

**NORTH DAKOTA STATE COLLEGE
OF SCIENCE FOUNDATION
Wahpeton, North Dakota
Audit Report
Years Ended June 30, 2016 and 2015**

Nadine Julson, LLC

NORTH DAKOTA STATE COLLEGE OF SCIENCE FOUNDATION
WAHPETON, NORTH DAKOTA
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FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

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NORTH DAKOTA STATE COLLEGE OF SCIENCE FOUNDATION
WAHPETON, NORTH DAKOTA
AS OF JUNE 30, 2016

OFFICIAL DIRECTORY

Foundation President Annette Loken

Foundation Vice-President Terry Goerger

Foundation Board Members

Art Grochow	Jeff Hilgeman
Chad Fredericksen	Ken Harty
Roger Haberman	Margaret Wall
Eric Issendorf	Robert Gette
Justin Neppl	Chris Johnson
Joel Kaczynski	Linda Hopkins
James Kapitan	Trudy Tischer
Mike Neppl	Roger Richels
Hugh Veit	

Exofficio Members

NDSCS President	John Richman, Ph.D.
Interim Foundation Director	Kim Nelson
Foundation Treasurer/Secretary	DeAnn Loll
Foundation Recorder	Tim Neumann
Vice-President of Academic Affairs	Harvey Link
Catbacker/Letter Winner Representative	Stu Engen

Nadine Julson, LLC
Nadine Julson, Certified Public Accountant

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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, 2016 and 2015, 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.

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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, 2016 and 2015, 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 2015 financial statements, and my report dated September 8, 2015, 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, 2015, 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 12, 2016

NORTH DAKOTA STATE COLLEGE OF SCIENCE FOUNDATION
WAHPETON, NORTH DAKOTA
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2016 AND 2015

ASSETS

	<u>2016</u>	<u>2015</u>
CURRENT ASSETS:		
Cash in checking -Bank of North Dakota	\$ 721,173	\$ 1,894,292
Money markets and CD's	453,487	895,319
Equity securities	13,129,241	10,371,430
Current portion of pledge receivable, net	274,500	174,747
Current portion of accounts receivable - other	<u>50,000</u>	<u>43,217</u>
 Total current assets	 14,628,401	 13,379,005
PROPERTY AND EQUIPMENT:		
Building	1,709,138	1,709,138
Land	370,325	370,325
Equipment	<u>12,743</u>	<u>12,743</u>
 Total property and equipment	 2,092,206	 2,092,206
Less: accumulated depreciation	<u>(312,557)</u>	<u>(259,151)</u>
 Net property and equipment	 <u>1,779,649</u>	 <u>1,833,055</u>
OTHER ASSETS:		
Pledges receivable, net of current portion	602,256	308,560
Accounts receivable, net of current portion	<u>300,000</u>	<u>-</u>
 Total other assets	 902,256	 308,560
 Total assets	 <u>\$ 17,310,306</u>	 <u>\$ 15,520,620</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable	\$ 19,881	\$ 16,406
Deferred reveune	350,000	40,000
Current portion of long-term debt	59,775	57,596
Due to NDSCS	<u>473,818</u>	<u>443,826</u>
 Total current liabilities	 903,474	 557,828
LONG-TERM LIABILITIES;		
Notes payable, net of current	<u>1,660,895</u>	<u>1,720,670</u>
 Total liabilities	 2,564,369	 2,278,498
NET ASSETS:		
Unrestricted	189,244	304,189
Temporarily restricted	1,060,255	1,151,242
Permanently restricted	<u>13,496,438</u>	<u>11,786,691</u>
 Total net assets	 14,745,937	 13,242,122
 Total liabilities and net assets	 <u>\$ 17,310,306</u>	 <u>\$ 15,520,620</u>

NORTH DAKOTA STATE COLLEGE OF SCIENCE FOUNDATION
WAHPETON, NORTH DAKOTA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTAL FOR 2015)

	2016				2015 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
Support and Revenue:					
Donations	\$ 107,487	\$ 428,539	\$ 1,135,950	\$ 1,671,976	\$ 1,416,342
Dues & memberships	133,978	-	-	133,978	154,305
Dividend income	2,378	191,839	-	194,217	180,933
Interest income	2,023	119,752	518	122,293	135,553
Other services	66,181	-	-	66,181	77,791
Rental of rooms & buildings	174,000	-	-	174,000	277,353
Rent - land	48,231	-	-	48,231	61,470
Special events	147,456	-	-	147,456	33,487
Miscellaneous	-	-	-	-	800
Sponsorships	16,400	-	-	16,400	13,000
State Grants	-	27,431	624,218	651,649	773,896
Realized gains (losses) on investments	1,024	101,402	-	102,426	129,093
Unrealized appreciation (depreciation) on investments	1,101	108,940	-	110,041	(158,889)
Tuition & fees	661	-	-	661	-
Net assets released from restrictions	1,119,829	(1,068,890)	(50,939)	-	-
Total support and revenue	1,820,750	(90,987)	1,709,747	3,439,510	3,095,134
Expenses:					
Program services	1,517,602	-	-	1,517,602	2,438,363
Management and general	418,093	-	-	418,093	426,903
Total expenses	1,935,695	-	-	1,935,695	2,865,266
CHANGE IN NET ASSETS	(114,945)	(90,987)	1,709,747	1,503,815	229,868
NET ASSETS, JULY 1	304,189	1,151,242	11,786,691	13,242,122	13,012,254
NET ASSETS, JUNE 30	\$ 189,244	\$ 1,060,255	\$ 13,496,438	\$ 14,745,937	\$ 13,242,122

See Accompanying Notes to the Financial Statements

FOUNDATION FOR NORTH DAKOTA STATE COLLEGE OF SCIENCE FOUNDATION
WHAHPETON, NORTH DAKOTA
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTAL FOR 2015)

	2016			2015 Total
	Program Services	Management and General	Total	
Salaries	\$ -	\$ 187,381	\$ 187,381	\$ 224,029
Fringe benefits	-	50,429	50,429	63,398
Postage and printing	4,015	43,607	47,622	50,978
Office equipment	-	193	193	949
Office supplies	175	6,270	6,445	4,056
Bank charges/investment fees	46,501	3,394	49,895	54,012
Supplies	4,922	2,321	7,243	10,884
Insurance	-	8,374	8,374	25,455
Depreciation	53,406	-	53,406	56,108
Advertising	19,005	2,175	21,180	19,975
Repairs	414	845	1,259	1,917
Legal and accounting	-	4,725	4,725	7,962
Fees	210	210	420	3,491
Subscriptions	-	256	256	1,086
Dues and memberships	-	1,096	1,096	400
Taxes and licenses	2,361	17,583	19,944	37,973
Foreign tax	3,787	-	3,787	1,898
Interest	81,485	-	81,485	77,312
Awards & grants	817,048	-	817,048	1,609,969
Miscellaneous	1,483	3,796	5,279	3,415
Plaques	1,488	717	2,205	3,311
Professional development	-	739	739	1,402
Equipment rental	-	415	415	1,655
Banquets and meetings	16,109	25,533	41,642	68,184
Scholarship	428,053	-	428,053	482,544
Travel	2,547	7,147	9,694	20,706
Contract services	34,593	37,492	72,085	24,472
Operating fee	-	1,920	1,920	419
Software	-	11,357	11,357	7,181
Freight	-	118	118	125
Total Functional Expenses	\$ 1,517,602	\$ 418,093	\$ 1,935,695	\$ 2,865,266

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, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,503,815	\$ 229,868
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	53,406	56,108
Net unrealized gain (loss) on investments	(110,041)	158,889
Net realized capital loss (gain) on sale of investments	(102,426)	(129,093)
Donated securities	(137,188)	(9,915)
Increase (Decrease) in cash from:		
Pledge receivable	(393,449)	(52,204)
Accounts receivable	(306,783)	1,783
Accounts payable	3,475	(21,002)
Deferred revenue	310,000	5,000
Due to NDSCS	29,992	443,826
	<u>850,801</u>	<u>683,260</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	9,325,560	4,487,651
Purchase of investments	(11,731,537)	(4,759,589)
Donated land	<u>-</u>	<u>(40,100)</u>
	<u>(2,405,977)</u>	<u>(312,038)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment of long-term debt	<u>(59,775)</u>	<u>(55,496)</u>
	<u>(59,775)</u>	<u>(55,496)</u>
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	(1,614,951)	315,726
CASH AND CASH EQUIVALENTS, JULY 1	<u>2,789,611</u>	<u>2,473,885</u>
CASH AND CASH EQUIVALENTS, JUNE 30	<u>\$ 1,174,660</u>	<u>\$ 2,789,611</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.

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, 2016 AND 2015

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.

As of June 30, 2016, \$876,756 of contributions receivable have been matched by the State of North Dakota. In addition, the Foundation has additional gift agreements to be received and not recorded in the financial statements which have also been matched by the State of North Dakota. The value of these gift agreements is approximately \$252,000. The Foundation is required to pay the State of North Dakota for any shortfall in these collections of pledges or gift agreements.

- 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.
- 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 \$53,406 for the year ending June 30, 2016 and \$56,108 for the year ending June 30, 2015.
- 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.

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

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- 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.
- 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 12, 2016, 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, 2016 and 2015, 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, 2016 and 2015, the Foundation's securities were adequately insured.

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NORTH DAKOTA STATE COLLEGE OF SCIENCE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS cont.

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Investment Returns

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

	<u>June 30,</u>	
	<u>2016</u>	<u>2015</u>
Dividends and interest	\$ 316,510	\$ 316,486
Net realized gains (losses)	102,426	129,093
Net unrealized gains (losses) on investments reported at fair value	<u>110,041</u>	<u>(158,889)</u>
Total	<u>\$ 528,977</u>	<u>\$ 286,690</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.

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NORTH DAKOTA STATE COLLEGE OF SCIENCE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS cont.

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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, 2016 and 2015 and are classified in the tables below in one of the three categories described above.

Assets at fair value as of June 30, 2016 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	\$ 721,173	\$ -	\$ -	\$ 721,173
Money market funds	317,459	-	-	317,459
Certificates of deposit	136,028	-	-	136,028
Bond securities	-	4,528,717	-	4,528,717
Mutual funds	574,107	-	-	574,107
Equity securities	<u>8,026,417</u>	<u>-</u>	<u>-</u>	<u>8,026,417</u>
Total assets at fair value	<u>\$ 9,775,184</u>	<u>\$ 4,528,717</u>	<u>\$ -</u>	<u>\$ 14,303,901</u>

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, 2015 financial statements of the North Dakota State College of Science Foundation, from which the summarized information was derived.

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NORTH DAKOTA STATE COLLEGE OF SCIENCE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS cont.

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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.

NOTE 7 – LONG-TERM DEBT

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

	<u>2016</u>	<u>2015</u>
3.72% note payable in monthly installments of \$10,231 (including principal & interest) to April 15, 2021.	\$ 1,720,670	\$ 1,778,266
Less current portion	<u>(59,775)</u>	<u>(57,596)</u>
	<u>\$ 1,660,895</u>	<u>\$ 1,720,670</u>

The annual requirements to amortize the long-term debt as of June 30, 2016 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 1,720,670</u>	<u>\$ 330,777</u>	<u>\$2,051,447</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, 2016 and 2015.

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NORTH DAKOTA STATE COLLEGE OF SCIENCE FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS cont.

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NOTE 9 – RELATIONSHIP WITH THE COLLEGE

A.) The Foundation made contributions and payments to the College for the following purposes as of June 30, 2016:

Scholarships	\$ 428,053
Gifts and Contributions	<u>817,048</u>

\$ 1,245,101

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 \$121,481. 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 \$7,677. 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, 2015 have been reclassified as follows:

Net assets - unrestricted	\$ 304,189
Net assets - temporarily restricted	1,151,242
Net assets - permanently restricted	<u>11,786,691</u>
Total net assets	<u>\$ 13,242,122</u>

NORTH DAKOTA STATE COLLEGE OF SCIENCE FOUNDATION
WHPETON, NORTH DAKOTA
SCHEDULE OF PLANT ASSETS
FOR THE YEAR ENDED JUNE 30, 2016

	<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.	8/1/1987	\$ 20,000	\$ 14,540	\$ -	\$ 5,460
723 7th Street N.	2/29/2000	24,500	5,680	-	18,820
Curry farm land	3/31/1999	115,988	-	-	115,988
Parking lot land	2/8/2005	26,042	-	-	26,042
Parking Lot	8/10/2011	143,695	45,414	9,584	88,697
720 5th Street N.	8/13/2014	40,100	-	-	40,100
		<u>370,325</u>	<u>65,634</u>	<u>9,584</u>	<u>295,107</u>
<u>BUILDING</u>					
STTC Building	5/3/2011	1,709,138	180,774	43,822	1,484,542
<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	1,200	-	-
Computer	3/24/2004	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>\$ 259,151</u>	<u>\$ 53,406</u>	<u>\$ 1,779,649</u>