

NORTH DAKOTA STATE COLLEGE OF SCIENCE FOUNDATION
Wahpeton, North Dakota

AUDITED FINANCIAL STATEMENTS
Year Ended June 30, 2017

Nadine Julson, LLC

NORTH DAKOTA STATE COLLEGE OF SCIENCE FOUNDATION
Wahpeton, North Dakota

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June 30, 2017

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NORTH DAKOTA STATE COLLEGE OF SCIENCE FOUNDATION
Wahpeton, North Dakota

OFFICIAL DIRECTORY

June 30, 2017

Foundation President

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Foundation Vice-President

Kelly Hubrig

Foundation Board Members

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Foundation Director

Kim Nelson

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Michelle Nelson

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Thomas Dryburgh



INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of North Dakota State College of Science Foundation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, 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 opinions.

Opinions

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, Wahpeton, North Dakota, as of June 30, 2017, and the respective 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 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 12, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Supplementary Information

Our audit was 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.

Other Information

The official directory has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



Nadine Julson, LLC
Wahpeton, North Dakota
September 14, 2017

**NORTH DAKOTA STATE COLLEGE OF SCIENCE FOUNDATION
STATEMENT OF FINANCIAL POSITION**

June 30, 2017

With Comparative Information for 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Current Assets		
Cash in Checking - Bank of North Dakota	\$ 344,966	\$ 721,173
Money Markets and Certificates of Deposit	833,393	453,487
Equity Securities	14,508,946	13,129,241
Current Portion of Pledge Receivable, net	239,500	274,500
Current Portion of Accounts Receivable	<u>55,000</u>	<u>50,000</u>
Total Current Assets	15,981,805	14,628,401
Property and Equipment		
Land and Land Improvements	370,325	370,325
Building	1,709,138	1,709,138
Equipment	12,743	12,743
Less Accumulated Depreciation	<u>(365,963)</u>	<u>(312,557)</u>
Total Property and Equipment	1,726,243	1,779,649
Noncurrent Assets		
Pledges Receivable, net of current portion	473,872	602,256
Accounts Receivable, net of current portion	<u>255,000</u>	<u>300,000</u>
Total Noncurrent Assets	<u>728,872</u>	<u>902,256</u>
Total Assets	18,436,920	17,310,306
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	11,579	19,881
Deferred Revenue	310,000	350,000
Current Portion of Long-term Debt	62,037	59,775
Due to NDSCS	<u>346,818</u>	<u>473,818</u>
Total Current Liabilities	730,434	903,474
Long-term Liabilities		
Liabilities Under Charitable Trusts	221,988	256,825
Notes payable, net of current	<u>1,598,858</u>	<u>1,660,895</u>
Total Long-term Liabilities	<u>1,820,846</u>	<u>1,917,720</u>
Total Liabilities	2,551,280	2,821,194
Net Assets		
Without Donor Restrictions	285,483	189,244
With Donor Restrictions	<u>15,600,157</u>	<u>14,299,868</u>
Total Net Assets	<u>15,885,640</u>	<u>14,489,112</u>
Total Liabilities and Net Assets	<u>\$ 18,436,920</u>	<u>\$ 17,310,306</u>

See Notes to Financial Statements

**NORTH DAKOTA STATE COLLEGE OF SCIENCE FOUNDATION
STATEMENT OF ACTIVITIES**

Year Ended June 30, 2017

With Comparative Information for 2016

	2017			2016
	Without Donor Restrictions	With Donor Restrictions	Total	
SUPPORT AND REVENUE				
Gifts and Bequests	\$ 145,095	\$ 860,001	\$ 1,005,096	\$ 1,671,976
Rent Income	226,707	-	226,707	222,231
Operations, Fees, and Miscellaneous	350,174	339,197	689,371	1,016,325
Investment Income, net	12,784	1,031,116	1,043,900	528,978
Change in Split-Interest Agreements	-	34,837	34,837	-
Net Assets Released from Restriction	964,862	(964,862)	-	-
Total Support and Revenue	1,699,622	1,300,289	2,999,911	3,439,510
EXPENSES				
Program Services	1,240,592	-	1,240,592	1,935,695
Management and General	362,791	-	362,791	-
Total Expenses	1,603,383	-	1,603,383	1,935,695
CHANGE IN NET ASSETS	96,239	1,300,289	1,396,528	1,503,815
NET ASSETS - BEGINNING OF YEAR	189,244	14,299,868	14,489,112	12,985,297
NET ASSETS - END OF YEAR	\$ 285,483	\$ 15,600,157	\$ 15,885,640	\$ 14,489,112

See Notes to Financial Statements

**NORTH DAKOTA STATE COLLEGE OF SCIENCE FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES**

Year Ended June 30, 2017

With Comparative Information for 2016

	2017			2016 Total
	Program Service	Management and General	Total	
Salaries	\$ -	\$ 197,649	\$ 197,649	\$ 187,381
Fringe Benefits	-	58,908	58,908	50,429
Postage and Printing	2,373	37,544	39,917	47,622
Office Equipment	-	-	-	193
Office Supplies	655	5,851	6,506	17,802
Bank Charges/Investment Fees	3,406	442	3,848	49,895
Supplies	3,984	1,913	5,897	7,243
Insurance	-	9,212	9,212	8,374
Depreciation	53,406	-	53,406	53,406
Advertising	2,733	2,059	4,792	21,180
Repairs	-	20	20	1,259
Legal and Accounting	-	5,188	5,188	4,725
Fees	650	98	748	420
Subscriptions	-	-	-	256
Dues and Memberships	-	747	747	1,096
Taxes and Licenses	14,137	19,049	33,186	19,944
Foreign Tax	-	-	-	3,787
Interest	97,834	-	97,834	81,485
Awards and Grants	582,599	-	582,599	817,048
Miscellaneous	3,997	8,147	12,144	5,397
Plaques	509	-	509	2,205
Professional Development	14,065	1,107	15,172	739
Equipment Rental	-	-	-	415
Banquets and Meetings	55,428	9,147	64,575	41,642
Scholarship	383,112	-	383,112	428,053
Travel	5,861	4,589	10,450	9,694
Contract Services	15,460	504	15,964	72,085
Operating Fee	383	617	1,000	1,920
	<u>\$ 1,240,592</u>	<u>\$ 362,791</u>	<u>\$ 1,603,383</u>	<u>\$ 1,935,695</u>

See Notes to Financial Statements

**NORTH DAKOTA STATE COLLEGE OF SCIENCE FOUNDATION
STATEMENT OF CASH FLOWS**

Year Ended June 30, 2017

With Comparative Information for 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 1,396,528	\$ 1,503,815
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	53,406	53,406
Net Unrealized Gain (Loss) on Investments	(415,881)	(110,041)
Net Realized Capital Loss (Gain) on Investments	(227,890)	(102,426)
Donated Securities	(4,641)	(137,188)
Changes in Assets and Liabilities		
Pledge Receivable	163,384	(393,449)
Accounts Receivable	40,000	(306,783)
Accounts Payable	(8,302)	3,475
Deferred Revenue	(40,000)	310,000
Split-Interest Agreements	(34,837)	-
Due to NDSCS	(127,000)	29,992
Net Cash Provided by Operating Activities	<u>794,767</u>	<u>850,801</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Investments	6,039,532	9,325,560
Purchase of Investments	<u>(6,768,563)</u>	<u>(11,731,537)</u>
Net Cash Used by Investing Activities	<u>(729,031)</u>	<u>(2,405,977)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of Long-term Debt	<u>(62,037)</u>	<u>(59,775)</u>
Net Cash Used by Financing Activities	(62,037)	(59,775)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,699	(1,614,951)
CASH AND CASH EQUIVALENTS, JULY 1	<u>1,174,660</u>	<u>2,789,611</u>
CASH AND CASH EQUIVALENTS, JUNE 30	<u>\$ 1,178,359</u>	<u>\$ 1,174,660</u>

See Notes to Financial Statements

NORTH DAKOTA STATE COLLEGE OF SCIENCE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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 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.

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 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.

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, 2017, \$713,372 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 \$332,000. The Foundation is required to pay the State of North Dakota for any shortfall in these collections of pledges or gift agreements.

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.

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.

NORTH DAKOTA STATE COLLEGE OF SCIENCE FOUNDATION

Notes to Financial Statements - Continued

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.

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 and \$53,406 for the year ending June 30, 2017 and 2016 respectively.

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 \$4,792 and \$21,180 for the years ended June 30, 2017 and 2016, 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.

NOTE 2 - CONCENTRATIONS OF CREDIT RISK

The Foundation maintains certificates of deposit at several banks that are members of the Federal Reserve Systems. At June 30, 2017 and 2016, 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, 2017 and 2016, the Foundation's securities were adequately insured.

NORTH DAKOTA STATE COLLEGE OF SCIENCE FOUNDATION

Notes to Financial Statements - Continued

NOTE 4 - FAIR VALUE MEASUREMENTS

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:
- quoted prices for similar assets or liabilities in active markets;
 - quoted prices for identical or similar assets in markets that are not active;
 - observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and
 - inputs derived principally from, or corroborated by, observable market data by correlation or by other means.
- 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 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 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, equity securities, and real estate funds - Valued at the closing price reported on the active market on which the individual securities are traded.

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, 2017 and 2016 and are classified in the tables below in one of the three categories described above. Assets at fair value as of June 30, 2017 and are as follows:

Description	Level 1	Level 2	Level 3	Total
Cash and Cash Equivalents	\$ 344,966	\$ -	-	\$ 344,966
Money Market Funds	813,593	-	-	813,593
Certificates of Deposit	19,800	-	-	19,800
Bond Securities	-	4,974,149	-	4,974,149
Mutual Funds	350,595	-	-	350,595
Equity Securities	9,184,202	-	-	9,184,202
Total Assets at Fair Value	<u>\$ 10,713,156</u>	<u>\$ 4,974,149</u>	<u>\$ -</u>	<u>\$ 15,687,305</u>

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

Assets at fair value as of June 30, 2016 and are as follows:

Description	<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>

NOTE 5 - COMPARATIVE FINANCIAL 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, 2016, 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.

NOTE 7 – LONG-TERM DEBT

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

	<u>2017</u>	<u>2016</u>
3.72% note payable in monthly installments of \$10,231 (including principal and interest) to April 15, 2021	\$ 1,660,895	\$ 1,720,670
Less current portion	<u>(62,037)</u>	<u>(59,775)</u>
Total	<u>\$ 1,598,858</u>	<u>\$ 1,660,895</u>

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

NOTE 9 - RELATIONSHIP WITH THE COLLEGE

The Foundation made contributions and payments to the College for the following purposes as of June 30, 2017:

Scholarships	\$	383,112
Gifts and Contributions		<u>582,599</u>
Total	\$	<u>965,711</u>

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.

The North Dakota State College of Science pays 25% of salary and benefits for the Foundation's employees annually. The approximate fair market value is \$106,802. No amounts for these services have been recognized in the statements of activity.

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 - SUBSEQUENT EVENTS

Beginning in the upcoming fiscal year, the North Dakota State College of Science Foundation will charge a 3/4% management fee on the endowment portfolio to use for operations as needed.

The Organization has evaluated subsequent events through September 14, 2017, the date in which the financial statements were available to be issued.

**NORTH DAKOTA STATE COLLEGE OF SCIENCE FOUNDATION
SCHEDULE OF PLANT ASSETS**

June 30, 2017

	<u>Date Acquired</u>	<u>Cost</u>	<u>Prior Depreciation</u>	<u>Depreciation</u>	<u>Balance</u>
LAND & LAND IMPROVEMENTS					
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	54,998	9,584	79,113
720 5th Street N.	8/13/2014	<u>40,100</u>	<u>-</u>	<u>-</u>	<u>40,100</u>
		370,325	75,218	9,584	285,523
BUILDING					
STTC Building	5/3/2011	1,709,138	224,596	43,822	1,440,720
EQUIPMENT					
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	1/1/2000	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	<u>2,150</u>	<u>2,150</u>	<u>-</u>	<u>-</u>
		<u>12,743</u>	<u>12,743</u>	<u>-</u>	<u>-</u>
		<u>\$ 2,092,206</u>	<u>\$ 312,557</u>	<u>\$ 53,406</u>	<u>\$ 1,726,243</u>



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to finance audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of North Dakota State College of Science Foundation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017 and the related statement of activities and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated September 14, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered North Dakota State College of Science Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of North Dakota State College of Science Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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. A significant deficiency is a deficiency, or 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether North Dakota State College of Science Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with these provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards (2017-01).

Organization's Response to Findings

North Dakota State College of Science Foundation's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. North Dakota State College of Science Foundation's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organizations's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Nadine Julson, LLC
Wahpeton, North Dakota
September 14, 2017

NORTH DAKOTA STATE COLLEGE OF SCIENCE FOUNDATION
Wahpeton, North Dakota

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2017

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of Report Issued: Unmodified

Internal Control Over Financial Reporting

Material weakness identified?	_____	Yes	_____	X	_____	No
Significant deficiencies identified not considered to be material weaknesses?	_____	Yes	_____	X	_____	None Reported
Noncompliance material to financial statements noted?	_____	Yes	_____	X	_____	No

SECTION II - OTHER FINDINGS RELATED TO STATUTORY REPORTING

2017.01 IRS INFORMATIONAL RETURN

Criteria

Certain payments in the ordinary course of business conducted by the North Dakota State College of Science Foundation are required to be reported to the Internal Revenue Service.

Condition

North Dakota State College of Science timely filed and reported 1099-MISC payments on behalf of the North Dakota State College of Science Foundation.

Effect

The Internal Revenue Service may impose penalties upon the Organization for failing to file informational returns under the correct Employer Identification Number.

Recommendation

It is the responsibility of management and those charged with governance to determine compliance with the Internal Revenue Service.

Views of Responsible Officials

North Dakota State College of Science has filed all 1099-MISC returns for payments made by the North Dakota State College of Science Foundation. The North Dakota State College of Science Foundation will file all 1099-MISC payments under their Employer Identification Number for the future.