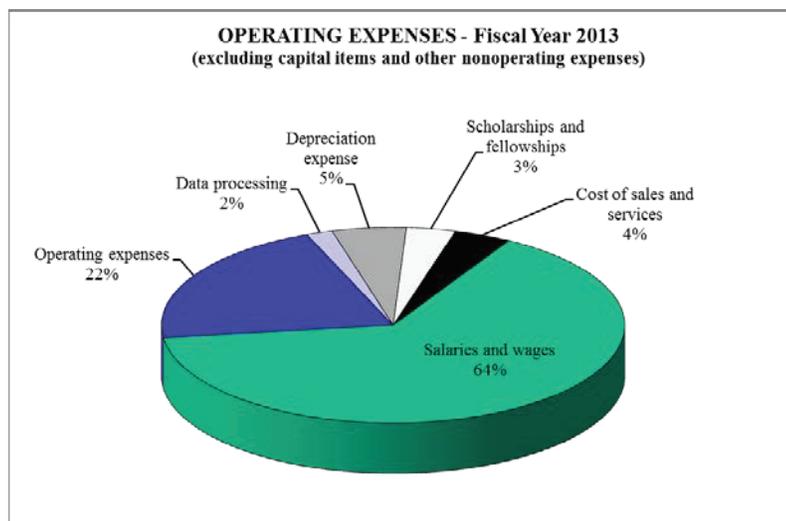
Expenses

The following table shows expenses by natural classification for the fiscal years ended June 30, 2013 and 2012:

	June 30 (in Thousands)		Dollar Change	Percent Change
	2013	2012		
Operating expenses				
Salaries and wages	\$ 689,410	\$ 665,604	\$ 23,806	4%
Operating expenses	224,077	224,401	(324)	0%
Data processing	19,345	13,524	5,822	43%
Depreciation expense	55,179	53,104	2,074	4%
Scholarships and fellowships	36,544	36,951	(408)	-1%
Cost of sales and services	42,642	41,073	1,569	4%
Total operating expenses	<u>\$ 1,067,197</u>	<u>\$ 1,034,657</u>	<u>\$ 32,539</u>	<u>3%</u>
Nonoperating expenses				
Interest on capital asset related debt	\$ 14,271	\$ 15,361	\$ (1,090)	-7%
Loss on sale of capital assets	-	299	(299)	-100%
General and special grant expenditures	42	-	42	100%
Other nonoperating, net	310	-	310	100%
Total nonoperating expenses	<u>\$ 14,623</u>	<u>\$ 15,660</u>	<u>\$ (1,037)</u>	<u>-7%</u>
Total expenses	<u><u>\$ 1,081,820</u></u>	<u><u>\$ 1,050,317</u></u>	<u><u>\$ 31,502</u></u>	<u><u>3%</u></u>

Salaries and wages expense for the System increased 4 percent in fiscal year 2013 as a result of wage increases. Operating expenses, including travel, office expenses, supplies, utilities, repairs, rents and leases, fees, instructional supplies and other general expenses was flat in fiscal year 2013. Scholarships and fellowships expense decreased 1 percent.

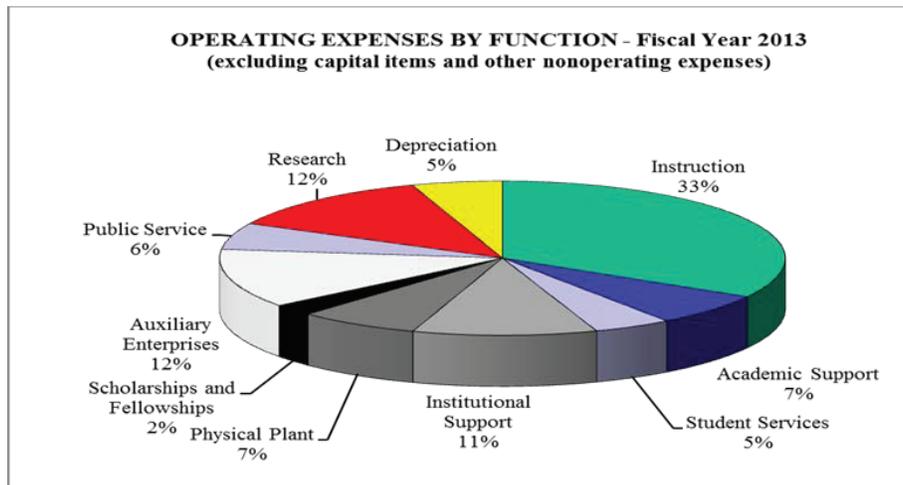
The allocation of operating expenses among the natural classification categories has not changed significantly from fiscal year 2012. The following chart depicts the uses of operating funds according to natural classification for fiscal year 2013:



MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

In addition to their natural classification, it is also informative to review operating expenses by function. The following chart illustrates operating expenses by function for fiscal year 2013:



The allocation of expenses to functional areas has not changed significantly from prior year. Instructional expenses, at 33 percent, continue to represent the largest expenditure category. The instructional function includes all expenses related to instruction (e.g. classroom, distance ed and continuing education) and instructional support. Academic support includes libraries, academic deans, and other departments that directly support the academic unit of the campuses. Student services include all offices that provide a specific service to students, including career services, registration, admission and counseling. Institutional support includes staff that supports the institution as a whole (e.g. business office, IT support and president's office). The physical plant function includes upkeep, maintenance and utilities for campus facilities. Scholarships and fellowships include aid provided to students. Auxiliary enterprises are the self-supporting activities of the campuses, such as bookstore, food service and housing. Depreciation represents the non-cash expense of capitalized assets over time. Public service includes expenses for activities established primarily to provide non-instructional services that are beneficial to individuals and groups external to the institution. All activities specifically organized to produce research, which is mostly federally funded, is included in the research function.

STATEMENT OF CASH FLOWS

The Statement of Cash Flows shows inflows and outflows of cash without regard to accrual items. Cash flows from operating activities on the Statement of Cash Flows will always be different from the operating gain or loss on the Statement of Revenues, Expenses, and Changes in Net Position (SRECNP) because of the inclusion of noncash items, such as depreciation expense, on the SRECNP. Also, the SRECNP is prepared on the accrual basis of accounting, meaning that it shows revenues earned and expenses incurred. The primary cash receipts from operating activities consist of tuition and fees, grants and contracts, and auxiliary income from housing, food service and bookstore operations. Cash outlays include payment of wages and benefits; operating expenses such as utilities, supplies, insurance and repairs; and, scholarships to students.

State appropriations are the primary source of cash flows from noncapital financing activities. Accounting standards require that we reflect this source of revenue as nonoperating, even though the campus budgets depend on this to continue the current level of operations. Other noncapital financing activity includes gifts received from endowment and charitable gift annuities.

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013

Cash flows from capital and related financing activities include all plant funds and related long term debt activities (except depreciation and amortization), as well as capital gifts, grants and appropriations. Purchase and sale of investments and income earned on investments are included in cash flows from investing activities.

The Condensed Statement of Cash Flows for the fiscal years ended June 30, 2013 and 2012 is shown below:

	June 30 (in Thousands)	
	2013	2012
Cash flows from operating activities	\$ (344,568)	\$(311,181)
Cash flows from noncapital financing activities	442,172	394,428
Cash flows from capital and related financing activities	(78,020)	(55,893)
Cash flows from investing activities	(19,371)	(14,093)
	<u>\$ 213</u>	<u>\$ 13,260</u>

Consistent with accounting standards, cash flows from state appropriations (excluding capital assets) are included in noncapital financing activities, even though they provide funding for operating activities. Cash received from state appropriations, excluding capital assets, in fiscal year 2013 was \$371.6 million. If this figure is added to the cash flows from operating activities, the result is a positive cash flow of \$27.0 million.

CAPITAL ASSET AND LONG-TERM LIABILITIES HIGHLIGHTS

CAPITAL ASSETS

On June 30, 2013, the System had \$983.8 million invested in net capital assets, as reflected in the following table, which represents a net increase of \$53.4 million or 6 percent during the fiscal year.

	June 30 (in thousands)	
	2013	2012
Land	\$ 15,540	\$ 16,105
Land improvements/infrastructure	187,356	170,510
Buildings	1,051,783	1,014,544
Furniture, fixtures, and equipment	283,410	272,071
Library materials	108,033	105,769
Construction in progress	129,021	96,895
Capitalized software	23,350	22,825
Other intangibles	1,845	1,431
Total	<u>\$ 1,800,338</u>	<u>\$ 1,700,150</u>
Total accumulated depreciation and amortization	<u>(816,518)</u>	<u>(769,717)</u>
Capital assets, net	<u>\$ 983,820</u>	<u>\$ 930,433</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013

Total additions to depreciable capital assets in fiscal year 2013 were \$48.1 million. Construction in progress for other projects underway totaled \$129.0 million at June 30, 2013. Some of the major projects, and their estimated project costs, include:

- Student Union Addition and Renovation at BSC - \$9.0 million
- Science/Library Renovation and Education Addition at MaSU - \$5.2 million
- Agassiz Hall Renovation at MaSU - \$3.8 million
- Wellness Center at MiSU - \$12.8 million
- Geothermal conversion at MiSU - \$16.2 million
- Press Box at MiSU - \$4.0 million
- Bisek Hall Remodel at NDSCS - \$10.5 million
- Forkner Hall Remodel at NDSCS - \$5.0 million
- Riley Hall Remodel at NDSCS - \$4.0 million
- Research Greenhouse Complex – Phase III at NDSU - \$9.4 million
- Minard Hall at NDSU - \$22.9 million
- Bison Sports Arena at NDSU - \$35.4 million
- InnerCore System at NDSU - \$3.7 million
- Expansion of Research Building #1 at NDSU - \$9.0 million
- IT Facility at UND - \$16.8 million
- Wilkerson Addition at UND - \$29.0 million
- Indoor Athletic Practice Facility at UND - \$19.5 million
- Rhoades Science Building renovation at VCSU - \$10.3 million
- New residence hall at WSC - \$9.9 million
- Workforce Training Center at WSC - \$6.7 million

Outstanding commitments for these and other capital projects as of June 30, 2013 totaled \$22.5 million. More detailed information about the System's capital assets is presented in Note 5 and Note 14 to the financial statements.

LONG-TERM LIABILITIES

On June 30, 2013, the System had \$330.9 million in bonds and other long-term obligations outstanding, compared to \$343.3 million on June 30, 2012, as represented in the following table:

	June 30 (in thousands)	
	2013	2012
Bonds Payable	\$ 222,588	\$ 224,923
Notes Payable	10,518	11,408
Capital Leases	61,796	73,211
Special Assessments	3,968	3,966
Compensated Absences	32,078	29,783
Total Debt	\$ 330,947	\$ 343,291
Viability Ratio (expendable net assets to L-T debt)	<u>1.0</u>	<u>0.9</u>

Long-term liabilities added in fiscal year 2013 totaled approximately \$32.3 million, including: revenue bonds totaling \$26.4 million for new construction and renovation projects, \$3.2 million in new capital leases for purchase of capital assets, \$283 thousand in new special assessments for campus improvements and \$2.4 million

MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2013

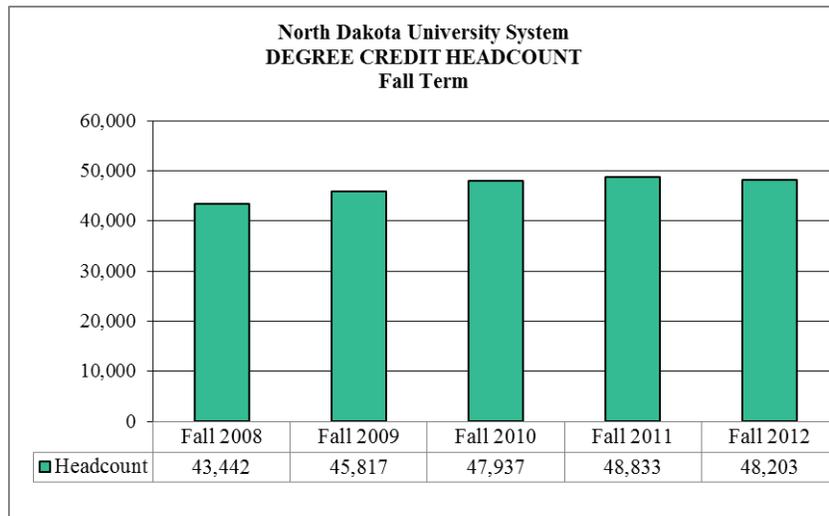
in other long-term obligations. Total debt retired in fiscal year 2013 was \$44.6 million, consisting primarily of capital lease payments of \$14.6 million, bond payments of \$28.7 million and other regularly scheduled principal payments. At June 30, 2013, \$63.5 million of revenue is pledged as security for outstanding revenue bonds.

The viability ratio, calculated by dividing expendable net position by long-term debt, measures the System’s ability to retire long-term debt using available current resources. The System’s viability ratio at June 30, 2013 of 1 to 1 indicates the System needs to watch its future debt levels closely as a ratio of 1 to 1 or greater is preferred. More detailed information about the System’s long-term liabilities is presented in Notes 7 through 11 to the financial statements.

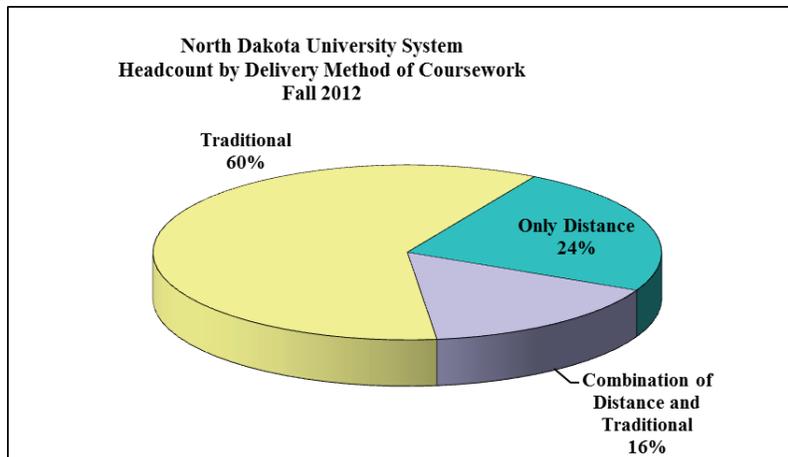
OTHER HIGHLIGHTS

STUDENT ENROLLMENTS

Annual FTE enrollment for fall 2012 was 38,703, a decrease of 1 percent over the previous fall enrollment. Annual Headcount enrollment for fall 2012 was 48,203. Degree credit headcount for the University System for the last five fall terms is as follows:



Traditional learning comprised 60% of total headcount while Distance Only coursework made up 24%. Combination of traditional and distance made up 16% of headcount, as noted in the graph below:



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013

STATE FUNDING

The 2011 Legislative Assembly approved a state general fund appropriation for all entities of the North Dakota University System (including major capital projects) of \$757.3 million for the 2011-13 biennium. This was an increase of \$139.6 million or 22.6 percent more than the 2009-11 adjusted appropriation. Of the total increases, \$83 million was included for base funding; \$2.5 million for one-time items and the remaining \$54.1 million one-time funding was for major capital projects. Excluding major capital projects, the total general fund increase over 2009-11 was \$85.5 million or 13.8 percent for all NDUS entities. The System's appropriation (excluding ag extension and research centers) as a percentage of the state's total 2011-13 general fund budget was 16.2 percent, compared to 18.3 percent in 2009-11.

FINANCIAL CONTACT

The System's financial statements are designed to present users with a general overview of the System's finances and to demonstrate accountability. If you have questions about the report or need additional financial information, contact the System's Director of Financial Reporting at robin.putnam@ndus.edu or State Capitol - 10th Floor, 600 E. Boulevard, Bismarck, ND 58505-0230.

NORTH DAKOTA UNIVERSITY SYSTEM
FINANCIAL STATEMENTS
JUNE 30, 2013

STATEMENT OF NET POSITION

	<u>Primary Institutions</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 106,331,339
Investments	77,826,782
Accounts receivable, net	24,870,833
Receivable from component units	7,884,446
Due from State General Fund	14,657,050
Grants & contracts receivables, net	40,478,662
Inventories	8,384,669
Notes receivable, net	8,100,810
Other assets	3,082,374
Total current assets	<u>\$ 291,616,965</u>
Noncurrent assets	
Restricted cash and cash equivalents	\$ 17,068,453
Restricted investments	10,939,463
Endowment investments	15,967,313
Notes receivable, net	28,853,377
Other long-term investments	116,590,934
Unamortized bond discount & cost of issuance	4,050,844
Due from component units	953,256
Other noncurrent assets	420,000
Capital assets, net	983,820,407
Total noncurrent assets	<u>1,178,664,047</u>
Total assets	<u>\$ 1,470,281,012</u>
 Deferred Outflows of Resources	 \$ -
LIABILITIES	
Current liabilities	
Accounts payable and accrued liabilities	\$ 35,803,399
Payable to component units	269,032
Accrued payroll	32,883,102
Unearned revenue	19,141,711
Deposits	6,534,625
Long-term liabilities--current portion	
Due to Component Units	2,961,660
Due to Others	17,888,951
Total current liabilities	<u>115,482,480</u>
Noncurrent liabilities	
Other noncurrent liabilities	\$ 2,798,508
Long-term liabilities	
Due to Component Units	53,803,414
Due to Others	256,293,191
Total noncurrent liabilities	<u>312,895,113</u>
Total liabilities	<u>\$ 428,377,593</u>
 Deferred Inflows of Resources	 \$ -
NET POSITION	
Invested in capital assets	\$ 699,209,394
Restricted for:	
Nonexpendable:	
Scholarships and fellowships	15,698,471
Expendable:	
Scholarships and fellowships	2,701,107
Research	10,206,854
Institutional	13,873,311
Loans	44,959,657
Capital projects	43,772
Debt service	18,765,228
Other	438,808
Unrestricted	236,006,817
Total net position	<u>\$ 1,041,903,419</u>

NORTH DAKOTA UNIVERSITY SYSTEM
FINANCIAL STATEMENTS
JUNE 30, 2013

STATEMENT OF NET POSITION

	<u>Component Units</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 57,829,021
Investments	51,047,119
Accounts receivable, net	1,752,828
Receivable from Primary Institution	3,194,029
Unconditional promises to give, net of allowance	12,167,660
Inventories	1,347,130
Other assets	4,910,566
Total current assets	<u>\$ 132,248,353</u>
Noncurrent assets	
Restricted cash and cash equivalents	\$ 6,353,822
Investments	
Investments, net of current portion	302,213,481
Investments, temporarily restricted	1,290,204
Investments, permanently restricted	4,114,303
Investments held in trust	30,582,347
Beneficial interest in trust	15,895,820
Charitable gift annuity investments	4,766,388
Investments held under split-interest agreements	1,761,279
Charitable remainder trust account investments	21,095,697
Endowment investments	9,681,996
Real estate and equipment held for investment, net of accumulated depreciation	27,289,325
Other long-term investments	7,933,827
Total investments	<u>\$ 426,624,667</u>
Contracts for deed and notes receivable, net of current portions	\$ 1,234,213
Long term pledges receivable/ unconditional promises to give	52,906,111
Other receivables	173,749
Due from Primary Institution-Capital Leases	53,720,495
Notes receivable, net	7,106,885
Other noncurrent assets	1,837,255
Capital assets, net	148,665,792
Total noncurrent assets	<u>698,622,989</u>
Total assets	<u>\$ 830,871,342</u>
LIABILITIES	
Current liabilities	
Accounts payable and accrued liabilities	\$ 4,198,708
Payable to Primary Institution	14,155,217
Accrued payroll	1,022,028
Current portion of gift annuities and life income agreements	3,046,321
Deferred revenue	9,849,281
Other current liabilities	1,909,695
Long-term liabilities--current portion	13,847,401
Total current liabilities	<u>48,028,651</u>
Noncurrent liabilities	
Deposits	\$ 26,351,174
Gift annuities and life income agreements, net of current portion	17,351,911
Obligations under split-interest agreement	6,922,463
Other noncurrent liabilities	166,012
Long-term liabilities	91,339,093
Total noncurrent liabilities	<u>142,130,653</u>
Total liabilities	<u>\$ 190,159,304</u>
Net Position	
Temporarily restricted	\$ 123,119,442
Nonexpendable:	
Permanently restricted	329,876,006
Net investment in property and equipment	68,282,309
Unrestricted	119,434,281
Total net position	<u>\$ 640,712,038</u>
Total liabilities and net position	<u>\$ 830,871,342</u>

NORTH DAKOTA UNIVERSITY SYSTEM
FINANCIAL STATEMENTS
JUNE 30, 2013

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	Primary Institution
OPERATING REVENUES	
Student tuition and fees (net of scholarship allowances of \$60,249,664 and bad debt allowance of \$1,598,387)	\$ 289,264,752
Federal grants and contracts	118,308,559
State grants and contracts	16,913,120
Nongovernmental grants and contracts (net of bad debt allowance of \$129,181)	35,622,611
Sales and services of educational departments (net of bad debt allowance of \$178,642)	79,550,613
Auxiliary enterprises (net of scholarship allowances of \$6,163,112 and bad debt allowance of \$462,698)	113,147,824
Other (net of bad debt allowance of \$39,251)	1,185,772
Total operating revenues	<u>\$ 653,993,251</u>
OPERATING EXPENSES	
Salaries and wages	\$ 689,410,036
Operating expenses	224,077,153
Data processing	19,345,492
Depreciation expense	55,178,707
Scholarships and fellowships	36,543,561
Cost of sales and services	42,641,721
Total operating expenses	<u>\$ 1,067,196,670</u>
Operating income (loss)	<u>\$ (413,203,419)</u>
NONOPERATING REVENUES (EXPENSES)	
State appropriations	\$ 364,097,197
Federal appropriations	5,127,259
Federal grants and contracts (net of bad debt allowance of \$40,636)	40,109,824
Gifts	24,201,500
Endowment Investment income (net of investment expense of \$42,726)	6,325,947
Interest on capital asset-related debt	(14,271,216)
Gain (loss) on disposal of capital assets	521,492
Insurance proceeds	338,319
Tax revenues	3,113,418
General and special grant expenditures	(42,105)
Other nonoperating revenues (expenses) (net of bad debt allowance of \$364,462)	(310,258)
Net nonoperating revenues (expenses)	<u>\$ 429,211,377</u>
Income before capital grants, gifts, and transfers	<u>\$ 16,007,958</u>
State appropriations-capital assets	\$ 48,940,729
Transfers to from Building Authority	(6,166,330)
Capital grants and gifts	19,865,857
Increase in net position	<u>\$ 78,648,214</u>
NET POSITION	
Net position--beginning of year, as restated	<u>\$ 963,255,205</u>
Net position--end of year	<u>\$ 1,041,903,419</u>

NORTH DAKOTA UNIVERSITY SYSTEM
FINANCIAL STATEMENTS
JUNE 30, 2013

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	Component Units
Support and Revenue	
Gift and contributions	\$ 61,436,270
Investment income	22,784,356
Net realized and unrealized gains (losses) on investment securities	14,836,433
Program and event income	59,040,828
Other income	15,300,277
Total support and revenue	<u>\$ 173,398,164</u>
Expenses	
Program services	\$ 39,370,520
Supporting services	71,888,828
Impairment Loss	5,905,202
Fundraising expense	3,742,965
Total operating expenses	<u>\$ 120,907,515</u>
Change in split-interest agreement	<u>\$ 3,975,462</u>
Change in Net Position	\$ 56,466,111
Net Position Beginning of Year, as restated	<u>\$ 584,245,927</u>
Net Position, End of Year	<u><u>\$ 640,712,038</u></u>

NORTH DAKOTA UNIVERSITY SYSTEM
FINANCIAL STATEMENTS
JUNE 30, 2013

STATEMENT OF CASH FLOWS

	Primary Institution
CASH FLOWS FROM OPERATING ACTIVITIES	
Student tuition and fees	\$ 289,668,305
Grants and contracts	171,550,454
Payments to suppliers	(275,524,162)
Payments to employees	(685,016,597)
Payments for scholarships and fellowships	(36,543,561)
Loans issued to students	(5,131,303)
Collection of loans to students	5,726,492
Auxiliary enterprise charges	113,423,085
Sales and service of educational departments	75,860,943
Cash received/(paid) on deposits	(518,049)
Other receipts (payments)	1,936,673
Net cash used by operating activities	<u>\$ (344,567,720)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State appropriations	\$ 371,572,837
Federal appropriations	4,228,545
Grants and gifts received for other than capital purposes	64,144,619
Grants given for other than capital purposes	(42,105)
Direct lending receipts	200,540,709
Direct lending disbursements	(200,394,668)
Agency fund cash increase/(decrease)	(991,472)
Tax revenues	3,113,418
Net cash flows provided by noncapital financing activities	<u>\$ 442,171,883</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from issuance of debt	\$ 26,978,391
Transfers to Building Authority	(6,166,330)
Capital appropriations	50,739,886
Capital grants and gifts received	16,003,186
Proceeds from sale of capital assets	32,020
Purchases of capital assets	(109,916,349)
Insurance proceeds	358,517
Principal paid on capital debt and lease	(27,391,702)
Deposits with capital debt payment trustees	(15,815,000)
Interest paid on capital debt and lease	(12,842,423)
Net cash used by capital and related financing activities	<u>\$ (78,019,804)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales and maturities of investments	\$ 48,188,193
Interest on investments	8,421,224
Purchase of investments	(75,980,583)
Net cash provided by investing activities	<u>\$ (19,371,166)</u>
Net increase (decrease) in cash	\$ 213,193
CASH - BEGINNING OF YEAR	<u>123,186,599</u>
CASH - END OF YEAR	<u>\$ 123,399,792</u>
RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	\$ (413,203,419)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities	
Depreciation expense	55,178,707
Other nonoperating revenues (expenses)	(2,367,581)
Change in assets and liabilities	
Accounts receivable adjusted for interest receivable	(3,701,391)
Due from Other NDUS institutions	
Grant & contract receivables	412,355
Inventories	(230,185)
Notes receivable	1,857,545
Other assets	3,195,825
Accounts payable and accrued liabilities adjusted for interest payable	7,045,887
Accrued payroll	2,094,491
Compensated absences	2,298,946
Deferred revenue	2,312,341
Deposits	538,759
Net cash provided (used) by operating activities	<u>\$ (344,567,720)</u>
SUPPLEMENTAL DISCLOSURE ON NON CASH TRANSACTIONS	
Assets acquired through capital lease	\$ 853,509
Assets acquired through special assessment	60,807
Expenses paid by capital lease/special assessments	1,876,291
Gifts of capital assets	1,562,453
Net increase (decrease) in value of investments	197,846
Total non-cash transactions	<u>\$ 4,550,906</u>

NORTH DAKOTA UNIVERSITY SYSTEM
FINANCIAL STATEMENTS
JUNE 30, 2013

STATEMENT OF NET POSITION- MAJOR COMPONENT UNITS

FASB BASIS	BSC		NDSU		UND	
	Foundation	DSU	Development	Research &	Aerospace	
	June 30, 2013	Foundation	Foundation	Technology	Foundation	
		June 30, 2013	December 31, 2013	Park	June 30, 2013	June 30, 2013
Assets						
Current assets						
Cash and cash equivalents	\$ 497,857	\$ 1,306,106	\$ 17,374,284	\$ 2,083,797	\$ 12,285,353	
Investments	-	7,864,064	16,757,181	-	8,272,628	
Accounts receivable, net	21,848	-	-	51,744	1,615,715	
Receivable from Primary Institution	114,072	-	-	-	-	
Unconditional promises to give, net of allowance	162,674	1,289,372	5,414,203	2,500	-	
Inventories	-	7,332	-	-	92,824	
Other assets	40,037	-	1,875,653	23,792	286,705	
Total current assets	\$ 836,488	\$ 10,466,874	\$ 41,421,321	\$ 2,161,833	\$ 22,553,225	
Noncurrent assets						
Restricted cash and cash equivalents	\$ -	\$ 16,318	\$ -	\$ -	\$ -	
Investments:						
Investments, net of current portion	8,155,626	-	101,641,987	-	-	
Investments, temporarily restricted	-	-	-	-	-	
Investments, permanently restricted	-	-	-	-	-	
Investments held in trust	4,118,517	-	-	-	-	
Beneficial interest in trust	1,555,349	-	-	-	-	
Charitable gift annuity investments	-	-	-	-	-	
Investments held under split-interest agreement	-	1,761,279	-	-	-	
Charitable remainder trust account investments	-	-	-	-	-	
Endowment investments	-	-	-	-	-	
Real estate and equipment held for investment, net of accumulated depreciation	187,517	-	45,050,789	-	-	
Other long-term investments	91,632	-	-	-	1,040,000	
Total investments	\$ 14,108,641	\$ 1,777,597	\$ 146,692,776	\$ -	\$ 1,040,000	
Contracts for deed and notes receivable, net of current portions	\$ -	\$ -	\$ 1,234,213	\$ -	\$ -	
Long term pledges receivable/unconditional promises to give	600,829	892,329	17,478,807	9,909	-	
Other receivables	-	-	-	-	-	
Receivable from Primary Institution	1,738,090	-	-	-	-	
Notes receivable, net	-	-	-	6,490,000	-	
Other noncurrent assets	153,165	372,764	485,185	386,391	82,924	
Capital assets, net	11,377,536	11,294,211	3,650,836	25,186,786	22,953,020	
Total noncurrent assets	\$ 27,978,261	\$ 14,336,901	\$ 169,541,817	\$ 32,073,086	\$ 24,075,944	
Total assets	\$ 28,814,749	\$ 24,803,775	\$ 210,963,138	\$ 34,234,919	\$ 46,629,169	
LIABILITIES						
Current liabilities						
Accounts payable and accrued liabilities	\$ 415,220	\$ 206,041	\$ 2,854,552	\$ 217,611	\$ 338,007	
Payable to Primary University	-	-	1,641,230	-	874,176	
Accrued payroll	-	86,506	-	27,919	445,037	
Current portion of gift annuities and life income agreements	223,735	-	803,873	-	-	
Deferred revenue	-	-	113,000	-	7,584,818	
Other current liabilities	-	1,283,619	217,915	-	-	
Long-term liabilities-current portion	212,419	2,897,213	1,488,091	1,038,291	507,690	
Total current liabilities	\$ 851,374	\$ 4,473,379	\$ 7,118,661	\$ 1,283,821	\$ 9,749,728	
Noncurrent liabilities						
Deposits	-	-	-	-	-	
Gift annuities and life income agreements, net of current portion	2,687,025	-	-	-	-	
Obligations under split-interest agreement	-	863,331	6,059,132	-	-	
Other noncurrent liabilities	166,012	-	-	-	-	
Long-term liabilities	1,989,743	8,523,045	23,779,419	27,087,525	3,301,785	
Total noncurrent liabilities	\$ 4,842,780	\$ 9,386,376	\$ 29,838,551	\$ 27,087,525	\$ 3,301,785	
Total liabilities	\$ 5,694,154	\$ 13,859,755	\$ 36,957,212	\$ 28,371,346	\$ 13,051,513	
NET POSITION						
Temporarily restricted	\$ 545,705	\$ 521,690	\$ 48,524,994	\$ 12,409	\$ 6,500,000	
Nonexpendable:						
Permanently restricted:	13,417,679	10,939,581	95,240,552	-	-	
Net investment in property and equipment	-	-	-	-	-	
Unrestricted	9,157,211	(517,251)	30,240,380	5,851,164	27,077,656	
Total net position	23,120,595	10,944,020	174,005,926	5,863,573	33,577,656	
Total liabilities and net position	\$ 28,814,749	\$ 24,803,775	\$ 210,963,138	\$ 34,234,919	\$ 46,629,169	

NORTH DAKOTA UNIVERSITY SYSTEM
FINANCIAL STATEMENTS
JUNE 30, 2013

STATEMENT OF NET POSITION - MAJOR COMPONENT UNITS - Continued

FASB BASIS	RE Arena, Inc UND Arena Services, Inc. UND Sports		Total Major Component Units	Non-major Component Units	Reclassifications	Total Component Units
	UND Alumni Association & UND Foundation	Facilities, Inc. Arena Holdings Charitable LLC & Affiliates				
	June 30, 2013	31-May-13				
ASSETS						
Current assets						
Cash and cash equivalents	\$ 4,775,530	\$ 6,592,794	\$ 44,915,721	\$ 12,913,300	\$ -	\$ 57,829,021
Investments	-	-	32,893,873	18,153,246	-	51,047,119
Accounts receivable, net	-	696,017	2,385,324	168,558	(801,054)	1,752,828
Due from Primary Institution	-	-	114,072	65,139	3,014,818	3,194,029
Unconditional promises to give, net of allowance	4,882,074	-	11,750,823	416,837	-	12,167,660
Inventories	-	1,233,200	1,333,356	13,774	-	1,347,130
Other assets	2,191,479	129,510	4,547,176	388,191	(24,801)	4,910,566
Total current assets	\$ 11,849,083	\$ 8,651,521	\$ 97,940,345	\$ 32,119,045	\$ 2,188,963	\$ 132,248,353
Noncurrent assets						
Restricted cash and cash equivalents	\$ -	\$ 5,479,426	\$ 5,495,744	\$ 858,078	\$ -	\$ 6,353,822
Investments:						
Investments, net of current portion	162,784,717	-	272,582,330	29,631,151	-	302,213,481
Investments, temporarily restricted	-	-	-	1,290,204	-	1,290,204
Investments, permanently restricted	-	-	-	4,114,303	-	4,114,303
Investments held in trust	26,351,174	-	30,469,691	112,656	-	30,582,347
Beneficial interest in trust	13,327,602	-	14,882,951	1,012,869	-	15,895,820
Charitable gift annuity investments	4,766,388	-	4,766,388	-	-	4,766,388
Investments held under split-interest agreement	-	-	1,761,279	-	-	1,761,279
Charitable remainder trust account investment	21,095,697	-	21,095,697	-	-	21,095,697
Endowment investments	-	-	-	9,681,996	-	9,681,996
Real estate and equipment held for investment, net of accumulated depreciation	-	-	45,238,306	4,720,922	(22,669,903)	27,289,325
Other long-term investments	6,145,493	-	7,277,125	656,702	-	7,933,827
Total investments	\$ 234,471,071	\$ -	\$ 398,073,767	\$ 51,220,803	\$ (22,669,903)	\$ 426,624,667
Contracts for deed and notes receivable, net of current portions	\$ -	\$ -	\$ 1,234,213	\$ -	\$ -	\$ 1,234,213
Long term pledges receivable/unconditional promises to give	33,450,050	-	52,431,924	474,187	-	52,906,111
Other receivables	8,591,386	-	8,591,386	-	(8,417,637)	173,749
Due from Primary Institution-Capital Leases	-	-	1,738,090	531,480	51,450,925	53,720,495
Notes receivable, net	163,223	-	6,653,223	453,662	-	7,106,885
Other noncurrent assets	-	-	1,480,429	356,826	-	1,837,255
Capital assets, net	13,745,014	68,282,309	156,489,712	14,703,702	(22,527,622)	148,665,792
Total noncurrent assets	\$ 290,420,744	\$ 73,761,735	\$ 632,188,488	\$ 68,598,738	\$ (2,164,237)	\$ 698,622,989
Total assets	\$ 302,269,827	\$ 82,413,256	\$ 730,128,833	\$ 100,717,783	\$ 24,726	\$ 830,871,342
LIABILITIES						
Current liabilities						
Accounts payable and accrued liabilities	\$ 884,412	\$ 1,690,421	\$ 6,606,264	\$ 1,329,096	\$ (3,736,652)	\$ 4,198,708
Payable to Primary University	-	2,011,702	4,527,108	3,120,286	6,507,823	14,155,217
Accrued payroll	462,566	-	1,022,028	-	-	1,022,028
Current portion of gift annuities and life income agreements	1,978,290	-	3,005,898	40,423	-	3,046,321
Deferred revenue	-	4,202,314	11,900,132	695,594	(2,746,445)	9,849,281
Other current liabilities	-	-	1,501,534	408,161	-	1,909,695
Long-term liabilities--current portion	776,513	498,288	7,418,505	6,428,896	-	13,847,401
Total current liabilities	\$ 4,101,781	\$ 8,402,725	\$ 35,981,469	\$ 12,022,456	\$ 24,726	\$ 48,028,651
Noncurrent liabilities						
Deposits	26,351,174	-	26,351,174	-	-	26,351,174
Gift annuities and life income agreements, net of current portion	14,344,156	-	17,031,181	320,730	-	17,351,911
Obligations under split-interest agreement	-	-	6,922,463	-	-	6,922,463
Other noncurrent liabilities	-	-	166,012	-	-	166,012
Long-term liabilities	8,503,784	3,015,345	76,200,646	15,138,447	-	91,339,093
Total noncurrent liabilities	\$ 49,199,114	\$ 3,015,345	\$ 126,671,476	\$ 15,459,177	\$ -	\$ 142,130,653
Total liabilities	\$ 53,300,895	\$ 11,418,070	\$ 162,652,945	\$ 27,481,633	\$ 24,726	\$ 190,159,304
NET POSITION						
Temporarily restricted	\$ 55,425,932	\$ -	\$ 111,530,730	\$ 11,588,712	\$ -	\$ 123,119,442
Nonexpendable:						
Permanently restricted	166,223,942	-	285,821,754	44,054,252	-	329,876,006
Net investment in property and equipment	-	68,282,309	68,282,309	-	-	68,282,309
Unrestricted	27,319,058	2,712,877	101,841,095	17,593,186	-	119,434,281
Total net position	248,968,932	70,995,186	567,475,888	73,236,150	-	640,712,038
Total liabilities and net position	\$ 302,269,827	\$ 82,413,256	\$ 730,128,833	\$ 100,717,783	\$ 24,726	\$ 830,871,342

NORTH DAKOTA UNIVERSITY SYSTEM
FINANCIAL STATEMENTS
JUNE 30, 2013

STATEMENT OF REVENUES, EXPENSES and CHANGES IN NET POSITION, MAJOR COMPONENT UNITS

	BSC Foundation June 30, 2013	DSU Foundation June 30, 2013	NDSU Development Foundation December 31, 2012	NDSU Research & Technology Park June 30, 2013	UND Aerospace Foundation June 30, 2013
Support and revenue					
Gifts and contributions	\$ 1,197,244	\$ 2,276,148	\$ 16,875,506	\$ 1,285,769	\$ 1,569,129
Investment income	946,769	299,693	4,382,650	-	385,643
Net realized and unrealized gains (losses) on investment securities	840,160	293,816	10,040,821	-	-
Program and event income	46,801	238,879	-	33,100	35,870,777
Other income	329,447	1,092,743	1,076,822	2,636,779	557,403
Total support and revenue	<u>\$ 3,360,421</u>	<u>\$ 4,201,279</u>	<u>\$ 32,375,799</u>	<u>\$ 3,955,648</u>	<u>\$ 38,382,952</u>
Expenses					
Program Services	\$ 1,288,205	\$ 1,682,054	\$ 10,878,896	\$ 847,922	\$ 321,292
Supporting services	791,298	2,184,708	8,610,490	1,693,039	32,339,996
Impairment Loss					
Fund raising expense	92,427	298,303	-	-	-
Total expenses	<u>\$ 2,171,930</u>	<u>\$ 4,165,065</u>	<u>\$ 19,489,386</u>	<u>\$ 2,540,961</u>	<u>\$ 32,661,288</u>
Change in split-interest agreement	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Net Position	\$ 1,188,491	\$ 36,214	\$ 12,886,413	\$ 1,414,687	\$ 5,721,664
Net Position, Beginning of Year, as Restated	\$ 21,932,104	\$ 10,907,805	\$ 161,119,513	\$ 4,448,886	\$ 27,855,992
Net Position, End of Year	<u>\$ 23,120,595</u>	<u>\$ 10,944,019</u>	<u>\$ 174,005,926</u>	<u>\$ 5,863,573</u>	<u>\$ 33,577,656</u>

NORTH DAKOTA UNIVERSITY SYSTEM
FINANCIAL STATEMENTS
JUNE 30, 2013

STATEMENT OF REVENUES, EXPENSES and CHANGES IN NET POSITION, MAJOR COMPONENT UNITS

	UND Alumni Association & UND Foundation June 30, 2013	RE Arena, Inc UND Arena Services, Inc. UND Sports Facilities, Inc. Arena Holdings Charitable LLC & Affiliates May 31, 2013	Total Major Component Units	Non-Major Component Units	Total Component Units
Support and revenue					
Gifts and contributions	\$ 27,803,533	\$ -	\$ 51,007,329	\$ 10,428,941	\$ 61,436,270
Investment income	15,165,841	-	21,180,596	1,603,760	22,784,356
Net realized and unrealized gains (losses) on investment securities	-	-	11,174,797	3,661,636	14,836,433
Program and event income	6,908,565	8,350,281	51,448,403	7,592,425	59,040,828
Other income	-	1,421,544	7,114,738	8,185,539	15,300,277
Total support and revenue	\$ 49,877,939	\$ 9,771,825	\$ 141,925,863	\$ 31,472,301	\$ 173,398,164
Expenses					
Program Services	\$ 14,731,266	\$ 1,124,201	\$ 30,873,836	\$ 8,496,684	\$ 39,370,520
Supporting services	2,365,124	9,364,505	57,349,160	14,539,668	71,888,828
Impairment Loss	-	-	-	5,905,202	5,905,202
Fund raising expense	2,844,282	-	3,235,012	507,953	3,742,965
Total expenses	\$ 19,940,672	\$ 10,488,706	\$ 91,458,008	\$ 29,449,507	\$ 120,907,515
Change in split-interest agreement	\$ 3,975,462	\$ -	\$ 3,975,462	\$ -	\$ 3,975,462
Change in net position	\$ 33,912,729	\$ (716,881)	\$ 54,443,317	\$ 2,022,794	\$ 56,466,111
Net Position, Beginning of Year, as Restated	\$ 215,056,203	\$ 71,712,067	\$ 513,032,570	\$ 71,213,357	\$ 584,245,927
Net Position, End of Year	\$ 248,968,932	\$ 70,995,186	\$ 567,475,887	\$ 73,236,151	\$ 640,712,038

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

REPORTING ENTITY

The North Dakota State Board of Higher Education (Board) is the governing body for North Dakota's eleven publicly supported colleges and universities. In addition to these eleven institutions, the Board 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 Board was established in 1939 when the voters of North Dakota approved an initiated measure to add Article VIII to the State Constitution. The Board consists of eight voting members. The Governor, with the advice and consent of the Senate, appoints seven of the eight voting members. The eighth member is a full-time resident student appointed by the Governor. A ninth member is a faculty member (non-voting) selected by the statewide Council of College Faculties. The Board is an entity of the executive branch of the government of the State of North Dakota. The colleges and universities governed by the Board are collectively known and referred to as the North Dakota University System hereafter referred to as the University System. The Board appoints a Commissioner of Higher Education (Chancellor) to serve as the chief executive officer of the Board and of the University System. The Chancellor and the Chancellor's staff must have their principal office in the State Capitol per the North Dakota Constitution. This office is referred to as the University System Office. The North Dakota Legislature appropriates funds it deems necessary and as required by law for those agencies and institutions authorized to exist by the constitution and statutes. Separate general ledgers are maintained for the University System office and each institution on the PeopleSoft Finance Module. The financial statements presented here are also included in the comprehensive annual financial report of the State of North Dakota.

The University System includes the following entities that were 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.

North Dakota University System Entities (Primary Institution)

North Dakota University System Office (NDUSO)

Bismarck State College (BSC)

Dakota College of Bottineau (DCB)

Dickinson State University (DSU)

Lake Region State College (LRSC)

Mayville State University (MaSU)

Minot State University (MiSU)

North Dakota State College of Science (NDSCS)

North Dakota State University (NDSU)

Agricultural Experiment Stations:

North Dakota State University Main Research Center

NOTES TO THE FINANCIAL STATEMENTS

Dickinson Research Extension Center
Central Grasslands Research Extension Center
Hettinger Research Extension Center
Langdon Research Extension Center
North Central Research Extension Center
Williston Research Extension Center
Carrington Research Extension Center
Agronomy Seed Farm
Northern Crops Institute
Upper Great Plains Transportation Institute
North Dakota State University Cooperative Extension Service
North Dakota Forest Service
University of North Dakota (UND)
School of Medicine and Health Sciences
Valley City State University (VCSU)
Williston State College (WSC)

Component Units

The process of evaluating potential component units involved the application of criteria set forth in Governmental Accounting Standards Board 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 organizations relationship and the extent of financial integration with the primary institution are now considered when determining potential component units. Governmental Accounting Standards Board 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 entry. GASB Statement No. 61 requires a financial benefit or burden relationship in addition to a fiscal dependency.

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

The component units' financial statements are presented under Financial Accounting Standards Board (FASB) standards. As such, certain amounts reported on the primary institution financial statements (receivables from and payables to component units) are not reflected on the component units' financial statements. A reclassification column has been added to the consolidating component unit's net asset

NOTES TO THE FINANCIAL STATEMENTS

statement to reflect material inter-entity balances between the primary institutions and the component units. Certain other amounts have been reclassified for consistent presentation. Detailed component unit financial statements may be obtained at the respective addresses listed below.

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.

The **Mystic Athletic Club** (BSC) is considered a blended component unit. Although it is a legally separate entity, the Mystic Athletic Club is reported as if it were part of the primary institution because the board is comprised of BSC employees and its sole purpose is to provide support for the athletic programs at BSC. Complete financial statements may be obtained at the entity's administrative office at Bismarck State College, Athletic Department, 1601 Edwards Avenue, Bismarck, ND 58501.

North Dakota University System Foundation is considered a blended component unit. Although it is a legally separate, non-profit 501(c)(3) organization, NDUS Foundation is reported as if it were part of the primary institution because its sole purpose is to support the NDUS. Some members of the State Board of Higher Education serve on the Board of Trustees for the foundation. Complete financial statements may be obtained at the entity's administrative office at 600 E. Boulevard Ave. Dept 215, Bismarck, ND 58505.

Discretely Presented Component Units

The following component units are legally separate entities; however, a fiscal dependency relationship exists whereby the entity does not have the ability to complete certain essential fiscal events without substantive approval from the primary institution or due to the nature and significance of the relationship to the University System, 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, that 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 accompanying financial statements using Financial Accounting Standards Board (FASB) standards, including FASB 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. Component units that are significant relative to the primary institution are considered "major" component units and are displayed in separate columns in the component unit section of the accompanying financial statements and are included in Note 15 under Major Component Units. Component units that are not significant relative to the primary institution are considered "non-major" component units and are displayed in a combined column in the component unit section of the accompanying financial statements.

Major Component Units

The Bismarck State College Foundation is a legally separate, tax-exempt organization providing support and recognition to BSC through a variety of programs. The foundation acts primarily as a fund-raising organization to supplement the resources that are available to the college. The foundation is managed by a 75-member board of directors comprised of leading citizens, both alumni and friends of the college as well as seven ex-officio members that are officers/employees of BSC. Complete financial

NOTES TO THE FINANCIAL STATEMENTS

statements for Bismarck State College Foundation may be obtained at the entity's administrative offices at 1255 Schafer Street, PO Box 5587, Bismarck, ND 58506-5587.

Dickinson State University Foundation, Inc., was organized in 1952 as a non-profit corporation to provide an avenue through which alumni and friends of the University may contribute financially to the University. Gifts, grants, and bequests to the foundation benefit present and future students by providing scholarship assistance and the funding of special projects. The foundation is managed by a 26-member board of directors comprised of leading citizens, both alumni and friends of DSU as well as one ex-officio member that is an officer/employee of DSU. Complete financial statements for the Foundation may be obtained at Dickinson State University Foundation, 230 Eighth Ave West, Dickinson, ND 58601.

North Dakota State University Development Foundation is an incorporated, nonprofit organization developed solely for the benefit of NDSU. The foundation is approved by the IRS as a charitable, tax-exempt organization and designated by the University as the repository for private giving to the University. Its purpose is to raise, manage, and disburse contributions for the benefit of NDSU. The foundation is managed by a board of trustees comprised of 60 elected alumni and friends of the university as well as four ex-officio members – the president of NDSU, the president and vice president of the Alumni Association and the executive director of the Development Foundation and Alumni Foundation. In fiscal year 2012, the foundation changed their fiscal year end from June 30 to December 31. Foundation financial statements and footnote disclosures are presented as of December 31, 2012. Complete financial statements for North Dakota State University Development Foundation may be obtained at the entity's administrative office at 1241 N. University Drive, Fargo, ND 58102.

NDSU Research & Technology Park, Inc., is a nonprofit organization established in 1999 to promote an economic environment dedicated to applied research and technology discovery for the benefit of NDSU, its faculty and staff and students and the citizens of North Dakota. The majority of the Park's board of directors (7 of 10) works in private industry. Vacancies are filled by a majority vote of the board. Officers of NDSU fill the remaining three positions. The President of NDSU serves as president of the board of directors and has control over final building plans for any new building at the Park. Complete financial statements for NDSU Research & Technology Park, Inc. may be obtained at the entity's administrative office at 1854 NDSU Research Circle North, Fargo, ND 58102.

UND Aerospace Foundation is a nonprofit entity organized in 1985 to encourage and develop the University of North Dakota's John D. Odegard School of Aerospace Sciences. The Foundation's principal activities consist of developing and conducting training programs, research and development, and consulting services related to the aerospace industry. The Foundation is governed by a board of directors consisting of five to seven voting members, including two or more persons who are active in the aerospace industry and/or graduates of UND with an interest in the aerospace industry, elected by the board. Non-voting members/representatives on the board include a senior manager of the foundation elected by the board, the dean of the Odegard School of Aerospace Sciences and the president of the University. The Foundation benefits the University, financially and otherwise, through its promotion of the Odegard School and its programs and in the sharing of resources. Complete financial statements for the UND Aerospace Foundation may be obtained at the entity's administrative office at 4251 University Ave Box 9023, Grand Forks, ND 58202-9023.

NOTES TO THE FINANCIAL STATEMENTS

The **Alumni Association of the University of North Dakota** and the **UND Foundation** are nonprofit organizations utilizing a common board of directors and administration organized exclusively for the benefit of the University of North Dakota ("UND"). The administrative offices for the organizations are maintained on the University of North Dakota Campus.

The Alumni Association of the University of North Dakota was incorporated in 1915 and the UND Foundation was incorporated in 1978 to replace the Alumni Association Development Fund. The Foundation receives, holds and manages contributions from alumni and private sources and engages in development activities on behalf of UND. The Alumni Association of the University of North Dakota is organized to keep alumni connected to each other and to UND and to support the growth and enrichment of the University. The organizations are supported primarily through donor contributions and earnings on investments.

These two legally separate nonprofit corporations have the same board of directors and the same executive vice president, but different board presidents and vice-presidents. The board of directors consists of 23 voting members, 21 whom are alumni of UND, and 4 ex-officio members that are officers of UND. Complete combined financial statements for the Alumni Association of the University of North Dakota and UND Foundation, may be obtained at the entity's administrative offices at 3501 University Ave Stop 8157, Grand Forks, ND 58202-8157.

RE Arena, Inc. (REA), UND Arena Services, Inc. (UAS), and Arena Holdings Charitable LLC (AHC) are related organizations with commonality among their boards of directors and management organized for the benefit of the University. These organizations operate and maintain a multipurpose sports and entertainment arena in Grand Forks, N.D. known as the Ralph Engelstad Arena Sports Complex (including the Ralph Engelstad Arena, Olympic Arena, and Betty Engelstad Center.) The complex is used primarily for UND athletics and activities. UND Sports Facilities, Inc. (UNDSF) is the sole member of Arena Holdings Charitable LLC. RE Arena, Inc. conducts day-to-day operations of the arena through a contract with UND Arena Services, Inc. UND Arena Services, Inc. is the legal manager of Arena Holdings Charitable LLC. Arena Holdings Charitable, LLC is the lessee of the land from UND and is the title holder of the complex. At the conclusion of the original 30 year lease (2030), the complex shall vest with UND. UAS and AHC have a seven-member board with one member being the UND Vice President for Finance and Operations (VPFO). REA has a five-member board with the President being the REA Manager. The remaining four board members are also board members of UAS and AHC, with no UND employee represented on the board. UNDSF has three board members, who also serve on the other boards, with one of the board members being the UND VPFO. All board members from all four entities have voting rights. A complete combined financial statement for these organizations may be obtained at Ralph Engelstad Arena, One Ralph Engelstad Arena Drive, Grand Forks ND 58203.

Non-major Component Units

Dakota College of Bottineau Foundation was established to act primarily as a fund-raising organization to supplement the resources that are available to DCB. The Logrollers, a legally separate organization, operates as an entity within the Foundation. The foundation and Logrollers are managed by the same eight-member board of directors comprised of leading citizens, both alumni and friends of the college as well as two ex-officio members that are officers of DCB. However, each entity has separate committees that direct each organization's activities. Complete combined financial statements for Dakota College at Bottineau Development Foundation and Logrollers may be obtained at the entity's administrative offices at 105 Simrall Boulevard, Bottineau, ND 58318.

NOTES TO THE FINANCIAL STATEMENTS

Lake Region Community College Foundation was established in 1959 to provide a permanent structure through which support for Lake Region State College could be channeled. The work and the resources of the foundation are managed by a 27-member board of directors elected by the foundation membership to serve three-year terms. Complete financial statements for the Community College Foundation may be obtained at the entity's administrative office at 1801 College Drive North, Devils Lake, ND 58301-1598.

Mayville State University Foundation was established to act primarily as a fund-raising organization to supplement the resources that are available to MaSU. The foundation is managed by a 15-member board of directors comprised of leading citizens, both alumni and friends of the university as well as ex-officio members that are officers/employees of MaSU. The Comet Athletic Club, a legally separate non-profit organization, operates as an entity within the foundation. The Club's purpose is to promote, support, and encourage interest and participation in MaSU sports. Their financial activity is reflected in the foundation's financial statements. Complete financial statements for Mayville State University Foundation may be obtained at the entity's administrative office at 330 3rd Street Northeast, Mayville, ND 58257.

Minot State University Development Foundation was incorporated in 1978 exclusively for the benefit of MiSU. Its purpose is to establish, promote and stimulate voluntary financial support for the benefit of the university, especially in the building of endowment and in addressing the long-term priorities of the university. A board of directors comprising 11 voting members manages the foundation. Two are ex-officio appointments from the Board of Regents and the Alumni Association, and three are ex-officio members who are employees of MiSU. Complete financial statements for Minot State University Development Foundation may be obtained at the entity's administrative office at 500 University Avenue West, Minot, ND 58707.

North Dakota State College of Science Foundation was established to act primarily as a fund-raising organization to supplement the resources that are available to NDSCS. The foundation is managed by a 19 member board of directors comprised of leading citizens, both alumni and friends of the college as well as six ex-officio members that are officers/employees of NDSCS. Complete financial statements for North Dakota State College of Science Foundation may be obtained at the entity's administrative office at 800 Sixth Street North, Wahpeton, ND 58076-0002.

North Dakota State University Research Foundation is a legally separate, non-profit 501(c)(3) organization created to provide support to NDSU in its mission by enabling NDSU faculty to enhance their involvement in research, technology transfer, and business endeavors. Through linkages with public and private businesses and industries, the foundation facilitates the commercialization of research technologies developed by NDSU faculty and staff. The foundation is managed by an 11-member board of directors, comprised of five NDSU employees and six individuals who are not employed by NDSU. Complete financial statements for the Research Foundation may be obtained at the entity's administrative office at 1735 NDSU Research Park Drive, Suite 124, Fargo, ND 58108-6050.

North Dakota State University Team Makers Club was established in 1950 by a group of local business leaders who recognized the need for a community-based support group to benefit NDSU Bison Athletics. Team Makers is a legally separate, non-profit 501(c)(3) organization to provide financial support, promotion and spirit for NDSU student-athletes and the NDSU Athletics Department

NOTES TO THE FINANCIAL STATEMENTS

in order to achieve excellence. The foundation is managed by board of directors comprised of 11 voting members, of which one is an employee of NDSU. Complete financial statements for the NDSU Team Makers may be obtained at the entity's administrative office at NDSU Team Makers, Dept 1200, PO Box 6050, Fargo ND 58108-6050.

University of North Dakota Center for Innovation Foundation has a mission to foster entrepreneurship statewide as well as support the Center for Innovation and the Department of Entrepreneurship within the College of Business and Public Administration. The Foundation is governed by a board of directors comprised of seven voting members, two non-voting trustee emeritus, and four non-voting members who are officers of UND plus the Director of the Center for Innovation. Complete financial statements for the Center for Innovation Foundation may be obtained at the entity's administrative office at 4200 James Ray Drive, Grand Forks ND 58203.

The University of North Dakota Research Foundation was formed in 2006 to assist the University of North Dakota to advance its research agenda, to commercialize its university innovations and discoveries, and to create economic opportunities for Grand Forks and the State of North Dakota. The Foundation works with UND to build successful and strategic partnerships between the university and private companies, resulting in mutual gains for each. Complete financial statements for the University of North Dakota Research Foundation may be obtained at the entity's administrative office at 4201 James Ray Drive, Grand Forks ND 58202.

Valley City State University Foundation was established to support Valley City State University by involving alumni and friends of the university in activities and private giving that meet the university's needs and advance its welfare. The foundation is managed by a 19 member Board of Directors comprised of leading citizens, both alumni and friends of the university, as well as two ex-officio nonvoting members that are officers of VCSU. Complete financial statements for Valley City State University Foundation may be obtained at the entity's administrative office at 101 College Street SW, Valley City, ND 58072.

Williston State College Foundation was established to act primarily as a fund-raising organization to supplement the resources that are available to WSC. The foundation is managed by an 11-member board of directors comprised of leading citizens, both alumni and friends of the college. Complete financial statements for Williston State College Foundation may be obtained at the entity's administrative office at PO Box 1286, 501 18th Street East, Williston, ND 58802-1286.

JOINT VENTURES

Tri-College University

Tri-College University (TCU) is a legally separate organization that is organized exclusively for educational purposes within the meaning of section 501(c)(3) of the Internal Revenue Code. TCU's purpose is to assist in the establishment and maintenance of coordinated programs between Concordia College, Minnesota State University Moorhead and NDSU, as a means of maximizing higher educational services for the people of the region. The organization serves as an agency through which resources are received and dispensed to supplement the educational endeavors of the three universities. The corporation also serves as a means for promoting and strengthening existing and potential educational programs and courses. An eight-member board of directors, including the presidents of the three universities, handles the affairs of the corporation. All property, funds and income of this corporation are held for the exclusive use and benefit of Concordia College, Minnesota State University Moorhead and NDSU. Administration of funds and other resources received by TCU

NOTES TO THE FINANCIAL STATEMENTS

for use in connection with specific programs at NDSU are the responsibility of the university. As of June 30, 2013, Tri-College University had net position of approximately \$568,410 and is not considered a financial burden to NDSU. The financial activity of this organization is not reflected in the accompanying financial statements. Complete audited financial statements for Tri-College University may be obtained at the entity's administrative office at North Dakota State University, Renaissance Hall, 650 NP Avenue 100, Fargo, ND 58102.

INSIGNIFICANT COMPONENT UNITS

The following organizations are component units of the University System but have been deemed insignificant due to small total assets and revenues balances. Entities in this category had less than 0.3% each in total assets and less than 0.5% each in total revenues when compared to total assets and revenues of the primary institution. Separate boards of directors control these entities. In addition, the college or university does not exercise financial or administrative control over these entities and/or the entities' relationship with the primary institutions is not significant enough to warrant inclusion in the reporting entity's financial statements. The related organizations at June 30, 2013 were:

BSC:	National Alumni Association 1255 Schafer Street PO Box 5587 Bismarck, ND 58506-5587	DSU:	The Blue Hawk Booster Club 24 2 nd Street W Dickinson, ND 58601-5128
MaSU:	Mutual Aid Corporation 330 3 rd Street NE Mayville, ND 5825 Minot State University 500 University Ave W	MiSU:	Alumni Association, Inc. Minot State University 500 University Ave W. Minot, ND 58707 Beaver Boosters, Inc. Minot State University 500 University Ave W Minot, ND 58707
NDSU:	Alliance for Arts & Humanities 221 Minard Hall, Albrecht Blvd PO Box 6050 Fargo, ND 58108-6050 RSVP Enterprise Dept. 2020 Box 6050 Fargo, ND 58108-6050 NDSU 4H Foundation FLC 219, Dept 7280 PO Box 6050 Fargo, ND 58108	UND:	EERC Foundation Energy & Environmental Research Center University of North Dakota 5 North 23 rd Street, Stop 9018 Grand Forks, ND 58202-9018 Law School Foundation 215 Centennial Drive Stop 9003 Grand Forks, ND 58502-9003 The Fellows of the University of North Dakota 264 Centennial Drive Twamley Hall Grand Forks, ND 58502
WSC	Teton Booster Club PO Box 760 Williston, ND 58802		

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

NOTES TO THE FINANCIAL STATEMENTS

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 the University System 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 University System follows the pronouncements of the Governmental Accounting Standards Board (GASB), which is the nationally accepted standard setting body for establishing generally accepted accounting principles for governmental entities.

UNRESTRICTED NET POSITION

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

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

RESTRICTED ASSETS

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

REVENUE AND EXPENSE RECOGNITION

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

Operating revenues include all charges to customers, grants received for student financial assistance, research contracts and grants, and interest earned on loans. Grants received for student financial assistance are considered operating revenues because they provide resources for student charges and such programs are necessary and essential to the mission of the University System. Revenues from nonexchange transactions and state appropriations that represent subsidies or gifts to the University System, as well as investment income, are considered nonoperating since these are either investing,

NOTES TO THE FINANCIAL STATEMENTS

capital or noncapital financing activities. Operating expenses are all expense transactions incurred other than those related to investing, capital or noncapital financing activities. Revenues received for capital financing activities, as well as related expenses, are considered neither operating nor nonoperating activities and are presented after nonoperating activities.

BUDGETARY PROCESS

The State of North Dakota operates through a biennial appropriation. Legislation requires the Board to present a single unified budget request covering the needs of all the institutions under its control to the Governor through the Director of the Office of Management and Budget. The Governor is required by legislation to present his budget to the General Assembly at the beginning of each session. The

General Assembly enacts the budget of the various institutions through the passage of specific appropriation acts. Before signing the appropriation acts, the Governor may veto or reduce any specific appropriation, subject to legislative override. Once passed and signed, the budget becomes the state's financial plan for the next two years.

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

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

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

CASH AND CASH EQUIVALENTS

This classification includes cash on-hand, cash in-bank, regular and money market savings accounts, and certificates of deposit and time saving certificates (original maturity of 3 months or less). For purposes of the Statement of Cash Flows, the University System 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 System's endowment, unspent bond proceeds and cash restricted by bond covenants are included in non-current restricted cash.

INVESTMENTS

Investments consist of certificates of deposit (maturity greater than three months), U.S. Treasuries, bonds, stocks and other securities held by trust departments or broker dealers. Investments are

NOTES TO THE FINANCIAL STATEMENTS

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

RECEIVABLES

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

INVENTORIES

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

CAPITAL AND INTANGIBLE ASSETS

Land, buildings, equipment, and other property are stated at historical cost, with the exception of property acquired prior to the following dates for the various institutions which are stated at appraised values: July 1, 1964 (MiSU, BSC, NDSCS, NDSU); July 1, 1965 (UND); July 1, 1966 (VCSU, DCB); July 1, 1969 (DSU); July 1, 1970 (MaSU); July 1, 1984 (WSC); and July 1, 1987 (LRSC). 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 the following dates for the following institutions with subsequent additions at cost and deletions at average cost: June 30, 1973 (MaSU, VCSU); June 30, 1974 (UND, NDSCS, NDSU, DCB); June 30, 1976 (DSU); July 1, 1979 (MiSU); June 30, 1985 (BSC, LRSC); and June 30, 1990 (WSC).

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

The composite method is used for library book depreciation. All books purchased during a year are consolidated together and depreciated as a group of assets rather than individually. Expenses for construction in progress are capitalized as incurred. Interest expense relating to construction is capitalized, net of interest income earned on resources set aside for the construction or remodeling

NOTES TO THE FINANCIAL STATEMENTS

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 for the System and its component units. All campuses, except UND and NDSU, use the ½ year convention.

Land Improvements	10 – 35 years
Infrastructure	20 – 60 years
Buildings	10 – 50 years
Equipment	3 – 20 years
Internally developed software	2 – 10 years
Purchased software	3 – 5 years
Other Intangibles	3 – 20 years
Library Books	10 years

DEPOSITS

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

COMPENSATED ABSENCES

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

SCHOLARSHIP ALLOWANCES

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

NOTES TO THE FINANCIAL STATEMENTS

NET POSITION

Net position are classified according to external donor restrictions or availability of assets for satisfaction of University System 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 are all other funds available at the discretion of the University System. 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
Net position, beginning of the year, as previously reported	\$ 963,741,792
Prior period adjustments:	
Correction of error	(458,965)
Other	(27,622)
Net position, beginning of the year, as restated	<u>\$ 963,255,205</u>

USE OF ESTIMATES

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

New Accounting Pronouncements

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

In January 2013, the GASB issued Statement No. 69, "Government Combinations and Disposals of Government Operations." This statement is effective for periods beginning after December 15, 2013.

In April, 2013, the GASB issued Statement No. 70, "Accounting and Financial Guarantees." This statement is effective for periods beginning after June 15, 2013.

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

NOTE 2 – DEPOSITS AND INVESTMENTS

LIMITATIONS

Primary Institution

North Dakota Century Code (NDCC) governs the deposit and investment policies of the System. 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 requires that all moneys not deposited in the special revenue fund within the State Treasury (unless restricted by the terms of a grant, donation or bequest), received by the institutions from federal, state, and local grants and contracts, indirect cost recoveries, tuition, special student fees, room and board and other auxiliary enterprise fees, student activity fees, continuing education program fees, internal service fund revenues, and all other revenues must be deposited in the BND.

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 BND, 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 Board 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.

DEPOSITS

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

NOTES TO THE FINANCIAL STATEMENTS

	June 30, 2013	
	Carrying Amount	Bank Balance
Cash Deposits at the Bank of North Dakota	\$ 113,923,286	\$ 130,366,593
Cash Deposits at institutions other than the Bank of North Dakota	9,251,536	10,775,126
Certificates of Deposit at the Bank of North Dakota	187,923,170	187,923,170
Certificates of Deposit at institutions other than the Bank of North Dakota	462,984	462,984
Total Bank Deposits	<u>\$ 311,560,975</u>	<u>\$ 329,527,873</u>
 Add: Cash on Hand/Petty Cash	 \$ 224,970	
 Less: Amts. credit risked as deposits but reported as investments	 \$ (188,386,153)	
 Cash & Cash Equivalents per Statement of Net Position	 <u>\$ 123,399,792</u>	

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, 2013, \$326.9 million of the System's bank balance of \$329.5 million was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 320,574,762
Uninsured and collateral held by pledging bank not in system's name	\$ 6,281,989

Investments

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

Investment Type	Market Value	Maturities			
		Less than 1 year	1 year to 5 years	6 years to 10 years	More than 10 years
US Treasuries	\$ 79,989	\$ 12,673	\$ 67,316	\$ -	\$ -
Corporate Bonds	26,178	-	26,178	-	-
Mutual Bond Funds	5,476,979	919,031	632,630	3,925,319	-
Guaranteed Investment Contracts	266,543	-	-	-	266,543
Money Market Mutual Funds	6,454,070	6,454,070	-	-	-
Other	541,209	466,851	74,358	-	-
Subtotal	<u>\$ 12,844,968</u>	<u>\$ 7,852,625</u>	<u>\$ 800,482</u>	<u>\$ 3,925,319</u>	<u>\$ 266,543</u>
Stocks	1,107,543				
Certificates of Deposit - BND	187,923,170				
Certificates of Deposit - non-BND	462,984				
Equity Mutual Funds	13,162,184				
Other	5,823,643				
Total Investments per the Statement of Net assets	<u>\$ 221,324,492</u>				

NOTES TO THE FINANCIAL STATEMENTS

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 system is limited to investing funds with the Bank of North Dakota, with the exception of gifts governed by an endowment agreement. Accordingly, the system 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. Campuses choose terms based on maximizing their return within the limits of their cash flow needs. Campuses rely on brokers to provide year-end market values for the investments held with those brokers.

Credit Risk

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

Investment Type	Credit Quality Rating						
	AAA	AA	A	BBB	BB	B	Not Rated
Corporate Bonds	\$ -	\$ -	\$ 26,178	\$ -	\$ -	\$ -	\$ -
Mutual Bond Funds	-	2,951,627	630,241	646,723	-	959,598	288,790
Guaranteed Investment Contracts	-	266,543	-	-	-	-	-
Money market mutual funds	6,400,812	-	15,092	-	-	-	38,166
Other	-	24,311	-	-	-	-	516,898
Total	\$ 6,400,812	\$ 3,242,481	\$ 671,511	\$ 646,723	\$ -	\$ 959,598	\$ 843,854

NOTE 3 – RECEIVABLES

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

	Current	NonCurrent	Total
Student & General	\$ 30,301,523		\$ 30,301,523
Interest Receivable	382,584		382,584
Allowance for doubtful Accts	(5,813,274)		(5,813,274)
Accounts Receivable, net	\$ 24,870,833		\$ 24,870,833
Grants & Contracts Receivable	36,811,958		36,811,958
Appropri. Rec. - Other	-		-
Due from Other State Agencies	3,666,704		3,666,704
Allowance for Doubtful G&C Rec	-		-
Grants & Contracts Receivable, net	\$ 40,478,662		\$ 40,478,662
Student	9,738,996	34,990,010	44,729,006
Others	-	-	-
Allowance for Doubtful Notes	(1,638,186)	(6,136,632)	(7,774,818)
Notes Receivable, net	\$ 8,100,810	\$ 28,853,377	\$ 36,954,188

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

NOTES TO THE FINANCIAL STATEMENTS

Institutional Funds Act (UPMIFA) applies to the investment of endowments governed by a gift instrument. NDUS SBHE policy 810 stipulates endowment funds shall be invested according to the intent of the donor provided such intent is consistent with applicable laws. Absent terms expressing donor intent in a gift instrument, NDUS institution officers initially shall deposit the funds in institution accounts at the Bank of North Dakota. Thereafter, the funds may be invested according to NDCC 59-21. Subject to the intent of the donor, NDUS institution officers are delegated authority to manage and invest these institutional funds as provided by UPMIFA. NDCC Section 59-21-02.5a(7) applies to standard of conduct in the administration of powers to make and retain investments. It states that in managing and investing an institutional fund, the needs of the institution and the fund to make distributions and to preserve capital must be considered. Given the flexibility in NDCC 59-21-02, campuses have differing policies with respect to spending investment income and net appreciation on endowment funds. UND changed investment managers in September 2013, the University of North Dakota Foundation is the investment manager for UND endowments. The payout is calculated using the average balance of the last four quarters multiplied by 4 percent. MiSU allows for 5.0 percent of the three year average market value of the assets to be expended; 4.5 percent for scholarships and 0.5 percent for administrative expense. MaSU, NDSU, VCSU and WSC give departments authority to spend all investment income earned on the endowment funds. Net appreciation on investments is available for expenditure and consists of the following at June 30, 2013:

		<u>Reflected in net position as:</u>
Mayville State University	\$ 3,223	Expendable scholarships & fellowships
Minot State University	<u>54,473</u>	Expendable scholarships & fellowships
Total NDUS	<u>\$ 57,696</u>	

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 each college/university’s operating fund at the State Treasury and are used for current operating purposes. Bismarck State College, Lake Region State College and Williston State College do not participate in the proceeds allocated by the State Land Department. Total assets held by the State Land Department and proceeds for the fiscal year ended June 30, 2013 are approximately \$107.9 million and \$1.91 million, respectively.

NOTE 5 – CAPITAL AND INTANGIBLE ASSETS

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

NOTES TO THE FINANCIAL STATEMENTS

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Land	\$ 16,104,607	\$ -	\$ 565,000	\$ -	\$ 15,539,607
Construction in progress	96,895,376	62,880,425	61,190	(30,693,540)	129,021,071
Total non-depreciable capital assets	\$ 112,999,983	\$ 62,880,425	\$ 626,190	\$ (30,693,540)	\$ 144,560,678
Land improvements/infrastructure	\$ 170,510,489	\$ 10,778,579	\$ 441,553	\$ 6,508,941	\$ 187,356,456
Buildings	1,014,544,243	13,133,376	54,542	24,159,445	1,051,782,522
Furniture, fixtures, and equipment	272,070,740	19,482,582	8,168,925	25,154	283,409,551
Intangibles:					
Computer Software	22,825,054	752,211	226,925	-	23,350,340
Websites	788,219	49,485	-	-	837,704
Other	642,409	364,998	-	-	1,007,407
Library materials	105,768,589	3,505,698	1,240,853	-	108,033,434
Total depreciable capital assets	\$ 1,587,149,743	\$ 48,066,929	\$ 10,132,798	\$ 30,693,540	\$ 1,655,777,414
Less accumulated depreciation and amortization					
Land improvements/infrastructure	\$ 79,397,019	\$ 4,724,561	\$ 208,738	\$ 543,706	\$ 84,456,548
Buildings	436,156,497	24,553,813	20,292	(543,706)	460,146,312
Furniture, fixtures, and equipment	160,377,372	19,402,543	6,742,260	-	173,037,655
Intangibles					
Computer Software	12,465,006	1,694,148	165,447	-	13,993,707
Websites	172,610	162,056	-	-	334,666
Other	106,054	24,355	-	-	130,409
Library materials	81,042,006	4,617,236	1,240,854	-	84,418,388
Total accumulated depreciation and amortization	\$ 769,716,564	\$ 55,178,712	\$ 8,377,591	\$ -	\$ 816,517,685
Total depreciable capital assets, net	\$ 817,433,179	\$ (7,111,782)	\$ 1,755,207	\$ 30,693,540	\$ 839,259,729
Capital assets, net	\$ 930,433,162	\$ 55,768,642	\$ 2,381,397	\$ -	\$ 983,820,407

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

	Amount Authorized	Expended (CIP Asset)	Expended (Non capitalized)	Authorized Balance
Bismarck State College	\$ 14,957,300	\$ 5,445,620	\$ 719,682	\$ 8,791,998
Dakota College of Bottineau	700,000	57,413	190,636	451,951
Dickinson State University	146,344	10,652	199	135,493
Lake Region State College	-	-	-	-
Mayville State University	9,908,328	8,921,045	373,735	613,548
Minot State University	36,640,219	21,512,085	489,694	14,638,440
North Dakota State College of Science	19,500,000	15,835,501	-	3,664,499
North Dakota State University	81,271,340	38,586,423	123,319	42,561,598
University of North Dakota	80,780,085	19,249,879	-	61,530,206
Valley City State University	10,500,000	9,088,279	-	1,411,721
Williston State College	16,713,267	10,314,176	-	6,399,091
North Dakota University System Office	-	-	-	-
Total NDUS	\$ 271,116,883	\$ 129,021,073	\$ 1,897,265	\$ 140,198,545

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

Accounts Payable	31,007,816
Due to other state agencies	1,259,201
Due to Other Funds	73,773
Sales Tax Payable	16,135
Accrued Interest	2,602,467
Contractor Payable/Retainage	835,769
Other liabilities	8,237
Total Payables & Accrued Liabilities	35,803,399

NOTE 7 – LONG-TERM LIABILITIES

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

	Beginning Balance	Additions	Retirements	Ending Balance	Current Portion	Noncurrent Portion
Bonds Payable	\$ 203,057,738	\$ 19,985,817	\$ 27,475,838	\$ 195,567,717	\$ 11,332,523	\$ 184,235,194
Bonds Payable to Component Units	21,865,000	6,405,000	1,250,000	27,020,000	1,335,000	25,685,000
Notes Payable	10,929,832	-	890,568	10,039,264	531,347	9,507,917
Notes Payable to Component Units	478,356	-	-	478,356	38,139	440,217
Capital Leases	36,287,715	2,798,825	6,557,526	32,529,014	3,908,800	28,620,214
Capital Leases with Component Units	36,923,443	356,998	8,013,725	29,266,716	1,588,521	27,678,195
Special Assessments	3,966,131	283,176	281,426	3,967,881	265,321	3,702,560
Compensated Absences	29,782,747	2,429,728	134,207	32,078,268	1,850,960	30,227,308
Total	\$ 343,290,962	\$ 32,259,544	\$ 44,603,290	\$ 330,947,216	\$ 20,850,611	\$ 310,096,605

NOTE 8 – BONDS PAYABLE

Revenue bonds are limited obligations of the University System. The principal and interest on the bonds are payable generally from the net income of specific auxiliary activities, designated student fees, interest subsidies and debt service reserve funds. These revenues are generally pledged to the payment of bonds in accordance with the specific terms of the specific indenture. Amounts held by the trustee specifically for payment on bonds are reflected in Net Position, Restricted for Debt Service.

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

NOTES TO THE FINANCIAL STATEMENTS

	Original Balances	Interest Rates	Balances Outstanding
Bismarck State College	\$ 11,400,000	2.0 - 5.35%	\$ 10,580,000
Lake Region State College	1,050,000	3.0-5.125%	450,000
Mayville State University	6,465,000	1.55 - 6.63%	5,107,533
Minot State University	17,299,000	0 - 6.60%	13,905,000
North Dakota State College of Science	9,000,000	3.76 - 5.5%	9,000,000
North Dakota State University	108,695,000	1.5 - 6.5%	98,270,000
University of North Dakota	101,420,000	0.75 - 5.0%	65,695,316
Valley City State University	9,425,000	2.8 - 7.05%	8,755,000
Williston State College	2,046,000	3.0% - 6.9%	9,021,000
North Dakota University System	14,200,000	4.28%	1,803,868
Total Bonds Payable	\$ 281,000,000		\$ 222,587,717

Industrial Commission Bonds

For the 2011-2013 biennium, the North Dakota University System Office received an appropriation of \$12.2 million to act as the fiscal agent for the campuses on bond payments to the Industrial Commission. Of this total, \$417,250 is special funds, which is the amount the campuses pay as local match. During fiscal year 2013, the North Dakota University System Office paid \$5.88 million in general funds to the Industrial Commission of North Dakota.

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 System’s financial statements. The following is a description of the University System’s defeased bonds and the balance of the bonds outstanding in the trust.

University of North Dakota

In fiscal year 2013, the University of North Dakota issued \$17.36 million of Housing and Auxiliary Facilities Revenue Refunding Bonds (Series 2013) with an interest rate ranging from 2.0 percent to 5.0 percent. The bonds were used to call \$17.6 million of outstanding Series 2002 and 2004 Housing and Auxiliary Facilities Revenue bonds. The University advanced refunded the 2004 bonds and current refunded the 2002 bonds to reduce its total debt service payments over the next 21 years by approximately \$1.9 million and to obtain an economic gain (difference of the present values of the debt service payments of the old and new debt) of approximately \$1.4 million.

NOTES TO THE FINANCIAL STATEMENTS

Scheduled Maturities of Bonds Payable

Fiscal Year	Principal	Interest	Total
2014	\$ 12,667,522	\$ 9,978,766	\$ 22,646,288
2015	7,213,860	9,731,859	16,945,719
2016	7,502,927	9,473,112	16,976,039
2017	7,787,193	9,184,865	16,972,058
2018	8,081,296	8,870,445	16,951,741
2019 - 2023	43,910,233	38,888,604	82,798,837
2024 - 2028	48,562,413	28,807,332	77,369,745
2029 - 2033	51,329,753	16,996,239	68,325,992
2034 - 2038	28,737,520	5,846,862	34,584,382
2039 - 2043	6,795,000	731,038	7,526,038
	<u>\$ 222,587,717</u>	<u>\$ 138,509,122</u>	<u>\$361,096,839</u>

NOTE 9 – NOTES PAYABLE

Energy Performance Contracts

Dakota College of Bottineau, Dickinson State University, Mayville State University and Williston State College have individual notes payable to GE Capital Public Finance, Inc., for energy improvements through a performance contract. Lake Region State College has a note with Banc of America Public Capital Corp. Details of the notes are as follows:

Institution	Original Balance	Maturity Date	Interest Rate	Outstanding Balance June 30, 2013
Dakota College of Bottineau	378,067	August 2013	4.27%	11,523
Dickinson State University	21,765	July 2016	9.90%	10,949
Lake Region State College	4,881,045	June 2027	3.27%-5.15%	4,633,785
Mayville State University	7,280,185	August 2012 - December 2024	4.97% - 5.25%	5,383,007
Williston State College	500,000	September 2023	5.00%	478,356
Total Notes Payable	\$ 13,061,062			\$ 10,517,620

NOTES TO THE FINANCIAL STATEMENTS

Scheduled Maturities of Notes Payable

Fiscal Year	Principal	Interest	Total
2014	\$ 569,486	\$ 493,331	\$ 1,062,817
2015	595,010	468,643	1,063,653
2016	642,327	442,513	1,084,840
2017	688,378	414,120	1,102,498
2018	741,608	383,691	1,125,299
2019 - 2023	4,629,091	1,366,994	5,996,085
2024 - 2028	2,651,720	267,223	2,918,943
	<u>\$ 10,517,620</u>	<u>\$ 3,836,515</u>	<u>\$14,354,135</u>

NOTE 10 – CAPITAL LEASES

The institutions lease various types of capital assets under capital lease agreements. Capital leases give rise to property rights and lease obligations and therefore, the assets under lease are recorded as assets of the institution and the lease obligation is recognized as a liability. The leases have varying interest rates with maturities to 2043.

Carrying Value of Assets Held Under Capital Leases		
	Carrying Value	Accumulated Depreciation
Land improvements/infrastructure	\$ 560,015	\$ 134,206
Buildings	69,565,923	12,189,249
Furniture, fixtures, and equipment	29,907,264	16,275,017
Total	<u>\$ 100,033,202</u>	<u>\$ 28,598,472</u>

Scheduled Maturities of Capital Leases

Fiscal Year	Principal	Interest	Total
2014	\$ 5,497,319	\$ 2,674,878	\$ 8,172,197
2015	5,124,804	2,411,295	7,536,099
2016	4,768,427	2,184,714	6,953,141
2017	4,741,191	1,962,585	6,703,776
2018	6,200,067	1,754,135	7,954,202
2019 - 2023	14,791,370	6,118,546	20,909,916
2024 - 2028	9,177,760	3,453,626	12,631,386
2029 - 2033	6,413,161	2,002,490	8,415,651
2034 - 2038	4,306,794	666,199	4,972,993
2039 - 2043	774,837	100,817	875,654
	<u>\$ 61,795,730</u>	<u>\$ 23,329,285</u>	<u>\$ 85,125,015</u>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 11 – OTHER LONG-TERM LIABILITIES

SPECIAL ASSESSMENTS

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

Scheduled Maturities of Special Assessments

Fiscal Year	PRIMARY INSTITUTION		
	Principal	Interest	Total
2014	\$ 265,321	\$ 185,022	\$ 450,343
2015	263,827	172,494	436,321
2016	259,103	160,069	419,172
2017	254,501	147,965	402,466
2018	237,464	136,224	373,688
2019 - 2023	1,069,485	523,148	1,592,633
2024 - 2028	747,058	313,665	1,060,723
2029 - 2033	603,129	155,849	758,978
2034 - 2038	267,993	19,849	287,842
	<u>\$ 3,967,881</u>	<u>\$ 1,814,285</u>	<u>\$ 5,782,166</u>

Compensated Absences

The compensated absences liability of the institutions at June 30, 2013 consists of accumulated unpaid annual leave, compensatory time, payable portion of accumulated sick leave, personal holiday hours, and Saturday/legal holiday hours earned and vested. Compensated absences for employees at June 30, 2013 and 2012 totaled \$32,078,268 and \$29,782,747, respectively. Leave policies restrict the accumulation of unused vacation and thus limit the actual payments made to employees upon termination or retirement.

NOTE 12 – RETIREMENT BENEFITS

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

NORTH DAKOTA PUBLIC EMPLOYEES’ RETIREMENT SYSTEM (NDPERS) - Description of Plan

NDPERS is a cost-sharing, multiple-employer, defined benefit pension plan covering substantially all broadband employees of the University System. The plan provides retirement, disability and death benefits. If an active employee dies with less than three years of credited service, a death benefit equal to the value of the employee’s accumulated contributions, plus interest, is paid to the employee’s beneficiary. If the employee has earned more than three years of credited service, the surviving spouse will be entitled to a single payment refund, lifetime monthly payments in an amount equal to 50 percent

NOTES TO THE FINANCIAL STATEMENTS

of the employee's accrued normal retirement benefit, or monthly payments in an amount equal to the employees' accrued 100% joint and survivor retirement benefit if the member had reached normal retirement age prior to the date of death. If the surviving spouse dies before the employee's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

Eligible employees, who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits that are equal to 25 percent of their final average salary with a minimum benefit of \$100. To qualify under this section, the employee must meet the criteria established by the Retirement Board for being considered totally disabled. Employees are entitled to unreduced monthly pension benefits equal to 2.0% of their final average salary for each year of service beginning when the sum of age and years of credited service equal or exceed 85, or at normal retirement age (65). The plan permits early retirement at ages 55-64, with three or more years of service.

Funding Policy

Benefit and contribution provisions are administered in accordance with chapter 54-52 of the North Dakota Century Code. This state statute requires that a percentage of the participant's salary be contributed to the plan by either the employee or by the employer under a "salary reduction" agreement. The rate was 5% through December 31, 2012 increased to 6% on January 1, 2013. The NDUS has implemented a salary reduction agreement and is currently contributing 4% of the employees share. Through December 31, 2012, the NDUS was required to contribute 5.12% of each participant's salary as the employer's share. The rate was increased to 6.12% on January 1, 2013. In addition to the 6.12% employer contribution the employer is required to contribute 1.14% of each participating employee's gross wage to a prefunded retiree health insurance program. The required contributions are determined using an entry age normal actuarial funding method and are included in state statute.

The North Dakota Retirement Board was created by the State Legislature and is the governing authority of NDPERS. Benefit and contribution provisions are administered in accordance with chapter 54-52 of the North Dakota Century Code, changes to the plan documents must be approved by the legislature and Governor. The University System's required and actual contributions to NDPERS for the fiscal years ending June 30, 2013, 2012 and 2011 were \$9,176,857, \$8,009,288 and \$7,302,659, respectively.

A financial report that includes financial statements and the required supplementary information for NDPERS can be obtained by writing to NDPERS; 400 East Broadway, Suite 505; P.O. Box 1657; Bismarck, ND 58502.

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

NOTES TO THE FINANCIAL STATEMENTS

Funding Policy

The plan requires employee and employer contributions be based on a classification system and years of service based on the schedule shown below. Beginning January 1, 2013, all contributions made by the participant and the institution increased by 1% for employment classes I and II. This increase is also included in the schedule below.

Employment Class	Years of Service	Contributions by the Participant	Contributions by the Institution
I	0 thru 10	3.5%	11.5%
	over 10	4.0%	12.0%
II	0 thru 2	2.5%	6.5%
	3 thru 10	3.5%	11.5%
	over 10	4.0%	12.0%
President/Chancellor (additional employer contribution)	0 thru 12	0.0%	8.33%*
	or		
	less than 3	0.0%	0.0%
	3 to less than 6	0.0%	4.0%
	6 yrs and over	0.0%	8.0%

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

Plan contributions are made on a tax-deferred basis in accordance with Section 414(h)(2) of the Internal Revenue Code. All contributions are applied as premiums to retirement annuity contracts owned by the participant. The North Dakota University System has no further liability once annual contributions are made. The University System contributed \$35,644,345 and \$31,486,688 to TIAA-CREF during the fiscal years ending June 30, 2013 and 2012, respectively.

NOTE 13 – POST-EMPLOYMENT BENEFITS –

STATE GROUP HEALTH PLAN

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

There are approximately 846 retired University System employees receiving these benefits and 3,302 active employees with retiree health credit. The University System's actual and required contributions for the fiscal years ending June 30, 2013, 2012 and 2011 were \$1,087,684, \$1,032,872 and \$1,028,414, respectively.

As of June 30, 2013 there was \$75.6 million in net position available for benefits under the state retiree health insurance credit plan. The actuarially accrued liability was \$114.1 million and the unfunded actuarially accrued liability was \$48.1 million at June 30, 2013.

NOTES TO THE FINANCIAL STATEMENTS

TERMINATION BENEFITS

Early Retirement Agreements

When early retirement is deemed to be in the mutual benefit of an employee and the University System, the Board has adopted Policy 703.1 on Early Retirement. This policy applies to tenured faculty, the chancellor, vice chancellors, other system office professional staff, presidents, executive deans, vice president, provosts, deans, and other officers responsible for a major unit of an institution who report directly to a president, vice president, provost, or executive dean who are members of TIAA-CREF, TFFR, or TIRF. During the fiscal year ended June 30, 2013, 14 employees elected early retirement.

Under the Tenured (Contract) Purchase Option, the employee is eligible for payment of up to 100 percent of the employee's final contract salary if the sum of the employee's age and total years of employment equals 70 or greater. Payments will be pursuant to the approved agreement, but cannot be made until at least 90 days after the date of Early Retirement Agreement. During the fiscal year ended June 30, 2013, 30 University System employees elected to participate in this option. Policy 703.1 also allows the early retirement agreements to retain the retiree on the applicable group health and life insurance plan. Payment by the institution of premiums is negotiable. Total cost to the institutions for these termination benefits will be \$420,492 over the term of the new contracts. Amounts payable to employees at June 30, 2013 for outstanding contract buyouts and future health and life premiums, adjusted for projected health insurance premium increases and discounted to the present were \$565,724, assuming health insurance premium increases ranging from 7 percent to 15 percent and a discount rate of 0.05 percent.

Under the Phased Retirement Option, retirement is over a period of time. The percentage of workload each year is negotiated. The campus may pay all or any part of the retirement contributions on the current salary or any part of the individual's salary until the individual terminates all employment. During the fiscal year ended June 30, 2013, six University System employees participated in this option.

Severance Agreements

In fiscal year 2013, institutions paid \$930,162 to three employees under separate employment separation agreements.

NOTE 14 – CONSTRUCTION COMMITMENTS AND FINANCING

The campuses have contracted for various construction projects as of June 30, 2013. Estimated costs To complete the various projects and the sources of anticipated funding are as follows:

NOTES TO THE FINANCIAL STATEMENTS

Campus	Contracts Awarded	Expended Through 6/30/2013	Total Cost To Complete	Funding for Remaining Costs			
				Federal Sources	State Sources	Institutional Funds	Other Sources
BSC	\$ 8,058,935	\$ 965,297	\$ 7,093,638	-	-	-	\$ 7,093,638
DCB	594,005	564,305	29,700	-	29,700	-	-
DSU	129,472	10,652	118,820	-	118,820	-	-
LRSC	-	-	-	-	-	-	-
MaSU	9,008,328	8,983,516	24,812	-	-	5,473	19,339
MiSU	4,073,596	3,553,453	520,143	-	311,222	200,690	8,231
NDSCS	18,031,788	15,584,811	2,446,977	-	1,093,264	-	1,353,713
NDSU	70,609,373	64,743,366	5,866,007	493,069	1,881,569	1,896,455	1,594,914
UND	20,858,699	14,765,652	6,093,047	-	2,668,843	3,424,204	-
VCSU	8,043,893	7,825,921	217,972	-	217,972	-	-
WSC	9,039,948	8,999,948	40,000	-	-	-	40,000
Total	\$ 148,448,037	\$ 125,996,921	\$ 22,451,116	\$ 493,069	\$ 6,321,390	\$ 5,526,822	\$ 10,109,835

NOTE 15 –COMPONENT UNIT TRANSACTIONS

MAJOR COMPONENT UNITS

Investments

Investments are reported at fair value (market) and reported on the Statement of Net Position as follows:

As of June 30, 2013, the major component units had investments as shown below:

Investment Type	Market Value	Maturities			
		Less than 1 year	1 year to 5 years	6 years to 10 years	More than 10 years
US Treasuries	\$ 198,149	\$ 85	\$ 5,986	\$ 96,434	\$ 95,644
US Agencies	57,130	-	56,569	-	561
Corporate Bonds	4,933,546	270,441	4,439,853	223,252	-
Mutual Bond Funds	66,768,482	13,150,576	21,089,587	16,800,711	15,727,608
Money Market Mutual Funds	3	3	-	-	-
Other	358,090	51,599	128,360	178,131	-
Subtotal	\$ 72,315,400	\$ 13,472,704	\$ 25,720,355	\$ 17,298,528	\$ 15,823,813
Equity Mutual Funds	\$ 190,002,603				
Trust Funds	-				
Investment in Real Estate	54,797,711				
Commodity Hedge and Limited Partnerships	33,060,146				
Stocks	22,230,622				
Certificate of Deposits	11,614,267				
Other	46,946,891				
Total Investments per the Statement of Net Position	\$ 430,967,640				

Interest Rate Risk

North Dakota State University Development Foundation's investment policy addresses interest rate risk by requiring allocation of fixed income securities among maturities of different lengths according to interest rate prospects. Bismarck State College Foundation's investment policy limits the average maturity of the portfolio to between four and seven years with a maximum maturity for any one fixed income security of ten years.

NOTES TO THE FINANCIAL STATEMENTS

Custodial Credit Risk

As of June 30, 2013, the major component units had no investments that were uninsured and not registered in the name of the component unit.

Capital Assets

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

	Beginning				Ending Balance
	Balance-Restated	Additions	Retirements	Transfers	
Land	\$ 3,623,056	\$ 19,245	\$ -	\$ -	\$ 3,642,301
Construction in progress	13,073,750	241,106	9,115,927	(3,957,823)	241,106
Total non-depreciable capital assets	\$ 16,696,806	\$ 260,351	\$ 9,115,927	\$ (3,957,823)	\$ 3,883,407
Land improvements/infrastructure	\$ 1,247,796	\$ 186,987	\$ -	\$ -	\$ 1,434,783
Buildings	163,254,302	16,868,162	1,483,168	3,957,823	182,597,119
Furniture, fixtures, and equipment	39,838,499	5,751,453	4,103,290	-	41,486,662
Total depreciable capital assets	\$ 204,340,597	\$ 22,806,602	\$ 5,586,458	\$ 3,957,823	\$ 225,518,564
Less accumulated depreciation					
Land improvements/infrastructure	\$ 545,596	\$ 66,162	\$ -	\$ -	\$ 611,758
Buildings	50,220,811	4,025,535	-	-	54,246,346
Furniture, fixtures, and equipment	16,787,445	3,415,368	2,148,658	-	18,054,155
Total accumulated depreciation	\$ 67,553,852	\$ 7,507,065	\$ 2,148,658	\$ -	\$ 72,912,259
Total depreciable capital assets, net	\$ 136,786,745	\$ 15,299,537	\$ 3,437,800	\$ 3,957,823	\$ 152,606,305
Capital assets, net	\$ 153,483,551	\$ 15,559,888	\$ 12,553,727	\$ -	\$ 156,489,712

BONDS PAYABLE

Bonds payable for the major component units at June 30, 2013 was as follows:

Issue	June 30, 2013		
	Maturity Date	Interest Rate	Balance Outstanding
BSC Foundation	2012-2032	4.5 - 5.25%	\$ 1,852,162
Dickinson State University Foundation	2017-2024	1.0 - 6.0%	4,694,571
NDSU Development Foundation	2018-2038	0.85 - 5.19%	22,590,917
NDSU Research & Technology Park, Inc.	2032	4.0 - 4.75%	20,940,000
UND Alumni Foundation	2013-2027	0.75 - 4.15%	9,280,297
Total Component Unit Bonds Payable			\$ 59,357,947

NOTES TO THE FINANCIAL STATEMENTS

Scheduled Maturities of Bonds Payable

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 1,066,544	\$ 798,742	\$ 1,865,286
2014	3,239,755	2,312,645	5,552,400
2015	3,104,962	2,201,012	5,305,974
2016	3,223,625	2,086,559	5,310,184
2017	3,349,924	1,966,411	5,316,335
2018	5,606,927	1,839,481	7,446,408
2019 - 2023	16,610,299	6,672,712	23,283,011
2024 - 2028	12,665,205	3,561,854	16,227,059
2029 - 2033	8,525,965	1,412,744	9,938,709
2034 - 2038	1,964,741	164,643	2,129,384
	<u>\$ 59,357,947</u>	<u>\$ 23,016,803</u>	<u>\$ 82,374,750</u>

NOTES PAYABLE

Detail of notes payable for the major component units is as follows:

	<u>June 30, 2013</u>	
	<u>Interest Rate</u>	<u>Balance Outstanding</u>
BSC Foundation	1.25%	\$ 350,000
DSU Foundation	4.05 - 5.5%	\$ 6,724,995
NDSU Development Foundation	2.77 - 6.86%	2,474,442
NDSU Research & Tech Park, Inc.	3.0%	315,000
UND Aerospace Foundation	0.25 - 5.8%	2,159,981
RE, Arena, Inc	3.0%	3,513,633
Total Component Unit Notes Payable		<u>\$ 15,538,051</u>

Scheduled Maturities of Notes Payable

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 4,137,415	\$ 575,620	\$ 4,713,035
2015	1,765,674	437,720	2,203,394
2016	2,554,526	355,035	2,909,561
2017	1,542,590	288,393	1,830,983
2018	4,510,175	176,006	4,686,181
2019 - 2023	1,027,671	26,067	1,053,738
	<u>\$ 15,538,051</u>	<u>\$ 1,858,841</u>	<u>\$ 17,396,892</u>

NOTES TO THE FINANCIAL STATEMENTS

Scheduled Maturities of Capital Leases

Fiscal Year	Principal	Interest	Total
2014	\$ 49,913	\$ 77,118	\$ 127,031
2015	51,567	74,773	126,340
2016	54,024	72,315	126,339
2017	56,599	69,741	126,340
2018	59,296	67,044	126,340
2019 - 2023	341,656	290,041	631,697
2024 - 2028	431,201	200,496	631,697
2029 - 2033	544,215	87,482	631,697
2034 - 2038	61,715	1,454	63,169
	<u>\$ 1,650,186</u>	<u>\$ 940,464</u>	<u>\$ 2,590,650</u>

Reconciliation of Receivable to and Payable From Primary Institution

A reconciliation of the receivables to and payables from balances between the Component Units and the Universities is as follows:

Primary University Due from Component Units - Current	\$ 7,884,446	Primary University Due to Component Units - Current	\$ 269,032
Primary University Due from Component Units - Non-Current	953,256	Primary University Long Term Liability to Component Unit - Current Portion	2,961,660
Total Due from Component Units	\$ 8,837,702	Primary University Long Term Liability to Component Unit - Non-Current Portion	53,803,414
Timing Differences:		Total Due to Component Units	\$57,034,106
Transactions with Component Units having fiscal year ends other than June 30th	6,572,214	Timing Differences:	
Transactions in transit at June 30, 2013	(1,254,699)	Transactions with Component Units having fiscal year ends other than June 30th	17,885
Component Unit Payable to Primary University	<u>\$14,155,217</u>	Transactions in transit at June 30, 2013	(137,467)
		Total Receivable from Primary University	<u>\$56,914,524</u>
		Receivable from Primary University - Current	\$ 3,194,029
		Receivable from Primary University - Non Current	53,720,495
			<u>\$56,914,524</u>

NOTES TO THE FINANCIAL STATEMENTS

BEGINNING NET POSITION RESTATEMENTS

Net position, beginning of the year, as previously reported	\$ 582,919,049
Prior period adjustments:	
Correction of error	<u>1,326,876</u>
Net position, beginning of the year, as restated	<u>\$ 584,245,925</u>

SIGNIFICANT TRANSACTIONS

Bismarck State College and Bismarck State College Foundation

On January 25, 2007, BSC and BSC Foundation entered into a 15-year lease agreement to facilitate the construction of a Mechanical Maintenance building. Under the agreement, BSC is responsible for payment of all rent, maintenance, and repair of the facility, maintenance of all insurance required under the lease, and restrictions of use of the facility as set forth in the lease. The amount of the rent is tied to the \$1.4 million debt service retirement. Upon payment of all the bonds, BSC will have the option to purchase the premises for \$100.

On October 19, 2007, BSC and BSC Foundation entered into a 25-year lease agreement to facilitate the construction of the National Energy Center of Excellence building. Under the agreement, BSC is responsible for payment of all rent, maintenance, and repair of the facility, maintenance of all insurance required under the lease, and restrictions of use of the facility as set forth in the lease. The amount of the rent is tied to the \$5.0 million debt service retirement. Upon payment of all the bonds, BSC will have the option to purchase the premises for \$100. The foundation's financial statements include this transaction as a receivable from BSC and a long-term liability. BSC's financial statements include the capitalized asset and a long-term liability due to BSC Foundation.

	<u>BSC</u>	<u>BSC Foundation</u>
NECE Building	\$ 6,541,322	\$ 15,846,116
Accumulated Depreciation	<u>(726,080)</u>	<u>(1,422,087)</u>
Net Value of NECE Building	<u>\$ 5,815,242</u>	<u>\$ 14,424,029</u>

Dickinson State University and Dickinson State University Foundation

The Dickinson State University Foundation issued two series of revenue bonds of \$9,200,000 on June 4, 2009 to finance the Badlands Activities Center project. The bonds will be paid off with private donations raised by the Foundation and are summarized as follows:

\$5,000,000 million bond at a fixed rate of 5.89%. The bond is amortized over 15 years with semi-annual payments due each January and July 15th. The payments in 2010 will be interest only, with the first principal payment due in January of 2011.

NOTES TO THE FINANCIAL STATEMENTS

\$4,200,000 million bond with a variable rate of interest, currently 0.95%. The bond is re-priced every six months and has payments each January and July. There are neither time limits nor prepayment penalties on this issue. As of July 15th 2013 this bond was paid in full.

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

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

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

On January 25, 2007, the city of Fargo, on behalf of the NDSU Research & Technology Park, issued \$4,735,000 of Series 2007A (Research 1) and \$18,100,000 of Series 2007B (Research 2) Lease Revenue Refunding Bonds. These bonds are used to advance refund the callable maturities of both the Series 2000 (Research 1) and Series 2002 (Research 2) bonds and to pay the costs of issuance (including the insurance premium for the insurance policy and the reserve fund surety bond) relating to bonds for both Series 2007A and 2007B bonds. During the year ended June 30, 2011, the Series 2000 bonds were repaid in full with the funds held in escrow from the Series 2007A bond refinancing. During the fiscal year ended June 30, 2012, the Series 2002 bonds were repaid in full with the funds held in escrow from the Series 2007A bond refinancing.

The audited financial statements of RTP for fiscal year 2013 report these transactions as an operating lease and report the related capital assets and related debt as assets and debt of RTP.

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

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

Other Transactions

During fiscal 2013 NDSU made other payments to the RTP that were unrelated to the building leases for Research #1 & #2. These payment consist of the following: 1) \$28,242 for an operating lease for lab space in the RTP's Appareo Building, 2) \$65,707 for defeasance escrow settlement (including

NOTES TO THE FINANCIAL STATEMENTS

trustee & appraisal fees) for repurchase of equipment originally purchased from Series 2000 & 2002 bond proceeds., 3) \$131,222 for grant sub-awards. Also, during fiscal 2013, the RTP paid NDSU a total of \$32,613 as reimbursement of NDSU operating expenses.

North Dakota State University and NDSU Development Foundation

NDSU Equine Center

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

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

Fargodome Lease and Improvements

In fiscal year 2006, the NDSU Development Foundation financed the construction and equipping of office space, locker rooms, meetings rooms, and related facilities in the Fargodome for use by NDSU through the sale of revenue bonds issued by Cass County. The Foundation has leased the space in the Fargodome from the City of Fargo and subleased the space, furniture, fixtures and equipment to NDSU. Under the agreement, NDSU will pay rent to the NDSU Development Foundation for use of the premises. The amount of the rent is tied to the \$3.5 million debt service retirement plus the Fargodome annual space rent and all costs incurred by the Development Foundation incident to the lease, less any contributions received by the Foundation for the project. Under this agreement in fiscal year 2013, the Development Foundation paid the debt service and other fees on behalf of NDSU in the amount of \$337,991.

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

Renaissance Hall

The former Northern School Supply building was donated to the NDSU Development Foundation by NDSU alum in December of 2001. During fiscal year 2003 and 2004, the NDSU Development Foundation renovated the building with the intent to lease the facility to NDSU beginning fall 2004. The

NOTES TO THE FINANCIAL STATEMENTS

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

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

Aircraft

Effective June 28, 2007, NDSU and the NDSU Development Foundation entered into a \$2,348,000, ten-year, lease agreement for the purchase of an aircraft. Under the agreement, NDSU will pay rent to the NDSU Development Foundation for use of the aircraft. The amount of the rent is equal to the amount of the principal and interest payments on the loan, for the life of the loan. During fiscal year 2013, NDSU made \$322,919 of debt service payments to the NDSU Development Foundation on the Aircraft lease. The University is responsible for all costs incurred in operation and maintenance of the aircraft. Upon completion of the loan payments, ownership of the aircraft will be transferred to NDSU. Since the Development Foundation is a discretely presented component unit of the University System and the component unit and the University System are reporting the same assets and debt for the leased aircraft, a reclassification entry was made to ending balances in the component unit consolidating financial statements to show the appropriate due from primary institution. As of June 30, 2013 the outstanding balance on the lease, reflected as "Due to Component Units" by NDSU, is \$1,121,280.

Barry Hall Business Building and Klai Hall Architecture Building

Effective November 28, 2007, NDSU and the NDSU Development Foundation entered into lease agreements for two buildings in downtown Fargo, formerly known as the "Pioneer Mutual Building" and "Lincoln Mutual building". The Foundation financed the construction of the Barry Hall business building and Klai Hall architecture building projects through the sale of \$18.52 million of 20-year University Facilities Revenue Bonds issue by the City of Fargo, North Dakota. The City has loaned the bond proceeds to the Foundation for payments equal to the sum of the semi-annual interest payments and installments of varying principal amounts on the variable rate bonds and the semi-annual principal and interest payments on the fixed-rate bonds. The principal payments on the variable rate bonds will be funded from payments on donor pledges restricted for the project. Under the terms of the loan, the Foundation is responsible for the real estate taxes, insurance, repairs and maintenance, and other

NOTES TO THE FINANCIAL STATEMENTS

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

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

NDSU President's House

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

Other Transactions

NDSU also has agreements in place with the Foundation for maintenance of the University's alumni records, for use and insurance on certain land and buildings and for lease of a vehicle. Amounts paid by NDSU under these agreements as of June 30, 2013 totaled \$480,998. In addition, the Development Foundation may contract with NDSU for materials and personnel in the service and utility areas and will reimburse NDSU based on separate agreements.

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

University of North Dakota and UND Aerospace Foundation

The Aerospace Foundation reimbursed UND for salaries, building rent, aircraft rental, and goods and services under an operating agreement aggregating approximately \$20.0 million in fiscal year 2013. The \$20.0 million UND Aerospace Foundation paid UND includes aircraft rental, flight repairs, fuel of \$12.0 million, room and board of \$698,000, tuition and fees of \$3.2 million, and salaries of \$4.0 million. This operating agreement has no specific term and is intended to memorialize various operating agreements, rate structures, duties, and obligations each party has to the other.

NOTES TO THE FINANCIAL STATEMENTS

UND reimbursed the Foundation for air service and hangar, CRJ, 360-degree tower and aircraft rental of \$1.0 million. These expense reimbursements represent actual costs incurred. In addition, the Aerospace Foundation may contract with UND for materials and personnel in the service and utility areas and will reimburse UND based on separate arrangements. As of June 30, 2013, the Foundation has recorded accounts payable to UND of \$874,000 for reimbursable costs and services under these arrangements.

The Aerospace Foundation entered into a sublease with UND to lease the aircraft storage hangar/ground support equipment facility. The lease term is for 20 years, commencing on July 7, 2003 until July 6, 2023. A balloon payment of \$1,011,392 is due on July 6, 2023. For the first 15 years of the sublease, UND will pay the Foundation monthly minimum payments.

The rate is adjusted annually based upon changes to the ground lease payments to the Grand Forks Regional Airport Authority. The fiscal year 2013 monthly rate increased from \$12,881 to \$12,902 on January 2013. Of the monthly lease payment, \$10,529 is recorded as payment on principal and interest, the remaining amount is recorded as an operating lease payment, this is the portion that relates to ground lease payments. At the end of the 15 years, rent will be adjusted based upon an interest rate adjustment or a refinancing of the debt incurred by the Foundation in the construction of the hangar. The audited financial statements of the Foundation report the capital assets and related debt for this lease. Since the Foundation is a discretely presented component unit of the University System, and the component unit and the University System are reporting the same assets and debt for this transaction, a reclassification entry was made to ending balances in the component unit consolidating financial statements to show the appropriate due from primary institution.

University of North Dakota and RE Arena, Inc.

RE Arena, Inc. manages, operates and maintains an arena known as the Ralph Engelstad Arena (REA), which was constructed in 2001 for the benefit of UND athletics. UND and RE Arena, Inc enter into an operating agreement. The operating agreement sets forth the facility usage, fees and services, ticket administration and revenue allocation, sponsorship sales administration and revenue allocation, and net income disposition. In accordance with this agreement: (1) RE Arena Inc. collects all ticket revenue from ticketed UND athletic events (men's and women's hockey, football, men's and women's basketball, and volleyball), RE Arena, Inc. retains 52% of such ticket revenue and remits 48% to UND, and (2) if RE Arena Inc. collects sponsorship sales revenue from UND athletic events at the arena, RE Arena, Inc. retains 64% of such sponsorship revenue, net of direct costs, and remits 36% to UND. If UND collects sponsorship revenue, the amount is applied towards RE Arena Inc.'s obligation to pay UND. The UND Athletic Department maintains institutional control of all marketing activities and sponsorship sales as outlined in the NCAA constitution. In addition, UND and RE Arena, Inc. recognize the mutual benefit by UND Athletics and REA in collaborating on marketing and sales functions for the UND enterprise.

In addition, RE Arena, Inc. may contract with UND for materials and personnel in the service and utility areas and will reimburse UND based on separate agreements. Revenue and expense arrangements for all other UND events held at the arena will be negotiated on an event-by-event basis. For fiscal year 2013, the transactions in relation to the contractual relationship are as follows:

NOTES TO THE FINANCIAL STATEMENTS

- Gross tickets sales were \$4,078,304 of which UND recognized revenue of \$1,957,586 and expenses of \$2,120,718. REA recognized net revenue of \$2,203,968, a difference of \$83,250 due to trade allocations.
- Gross ticket sales for the next athletic season year are recorded by REA as payable to primary university and unearned revenue at gross; the amount is \$2,746,445. UND also records at gross with an unearned revenue amount in current liabilities.
- UND recognizes sponsorship (advertising) revenue at net of \$391,125, while REA recognizes at gross and expenses for the amount allocated to UND.
- REA owes UND fiscal year 2013 net income allocation of \$550,000.
- REA paid UND \$941,981 for utilities and maintenance staff.

RE Arena Inc. fiscal year end is May 31; UND year end is June 30. If numbers differ between entity financial statements, it is because of timing differences due to different year-end dates.

University of North Dakota and UND Foundation

The UND Foundation issued tax-exempt lease revenue bonds on October 24, 2003 of \$4,400,000 to finance the land purchase and construction of the Minot Family Practice Center. The center is a department of the School of Medicine and Health Sciences at UND. The interest rate is fixed at 4.15% until 2018. Principal balance outstanding at June 30, 2013 is \$2,943,507. Payments of \$136,000 are required semi-annually through 2018. A receivable from UND and the bond payable is included on the financial reports of the foundation and UND has recorded a capital asset and a capital lease payable as of June 30, 2013.

On July 24, 2002, UND Foundation issued lease revenue bonds of \$8,595,000 on behalf of UND to, 1) finance the construction of an office building for EERC, 2) renovate the current EERC building, 3) finance capitalized interest, and 4) pay cost of issuance of the bonds. On October 18, 2012, the UND Foundation issued Taxable Refunding Lease Revenue Bonds, Series 2012 in the amount of \$6,405,000 to refund its outstanding Lease Revenue Bonds, Series 2002. The Foundation also amended the related lease agreement with UND. The bonds bear an interest rate of 0.75% to 4.20% and mature in 2027. The lease revenue bond has a balance of \$6,080,000 at June 30, 2013. The Foundation's financial statements include this transaction as a receivable from UND and a long-term liability. UND's financial statements include the capitalized asset and a long-term liability due to UND Foundation.

In 2008, the Foundation issued bonds to finance the UND School of Medicine construction of the Human Patient Simulation Center. The facility is being leased to UND for a period of 5 years for a total amount of \$206,810 which is equivalent to finance the costs of construction. In fiscal year 2013, the organizations received \$41,362 with the remaining annual lease payments of \$41,362 expected in fiscal years 2014 through 2015.

Other transaction details include

- Foundation pays UND gifts for scholarships and other expenses totaling \$8.3 million.
- Foundation pays UND for services such as telecom, facilities, catering, and printing, totaling \$283,253.

NOTES TO THE FINANCIAL STATEMENTS

- UND pays the Foundation for database, campaign, giving support, alumni review advertising and support, totaling \$1,068,000.
- UND pays the Foundation on an operating lease for space in the Gorecki Center of \$260,168.
- UND pays for Athletics event coordination totaling \$30,000.

At the end of the fiscal year, UND owes the Foundation \$9,965 excluding lease revenue bonds and the Foundation owes UND \$13,691.

NON-MAJOR COMPONENT UNITS

North Dakota State University and NDSU Research Foundation

Revenues from research fees & royalties received from patents and other intellectual property or know-how are first used to cover expenses incurred in patenting, licensing, collection, and other expenses related to the technology. After these expenses have been paid, the net research fee (royalty) income is divided so that at least 30% of the net proceeds will be paid to those responsible for the invention, and 70% is distributed by negotiation between the department, college, and the Foundation. Once NDSU's share of the revenue distribution has been determined, the monies are transferred from the NDSU Research Foundation to NDSU.

During fiscal 2013, the NDSU Research Foundation distributed license fee and royalty revenue of \$790,028 to NDSU. The Research Foundation recognizes an operating expense and NDSU recognizes operating revenue (Sales & Services of Educational Departments) because of this revenue distribution.

North Dakota State College of Science and North Dakota State College of Science Foundation

For the year ended June 30, 2013, NDSCS paid the foundation \$174,000 for the rental of the Skills & Technology Training Center building.

University of North Dakota and University of North Dakota Research Foundation

For the year ended June 30, 2013, UND paid the foundation \$250,000 per a contract and \$192,929 rent for research space for grant-funded projects.

University of North Dakota and University of North Dakota Center for Innovation Foundation

For the year ended June 30, 2013, UND received \$154,106 in gifts from the Foundation, \$240,628 in grant funding, \$75,000 in contract services and \$22,261 for facility services.

Valley City State University and Valley City State University Foundation

The foundation has a memorandum of Agreement with VCSU for administrative services. Under this agreement, the foundation paid VCSU approximately \$95,886 during fiscal year 2013.

Williston State College and Williston State College Foundation

In FY2012, WSC and the foundation entered into an arrangement whereby the foundation lent WSC \$500,000 for a dormitory geothermal heating project. The note has an eleven year term and a 5 percent fixed annual interest rate.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 16 – ON-BEHALF PAYMENTS

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

NOTE 17 – PLEDGED REVENUES

The following table provides the pledged future revenue information for the System’s bond obligations at June 30, 2013:

Pledged Revenue Required for Future Principal and Interest on Existing Bonds	\$	381,830,789		
Term of Commitment		ranging from December 1, 2017 to June 30, 2040		
Percentage of Revenue Pledged		17%		
Current Year Pledged Revenue, by source:		Pledged Revenue	Recognized Revenue	% of Pledged Revenue to Recognized Revenue
Net revenues from auxiliaries	\$	52,702,008	\$ 113,147,824	47%
Student Fees		10,540,375	289,264,752	4%
Other		261,191	24,140,316	1%
Total	\$	63,503,574	\$ 426,552,892	15%
Current Year Principal and Interest Paid	\$	14,913,114		

NOTE 18 – FUNCTIONAL EXPENSE CLASSIFICATION

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

NOTES TO THE FINANCIAL STATEMENTS

Operating Expenses	
Instruction	\$ 356,065,442
Academic Support	72,544,679
Student Services	47,440,917
Institutional Support	112,202,240
Physical Plant	73,832,337
Scholarships and Fellowships	25,687,829
Auxiliary Enterprises	131,947,999
Public Service	59,476,000
Research	132,820,520
Depreciation	55,178,707
Total	<u>\$ 1,067,196,670</u>

NOTE 19 – OPERATING LEASES

The campuses are obligated under certain leases for equipment and facility rental, which are accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore, the resulting expenditures are recognized as incurred. Lease expenditures for the year ended June 30, 2013, amounted to \$6.3 million.

Future minimum lease payments at June 30, 2013 are as follows:

Fiscal Year	Future Minimum Lease Payments
2014	\$ 3,501,844
2015	2,964,622
2016	2,419,086
2017	2,194,383
2018	1,903,643
2019 - 2023	2,158,131
2024 - 2028	726,371
2029 - 2033	726,371
2034 - 2038	287,077
	<u>\$ 16,881,528</u>

NOTE 20 – CONTINGENCIES

Amounts received and expended by the University 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 University System.

In the normal course of its activities, the institutions of the University 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

NOTES TO THE FINANCIAL STATEMENTS

expected to have a material effect on the financial position of the University System. Therefore, an estimated liability has not been recorded.

Minard Hall

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

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

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

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

NOTE 21 – RISK MANAGEMENT

The University System is exposed to various risks of loss related to torts; theft, damage, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The following are programs established by the state to address some of these risks and loss exposures.

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

RISK MANAGEMENT FUND

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

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.

NOTES TO THE FINANCIAL STATEMENTS

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

NORTH DAKOTA FIRE AND TORNADO AND STATE BONDING FUND

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

Risk Management Workers Compensation Program

The Risk Management Workers Compensation Program (N.D.C.C. § 65-04-03.1) was established by the 2001 North Dakota Legislature and created a single workers compensation account for all state agencies. This cross agency program is designed to save premium dollars through a deductible program while enhancing recovery of injured employees. The program is administered by the Risk Management Division of the Office of Management and Budget.

Workers compensation provides money and medical benefits to an employee who has an injury as a result of an accident, injury or occupational disease on-the-job. The question of negligence or fault is usually not at issue.

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

NOTE 22 – ASBESTOS SETTLEMENT

During fiscal year 1999, the University System settled an asbestos lawsuit against W.R. Grace & Co. The Chancellor has designated the dollars for asbestos related projects at the campuses. The designated amount for NDSU and UND at June 30, 2013 is \$292,282 and \$1,036,566, respectively.

NOTE 23 – Flood Damages

Minot State University experienced significant flooding in FY 2011. As a result, Minot State University received a deficiency appropriation from the Emergency Commission in June 2013 for \$51,696 under the provisions of NDCC 54-16-13. Minot State incurred expenses of \$703,111 related to damage of which \$97,618 is expected to be reimbursed by FEMA.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 24 – DEFICIT NET POSITION BALANCES > \$100,000

As of June 30, 2013 the institutions listed below had the following reportable net asset balance deficits greater than \$100,000.

<u>Institution</u>	<u>Fund</u>	<u>Description</u>	<u>Deficit Balance</u>
Lake Region State College	00500	The Energy Performance Contract	\$ 246,527
			\$ 246,527
Minot State University	10229	Beaver Lodge	\$ 211,055
	10232	University Heights Housing	681,348
	10241	Scoreboard Advertising	138,804
	24100	Flood 2011	144,878
			\$ 1,176,085
North Dakota State School of Science	18010, 20, 30, 40	Outreach	\$ 129,163
			\$ 129,163
North Dakota State University	28100	Barry Hall Finishing and Minard Building Collapse	\$ 5,039,348
		Total NDSU	\$ 5,039,348
University of North Dakota	22364	EERC Cost of Litigation	\$ 945,875
	21546	EERC Fiscal Year End Carryover	1,145,893
	21220	Bismarck Center for Family Medicine	420,463
	21223	Bismarck Center for Family Medicine-Pharmacy	245,169
	21430	Citation Cost Center Aerospace	230,741
		Total UND	\$ 2,988,141
Williston State College	10595	Men's Basketball	\$ 105,243
	10605	Men's Baseball	131,628
	10615	Men's Hockey	244,564
	25098	Nursing Program Fee	147,699
	35100	Capital Projects	1,445,327
	35105	Capital Projects	184,500
		Total WSC	\$ 2,258,961
North Dakota University System Office	30010	Administration	\$ 939,142
			\$ 939,142
Total University System			<u>\$ 12,777,367</u>

LAKE REGION STATE COLLEGE

The deficit is the result of a timing difference between the note payable payment and the initiation of external sales of excess electricity which did not begin until February 2013. LRSC expects the deficit balance to be eliminated each year throughout the year and then be recreated at the end of each June due to the timing difference between the loan payment date and the production of the revenue used to make the payments.

NOTES TO THE FINANCIAL STATEMENTS

MINOT STATE UNIVERSITY

The deficit in the Beaver Lodge and University Height Housing funds represents the recording of a payable to a local fund for the payment of debt. The payable is offset by a corresponding receivable in the local fund. As revenue is collected from Beaver Lodge and University Heights, the cash will be transferred to the local fund to repay the debt.

Fund 24100-Flood 2011 was used to capture expenses associated with emergency and restorative work caused by the flood of 2011 and not reimbursed by FEMA. This deficit has been partially covered through a deficiency appropriation from the 2013 legislative session (\$52,745) with the balance to be requested in the 2015 session.

Fund 10241 – Scoreboard Advertising had a deficit balance of \$138,804. Funds from advertising contracts will be used to offset the purchase cost and installation of the scoreboard. Annual advertising revenue will continually reduce the fund net asset deficit each year until FY20, when it is expected to reach a positive balance.

NORTH DAKOTA STATE SCHOOL OF SCIENCE

NDSU has a deficit fund balance in its Outreach activity of \$129,163 as of June 30, 2013. The department is in the process of analyzing and reorganizing the Outreach structure and activities to subsequently reduce costs and increase revenues. NDSU will continue to monitor this activity.

NORTH DAKOTA STATE UNIVERSITY

Barry Hall Finishing Costs – The deficit is the result of paying furniture, IT equipment and landscaping costs on the Barry Hall project in fiscal 2010. Original NDSU plans were to pay for these costs through a lease agreement with the NDSU Development Foundation. During a performance audit in FY10, the State Auditor's Office questioned the legality of lease agreements on Barry Hall; as a result, the lease agreement on the Barry Hall finishing costs was put on hold. Based on advice from the ND University System Office, NDSU did not enter into the planned lease agreement; but instead accumulated the costs in a university fund/project, reporting the deficit, and implemented a plan to repay the deficit over 5 years. Paying for these costs using inter-fund borrowing in this manner results in interest savings and keeps the university's long-term debt down. During FY13 NDSU made the annual \$530,000 installment payment. The deficit is in line with the deficit reduction plan for Barry Hall approved by the State Board of Higher Education on May 5, 2011.

Minard Hall Building Collapse Related Costs – The costs are related to the additional project authorization of \$4,874,300 approved by the State Board of Higher Education. The costs include collapse related change orders, department relocation, forensic and legal costs. These costs were initially covered from the original \$18,000,000 general and special fund authority, until January 2013, when that authority was insufficient to cover the Phase I, II, III base project costs and the collapse related costs. In January 2013 the collapse related costs were entirely redistributed to a local capital improvement fund, formally creating this deficit. NDSU has recorded a deficit fund balance, as approved by the SBHE, in order to accrue the collapse related costs of the project. Additional information regarding the Minard Hall Building Collapse is disclosed in footnote 19, Contingencies.

NOTES TO THE FINANCIAL STATEMENTS

UNIVERSITY OF NORTH DAKOTA

Fund 22364 - EERC Costs of Litigation had an original deficit balance of \$1,846,000 as of June 30, 2008. This balance represents the aggregate of costs incurred relative to ongoing litigation. As each case is brought to closure, balances will be brought to zero using funds resulting from the settlement. A settlement agreement has been signed and a deficit reduction plan has been implemented. A monthly payment of \$19,979 is made and the prediction is it will be paid off in 4.7 years or 56 months. The maximum time needed to cover the deficit was just over 9 years and is in line with the previously reported deficit reduction plan. The intent is still to bring the deficit to zero as quickly as possible.

Fund 21546 – EERC Fiscal year End Carryover - As a result of the significant, worldwide economic crisis, starting in late 2008, the Energy & Environmental Research Center (EERC) has encountered a decrease in funding opportunities, which has decreased its overall awards and expenditures, resulting in a year-end deficit of approximately \$1,145,000 for FY13. It is anticipated that an additional deficits may occur in FY14. The budget will be eliminated through reduced overhead budgets and a \$375,000 transfer from one-time carryover dollars from tuition collections.

Fund 21220 – The Bismarck Center for Family Medicine net equity deficit as of June 30, 2008 was \$52,850 before an audit adjustment to increase the accounts receivable allowance by \$1,108,030 was made to the June 30, 2008 financial statements in December 2008. The adjustment relates to a \$1,775,973 accounts receivable balance due to UND from Bismarck MedCenter One Hospital. The audit adjustment was made after Medicare made a provider audit adjustment to Bismarck MedCenter One Hospital financial statements. UND disputed the Medicare provider adjustment, but the 8th Circuit court ruled in favor of Medicare in May 2011 and has declined a rehearing. A 2nd Group appeal has been discontinued. The deficit will be reduced through increased patient care revenue and responsible management of operating expenses. In addition, the SMHS will continue to work with the teaching hospitals to improve their hospital billing to Medicare for resident time spent in hospital service. The SMHS will eliminate this deficit entirely by June 30, 2015. Analysis of the Bismarck hospitals accounts receivables is a cooperative effort of the financial officers of the SMHS, UND and the Bismarck hospitals. Adjustments to the hospital's accounts receivables will continue to be made as new data becomes available.

Fund 21223 – The Bismarck Center for Family Medicine Pharmacy is a new business venture of the SMHS. The Bismarck Pharmacy opened in July 2012. There is an expected start-up deficit with the Bismarck Pharmacy that will extend into FY15. It is expected that the Bismarck CFM Pharmacy will steadily increase revenues and become profitable by FY15.

Fund 21430 - With funding for many of the federal projects for the Citation Research jet on hold until the federal budget is resolved, several measures have been implemented to reduce expenditures in this area. To minimize the resulting deficit in the Citation cost center, personnel have been temporarily reassigned to other functions and vacant positions have not been filled. In addition to a significant rate increase, the department is currently seeking bridge funding from various sources.

WILLISTON STATE COLLEGE

Fund 25098-Nursing Program Fee - In FY13 simulation labs were built which have resulted in a negative cash balance of \$147,699. Fee revenue will be used over the next 3 years to reinstate a positive fund balance.

NOTES TO THE FINANCIAL STATEMENTS

Athletics:

Fund 10595 - Men's Basketball – Deficit: \$105,243

Fund 10605 - Men's Baseball – Deficit: \$131,628

Fund 10615 – Men's Hockey – Deficit: \$244,564

The successes of the college's athletic programs have resulted in significant increases in FY13, primarily due to travel expenditures. The College plans to eliminate the deficit by June 30, 2016 through student fees and current and future fundraising revenue

Capital Projects:

Fund 35100 - Deficit: \$1,445,327

Fund 35105 Deficit: \$ 184,500

Funds will be transferred and appropriate entities will be billed to resolve the deficit by June 30, 2015.

NORTH DAKOTA UNIVERSITY SYSTEM OFFICE

Fund 30010- Administration – The deficit of \$939,142 resulted from an accrual of \$926,243 to record the severance liability incurred for the former NDUS Chancellor and \$56,532 for the former NDUS General Counsel. The liability related to the former Chancellor includes salary, payroll taxes, retirement contributions, health and life insurance and long-term disability through June 30, 2015. The liability related to the former General Counsel is for health insurance premiums. The vast majority of the deficit will be eliminated by June 30, 2015. Funds have been set aside during the 13-15 biennium to cover contractual agreements.

NOTE 25 – Subsequent Events

NORTH DAKOTA STATE UNIVERSITY

Sale of Airplane and Lease Payoff

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

Early Retirement of 2003 Equine Science Center Debt

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

UNIVERSITY OF NORTH DAKOTA

In November 2013, UND issued up to \$8.3 million in revenue bonds to finance the purchase of the Hamline Square. Hamline Square is a 77 unit apartment complex built by a private developer located on University land. The purchase was finalized in November 2013. In fiscal year 2013, the building was recorded in the UND financial statements as a capital asset and capital lease liability, in fiscal year 2014, the asset will remain on our financial statements and the debt will move from a capital lease liability to a bonds payable liability.

NOTES TO THE FINANCIAL STATEMENTS

In September 2013, UND entered into a financing agreement for the purchase of a 50,000 square foot research building owned by the UND Research Foundation. The loan is \$9,800,000, amortized for 10 years at 5.38% with a balloon payment of \$7.4 million on September 1, 2013.

UND has authorization to issue up to \$29 million in revenue bonds to finance an addition and/or renovation of Wilkerson Hall. The preliminary timeframe would be to issue the bonds by May 2014.

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NORTH DAKOTA UNIVERSITY SYSTEM

SUPPLEMENTARY INFORMATION

JUNE 30, 2013

COMBINING STATEMENT OF NET POSITION

	North Dakota University System Office	Bismarck State College	Dakota College at Bottineau	Dickinson State University	Lake Region State College
ASSETS					
Current assets					
Cash and cash equivalents	\$ 12,153,464	\$ 6,202,294	\$ 1,187,313	\$ 4,867,129	\$ 2,458,815
Investments	-	3,561,000	-	9,655,000	-
Accounts receivable, net	2,133,918	660,395	291,919	441,326	520,218
Receivable from component units	-	53,088	-	-	-
Receivable from other NDUS institutions	-	5,765	-	65,689	42,868
Due from State General Fund	2,027,082	11,996	-	103,918	97,869
Grants & contracts receivables, net	-	1,513,819	486,704	303,115	636,510
Inventories	-	903,087	168,562	388,969	313,764
Notes receivable, net	-	103,956	44,476	227,381	77,144
Other assets	4,827	505,998	39,512	98,665	25,834
Total current assets	<u>\$ 16,319,291</u>	<u>\$ 13,521,398</u>	<u>\$ 2,218,486</u>	<u>\$ 16,151,192</u>	<u>\$ 4,173,022</u>
Noncurrent assets					
Restricted cash and equivalent	\$ -	\$ 5,865,315	\$ -	\$ -	\$ 48,534
Restricted investments	-	405,000	-	-	105,000
Endowment investments	-	-	-	-	-
Notes receivable, net	-	374,220	160,483	818,929	258,563
Other long-term investments	-	-	-	-	-
Unamortized bond discount and cost of issuance	-	237,614	-	-	-
Receivable from component units	-	-	-	-	-
Capital assets, net	8,299,167	39,463,713	5,772,103	32,926,037	10,707,278
Total noncurrent assets	<u>8,299,167</u>	<u>46,345,862</u>	<u>5,932,586</u>	<u>33,744,966</u>	<u>11,119,375</u>
Total assets	<u>\$ 24,618,458</u>	<u>\$ 59,867,260</u>	<u>\$ 8,151,072</u>	<u>\$ 49,896,158</u>	<u>\$ 15,292,397</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Outflows	\$ -	\$ -	\$ -	\$ -	\$ -
Total deferred outflows of resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NORTH DAKOTA UNIVERSITY SYSTEM

SUPPLEMENTARY INFORMATION

JUNE 30, 2013

COMBINING STATEMENT OF NET POSITION

	North Dakota University System Office	Bismarck State College	Dakota College at Bottineau	Dickinson State University	Lake Region State College
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities	\$ 3,812,871	\$ 1,326,619	\$ 25,723	\$ 1,059,527	\$ 350,362
Payable to component units	-	24,977	-	-	-
Accrued payroll	1,024,177	1,487,410	209,742	972,982	488,102
Unearned revenue	-	637,030	45,868	24,984	432,999
Deposits	2,123,826	472,926	(74,558)	(14,994)	241,372
Long-term liabilities - current portion					
Payable to component units	-	114,072	-	-	-
Due to others	1,956,257	527,064	25,413	37,681	368,968
Total current liabilities	<u>8,917,131</u>	<u>4,590,098</u>	<u>232,188</u>	<u>2,080,180</u>	<u>1,881,803</u>
Noncurrent liabilities					
Other noncurrent liabilities	\$ 554,426	\$ 114,062	\$ (105)	\$ 41,195	\$ -
Long term liabilities					
Payable to component units	-	1,738,089	-	-	-
Due to others	1,441,613	11,932,261	271,768	564,362	5,308,681
Total noncurrent liabilities	<u>1,996,039</u>	<u>13,784,412</u>	<u>271,663</u>	<u>605,557</u>	<u>5,308,681</u>
Total liabilities	<u>\$ 10,913,170</u>	<u>\$ 18,374,510</u>	<u>\$ 503,851</u>	<u>\$ 2,685,737</u>	<u>\$ 7,190,484</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred Inflows	\$ -	\$ -	\$ -	\$ -	\$ -
Total deferred inflows of resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
NET POSITION					
Net investment in capital assets	\$ 6,396,971	\$ 31,770,331	\$ 5,637,000	\$ 32,915,088	\$ 5,474,389
Restricted for:					
Nonexpendable:					
Scholarships and Fellowships	-	-	-	-	-
Expendable:					
Scholarships and Fellowships	-	222,623	13,757	9,993	3,777
Research	-	-	-	-	50,604
Institutional	-	22,504	419,348	77,663	-
Loans	-	520,905	249,750	1,231,013	360,846
Capital projects	-	-	-	-	-
Debt service	-	524,800	-	-	-
Other	128,253	-	-	-	-
Unrestricted	7,180,064	8,431,587	1,327,366	12,976,664	2,212,297
Total net position	<u>\$ 13,705,288</u>	<u>\$ 41,492,750</u>	<u>\$ 7,647,221</u>	<u>\$ 47,210,421</u>	<u>\$ 8,101,913</u>

NORTH DAKOTA UNIVERSITY SYSTEM
SUPPLEMENTARY INFORMATION
JUNE 30, 2013

COMBINING STATEMENT OF NET POSITION - Continued

	Mayville State University	Minot State University	North Dakota State College of Science	North Dakota State University	University of North Dakota
ASSETS					
Current assets					
Cash and cash equivalents	\$ 3,255,196	\$ 16,667,652	\$ 10,291,805	\$ 34,321,276	\$ 13,014,636
Investments	475,000	1,852,400	371,477	11,604,743	48,610,426
Accounts receivable, net	581,590	845,519	1,572,234	5,614,676	11,408,851
Receivable from component units	22,109	447,772	-	1,228,466	5,532,731
Receivable from other NDUS institutions	26,514	85,132	129,391	1,261,288	796,955
Due from State General Fund	-	161,501	541,924	9,148,768	1,868,395
Grants & contracts receivables, net	236,302	1,285,909	1,586,370	19,664,958	13,134,167
Inventories	247,748	-	345,261	1,734,982	4,020,658
Notes receivable, net	168,282	626,717	354,018	1,477,005	4,827,940
Other assets	99,751	92,380	-	375,103	1,764,943
Total current assets	<u>\$ 5,112,492</u>	<u>\$ 22,064,982</u>	<u>\$ 15,192,480</u>	<u>\$ 86,431,265</u>	<u>\$ 104,979,702</u>
Noncurrent assets					
Restricted cash and equivalent	\$ 161,242	\$ 4	\$ 4,151,304	\$ 3,990,449	\$ -
Restricted investments	356	1,129,535	-	4,845,584	3,660,440
Endowment investments	17,000	1,249,009	-	366,782	13,505,465
Notes receivable, net	393,072	2,256,066	1,273,157	5,237,625	17,382,086
Other long-term investments	-	-	-	65,691,735	50,899,199
Unamortized bond discount and cost of issuance	100,951	270,545	240,084	2,448,619	428,252
Receivable from component units	-	420,000	-	-	-
Capital assets, net	24,724,464	80,135,460	32,649,706	331,886,214	362,532,369
Total noncurrent assets	<u>25,397,085</u>	<u>85,480,619</u>	<u>38,314,251</u>	<u>415,400,264</u>	<u>448,407,811</u>
Total assets	<u>\$ 30,509,577</u>	<u>\$ 107,545,601</u>	<u>\$ 53,506,731</u>	<u>\$ 501,831,529</u>	<u>\$ 553,387,513</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Outflows	\$ -	\$ -	\$ -	\$ -	\$ -
Total deferred outflows of resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NORTH DAKOTA UNIVERSITY SYSTEM

SUPPLEMENTARY INFORMATION

JUNE 30, 2013

COMBINING STATEMENT OF NET POSITION - Continued

	Mayville State University	Minot State University	North Dakota State College of Science	North Dakota State University	University of North Dakota
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities	\$ 266,110	\$ 1,134,764	\$ 888,931	\$ 17,881,636	\$ 8,568,102
Payable to component units	-	1,000	-	-	243,055
Accrued payroll	731,494	2,406,359	1,585,782	10,309,141	12,188,247
Unearned revenue	130,738	1,238,983	286,703	7,598,788	8,303,648
Deposits	196,460	565,209	192,791	1,417,883	3,291,863
Long-term liabilities - current portion					
Payable to component units	-	-	-	2,164,237	610,879
Due to others	856,057	400,320	393,785	3,848,854	6,346,733
Total current liabilities	<u>2,180,859</u>	<u>5,746,635</u>	<u>3,347,992</u>	<u>43,220,539</u>	<u>39,552,527</u>
Noncurrent liabilities					
Other noncurrent liabilities	\$ (11,234)	\$ -	\$ 4,017	\$ 8,767	\$ 2,079,578
Long term liabilities					
Payable to component units	-	-	-	41,445,666	10,132,775
Due to others	10,701,476	14,794,653	10,149,916	97,823,107	87,585,932
Total noncurrent liabilities	<u>10,690,242</u>	<u>14,794,653</u>	<u>10,153,933</u>	<u>139,277,540</u>	<u>99,798,285</u>
Total liabilities	<u>\$ 12,871,101</u>	<u>\$ 20,541,288</u>	<u>\$ 13,501,925</u>	<u>\$ 182,498,079</u>	<u>\$ 139,350,812</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred Inflows	\$ -	\$ -	\$ -	\$ -	\$ -
Total deferred inflows of resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
NET POSITION					
Net investment in capital assets	\$ 13,660,983	\$ 66,334,869	\$ 28,423,895	\$ 205,711,923	\$ 266,490,000
Restricted for:					
Nonexpendable:					
Scholarships and Fellowships	17,524	1,250,229	900	368,855	13,505,465
Expendable:					
Scholarships and Fellowships	5,793	686,542	-	207,910	1,352,964
Research	-	4,330	-	6,551,544	3,600,376
Institutional	42,267	860,693	111,927	1,062,310	10,047,823
Loans	588,253	3,203,852	3,824,220	7,032,635	27,019,795
Capital projects	-	-	-	43,772	-
Debt service	113,723	916,249	-	10,128,295	3,660,441
Other	-	-	-	-	-
Unrestricted	3,209,933	13,747,549	7,643,864	88,226,206	88,359,837
Total net position	<u>\$ 17,638,476</u>	<u>\$ 87,004,313</u>	<u>\$ 40,004,806</u>	<u>\$ 319,333,450</u>	<u>\$ 414,036,701</u>

NORTH DAKOTA UNIVERSITY SYSTEM
SUPPLEMENTARY INFORMATION
JUNE 30, 2013

COMBINING STATEMENT OF NET POSITION- Continued

	Valley City State University	Williston State College	Eliminations	Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 2,019,727	\$ (107,968)		\$ 106,331,339
Investments	1,696,736	-		77,826,782
Accounts receivable, net	746,529	192,709	(139,051)	24,870,833
Receivable from component units	113,129	487,151		7,884,446
Receivable from other NDUS institutions	34,120	4,871	(2,452,593)	-
Due from State General Fund	180,375	515,222		14,657,050
Grants & contracts receivables, net	229,317	1,401,491		40,478,662
Inventories	159,466	102,172		8,384,669
Notes receivable, net	147,224	46,667		8,100,810
Other assets	75,361	-		3,082,374
Total current assets	<u>\$ 5,401,984</u>	<u>\$ 2,642,315</u>	<u>\$ (2,591,644)</u>	<u>\$ 291,616,965</u>
Noncurrent assets				
Restricted cash and equivalent	\$ 2,571,705	\$ 279,900		\$ 17,068,453
Restricted investments	266,590	526,958		10,939,463
Endowment investments	776,857	52,200		15,967,313
Notes receivable, net	531,229	167,947		28,853,377
Other long-term investments	-	-		116,590,934
Unamortized bond discount and cost of issuance	149,329	175,450		4,050,844
Receivable from component units	-	-		420,000
Capital assets, net	20,828,713	33,895,183		983,820,407
Total noncurrent assets	<u>25,124,423</u>	<u>35,097,638</u>	<u>-</u>	<u>1,178,664,047</u>
Total assets	<u>\$ 30,526,407</u>	<u>\$ 37,739,953</u>	<u>\$ (2,591,644)</u>	<u>\$ 1,470,281,012</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflows	\$ -	\$ -		\$ -
Total deferred outflows of resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NORTH DAKOTA UNIVERSITY SYSTEM
SUPPLEMENTARY INFORMATION
JUNE 30, 2013

COMBINING STATEMENT OF NET POSITION- Continued

	Valley City State University	Williston State College	Eliminations	Total
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	\$ 196,709	\$ 770,068	\$ (478,023)	\$ 35,803,399
Payable to component units	-	-		269,032
Accrued payroll	938,917	540,749		32,883,102
Unearned revenue	339,007	102,963		19,141,711
Deposits	166,956	90,205	(2,135,314)	6,534,625
Long-term liabilities - current portion				
Payable to component units	-	72,472		2,961,660
Due to others	2,879,132	248,687		17,888,951
Total current liabilities	<u>4,520,721</u>	<u>1,825,144</u>	<u>(2,613,337)</u>	<u>\$ 115,482,480</u>
Noncurrent liabilities				
Other noncurrent liabilities	\$ -	\$ 7,802		\$ 2,798,508
Long term liabilities				
Payable to component units	-	486,884		53,803,414
Due to others	6,638,756	9,080,666		256,293,191
Total noncurrent liabilities	<u>6,638,756</u>	<u>9,575,352</u>	<u>-</u>	<u>312,895,113</u>
Total liabilities	<u>\$ 11,159,477</u>	<u>\$ 11,400,496</u>	<u>\$ (2,613,337)</u>	<u>\$ 428,377,593</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows	\$ -	\$ -		\$ -
Total deferred inflows of resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
NET POSITION				
Net investment in capital assets	\$ 11,925,341	\$ 24,468,604	\$ -	\$ 699,209,394
Restricted for:				
Nonexpendable:				
Scholarships and Fellowships	498,762	56,736		15,698,471
Expendable:				
Scholarships and Fellowships	197,748	-		2,701,107
Research	-	-		10,206,854
Institutional	656,051	572,725		13,873,311
Loans	682,174	246,214		44,959,657
Capital projects	-	-		43,772
Debt service	2,852,052	569,668		18,765,228
Other	310,555	-		438,808
Unrestricted	2,244,247	425,510	21,693	236,006,817
Total net position	<u>\$ 19,366,930</u>	<u>\$ 26,339,457</u>	<u>\$ 21,693</u>	<u>\$ 1,041,903,419</u>

NORTH DAKOTA UNIVERSITY SYSTEM
SUPPLEMENTARY INFORMATION
JUNE 30, 2013

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	North Dakota University System Office	Bismarck State College	Dakota College of Bottineau	Dickinson State University	Lake Region State College	Mayville State University	Minot State University
OPERATING REVENUES							
Student tuition and fees (net of scholarship allowance \$1,598,387)	\$ 5,953,785	\$ 11,557,145	\$ 1,269,331	\$ 7,190,994	\$ 3,688,708	\$ 4,078,772	\$ 13,900,069
Federal grants and contracts	614,669	2,807,709	223,714	1,020,451	754,825	2,992,837	5,671,745
State grants and contracts	202,288	1,930,077	332,377	151,036	590,256	20,000	1,382,889
Nongovernmental grants and contracts (net of bad debt allowance of \$129,181)	31,408	14,519	6,243	-	8,224	143,126	333,594
Sales and services of educational departments (net of bad debt allowance of \$178,642)	3,427,874	3,072,623	163,020	488,869	775,501	658,925	1,212,640
Auxiliary enterprises (net of scholarship allowance of \$6,163,112 and bad debt allowance of \$462,698)	-	4,275,812	1,123,340	3,285,640	1,478,198	2,430,531	4,171,767
Other (net of bad debt allowance of \$39,251)	-	7,847	6,217	82,722	(8,585)	26,804	72,839
Total operating revenues	<u>\$ 10,230,024</u>	<u>\$ 23,665,732</u>	<u>\$ 3,124,242</u>	<u>\$ 12,219,712</u>	<u>\$ 7,287,127</u>	<u>\$10,350,995</u>	<u>\$ 26,745,543</u>
OPERATING EXPENSES							
Salaries	14,138,966	25,597,842	5,081,739	17,751,096	9,602,744	11,656,643	35,805,438
Operating expenses	8,360,851	10,081,977	1,997,046	7,440,203	3,240,374	3,599,914	11,617,916
Data processing	5,466,374	531,541	107,479	343,455	358,200	194,648	408,683
Depreciation	1,389,540	1,963,518	294,541	1,594,850	738,842	1,071,637	3,211,672
Scholarships and fellowships	20,066,499	2,566,512	381,613	607,054	392,946	617,359	1,417,196
Costs of sales and services	-	2,104,189	198,132	639,686	581,782	826,069	2,152
Total operating expenses	<u>\$ 49,422,230</u>	<u>\$ 42,845,579</u>	<u>\$ 8,060,550</u>	<u>\$ 28,376,344</u>	<u>\$ 14,914,888</u>	<u>\$17,966,270</u>	<u>\$ 52,463,057</u>
Operating income (loss)	<u>\$ (39,192,206)</u>	<u>\$ (19,179,847)</u>	<u>\$ (4,936,308)</u>	<u>\$ (16,156,632)</u>	<u>\$ (7,627,761)</u>	<u>\$ (7,615,275)</u>	<u>\$ (25,717,514)</u>
NONOPERATING REVENUES (EXPENSES)							
State appropriations	51,273,330	14,153,140	3,242,845	11,873,105	4,662,614	6,543,702	19,061,906
Federal appropriations	-	-	-	-	-	-	-
Federal grants and contracts, (net of bad debt allowance of \$40,636)	-	3,902,311	1,055,704	1,789,714	1,372,418	1,375,830	3,362,463
Gifts	-	1,039,612	217,781	930,899	593,438	720,778	1,674,621
Endowment and Investment Income (net of investment expense of \$42,726)	23	26,376	17,515	36,445	10,268	108,191	152,146
Interest on capital asset related debt	(66,458)	(536,343)	(8,272)	(3,162)	(211,259)	(652,535)	(852,047)
Gain (loss) on capital assets	-	11,052	-	26,300	-	(504)	11,940
Insurance proceeds	-	-	-	14,953	-	26,129	-
Tax revenues	-	-	-	-	-	227,591	-
General and special grant expenditures	(4,367,105)	-	-	-	-	-	-
Other nonoperating revenue (expenses) (net of bad debt allowance of \$364,462)	548,171	(229,682)	(6,051)	88	65	(492,917)	5,589
Net nonoperating revenues (expenses)	<u>\$ 47,387,961</u>	<u>\$ 18,366,466</u>	<u>\$ 4,519,522</u>	<u>\$ 14,668,342</u>	<u>\$ 6,427,544</u>	<u>\$ 7,856,265</u>	<u>\$ 23,416,618</u>
Income (loss) before capital grants, gifts and transfers	<u>\$ 8,195,755</u>	<u>\$ (813,381)</u>	<u>\$ (416,786)</u>	<u>\$ (1,488,290)</u>	<u>\$ (1,200,217)</u>	<u>\$ 240,990</u>	<u>\$ (2,300,896)</u>
State appropriations - capital assets	\$ -	\$ 3,507,191	\$ 682,412	\$ 290,487	\$ 97,869	\$ 41,775	\$ 5,717,509
Transfer to building authority	(5,881,188)	-	-	-	-	-	-
Inter-Institutional Transfers	(1,310,872)	-	-	-	-	-	-
Capital grants and gifts	-	1,181,588	-	32,483	78,497	-	1,520,348
Total other revenue	<u>(7,192,060)</u>	<u>4,688,779</u>	<u>682,412</u>	<u>322,970</u>	<u>176,366</u>	<u>41,775</u>	<u>7,237,857</u>
Increase (decrease) in net position	<u>\$ 1,003,695</u>	<u>\$ 3,875,398</u>	<u>\$ 265,626</u>	<u>\$ (1,165,320)</u>	<u>\$ (1,023,851)</u>	<u>\$ 282,765</u>	<u>\$ 4,936,961</u>
NET POSITION							
Net position-beginning of year, as restated	\$ 12,701,593	\$ 37,617,352	\$ 7,381,595	\$ 48,375,741	\$ 9,125,764	\$17,355,711	\$ 82,067,352
Net position-end of year	<u>\$ 13,705,288</u>	<u>\$ 41,492,750</u>	<u>\$ 7,647,221</u>	<u>\$ 47,210,421</u>	<u>\$ 8,101,913</u>	<u>\$17,638,476</u>	<u>\$ 87,004,313</u>

NORTH DAKOTA UNIVERSITY SYSTEM
SUPPLEMENTARY INFORMATION
JUNE 30, 2013

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	North Dakota State College of Science	North Dakota State University	University of North Dakota	Valley City State University	Williston State College	Eliminations	Total
OPERATING REVENUES							
Student tuition and fees (net of scholarship allowance \$1,598,387)	\$ 8,051,150	\$ 100,397,231	\$ 126,584,059	\$ 5,602,656	\$ 1,184,780	\$ (193,928)	\$ 289,264,752
Federal grants and contracts	869,817	46,538,383	59,528,979	941,451	1,017,604	(4,673,625)	118,308,559
State grants and contracts	898,157	7,259,487	8,212,207	91,713	1,729,803	(5,887,170)	16,913,120
Nongovernmental grants and contracts (net of bad debt allowance of \$129,181)	28,500	10,287,622	24,642,412	252,500	(84,876)	(40,661)	35,622,611
Sales and services of educational departments (net of bad debt allowance of \$178,642)	3,173,213	23,606,398	44,716,461	378,113	3,035,913	(5,158,937)	79,550,613
Auxiliary enterprises (net of scholarship allowance of \$6,163,112 and bad debt allowance of \$462,698)	4,832,004	46,082,125	41,303,921	2,349,418	2,086,380	(271,312)	113,147,824
Other (net of bad debt allowance of \$39,251)	169,760	953,672	645,695	13,090	(30,780)	(753,509)	1,185,772
Total operating revenues	<u>\$ 18,022,601</u>	<u>\$ 235,124,918</u>	<u>\$ 305,633,734</u>	<u>\$ 9,628,941</u>	<u>\$ 8,938,824</u>	<u>\$ (16,979,142)</u>	<u>\$ 653,993,251</u>
OPERATING EXPENSES							
Salaries	25,905,013	241,842,660	279,024,002	13,904,548	9,051,580	47,765	689,410,036
Operating expenses	10,339,214	83,779,808	85,430,148	5,299,677	3,780,833	(10,890,808)	224,077,153
Data processing	910,116	5,119,033	5,336,331	368,603	242,710	(41,681)	19,345,492
Depreciation	2,211,952	19,746,928	21,226,366	914,005	814,856		55,178,707
Scholarships and fellowships	1,088,435	4,909,822	7,102,249	716,773	430,456	(3,753,353)	36,543,561
Costs of sales and services	746,196	10,606,034	25,675,834	465,749	801,166	(5,268)	42,641,721
Total operating expenses	<u>\$ 41,200,926</u>	<u>\$ 366,004,285</u>	<u>\$ 423,794,930</u>	<u>\$ 21,669,355</u>	<u>\$ 15,121,601</u>	<u>\$ (14,643,345)</u>	<u>\$ 1,067,196,670</u>
Operating income (loss)	<u>\$ (23,178,325)</u>	<u>\$ (130,879,367)</u>	<u>\$ (118,161,196)</u>	<u>\$ (12,040,414)</u>	<u>\$ (6,182,777)</u>	<u>\$ (2,335,797)</u>	<u>\$ (413,203,419)</u>
NONOPERATING REVENUES (EXPENSES)							
State appropriations	17,260,009	127,388,181	94,597,428	8,883,349	5,157,588		364,097,197
Federal appropriations	-	5,127,259	-	-	-		5,127,259
Federal grants and contracts, (net of bad debt allowance of \$40,636)	3,681,311	11,157,031	10,997,301	1,398,341	17,400		40,109,824
Gifts	648,869	9,231,214	9,079,588	1,110,358	921,852	(1,967,510)	24,201,500
Endowment and Investment Income (net of investment expense of \$42,726)	277,129	2,013,833	3,385,986	296,917	1,118		6,325,947
Interest on capital asset related debt	(358,187)	(5,885,244)	(4,832,886)	(280,137)	(584,686)		(14,271,216)
Gain (loss) on capital assets	(36,337)	(16,020)	508,899	24,688	(8,526)		521,492
Insurance proceeds	31,705	4,404	248,542	12,586	-		338,319
Tax revenues	-	88,727	2,797,100	-	-		3,113,418
General and special grant expenditures	-	-	-	-	-	4,325,000	(42,105)
Other nonoperating revenue (expenses) (net of bad debt allowance of \$364,462)	51,083	(51,533)	(99,555)	(123,433)	87,917	-	(310,258)
Net nonoperating revenues (expenses)	<u>\$ 21,555,582</u>	<u>\$ 149,057,852</u>	<u>\$ 116,682,403</u>	<u>\$ 11,322,669</u>	<u>\$ 5,592,663</u>	<u>\$ 2,357,490</u>	<u>\$ 429,211,377</u>
Income (loss) before capital grants, gifts and transfers	<u>\$ (1,622,743)</u>	<u>\$ 18,178,485</u>	<u>\$ (1,478,793)</u>	<u>\$ (717,745)</u>	<u>\$ (590,114)</u>	<u>\$ 21,693</u>	<u>\$ 16,007,958</u>
State appropriations - capital assets	\$ 8,745,974	\$ 6,631,793	\$ 14,358,173	\$ 6,354,292	\$ 2,513,254		\$ 48,940,729
Transfer to building authority	-	(285,142)	-	-	-		(6,166,330)
Inter-Institutional Transfers	(84,724)	-	1,395,596	-	-		-
Capital grants and gifts	729,279	10,260,010	5,553,639	-	510,013		19,865,857
Total other revenue	<u>9,390,529</u>	<u>16,606,661</u>	<u>21,307,408</u>	<u>6,354,292</u>	<u>3,023,267</u>	<u>-</u>	<u>62,640,256</u>
Increase (decrease) in net position	<u>\$ 7,767,786</u>	<u>\$ 34,785,146</u>	<u>\$ 19,828,615</u>	<u>\$ 5,636,547</u>	<u>\$ 2,433,153</u>	<u>\$ 21,693</u>	<u>\$ 78,648,214</u>
NET POSITION							
Net position-beginning of year, as restated	\$ 32,237,020	\$ 284,548,304	\$ 394,208,086	\$ 13,730,383	\$ 23,906,304	\$ -	\$ 963,255,205
Net position-end of year	<u>\$ 40,004,806</u>	<u>\$ 319,333,450</u>	<u>\$ 414,036,701</u>	<u>\$ 19,366,930</u>	<u>\$ 26,339,457</u>	<u>\$ 21,693</u>	<u>\$ 1,041,903,419</u>

NORTH DAKOTA UNIVERSITY SYSTEM
SUPPLEMENTARY INFORMATION
JUNE 30, 2013

COMBINING STATEMENT OF CASH FLOWS

	North Dakota University System Office	Bismarck State College	Dakota College of Bottineau	Dickinson State University	Lake Region State College	Mayville State University	Minot State University
CASH FLOWS FROM OPERATING ACTIVITIES							
Student tuition and fees	\$ 5,945,137	\$ 11,639,977	\$ 1,214,244	\$ 7,141,238	\$ 3,682,737	\$ 4,072,704	\$ 14,383,116
Grants and contracts	869,010	4,604,023	104,492	1,162,460	1,471,822	3,380,321	8,637,918
Payments to suppliers	(12,372,563)	(13,007,844)	(2,283,319)	(8,108,176)	(4,158,785)	(4,632,268)	(11,125,010)
Payments to employees	(13,008,357)	(25,492,416)	(5,046,607)	(17,845,338)	(9,506,025)	(11,698,118)	(35,477,611)
Payments for scholarships and fellowships	(20,066,499)	(2,566,512)	(381,613)	(607,054)	(392,946)	(617,359)	(1,417,196)
Loans issued to students	-	(137,155)	(31,583)	(242,092)	(62,150)	(92,825)	(399,197)
Collection of loans to students	-	88,150	43,202	187,795	54,968	80,715	476,107
Auxiliary enterprise charges	-	4,314,091	1,111,487	3,250,264	1,495,666	2,397,338	4,137,579
Sales and service of educational departments	1,702,929	2,906,038	309,469	455,580	781,198	620,835	1,923,611
Cash received/(paid) on deposits	(243,446)	65,268	44,291	(13,217)	(3,691)	5,871	(17,033)
Other receipts (payments)	(209,633)	(288,088)	(26,137)	129,060	(8,519)	69,749	(413,212)
Net cash provided (used) by operating activities	<u>\$ (37,383,422)</u>	<u>\$ (17,874,468)</u>	<u>\$ (4,942,074)</u>	<u>\$ (14,489,480)</u>	<u>\$ (6,645,725)</u>	<u>\$ (6,413,037)</u>	<u>\$ (19,290,928)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
State appropriations	\$ 51,155,381	\$ 14,153,140	\$ 3,242,845	\$ 11,873,105	\$ 4,952,614	\$ 6,543,702	\$ 19,061,906
Federal appropriations	-	-	-	-	-	-	-
Grants and gifts received for other than capital purposes	-	4,930,787	1,273,484	2,720,613	1,965,856	2,096,608	4,939,466
Grants given for other than capital purposes	(4,367,105)	-	-	-	-	-	-
Direct Lending Receipts	-	9,603,324	1,992,308	5,116,119	2,836,851	4,066,844	6,134,321
Direct Lending Disbursements	-	(9,648,843)	(1,992,308)	(5,094,406)	(2,681,975)	(4,019,829)	(6,108,993)
Agency fund cash increase/(decrease)	8,658	45,687	(70,791)	(97,417)	(354,809)	376	25,480
Tax revenues	-	-	-	-	-	227,591	-
Net cash flows provided (used) by noncapital financing activities	<u>\$ 46,796,934</u>	<u>\$ 19,084,095</u>	<u>\$ 4,445,538</u>	<u>\$ 14,518,014</u>	<u>\$ 6,718,537</u>	<u>\$ 8,915,292</u>	<u>\$ 24,052,180</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Proceeds from issuance of debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers to Building Authority	(5,881,188)	-	-	-	-	-	-
Capital appropriations	-	3,976,410	682,412	1,035,028	4,830	111,976	6,607,305
Capital grants and gifts received	-	1,125,098	-	29,792	78,857	-	1,520,348
Proceeds from sale of capital assets	1	-	-	-	-	-	-
Purchases of capital assets	(627,028)	(5,523,248)	(824,398)	(1,057,195)	(5,085,864)	(554,498)	(9,432,228)
Insurance proceeds	-	-	-	14,953	-	26,129	-
Principal paid on capital debt and lease	(1,927,646)	(543,167)	(57,224)	(473,063)	(327,260)	(1,155,856)	(657,691)
Deposits with capital debt payment trustees	-	-	-	-	-	-	-
Interest paid on capital debt and lease	(80,519)	(529,530)	(8,272)	(8,862)	(211,262)	(652,355)	(847,931)
Net cash provided (used) by capital and related financing activities	<u>\$ (8,516,380)</u>	<u>\$ (1,494,437)</u>	<u>\$ (207,482)</u>	<u>\$ (459,347)</u>	<u>\$ (5,540,699)</u>	<u>\$ (2,224,604)</u>	<u>\$ (2,810,197)</u>
CASH FLOWS FROM INVESTING ACTIVITIES							
Proceeds from sales and maturities of investments	\$ -	\$ 9,627,380	\$ -	\$ -	\$ -	\$ -	\$ (298,455)
Interest on investments	24	26,918	17,453	36,682	10,268	108,191	75,186
Purchase of investments	-	(3,336,000)	-	-	-	-	352,415
Net cash provided (used) by investing activities	<u>\$ 24</u>	<u>\$ 6,318,298</u>	<u>\$ 17,453</u>	<u>\$ 36,682</u>	<u>\$ 10,268</u>	<u>\$ 108,191</u>	<u>\$ 129,146</u>
Net increase (decrease) in cash	\$ 897,156	\$ 6,033,488	\$ (686,565)	\$ (394,131)	\$ (5,457,619)	\$ 385,842	\$ 2,080,201
CASH - BEGINNING OF YEAR	\$ 11,256,308	\$ 6,034,121	\$ 1,873,878	\$ 5,261,260	\$ 7,964,968	\$ 3,030,596	\$ 14,587,455
CASH - END OF YEAR	<u>\$ 12,153,464</u>	<u>\$ 12,067,609</u>	<u>\$ 1,187,313</u>	<u>\$ 4,867,129</u>	<u>\$ 2,507,349</u>	<u>\$ 3,416,438</u>	<u>\$ 16,667,656</u>

NORTH DAKOTA UNIVERSITY SYSTEM
SUPPLEMENTARY INFORMATION
JUNE 30, 2013

COMBINING STATEMENT OF CASH FLOWS

	North Dakota University System Office	Bismarck State College	Dakota College of Bottineau	Dickinson State University	Lake Region State College	Mayville State University	Minot State University
RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES							
Operating income (loss)	\$ (39,192,206)	\$ (19,179,847)	\$ (4,936,308)	\$ (16,156,632)	\$ (7,627,761)	\$ (7,615,275)	\$ (25,717,514)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities	-	-	-	-	-	-	-
Depreciation expense	1,389,540	1,963,518	294,541	1,594,850	738,842	1,071,637	3,211,672
Other nonoperating revenues (expenses)	(208,278)	(12,460)	(6,154)	(28,848)	66	523	(4,040,169)
Change in assets and liabilities	-	-	-	-	-	-	-
Accounts receivable adjusted for interest receivable	(1,732,857)	(113,161)	88,222	(122,372)	16,297	(27,204)	729,413
Grant & contract receivables	20,645	(148,283)	(457,842)	(9,027)	118,517	224,357	1,249,690
Inventories	-	(191,896)	5,927	36,252	(55,196)	(8,944)	-
Notes receivable	-	(15,517)	29,327	(31,630)	21,942	12,542	195,440
Other assets	(1,354)	(273,966)	(26,200)	88,851	-	45,468	3,567,190
Accounts payable and accrued liabilities adjusted for interest payable	397,115	(186,452)	(39,571)	221,551	53,390	(56,784)	765,224
Accrued payroll	652,904	88,755	22	(37,492)	61,090	(24,781)	282,468
Compensated absences	477,705	16,671	35,110	(56,750)	35,630	(16,694)	45,358
Deferred revenue	-	112,902	26,561	24,984	(4,851)	(23,753)	437,333
Deposits	813,364	65,268	44,291	(13,217)	(3,691)	5,871	(17,033)
Net cash provided (used) by operating activities	<u>\$ (37,383,422)</u>	<u>\$ (17,874,468)</u>	<u>\$ (4,942,074)</u>	<u>\$ (14,489,480)</u>	<u>\$ (6,645,725)</u>	<u>\$ (6,413,037)</u>	<u>\$ (19,290,928)</u>
SUPPLEMENTAL DISCLOSURE ON NON CASH TRANSACTIONS							
Assets acquired through capital lease	\$ -	\$ -	\$ -	\$ -	\$ 149,103	\$ 144,768	\$ 138,775
Assets acquired through special assessment	-	-	-	-	-	-	-
Expenses paid by capital lease/special assessments	-	222,369	22,171	-	-	504,671	-
Gifts of capital assets	-	66,414	-	3,060	-	-	-
Net increases (decrease) in value of investments	-	-	-	-	-	-	37,993
Total non-cash transactions	<u>\$ -</u>	<u>\$ 288,783</u>	<u>\$ 22,171</u>	<u>\$ 3,060</u>	<u>\$ 149,103</u>	<u>\$ 649,439</u>	<u>\$ 176,768</u>

NORTH DAKOTA UNIVERSITY SYSTEM
SUPPLEMENTARY INFORMATION
JUNE 30, 2013

COMBINING STATEMENT OF CASH FLOWS - Continued

	North Dakota State College of Science	North Dakota State University	University of North Dakota	Valley City State University	Williston State College	Eliminations	Total
CASH FLOWS FROM OPERATING ACTIVITIES							
Student tuition and fees	\$ 7,936,335	\$ 99,593,174	\$ 127,553,011	\$ 5,609,916	\$ 1,090,644	\$ (193,928)	\$ 289,668,305
Grants and contracts	1,046,922	62,874,990	94,276,844	1,380,977	2,342,131	(10,601,456)	171,550,454
Payments to suppliers	(11,803,514)	(90,318,547)	(115,288,007)	(6,292,453)	(4,571,433)	8,437,757	(275,524,162)
Payments to employees	(25,734,860)	(239,257,057)	(279,142,687)	(13,794,746)	(8,965,010)	(47,765)	(685,016,597)
Payments for scholarships and fellowships	(1,088,435)	(4,909,822)	(7,102,249)	(716,773)	(430,456)	3,753,353	(36,543,561)
Loans issued to students	(128,035)	(1,187,359)	(2,736,170)	(83,935)	(30,802)	-	(5,131,303)
Collection of loans to students	344,782	1,088,973	3,264,373	62,005	35,422	-	5,726,492
Auxiliary enterprise charges	4,804,245	46,249,843	41,598,654	2,316,134	2,019,096	(271,312)	113,423,085
Sales and service of educational departments	3,113,271	23,126,734	41,231,623	(222,752)	2,571,344	(2,658,937)	75,860,943
Cash received/(paid) on deposits	(136,398)	(35,026)	(150,527)	(14,110)	(20,031)	-	(518,049)
Other receipts (payments)	134,884	967,502	2,357,563	(90,756)	67,769	(753,509)	1,936,673
Net cash provided (used) by operating activities	\$ (21,510,803)	\$ (101,806,595)	\$ (94,137,572)	\$ (11,846,493)	\$ (5,891,326)	\$ (2,335,797)	\$ (344,567,720)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
State appropriations	\$ 17,260,009	\$ 134,837,635	\$ 94,597,428	\$ 8,849,229	\$ 5,045,843	-	\$ 371,572,837
Federal appropriations	-	4,228,545	-	-	-	-	4,228,545
Grants and gifts received for other than capital purposes	4,330,180	20,388,245	19,939,423	2,508,699	1,040,461	(1,989,203)	64,144,619
Grants given for other than capital purposes	-	-	-	-	-	4,325,000	(42,105)
Direct Lending Receipts	9,403,058	53,747,818	98,246,289	7,540,217	1,853,560	-	200,540,709
Direct Lending Disbursements	(9,403,058)	(53,966,261)	(98,301,353)	(7,540,217)	(1,637,425)	-	(200,394,668)
Agency fund cash increase/(decrease)	(332,834)	(682,729)	176,894	30,340	259,673	-	(991,472)
Tax revenues	-	88,727	2,797,100	-	-	-	3,113,418
Net cash flows provided (used) by noncapital financing activities	\$ 21,257,355	\$ 158,641,980	\$ 117,455,781	\$ 11,388,268	\$ 6,562,112	\$ 2,335,797	\$ 442,171,883
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Proceeds from issuance of debt	\$ -	\$ -	\$ 24,413,391	\$ 2,565,000	\$ -	-	\$ 26,978,391
Transfers to Building Authority	-	(285,142)	-	-	-	-	(6,166,330)
Capital appropriations	8,411,680	7,083,484	13,249,520	7,063,987	2,513,254	-	50,739,886
Capital grants and gifts received	729,279	8,048,249	3,961,550	-	510,013	-	16,003,186
Proceeds from sale of capital assets	-	6,634	8,475	36,353	(19,443)	-	32,020
Purchases of capital assets	(15,718,209)	(35,433,770)	(24,584,513)	(7,360,890)	(3,714,508)	-	(109,916,349)
Insurance proceeds	31,705	4,404	268,740	12,586	-	-	358,517
Principal paid on capital debt and lease	(88,712)	(5,170,599)	(16,699,806)	(70,678)	(220,000)	-	(27,391,702)
Deposits with capital debt payment trustees	-	-	(15,720,000)	(95,000)	-	-	(15,815,000)
Interest paid on capital debt and lease	(362,940)	(5,681,523)	(3,689,433)	(473,253)	(296,543)	-	(12,842,423)
Net cash provided (used) by capital and related financing activities	\$ (6,997,197)	\$ (31,428,263)	\$ (18,792,076)	\$ 1,678,105	\$ (1,227,227)	\$ -	\$ (78,019,804)
CASH FLOWS FROM INVESTING ACTIVITIES							
Proceeds from sales and maturities of investments	\$ 5,894,988	\$ 9,270,614	\$ 22,547,695	\$ 1,145,971	\$ -	-	\$ 48,188,193
Interest on investments	277,129	1,788,743	5,782,410	297,600	620	-	8,421,224
Purchase of investments	-	(27,000,000)	(44,918,352)	(1,078,646)	-	-	(75,980,583)
Net cash provided (used) by investing activities	\$ 6,172,117	\$ (15,940,643)	\$ (16,588,247)	\$ 364,925	\$ 620	\$ -	\$ (19,371,166)
Net increase (decrease) in cash	\$ (1,078,528)	\$ 9,466,479	\$ (12,062,114)	\$ 1,584,805	\$ (555,821)	-	\$ 213,193
CASH - BEGINNING OF YEAR	15,521,637	28,845,246	25,076,750	3,006,627	727,753	-	123,186,599
CASH - END OF YEAR	\$ 14,443,109	\$ 38,311,725	\$ 13,014,636	\$ 4,591,432	\$ 171,932	\$ -	\$ 123,399,792

NORTH DAKOTA UNIVERSITY SYSTEM
SUPPLEMENTARY INFORMATION
JUNE 30, 2013

COMBINING STATEMENT OF CASH FLOWS - Continued

	North Dakota State College of Science	North Dakota State University	University of North Dakota	Valley City State University	Williston State College	Eliminations	Total
RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES							
Operating income (loss)	\$ (23,178,325)	\$ (130,879,367)	\$ (118,161,196)	\$ (12,040,414)	\$ (6,182,777)	\$ (2,335,797)	\$ (413,203,419)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities							
Depreciation expense	2,211,952	19,746,928	21,226,366	914,005	814,856		55,178,707
Other nonoperating revenues (expenses)	(34,876)	(68,484)	2,066,615	(123,432)	87,916		(2,367,581)
Change in assets and liabilities							
Accounts receivable adjusted for interest receivable	(152,663)	(1,645,922)	(2,378,917)	(604,410)	(179,993)	2,422,176	(3,701,391)
Grant & contract receivables	(749,552)	(1,504,310)	1,893,245	95,314	(320,400)		412,355
Inventories	8,581	331,355	(356,159)	(105)	-		(230,185)
Notes receivable	285,395	42,875	1,305,296	(20,037)	31,912		1,857,545
Other assets	4,960	82,314	(354,743)	48,923	14,384		3,195,825
Accounts payable and accrued liabilities adjusted for interest payable	117,304	8,063,295	438,810	(219,804)	(86,017)	(2,422,176)	7,045,887
Accrued payroll	29,360	929,800	(24,595)	95,204	41,756		2,094,491
Compensated absences	140,793	1,655,803	(94,091)	14,598	44,813		2,298,946
Deferred revenue	(57,334)	1,474,144	452,324	7,775	(137,745)		2,312,341
Deposits	(136,398)	(35,026)	(150,527)	(14,110)	(20,031)		538,759
Net cash provided (used) by operating activities	<u>\$ (21,510,803)</u>	<u>\$ (101,806,595)</u>	<u>\$ (94,137,572)</u>	<u>\$ (11,846,493)</u>	<u>\$ (5,891,326)</u>	<u>\$ (2,335,797)</u>	<u>\$ (344,567,720)</u>
SUPPLEMENTAL DISCLOSURE ON NON CASH TRANSACTIONS							
Assets acquired through capital lease	\$ -	\$ 238,713	\$ 182,150	\$ -	\$ -		\$ 853,509
Assets acquired through special assessment	-	-	-	60,807	-		60,807
Expenses paid by capital lease/special assessments	-	-	1,127,080	-	-		1,876,291
Gifts of capital assets	-	-	1,492,979	-	-		1,562,453
Net increases (decrease) in value of investments	-	159,853	-	-	-		197,846
Total non-cash transactions	<u>\$ -</u>	<u>\$ 398,566</u>	<u>\$ 2,802,209</u>	<u>\$ 60,807</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,550,906</u>

NORTH DAKOTA UNIVERSITY SYSTEM
SUPPLEMENTARY INFORMATION
JUNE 30, 2013

Statement of Net Position -- Non-major Component Units

	Dakota College of Bottineau Foundation June 30, 2013	Lake Region Community College Foundation June 30, 2013	MaSU Alumni Foundation June 30, 2013	MISU Development Foundation June 30, 2013	NDSUS Foundation June 30, 2013	NDSU Research Foundation June 30, 2013
Assets						
Current assets						
Cash and cash equivalents	\$ 247,434	\$ 55	\$ -	\$ 1,630,264	\$ 2,751,603	\$ 187,210
Investments	72,466	-	-	-	8,180,780	-
Accounts receivable, net	-	-	10,000	1,408	50,000	-
Receivable from Primary Institution	-	-	-	-	-	-
Unconditional promises to give, net of allowance	-	6,000	5,000	10,000	-	-
Inventories	-	-	-	-	-	-
Other assets	-	-	4,127	1,101	-	13,551
Total current assets	<u>\$ 319,900</u>	<u>\$ 6,055</u>	<u>\$ 19,127</u>	<u>\$ 1,642,773</u>	<u>\$ 10,982,383</u>	<u>\$ 200,761</u>
Noncurrent assets						
Restricted cash and cash equivalents	\$ -	\$ -	\$ 556,581	\$ -	\$ -	\$ 301,497
Investments:						
Investments, net of current portion	2,033,501	2,159,287	4,372,486	11,310,098	-	-
Investments, temporarily restricted	-	-	-	-	-	-
Investments, permanently restricted	-	-	-	-	-	-
Investments held in trust	-	-	-	-	-	-
Beneficial interest in trust	-	1,012,869	-	-	-	-
Endowment investments	-	2,376,575	-	-	-	4,499,678
Real estate and equipment held for investment, net of accumulated depreciation	-	-	-	4,720,922	-	-
Other long-term investments	52,195	-	-	-	-	150
Total investments	<u>\$ 2,085,696</u>	<u>\$ 5,548,731</u>	<u>\$ 4,372,486</u>	<u>\$ 16,031,020</u>	<u>\$ -</u>	<u>\$ 4,499,828</u>
Long term pledges receivable/unconditional promises to give	\$ -	\$ -	\$ 25,966	\$ 20,500	\$ -	\$ -
Notes receivable, net	-	-	-	421,112	-	-
Receivable from Primary Institution	-	-	-	-	-	-
Other noncurrent assets	-	-	88,815	-	-	-
Capital assets, net	-	-	8,828	-	1,905,171	-
Total noncurrent assets	<u>\$ 2,085,696</u>	<u>\$ 5,548,731</u>	<u>\$ 5,052,676</u>	<u>\$ 16,472,632</u>	<u>\$ 1,905,171</u>	<u>\$ 4,801,325</u>
Total assets	<u>\$ 2,405,596</u>	<u>\$ 5,554,786</u>	<u>\$ 5,071,803</u>	<u>\$ 18,115,405</u>	<u>\$ 12,887,554</u>	<u>\$ 5,002,086</u>
LIABILITIES						
Current liabilities						
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 23,580.00	\$ 17,686.00	\$ 14,050.00	\$ 32,953
Payable to university	-	-	-	475,359	-	-
Current portion of gift annuities and life income agreements	-	-	-	39,493	-	-
Deferred revenue	-	-	-	-	47,500	-
Other current liabilities	-	-	-	-	-	-
Long-term liabilities--current portion	-	-	3,510	129,348	53,472	-
Total current liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,090</u>	<u>\$ 661,886</u>	<u>\$ 115,022</u>	<u>\$ 32,953</u>
Noncurrent liabilities						
Gift annuities and life income agreements, net of current portion	\$ -	\$ -	\$ -	\$ 299,262	\$ -	\$ -
Long-term liabilities	-	-	96,490	2,804,639	1,833,762	-
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>96,490</u>	<u>3,103,901</u>	<u>1,833,762</u>	<u>-</u>
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 123,580</u>	<u>\$ 3,765,787</u>	<u>\$ 1,948,784</u>	<u>\$ 32,953</u>
NET POSITION						
Temporarily restricted	\$ 115,599	\$ 1,418,339	\$ 1,873,607	\$ 358	\$ 987,975	\$ -
Nonexpendable:						
Permanently restricted	2,085,696	3,389,445	3,511,273	11,384,865	9,808,026	-
Unrestricted	204,301	747,002	(436,657)	2,964,395	142,769	4,969,133
Total net position	<u>\$ 2,405,596</u>	<u>\$ 5,554,786</u>	<u>\$ 4,948,223</u>	<u>\$ 14,349,618</u>	<u>\$ 10,938,770</u>	<u>\$ 4,969,133</u>
Total liabilities and net position	<u>\$ 2,405,596</u>	<u>\$ 5,554,786</u>	<u>\$ 5,071,803</u>	<u>\$ 18,115,405</u>	<u>\$ 12,887,554</u>	<u>\$ 5,002,086</u>

NORTH DAKOTA UNIVERSITY SYSTEM
SUPPLEMENTARY INFORMATION
JUNE 30, 2013

Statement of Net Position -- Non-major Component Units - continued

	NDSU Team Makers Club December 31, 2011	UND Center for Innovation December 31, 2012	UND Research Foundation June 30, 2013	VCSU Foundation June 30, 2013	WSC Foundation June 30, 2013	Total Non-major Component
Assets						
Current assets						
Cash and cash equivalents	\$ 2,365,570	\$ 1,112,426	\$ 35,971	\$ 287,789	\$ 4,294,978	\$ 12,913,300
Investments	-	-	9,800,000	-	100,000	18,153,246
Accounts receivable, net	-	15,009	83,141	-	9,000	168,558
Receivable from Primary Institution	-	-	-	-	65,139	65,139
Unconditional promises to give, net of allow:	136,991	-	-	255,846	3,000	416,837
Inventories	5,073	8,701	-	-	-	13,774
Other assets	2,673	342,786	3,945	4,526	15,482	388,191
Total current assets	\$ 2,510,307	\$ 1,478,922	\$ 9,923,057	\$ 548,161	\$ 4,487,599	\$ 32,119,045
Noncurrent assets						
Restricted cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 858,078
Investments:						
Investments, net of current portion	1,750,292	-	-	-	8,005,487	29,631,151
Investments, temporarily restricted	-	-	-	1,290,204	-	1,290,204
Investments, permanently restricted	-	-	-	4,114,303	-	4,114,303
Investments held in trust	-	-	-	-	112,656	112,656
Beneficial interest in trust	-	-	-	-	-	1,012,869
Endowment investments	-	2,805,743	-	-	-	9,681,996
Real estate and equipment held for investment, net of accumulated depreciation	-	-	-	-	-	4,720,922
Other long-term investments	-	406,470	-	7,000	190,887	656,702
Total investments	\$ 1,750,292	\$ 3,212,213	\$ -	\$ 5,411,507	\$ 8,309,030	\$ 51,220,803
Long term pledges						
receivable/unconditional promises to	\$ -	\$ -	\$ -	\$ 424,721	\$ 3,000	\$ 474,187
Notes receivable, net	-	32,550	-	-	-	453,662
Receivable from Primary Institution	-	-	-	-	531,480	531,480
Other noncurrent assets	-	249,914	14,072	2,894	1,131	356,826
Capital assets, net	19,819	3,334,407	-	20,608	9,414,869	14,703,702
Total noncurrent assets	\$ 1,770,111	\$ 6,829,084	\$ 14,072	\$ 5,859,730	\$ 18,259,510	\$ 68,598,738
Total assets	\$ 4,280,418	\$ 8,308,006	\$ 9,937,129	\$ 6,407,891	\$ 22,747,109	\$ 100,717,783
LIABILITIES						
Current liabilities						
Accounts payable and accrued liabilities	\$ 79,608	\$ 148,771	\$ 85,969	\$ 2,578	\$ 923,901	\$ 1,329,096
Payable to university	2,562,444	-	-	28,036	54,447	3,120,286
Current portion of gift annuities and life income agreements	-	-	-	930	-	40,423
Deferred revenue	15,773	611,230	21,091	-	-	695,594
Other current liabilities	345,787	25,000	37,320	54	-	408,161
Long-term liabilities--current portion	-	-	6,074,850	124,880	42,836	6,428,896
Total current liabilities	\$ 3,003,612	\$ 785,001	\$ 6,219,230	\$ 156,478	\$ 1,021,184	\$ 12,022,456
Noncurrent liabilities						
Gift annuities and life income agreements, net of current portion	\$ -	\$ -	\$ -	\$ 19,087	\$ 2,381	\$ 320,730
Long-term liabilities	65,632	166,534	3,356,021	272,058	6,543,311	15,138,447
Total noncurrent liabilities	65,632	166,534	3,356,021	291,145	6,545,692	15,459,177
Total liabilities	\$ 3,069,244	\$ 951,535	\$ 9,575,251	\$ 447,623	\$ 7,566,876	\$ 27,481,633
NET POSITION						
Temporarily restricted	\$ -	\$ 709,026	\$ 36,910	\$ 1,827,253	\$ 4,619,645	\$ 11,588,712
Nonexpendable:						
Permanently restricted	-	3,251,632	-	4,119,593	6,503,722	44,054,252
Unrestricted	1,211,174	3,395,813	324,968	13,422	4,056,866	17,593,186
Total net position	\$ 1,211,174	\$ 7,356,471	\$ 361,878	\$ 5,960,268	\$ 15,180,233	\$ 73,236,150
Total liabilities and net position	\$ 4,280,418	\$ 8,308,006	\$ 9,937,129	\$ 6,407,891	\$ 22,747,109	\$ 100,717,783

NORTH DAKOTA UNIVERSITY SYSTEM
SUPPLEMENTARY INFORMATION
JUNE 30, 2013

Statement of Revenues, Expenses and Changes in Net Position -- Non-major Component Units

	Dakota College of Bottineau Foundation	Lake Region Community College Foundation	MaSU Alumni Foundation	MiSU Development Foundation	NDSU Research Foundation	NDSU Research Foundation
Support and revenue						
Gifts and contributions	\$ 445,502	\$ 540,758	\$ 923,314	\$ 1,238,877	\$ 784,072	\$ 500,000
Investment income	-	97,349	131,814	248,216	284,719	104,195
Net realized and unrealized gains (losses) on investment securities	(3,111)	359,481	236,835	742,958	332,501	580,104
Program and event income	117,165	-	482,172	-	36,853	-
Other income	35,404	118,960	2,973	731,510	554,149	2,191,467
Total support and revenue	\$ 594,960	\$ 1,116,548	\$ 1,777,108	\$ 2,961,561	\$ 1,992,294	\$ 3,375,766
EXPENSES						
Program Services	\$ 121,613	\$ 278,252	\$ 957,554	\$ -	\$ 859,282	\$ -
Supporting services	78,333	237,069	43,832	1,724,198	650,370	2,087,842
Fund raising expense	-	41,925	61,143	-	-	-
Impairment Loss on property	-	-	-	-	-	-
Total expenses	\$ 199,946	\$ 557,246	\$ 1,062,529	\$ 1,724,198	\$ 1,509,652	\$ 2,087,842
Change in Net Position	\$ 395,014	\$ 559,302	\$ 714,579	\$ 1,237,363	\$ 482,642	\$ 1,287,924
Net Position, Beginning of Year	\$ 2,010,582	\$ 4,995,484	\$ 4,233,644	\$ 13,112,255	\$ 10,456,128	\$ 3,681,209
Net Position, End of Year	\$ 2,405,596	\$ 5,554,786	\$ 4,948,223	\$ 14,349,618	\$ 10,938,770	\$ 4,969,133

NORTH DAKOTA UNIVERSITY SYSTEM
SUPPLEMENTARY INFORMATION
JUNE 30, 2013

Statement of Revenues, Expenses and Changes in Net Position -- Non-major Component Units - continued

	NDSU Team Makers Club	UND Center for Innovation	UND Research Foundation	VCSU Foundation	WSC Foundation	Total
Support and revenue						
Gifts and contributions	\$ 3,150,757	\$ 1,616,329	\$ 182,381	\$ 546,376	\$ 500,575	\$ 10,428,941
Investment income	215,955	40,902	275	176,001	304,334	1,603,760
Net realized and unrealized gains (losses) on investment securities	-	256,627	-	683,435	472,806	3,661,636
Program and event income	360,918	112,842	-	125,227	6,357,248	7,592,425
Other income	18,477	358,320	959,298	415,941	2,799,040	8,185,539
Total support and revenue	\$ 3,746,107	\$ 2,385,020	\$ 1,141,954	\$ 1,946,980	\$ 10,434,003	\$ 31,472,301
EXPENSES						
Program Services	2,520,163	1,807,096	-	650,170	1,302,555	8,496,685
Supporting services	400,730	386,470	1,993,273	252,227	6,685,324	14,539,668
Fund raising expense	50,405	-	-	354,480	-	507,953
Impairment Loss on property	-	-	5,905,202	-	-	5,905,202
Total expenses	\$ 2,971,298	\$ 2,193,566	\$ 7,898,475	\$ 1,256,877	\$ 7,987,879	\$ 29,449,508
Change in Net Position	\$ 774,809	\$ 191,454	\$ (6,756,521)	\$ 690,103	\$ 2,446,124	\$ 2,022,793
Net Position, Beginning of Year	\$ 436,365	\$ 7,165,017	\$ 7,118,399	\$ 5,270,165	\$ 12,734,109	\$ 71,213,357
Net Position, End of Year	\$ 1,211,174	\$ 7,356,471	\$ 361,878	\$ 5,960,268	\$ 15,180,233	\$ 73,236,150

NORTH DAKOTA UNIVERSITY SYSTEM
SUPPLEMENTARY INFORMATION
JUNE 30, 2013

SCHEDULE OF BONDS PAYABLE - Primary Institution

Issue	Original Balance	Interest Rate	Installments	Balance Outstanding
Bismarck State College				
2005 Housing & Auxiliary Facilities, due through 2030, collateralized by net revenues of housing & auxiliary system and College Fee, interest rate fixed.	\$ 4,400,000	3.4-5.35%	\$90,000 to \$710,000	\$ 3,580,000
2012 Housing & Auxiliary Facilities, due through 2033, collateralized by net revenues of housing & auxiliary system and College Fee, interest rate fixed.	\$ 7,000,000	2.0 - 4.0%	\$265,000 to \$475,000	<u>7,000,000</u>
Total BSC				<u>\$ 10,580,000</u>
Lake Region State College				
2004 Housing & Auxiliary Facilities Improvement Revenue Bonds due through the year 2017, collateralized by auxiliary services net revenues, facility usage fees and HUD interest subsidy, interest rate fixed.	\$ 1,050,000	3.0-5.125%	\$55,000 to \$100,000	<u>\$ 450,000</u>
Total LRSC				<u>\$ 450,000</u>
Mayville State University				
2003 Facilities Revenue Bonds, due through the year 2018, collateralized by the student fees, sales tax and earnings, interest rate fixed.	\$ 2,800,000	5.38%	\$115,358	\$ 1,832,533
2010 Facilities Revenue Bonds, due through the year 2030, collateralized by the Housing and Facilities revenue, student fees, federal interest subsidy related to the bond interest payments and earnings on funds created under the indenture.	\$ 3,665,000	1.55-6.63%	\$173,923 to \$265,602	<u>3,275,000</u>
Total MaSU				<u>\$ 5,107,533</u>
Minot State University				
2006 Student Services Facilities Revenue Bonds due through 2030, collateralized by net revenues from auxiliary housing, interest rate fixed.	\$ 5,000,000	4.0-5.25%	\$125,000 to \$290,000	\$ 4,180,000
2010 Wellness Fund, due August 1, 2040, collateralized by student fees and net revenues from the Wellness Center, housing and the student union.	\$ 10,000,000	2.0-6.6%	\$135,000 to \$1,415,000	<u>\$ 9,725,000</u>
Total MiSU				<u>\$ 13,905,000</u>
North Dakota State College of Science				
2012 Housing Facilities Revenue Bonds, due through 2037, fixed rate collateralized by net housing and auxiliary facilities pledged revenues.	\$ 9,000,000	3.76%	\$265,000 to \$545,000	<u>\$ 9,000,000</u>
Total NDSCS				<u>\$ 9,000,000</u>
North Dakota State University				
2004 Housing & Auxiliary Facilities Revenue Bonds through 2034, collateralized by net revenues of housing and auxiliary services, interest rate fixed.	\$ 10,350,000	3.0-5.0%	\$125,000 to \$630,000	\$ 8,505,000
2005 Housing & Auxiliary Facilities Revenue Bonds, due through 2035, collateralized by net revenues of housing and auxiliary system, interest rate fixed.	\$ 18,700,000	4.25-5.0%	\$1,200,000	\$ 16,615,000
2006A Housing & Auxiliary Facilities Revenue Bonds, due through 2036, collateralized by net revenues of housing and auxiliary system, interest rate fixed.	\$ 9,990,000	4.25-5.0%	\$630,000	\$ 8,680,000
2006B Housing & Auxiliary Facilities Revenue Bonds, due through 2029, collateralized by net revenues of housing and auxiliary system, interest rate fixed.	\$ 2,845,000	4.25-5.0%	\$225,000	\$ 2,420,000
2007B Research & Tech Park Refunding callable Revenue Bonds Maturity June 30 2023, collateralized by lease revenue, fixed rate.	\$ 18,100,000	4.0-6.5%	\$805,000 to \$1,330,000	\$ 17,090,000
2007A Research & Tech Park Refunding callable Revenue Bonds Maturity June 30 2022, collateralized by lease revenue, fixed rate	\$ 4,735,000	4.0-4.125%	\$220,000 to \$510,000	\$ 3,850,000

NORTH DAKOTA UNIVERSITY SYSTEM
SUPPLEMENTARY INFORMATION
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SCHEDULE OF BONDS PAYABLE - Primary Institution (continued)

Issue	Original Balance	Interest Rate	Installments	Balance Outstanding
2007 Housing & Auxiliaries Facilities Revenue Bonds, fixed rate Maturity 2037, collateralized by Auxiliary revenue.	\$ 12,000,000	4.5-5.0%	\$735,237 to \$791,897	\$ 10,950,000
2009 Housing & Auxiliaries Facilities Revenue Bonds, Maturity July 29, 2039, collateralized by Auxiliary revenue.	\$ 26,245,000	1.5-4.8%	\$ 1,715,000	\$ 24,750,000
2012 Housing & Auxiliaries Facilities Revenue Bonds, Maturity April 1, 2027, collateralized by housing and auxiliary revenue.	\$ 5,730,000	2.0-3.0%	\$ 5,730,000	\$ 5,410,000
Total NDSU				<u>\$ 98,270,000</u>
University of North Dakota				
2004 Housing & Auxiliary Facilities Revenue Bonds due through 2034, collateralized by net housing and auxiliary facilities system, debt service grants, & bond indenture earnings, fixed rate..	\$ 19,645,000	1-5%	\$30,000 to \$1,180,000	\$ 485,000
2006 Housing & Auxiliary Facilities Revenue Bonds due through 2036, collateralized by net housing and auxiliary facilities system, debt service grants, & bond indenture earnings, fixed rate.	\$ 40,050,000	3.5-5%	\$85,000 to \$2,875,000	\$ 39,455,000
2009 Aerospace Hanger Revenue Bonds due through 2029, collateralized by revenue from flight operations and proceeds from any casualty insurance payments.	\$ 1,500,000	4.25%	\$73,016 to \$133,054	\$ 1,214,000
2009 Refinance of 1998A Housing and Refunding Revenue Bonds due through 2021, collateralized by net housing & auxiliary facilities system, debt service grants, and bond indenture earnings.	\$ 9,750,000	3.8-4.8%	\$1,830,000 to \$2,080,000	\$ 2,080,000
2012 Housing & Auxiliaries Facilities Revenue Bonds, Maturity April 1, 2027, collateralized by housing and auxiliary revenue.	\$ 17,360,000	2-5%	\$220,000 to \$1,115,000	\$ 16,381,316
2012 EERC Revenue Bonds, maturity June 1, 2027, variable interest rate	\$ 6,405,000	0.75-4.2%	\$325,000 to \$540,000	\$ 6,080,000
Total UND				<u>\$ 65,695,316</u>
Valley City State University				
2003 Housing & Auxiliary Facilities Revenue Bonds due through 2033, collateralized by net housing and auxiliary facilities system, interest rate fixed.	\$ 3,430,000	2.8-7.05%	\$25,000 to \$380,000	\$ 2,785,000
2010 Housing & Auxiliary Facilities Revenue Bonds for the renovation of Snoeyenbos Hall Revenue Bonds due through 2040, collateralized by net housing and auxiliary facilities system, interest is variable and ranges from 2.8% to 7.05%	\$ 3,430,000	2.8-7.05%	\$25,000 to \$380,000	\$ 3,405,000
2013 Housing & Auxiliary Facilities Revenue Bonds due through 2033, collateralized by net housing and auxiliary facilities system, interest rate fixed.	\$ 2,565,000	3-4%	\$40,000 to \$185,000	\$ 2,565,000
Total VCSU				<u>\$ 8,755,000</u>
Williston State College				
1979 Student Housing Revenue Bonds, due through 2019, collateralized by net revenues and income from Nelson Hall and apartments, interest rate fixed.	\$ 546,000	3.0%	\$1,000 to \$20,000	\$ 51,000
2010 Housing and Auxiliary Services, matures 2041	\$ 1,500,000	6.9%	\$150,000	\$ 8,970,000
Total WSC				<u>\$ 9,021,000</u>
North Dakota University System				
2003 ConnectND Project Revenue Bonds, Series C, issued by North Dakota Building Authority (\$20,000,000 - NDUS owns 71%), due through the year 2014 collateralized by student fees, fixed rate.	\$ 14,200,000	4.28%	\$1,890,000 to \$2,615,000	\$ 1,803,868
Total NDUS				<u>\$ 1,803,868</u>
Total Bonds Payable	<u>\$ 271,991,000</u>			<u>\$ 222,587,717</u>

NORTH DAKOTA UNIVERSITY SYSTEM
SUPPLEMENTARY INFORMATION
JUNE 30, 2013

Financial Information for Revenue Producing Buildings (Unaudited)
(as Required by ND Century Code 15-55-20)

	Bismarck State College	Dakota State College	Dickinson State University	Lake Region State College	Mayville State University	Minot State University
Operating Revenues	\$ 4,150,183	\$ -	\$ -	\$ 1,431,418	\$ 2,275,871	\$ 439,124
Operating Expenses	4,041,109	-	-	1,673,073	1,921,989	1,862,434
Net Operating Revenues	<u>\$ 109,074</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (241,655)</u>	<u>\$ 353,882</u>	<u>\$ (1,423,310)</u>
Non Operating Revenue	\$ 393,800	\$ -	\$ -	\$ 207,918	\$ 113,360	\$ 1,436,503
Investment Income	11,316	-	-	6,185		15,954
Debt Service Grants	-	-	-	8	53,209	210,249
Capitalized Interest	-	-	-	-	-	-
Net Revenue Available for Debt Retirement	<u>\$ 757,426</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 57,930</u>	<u>\$ 598,135</u>	<u>\$ 1,521,825</u>
Current year Debt Service Principal	\$ 115,000	\$ -	\$ -	\$ 80,000	\$ 140,000	\$ 290,000
Interest	<u>403,242</u>	<u>-</u>	<u>-</u>	<u>24,294</u>	<u>189,014</u>	<u>825,154</u>
Total Debt Service	<u>\$ 518,242</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 104,294</u>	<u>\$ 329,014</u>	<u>\$ 1,115,154</u>

NORTH DAKOTA UNIVERSITY SYSTEM
SUPPLEMENTARY INFORMATION
JUNE 30, 2013

Financial Information for Revenue Producing Buildings (Unaudited) - Continued

(as Required by ND Century Code 15-55-20)

	<u>North Dakota State College of Science</u>	<u>North Dakota State University</u>	<u>University of North Dakota</u>	<u>Valley City State University</u>	<u>Williston State College</u>	<u>Total</u>
Operating Revenues	\$ 4,748,695	\$ 38,365,401	\$ 39,490,166	\$ 2,546,893	\$ 2,202,525	\$ 95,650,276
Operating Expenses	6,374,854	33,096,127	35,176,062	2,215,766	1,856,656	88,218,070
Net Operating Revenues	<u>\$ (1,626,159)</u>	<u>\$ 5,269,274</u>	<u>\$ 4,314,104</u>	<u>\$ 331,127</u>	<u>\$ 345,869</u>	<u>\$ 7,432,206</u>
Non Operating Revenue	\$ 2,382,254	\$ 3,455,820	\$ 3,025,120	\$ 470,772	\$ -	\$ 11,485,547
Investment Income	1,196	18,571	123,442	5,337	432	182,433
Debt Service Grants	-	8,914	-	101,664	249,317	623,361
Capitalized Interest	-	-	-	-	-	-
Net Revenue Available for Debt Retirement	<u>\$ 1,103,022</u>	<u>\$ 13,503,300</u>	<u>\$ 11,566,779</u>	<u>\$ 1,024,863</u>	<u>\$ 685,618</u>	<u>\$ 30,818,898</u>
Current year Debt Service Principal	\$ -	\$ 2,060,000	\$ 2,590,000	\$ 95,000	\$ 220,000	\$ 5,590,000
Interest	<u>335,197</u>	<u>3,571,803</u>	<u>2,806,369</u>	<u>384,346</u>	<u>577,743</u>	<u>9,117,162</u>
Total Debt Service	<u>\$ 335,197</u>	<u>\$ 5,631,803</u>	<u>\$ 5,396,369</u>	<u>\$ 479,346</u>	<u>\$ 797,743</u>	<u>\$ 14,707,162</u>