

Nadine Julson, LLC
Nadine Julson, Certified Public Accountant

709 Dakota Ave
PO Box 721
Wahpeton, ND 58074
(701) 642-8146
Fax (701) 642-8165

September 8, 2015

North Dakota State College of Science Foundation

I have audited the financial statements of the North Dakota State College of Science Foundation, Wahpeton, North Dakota for the year ended June 30, 2015, and have issued my report thereon dated September 8, 2015. Professional standards require that I provide you with information about my responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of my audit. I have communicated such information in my letter to you dated July 5, 2015. Professional standards also require that I communicate to you the following information related to my audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the North Dakota State College of Science are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies were not changed for the fiscal year ending June 30, 2015. I noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus.

The financial statements disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

I encountered no significant difficulties in dealing with management in performing and completing my audit.

Corrected and Uncorrected Misstatements

Professional standards require me to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. We detected no misstatements that were material to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of my audit.

Management Representations

I have requested certain representations from management that are included in the management representation letter dated September 8, 2015.

Management Consultations with Other Independent Accountants

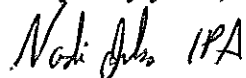
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with me to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditor. However, these discussions occurred in the normal course of my professional relationship and my responses were not a condition to my retention.

This information is intended solely for the use of the Foundation Board and management of the North Dakota State College of Science Foundation, Wahpeton, North Dakota and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Nadine Julson, LLC

North Dakota State College of Science Foundation
Wahpeton, North Dakota

September 8, 2015

Nadine Julson LLC
PO Box 721
Wahpeton ND 58074

This representation letter is provided in connection with your audit of the financial statements of North Dakota State College of Science Foundation, which comprise the statements of financial position as of June 30, 2015, and the related statements of government activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information for the period then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgement of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of September 8, 2015, the following representations made to you during your audit.

Financial Statements

We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated July 5, 2015 , including our responsibility for the preparation and fair presentation of the financial statements.

The financial statements referred to above are fairly presented in conformity with U.S. GAAP.

We acknowledge our responsibility for 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.

We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.

All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.

The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to the representation letter.

The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.

Material concentrations have been appropriately disclosed in accordance with U.S. GAAP.

Guarantees, whether written or oral, under which the organization is contingently liable, have been properly recorded or disclosed in accordance with U.S. GAAP.

Information Provided

We have provided you with:

Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.

Additional information that you have requested from us for the purpose of the audit.

Unrestricted access to persons within the entity from whom you are determined it necessary to obtain audit evidence.

All material transactions have been recorded in the accounting records and are reflected in the financial statements.

We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

We have no knowledge of any fraud or suspected fraud that affects the organization and involves:

Management,

Employees who have significant roles in internal control, or

Others where the fraud could have a material effect on the financial statements.

We have no knowledge of any allegations of fraud or suspected fraud affecting the organization's financial statements communicated by employees, former employees, grantors, regulators, or others.

We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.

We have disclosed to you all known actual or possible litigations, claims, and assessments whose effects should be considered when preparing the financial statements.

We have disclosed to you the identity of the organization's related parties and all the related party relationships and transactions of which we are aware.

The organization has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.

North Dakota State College of Science Foundation, is an exempt organization under Section 501-C3 of the Internal Revenue Code. Any activities of which we are aware that would jeopardize the Organization's tax -exempt status, and all activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you. All required filings with tax authorities are up-to-date.

We acknowledge our responsibility for presenting the Schedule of Plant Assets and Schedule of Findings in accordance with U.S. GAAP, and we believe the Schedule of Plant Assets and Schedule of Findings, including form and content, are fairly presented in accordance with U.S. GAAP. The methods of measurement and presentation of the Schedules have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.

We are not aware of any pending or threatened litigation, claims or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP, and we have not consulted a lawyer concerning litigation, claims, or assessments.

Signed _____

Title _____

Nadine Julson, LLC

Nadine Julson, Certified Public Accountant
709 Dakota Ave PO Box 721
Wahpeton, ND 58074
(701) 642-8146 Fax (701) 642-8165

To the Board Members
North Dakota State College of Science Foundation
Wahpeton, North Dakota

In planning and performing my audit of the financial statements of the North Dakota State College of Science Foundation for the year ended June 30, 2015, in accordance with auditing standards generally accepted in the United States of America, I considered North Dakota State College of Science Foundation's internal control of financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, I do not express an opinion on the effectiveness of the Foundation's internal control.

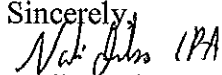
My consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore there can be no assurance that all such deficiencies have been identified. However, as discussed below, I identified certain deficiencies in internal control that I consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. I did not identify any deficiencies in internal control that I consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the following deficiency in the North Dakota State College of Science Foundation's internal control to be a significant deficiencies.

1. The Foundation takes a 8% receipt fee without authorization from the donor. A good system of internal accounting control provides for The Foundation to take an 8% receipt fee on authorized donations. The Foundation has established a receipt fee policy on November 28, 2007. This policy only authorized 8% receipt fee for donations given after that date. All donations given before that date should have a signed authorization from the donor for deduction of the 8% fee.

This communication is intended solely for the information and use of the Foundation and its management and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Nadine Julson, LLC

**NORTH DAKOTA STATE COLLEGE
OF SCIENCE FOUNDATION
Wahpeton, North Dakota
Audit Report
Years Ended June 30, 2015 and 2014**

Nadine Julson, LLC

NORTH DAKOTA STATE COLLEGE OF SCIENCE FOUNDATION
WHPETON, NORTH DAKOTA
TABLE OF CONTENTS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	<u>Page(s)</u>
Official Directory	1
Independent Auditor's Report	2-3
Statement of Financial Position	4
Statement of Activities	5
Statement of Functional Expenses	6
Statements of Cash Flows	7
Notes to the Financial Statements	8-14
 <u>SUPPLEMENTAL INFORMATION</u>	
Schedule of Plant Assets	15
Schedule of Findings	16

Nadine Julson, LLC
Nadine Julson, Certified Public Accountant

709 Dakota Ave
PO Box 721
Wahpeton, ND 58074
Tel (701) 642-8146 Fax (701) 642-8165

Independent Auditor's Report

To the Board Members of
North Dakota State College
of Science Foundation

I have audited the accompanying financial statements of North Dakota State College of Science Foundation, a North Dakota non-profit corporation, which comprise the statement of financial position as of June 30, 2015 and 2014, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on our audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves 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 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, I 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.

Continued on the next page

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion


In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of North Dakota State College of Science Foundation as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

I have previously audited the North Dakota State College of Science Foundation 2014 financial statements, and my report dated September 10, 2014, expressed an unmodified opinion on those audited financial statements. In my opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matter

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Plant Assets is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.


Nadine Julson, LLC
Wahpeton, North Dakota
September 8, 2015

NORTH DAKOTA STATE COLLEGE OF SCIENCE FOUNDATION
WAHPETON, NORTH DAKOTA
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2015 AND 2014

ASSETS

	2015	2014
CURRENT ASSETS:		
Cash in checking -Bank of North Dakota	\$ 1,894,292	\$ 1,191,907
Money markets and CD's	895,319	1,281,978
Equity securities	10,371,430	10,129,373
Current portion of pledge receivable, net	174,747	242,103
Accounts receivable - other	43,217	45,000
 Total current assets	 13,379,005	 12,890,361
PROPERTY AND EQUIPMENT:		
Building	1,709,138	1,709,138
Land	370,325	330,225
Equipment	12,743	12,743
 Total property and equipment	 2,092,206	 2,052,106
Less: accumulated depreciation	(259,151)	(203,043)
 Net property and equipment	 1,833,055	 1,849,063
OTHER ASSETS;		
Pledges receivable, net of current portion	308,560	189,000
 Total assets	 \$ 15,520,620	 \$ 14,928,424

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable	\$ 16,406	\$ 37,408
Deferred reveune	40,000	45,000
Current portion of long-term debt	57,596	55,496
Due to NDSCS	443,826	-
 Total current liabilities	 557,828	 137,904
LONG-TERM LIABILITIES;		
Notes payable, net of current	1,720,670	1,778,266
 Total liabilities	 2,278,498	 1,916,170
NET ASSETS:		
Unrestricted	304,189	781,556
Temporarily restricted	2,303,139	1,887,508
Permanently restricted	10,634,794	10,343,190
 Total net assets	 13,242,122	 13,012,254
 Total liabilities and net assets	 \$ 15,520,620	 \$ 14,928,424

See Accompanying Notes to the Financial Statements

NORTH DAKOTA STATE COLLEGE OF SCIENCE FOUNDATION
WAHPETON, NORTH DAKOTA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015
(WITH COMPARATIVE TOTAL FOR 2014)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2015 Total</u>	<u>2014 Total</u>
Support and Revenue:					
Donations	\$ 188,999	\$ 927,529	\$ 299,814	\$ 1,416,342	\$ 1,223,997
Dues & memberships	154,305	-	-	154,305	108,107
Dividend income	2,601	178,332	-	180,933	201,525
Interest income	2,248	132,499	806	135,553	117,137
Other services	77,791	-	-	77,791	163,343
Rental of rooms & buildings	277,353	-	-	277,353	184,953
Rent - land	61,470	-	-	61,470	44,310
Special events	33,487	-	-	33,487	32,108
Miscellaneous	800	-	-	800	1,480
Sponsorships	13,000	-	-	13,000	24,400
State Grants	-	773,896	-	773,896	336,356
Realized gains (losses) on investments	1,774	127,319	-	129,093	1,082,039
Unrealized appreciation (depreciation) on investments	(2,284)	(156,605)	-	(158,889)	(39,906)
Tuition & fees	-	-	-	-	616
Net assets released from restrictions	<u>1,576,355</u>	<u>(1,567,339)</u>	<u>(9,016)</u>	<u>-</u>	<u>-</u>
Total support and revenue	2,387,899	415,631	291,604	3,095,134	3,480,465
Expenses:					
Program services	2,438,363	-	-	2,438,363	1,018,543
Management and general	426,903	-	-	426,903	388,438
Total expenses	<u>2,865,266</u>	<u>-</u>	<u>-</u>	<u>2,865,266</u>	<u>1,406,981</u>
CHANGE IN NET ASSETS	<u>(477,367)</u>	<u>415,631</u>	<u>291,604</u>	<u>229,868</u>	<u>2,073,484</u>
NET ASSETS, JULY 1	<u>781,556</u>	<u>1,887,508</u>	<u>10,343,190</u>	<u>13,012,254</u>	<u>10,938,770</u>
NET ASSETS, JUNE 30	<u>\$ 304,189</u>	<u>\$ 2,303,139</u>	<u>\$ 10,634,794</u>	<u>\$ 13,242,122</u>	<u>\$ 13,012,254</u>

See Accompanying Notes to the Financial Statements

FOUNDATION FOR NORTH DAKOTA STATE COLLEGE OF SCIENCE FOUNDATION
WAHPETON, NORTH DAKOTA
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015
(WITH COMPARATIVE TOTAL FOR 2014)

	Program Services	Management and General	2015 Total	2014 Total
Salaries	\$ -	\$ 224,029	\$ 224,029	\$ 187,496
Fringe benefits	-	63,398	63,398	53,155
Postage and printing	1,760	49,218	50,978	50,243
Office equipment	-	949	949	7,461
Office supplies	525	3,531	4,056	4,440
Bank charges/investment fees	53,570	442	54,012	47,154
Supplies	7,463	3,421	10,884	6,239
Insurance	20,171	5,284	25,455	20,913
Depreciation	56,108	-	56,108	56,108
Advertising	15,971	4,004	19,975	16,714
Repairs	1,907	10	1,917	637
Legal and accounting	250	7,712	7,962	8,377
Fees	727	2,764	3,491	5,719
Subscriptions	-	1,086	1,086	210
Dues and memberships	-	400	400	1,309
Taxes and licenses	19,529	18,444	37,973	32,085
Foreign tax	1,898	-	1,898	2,338
Interest	77,312	-	77,312	74,370
Awards & grants	1,609,969	-	1,609,969	243,632
Miscellaneous	2,545	870	3,415	3,167
Plaques	2,693	618	3,311	1,198
Professional development	-	1,402	1,402	1,902
Equipment rental	1,655	-	1,655	2,035
Banquets and meetings	50,362	17,822	68,184	65,238
Scholarship	482,544	-	482,544	462,435
Travel	7,413	13,293	20,706	16,646
Contract services	23,973	499	24,472	26,074
Operating fee	-	419	419	715
Software	-	7,181	7,181	8,803
Freight	18	107	125	168
Total Functional Expenses	<u>\$ 2,438,363</u>	<u>\$ 426,903</u>	<u>\$ 2,865,266</u>	<u>\$ 1,406,981</u>

See Accompanying Notes to the Financial Statements

NORTH DAKOTA STATE COLLEGE OF SCIENCE FOUNDATION
WHPETON, NORTH DAKOTA
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 229,868	\$ 2,073,484
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	56,108	56,108
Net unrealized gain (loss) on investments	158,889	39,906
Net realized capital loss (gain) on sale of investments	(129,093)	(1,082,039)
Donated securities	(9,915)	-
Increase (Decrease) in cash from:		
Pledge receivable	(52,204)	(431,103)
Accounts receivable	1,783	5,000
Accounts payable	(21,002)	23,358
Deferred reveune	5,000	2,500
Due to NDSCS	443,826	-
Net cash provided by operating activities	683,260	687,214
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	4,487,651	9,774,339
Purchase of investments	(4,759,589)	(10,685,799)
Donated Land	(40,100)	-
Net cash used by investing activities	(312,038)	(911,460)
CASH FLOWS FROM FINANCING ACTIVITIES;		
Payment of long-term debt	(55,496)	(53,472)
Net cash used by financing activities	(55,496)	(53,472)
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	315,726	(277,718)
CASH AND CASH EQUIVALENTS, JULY 1	<u>2,473,885</u>	<u>2,751,603</u>
CASH AND CASH EQUIVALENTS, JUNE 30	<u>\$ 2,789,611</u>	<u>\$ 2,473,885</u>

DISCLOSURE OF ACCOUNTING POLICY

For the purpose of the statement of cash flows, the Foundation considers all highly liquid debt instruments purchased with maturity of one year or less to be cash equivalents.

DISCLOSURE OF NON-CASH INVESTING ACTIVITIES

Land was donated with approximate fair value of \$40,100.

See Accompanying Notes to the Financial Statements

NORTH DAKOTA STATE COLLEGE OF SCIENCE FOUNDATION
WAHPETON, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the North Dakota State College of Science Foundation is presented to assist in understanding the Foundation's financial statements. The financial statements and notes are representations of the Foundation's management who are responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

- A. Organization - The North Dakota State College of Science Foundation, Wahpeton, North Dakota, was organized on April 14, 1988, as a non-profit entity for the purpose of receiving and maintaining funds received from the public for the betterment of the North Dakota State College of Science through scholarships, awards, student loans, grants, and to improve the general well-being of this education institution.
- B. Basis of Accounting - The financial statements of the Foundation have been prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, payables and other liabilities.
- C. Cash and Cash Equivalents - The Foundation essentially has access to its cash resources on demand. Accordingly, the Foundation considers all highly liquid debt instruments purchased with a maturity of one year or less to be cash equivalents for the purpose of the Statements of Cash Flows.

Cash balances maintained at financial institutions may exceed federally insured limits. The Foundation monitors the health of these banking institutions. Historically, the Foundation has not experienced any credit-losses.

- D. Pledges Receivable - Pledges receivable relating to the annual fundraising campaign that are expected to be collected within one year are recorded at their net realizable values. Promises to give relating to the challenge fund that are expected to be collected in future years have not been discounted, as the amount is insignificant.

Conditional promises to give are not included as support until such time as the conditions are substantially met.

- E. Beneficial Interest in Perpetual Trusts - Perpetual trusts are held by a third party under an arrangement where the Foundation has an irrevocable right to receive the income earned on the trust assets in perpetuity, but never receives the assets held in trust. The trust assets, which are primarily publicly traded, are recorded at fair value at the gift date as beneficial interest in the trust and contribution income under permanently restricted support. Annual distributions are reported as investment income.

Continued on Next Page

- F. Living Trusts, Testamentary Trusts and Gift Annuities - The assets in living trusts, testamentary trusts and gift annuities are recorded at fair value at the inception of the trust or annuity and a liability is recorded to reflect the net present value of the expected future payments to the beneficiary.

The annuity and life income obligations are determined annually to reflect the change in life expectancy of the donor/beneficiary as well as expected payments to be made under the agreement. Investment income and distributions to beneficiaries increase or decrease the assets and the related obligation.

The remainder interest is recorded as a contribution to the Foundation or an increase in amounts held on behalf of others, depending on the terms of the agreement.

- G. Property, Equipment and Depreciation - The cost of property and equipment is depreciated over the estimated useful lives of the related assets. The depreciation method used is straight-line depreciation with a useful life of thirty-three years for property and seven years for equipment. Costs of office furnishings and equipment are consistently charged to expense because the Foundation does not deem such amounts to be sufficiently material to warrant capitalization and depreciation. However, for income tax purposes such items are capitalized and depreciated and the financial statements herein have been adjusted accordingly. Depreciation expense amounted to \$56,108 for the year ending June 30, 2015 and \$56,108 for the year ending June 30, 2014.
- H. 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 amounts 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.
- I. Deferred Revenue - Deferred revenue consists of funds received for programs in which the expenses will be incurred in a future period or for sponsorships of future special events. The revenue will be recognized in applicable future periods when the services are provided and the related expenses are incurred or when the event occurs.
- J. Financial Statement Presentation - The Foundation reports information regarding its financial position and activities according to three classes of net assets (unrestricted, temporarily restricted, and permanently restricted) based upon the existence and/or nature of donor-imposed restrictions.

NORTH DAKOTA STATE COLLEGE OF SCIENCE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS cont.

Page 3

- 1) Unrestricted Net Assets - Unrestricted net assets are not subject to donor-imposed stipulations. Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions or law. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or law.
- 2) Temporarily Restricted Net Assets – Temporarily restricted net assets are net assets whose use is limited by either donor-imposed time restrictions or purpose restrictions. Time restrictions require resources to be used in a certain period or after a specified date. Purpose restrictions require resources to be used for a specified purpose.
- 3) Permanently Restricted Net Assets - Permanently restricted net assets include the historical dollar amount of gifts (including unconditional promises to give), trusts and remainder interests and investment (earnings required by donors to be permanently retained). Unconditional promises to give, trusts and remainder interests are reported at their estimated present realizable values.

K. Subsequent Events – Subsequent events have been evaluated through September 8, 2015, the date the financial statements were available to be issued.

NOTE 2 – CONCENTRATION OF CREDIT RISK

The Foundation maintains certificates of deposit at several banks that are members of the Federal Reserve Systems. At June 30, 2015 and 2014, the Foundation's deposits were adequately insured and collateralized with securities held by its agent in the entity's name.

NOTE 3 – INVESTMENTS

The Foundation maintains accounts consisting of securities with several stock brokerage firms. The Securities Investors Protection Corporation insures balances up to \$25,000,000. The Foundation's securities investments that are bought and held principally for the purpose of selling them in the near term are classified as trading securities. Trading securities are recorded at fair value on the balance sheet in current assets, with the change in fair value during the period included in earnings. At June 30, 2015 and 2014, the Foundation's securities were adequately insured.

Continued on Next Page

NORTH DAKOTA STATE COLLEGE OF SCIENCE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS cont.

Page 4

Investment Returns

Investment returns on all investments, included in investment income, consist of the following:

	<u>June 30,</u>	
	<u>2015</u>	<u>2014</u>
Dividends and interest	\$ 316,486	\$ 318,662
Net realized gains (losses)	129,093	1,082,039
Net unrealized gains (losses) on investments reported at fair value	<u>(158,889)</u>	<u>(39,906)</u>
Total	<u>\$ 286,690</u>	<u>\$ 1,360,795</u>

NOTE 4 - FAIR VALUE MEASUREMENTS

The Foundation applies the standards required by FASB ASC 820-10-50, *Fair Value of Measurements*, which provides a framework for measuring fair value, which includes a hierarchy based on the quality of inputs used to measure fair value and provides specific disclosure requirements based on the hierarchy. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, GAAP establishes a fair value hierarchy that prioritizes observable inputs used to measure fair value into three broad levels, which are described below:

Level 1 - Quoted prices are available in active markets for identical investments as of the reporting date.

Level 2 - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level 3 - Pricing inputs are unobservable inputs for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation.

In determining fair value, The Foundation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible, as well as considers counterparty credit risk in its assessment of fair value.

The following is a description of the valuation methodologies used for assets measured at fair value:

Equity mutual funds, bond mutual funds, equity securities, and real estate funds: Valued at the closing price reported on the active market on which the individual securities are traded.

Continued on Next Page

NORTH DAKOTA STATE COLLEGE OF SCIENCE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS cont.

Page 5

Money market funds, certificates of deposit, bond securities, and real estate funds: Value is based on prices currently available on comparable securities.

There were no changes to the valuation techniques used during the period.

Financial assets are carried at fair value as of June 30, 2015 and 2014 and are classified in the tables below in one of the three categories described above.

Assets at fair value as of June 30, 2015 are as follows:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 1,894,292	\$ -	\$ -	\$ 1,894,292
Money market funds	434,533	-	-	434,533
Certificates of deposit	460,785	-	-	460,785
Bond securities	-	3,114,948	-	3,114,948
Mutual funds	47,811	-	-	47,811
Equity securities	<u>7,208,672</u>	<u>-</u>	<u>-</u>	<u>7,208,672</u>
Total assets at fair value	<u>\$ 10,046,093</u>	<u>\$ 3,114,948</u>	<u>\$ -</u>	<u>\$ 13,161,041</u>

NOTE 5 – COMPARATIVE FINANCIAL INFORMATION

The financial statements include prior year summarized comparative information in total. Such information does not include sufficient detail to constitute a comparative presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the June 30, 2014 financial statements of the North Dakota State College of Science Foundation, from which the summarized information was derived.

NOTE 6 – FUNCTIONAL ALLOCATIONS OF EXPENSES

The cost of providing services have been summarized on a functional basis in the Statements of Activity and detailed in the Statement of Functional Expenses. Accordingly, certain costs and expenditures have been allocated between program and supporting services based on management's estimates.

Continued on Next Page

NORTH DAKOTA STATE COLLEGE OF SCIENCE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS cont.

Page 6

NOTE 7 – LONG-TERM DEBT

Long-term debt as of June 30 consists of the following:

	<u>2015</u>	<u>2014</u>
3.72% note payable in monthly installments of \$10,231 (including principal & interest) to April 15, 2021.	\$ 1,778,266	\$ 1,833,762
Less current portion	<u>(57,596)</u>	<u>(55,496)</u>
	<u>\$ 1,720,670</u>	<u>\$ 1,778,266</u>

The annual requirements to amortize the long-term debt as of June 30, 2015 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 57,596	\$ 65,176	\$ 122,772
2017	59,775	62,997	122,772
2018	62,037	60,735	122,772
2019	64,385	58,387	122,772
2020	66,821	55,951	122,772
2021	<u>1,467,652</u>	<u>92,707</u>	<u>1,560,359</u>
	<u>\$ 1,778,266</u>	<u>\$ 395,953</u>	<u>\$2,174,219</u>

NOTE 8 – INCOME TAXES

The Foundation is exempt from state and federal income taxes under Section 501(c)(3) of the Internal Revenue Code. However, the Foundation is required to pay state and federal income tax on unrelated business income. The Foundation has no unrelated business income for the years ended June 30, 2015 and 2014.

NOTE 9 – RELATIONSHIP WITH THE COLLEGE

A.) The Foundation made contributions and payments to the College for the following purposes as of June 30, 2015:

Scholarships	\$ 482,544
Gifts and Contributions	<u>1,601,896</u>
	<u>\$ 2,084,440</u>

Continued on Next Page

NORTH DAKOTA STATE COLLEGE OF SCIENCE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS cont.

Page 7

- B.) In exchange for services provided by the Foundation to the North Dakota State College of Science, the Foundation receives office space at no charge from the North Dakota State College of Science. The approximate fair market value is \$5,670. In addition, the College pays the Foundation \$174,000 for the rent of STTC building and \$10,953 for parking lot lease.
- C.) The North Dakota State College of Science pays 35% of salary and benefits for the Foundation's employees annually. The approximate fair market value is \$118,221. No amounts for these services have been recognized in the statements of activity.
- D.) The record keeping of the Foundation are maintained through accounting and administrative services provided by the College. The approximate fair market value for these services is \$7,454. No amounts for these services have been recognized in the statement of activity.

The above related-party transactions are not necessarily indicative of the terms and amounts that would have been incurred had a comparable transaction been entered into with independent parties.

NOTE 10 – PRIOR PERIOD ADJUSTMENT

The net assets as of June 30, 2014 have been reclassified as follows:

Net assets - unrestricted	\$ 781,556
Net assets - temporarily restricted	1,887,508
Net assets - permanently restricted	<u>10,343,190</u>
Total net assets	<u>\$ 13,012,254</u>

NORTH DAKOTA STATE COLLEGE OF SCIENCE FOUNDATION
WAHPETON, NORTH DAKOTA
SCHEDULE OF PLANT ASSETS
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Date Acquired</u>	<u>Cost</u>	<u>Prior Depreciation</u>	<u>Depreciation</u>	<u>Balance</u>
<u>LAND & LAND IMPROVEMENTS</u>					
723 5th Street N.	08/01/87	\$ 20,000	\$ 14,540	\$ -	\$ 5,460
723 7th Street N.	02/29/00	24,500	5,680	-	18,820
Curry farm land	03/31/99	115,988	-	-	115,988
Parking lot land	02/08/05	26,042	-	-	26,042
Parking Lot	08/10/11	143,695	33,128	12,286	98,281
720 5th Street N.	08/13/14	40,100	-	-	40,100
		<u>370,325</u>	<u>53,348</u>	<u>12,286</u>	<u>304,691</u>
<u>BUILDING</u>					
STTC Building	05/03/11	1,709,138	136,952	43,822	1,528,364
<u>EQUIPMENT</u>					
Computer and software	07/15/90	3,682	3,682	-	-
Table	06/11/93	100	100	-	-
File	12/10/92	325	325	-	-
Computer	08/20/99	2,154	2,154	-	-
Computer	01/11/00	1,323	1,323	-	-
Computer Intel III	08/14/00	1,809	1,809	-	-
Laptop Computer	11/05/02	1,200	1,200	-	-
Computer	03/24/04	2,150	2,150	-	-
		<u>12,743</u>	<u>12,743</u>	<u>-</u>	<u>-</u>
Total plant assets		<u>\$ 2,092,206</u>	<u>\$ 203,043</u>	<u>\$ 56,108</u>	<u>\$ 1,833,055</u>

NORTH DAKOTA STATE COLLEGE OF SCIENCE FOUNDATION
WAHPETON, NORTH DAKOTA
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015

15.1 FOUNDATION FEE POLICY

Condition:

The Foundation unrestricted an 8% receipt fee from permanently restricted, on a mineral trust that was given as a donation. The mineral trust was donated prior to the Foundation establishing their 8% receipt fee policy on November 28, 2007 and without authorization from the donor.

Criteria:

The Foundation should have approval by the donor for the 8% receipt fee.

Effect:

This could result in the donation not being used as requested by the donor.

Recommendation:

It is recommended that the Foundation only takes 8% receipt fee on authorized donations.

Client Response:

While the Foundation respects our auditor's recommendation – it disagrees with the application of the administrative fee in this transaction. In discussions with other Foundations we have found that it is a normal practice to apply administrative or management fees on these types of transactions. Reasons given are the significant costs/expenses incurred in managing/selling of real estate, and other types of real property.