

**NORTH DAKOTA STATE COLLEGE
OF SCIENCE FOUNDATION
Wahpeton, North Dakota
Audit Report
Years Ended June 30, 2011 and 2010**

Nadine Julson, LLC

NORTH DAKOTA STATE COLLEGE OF SCIENCE FOUNDATION
WAHPETON, NORTH DAKOTA
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FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

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NORTH DAKOTA STATE COLLEGE OF SCIENCE FOUNDATION
WAHPETON, NORTH DAKOTA
AS OF JUNE 30, 2011

OFFICIAL DIRECTORY

Foundation President	Rick Steckler
Foundation Vice-President	Perry Miller
Foundation Board Members	
Rochelle Conzemius	Paul Dimmer
Chad Fredericksen	Terry Goerger
Roger Haberman	Ken Harty
Mike Jacklitch	Duane Kragness
Annette Loken	Bernie Meyer
Tim Neumann	Dave Roche
Judy Schmidt	Bart Schouweiler
Joel Sirek	Don Stevenson
Julie Trudeau	Eric Trueblood
Ed Uhlich	Mike Worner
Kyle Wych	
Exofficio Members	
NDSCS President	John Richman, Ph.D.
Foundation Director	Brad Barth
Foundation Treasurer/Secretary	Keith Johnson
Foundation Recorder	Kim Nelson
Vice-President of Academic Affairs	Harvey Link
Dean of Extended Learning	Margaret Wall
Alumni Board Members	
Paul Dimmer	Don Stevenson
Terry Goerger	Roger Haberman
Perry Miller	Mike Worner
Duane Kragness	Bernie Meyer

Nadine Julson, LLC
Nadine Julson, Certified Public Accountant

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Independent Auditor's Report

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

I have audited the statements of financial position of the North Dakota State College of Science Foundation, a North Dakota non-profit corporation, as of June 30, 2011 and 2010, and the related statements of activity and cash flows for the years then ended. These financial statements are the responsibility of the North Dakota State College of Science Foundation, Wahpeton, North Dakota. My responsibility is to express an opinion on these financial statements based on my 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. I was not engaged to perform an audit of the Foundation's internal control over financial reporting. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, I express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the North Dakota State College of Science Foundation, Wahpeton, North Dakota, as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

My audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule of Plant Assets is presented for purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Nadine Julson, CPA
Nadine Julson, LLC
August 15, 2011

NORTH DAKOTA STATE COLLEGE OF SCIENCE FOUNDATION
WAHPETON, NORTH DAKOTA
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2011 AND 2010

	<u>ASSETS</u>	
	<u>2011</u>	<u>2010</u>
CURRENT ASSETS:		
Cash in checking – Bank of North Dakota	\$ 1,889,379	\$ 1,477,307
Money markets and CD's	1,267,246	1,334,592
Equity securities	<u>6,880,800</u>	<u>6,033,589</u>
Total current assets	10,037,425	8,845,488
PROPERTY AND EQUIPMENT:		
Building	1,709,138	-
Land	218,530	218,530
Equipment	<u>12,743</u>	<u>12,743</u>
	1,940,411	231,273
Less: accumulated depreciation	<u>(38,329)</u>	<u>(32,723)</u>
Net property and equipment	<u>1,902,082</u>	<u>198,550</u>
Total assets	<u>\$11,939,507</u>	<u>\$ 9,044,038</u>
	<u>LIABILITIES AND NET ASSETS</u>	
CURRENT LIABILITIES:		
Accounts payable	9,041	12,198
Current portion of long-term debt	<u>53,859</u>	<u>4,000</u>
Total current liabilities	62,900	16,198
LONG-TERM LIABILITIES;		
Notes payable, net of current portion above	<u>1,938,542</u>	<u>4,000</u>
Total liabilities	2,001,442	20,198
NET ASSETS:		
Unrestricted	617,798	963,968
Temporarily restricted	472,662	(615,741)
Permanently restricted	<u>8,847,605</u>	<u>8,675,613</u>
Total net assets	<u>9,938,065</u>	<u>9,023,840</u>
Total liabilities and net assets	<u>\$11,939,507</u>	<u>\$ 9,044,038</u>

See Accompanying Notes to the Financial Statements

NORTH DAKOTA STATE COLLEGE OF SCIENCE FOUNDATION
WHAHPETON, NORTH DAKOTA
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011
(WITH COMPARATIVE TOTAL FOR 2010)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2011 Total	2010 Total
Support and Revenue:					
Donations	\$ 162,390	\$ 286,725	\$ 188,915	\$ 638,030	\$ 339,006
Dues & memberships	77,374	-	-	77,374	69,605
Box office sales	17,681	-	-	17,681	-
Dividend income	12,067	109,452	-	121,519	117,590
Interest income	7,843	86,137	-	93,980	62,518
Other services	88,614	-	-	88,614	85,197
Rental of rooms & buildings	48,323	-	-	48,323	18,558
Rent - land	16,653	-	-	16,653	15,918
Special events	23,885	-	-	23,885	30,764
Other investment income	-	-	-	-	1,226
Realized gains (losses) on investments	17,654	129,788	-	147,442	185,856
Unrealized appreciation (depreciation) on investments	27,482	659,873	-	687,355	396,081
Tuition & fees	560	-	-	560	670
Net assets released from restrictions	200,495	(183,572)	(16,923)	-	-
Total support and revenue	701,021	1,088,403	171,992	1,961,416	1,322,989
Expenses:					
Salaries	153,301	-	-	153,301	154,345
Fringe benefits	41,688	-	-	41,688	40,929
Postage and printing	47,961	-	-	47,961	27,560
Office equipment	9,189	-	-	9,189	4,921
Office supplies	6,715	-	-	6,715	8,991
Bank charges/investment fees	28,451	-	-	28,451	34,783
Supplies	8,790	-	-	8,790	6,637
Insurance	11,642	-	-	11,642	5,520
Depreciation	5,606	-	-	5,606	120
Advertising	8,444	-	-	8,444	3,373
Repairs	256	-	-	256	463
Legal and accounting Fees	18,525	-	-	18,525	6,555
Subscriptions	820	-	-	820	1,451
Dues and memberships	384	-	-	384	318
Taxes and licenses	2,005	-	-	2,005	787
Interest	21,077	-	-	21,077	15,732
Grants	13,549	-	-	13,549	4,646
Miscellaneous	187,492	-	-	187,492	97,246
Plaques	3,763	-	-	3,763	673
Equipment rental	1,333	-	-	1,333	2,190
Banquets and meetings	3,027	-	-	3,027	2,984
Scholarship	37,436	-	-	37,436	33,197
Travel	420,321	-	-	420,321	426,250
Contract services	9,352	-	-	9,352	4,072
Operating fee	4,197	-	-	4,197	16,320
Freight	1,720	-	-	1,720	-
	147	-	-	147	493
Total expenses	1,047,191	-	-	1,047,191	900,556
CHANGE IN NET ASSETS	(346,170)	1,088,403	171,992	914,225	422,433
NET ASSETS, JULY 1	963,968	(615,741)	8,675,613	9,023,840	8,601,407
NET ASSETS, JUNE 30	\$ 617,798	\$ 472,662	\$ 8,847,605	\$ 9,938,065	\$ 9,023,840

See Accompanying Notes to the Financial Statements

NORTH DAKOTA STATE COLLEGE OF SCIENCE FOUNDATION
WHPETON, NORTH DAKOTA
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (Decrease) in net assets	\$ 914,225	\$ 422,433
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	5,606	120
Net unrealized gain (loss) on investments	(687,355)	(396,081)
Net realized capital loss (gain) on sale of investments	120,330	(491,028)
Increase (Decrease) in accounts payable	<u>(3,157)</u>	<u>2,386</u>
 Net cash provided (used) by operating activities	 349,649	 (462,170)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of building	(1,709,138)	-
Proceeds from sale of investments	2,854,409	8,453,020
Purchase of investments	<u>(3,122,996)</u>	<u>(8,320,371)</u>
 Net cash used (provided) by investing activities	 (1,977,725)	 132,649
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment of long-term debt	(15,599)	(4,000)
Increase in notes payable	<u>1,988,401</u>	<u>-</u>
 Net cash provided (used) by financing activities	 <u>1,972,802</u>	 <u>(4,000)</u>
 NET DECREASE (INCREASE) IN CASH AND EQUIVALENTS	 344,726	 (333,521)
 CASH AND CASH EQUIVALENTS, JULY 1	 <u>2,811,899</u>	 <u>3,145,420</u>
 CASH AND CASH EQUIVALENTS, JUNE 30	 <u>\$ 3,156,625</u>	 <u>\$ 2,811,899</u>

DISCLOSURE OF ACCOUNTING POLICY

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

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, 2011 AND 2010

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. Fund Accounting - To ensure the observance of limitations and restrictions placed on the use of resources available to the Foundation, the accounts of the Foundation are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purposes. Separate accounts are maintained for each fund, however, in accompanying financial statements, funds that have similar characteristics have been combined.
- C. 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 \$5,606 for the year ending June 30, 2011 and \$120 for the year ending June 30, 2010.

- D. Cash - The North Dakota State College of Science Foundation, Wahpeton, North Dakota, in conjunction with North Dakota State College of Science, Wahpeton, North Dakota, pools their cash accounts. 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.

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NORTH DAKOTA STATE COLLEGE OF SCIENCE FOUNDATION

NOTES TO FINANCIAL STATEMENTS cont.

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- E. 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.
- F. 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.
- 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.
- G. Subsequent Events – Subsequent events have been evaluated through August 15, 2011, the date the financial statements were available to be issued.

NOTE 2 – DEPOSITS AND INVESTMENTS

- A. Deposits - The Foundation maintains certificates of deposit at several banks that are members of the Federal Reserve Systems. At June 30, 2011 and 2010, the Foundation's deposits were adequately insured and collateralized with securities held by its agent in the entity's name.

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B. Investment - 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, 2011 and 2010, the Foundation's securities were adequately insured.

NOTE 3 – FUNCTIONAL ALLOCATIONS OF EXPENSES

The cost of providing the various programs and other activities has been summarized on a functional basis in the Statements of Activity. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

All of the expenditures for administration are recorded in the Foundation Fund. The costs are then allocated to the various funds as a reimbursement entitled "Administration Cost Reimbursement" and are recorded in the revenues of this fund.

NOTE 4 – LONG-TERM DEBT

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

	<u>2011</u>	<u>2010</u>
0.00% note payable in annual installments of \$4,000 to October 4, 2012.	\$ 4,000	\$ 8,000
3.72% note payable in monthly installments of \$10,231 (including principal & interest) to April 15, 2021.	<u>1,988,401</u>	<u>-</u>
	1,992,401	8,000
Less current portion	<u>(53,859)</u>	<u>(4,000)</u>
	<u>\$ 1,938,542</u>	<u>\$ 4,000</u>

NORTH DAKOTA STATE COLLEGE OF SCIENCE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS cont.

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The annual requirements to amortize the long-term debt as of June 30, 2011 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 53,859	\$ 72,913	\$ 126,772
2013	51,530	71,242	122,772
2014	53,481	69,291	122,772
2015	55,505	67,267	122,772
2016	57,605	65,167	122,772
2017 to 2021	<u>1,720,421</u>	<u>285,340</u>	<u>2,005,761</u>
	<u>\$ 1,992,401</u>	<u>\$ 631,220</u>	<u>\$2,623,621</u>

NOTE 5 – 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, 2011 and 2010.

NOTE 6 – PRIOR PERIOD ADJUSTMENT

The net assets as of June 30, 2010 have been reclassified as follows:

Net assets – unrestricted	\$ 963,968
Net assets – temporarily restricted	(615,741)
Net assets – permanently restricted	<u>8,675,613</u>
Total net assets	<u>\$ 9,023,840</u>

NORTH DAKOTA STATE COLLEGE OF SCIENCE FOUNDATION
WAHPETON, NORTH DAKOTA
SCHEDULE OF PLANT ASSETS
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Date Acquired</u>	<u>Cost</u>	<u>Prior Depreciation</u>	<u>Depreciation</u>	<u>Balance</u>
<u>LAND</u>					
723 5th Street N.	8/1/1987	\$ 20,000	\$ 14,540	\$ -	\$ 5,460
723 7th Street N.	2/29/2000	24,500	5,680	-	18,820
Radloff farm land		32,000	-	-	32,000
Curry farm land	3/31/1999	115,988	-	-	115,988
Parking lot land	2/8/2005	26,042	-	-	26,042
		<u>218,530</u>	<u>20,220</u>	<u>-</u>	<u>198,310</u>
<u>BUILDING</u>					
STTC Building	5/3/2011	1,709,138	-	5,486	1,703,652
<u>EQUIPMENT</u>					
Computer and software	7/15/1990	3,682	3,682	-	-
Table	6/11/1993	100	100	-	-
File	12/10/1992	325	325	-	-
Computer	8/20/1999	2,154	2,154	-	-
Computer	1/11/2000	1,323	1,323	-	-
Computer Intel III	8/14/2000	1,809	1,809	-	-
Laptop Computer	11/5/2002	1,200	960	120	120
Computer	3/24/2004	2,150	2,150	-	-
		<u>12,743</u>	<u>12,503</u>	<u>120</u>	<u>120</u>
Total		<u>\$ 1,940,411</u>	<u>\$ 32,723</u>	<u>\$ 5,606</u>	<u>\$ 1,902,082</u>