

**NORTH DAKOTA STATE COLLEGE OF SCIENCE FOUNDATION**  
**Wahpeton, North Dakota**

**AUDITED FINANCIAL STATEMENTS**  
**June 30, 2020**

**NORTH DAKOTA STATE COLLEGE OF SCIENCE FOUNDATION**  
**Wahpeton, North Dakota**

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**June 30, 2020**

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
North Dakota State College of Science Foundation

### *Report on the Financial Statements*

We have audited the accompanying financial statements of the North Dakota State College of Science Foundation, which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year 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, whether due to fraud or error.

### *Auditor's Responsibility*

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

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 opinion.

### *Opinion*

In our 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 as of June 30, 2020, 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***

We have previously audited the North Dakota State College of Science Foundation's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our reported dated September 12, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

***Correction of Misstatement***

As discussed in Note 13 to the financial statements, there was errors resulting in amounts previously reported in pledges receivable, net assets without donor restrictions, and net assets with donor restrictions as of June 30, 2019 that was discovered by management during the current year. Accordingly, an adjustment as been made to net assets as of June 30, 2019 to correct the error. Our opinion is not modified with respect to that matter.

***Other Matter***

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Plant Assets on page 13 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our 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 10, 2020

**NORTH DAKOTA STATE COLLEGE OF SCIENCE FOUNDATION**  
**Wahpeton, North Dakota**

**STATEMENT OF FINANCIAL POSITION**  
**June 30, 2020**

	2020	(For Comparative Purposes Only) 2019
<b>ASSETS</b>		
Current Assets		
Cash in Checking - Bank of North Dakota	\$ 773,639	\$ 705,752
Money Markets and Certificates of Deposit	206,518	459,467
Equity Securities	23,570,626	21,193,617
Current Portion of Pledges Receivable	60,000	52,500
Current Portion of Accounts Receivable	575,286	839,000
Current Portion of Loans Receivable	52,733	60,312
Less Allowances for Uncollectible Loans	(44,705)	(45,742)
Total Current Assets	<u>25,194,097</u>	<u>23,264,906</u>
Property, Plant, and Equipment		
Land and Land Improvements	370,325	370,325
Buildings	1,709,138	1,709,138
Less Accumulated Depreciation	(513,432)	(460,028)
Total Property, Plant, and Equipment	<u>1,566,031</u>	<u>1,619,435</u>
Non-Current Assets		
Pledges Receivable, net of current portion	1,548,802	1,086,036
Accounts Receivable, net of current portion	91,000	152,500
Loans Receivable, net of current portion	190,278	217,624
Less Allowances for Uncollectible Loans	(66,777)	(70,519)
Total Non-Current Assets	<u>1,763,303</u>	<u>1,385,641</u>
Total Assets	<u>28,523,431</u>	<u>26,269,982</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts Payable	12,730	15,292
Deferred Revenue	152,500	205,000
Short-Term Note Payable	57,000	-
Current Portion of Long-Term Debt	1,477,466	63,386
Due to NDSCS	140,000	185,000
Total Current Liabilities	<u>1,839,696</u>	<u>468,678</u>
Long-Term Liabilities		
Liabilities Under Charitable Trusts	258,828	258,551
Notes Payable, net of current	-	1,479,969
Total Long-Term Liabilities	<u>258,828</u>	<u>1,738,520</u>
Total Liabilities	<u>2,098,524</u>	<u>2,207,198</u>
Net Assets		
Without Donor Restrictions	1,466,450	1,379,490
With Donor Restrictions	24,958,457	22,683,294
Total Net Assets	<u>26,424,907</u>	<u>24,062,784</u>
Total Liabilities and Net Assets	<u>\$ 28,523,431</u>	<u>\$ 26,269,982</u>

See Notes to Financial Statements

**NORTH DAKOTA STATE COLLEGE OF SCIENCE FOUNDATION**  
**Wahpeton, North Dakota**

**STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2020**

	2020			(For Comparative Purposes Only) 2019
	Without Donor Restrictions	With Donor Restrictions	Total	
<b>REVENUE, GAINS, AND OTHER SUPPORT</b>				
Gifts and Bequests	\$ 346,320	\$ 1,355,699	\$ 1,702,019	\$ 6,161,441
Rent Income	248,769	-	248,769	265,534
Operations, Fees, and Miscellaneous	260,691	310,169	570,860	469,370
Investment Income, net	30,539	1,351,964	1,382,503	1,674,235
Change in Split-Interest Agreements	-	45,514	45,514	(72,912)
Net Assets Released from Restriction	788,183	(788,183)	-	-
Total Revenue, Gains, and Other Support	1,674,502	2,275,163	3,949,665	8,497,668
<b>EXPENSES</b>				
Program Services	1,107,742	-	1,107,742	1,069,503
Administration	461,232	-	461,232	500,027
Fundraising	18,568	-	18,568	50,996
Total Expenses	1,587,542	-	1,587,542	1,620,526
<b>CHANGE IN NET ASSETS</b>	86,960	2,275,163	2,362,123	6,877,142
<b>NET ASSETS, BEGINNING OF YEAR, AS PREVIOUSLY REPORTED</b>	5,627,796	20,434,988	26,062,784	17,185,642
<b>CORRECTION OF MISSTATEMENT</b>	(4,248,306)	2,248,306	(2,000,000)	
<b>NET ASSETS, BEGINNING OF YEAR</b>	1,379,490	22,683,294	24,062,784	17,185,642
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 1,466,450</u>	<u>\$ 24,958,457</u>	<u>\$ 26,424,907</u>	<u>\$ 24,062,784</u>

See Notes to Financial Statements

**NORTH DAKOTA STATE COLLEGE OF SCIENCE FOUNDATION**  
**Wahpeton, North Dakota**

**STATEMENT OF FUNCTIONAL EXPENSES**  
**Year Ended June 30, 2020**

	2020				(For Comparative Purposes Only) 2019
	Program Services	Administration	Fundraising	Total	
Salaries	\$ 5,160	\$ 236,354	\$ -	\$ 241,514	\$ 275,680
Fringe Benefits	405	99,339	-	99,744	112,872
Postage and Printing	3,780	43,852	645	48,277	56,762
Office Equipment	-	-	-	-	993
Office Supplies	479	1,118	-	1,597	3,237
Bank Charges and Investment Fees	881	15,614	4,281	20,776	11,092
Supplies	57,348	6,522	8,492	72,362	13,593
Insurance	1,596	11,841	-	13,437	13,952
Depreciation	53,404	-	-	53,404	53,404
Advertising	11,090	-	540	11,630	13,577
Professional Fees	113	15,088	-	15,201	14,664
Fees	67	4,388	300	4,755	6,641
Dues and Memberships	5,000	497	-	5,497	6,497
Taxes and Licenses	288	4,656	1,680	6,624	17,015
Interest	56,883	-	-	56,883	54,726
Awards and Grants	364,290	-	-	364,290	436,800
Miscellaneous	3,301	1,945	-	5,246	11,345
Plaques	1,326	-	-	1,326	1,450
Equipment Rental	20,000	-	-	20,000	100
Banquets and Meetings	11,867	5,750	135	17,752	42,502
Scholarship	474,039	-	-	474,039	427,361
Travel	895	1,633	-	2,528	11,902
Contract Services	35,530	12,635	2,495	50,660	34,361
Total Functional Expenses	<u>\$ 1,107,742</u>	<u>\$ 461,232</u>	<u>\$ 18,568</u>	<u>\$ 1,587,542</u>	<u>\$ 1,620,526</u>

See Notes to Financial Statements

**NORTH DAKOTA STATE COLLEGE OF SCIENCE FOUNDATION**  
**Wahpeton, North Dakota**

**STATEMENT OF CASH FLOWS**  
**Year Ended June 30, 2020**

	2020	(For Comparative Purposes Only) 2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 2,362,123	\$ 6,877,142
Adjustments to Reconcile Change in Net Assets to Net Cash Flows from Operating Activities		
Depreciation	53,404	53,404
Net (Gain) Loss on Investments, realized and unrealized	(989,178)	(4,747,779)
Changes in Assets and Liabilities		
Pledges Receivable	(199,052)	(1,451,468)
Accounts Receivable	54,000	50,000
Accounts Payable	(2,562)	(4,133)
Deferred Revenue	(52,500)	(50,000)
Short-Term Note	57,000	-
Split-Interest Agreements	277	28,253
Due to NDSCS	(45,000)	(105,268)
Net Cash Flows from Operating Activities	<u>1,238,512</u>	<u>650,151</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Loan Receivable	30,146	(161,675)
Proceeds from Sale of Investments	9,265,029	1,662,491
Purchase of Investments	(10,652,860)	(1,773,606)
Net Cash Flows from Investing Activities	<u>(1,357,685)</u>	<u>(272,790)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payment of Long-Term Debt	(65,889)	(68,047)
Net Cash Flows from Financing Activities	<u>(65,889)</u>	<u>(68,047)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(185,062)</b>	<b>309,314</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b><u>1,165,219</u></b>	<b><u>855,905</u></b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b><u>\$ 980,157</u></b>	<b><u>\$ 1,165,219</u></b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW STATEMENT</b>		
Interest Paid	\$ 56,883	\$ 54,726

See Notes to Financial Statements



**NORTH DAKOTA STATE COLLEGE OF SCIENCE FOUNDATION**  
**Wahpeton, North Dakota**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

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**NOTE 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies of the North Dakota State College of Science Foundation (the “Organization”) is presented to assist in understanding the Organization’s financial statements. The financial statements and notes are representations of the Organization’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.

*Nature of 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.

*Basis of Accounting*

The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

*Cash and Cash Equivalents*

The Organization essentially has access to its cash resources on demand. Accordingly, the Organization 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.

*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, 2020, \$404,088 of contributions receivable have been matched by the State of North Dakota. The Organization is required to pay the State of North Dakota for any shortfall in these collections of pledges or gift agreements. Management is not aware of any specific uncollectible promises to give associated with the Challenge Grant program.

*Beneficial Interest in Perpetual Trusts*

Perpetual trusts are held by a third party under an arrangement where the Organization 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.

*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.

**NORTH DAKOTA STATE COLLEGE OF SCIENCE FOUNDATION**  
**Notes to Financial Statements – Continued**

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

*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. Depreciation expense amounted to \$53,404 and \$53,404 for the years ending June 30, 2020 and 2019, respectively.

*Loans Receivable*

Loans receivable includes outstanding student loans from prior lending programs. Management determines the allowance for uncollectible loans by identifying troubled accounts and by using historical experience applied to the accounts. Loans are serviced by the North Dakota University System Student Loan Service Center. Allowances for uncollectible loans of \$111,482 has been established as of June 30, 2020.

*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.

*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.

*Advertising Costs*

Advertising costs are expensed as incurred. Total costs were \$11,630 and \$13,375 for the years ended June 30, 2020 and 2019, respectively.

*Basis of Presentation*

The Organization follows Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Not-for-Profit Entities topic 958. The topic establishes standards for external financial reporting by not-for-profit Organizations and requires that resources be classified for accounting and reporting purposes into two net asset categories, net assets without donor restrictions and net assets with donor restrictions, according to externally (donor) imposed restrictions. The topic also requires that unconditional promises to give (pledges) be recorded as receivables and revenues and requires the Organization to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions.

*Nonmonetary Transactions*

The Organization received land rent, supplies, and repairs from various donors for operations. The market value of these gifts recorded in the financial statements is \$53,320.

*Change in Accounting Principles*

For the year ended June 30, 2020, the Organization adopted Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606). The ASU, as amended, supersedes or replaces nearly all GAAP revenue recognition guidance and requires the recognition of revenue when promised good or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The updates address the complexity and understanding of revenue recognition and provide sufficient information to enable financial statements users to understand the nature, timing, and uncertainty of revenue and cash flow arising from contracts with customers. The financial statements reflect the application of ASC 606 guidance beginning in 2020.

**NORTH DAKOTA STATE COLLEGE OF SCIENCE FOUNDATION**  
**Notes to Financial Statements – Continued**

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No cumulative effect adjustment in net assets was recorded as the adoption of ASI 2014-09 did not significantly impact the Organization's reported historical revenue.

**NOTE 2 – CONCENTRATION OF CREDIT RISK**

The Organization maintains deposits at several banks that are members of the Federal Reserve Systems. At June 30, 2020 and 2019, the Organization's deposits were adequately insured.

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

**NOTE 3 – INVESTMENTS**

The Organization maintains accounts consisting of securities with one stock brokerage firm. The Organization'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.

**NOTE 4 – FAIR VALUE MEASUREMENT**

*Fair Value Measurements and Disclosures* topic 820, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurement). The three levels of the fair value hierarchy are described below:

- |         |   |
|---------|---|
| Level 1 | Quoted prices for identical assets or liabilities in active markets to which the Organization has access at the measurement date.   |
| Level 2 | Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include: <ul style="list-style-type: none"><li>- quoted prices for similar assets or liabilities in active markets;</li><li>- quoted prices for identical or similar assets in markets that are not active;</li><li>- observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and</li><li>- inputs derived principally from, or corroborated by, observable market data by correlation or by other means.</li></ul> |
| Level 3 | Unobservable inputs for the asset or liability should be used to measure the fair value to the extent that the observable inputs are not available.   |

In determining fair value, the Organization 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 counter party 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, and equity securities* – Valued at the closing price reported on the active market on which the individual securities are traded.

*Money market funds, 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.

**NORTH DAKOTA STATE COLLEGE OF SCIENCE FOUNDATION**  
**Notes to Financial Statements – Continued**

Financial assets are carried at fair value as of June 30, 2020 and 2019 and are classified in the tables below in one of the three categories described above. Assets at fair value as of June 30, 2020 and are as follows:

Description	Level 1	Level 2	Level 3	Total
Cash and Cash Equivalents	\$ 773,639	\$ -	\$ -	\$ 773,639
Money Market Funds	206,518	-	-	206,518
Fixed Income Securities	-	9,500,421	-	9,500,421
Equity Securities	14,057,773	-	-	14,057,773
Miscellaneous Assets	-	12,432	-	12,432
Total Assets at Fair Value	\$ 15,037,930	\$ 9,512,853	\$ -	\$ 24,550,783

**NOTE 5 – COMPARATIVE INFORMATION**

The accompanying financial statements include certain prior-year comparative information in total but not by net asset class or functional category. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States. Accordingly, such information should be read in conjunction with the June 30, 2019, from which the summarized information was derived.

**NOTE 6 – FUNCTIONAL ALLOCATION OF EXPENSES**

The cost of providing services have been summarized on a functional basis in the Statement of Activities 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**

	2020	2019
3.72% note payable in monthly installments of \$10,231, including interest, to April 15, 2021, balloon payment of \$1,409,742, due on April 15, 2021, secured by real estate.	\$ 1,477,466	\$ 1,543,355

Long-term debt principal payment requirements are as follows:

Year Ending June 30:	
2021	\$ 1,477,466
Total	\$ 1,477,466

**NOTE 8 – INCOME TAXES**

The Organization is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. Management has determined that the Organization is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990T) with the IRS.

The Organization believes it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

**NORTH DAKOTA STATE COLLEGE OF SCIENCE FOUNDATION**  
**Notes to Financial Statements – Continued**

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**NOTE 9 – RELATIONSHIP WITH COLLEGE**

The Organization made contributions and payments to the College for the following purposes as of June 30, 2020:

Scholarships	\$	474,039
Gifts and Contributions		<u>364,290</u>
Total	\$	<u><u>838,329</u></u>

In exchange for services provided by the Organization to the North Dakota State College of Science, the Organization 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 Organization \$174,000 for the rent of STTC building and \$10,953 for parking lot lease.

The record keeping of the Organization is 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 – RETIREMENT PLANS**

The Organization operates a Tax-Deferred Retirement defined contribution plan for all full-time employees. The cost of the retirement plan is paid currently and was \$25,981 and \$32,845 for the years ended June 30, 2020 and 2019, respectively.

**NOTE 11 – ENDOWMENT**

The Organization's endowments consist of approximately 26 funds established for a variety of purposes. Its endowments include both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments (quasi-endowments). As required by GAAP, net assets associated with endowment funds, including quasi-endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Organization manages its endowments on a pooled basis, under the direction of the Investment Committee, and earnings on the pooled investments are allocated on a pro rata basis to each of the funds.

The Organization has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gifts as of the gift date of the donor-restricted endowment funds absent explicit donor restrictions to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts, (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

**NORTH DAKOTA STATE COLLEGE OF SCIENCE FOUNDATION**  
**Notes to Financial Statements – Continued**

Changes in endowment net assets are as follows:

	Without Donor Restrictions	With Donor Restrictions
Endowment Net Assets, beginning of year	\$ 880,010	\$ 18,297,718
Investment Return, net	15,981	608,015
Contributions	-	1,055,725
Appropriation of Endowment Assets for Expenditure	-	(629,697)
Endowment Net Assets, end of year	<u>\$ 895,991</u>	<u>\$ 19,331,761</u>

**NOTE 12 – SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through September 10, 2020, the date in which the financial statements were available to be issued.

**NOTE 13 – CORRECTION OF MISSTATEMENT**

It was determined that there was a financial statement misstatement for the year ended June 30, 2019. This misstatement includes an overstatement of pledges receivable and net assets without donor restrictions and an overstatement of net assets without donor restrictions and understatement of net assets with donor restrictions. As a result of the misstatement, the Organization has restated these amounts in the financial statements and an adjustment has been made to net assets without donor restrictions and net assets with donor restrictions as of June 30, 2019 to correct the misstatement as follows:

	Without Donor Restrictions	With Donor Restrictions
June 30, 2019 Net Assets, previously reported	\$ 5,627,796	\$ 20,434,988
Pledges Receivable	(2,000,000)	-
Net Assets Adjustment	(2,248,306)	2,248,306
June 30, 2019 Net Assets, as restated	<u>\$ 1,379,490</u>	<u>\$ 22,683,294</u>

**NORTH DAKOTA STATE COLLEGE OF SCIENCE FOUNDATION**  
**Wahpeton, North Dakota**

**SCHEDULE OF PLANT ASSETS**  
**June 30, 2020**

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	<u>Date Acquired</u>	<u>Cost</u>	<u>Prior Depreciation</u>	<u>Depreciation</u>	<u>Balance</u>
<b>LAND &amp; LAND IMPROVEMENTS</b>					
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	83,742	9,580	50,373
720 5th Street N.	8/13/2014	40,100	-	-	40,100
		<u>370,325</u>	<u>103,962</u>	<u>9,580</u>	<u>256,783</u>
<b>BUILDING</b>					
STTC Building	5/3/2011	1,709,138	356,066	43,824	1,309,248
		<u>\$ 2,079,463</u>	<u>\$ 460,028</u>	<u>\$ 53,404</u>	<u>\$ 1,566,031</u>

See Independent Auditor's Report