



Annual Financial Report

June 30, 2020

NORTH DAKOTA UNIVERSITY SYSTEM

ANNUAL FINANCIAL REPORT

Fiscal Year Ended
JUNE 30, 2020

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NORTH DAKOTA UNIVERSITY SYSTEM

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STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
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INDEPENDENT AUDITOR'S REPORT

Members of the Legislative Assembly

The State Board of Higher Education

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, and the aggregate discretely presented component units of the North Dakota University System as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the North Dakota University System's basic financial statements as listed in the table of contents.

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 opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the discretely presented component units were not audited in accordance with *Government Auditing Standards*.

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 business-type activities and the aggregate discretely presented component units of the North Dakota University System as of June 30, 2020, the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1, the North Dakota University System's financial statements are intended to present the financial position, the changes in financial position and, where applicable, cash flows of only those portions of the business-type activities, and aggregate discretely presented component units of the North Dakota University System that are attributable to the transactions of the North Dakota University System. They do not purport to, and do not, present fairly the financial position of the State of North Dakota as of June 30, 2020, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the Schedule of Employer's Share of Net Pension Liability, the Schedule of Employer Contributions for Pensions, the Schedule of Employer's Share of Net OPEB Liability and the Schedule of Employer Contributions for OPEB, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the North Dakota University System's basic financial statements. The combining statements and the Schedule of Bonds Payable – Primary Institution, as listed in the table of contents, are presented for the purposes of additional analysis and are not required parts of the basic financial statements.

The combining statements and Schedule of Bonds Payable – Primary Institution, as listed in the table of contents, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements and Schedule of Bonds Payable – Primary Institution are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Financial Information for Revenue Producing Buildings, as listed in the table of contents, 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 it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2020 on our consideration of the North Dakota University System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the North Dakota University System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the North Dakota University System's internal control over financial reporting and compliance.

/S/

Joshua C. Gallion
State Auditor

Bismarck, North Dakota

November 25, 2020

**NORTH DAKOTA UNIVERSITY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

The North Dakota University System's (System) discussion and analysis (MD&A) provides an overview of the System's financial activities for the year ended June 30, 2020 and should be read in conjunction with the accompanying financial statements and notes to the financial statements. The financial statements, notes, and the MD&A are the responsibility of management.

Activities from the eleven public post-secondary institutions, the North Dakota University System Office, and the component units are included in the accompanying financial statements. For a detailed listing of these entities, refer to Note 1 of the accompanying financial statements.

UNDERSTANDING THE FINANCIAL STATEMENTS

The Statement of Net Position reports the assets, deferred outflows, liabilities, deferred inflows and net position of the System. The Statement of Revenues, Expenses, and Changes in Net Position reports revenue and expense information of the System. The Statement of Cash Flows summarizes transactions affecting cash and cash equivalents during the fiscal year. It also provides information about the ability of the System to generate future cash flows necessary to meet its obligations and to evaluate its potential for additional financing.

Other non-financial factors, such as the condition of the campuses' infrastructure, changes in legislative funding and changes in student enrollments need to be considered in order to assess the overall health of the System.

The Statement of Net Position presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the System at a point in time. It is a financial snapshot of the System at June 30, 2020. The statement aids readers in determining the assets available to continue operations; the liabilities owed to vendors, employees and lenders, and the net position of the System.

Assets and liabilities are classified as current or noncurrent. Current assets can be converted to cash within one year of the statement date and are available to satisfy current liabilities. They include cash and cash equivalents, short-term investments and accounts receivable. Noncurrent assets are not convertible to cash within one year and include long-term investments and property, equipment and intangibles. Current liabilities are obligations that are due within one year. Noncurrent liabilities consist of long-term debt and other obligations with maturities greater than one year.

Net position is reported in three categories: investment in capital assets, restricted net position (both nonexpendable and expendable); and unrestricted net position. Net investment in capital assets consists of capital assets less the outstanding debt incurred during the construction or improvement of those assets. Restricted net position is limited in use due to constraints imposed by donors or by law. Unrestricted net position is assets that do not qualify as either invested in capital assets or restricted net position but may have Board or other campus designated restrictions on use.

Unrestricted net position encompasses core operational functions of the campuses. The balances consist of cash, investments, accounts receivable, inventories, and other non-liquid assets less liabilities for these functions. Operating cycles can create balance fluctuations during the fiscal year. Therefore, although some funds are not yet expended as of a particular point in time, they are generally designated for specific uses.

The Statement of Revenues, Expenses, and Changes in Net Position presents total operating and nonoperating revenues and expenses of the System during the year.

MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2020

Operating revenues include tuition and fees, grants and contracts, sales and services of educational departments and auxiliary enterprise revenues. Operating expenses include, salaries and wages, operating expenses, payments made to students under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), depreciation, scholarships and fellowships and cost of sales and services.

Nonoperating revenues and expense are derived from non-exchange transactions and include state appropriations, non-operating grants and contracts, revenue received from the CARES Act for payments to students and institutional aid, insurance proceeds, investment income, gifts, interest on capital asset-related debt and gains or losses on capital assets. State appropriations are classified as nonoperating revenues although they are used to fund operating expenses because the Government Accounting Standards Board (GASB) has determined they are a non-exchange transaction. Other nonoperating items include capital related appropriations, gifts, grants and transfers.

The Statement of Cash Flows presents cash receipts and payments during the fiscal year. The statement presents sources of cash coming into the System, how the cash was expended, and the change in the cash balance during the year.

State appropriations are included in cash flows from noncapital financing activities because GASB requires them to be reported as nonoperating, even though the campus budgets depend on this revenue for operations. Other noncapital financing activity includes gifts received from endowment and charitable gift annuities.

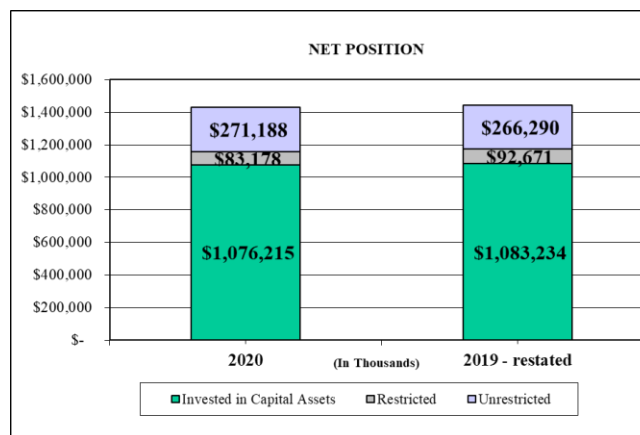
Cash flows from capital and related financing activities include all plant funds and related long-term debt activities (except depreciation and amortization), as well as capital gifts, grants and appropriations.

Purchases and sales of investments and income earned on investments are included in cash flows from investing activities.

FINANCIAL HIGHLIGHTS

Total assets and deferred outflows of resources were \$2.3 billion and total liabilities and deferred inflows were \$837.9 million, resulting in a net position of \$1.4 billion. Net position decreased \$11.6 million from fiscal year 2019.

The following graph illustrates the net position breakdown for fiscal years ending June 30, 2020 and 2019, as restated:



MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2020

As a percent of total net position, invested in capital assets is the largest category of net position due to the significant size of the System's physical infrastructure.

STATEMENT OF NET POSITION

The following table shows the Condensed Statement of Net Position at June 30, 2020 and 2019, as restated:

	June 30 (in Thousands)		Dollar Change	Percent Change
	2020	2019-restated		
Current assets	\$ 470,271	\$ 450,993	\$ 19,278	4%
Capital assets, net	1,515,314	1,465,918	49,396	3%
Other noncurrent assets	225,772	211,722	14,050	7%
Total assets	\$ 2,211,357	\$ 2,128,633	\$ 82,724	4%
Deferred outflows of resources	\$ 57,170	\$ 72,896	\$ (15,726)	-22%
Current liabilities	\$ 140,919	\$ 129,536	\$ 11,383	9%
Noncurrent liabilities	632,845	612,607	20,238	3%
Total liabilities	\$ 773,764	\$ 742,143	\$ 31,621	4%
Deferred inflows of resources	\$ 64,181	\$ 17,191	\$ 46,990	273%
Invested in capital assets	\$ 1,076,215	\$ 1,083,234	\$ (7,019)	-1%
Restricted	83,179	92,671	(9,492)	-10%
Unrestricted	271,188	266,290	4,898	2%
Total Net Position	\$ 1,430,582	\$ 1,442,195	\$ (11,613)	-1%

The increase in current assets is mainly attributed to increases in cash of \$10.9 million and grants and contracts receivable of \$7.6 million. Cash balances at year-end may fluctuate from year-to-year depending on operational needs and the accounts payable payment cycles.

Grants and contracts receivable increased as a result of the following:

- BSC: a receivable of \$247,000 from USDA grant and \$98,000 from EDA grant for the medical lab tech area of the Health Science building. Covid-19 funding receivable of \$204,000 was also recognized at June 30, 2020.
- NDSU: a receivable of \$1.3 million from the North Dakota Building Authority for construction costs for Sugihara Hall.
- UND: a receivable of \$3.3 million from the North Dakota Building Authority for deferred maintenance projects.

The increase in current liabilities is mainly due to an increase in unearned revenue of \$3.5 million related to CARES Act grant monies received in fiscal year 2020 that will be used in fiscal year 2021. UND secured a new note payable from the North Dakota Building Authority for \$3.3 million for deferred maintenance projects. The notes will be replaced by a bond issue expected to be issued in fiscal year 2021 that will permanently finance the deferred maintenance projects. Additionally, VCSU issued a bond refunding for \$3.2 million for the renovation of Snoeyenbos Hall.

The increase in capital assets, net is discussed in a later section of this MD&A.

The decrease in deferred outflows of resources and the increase in the deferred inflow of resources is attributed to an increased rate of return used to actuarially calculate the pension liability. In fiscal year 2020, the rate of return used was 7.50 percent compared to 6.32 percent in fiscal year 2019.

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The following table shows a Condensed Statement of Revenues, Expenses and Changes in Net Position for the fiscal years ended June 30, 2020 and 2019, as restated.

	June 30 (in Thousands)		Dollar Change	Percent Change
	2020	2019-restated		
Operating revenues	\$ 690,003	\$ 709,764	\$ (19,761)	-3%
Operating expenses	1,193,407	1,180,265	13,142	1%
Operating loss	\$ (503,404)	\$ (470,501)	\$ (32,903)	7%
Nonoperating revenues, net of expenses	455,468	443,074	12,394	3%
Income (loss) before capital grants, gifts, and transfers	\$ (47,936)	\$ (27,427)	(20,509)	75%
Capital appropriations, grants and gifts	36,323	35,643	680	2%
Increase (loss) in net position	\$ (11,613)	\$ 8,216	\$ (19,829)	-241%

Operating revenues and expenses fluctuations are discussed in later sections of this MDA analysis.

Revenues

The following table shows revenues by source for the fiscal years ended June 30, 2020 and 2019, as restated:

	June 30 (in Thousands)		Dollar Change	Percent Change
	2020	2019 - restated		
Operating revenues				
Student tuition and fees	\$ 338,542	\$ 333,910	\$ 4,632	1%
Grants and contracts	167,665	174,633	(6,968)	-4%
Sales and services of education departments	91,123	98,863	(7,740)	-8%
Auxiliary enterprises	90,782	100,913	(10,131)	-10%
Other	1,891	1,446	446	31%
Total operating revenues	\$ 690,003	\$ 709,764	\$ (19,761)	-3%
Nonoperating revenues, capital gifts and grants				
State appropriations	\$ 373,908	\$ 360,624	\$ 13,284	4%
Federal appropriations	5,746	5,029	717	14%
Federal grants and contracts	55,111	38,679	16,432	42%
Local appropriations	-	988	(988)	-100%
Gifts	43,358	39,275	4,083	10%
Endowment and investment income	11,585	11,022	564	5%
Gain (loss) on sale of capital assets	(4,547)	4,371	(8,918)	-204%
Insurance proceeds	757	774	(17)	-2%
Tax revenues	6,180	5,401	779	14%
State appropriations-capital assets	18,822	15,718	3,104	20%
Capital grants and gifts	17,502	19,926	(2,424)	-12%
Total nonoperating revenues, capital gifts and grants	\$ 528,421	\$ 501,806	\$ 26,615	5%
Total Revenues	\$ 1,218,425	\$ 1,211,570	\$ 6,854	1%

Grants and contracts (operating revenues) decreased mainly due to reduced National Science Foundation grants at NDSU and EERC federal awards at UND.

The decrease in sales and services of educational department and auxiliary enterprises revenues are attributed to Covid-19 related closures of the institutions in the third and fourth quarters of fiscal year 2020. The decrease in

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2020

sales and services of educational department revenue is partially offset by an increase of \$1.2 million at UND School of Medicine and Health Sciences.

Nonoperating federal grants and contracts increased as a result of the CARES Act grants of \$17.6 million received by the institutions.

Gifts revenue increased primarily due to the following:

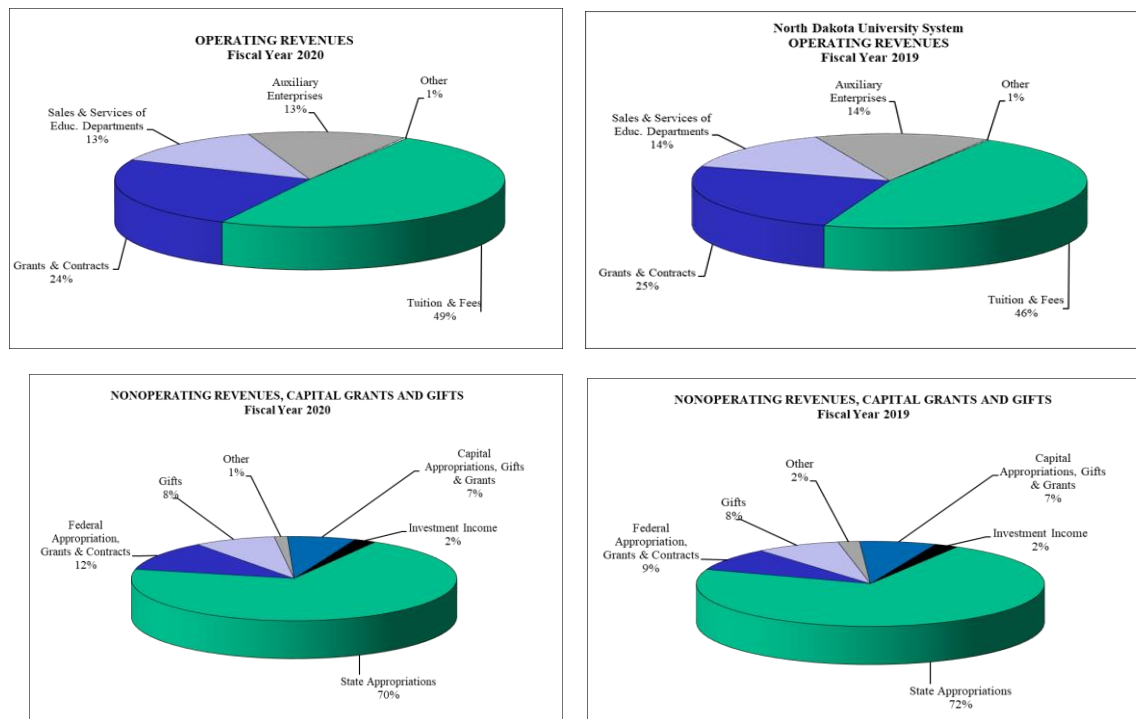
- Increases in scholarships and unrestricted gifts at MiSU of \$432,000,
- Increase at NDSU in scholarships and other support by the NDSU Foundation of \$2.2 million, and
- Increase at UND in scholarships and other support by the related UND Foundations of \$1.6 million.

In fiscal year 2020, UND recognized a loss of \$7.0 million as a result of the demolition of the Memorial Union, Montgomery and Dakota Hall buildings. The losses were offset by a gain on the sale of aircraft by UND of \$3.1 million. In fiscal year 2019, DSU recognized a gain of \$2.1 million in the sale of the Strom, South Campus and North Apartment buildings. UND recognized a gain of \$2.7 million in fiscal year 2019 from the sale of 15 aircraft at UND.

State appropriations-capital assets increased \$2.1 million at NDSU for the construction of Sugihara Hall, \$3.3 million at UND for the new Nistler College of Business and Public Administration, \$2.9 million at VCSU for the new Center of the Arts building and \$1.1 million at WSC for carryover extraordinary repair projects and funding utilized for energy conservation improvement projects. The increases are offset by a decrease of \$6.9 million at BSC. In fiscal year 2019, BSC received \$8.1 million for the purchase of the Health Science Building.

Capital grants and gifts decreased mainly as a result of a reduction at NDSU of \$8.4 million. The decrease is primarily related to a reduction in donations from fiscal year 2019 for Aldevron Tower. The decrease is partially offset by an increase in capital gifts for the new student engagement center at UND of \$1.4 million, a \$3.8 million gift of a drilling rig to the UND College of Engineering and Mines, and a grant of \$674,000 received by BSC in fiscal year 2020 for the Health Sciences Phase 2 project.

The following graphs depict sources of operating and nonoperating revenues for fiscal year 2020:



MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020

There were no significant fluctuations compared to fiscal year 2019.

Expenses

The following table shows expenses by natural classification for the fiscal years ended June 30, 2020 and 2019:

	June 30 (in Thousands)		Dollar Change	Percent Change
	2020	2019 - restated		
Operating expenses				
Salaries and wages	\$ 780,357	\$ 760,668	\$ 19,689	3%
Operating expenses	242,983	266,591	(23,608)	-9%
Data processing	18,491	17,798	693	4%
Depreciation expense	72,345	72,583	(238)	0%
Scholarships and fellowships	45,753	41,698	4,055	10%
CARES Act Aid to Students	8,550	-	8,550	100%
Cost of sales and services	24,927	20,927	4,000	19%
Total operating expenses	\$ 1,193,407	\$ 1,180,265	\$ 13,141	1%
Nonoperating expenses				
Interest on capital asset related debt	\$ 15,347	\$ 11,445	\$ 3,902	34%
General and special grant expenditures	12,180	6,806	5,374	79%
Transfers to Industrial Commission	1,702	3,333	(1,631)	-49%
Other nonoperating, net	7,402	1,505	5,897	392%
Total nonoperating expenses	\$ 36,630	\$ 23,089	\$ 13,541	59%
Total expenses	\$ 1,230,037	\$ 1,203,354	\$ 26,683	2%

The change in operating expense is mainly due to the following:

- a decrease of \$7.5 million across the NDUS related to reduced travel and a decrease of \$900,000 in professional development expense, as a result of the Covid-19 pandemic.
- a decrease of \$6.4 million in payments to grant subrecipients due to a reduced level of new EPSCOR funding at NDSU and EERC funding at UND in fiscal year 2020. Funding is expected to increase in fiscal year 2021.
- a decrease in contract services at MiSU in fiscal year 2020 compared to fiscal year 2019 when an additional \$4.3 million in contract services was incurred related to energy efficiency projects.
- a decrease of \$3.7 million in building and vehicle expense, including custodial services, and building and equipment rental expense, as a result of the Covid-19 related closures in the third and fourth quarter of fiscal year 2020.
- a one-time transfer of \$2.9 million of the Vertin Student Loan program at NDSCS to the NDSCS Foundation. The foundation began managing this program for NDSCS in fiscal year 2020.
- a decrease in utilities expense of \$2.4 million mainly due to reduced usage as a result of the Covid-19 related closures and energy efficiency projects across the NDUS.

Scholarships and Fellowships increased primarily due to the implementation of a new waiver, "Freshman Academic Award", at NDSU, an increase in waivers at MiSU and an increase in private and foundation scholarships at NDSCS.

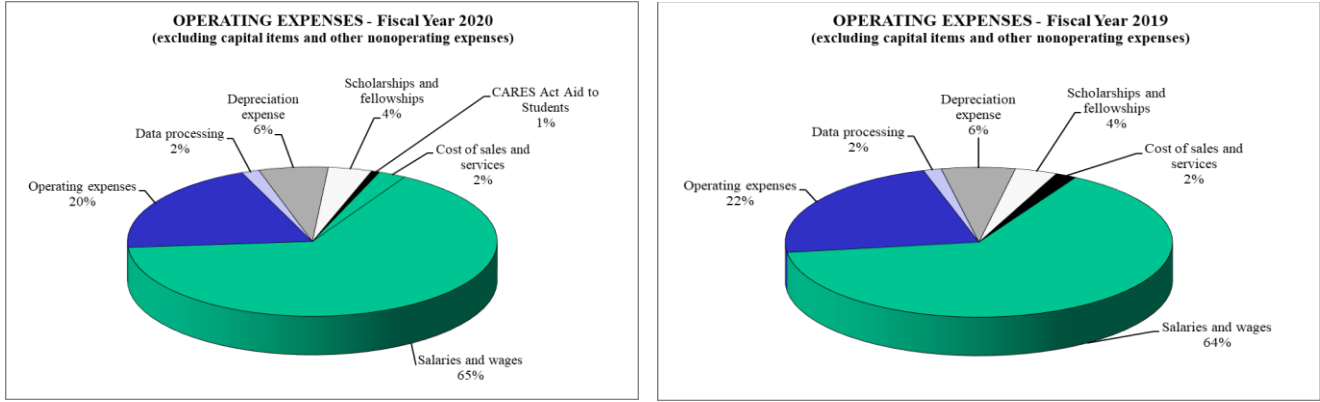
Cares Act Aid to Students is comprised of the monies received from the U.S. Department of Education as part of the CARES Act passed by the U.S. Congress in the fourth quarter of fiscal year 2020. The monies were used to provide monetary aid to students impacted by the Covid-19 pandemic.

Cost of sales and services increased primarily as a result of the timing of internal billings to other operating departments at UND.

MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2020

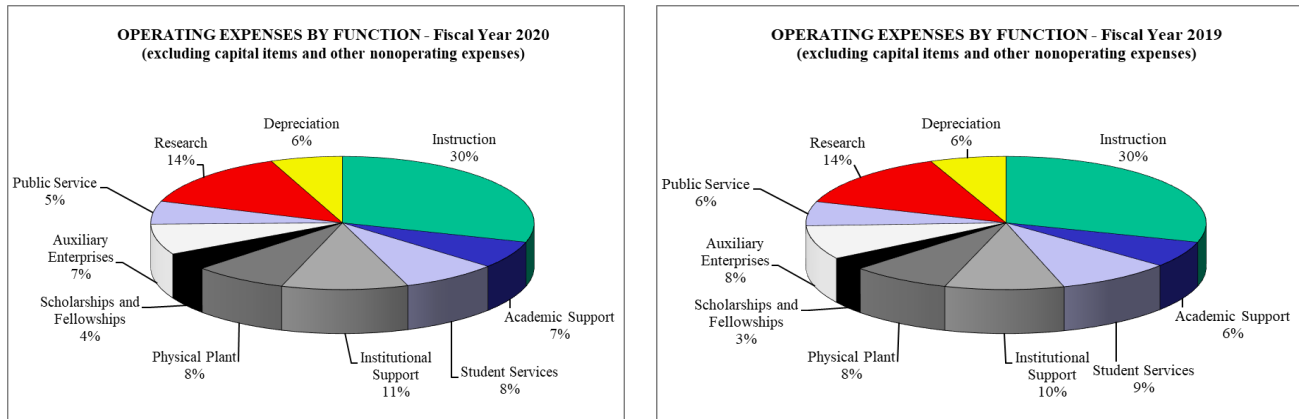
General and specific grant expenditures increased is due to increases in the North Dakota Scholars Award, North Dakota Indian Scholarships, and the North Dakota State Student Incentive Grant.

The following chart depicts the uses of operating funds according to natural classification for fiscal year 2020:



The allocation of operating expenses among the natural classification categories has not changed significantly from fiscal year 2019.

The following chart illustrates operating expenses by function for fiscal year 2020:



The allocation of expenses to functional areas has not changed significantly from the prior year.

Instructional expenses continue to represent the largest expenditure category. The instructional function includes all expenses related to instruction (e.g. classroom, distance education and continuing education) and instructional support.

Academic support includes libraries, academic deans, and other departments that directly support the academic unit of the campuses. Student services include all offices that provide a specific service to students, including career services, registration, admission and counseling.

Institutional support includes staff that supports the institution as a whole (e.g. business office, IT support and president’s office).

The physical plant function includes upkeep, maintenance and utilities for campus facilities.

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020

Scholarships and fellowships include aid provided to students.

Auxiliary enterprises are the self-supporting activities of the campuses, such as bookstore, food service and housing.

Depreciation represents the non-cash expense of capitalized assets over time.

Public service includes expenses for activities established primarily to provide non-instructional services that are beneficial to individuals and groups external to the institution.

All activities specifically organized to produce research, which is mostly federally funded, are included in the research function.

STATEMENT OF CASH FLOWS

The Condensed Statement of Cash Flows for the fiscal years ended June 30, 2020 and 2019 is shown below:

	June 30 (in thousands)	
	2020	2019-restated
Cash flows from operating activities	\$ (418,707)	\$ (353,077)
Cash flows from noncapital financing activities	468,884	438,637
Cash flows from capital and related financing activities	(34,238)	(43,813)
Cash flows from investing activities	16,293	3,382
Increase in cash and cash equivalents during the year	<u>\$ 32,231</u>	<u>\$ 45,129</u>

Consistent with accounting standards, cash flows from state appropriations (excluding capital assets) are included in noncapital financing activities, even though they provide funding for operating activities. Cash received from state appropriations, excluding capital assets, was \$373.9 million in fiscal year 2020 and \$360.5 million in fiscal year 2019. If these amounts are added to the cash flows from operating activities, the result is a cash outflow of \$45 million in fiscal year 2020 and a cash inflow of \$7.3 million in fiscal year 2019.

CAPITAL ASSET AND LONG-TERM LIABILITIES HIGHLIGHTS

CAPITAL ASSETS AND INTANGIBLES

On June 30, 2020, the System had \$1.52 billion invested in net capital assets and intangibles, which represents a net increase of \$49.4 million or 3 percent during the fiscal year.

	June 30 (in thousands)	
	2020	2019
Land	\$ 19,676	\$ 19,675
Land improvements/infrastructure	230,825	225,880
Buildings	1,731,888	1,695,809
Furniture, fixtures, and equipment	368,101	359,214
Library materials	82,228	81,977
Construction in progress	192,295	140,027
Capitalized software	25,165	25,103
Other intangibles	2,226	2,194
Total	<u>\$ 2,652,404</u>	<u>\$ 2,549,879</u>
Total accumulated depreciation and amortization	<u>\$ (1,137,090)</u>	<u>(1,083,961)</u>
Capital assets, net	<u>\$ 1,515,314</u>	<u>\$ 1,465,918</u>

MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2020

Total additions to depreciable capital assets and intangibles in fiscal year 2020 were \$30.3 million. Construction in progress for other projects underway totaled \$192.3 million at June 30, 2020. Major projects and their total project costs through June 30, 2020 include:

NDSCS

- Water and sewer replacement - \$13.2 million

NDSU

- Sudro Hall - \$23.2 million
- Dunbar Hall II - \$3.5 million

UND

- Steam plant replacement and related capitalized interest - \$68.6 million
- Memorial Union - \$29.9 million
- Chester Fritz Library - \$12.3 million
- Energy efficiency projects - \$14.4 million
- Student Engagement Center - \$2.1 million

VCSU

- Communications and Fine Arts Building - \$1.2 million

WSC

- Energy efficiency improvement projects - \$5.6 million

Outstanding commitments for these and other capital projects as of June 30, 2020 totaled \$160.3 million. More detailed information about the System’s capital assets is presented in Note 6 and Note 18 to the financial statements.

LONG-TERM LIABILITIES

	June 30 (in thousands)	
	2020	2019
Bonds Payable	\$ 332,054	\$ 260,192
Certificates of Participation	104,120	96,843
Notes Payable	19,386	17,412
Capital Leases	51,662	54,360
Special Assessments	4,389	5,058
Compensated Absences	33,415	30,886
Total Debt	<u>\$ 545,026</u>	<u>\$ 464,751</u>

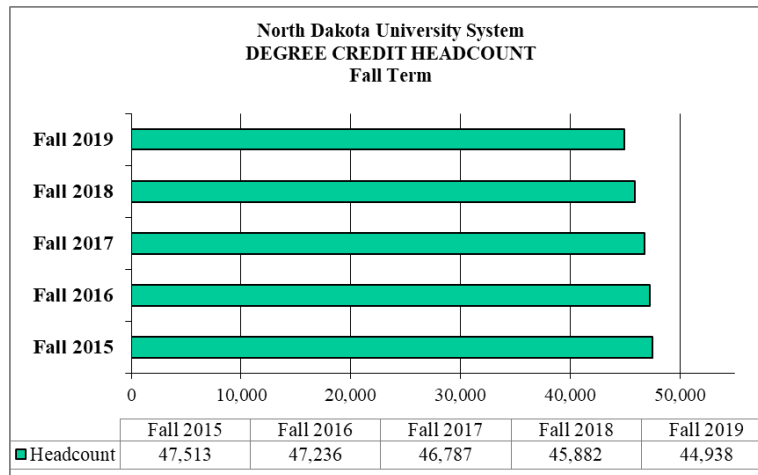
Long-term liabilities added in fiscal year 2020 totaled approximately \$97.1 million, including \$80.9 million in new bonds issued by UND for the new Memorial Union building, \$3.3 million in notes payable at UND for deferred maintenance projects and certificates of participation issued by WSC totaling \$7.3 million for the energy efficiency projects. Total debt retired in fiscal year 2020 was \$19.9 million, consisting primarily of bond payments of \$12.4 million, notes payable payments of \$1.3 million, capital lease payments of \$4.9 million and special assessments of \$1.3 million. As of June 30, 2020, \$21.7 million of revenue is pledged as security for outstanding revenue bonds.

OTHER HIGHLIGHTS

STUDENT ENROLLMENTS

As illustrated in the chart below, Annual Degree Credit Headcount enrollment for fall 2019 decreased by 944 or 2 percent compared to fall 2018 and by 2,575 or 6 percent compared to fall 2015.

MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2020



Source: 2019 Fall Enrollment Report: Table 6-Degree Credit Headcount Enrollment by Instructional Mode

Additional detailed enrollment data is contained in the 2019 Fall Enrollment Report at <https://ndus.edu/media-and-publications/institutional-research/reporting/>.

STATE FUNDING

The 2019 Legislative Assembly approved a state general fund appropriation for all entities of the North Dakota University System of \$766.2 million for the 2019-21 biennium. This is an increase of \$42.6 million above the 2017-19 original appropriation. Of the total increases, \$42.4 million was base funding and \$0.2 million was changes in one-time funding items.

FINANCIAL CONTACT

The System’s financial statements are designed to present users with a general overview of the System’s finances and to demonstrate accountability. If you have questions about the report or need additional financial information, contact the System’s Director of Financial Reporting at www.ndus.edu or State Capitol, 600 E. Boulevard, Department 215, Bismarck, ND 58505-0230.

NORTH DAKOTA UNIVERSITY SYSTEM
FINANCIAL STATEMENTS
JUNE 30, 2020

STATEMENT OF NET POSITION

	Primary Institutions
ASSETS	
Current assets	
Cash and cash equivalents	\$ 219,794,366
Investments	142,049,363
Accounts receivable, net	27,549,448
Due from component units - investments held on behalf of the institutions	109,162
Due from component units	11,131,408
Due from other NDUS institutions	508,973
Due from State general fund	13,982,691
Grants and contracts receivables, net	40,058,354
Inventories	6,983,840
Notes receivable, net	5,401,298
Other assets	2,702,564
Total current assets	<u>470,271,467</u>
Noncurrent assets	
Restricted cash and cash equivalents	65,158,930
Restricted investments	7,143,014
Endowment investments	575,528
Notes receivable, net	16,830,112
Other long-term investments	116,030,371
Due from component units - investments held on behalf of the institutions	19,837,213
Other noncurrent assets	197,040
Capital assets, net	1,515,313,778
Total noncurrent assets	<u>1,741,085,986</u>
Total assets	<u>2,211,357,453</u>
Deferred outflows of resources	<u>57,170,609</u>
LIABILITIES	
Current liabilities	
Accounts payable and accrued liabilities	37,257,320
Due to component units	997,411
Accrued payroll	41,070,422
Unearned revenue	24,081,959
Deposits	8,781,258
Long-term liabilities - current portion	
Due to component units	3,205,164
Due to others	25,525,553
Total current liabilities	<u>140,919,087</u>
Noncurrent liabilities	
Pension liability	109,414,127
OPEB liability	7,036,909
Other noncurrent liabilities	98,676
Long-term liabilities	
Due to component units	29,490,907
Due to others	486,804,838
Total noncurrent liabilities	<u>632,845,457</u>
Total liabilities	<u>773,764,544</u>
Deferred inflows of resources	<u>64,181,176</u>
NET POSITION	
Net investment in capital assets	1,076,215,390
Restricted for:	
Nonexpendable:	
Scholarships and fellowships	17,387,728
Expendable:	
Scholarships and fellowships	4,418,575
Research	7,019,147
Institutional	5,872,740
Loans	36,732,214
Capital projects	1,340,114
Debt service	9,904,514
Other	503,776
Unrestricted	271,188,146
Total net position	<u>\$ 1,430,582,344</u>

NORTH DAKOTA UNIVERSITY SYSTEM
FINANCIAL STATEMENTS
JUNE 30, 2020

STATEMENT OF FINANCIAL POSITION

FASB Basis	Component Units
ASSETS	
Current assets	
Cash and cash equivalents	\$ 107,557,009
Investments	50,664,607
Accounts receivable, net	6,342,155
Notes receivable	2,850,153
Receivable from primary institution	3,702,854
Unconditional promises to give, net of allowance	23,165,153
Inventories	1,509,420
Current portion of net investment in direct financing leases	1,216,210
Other assets	1,659,061
Total current assets	<u>198,666,622</u>
Noncurrent assets	
Restricted cash and cash equivalents	8,879,113
Investments	
Investments, net of current portion	577,932,400
Investments, restricted	3,338,119
Investments held in trust	27,739,973
Beneficial interest in trust	16,632,251
Charitable gift annuity investments	5,770,428
Charitable remainder trust account investments	17,679,102
Real estate and equipment held for investment, net of accumulated depreciation	18,318,303
Other long-term investments	22,775,492
Total investments	<u>690,186,068</u>
Contracts for deed and notes receivable, net of current portions	711,940
Long term pledges receivable/ unconditional promises to give	71,974,862
Other receivables	36,198
Due from primary institution-capital leases	29,481,292
Notes receivable, net	8,684,000
Net investment in direct financing leases, net of current portion	11,332,752
Other noncurrent assets	4,760,559
Capital assets, net	166,110,245
Total noncurrent assets	<u>992,157,029</u>
Total assets	<u><u>1,190,823,651</u></u>
LIABILITIES	
Current liabilities	
Accounts payable and accrued liabilities	3,460,970
Payable to Institutions	4,427,417
Accrued payroll	1,354,052
Current portion of gift annuities and life income agreements	2,688,211
Deferred revenue	13,184,109
Deposits held in custody for others	-
Other current liabilities	2,102,603
Long-term liabilities--current portion	8,958,597
Total current liabilities	<u>36,175,959</u>
Noncurrent liabilities	
Deposits	19,316,884
Investments held on behalf of Institutions	3,397,723
Gift annuities and life income agreements, net of current portion	15,838,279
Obligations under split-interest agreement	6,314,921
Other noncurrent liabilities	497,531
Long-term liabilities	70,424,558
Total noncurrent liabilities	<u>115,789,896</u>
Total liabilities	<u><u>151,965,855</u></u>
NET ASSETS	
With Donor Restriction	234,420,334
Without Donor Restriction	804,437,460
Total net assets	<u>1,038,857,794</u>
Total liabilities and net assets	<u><u>\$ 1,190,823,649</u></u>

NORTH DAKOTA UNIVERSITY SYSTEM
FINANCIAL STATEMENTS
JUNE 30, 2020

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	Primary Institution
OPERATING REVENUES	
Student tuition and fees (net of scholarship allowances of \$66.3 million and bad debt allowance of \$1.1 million)	\$ 338,541,806
Federal grants and contracts (net of bad debt allowance of \$1,900)	108,356,208
State grants and contracts	27,862,019
Nongovernmental grants and contracts	31,447,003
Sales and services of educational departments (net of bad debt allowance of \$257,600)	91,122,711
Auxiliary enterprises (net of scholarship allowances of \$1.1 million and bad debt allowance of \$324,000)	90,781,941
Other (net of bad debt allowance of \$69,600)	1,891,367
Total operating revenues	<u>690,003,055</u>
OPERATING EXPENSES	
Salaries and wages	780,356,789
Operating expenses	242,982,647
Data processing	18,491,336
Depreciation expense	72,345,493
Scholarships and fellowships	45,753,015
CARES Act Aid to Students	8,550,058
Cost of sales and services	24,927,372
Total operating expenses	<u>1,193,406,710</u>
Operating income (loss)	<u>(503,403,655)</u>
NONOPERATING REVENUES (EXPENSES)	
State appropriations	373,908,282
Federal appropriations	5,746,159
Federal grants and contracts	37,524,110
Federal grants and contracts stimulus	17,586,499
Gifts	43,357,846
Endowment and investment income	11,585,309
Interest on capital asset - related debt	(15,347,271)
Gain (loss) on disposal of capital assets	(4,547,141)
Insurance proceeds	757,141
Tax revenues	6,179,881
General and special grant expenditures	(12,179,705)
Transfers to North Dakota Industrial Commission	(1,701,735)
Other nonoperating revenues (expenses) (net of bad debt allowance of \$285,000)	(7,401,704)
Net nonoperating revenues (expenses)	<u>455,467,671</u>
Income (loss) before capital grants, gifts, and transfers	(47,935,984)
State appropriations - capital assets	18,821,741
Capital grants and gifts	17,501,781
Total other revenue	<u>36,323,523</u>
Increase (decrease) in net position	(11,612,461)
NET POSITION	
Net position - beginning of year, as restated	1,442,194,805
Net position - end of year	<u>\$ 1,430,582,344</u>

NORTH DAKOTA UNIVERSITY SYSTEM
FINANCIAL STATEMENTS
JUNE 30, 2020

STATEMENT OF ACTIVITIES

FASB BASIS	Component Units
Support and Revenue	
Gift, grants, and contributions	\$ 136,753,838
Investment income	18,969,541
Grant Revenue	565,281
Net realized and unrealized gains (losses) on investment securities	21,636,753
Program and event income	60,266,869
Other income	8,329,280
Total support and revenue	<u>246,521,562</u>
Expenses	
Program services	61,677,762
Supporting services	66,416,639
Fundraising expense	7,508,875
Total operating expenses	<u>135,603,276</u>
Change in Net Assets	110,918,286
Net Assets, Beginning of Year, as restated	<u>927,939,508</u>
Net Assets, End of Year	<u>\$ 1,038,857,794</u>

NORTH DAKOTA UNIVERSITY SYSTEM
FINANCIAL STATEMENTS
JUNE 30, 2020

STATEMENT OF CASH FLOWS

	Primary Institution
CASH FLOWS FROM OPERATING ACTIVITIES	
Student tuition and fees	\$ 342,257,626
Grants and contracts	159,362,013
Payments to suppliers	(285,375,966)
Payments to employees	(767,546,430)
Payments for scholarships and fellowships	(45,755,009)
CARES Act payments to students	(8,550,059)
Loans issued to students	(850,901)
Collection of loans to students	5,879,419
Auxiliary enterprise charges	91,028,979
Sales and service of educational departments	89,577,386
Cash received/(paid) on deposits	1,914,428
Other receipts (payments)	(649,014)
Net cash used by operating activities	<u>(418,707,528)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State appropriations	373,921,781
Federal appropriations	6,282,660
Grants and gifts received for other than capital purposes	79,538,022
Grants given for other than capital purposes	(12,179,705)
Federal stimulus revenues	17,586,505
Direct lending receipts	190,497,872
Direct lending disbursements	(192,057,709)
Agency fund cash increase (decrease)	816,356
Transfers to Industrial Commission	(1,701,736)
Tax revenues	6,179,879
Net cash flows provided by noncapital financing activities	<u>468,883,925</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from issuance of debt	94,784,190
Capital appropriations	14,701,908
Capital grants and gifts received	14,959,786
Proceeds from sale of capital assets	3,855,857
Purchases of capital assets	(129,972,054)
Insurance proceeds	694,010
Principal paid on capital debt and lease	(19,508,893)
Interest paid on capital debt and lease	(13,753,146)
Net cash used by capital and related financing activities	<u>(34,238,342)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales and maturities of investments	116,281,669
Interest on investments	12,120,081
Purchase of investments	(112,108,952)
Net cash provided by investing activities	<u>16,292,798</u>
Net increase (decrease) in cash	32,230,853
CASH - BEGINNING OF YEAR, as restated	\$ 252,722,443
CASH - END OF YEAR	<u>\$ 284,953,296</u>
RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	\$ (503,403,655)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities	
Depreciation expense	72,345,493
Other nonoperating revenues (expenses)	(5,580,950)
Change in assets, deferred outflows, liabilities and deferred inflows	
Accounts receivable adjusted for interest receivable	3,314,156
Grant & contract receivables	(8,345,999)
Inventories	2,679
Notes receivable	5,023,117
Other assets	3,040,563
Accounts payable and accrued liabilities adjusted for interest payable	(2,880,188)
Pension liability	(52,699,509)
OPEB liability	(109,984)
Net change in deferred outflows	15,602,220
Net change in deferred inflows	46,999,153
Accrued payroll	580,105
Compensated absences	2,528,657
Unearned revenue	2,962,176
Deposits	1,914,438
Net cash provided (used) by operating activities	<u>\$ (418,707,528)</u>
SUPPLEMENTAL DISCLOSURE ON NON CASH TRANSACTIONS	
Assets acquired through capital lease	\$ 660,816
Assets acquired through special assessment	9,808
Expenses paid by capital lease/special assessments	2,060,399
Gifts of capital assets	4,072,500
Net increase (decrease) in value of investments	(266,871)
Total non-cash transactions	<u>\$ 6,536,652</u>

STATEMENT OF FINANCIAL POSITION- MAJOR COMPONENT UNITS

FASB BASIS	BSC		NDSU	UND	UND Alumni
	Foundation	NDSU Foundation	Research & Technology Park	Aerospace Foundation	Association & UND Foundation
	June 30, 2020	December 31, 2019	June 30, 2020	June 30, 2020	June 30, 2020
Assets					
Current assets					
Cash and cash equivalents	\$ 1,522,027	\$ 34,273,163	\$ 1,764,291	\$ 12,261,982	\$ 40,263,262
Investments	-	26,559,681	-	-	-
Accounts receivable, net	3,690	731,982	253,043	3,635,950	-
Notes Receivable	-	-	2,800,000	-	-
Receivable from primary institution	464,544	99,720	-	-	-
Unconditional promises to give, net of allowance	834,857	14,517,528	-	-	6,970,821
Inventories	-	-	-	833,702	-
Current portion of net investment in direct financing leases	-	-	1,216,210	-	-
Other assets	19,267	366,531	500,000	329,340	801,769
Total current assets	2,844,385	76,548,605	6,533,544	17,060,974	48,035,852
Noncurrent assets					
Restricted cash and cash equivalents	-	981,403	-	6,575,000	-
Investments:					
Investments, net of current portion	19,822,055	255,008,433	-	-	262,488,564
Investments, restricted	-	-	-	-	-
Investments held in trust	5,708,218	-	-	-	18,634,032
Beneficial interest in trust	1,534,195	-	-	-	15,098,056
Charitable gift annuity investments	-	-	-	-	5,770,428
Charitable remainder trust account investments	-	-	-	-	17,679,102
Real estate and equipment held for investment, net of accumulated depreciation	95,409	30,074,278	-	-	-
Other long-term investments	48,622	15,955,680	-	142,000	6,403,549
Total investments	27,208,499	301,038,391	-	142,000	326,073,731
Contracts for deed and notes receivable, net of current portions	-	711,940	-	-	-
Long term pledges receivable/unconditional promises to give	1,495,898	42,830,161	-	-	23,633,644
Other receivables	-	-	-	-	4,610,778
Receivable from primary institution	748,503	-	-	-	-
Notes receivable, net	-	-	8,585,000	99,000	-
Net investment in direct financing leases, net of current portion	-	-	11,332,752	-	-
Other noncurrent assets	115,585	1,112,398	415,726	546,831	-
Capital assets, net	14,308,214	3,305,821	6,252,879	62,835,868	10,816,242
Total noncurrent assets	43,876,699	349,980,114	26,586,357	70,198,699	365,134,395
Total assets	46,721,084	426,528,719	33,119,901	87,259,673	413,170,247
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities	116,705	2,140,050	248,054	590,747	60,768
Payable to primary institution	263,303	-	1,090	2,051,857	234,628
Accrued payroll	-	-	-	905,697	445,120
Current portion of gift annuities and life income agreements	370,986	660,284	-	-	1,598,853
Deferred revenue	-	-	31,755	5,532,086	1,913,668
Other current liabilities	-	217,463	-	28,800	789,000
Long-term liabilities-current portion	342,080	1,102,835	4,189,187	865,163	651,802
Total current liabilities	1,093,074	4,120,632	4,470,086	9,974,350	5,693,839
Noncurrent liabilities					
Deposits	-	-	-	-	18,634,032
Investments held on behalf of institutions	-	-	-	-	-
Gift annuities and life income agreements, net of current portion	2,928,139	-	-	-	12,910,140
Obligations under split-interest agreement membership units	-	6,314,921	-	-	-
Other noncurrent liabilities	203,600	-	207,531	86,400	-
Long-term liabilities	5,020,757	22,303,770	20,962,109	3,231,176	4,963,494
Total noncurrent liabilities	8,152,496	28,618,691	21,169,640	3,317,576	36,507,666
Total liabilities	9,245,570	32,739,323	25,639,726	13,291,926	42,201,505
NET ASSETS					
Without donor restrictions	11,734,763	31,992,447	7,330,175	67,392,747	42,057,208
With donor restrictions	25,740,751	361,796,949	150,000	6,575,000	328,911,534
Total net assets	37,475,514	393,789,396	7,480,175	73,967,747	370,968,742
Total liabilities and net assets	\$ 46,721,084	\$ 426,528,719	\$ 33,119,901	\$ 87,259,673	\$ 413,170,247

STATEMENT OF FINANCIAL POSITION - MAJOR COMPONENT UNITS - Continued

FASB BASIS	RE Arena, Inc UND Arena Services, Inc. UND Sports Facilities, Inc. Arena Holdings Charitable LLC & Affiliates				
	May 31, 2020	Total Major Component Units	Non-major Component Units	Reclassifications	Total Component Units
ASSETS					
Current assets					
Cash and cash equivalents	\$ 8,810,868	\$ 98,895,593	\$ 8,661,416	\$ -	\$ 107,557,009
Investments	534,300	27,093,981	23,570,626	-	50,664,607
Accounts receivable, net	1,156,751	5,781,416	649,129	(88,390)	6,342,155
Notes receivable	-	2,800,000	50,153	-	2,850,153
Receivable from primary institution	-	564,264	70,823	3,067,767	3,702,854
Unconditional promises to give, net of allowance	-	22,323,206	841,947	-	23,165,153
Inventories	675,718	1,509,420	-	-	1,509,420
Current portion of net investment in direct financing leases	-	1,216,210	-	-	1,216,210
Other assets	269,455	2,286,362	75,692	(702,993)	1,659,061
Total current assets	11,447,092	162,470,452	33,919,786	2,276,384	198,666,622
Noncurrent assets					
Restricted cash and cash equivalents	646,222	8,202,625	676,488	-	8,879,113
Investments:					
Investments, net of current portion	-	537,319,052	40,613,348	-	577,932,400
Investments, restricted	3,338,119	3,338,119	-	-	3,338,119
Investments held in trust	-	24,342,250	3,397,723	-	27,739,973
Beneficial interest in trust	-	16,632,251	-	-	16,632,251
Charitable gift annuity investments	-	5,770,428	-	-	5,770,428
Charitable remainder trust account investments	-	17,679,102	-	-	17,679,102
Real estate and equipment held for investment, net of accumulated depreciation	-	30,169,687	-	(11,851,384)	18,318,303
Other long-term investments	-	22,549,851	225,641	-	22,775,492
Total investments	3,338,119	657,800,740	44,236,712	(11,851,384)	690,186,068
Contracts for deed and notes receivable, net of current portions	-	711,940	-	-	711,940
Long term pledges					
receivable/unconditional promises to give	-	67,959,703	4,015,159	-	71,974,862
Other receivables	-	4,610,778	-	(4,574,580)	36,198
Receivable from primary institution	-	748,503	47,458	28,685,331	29,481,292
Notes receivable, net	-	8,684,000	-	-	8,684,000
Net investment in direct financing leases, net of current portion	-	11,332,752	-	-	11,332,752
Other noncurrent assets	-	2,190,540	2,570,019	-	4,760,559
Capital assets, net	60,608,296	158,127,320	22,518,676	(14,535,751)	166,110,245
Total noncurrent assets	64,592,637	920,368,901	74,064,512	(2,276,384)	992,157,029
Total assets	76,039,729	1,082,839,353	107,984,298	-	1,190,823,651
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities	1,596,502	4,752,826	220,664	(1,512,520)	3,460,970
Payable to primary institution	-	2,550,878	364,019	1,512,520	4,427,417
Accrued payroll	-	1,350,817	3,235	-	1,354,052
Current portion of gift annuities and life income agreements					
Deferred revenue	-	2,630,123	58,088	-	2,688,211
Other current liabilities	5,554,100	13,031,609	152,500	-	13,184,109
Other current liabilities	1,065,006	2,100,269	2,334	-	2,102,603
Long-term liabilities--current portion	-	7,151,067	1,807,530	-	8,958,597
Total current liabilities	8,215,608	33,567,589	2,608,370	-	36,175,959
Noncurrent liabilities					
Deposits	-	18,634,032	682,852	-	19,316,884
Investments held on behalf of institutions	-	-	3,397,723	-	3,397,723
Gift annuities and life income agreements, net of current portion					
Obligations under split-interest agreement membership units	-	15,838,279	-	-	15,838,279
Other noncurrent liabilities	-	6,314,921	-	-	6,314,921
Other noncurrent liabilities	-	497,531	-	-	497,531
Long-term liabilities	-	56,481,306	13,943,252	-	70,424,558
Total noncurrent liabilities	-	97,766,069	18,023,827	-	115,789,896
Total liabilities	8,215,608	131,333,658	20,632,197	-	151,965,855
NET ASSETS					
Without donor restrictions	67,824,121	228,331,461	6,088,873	-	234,420,334
With donor restrictions	-	723,174,234	81,263,226	-	804,437,460
Total net assets	67,824,121	951,505,695	87,352,099	-	1,038,857,794
Total liabilities and net assets	\$ 76,039,729	\$ 1,082,839,353	\$ 107,984,296	\$ -	\$ 1,190,823,649

NORTH DAKOTA UNIVERSITY SYSTEM
FINANCIAL STATEMENTS
JUNE 30, 2020

STATEMENT OF ACTIVITIES, Major Component Units

FASB BASIS

	BSC		NDSU		UND	UND Alumni
	Foundation	NDSU Foundation	Research & Technology Park	UND Aerospace Foundation	Association & UND Foundation	Foundation
	June 30, 2020	December 31, 2019	June 30, 2020	June 30, 2020	June 30, 2020	June 30, 2020
Support and revenue						
Gifts, Grants and contributions	\$ 3,026,548	\$ 87,741,630	\$ 369,068	\$ 220,595	\$ 40,606,747	
Investment income	112,406	12,936,043	665,061	96,507	836,782	
Grant Revenue	-	-	-	-	-	
Net realized and unrealized gains (losses) on investment securities	-	23,619,651	-	-	(2,212,466)	
Program and event income	30,757	-	94,451	34,337,286	8,267,853	
Other income	512,539	1,537,247	911,275	1,380,477	-	
Total support and revenue	3,682,250	125,834,571	2,039,855	36,034,865	47,498,916	
Expenses						
Program services	2,477,805	27,263,220	996,097	-	23,964,775	
Supporting services	799,099	5,224,125	828,046	34,640,088	2,496,986	
Fundraising expense	60,754	3,877,226	-	85,021	2,938,628	
Total expenses	3,337,658	36,364,571	1,824,143	34,725,109	29,400,389	
Change in Net Assets	344,592	89,470,000	215,712	1,309,756	18,098,527	
Net Assets, Beginning of Year, as restated	37,130,922	304,319,396	7,264,463	72,657,991	352,870,215	
Net Assets, End of Year	\$ 37,475,514	\$ 393,789,396	\$ 7,480,175	\$ 73,967,747	\$ 370,968,742	

NORTH DAKOTA UNIVERSITY SYSTEM
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STATEMENT OF ACTIVITIES, Major Component Units - Continued

	RE Arena, Inc UND Arena Services, Inc. UND Sports Facilities, Inc. Arena Holdings Charitable LLC & Affiliates May 31, 2020	Total Major Component Units	Non-Major Component Units	Total Component Units
Support and revenue				
Gifts and contributions	\$ -	\$ 131,964,588	\$ 4,789,250	\$ 136,753,838
Investment income	227,932	14,874,731	4,094,810	18,969,541
Grant Revenue	-	-	565,281	565,281
Net realized and unrealized gains (losses) on investment securities	-	21,407,185	229,568	21,636,753
Program and event income	7,772,469	50,502,816	9,764,053	60,266,869
Other income	1,533,180	5,874,718	2,454,562	8,329,280
Total support and revenue	9,533,581	224,624,038	21,897,524	246,521,562
Expenses				
Program services	445,306	55,147,203	6,530,559	61,677,762
Supporting services	10,884,557	54,872,901	11,543,738	66,416,639
Fundraising expense	238,484	7,200,113	308,762	7,508,875
Total expenses	11,568,347	117,220,217	18,383,059	135,603,276
Change in Net Assets	(2,034,766)	107,403,821	3,514,465	110,918,286
Net Assets, Beginning of Year, as restated	69,858,887	844,101,874	83,837,634	927,939,508
Net Assets, End of Year	\$ 67,824,121	\$ 951,505,695	\$ 87,352,099	\$ 1,038,857,794

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies, as summarized below, and the financial statements for the North Dakota University System (System) are in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) which is the accepted primary standard-setting body for establishing governmental accounting and financial reporting principles.

REPORTING ENTITY

The North Dakota State Board of Higher Education (SBHE) is the governing body for North Dakota's eleven publicly supported colleges and universities. In addition to these eleven institutions, the SBHE also oversees the Agricultural Research Centers, Agronomy Seed Farm, North Dakota Cooperative Extension Service, Northern Crops Institute, School of Medicine and Health Sciences, the State Forest Service, and the Upper Great Plains Transportation Institute. The SBHE was established in 1939 when the voters of North Dakota approved an initiated measure to add Article VIII to the State Constitution. The SBHE consists of ten voting members. The Governor, with the advice and consent of the Senate, appoints seven of the eight voting members. The eighth member is a full-time resident student appointed by the Governor. A ninth member is a faculty member (non-voting) selected by the state-wide Council of College Faculties. A tenth member is a staff member (non-voting) selected by the statewide Staff Senate. The SBHE is an entity of the executive branch of the government of the State of North Dakota. The colleges and universities governed by the SBHE are collectively known and referred to as the North Dakota University System hereafter referred to as the System. The Board appoints a Commissioner of Higher Education (Chancellor) to serve as the chief executive officer of the Board and of the System. The Chancellor and the Chancellor's staff must have their principal office in the State Capitol per the North Dakota Constitution. This office is referred to as the System Office or NDUSO. The North Dakota Legislature appropriates funds it deems necessary and as required by law for those agencies and institutions authorized to exist by the constitution and statutes. Separate general ledgers are maintained for the System Office and each institution on the PeopleSoft Finance Module. The financial statements presented here are also included in the comprehensive annual financial report of the State of North Dakota.

The System includes the following entities that were created by the North Dakota Constitution and/or North Dakota Century Code (NDCC). As stated above these entities are under the control and administration of the SBHE. Each entity receives a separate appropriation from the North Dakota Legislature as provided by North Dakota Constitutional Article VIII, S 6(6)(e) and state statute.

North Dakota University System Entities (Primary Institution)

North Dakota University System Office (NDUSO)

Bismarck State College (BSC)

Dakota College of Bottineau (DCB)

Dickinson State University (DSU)

Lake Region State College (LRSC)

Mayville State University (MaSU)

Minot State University (MiSU)

North Dakota State College of Science (NDSCS)

North Dakota State University (NDSU)

Agricultural Experiment Stations:

North Dakota State University Main Research Center

Dickinson Research Extension Center

Central Grasslands Research Extension Center

Hettinger Research Extension Center

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Langdon Research Extension Center
North Central Research Extension Center
Williston Research Extension Center
Carrington Research Extension Center
Agronomy Seed Farm
Northern Crops Institute
Upper Great Plains Transportation Institute
North Dakota State University Cooperative Extension Service
North Dakota Forest Service
University of North Dakota (UND)
School of Medicine and Health Sciences
Valley City State University (VCSU)
Williston State College (WSC)

Component Units

The process of evaluating potential component units involved the application of criteria set forth in Governmental Accounting Standards Board Statement No. 14, The Financial Reporting Entity. In accordance with GASB Statement No. 14, a financial reporting entity consists of the primary institution, organizations for which the primary institution is financially accountable and other organizations for which the nature and significance of their relationship with the primary institution are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The definition of the reporting entity is based primarily on the criteria of financial accountability. The primary institution is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and it is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary institution. Governmental Accounting Standards Board (GASB) Statement No. 39, Determining Whether Certain Organizations Are Component Units, modifies and clarifies previously existing criteria of determining whether an organization should be reported as a component unit and how that component unit should be reported in the financial statements. The nature and significance of the organization's relationship and the extent of financial integration with the primary institution are now considered when determining potential component units. Governmental Accounting Standards Board Statement No. 61 amends the requirements established by GASB Statement No. 14 and GASB Statement No. 39 for inclusion of component units in the financial reporting entry. GASB Statement No. 61 requires a financial benefit or burden relationship in addition to a fiscal dependency.

As required by generally accepted accounting principles, the accompanying financial statements present the System (the primary institution) and its component units. The component units are included in the System's reporting entity because of the significance of their operational or financial relationships with the System.

The component units' financial statements are presented under Financial Accounting Standards Board (FASB) standards. As such, certain amounts reported on the primary institution financial statements (receivables from and payables to component units) are not reflected on the component units' financial statements. A reclassification column has been added to the consolidating component unit's statement of financial position to reflect material inter-entity balances between the primary institutions and the component units. Certain other amounts have been reclassified for consistent presentation. Detailed component unit financial statements may be obtained at the respective addresses listed below.

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NOTES TO THE FINANCIAL STATEMENTS

Blended Component Units

A component unit whose governing body is substantively the same as the governing body of the primary institution, a financial benefit/burden relationship exists and the entity provides services entirely or almost entirely to the primary institution or otherwise exclusively or almost exclusively benefits the primary institution even though it does not provide services directly to it, is included in the primary institutions financial statements using the blending method.

North Dakota University System Foundation is considered a blended component unit. Although it is a legally separate, non-profit 501(c)(3) organization, NDUS Foundation is reported as if it were part of the primary institution because its sole purpose is to support the System. Some members of the SBHE serve on the Board of Trustees for the foundation. Complete financial statements may be obtained at the entity's administrative office at 600 E. Boulevard Ave. Dept. 215, Bismarck, ND 58505.

Discretely Presented Component Units

The following component units are legally separate entities; however, a fiscal dependency relationship exists whereby the entity does not have the ability to complete certain essential fiscal events without substantive approval from the primary institution or due to the nature and significance of the relationship to the System, exclusion would render the financial statements incomplete or misleading. Although the primary institution does not control the timing or amount of receipts from the component units, the majority of resources, or income thereon that the entities hold and invest are restricted by the donors to the activities of the primary institution or its constituents. Therefore, these entities are discretely presented in the accompanying financial statements using Financial Accounting Standards Board (FASB) standards, including FASB Statement No. 117, Financial Reporting for Not-for-Profit Organizations. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. Component units that are significant relative to the other component units and to the primary institution are considered "major" component units and are displayed in separate columns in the component unit section of the accompanying financial statements and are included in Note 19 under Major Component Units. Component units that are not significant relative to the other component units and to the primary institution are considered "non-major" component units and are displayed in a combined column in the component unit section of the accompanying financial statements.

Major Component Units

The **Bismarck State College Foundation (BSCF)** is a legally separate, non-profit organization established to assist in the development and advancement of BSC. The foundation acts primarily as a fundraising organization to supplement the resources that are available to the college. The foundation is managed by a 75-member board of directors as well as seven ex-officio members that are officers/employees of BSC. Financial statements may be obtained at their administrative office at 1255 Schafer Street, PO Box 5587, Bismarck, ND 58506-5587.

NDSU Foundation (NDSU Foundation) is a legally separate non-profit corporation established to raise, manage, distribute, and steward private resources to support the various priorities of NDSU. The NDUS Foundation engages in development and outreach activities on behalf of NDSU. The NDSU Foundation is governed by an Executive Governing Board comprised of 11 voting members as well as two ex-officio members – the president of NDSU and the President/CEO of the foundation.

The NDUS Foundation's fiscal year-end is December 31. Financial statements and footnote disclosures are presented as of December 31, 2019. Financial statements may be obtained at their administrative office at 1241 N. University Drive, Fargo, ND 58102.

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NOTES TO THE FINANCIAL STATEMENTS

NDSU Research & Technology Park, Inc., (NDSU RTP) is a legally separate non-profit organization developed to promote an economic environment dedicated to applied research and technology discovery for the benefit of NDSU, its faculty and staff and students and the citizens of North Dakota. The majority of the Park's board of directors (nine of twelve) works in private industry. Officers of NDSU fill the remaining three positions. The President of NDSU serves as president of the board of directors and has control over final building plans for any new building at the Park. Financial statements may be obtained at their administrative office at 1854 NDSU Research Circle North, Fargo, ND 58102.

UND Aerospace Foundation (UND AF) is a nonprofit entity organized in 1985 to encourage and develop UND's John D. Odegard School of Aerospace Sciences. The UND AF's principal activities consist of developing and conducting training programs, research and development, and consulting services related to the aerospace industry.

The Foundation is governed by a board of directors consisting of three to nine voting members, including two or more persons who are active in the aerospace industry and/or graduates of UND with an interest in the aerospace industry, elected by the board. Non-voting members/representatives on the board include a senior manager of the Foundation elected by the board, the dean of the Odegard School of Aerospace Sciences and the president of UND. The Foundation benefits UND, financially and otherwise, through its promotion of the Odegard School and its programs and in the sharing of resources. Complete financial statements for the Aerospace Foundation may be obtained at the entity's administrative office at 4275 University Ave Stop 9023, Grand Forks, ND 58202-9023.

The UND Alumni Association and Foundation (UND Foundation) is a nonprofit organization exclusively for the benefit of UND and whose mission is to support UND students, faculty, alumni and the greater community by providing resources for growth and development. The University of North Dakota Alumni Association merged with the UND Foundation September 15, 2014 to integrate the operations, leadership and strategic growth of the two organizations as they support UND.

The UND Foundation fosters connections, inspires generosity, and advances the University of North Dakota. The organization receives, holds and manages contributions from alumni and private sources and engages in development and engagement activities on behalf of UND.

The UND Foundation is governed by a board of directors. The board of directors consists of twenty-two voting members, twenty of whom are alumni of UND, and an additional six ex-officio members. The six ex-officio members consist of two UND Foundation officers and four UND officers. The financial statement for the UND Foundation may be obtained at the entity's administrative office at 3501 University Ave Stop 8157, Grand Forks, ND 58202-8157 or at undalumni.org.

RE Arena Inc. (REA), UND Arena Services Inc. (UAS), UND Sports Facilities Inc. (UNDSF) and Arena Holdings Charitable LLC (AHC) are related organizations with common board of directors and management organized for the benefit of UND. There are many transactions between the organizations. All related party transactions have been eliminated in the combined financial statements of the organizations.

These organizations operate and maintain a multipurpose sports and entertainment complex in Grand Forks, N.D. The complex is used primarily for UND athletics and activities. UND Sports Facilities Inc. (UNDSF) is the sole member of Arena Holdings Charitable LLC (AHC). RE Arena Inc. conducts day-to-day operations of the arena through a contract with UND Arena Services Inc. UND Arena Services Inc.

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NOTES TO THE FINANCIAL STATEMENTS

is the legal manager of AHC, which is the leasee of the land from UND and is the titleholder of the complex. At the conclusion of the original 30-year lease (2030), the complex shall vest with UND.

UAS has a seven-member board with one member being the UND Vice President for Finance and Operations/Chief Operating Officer (VPFO/COO). REA has a five-member board with the President being the REA General Manager. The remaining four board members are board members of UAS with no UND employee represented on the board. AHC is a disregarded entity and does not have any board members. UNDSF has three board members, who also serve on the other boards, with one of the board members being UND VPFO/COO. All board members from all three entities have voting rights. A complete combined financial statement for these organizations may be obtained at Ralph Engelstad Arena, One Ralph Engelstad Arena Dr., Grand Forks, ND 58203.

Non-major Component Units

Minot State University Development Foundation (MiSUDF) is a legally separate non-profit organization established for the purpose of providing financial and other support to MiSU. MiSUDF receives, holds and manages contributions from alumni and private sources.

A board of directors comprising twelve voting members manages the MiSUDF. In addition, there are two ex-officio appointments from the Board of Regents and the Alumni Association, and three ex-officio members who are employees of MiSU. Financial statements for the foundation may be obtained at their administrative office at 500 University Avenue West, Minot, ND 58707.

North Dakota State College of Science Foundation (NDSCSF) is a legally separate non-profit entity established for the purpose of receiving and maintaining funds received from the public for the betterment of NDSCS. NDSCSF is managed by a 20-member board of directors as well as five ex-officio members that are officers/employees of NDSCS. Financial statements for the foundation may be obtained at their administrative office at 800 Sixth Street North, Wahpeton, ND 58076-0002.

Williston State College Foundation (WSCF) is a legally separate established as a fund-raising organization to supplement the resources that are available to WSC. WSCF is managed by an 11-member board of directors. Financial statements for WSCF may be obtained at their administrative office at 721 East Highland Drive, Suite E, Williston, ND 58801.

JOINT VENTURES

Tri-College University

Tri-College University (TCU) is a legally separate organization organized exclusively for educational purposes within the meaning of section 501(c)(3) of the Internal Revenue Code. TCU's purpose is to assist in the establishment and maintenance of coordinated programs between Concordia College, Minnesota State University Moorhead, Minnesota State Community and Technical College – Moorhead, NDSCS and NDSU, as a means of maximizing higher educational services for the region. The organization serves as an agency through which resources are received and dispensed to supplement the educational endeavors of the five member institutions. The organization also serves as a means for promoting and strengthening existing and potential educational programs and courses.

A ten-member board of directors, including the presidents of the five universities, manages the TCU. All property, funds and income of the organization are held for the exclusive use and benefit of the participating institutions. Administration of funds and other resources received by TCU for use in connection with specific programs at NDSU are the responsibility of the university. As of June 30, 2020, the TCU had net position of approximately \$724,000 and is not considered a financial burden to NDSU.

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NOTES TO THE FINANCIAL STATEMENTS

The financial activity of this organization is not reflected in the accompanying financial statements. Financial statements for the TCU may be obtained at their administrative office at NDSU, Renaissance Hall, 650 NP Avenue 110, Fargo, ND 58102.

INSIGNIFICANT COMPONENT UNITS

The following organizations are component units of the System but they have been deemed insignificant due to small total assets and revenues. Entities in this category had less than 1.0 percent each in total assets compared to total System assets and less than 10 percent in payments to or from the primary institution. Separate boards of directors control these entities. In addition, the institution does not exercise financial or administrative control over these entities and/or the entities' relationship with the primary institutions is not significant enough to warrant inclusion in the reporting entity's financial statements. The related organizations at June 30, 2020 were:

BSC:	Bismarck Innovations Foundation 1200 Edwards Avenue Bismarck, ND 58506-5587	DSU	The Blue Hawk Booster Club 620 Villard St. W Dickinson, ND 58601-5128
	Mystic Athletic Club 1500 Edwards Ave. PO Box 5587 Bismarck, ND 58506-5587		Dickinson State University Heritage Foundation 290 Campus Drive Box 19 Dickinson, ND 58601
DCB:	DCB Foundation 105 Simrall Boulevard Bottineau, ND 58318	LRSC:	Lake Region Community College Foundation 1801 College Drive North Devils Lake, ND 58301-1598
MaSU:	Mayville Mutual Aid Corporation 330 3 rd Street NE Mayville, ND 58257	MiSU:	MiSU Alumni Association, Inc Minot State University 500 University Ave W Minot, ND 58707
	Mayville State University Foundation 330 3 rd Street NE Mayville, ND 58257		Beaver Boosters, Inc Minot State University 500 University Ave W Minot, ND 58707
NDSU	Alliance for Arts & Humanities 221 Minard Hall, Albrecht Blvd PO Box 6050 Fargo, ND 58108-6050	UND:	EERC Foundation Energy & Environmental Research Center University of North Dakota 15 North 23 rd Street, Stop 9018 Grand Forks, ND 58202-9018
	NDSU Research Foundation 1735 NDSU Research Park Drive Suite 124 Fargo, ND 58102		The Fellows of the University of North Dakota 264 Centennial Drive PO Box 6050 Grand Forks, ND 58502
	NDSU Team Makers Dept 1200 PO Box 6050 Fargo, ND 58108-6050		UND Center for Innovation Foundation 4200 James Ray Drive, Stop 8372 Grand Forks, ND 58203
VCSU:	VCSU Foundation 101 College Street SW Valley City, ND 58072	WSC	Teton Booster Club PO Box 760 Williston, ND 58802

BASIS OF PRESENTATION

The financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, and Statement No. 35, Basic Financial Statements - and Management's Discussion and

June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS

Analysis - for Public Colleges and Universities, issued in June and November, 1999, as amended by GASB Statement Nos. 36, 37 and 38. The System follows the "business-type activities" (BTA) reporting requirements of GASB Statement No. 34 that provides a comprehensive one-line look at the System's activities.

BASIS OF ACCOUNTING

The financial statements of the System have been prepared using the economic resources measurement focus and the accrual basis of accounting, whereby all revenues are recorded when earned and all expenses are recorded when they have been reduced to a legal or contractual obligation to pay.

The System follows the pronouncements of the Governmental Accounting Standards Board (GASB), which is the nationally accepted standard setting body for establishing generally accepted accounting principles for governmental entities.

UNRESTRICTED NET POSITION

Unrestricted net position includes resources derived from student tuition and fees, sales and services, unrestricted gifts, royalties, and interest income.

Restricted and unrestricted resources are tracked using a fund accounting system and are spent in accordance with established fund authorities. Fund authorities provide rules for the fund activity and are separately established for restricted and unrestricted activities. When both restricted and unrestricted funds are available for expenditure, the decision for funding is transactional based within the departmental management system in place at each institution.

RESTRICTED ASSETS

The System, based on certain bond covenants, is required to establish and maintain prescribed amounts of resources that can be used only to service outstanding debt. Also, included are unspent bond proceeds that will be expended for construction of capital assets.

REVENUE AND EXPENSE RECOGNITION

The System presents its revenues and expenses as operating or nonoperating based on recognition definitions from GASB Statement No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting. Operating activities are those activities that are necessary and essential to the mission of the System.

Operating revenues include all charges to customers, grants received for student financial assistance, research contracts and grants, and interest earned on loans. Grants received for student financial assistance are considered operating revenues because they provide resources for student charges and such programs are necessary and essential to the mission of the System. Pell Grant revenues are considered non-operating revenues. Revenues from nonexchange transactions and state appropriations that represent subsidies or gifts to the System, as well as investment income, are considered nonoperating since these are either investing, capital or noncapital financing activities. Operating expenses are all expense transactions incurred other than those related to investing, capital or noncapital financing activities. Revenues received for capital financing activities, as well as related expenses, are considered neither operating nor nonoperating activities and are presented after nonoperating activities.

BUDGETARY PROCESS

The State of North Dakota operates through a biennial appropriation. Legislation requires the SBHE to present a single unified budget request covering the needs of all the institutions under its control to the

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NOTES TO THE FINANCIAL STATEMENTS

Governor through the Director of the Office of Management and Budget (OMB). The Governor is required by legislation to present his budget to the General Assembly at the beginning of each session. The General Assembly enacts the budget of the various institutions through the passage of specific appropriation acts. Before signing the appropriation acts, the Governor may veto or reduce any specific appropriation, subject to legislative override. Once passed and signed, the budget becomes the state's financial plan for the next two years.

The SBHE allocates contingency and capital emergency funding within guidelines provided by the General Assembly. Any funds received by the SBHE and entities of the System pursuant to federal acts, private grants, and other sources not deposited in the operating funds in the state treasury are appropriated for the biennial period. The SBHE has the authority to transfer funds between line items by notifying OMB in writing, with the exception that the SBHE may not approve transfers from any capital assets line item.

The North Dakota Constitution prohibits any transfers between institutions, even by the legislature. Institutions within the System do not use encumbrance accounting. The legal level of budgetary control is at the institutional line-item level, with administrative controls established at lower levels of detail in certain instances.

SBHE policy requires each college or university to submit a biennial budget for SBHE approval and annual budgets to be approved by the Chancellor. These budgets are prepared on an accrual basis and include activity relative to current funds and unexpended plant funds. These annual budgets are prepared within the framework of the legislative-approved appropriations and become each institution's financial plan for the coming year. The SBHE allows each institution's discretion in transferring funds between departments.

CASH AND CASH EQUIVALENTS

This classification includes cash on-hand, cash in-bank, regular and money market savings accounts, and certificates of deposit and time saving certificates (original maturity of 3 months or less). For purposes of the Statement of Cash Flows, the System considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash equivalents representing assets of the System's endowment, unspent bond proceeds and cash restricted by bond covenants are included in non-current restricted cash.

INVESTMENTS

Investments consist of certificates of deposit (maturity greater than three months), U.S. Treasuries, bonds, stocks and other securities held by trust departments or broker dealers and investments in real estate. Investments are reported at fair value for year-end financial reporting. Fair value is the amount at which an investment could be exchanged between two willing parties, which for financial reporting purposes is based on quoted market prices. The net increase (decrease) in the fair value of investments is recognized as a part of investment income. Investments are classified as investments, if the maturity date is more than three months to one year, or as Other Long-term Investments, if the maturity date is more than one-year from the date of the financial statements. Investments restricted by bond covenants or invested from bond proceeds are classified as Restricted Investments. Investments held by endowment funds are classified as Endowment Investments.

Investments are measured at fair value using the hierarchy established by general accepted accounting principles. These levels are:

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NOTES TO THE FINANCIAL STATEMENTS

- Level 1 – Valuation is based upon quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- Level 2 – Valuation is based upon quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.
- Level 3 – Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect our own estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

Fair values are based on the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

RECEIVABLES

Accounts receivables include tuition, fees, food service, room and board charges and apartment rent; accrued interest on investments; and Family Medicine Center revenues (UND). Grants and contracts receivables include federal and private grants and contracts revenue and state grants and other income due from other state agencies. Loan fund notes receivable represents amounts due from students for Perkins and other federal loans, and other institutional loans. Net receivables are shown on the basic financial statements. The allowances for doubtful accounts/notes are detailed in Note 3.

INVENTORIES

Inventories held for resale in auxiliaries (including food, books and other merchandise) and unrestricted physical plant, aerospace and pharmacy supplies are generally stated at the lower of cost (generally determined on the first-in, first-out, or moving weighted average method) or fair market value.

CAPITAL AND INTANGIBLE ASSETS

Land, buildings, equipment, and other property are stated at historical cost, with the exception of property acquired prior to the following dates for the various institutions which are stated at appraised values: July 1, 1964 (MiSU, BSC, NDSCS, NDSU); July 1, 1965 (UND); July 1, 1966 (VCSU, DCB); July 1, 1969 (DSU); July 1, 1970 (MaSU); July 1, 1984 (WSC); and July 1, 1987 (LRSC). Professional consultants for the purposes of insurance and financial record keeping evaluated these assets. Library books and periodicals are stated at an estimated inventory value as of the following dates for the following institutions with subsequent additions at cost and deletions at average cost: June 30, 1973 (MaSU, VCSU); June 30, 1974 (UND, NDSCS, NDSU, DCB); June 30, 1976 (DSU); July 1, 1979 (MiSU); June 30, 1985 (BSC, LRSC); and June 30, 1990 (WSC).

Capital assets, including purchased software with a unit cost of \$5,000 or greater and all library books, are recorded at cost at the date of acquisition, or if donated, at fair market value at the date of donation. Infrastructure assets are included in the financial statements and are depreciated. Depreciation is not allocated to the functional categories. Intangible assets, excluding purchased software, with a unit cost of \$25,000 or more are recorded at cost at the date of acquisition, or if donated, at fair market value at the date of donation. Internally developed intangible assets with a unit cost of \$50,000 or more are recorded at cost and are amortized.

The composite method is used for library book depreciation. All books purchased during a year are consolidated together and depreciated as a group of assets rather than individually. Expenses for construction in progress are capitalized as incurred. Interest expense relating to construction is

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NOTES TO THE FINANCIAL STATEMENTS

capitalized, net of interest income earned on resources set aside for the construction or remodeling costs.

Certain reserves have been established by bond indenture for the repayment of revenue bond indebtedness. Such reserves are recorded in the appropriate restricted assets category (cash/investments) and as “net position restricted for debt service” on the Statement of Net Position.

Depreciation and intangible amortization is calculated using the straight-line method over the following estimated useful lives for the System and its component units. All institutions, except UND and NDSU, use the half-year convention.

Land Improvements	10 – 35 years
Infrastructure	20 – 60 years
Buildings	10 – 120 years
Equipment	3 – 20 years
Internally developed software	2 – 10 years
Purchased software	3 – 5 years
Other Intangibles	3 – 20 years
Library Books	10 years

DEPOSITS

Money received in advance for subsequent year’s residence hall, apartment reservations and flight training costs and funds held by an institution in a fiduciary capacity are classified as deposits.

COMPENSATED ABSENCES

Annual and sick leave are a part of permanent employees’ compensation as set forth in NDCC section 54-06-14. In general, accrued annual leave cannot exceed 30 days at each calendar year end while accrued sick leave is not limited. Employees are entitled to earn leave based on tenure of employment, within a range from a minimum of one working day, to a maximum of two working days per month, established by the rules and regulations adopted by the employing unit. Employees are paid for all unused annual leave upon termination or retirement. Employees who vest at 10 years of credible service are paid one-tenth of their accumulated sick leave upon termination or retirement. Compensated absences are accrued when earned.

PENSIONS

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System (NDPERS) and additions to/deductions from NDPERS’ fiduciary net position have been determined on the same basis as they are reported by NDPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

OTHER POST-EMPLOYMENT BENEFITS

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System (NDPERS) and additions to/deductions from NDPERS’ fiduciary net position have been determined on the same basis as they are reported by NDPERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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NOTES TO THE FINANCIAL STATEMENTS

SCHOLARSHIP ALLOWANCES

Student tuition and fees, and certain other revenues received from students are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses and Changes in Net Position. Scholarship discounts and allowances are the difference between the System's state rates and charges and the amount actually paid by students and/or third parties making payments on behalf of students. Under this approach, scholarships, waivers and grants are considered as reductions in tuition and fee revenues rather than as expenses. Therefore, student tuition and fees and auxiliary revenues are presented net of scholarships applied to student's accounts.

NET POSITION

Net position is classified according to external donor restrictions or availability of assets for satisfaction of System obligations. Restricted Net Position represent funds that have been restricted for specific purposes by donors or granting agencies for scholarships and fellowships, instructional department uses, loan funds, debt service and other. Unrestricted net position is all other funds available at the discretion of the System. Invested in capital assets represents the cost or gifted value of buildings, equipment, land improvements and infrastructure, less accumulated depreciation and related outstanding debt.

RESTATEMENT OF BEGINNING NET POSITION

Net Position, beginning of the year, as previously reported	\$ 1,442,153,594
<u>Prior period adjustments:</u>	
Change in accounting method	-
Change of estimate	-
Correction of error	(112,342)
Other	153,553
Net Position, beginning of the year, as restated	<u>\$ 1,442,194,805</u>

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 amount 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. The accompanying financial statements include estimates such items as allowances for uncollectible accounts, scholarship allowances, accrued expenses and other liability accounts.

New Accounting Pronouncements

Accounting Standards Implemented

In March 2020, the GASB issued Statement No. 95, "Postponement of the Effective Dates of Certain Authoritative Guidance". The statement was effective immediately and deferred the implementation for one year and a half for Statement No. 87, "Leases" due to the Covid-19 pandemic. The statement deferred for one year the implementation of the following standards due to the Covid-19 pandemic.

- Statement No. 84, "Fiduciary Activities"
- Statement No. 87, "Leases"
- Statement No. 89, "Accounting for Interest Cost Incurred before the End of a Construction Period"
- Statement No. 90, "Majority Equity Interests"
- Statement No. 91, "Conduit Debt Obligations"
- Statement No. 92, "Omnibus 2020"

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NOTES TO THE FINANCIAL STATEMENTS

- Statement No. 93, “Replacement of Interbank Offered Rates”

Accounting Standards Issued but Not Yet Implemented

In January 2017, the GASB issued Statement No. 84, “Fiduciary Activities.” The statement was effective for reporting periods beginning after December 15, 2019.

In June 2017, the GASB issued Statement No. 87, “Leases.” The statement is effective for reporting periods beginning after June 15, 2021.

In June 2018, the GASB issued Statement No. 89, “Accounting for Interest Cost Incurred before the End of a Construction Period”. The statement is effective for reporting periods beginning after December 15, 2020.

In December 2016, the GASB issued Statement No. 90, “Majority Equity Interests-an amendment of GASB Statements No. 14 and No. 61”. The statement is effective for reporting periods beginning after December 15, 2019.

In May 2019, the GASB issued Statement No. 91, “Conduit Debt Obligations”. The statement is effective for periods beginning after December 15, 2021.

In January 2020, the GASB issued Statement No. 92, “Omnibus 2020”. The statement is effective for periods beginning after June 15, 2021.

In March 2020, the GASB issued Statement No. 93, “Replacement of Interbank Offered Rates”. The statement contains staggered implementation dates of for periods beginning after June 15, 2020, December 31, 2021 and June 15, 2021.

In May 2020, the GASB issued Statement No. 94, “Public-Private and Public-Public Partnerships and Availability Payment Arrangements”. The statement is effective for periods beginning after June 15, 2022.

In May 2020, the GASB issued Statement No. 96, “Subscription-Based Information Technology Arrangements”. The statement is effective for periods beginning after June 15, 2022.

In June 2020, the GASB issued Statement No. 97, “Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession GASB Statement No. 32”. The statement is effective for periods beginning after June 15, 2021.

Management is in the process of evaluating whether these GASB statements will be applicable to the NDUS and the impact they may have on the NDUS' financial statements."

NOTE 2 – DEPOSITS AND INVESTMENTS

LIMITATIONS

North Dakota Century Code (NDCC) governs the deposit and investment policies of the System. NDCC Section 6-09-07 states, “All state funds...must be deposited in the Bank of North Dakota (BND) ...or must be deposited in accordance with constitutional and statutory provisions.”

In addition, NDCC Section 21-04-02 provides that public funds belonging to or in the custody of the state shall be deposited in the Bank of North Dakota. NDCC Section 15-10-12 allows the System to receive

June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS

donations, gifts, grants and bequests. These funds must be used for the specific purpose for which they are donated or given and must be deposited in the Bank of North Dakota.

NDCC Sections 15-55-05 and 15-55-06 govern the investment of proceeds of revenue bonds and revenues pledged to bondholders. Such proceeds must be invested in the BND, in a separate fund in the State Treasury or in a duly authorized depository for the state funds that is a member of the federal deposit insurance corporation. The SBHE may invest such funds in direct obligations of, or in obligations where the United States of America guarantees the principal and interest, or obligations of the State of North Dakota or any municipality as defined in NDCC Section 21-03-01.

DEPOSITS

Cash and Cash Equivalents are as follows:

	June 30, 2020	
	<u>Carrying Amount</u>	<u>Bank Balance</u>
Cash Deposits at the Bank of North Dakota	\$ 268,197,076	\$ 287,333,319
Cash Deposits at institutions other than the Bank of North Dakota	16,576,942	18,279,271
Certificates of Deposit at the Bank of North Dakota	250,877,699	250,877,699
Certificates of Deposit at institutions other than the Bank of North Dakota	<u>163,221</u>	<u>47,400</u>
Total Bank Deposits	535,814,938	<u>\$ 556,537,689</u>
Cash on Hand/Petty Cash	179,279	
Amounts credit risked as deposits but reported as investments	<u>(251,040,920)</u>	
Total Cash and Cash Equivalents	<u>\$ 284,953,297</u>	

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the System's deposits may not be returned to it. The System does not specifically address policies concerning custodial credit risk and while the deposits in the Bank of North Dakota are backed by the State of North Dakota, they are deemed to be uninsured and uncollateralized by GASB definition. As of June 30, 2020, \$552.3 million of the System's bank balance of \$556.5 million was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$539.0 million
Uninsured and collateral held by pledging bank not in system's name	\$ 13.3 million

Investments

Investments are reported at fair value (market). The balances at June 30, 2020 are:

June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS

Investment Type	Market Value	Maturities			
		Less than 1 year	1 year to 5 years	6 years to 10 years	More than 10 years
US Treasuries	\$ 3,156,544	\$ 3,156,544	\$ -	\$ -	\$ -
Mutual Bond Funds	148,638	-	-	-	148,638
Money Market Mutual funds	457,253	455,351	-	-	1,902
Debt Securities Subtotal	\$ 3,762,435	\$ 3,611,895	\$ -	\$ -	\$ 150,540
Stocks	\$ 395,089				
Equity Mutual Funds	23,364				
Exchange Transfer Funds (ETF's)	719,062				
Certificates of Deposit - BND	250,877,699				
Certificates of Deposit - non-BND	163,221				
Investment in Real Estate	9,857,329				
Investments held with Foundation	77				
Equity Securities Subtotal	\$ 262,035,841				
Total Investments	\$ 265,798,276				

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value investments. Per NDCC the System is limited to investing funds with the Bank of North Dakota, with the exception of gifts governed by endowment agreements. Accordingly, the System does not have a formal investment policy that limits maturities as a means of managing its exposure to fair value losses arising from changing interest rates. Institutions choose terms based on maximizing return within the limits of their cash flow needs. Institutions rely on brokers to provide year-end market values. The investments are held with those brokers.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill their obligation. As of June 30, 2020, the system's debt portfolio (excluding US Treasuries and US Agencies) included Standard & Poor's quality ratings as follows:

	Market Value	Credit Quality Rating			Total
		AAA	AA	Not Rated	
Mutual Bond Funds	\$ 148,638	\$ -	\$ -	\$ 148,638	\$ 148,638
Money market mutual funds	457,253	1,902	455,351	-	457,253
Total	\$ 605,891	\$ 1,902	\$ 455,351	\$ 148,638	\$ 605,891

The System categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

Fair Value Hierarchy

In accordance with GASB Statement No. 72, assets are grouped at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

- Level 1 – Valuation is based upon quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS

- Level 2 – Valuation is based upon quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.
- Level 3 – Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect our own estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

Fair values are based on the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

The balances of assets measured at fair value on a recurring basis at June 30, 2020 are:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity securities	\$ 395,089	\$ -	\$ -	\$ 395,089
US Treasuries	3,156,544	-	-	3,156,544
ETF funds	719,062	-	-	719,062
Mutual bond funds	148,638	-	-	148,638
Mutual funds	23,364	-	-	23,364
Real estate	-	-	9,857,328	9,857,328
Total	<u>\$ 4,442,697</u>	<u>\$ -</u>	<u>\$ 9,857,328</u>	<u>\$ 14,300,025</u>

Investments categorized as Level 1 are valued using prices quoted in active markets for those securities. Real estate categorized as Level 3 represents land leases for commercial and residential development and are primarily valued using discounted cash flow techniques.

NOTE 3 – RECEIVABLES

Receivables consist of the following amounts:

	<u>Current</u>	<u>Non-Current</u>	<u>Total</u>
Student and General Receivables	\$ 33,758,874	\$ -	\$ 33,758,874
Interest Receivable	1,021,438	-	1,021,438
Allowance for Doubtful Accounts	(7,230,864)	-	(7,230,864)
Accounts Receivable, net	<u>\$ 27,549,448</u>	<u>\$ -</u>	<u>\$ 27,549,448</u>
Grants and Contracts Receivable	\$ 22,258,613	\$ -	\$ 22,258,613
Due from Other State Agencies	17,799,741	-	17,799,741
Grants and Contracts Receivable, net	<u>\$ 40,058,354</u>	<u>\$ -</u>	<u>\$ 40,058,354</u>
Student	\$ 6,207,621	\$ 20,020,726	\$ 26,228,347
Allowance for Doubtful Notes	(806,323)	(3,190,614)	(3,996,937)
Notes Receivable, net	<u>\$ 5,401,298</u>	<u>\$ 16,830,112</u>	<u>\$ 22,231,410</u>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4 – INTER-INSTITUTIONAL RECEIVABLES AND PAYABLES

Throughout the fiscal year, NDUS institutions remit monies to other NDUS institutions for collaborative tuition payments and for contracted services. The due-to NDUS institutions and due-from institutions balances are eliminated at June 30, 2020. At the end of the fiscal year, there may be timing differences between the date the payment was remitted and the date the payment was received.

The balances at June 30, 2020 were:

Due from NDUS institutions	\$	508,973
Timing differences		<u>(508,973)</u>
Due to NDUS institutions	\$	<u>-</u>

NOTE 5 – ENDOWMENT FUNDS

The endowment funds reported herein are institutional funds under the terms of the gift instrument and are not wholly expendable by the institution. NDCC Section 59-21 the Uniform Prudent Management of Institutional Funds Act (UPMIFA) applies to the investment of endowments governed by a gift instrument. SBHE policy 810 stipulates endowment funds shall be invested according to the intent of the donor provided such intent is consistent with applicable laws. Absent terms expressing donor intent in a gift instrument, institution officers initially shall deposit the funds in institution accounts at the Bank of North Dakota. Thereafter, the funds may be invested according to NDCC 59-21. Subject to the intent of the donor, institution officers are delegated authority to manage and invest these institutional funds as provided by UPMIFA. NDCC Section 59-21-02.5a(7) applies to standard of conduct in the administration of powers to make and retain investments. It states that in managing and investing an institutional fund, the needs of the institution and the fund to make distributions and to preserve capital must be considered. Given the flexibility in NDCC 59-21-02, institutions have differing policies with respect to spending investment income and net appreciation on endowment funds.

UND’s distributions for spending from endowments each fiscal year will be calculated once annually with the quarter ended December 31 unitized market value and is based on the set spending rate, currently four percent, applied to the average market value for the preceding twelve quarter average. All endowments in existence at December 31 for one year will receive a distribution spending allocation. The available amount will be forecast to UND for planning purposes by February 1, and these distribution amounts will be available for spending in the upcoming fiscal year. NDSU determines the spending of endowment earnings based on an annual evaluation. WSC give departments authority to spend all investment income earned on the endowment funds. Net appreciation on investments is available for expenditure and consists of the following at June 30, 2020:

		<u>Reflected in net position as:</u>
North Dakota State University	\$ 294,201	Expendable scholarships and fellowships
University of North Dakota	911,679	Non-expendable scholarships and fellowships
Williston State College	4,217	Non-expendable scholarships and fellowships
Total NDUS	<u>\$ 1,210,097</u>	

Endowment funds reported herein do not include the Federal Land Grant Fund held by the State Land Department. The annual proceeds from assets held by the State Land Commissioner are deposited into each college/university’s operating fund at the State Treasury and are used for current operating purposes. BSC, LRSC and WSC do not participate in the proceeds allocated by the State Land

June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS

Department. Total assets held by the State Land Department and proceeds for the fiscal year ended June 30, 2020 are approximately \$184.6 million and \$7.3 million, respectively.

NOTE 6 – CAPITAL AND INTANGIBLE ASSETS

Capital asset activity for the year ended June 30, 2020 are as follows:

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Land	\$ 19,675,565	\$ -	\$ -	\$ -	\$ 19,675,565
Construction in progress	140,027,221	100,345,353	3,013	(48,074,240)	192,295,321
Total non-depreciable capital assets	<u>159,702,786</u>	<u>100,345,353</u>	<u>3,013</u>	<u>(48,074,240)</u>	<u>211,970,886</u>
Land improvements/infrastructure	225,880,350	3,672,895	-	1,271,831	230,825,076
Buildings	1,695,809,368	5,624,947	15,849,920	46,303,295	1,731,887,690
Furniture, fixtures, and equipment	359,214,533	19,962,749	11,575,211	499,114	368,101,185
Intangibles:					
Computer Software	25,103,212	71,144	9,000	-	25,165,356
Websites	854,554	701	-	-	855,255
Other	1,337,503	32,705	-	-	1,370,208
Library materials	81,977,217	960,424	709,198	-	82,228,443
Total depreciable capital assets	<u>2,390,176,737</u>	<u>30,325,565</u>	<u>28,143,329</u>	<u>48,074,240</u>	<u>2,440,433,213</u>
Less accumulated depreciation and amortization					
Land improvements/infrastructure	113,111,873	5,792,543	-	-	118,904,416
Buildings	633,666,516	40,264,179	8,569,912	-	665,360,783
Furniture, fixtures, and equipment	242,502,092	22,144,139	9,928,437	-	254,717,794
Intangibles					
Computer Software	23,121,680	1,299,095	9,000	-	24,411,775
Websites	617,366	30,897	-	-	648,263
Other	680,800	47,670	-	-	728,470
Library materials	70,261,037	2,766,968	709,185	-	72,318,820
Total accumulated depreciation and amortization	<u>1,083,961,364</u>	<u>72,345,491</u>	<u>19,216,534</u>	<u>-</u>	<u>1,137,090,321</u>
Total depreciable capital assets, net	<u>1,306,215,373</u>	<u>(42,019,926)</u>	<u>8,926,795</u>	<u>48,074,240</u>	<u>1,303,342,892</u>
Capital assets, net	<u>\$ 1,465,918,159</u>	<u>\$ 58,325,427</u>	<u>\$ 8,929,808</u>	<u>\$ -</u>	<u>\$ 1,515,313,778</u>

Construction in progress for the year ended June 30, 2020 was as follows:

	Total Amount Authorized	Expended (CIP Asset)	Capitalized Equipment	Expended (Non capitalized)	Remaining Authorized Balance
Dakota College of Bottineau	\$ 724,881	\$ 106,618	\$ -	\$ 458	\$ 617,805
Dickinson State University	4,284,500	172,457	-	-	4,112,043
Lake Region State College	3,000,000	546,611	-	-	2,453,388.88
Minot State University	1,682,066	141,312	-	-	1,540,754
North Dakota State College of Science	14,654,546	13,886,592	-	33,441	734,513
North Dakota State University	87,679,312	30,523,337	753,073	52,345	56,350,557
University of North Dakota	272,921,164	139,787,415	45,535	2,021,487	131,066,727
Valley City State University	55,733,105	1,491,030	-	-	54,242,075
Williston State College	11,230,000	5,639,949	25,152	-	5,564,899
Total NDUS	<u>\$ 451,909,574</u>	<u>\$ 192,295,321</u>	<u>\$ 823,760</u>	<u>\$ 2,107,731</u>	<u>\$ 256,682,762</u>

Interest expense related to capital asset debt was approximately \$20.5 million in fiscal year 2020, of which approximately \$5.2 million was capitalized as part of the value of the construction in progress.

NOTE 7 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consisted of the following at June 30, 2020:

June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS

	Totals
Accounts payable	\$ 27,984,785
Due to other state agencies	1,992,675
Due to other Funds	30,335
Sales tax payable	19,123
Accrued Interest	4,020,543
Contractor payable/retainage	3,048,763
Other liabilities	161,096
Total Payables & Accrued Liabilities	<u>\$ 37,257,320</u>

NOTE 8 – LONG-TERM LIABILITIES

The changes in long-term liabilities during fiscal year 2020 are as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Current Portion	Noncurrent Portion
Bonds Payable	\$ 241,696,781	\$ 84,240,818	\$ 10,613,542	\$ 315,324,057	\$ 14,424,307	\$ 300,899,751
Bonds Payable to Component Units	18,494,999	-	1,765,000	16,729,999	1,800,000	14,930,000
Certificates of Participation	96,842,841	7,277,408	-	104,120,249	-	104,120,249
Notes Payable	17,251,560	3,265,679	1,235,635	19,281,604	4,606,032	14,675,572
Notes Payable to Component Units	160,346	-	55,604	104,742	57,284	47,458
Capital Leases	36,967,821	2,220,155	3,387,383	35,800,593	3,409,857	32,390,732
Capital Leases with Component Units	17,391,676	-	1,530,345	15,861,331	1,347,880	14,513,449
Special Assessments	5,057,780	616,684	1,285,700	4,388,764	288,722	4,100,041
Compensated Absences	30,886,470	2,602,801	74,147	33,415,124	2,796,635	30,618,493
Total	<u>\$ 464,750,274</u>	<u>\$ 100,223,545</u>	<u>\$ 19,947,356</u>	<u>\$ 545,026,463</u>	<u>\$ 28,730,717</u>	<u>\$ 516,295,745</u>

NOTE 9 – BONDS PAYABLE

Revenue bonds are limited obligations of the System. The principal and interest on the bonds are payable generally from the net income of specific auxiliary activities, designated student fees, interest subsidies and debt service reserve funds. These revenues are generally pledged to the payment of bonds in accordance with the specific terms of the specific indenture. Amounts held by the trustee specifically for payment on bonds are reflected in Net Position, Restricted for Debt Service.

The summary of outstanding obligations of the institutions, as of June 30, 2020 is presented below and the detail is presented in the Supplementary Information section following these notes.

	Original Balances	Interest Rates	Balances Outstanding
Bismarck State College	\$ 10,184,334	2.0 - 4.0%	\$ 7,273,855
Mayville State University	4,685,057	1.25 - 6.63%	3,045,515
Minot State University	13,433,825	2.0 - 6.60%	11,187,295
North Dakota State College of Science	9,000,000	3.76%	7,035,000
North Dakota State University	151,397,818	1.5 - 5.0%	126,276,881
University of North Dakota	184,067,258	0.75 - 5.0%	161,497,262
Valley City State University	9,288,248	2.8 - 7.05%	8,313,248
Williston State College	9,375,000	5.40-7.25%	7,425,000
Total Bonds Payable	<u>\$ 391,431,540</u>		<u>\$ 332,054,056</u>

June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS

At June 30, 2020, NDSU had pledged \$13.4 million of assets as collateral for bonds payable issued for the Research I and Research II buildings.

The MiSU and VCSU bonds as well as the BSC 2012 bond issue contain a provision that in the event of default, outstanding amounts become immediately due if the institutions are unable to make payment.

The MaSU, NDSCS, NDSU, UND and WSC bonds contain a provision that the bond owners or a court appointed trustee may pursue any available legal remedy.

The NDSU bonds payable to component units are payable through the monies received from the operating lease between the component unit and NDSU. In the event of NDSU's failure to pay the rent under the lease, the component unit may declare all rent due and payable for the remaining term of the lease, subject to available appropriations. The component unit may take possession of the facilities. MiSU 2010 bond issue contains a provision that terminates the bond issue at a redemption price equal to 104 percent of the outstanding principal amount plus accrued interest upon the occurrence of one or more of the following events:

- Enactment of legislation or the adoption of final regulations that would deem or render the bonds not qualified for Build America Bonds.
- The federal government discontinues the Build America Bond program retroactively applied to bonds issued prior to determination
- A written opinion by bond counsel that the bonds aren't qualified Build America Bonds

Industrial Commission Bonds

For the 2019-2021 biennium, the System Office received an appropriation of \$5.0 million to act as the fiscal agent for the institutions on bond payments to the North Dakota Industrial Commission. During fiscal year 2020, the System Office paid \$2.5 million in general funds to the North Dakota Industrial Commission.

Scheduled Maturities of Bonds Payable

Fiscal Year	Principal	Interest	Total
2021	\$ 16,224,307	\$ 12,172,113	\$ 28,396,420
2022	13,411,245	11,728,736	25,139,981
2023	13,484,471	11,243,042	24,727,513
2024	13,795,977	10,668,888	24,464,865
2025	13,022,613	10,125,543	23,148,156
2026 - 2030	70,648,678	42,865,921	113,514,599
2031 - 2035	71,863,224	29,606,910	101,470,134
2036 - 2040	45,350,728	18,193,316	63,544,044
2041 - 2045	40,375,382	9,950,583	50,325,965
2046 - 2050	33,877,432	3,270,474	37,147,906
	<u>\$ 332,054,057</u>	<u>\$ 159,825,526</u>	<u>\$ 491,879,583</u>

NOTE 10 – CERTIFICATES OF PARTICIPATION

On September 1, 2018, UND entered into a lease-purchase agreement with Johnson Controls PI Project Site Operations, LLC (Johnson Controls) to construct and operate a new steam plant and make other energy conservation improvements. To fund the project, UND issued Series 2018A and 2018B

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NOTES TO THE FINANCIAL STATEMENTS

Certificates of Participation through the Bank of North Dakota. The certificates have interest rates ranging from 3.55 to 5.0 percent and are subject to annual appropriations by the North Dakota Legislature as part of the general operating appropriations.

The Series 2018A certificates were issued at a par value of \$76.6 million, with a net premium of \$3.8 million. In fiscal year 2019, UND begin making semi-annual interest-only payments through fiscal year 2040. The semi-annual interest-only payments in fiscal years 2019 and 2020 are for capitalized interest paid with bond proceeds. The first principal payment is due in fiscal year 2041. The certificates mature in fiscal year 2057.

The Series 2018B certificates were issued at a par value of \$16.5 million, with no premium or original issue discount. Beginning in fiscal year 2019, UND will make semi-annual interest-only payments through fiscal year 2023. The semi-annual interest-only payments in fiscal years 2019 and 2020 are for capitalized interest paid with bond proceeds. The first principal payment is due in 2024. The certificates mature in fiscal year 2041.

On August 22, 2019, WSC entered into a lease-purchase agreement with Johnson Controls, Inc., to fund the costs of certain energy conservation improvements including, but not limited to, renovations to existing heating, ventilation, and air conditioning systems and controls, deferred maintenance improvements. To fund the project, WSC issued Series 2019 Certificates of Participation through the Bank of North Dakota. The certificates have interest rates ranging from 3.0 to 5.0 percent and are subject to annual appropriations by the North Dakota Legislature as part of the general operating appropriations.

The Series 2019 certificates were issued at a par value of \$7.4 million, with a net discount of \$78,000. In fiscal year 2020, WSC will make an interest only payment with semi-annual principal and interest payment beginning fiscal year 2021 through fiscal year 2048.

Scheduled Maturities of Certificates of Participation

Fiscal Year	Principal	Interest	Total
2021	\$ -	\$ 4,494,954	\$ 4,494,954
2022	120,000	4,493,154	4,613,154
2023	175,000	4,488,728	4,663,728
2024	240,044	4,484,078	4,724,122
2025	345,418	4,476,151	4,821,569
2026 - 2030	2,874,876	22,126,631	25,001,507
2031 - 2035	4,465,205	21,511,450	25,976,655
2036 - 2040	11,780,619	19,970,415	31,751,034
2041 - 2045	14,248,769	17,042,866	31,291,635
2046 - 2050	22,347,259	13,239,863	35,587,122
2051 - 2055	32,534,653	7,286,300	39,820,953
2056 - 2060	14,988,406	978,200	15,966,606
	<u>\$ 104,120,249</u>	<u>\$ 124,592,790</u>	<u>\$ 228,713,039</u>

NOTE 11 – NOTES PAYABLE

LRSC has a note with Banc of America Public Capital Corp for a wind turbine. MaSU has a note payable to Capitol One, for energy improvements through a performance contract. UND has a note payable with Bremer Bank for the purchase of a building from the University of North Dakota Research Foundation in fiscal year 2015. The balance at June 30, 2020 was \$8.3 million. In fiscal year 2020, UND issued a note payable of \$3.3 million with the North Dakota Building Authority. The note matures on December 31, 2020. The proceeds will be used for deferred maintenance projects. The balance at June 30, 2020 was

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\$3.3 million. WSC has a note payable of \$2.1 million with the Bank of North Dakota for construction of the Petroleum Safety and Technology Center and a note payable of \$105,000 to the Williston State College Foundation for construction of a dormitory geothermal system.

Details of the notes are as follows:

Institution	Original Balance	Maturity Date	Interest Rate	Outstanding Balance June 30, 2020
Lake Region State College	\$ 4,881,045	June 2027	3.27% - 5.15%	\$ 2,619,642
Mayville State University	4,338,457	December 2024	2.73%	3,014,941
University of North Dakota	13,065,679	December 2020 and October 2024	1.5% - 5.38%	11,526,821
Williston State College	3,000,000	January 2022 and May 2035	1.75% - 3.0%	2,224,942
Total Notes Payable	\$ 25,285,181			\$ 19,386,346

Scheduled Maturities of Notes Payable

Fiscal Year	Principal	Interest	Total
2021	\$ 4,663,317	\$ 693,374	\$ 5,356,691
2022	1,469,962	619,506	2,089,468
2023	1,492,848	568,692	2,061,541
2024	8,674,852	214,465	8,889,318
2025	924,136	75,576	999,713
2026 - 2030	1,669,075	129,376	1,798,451
2031 - 2035	492,157	12,147	504,304
	<u>\$ 19,386,348</u>	<u>\$ 2,313,136</u>	<u>\$ 21,699,484</u>

NOTE 12 – CAPITAL LEASES

The institutions lease various types of capital assets under capital lease agreements. Capital leases give rise to property rights and lease obligations and therefore, the assets under lease are recorded as assets of the institution and the lease obligation is recognized as a liability. The leases have varying interest rates with maturities to 2055.

Carrying Value of Assets Held Under Capital Leases		
	Original Book Value	Accumulated Depreciation
Land improvements/infrastructure	\$ 60,015	\$ 18,004
Buildings	52,425,209	15,695,484
Intangibles - Easement	155,503	112,740
Furniture, fixtures, and equipment	16,050,399	3,624,352
Total	<u>\$ 68,691,126</u>	<u>\$ 19,450,579</u>

Contingent rentals total \$230,000. Contingent rentals are defined as increases or decreases in lease payments resulting from changes that occur after the inception of the lease in the factors (other than the passage of time) on which lease payments are based.

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Scheduled Maturities of Capital Leases

Fiscal Year	Principal	Interest	Total
2021	\$ 4,757,739	\$ 2,089,466	\$ 6,847,206
2022	4,760,656	1,846,253	6,606,909
2023	4,584,235	1,646,741	6,230,975
2024	4,478,366	1,410,849	5,889,215
2025	4,889,936	1,224,091	6,114,027
2026 - 2030	15,314,103	3,896,790	19,210,893
2031 - 2035	7,831,329	1,751,558	9,582,887
2036 - 2040	1,801,818	846,140	2,647,958
2041 - 2045	973,082	636,557	1,609,639
2046 - 2050	1,486,084	379,929	1,866,013
2051 - 2055	784,572	52,957	837,529
	<u>\$ 51,661,921</u>	<u>\$ 15,781,330</u>	<u>\$ 67,443,251</u>

NOTE 13 – OTHER LONG-TERM LIABILITIES

SPECIAL ASSESSMENTS

The institutions receive special assessments from the city or county for improvements made to roads and infrastructure owned by the city or county that are adjacent to or on institution property.

Scheduled Maturities of Special Assessments

Fiscal Year	Principal	Interest	Total
2021	\$ 288,722	\$ 187,959	\$ 476,681
2022	468,753	174,536	643,289
2023	273,392	162,046	435,438
2024	280,140	150,279	430,419
2025	240,670	138,197	378,867
2026 - 2030	991,519	543,986	1,535,505
2031 - 2035	1,054,209	314,722	1,368,931
2036 - 2040	537,617	120,949	658,566
2041 - 2045	253,741	19,614	273,355
	<u>\$ 4,388,763</u>	<u>\$ 1,812,286</u>	<u>\$ 6,201,049</u>

Compensated Absences

The compensated absences liability of the institutions at June 30, 2020 consists of accumulated unpaid annual leave, compensatory time, payable portion of accumulated sick leave, personal holiday hours, and Saturday/legal holiday hours earned and vested. Compensated absences for employees at June 30, 2020 totaled \$33.4 million. Leave policies restrict the accumulation of unused vacation and thus limit the actual payments made to employees upon termination or retirement.

NOTE 14 – Deferred Outflows and Deferred Inflows

Deferred outflows and deferred inflows consist of the following:

NOTES TO THE FINANCIAL STATEMENTS

Deferred Outflows	
Pension	\$ 51,059,905
Other post employment retirement benefits	2,245,434
Deferred outflows from debt refunding	3,865,270
	<u>\$ 57,170,609</u>
Deferred Inflows	
Pension	\$ 63,409,087
Other post employment retirement benefits	597,281
Grant amounts received prior to meeting time requirements	85,270
Deferred inflows from debt refunding	89,538
	<u>\$ 64,181,176</u>

NOTE 15 – RETIREMENT BENEFITS

North Dakota Public Employees Retirement System (Main System)

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDCC Chapter 54-52 for more complete information.

NDPERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all employees of the State of North Dakota, its agencies and various participating political subdivisions. NDPERS provides for pension, death and disability benefits. The cost to administer the plan is financed through the contributions and investment earnings of the plan.

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of nine members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system, one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

Pension Benefits

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Member of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 was replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00 percent of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. For members hired on or after January 1, 2020 the 2.00 percent multiplier was replaced with a 1.75 percent multiplier. The plan permits early retirement at ages 55-64 with three or more years of service.

Members may elect to receive the pension benefits in the form of a single life, joint and survivor, term-certain annuity, or partial lump sum with ongoing annuity. Members may elect to receive the value of their accumulated contributions, plus interest, as a lump sum distribution upon retirement or termination, or they may elect to receive their benefits in the form of an annuity. For each member electing an annuity, total payment will not be less than the members' accumulated contributions plus interest.

Death and Disability Benefits

Death and disability benefits are set by statute. If an active member dies with less than three years of service for the Main System, a death benefit equal to the value of the member's accumulated contributions, plus interest, is paid to the member's beneficiary. If the member has earned more than three years of credited service for the Main System, the surviving spouse will be entitled to a single payment refund, life-time monthly payments in an amount equal to 50 percent of the member's accrued normal retirement benefit, or monthly payments in an amount equal to the member's accrued 100 percent Joint and Survivor retirement benefit if the member had reached normal retirement age prior to date of death. If the surviving spouse dies before the member's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

Eligible members who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits equal to 25 percent of their final average salary with a minimum benefit of \$100. To qualify under this section, the member has to become disabled during the period of eligible employment and apply for benefits within one year of termination. The definition for disabled is set by the NDPERS in the North Dakota Administrative Code.

Refunds of Member Account Balance

Upon termination, if a member of the Main System is not vested (is not 65 or does not have three years of service), they will receive the accumulated member contributions and vested employer contributions, plus interest, or may elect to receive this amount at a later date. If the member has vested, they have the option of applying for a refund or can remain as a terminated vested participant. If a member terminated and withdrew their accumulated member contribution and is subsequently reemployed, they have the option of repurchasing their previous service.

Member and Employer Contributions

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates are 7 percent and employer contribution rates are 7.12 percent of covered compensation. For members hired on or after January 1, 2020 member contribution rates are 7 percent and employer contribution rates are 8.26 percent of covered compensation

The member's account balance includes the vested employer contributions equal to the member's contributions to an eligible deferred compensation plan. The minimum member contribution is \$25.00 and the maximum may not exceed the following:

- 1 to 12 months of service – Greater of one percent of monthly salary or \$25
- 13 to 24 months of service – Greater of two percent of monthly salary or \$25
- 25 to 36 months of service – Greater of three percent of monthly salary or \$25
- Longer than 36 months of service – Greater of four percent of monthly salary or \$25

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2020, the System reported a liability of \$109.4 million for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The System's proportion of the net pension liability was based on their share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2019, the System's proportionate share was 9.34 percent which was a decrease of 0.27 percent from its proportion measured at June 30, 2018.

June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2020, the System recognized pension expense of \$17.2 million. At June 30, 2020, the System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ 64,796	\$ 19,874,435
Changes of assumptions	40,885,181	35,103,471
Net difference between projected and actual earnings on pension plan investments	1,906,260	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,027,780	8,431,180
Employer contributions subsequent to the measurement date	7,175,888	-
Total	<u>\$ 51,059,905</u>	<u>\$ 63,409,086</u>

Deferred outflows of resources of \$7.2 million are related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of net pension liability in the fiscal year ended June 30, 2021.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense by the System as follows:

Year ended June 30:	
2021	\$ 871,670
2022	(1,195,694)
2023	(5,181,235)
2024	(10,730,134)
2025	(3,289,676)
Thereafter	-

Actuarial assumptions. The total pension liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation 2.50%

June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS

Salary increases

Service At Beginning of Year	State Employee	Non-State Employee
0	12.00%	15.00%
1	9.50%	10.00%
2	7.25%	8.00%
3		
4		
Age		
Under 30	7.25%	10.00%
30-39	6.50%	7.50%
40-49	6.25%	6.75%
50-59	5.75%	6.50%
60+	5.00%	5.25%

*Age-based salary increase rates apply for employees with three or more years of service

Investment rate of return 7.75%, net of investment expenses
 Cost-of-living adjustments None

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125 percent.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Fund’s target asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	30%	6.25%
International Equity	21%	6.95%
Private Equity	7%	10.15%
Domestic Fixed Income	23%	2.11%
International Fixed Income	0%	0.00%
Global Real Assets	19%	5.41%

Discount rate. For PERS, GASB Statement No. 67 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total Pension Liability. This rate considers the ability of the System to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The current employer and employee fixed rate contributions are assumed to be made in each future year. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. In years where assets are not projected to be

NOTES TO THE FINANCIAL STATEMENTS

sufficient to meet benefit payments, which is the case for the PERS plan, the use of a municipal bond rate is required.

The Single Discount Rate (SDR) is equivalent to applying these two rates to the benefits that are projected to be paid during the different time periods. The SDR reflects (1) the long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits) and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.50 percent; the municipal bond rate is 3.13 percent; and the resulting Single Discount Rate is 7.50 percent.

Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate. The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate.

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Employer's proportionate share of the net pension liability	\$156,876,305	\$ 109,414,127	\$ 69,537,599

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued NDPERS financial report at <https://ndpers.nd.gov/employers/employer-resources/governmental-accounting-standards-board-gasb/>

TIAA RETIREMENT PLAN

Description of Plan

This is a privately administered defined contribution retirement plan which provides individual retirement fund contracts for eligible employees as defined by the SBHE in its approved TIAA retirement resolution. All benefits vest immediately to the participant. The SBHE has the authority for establishing or amending plan provision and establishing or amending contribution requirements. Further information can be obtained by writing to TIAA; Denver Regional Office; 1700 Broadway, Suite 770; Denver, Colorado 80290 or by calling 800-842-2009.

Funding Policy

The plan requires employee and employer contributions be based on a classification system and years of service based on the following schedule. Beginning, January 1, 2014 contributions in class I and II increased from 3.5 percent to 4.5 percent for participant contributions and from 11.5 percent to 12.5 percent for institution contributions for employees with zero to ten years of service. Contributions for employees with more than ten years of service increased from 4.0 percent to 5.0 percent for participant contributions for employee contributions and from 12.0 percent to 13.0 percent for institution contributions.

NOTES TO THE FINANCIAL STATEMENTS

Employment Class	Years of Service	Contributions by the Participant	Contributions by the Institution
I and III	0 thru 10	4.5%	12.5%
	over 10	5.0%	13.0%
II	0 thru 2	3.5%	7.5%
	3 thru 10	4.5%	12.5%
	over 10	5.0%	13.0%
IV	Closed to new participants	4.0%	12.0%
President/Chancellor (additional employer contribution)	less than 3	0.0%	0.0%
	3 to less than 6	0.0%	4.0%
	6 yrs and over	0.0%	8.0%

Plan contributions are made on a tax-deferred basis in accordance with Section 414(h)(2) of the Internal Revenue Code. All contributions are applied as premiums to retirement annuity contracts owned by the participant. The System has no further liability once annual contributions are made. The System contributed \$43.2 million to TIAA during the fiscal years ending June 30, 2020.

NOTE 16 – POST-EMPLOYMENT BENEFITS

STATE GROUP HEALTH PLAN

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDAC Chapter 71-06 for more complete information.

NDPERS OPEB plan is a cost-sharing multiple-employer defined benefit OPEB plan that covers members receiving retirement benefits from the PERS, the HPRS, and Judges retired under Chapter 27-17 of the North Dakota Century Code a credit toward their monthly health insurance premium under the state health plan based upon the member's years of credited service. Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. Effective August 1, 2019 the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long-term care plan premium expense. The Retiree Health Insurance Credit Fund is advance funded on an actuarially determined basis.

Responsibility for administration of the NDPERS defined benefit OPEB plan is assigned to a Board comprised of nine members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system, one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

OPEB Benefits

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14 percent of covered compensation. The employer contribution for employees of the state board of career and technical education is 2.99 percent of covered compensation for a period of eight years ending October 1, 2015. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14 percent of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as "*prefunded credit applied*" on the

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NOTES TO THE FINANCIAL STATEMENTS

Statement of Changes in Plan Net Position for the OPEB trust funds. Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There were no other benefit changes during the year.

Retiree health insurance credit benefits and death and disability benefits are set by statute. There are no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Employees who are receiving monthly retirement benefits from the PERS, the HPRS, the Defined Contribution Plan, the Chapter 27-17 judges or an employee receiving disability benefits, or the spouse of a deceased annuitant receiving a surviving spouse benefit or if the member selected a joint and survivor option are eligible to receive a credit toward their monthly health insurance premium under the state health plan.

Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. Effective August 1, 2019 the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long-term care plan premium expense. The benefits are equal to \$5.00 for each of the employee's, or deceased employee's years of credited service not to exceed the premium in effect for selected coverage. The retiree health insurance credit is also available for early retirement with reduced benefits.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2020, the System reported a liability of \$7.0 million for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The System's proportion of the net OPEB liability was based on the System's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2019, the System's proportion was 8.76 percent, which was a decrease of 0.31 percent from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the System recognized OPEB expense of \$903,000. At June 30, 2020, the System reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ 173,773	\$ 219,825
Changes of assumptions	838,679	-
Net difference between projected and actual earnings on OPEB plan investments	7,840	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	67,899	377,455
Employer contributions subsequent to the measurement date	1,157,242	-
Total	<u>\$ 2,245,433</u>	<u>\$ 597,280</u>

Deferred outflows of resources of \$1.2 million, related to OPEB resulting from employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the

June 30, 2020
NOTES TO THE FINANCIAL STATEMENTS

year ended June 30, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

Year ended June 30:		
2021	\$	75,459
2022		75,459
2023		140,966
2024		128,947
2023		51,759
Thereafter		18,321

Actuarial assumptions. The total OPEB liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	Not applicable
Investment rate of return	7.25%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125 percent.

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2019 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equities	33%	6.00%
Small Cap Domestic Equities	6%	7.30%
Domestic Fixed Income	40%	2.07%
International Equities	21%	6.95%

Discount rate. The discount rate used to measure the total OPEB liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2018, and July

June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS

1, 2017, HPRS actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Employer's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the net OPEB liability of the Plans as of June 30, 2019, calculated using the discount rate of 7.25%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Employer's proportionate share of the net OPEB liability	\$ 8,981,673	\$ 7,036,909	\$ 5,372,180

NOTE 17 – TERMINATION BENEFITS

Termination benefits are benefits provided to employees who are involuntarily or voluntarily terminated, as a result of budget reductions. Termination benefits agreements may include contract buyouts, retirement incentives, severance lump-sum payouts and continuing healthcare coverage for a designated period of time or a combination of these benefits. The agreement terms vary by institution. The outstanding liability is measured at the discounted present value and projected increases in health insurance rates.

The System entered into voluntary termination agreements with 79 employees for a cost of \$3.2 million in fiscal year 2020. The terms for these agreements range from one month to eighteen months. The System recorded a liability at June 30, 2020 of \$2.3 million for future payments.

During the same time-period, the System entered into involuntary separation agreements with 28 employees for a cost of \$559,000. The terms for these agreements range from one month to two months. There is no future liability for these arrangements at June 30, 2020.

In fiscal year 2020, the System incurred \$2.2 million in expenses related to voluntary termination agreements entered into in prior fiscal years for 64 employees. The terms for these agreements range from one month to thirty-eight months. At June 30, 2020, the liability for future payments was \$214,000.

In fiscal year 2020, the System incurred \$208,000 in expenses related to an involuntary termination agreement entered into in prior fiscal years for one employee. The term for this agreement was for twelve months and there is no future liability for these arrangements at June 30, 2020.

NOTE 18 – CONSTRUCTION COMMITMENTS AND FINANCING

The institutions have contracted for various construction projects as of June 30, 2020. Estimated costs to complete the various projects and the sources of anticipated funding are as follows:

June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS

Institution	Contracts Awarded	Expended Through 6/30/2020	Total Cost To Complete	Funding for Remaining Costs			
				Federal Sources	State Sources	Institutional Funds	Other Sources
BSC	\$ 561,000	\$ 524,911	\$ 36,089	\$ -	\$ 18,044	\$ -	\$ 18,045
DCB	806,830	58,375	748,456	-	523,456	-	225,000
DSU	607,383	411,540	195,843	-	116,148	-	79,695
LRSC	3,004,466	545,058	2,459,408	-	1,163,974	1,295,434	-
MaSU	123,616	-	123,616	-	73,616	50,000	-
MiSU	404,526	67,118	337,408	-	38,229	194,979	104,200
NDSCS	14,450,722	13,763,412	687,310	-	226,323	460,987	-
NDSU	76,168,464	26,538,523	49,629,941	-	4,638,398	409,943	44,581,600
UND	202,190,130	114,927,956	87,262,174	-	7,667,208	2,028,041	77,566,925
VCSU	18,309,684	2,257,279	16,052,405	-	15,961,735	90,670	-
WSC	8,432,408	5,639,949	2,792,459	-	-	2,792,459	-
Total	\$ 325,059,229	\$ 164,734,121	\$ 160,325,109	\$ -	\$ 30,427,131	\$ 7,322,513	\$ 122,575,465

NOTE 19 – COMPONENT UNITS

Major Component Units Investments

Investments are reported at fair value (market) as follows:

Investment Type	Market Value	Maturities			
		Less than 1 year	1 year to 5 years	6 years to 10 years	More than 10 years
US Treasuries	\$ 531,051	\$ 116,668	\$ 392,992	\$ 21,391	\$ -
Corporate Bonds	21,757,932	8,398,742	11,366,870	568,730	1,423,590
Municipal Bonds	510,140	-	-	510,140	-
Mutual Bond Funds	148,964,654	24,965,037	38,722,474	11,290,736	73,986,407
Money Market Mutual Funds	761,193	761,193	-	-	-
Other	8,505,948	-	-	-	8,505,948
Subtotal	181,030,918	\$ 34,241,640	\$ 50,482,336	\$ 12,390,997	\$ 83,915,945
Equity Mutual Funds	273,190,340				
Investment in Real Estate	48,640,572				
Commodity Hedge and Limited Partnerships	85,611,311				
Stocks	11,277,833				
Certificate of Deposits	3,872,419				
Other	81,271,328				
Total Investments	\$ 684,894,721				

Interest Rate Risk

Bismarck State College Foundation employs multiple investment strategies including capital appreciation, local fixed income and balanced portfolios. The Finance Committee will rebalance to the Target Asset Mix at least once each calendar year.

NDSU Foundation relies on a total return strategy in which investment returns are achieved through capital appreciation (realized and unrealized) and current yield (interest and dividends).

The University of North Dakota Alumni Association and Foundation’s investment strategy incorporates a diversified asset allocation approach and maintains, within defined limits, exposure to the equity, international equity, emerging markets, hedge funds, fixed income, commodities real estate venture funds, natural resources, global distressed funds and private equity markets.

Custodial Credit Risk

REA Arena, Inc.’s cash balances may exceed FDIC limits at various times during the year at one financial institution. REA Arena, Inc., has obtained a \$7.0 million letter of credit to insure cash balances in excess

June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS

of FDIC insurance limits at this institution.

The major component units' investments are registered in the name of the component unit.

Major Component Units Capital Assets

Capital asset activity for the major component units for the year ended June 30, 2020 was as follows:

	Beginning				Ending
	Balance-Restated	Additions	Retirements	Transfers	Balance
Land	\$ 5,958,814	\$ -	\$ -	\$ -	\$ 5,958,814
Construction in progress	4,928,198	145,707	4,209,106	(719,092)	145,707
Total non-depreciable capital assets	10,887,012	145,707	4,209,106	(719,092)	6,104,521
Land improvements/infrastructure	12,642,020	-	-	-	12,642,020
Buildings	177,180,727	9,023,092	-	-	186,203,819
Furniture, fixtures, and equipment	49,358,065	10,021,472	4,630,135	719,092	55,468,494
Total depreciable capital assets	239,180,812	19,044,564	4,630,135	719,092	254,314,333
Less accumulated depreciation					
Land improvements/infrastructure	622,191	49,774	-	-	671,965
Buildings	71,929,366	5,416,999	-	-	77,346,365
Furniture, fixtures, and equipment	23,386,363	4,288,396	3,401,557	-	24,273,202
Total accumulated depreciation	95,937,920	9,755,169	3,401,557	-	102,291,532
Total depreciable capital assets, net	143,242,892	9,289,395	1,228,578	719,092	152,022,801
Capital assets, net	\$ 154,129,904	\$ 9,435,102	\$ 5,437,684	\$ -	\$ 158,127,322

MAJOR COMPONENT UNITS LONG-TERM LIABILITIES SUMMARY

	Beginning			Ending	Current	Noncurrent
	Balance	Additions	Retirements	Balance	Portion	Portion
Bonds Payable	\$ 39,429,943	\$ 80,603	\$ 3,394,166	\$36,116,380	\$3,436,084	\$32,680,296
Notes Payable	9,995,385	7,585,976	3,248,839	14,332,522	815,617	13,516,905
Special Assessments	621,208	-	75,393	545,815	31,817	513,998
Capital Leases	1,317,038	-	64,382	1,252,656	67,549	1,185,107
Other	6,800,000	4,585,000	-	11,385,000	2,800,000	8,585,000
Total	\$ 58,163,574	\$ 12,251,579	\$ 6,782,780	\$63,632,373	\$7,151,067	\$56,481,306

MAJOR COMPONENT UNITS BONDS PAYABLE

Bonds payable for the major component units at June 30, 2020 was as follows:

June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS

<u>Component Unit</u>	<u>Maturity</u>	<u>Interest</u>	<u>Balance</u>
	<u>Date</u> <u>(Fiscal Year)</u>	<u>Rate</u>	<u>Outstanding</u>
BSC Foundation	2022-2040	2.70% - 5.25%	\$ 5,362,837
NDSU Foundation	2021-2037	2.00% - 4.89%	12,175,205
NDSU Research & Technology Park, Inc.	2032	1.01% - 3.541%	13,370,000
UND Alumni Foundation	2027-2028	0.75% - 4.20%	5,208,338
Total Component Unit Bonds Payable			<u>\$ 36,116,380</u>

Scheduled Maturities of Major Component Bonds Payable

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 1,090,205	\$ 428,814	\$ 1,519,019
2021	3,145,879	1,161,745	4,307,624
2022	3,150,643	1,071,170	4,221,813
2023	2,529,700	981,605	3,511,305
2024	2,614,589	901,117	3,515,706
2025	2,705,570	815,131	3,520,701
2026 - 2030	12,702,378	2,673,565	15,375,943
2031 - 2035	6,419,798	837,165	7,256,963
2036 - 2040	1,757,618	98,327	1,855,945
	<u>\$ 36,116,380</u>	<u>\$ 8,968,639</u>	<u>\$ 45,085,019</u>

MAJOR COMPONENT UNITS NOTES PAYABLE

Detail of notes payable for the major component units is as follows:

<u>Component Unit</u>	<u>Interest</u> <u>Rate</u>	<u>Maturity Date</u> <u>(Fiscal Year)</u>	<u>Balance</u> <u>Outstanding</u>
NDSU Foundation	1.50% - 3.25%	2024	\$ 11,081,881
UND Alumni Association & UND Foundation	4.35%	2036	406,958
UND Aerospace Foundation	1.00% - 3.69%	2021 - 2030	2,843,683
Total Component Unit Notes Payable			<u>\$ 14,332,522</u>

Scheduled Maturities of Major Component Units Notes Payable

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 815,617	\$ 66,807	\$ 882,424
2022	1,360,507	38,807	1,399,314
2023	6,179,975	23,730	6,203,705
2024	1,351,795	20,900	1,372,695
2025	1,105,637	17,968	1,123,605
2026 - 2030	3,332,612	42,024	3,374,636
2031 - 2035	151,850	-	151,850
2036 - 2040	34,529	-	34,529
	<u>\$ 14,332,522</u>	<u>\$ 210,236</u>	<u>\$ 14,542,758</u>

June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS

Scheduled Maturities of Major Component Units Capital Leases

Fiscal Year	Principal	Interest	Total
2021	67,549.00	60,069.00	127,618.00
2022	70,872.00	56,746.00	127,618
2023	74,359	53,259	127,618
2024	78,016	49,602	127,618
2025	81,854	45,764	127,618
2026 - 2030	473,776	164,312	638,088
2031 - 2035	406,230	40,432	446,662
	<u>\$ 1,252,656</u>	<u>\$ 470,184</u>	<u>\$ 1,722,840</u>

Reconciliation of Component Unit Receivable to and Payable from Primary Institution

A reconciliation of the receivables to and payables from balances between the Component Units and the Institutions is as follows:

<p>Institutions Receivable from Component Units - Current</p> <p style="text-align: right;">\$ 11,131,408</p> <p>Institutions Receivable Component Units - Non-Current</p> <p style="text-align: right;">-</p> <p style="border-top: 1px solid black;">Total Due from Component Units</p> <p style="text-align: right;">11,131,408</p> <p>Reconciling Differences:</p> <p>Transactions with Component Units having fiscal year ends other than June 30, 2020</p> <p style="text-align: right;">(5,841,977)</p> <p>Transactions in transit at June 30, 2020</p> <p style="text-align: right;">(773,286)</p> <p>Receivables from insignificant component units</p> <p style="text-align: right;">(251,275)</p> <p>Other</p> <p style="text-align: right;">162,547</p> <p style="border-top: 1px solid black;">Total Component Unit Payable to Institutions</p> <p style="text-align: right;"><u>\$ 4,427,417</u></p>		<p>Institutions Payable to Component Units - Current</p> <p style="text-align: right;">\$ 997,411</p> <p>Institutions Long Term Liability to Component Unit - Current Portion</p> <p style="text-align: right;">3,205,164</p> <p>Institutions Long Term Liability to Component Unit - Non-Current Portion</p> <p style="text-align: right;"><u>29,490,907</u></p> <p style="border-top: 1px solid black;">Total Due to Component Units</p> <p style="text-align: right;">33,693,482</p> <p>Reconciling Differences:</p> <p>Transactions with Component Units having fiscal year ends other than June 30, 2020</p> <p style="text-align: right;">99,719</p> <p>Transaction with insignificant component units that are not discretely presented</p> <p style="text-align: right;">3,194</p> <p>Transactions in transit at June 30, 2020</p> <p style="text-align: right;">(612,249)</p> <p>Other</p> <p style="text-align: right;">-</p> <p style="border-top: 1px solid black;">Total Receivable from Institutions</p> <p style="text-align: right;"><u>\$ 33,184,147</u></p> <p>Component Unit Current Receivable from Institutions - Current</p> <p style="text-align: right;">\$ 3,702,854</p> <p>Component Unit Non-Current Receivable from Institutions</p> <p style="text-align: right;"><u>29,481,292</u></p> <p style="border-top: 1px solid black;">Total Component Unit Receivable from Institutions</p> <p style="text-align: right;"><u>\$ 33,184,146</u></p>
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June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS

BEGINNING COMPONENT UNIT NET ASSET RESTATEMENTS

Net assets, beginning of the year, as previously reported	\$ 929,939,508
Prior period adjustments:	
Correction of errors	<u>(2,000,000)</u>
Net assets, beginning of the year, as restated	<u>\$ 927,939,508</u>

SIGNIFICANT TRANSACTIONS AND DEVELOPMENTS

Bismarck State College Foundation (BSCF)

On January 25, 2007, BSC and BSCF entered into a 15-year lease agreement to facilitate the construction of a Mechanical Maintenance building. Under the agreement, BSC is responsible for payment of rent, maintenance, and repair of the facility, maintenance of insurance required under the lease, and restrictions of use of the facility as set forth in the lease. The amount of the rent is tied to the \$1.4 million debt service retirement. Upon payment of the bonds, BSC will have the option to purchase the premises for \$100. On August 15, 2013, an addendum was made to the lease agreement to facilitate an addition to the facility.

On October 19, 2007, BSC and BSCF entered into a 25-year lease agreement to facilitate the construction of the National Energy Center of Excellence building. Under the agreement, BSC is responsible for payment of all rent, maintenance, and repair of the facility, maintenance of all insurance required under the lease, and restrictions of use of the facility as set forth in the lease. The amount of the rent is tied to the \$5.0 million debt service retirement. Upon payment of all the bonds, BSC will have the option to purchase the premises for \$100.

BSCF's financial statements include these transactions as a receivable from BSC and a long-term liability. BSC's financial statements include the capitalized assets and a long-term liability due to BSCF.

	<u>BSC</u>	<u>BSC Foundation</u>
NECE Building	\$ 9,548,989	\$ 10,846,116
Accumulated Depreciation	<u>(2,552,561)</u>	<u>(3,198,124)</u>
	<u>\$ 6,996,428</u>	<u>\$ 7,647,992</u>

On September 26, 2014, BSC and Student Housing, LLC (a wholly owned subsidiary of BSCF) entered into a 30-year Ground Lease to facilitate the construction and development of a student apartment housing complex on approximately 4.67 acres of land owned by BSC. Under the agreement, BSC would enter into a separate operating and lease agreement with LLC for the constructed student housing apartment complex for use as a College student housing facility. There are no separate rent payments to be paid by LLC during the term of the Ground Lease agreement in exchange for use of the land.

On October 14, 2014, BSC and Student Housing, LLC (a wholly owned subsidiary of BSCF) entered into a Memorandum of Understanding (MOU) which sets forth the essential terms of an Apartment Master Lease agreement to be entered into between LLC and BSC, under which LLC will lease to BSC space in the student housing complex to be constructed by LLC on BSC property according to the terms and conditions of the Ground Lease. The five-year renewable Apartment Master Lease Agreement will

June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS

address quarterly rent payments by BSC and responsibilities for maintenance, repairs and insurance of the facilities and improvements during the term of the lease.

On August 13, 2015, BSC and Student Housing, LLC entered into a five-year lease agreement to operate student housing services in the two newly constructed housing units (Ritchie Hall and Gate City Bank Hall). Under the agreement, BSC is responsible for payment of all rent, maintenance, and daily repair/maintenance of the facility, and restrictions of use of the facility as set forth in the lease. Student Housing, LLC is responsible for major repairs/maintenance and property and liability insurance on the facilities. The lease is classified as an operating lease on BSC financial statements and Student Housing, LLC financial statements includes the capitalized asset.

In fiscal year 2019, BSC purchased a building located in Bismarck, North Dakota from BSCF for \$8.2 million. The building will house the BSC nursing school.

As of July 1, 2018, BSCF gained control of the Bismarck State College National Alumni Association. The Alumni Association financial statements are included in the consolidated financial statements of the Foundation. The change in reporting entity has been applied retroactively to the July 1, 2018 beginning net assets.

Dickinson State University Foundation (DSUF)

Arbitration:

The Dickinson State University Foundation (DSUF) had ownership interest and/or management responsibilities in various real estate projects by way of its membership in Dickinson Investments, LLC (Dickinson Investments) and other entities. DSUF was involved in a dispute with another member of Dickinson Investments, Granville Brinkman and other Brinkman entities (Respondent). An arbitration claim was filed on December 26, 2013. On September 30, 2014, the arbitrator awarded the Respondent a buy-out of their equity interest in the amount of \$1.260 million. The Respondent was also awarded repayment of a note, prejudgment interest and attorneys' fees and costs. DSUF and Dickinson Investments were jointly and severally liable for the buyout amount.

On October 28, 2014, the arbitrator issued a final arbitration award and ordered:

- a) prejudgment interest at 6 percent would commence December 26, 2013,
- b) the amount of attorney fees and costs to be repaid was \$233,420,
- c) the note prepayment amount was \$133,600
- d) the parties shared responsibility for arbitration fees and expenses totaling \$67,620.

The final award exceeded \$1.7 million. Although DSUF had an equity interest of about 6 percent in Dickinson Investments, the arbitrator ruled that it was jointly and severally liable for the entire award, except the \$133,600 loan for which Dickinson Investments is responsible.

Receivership:

At the request of the System Chancellor, on November 21, 2014, the North Dakota Attorney General petitioned the state district court for the appointment of a receiver. On December 3, 2014, the court appointed a receiver for DSUF. The court order included the following directives:

- The receiver shall take immediate possession, custody, and control of all assets owned or held by DSUF;
- The DSUF board of directors shall be temporarily suspended and have no authority to act on behalf of DSUF;
- The receiver shall gather, protect and oversee DSUF's corporate and charitable assets;

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NOTES TO THE FINANCIAL STATEMENTS

- The receiver shall report to the court; and
- The receiver shall have all the authority necessary to continue the day-to-day activities of the DSUF.

The receiver filed interim reports on a regular basis through September 2016. In the seventh interim report, dated August 31, 2015, the receiver recommended that DSUF be dissolved. This recommendation was based on an inability to negotiate a mutually acceptable settlement of the outstanding Brinkman judgment against DSUF. The report indicates that dissolution should foremost prioritize DSUF obligations to honor restrictions placed on DSUF assets by donors, then address claims made by creditors, employees, and other interested parties. However, DSUF accounting reports indicated that the foundation had total net restricted assets in an amount less than total permanently and temporarily restricted donations.

The Office of Attorney General requested the commencement of dissolution for DSUF. On August 30, 2017, Stark County District Court Judge William Herauf issued an Order that, in part, approved a settlement reached between the Attorney General and the DSUF's major creditors. The Order also resolved all claims against the DSUF, allowing for the distribution of assets and final closure of the issues surrounding the DSUF.

On June 20, 2017, a settlement agreement was signed by the SBHE, DSU and five financial institutions whereby an amount of \$3.1 million will be paid to the financial institutions to repay the outstanding debt related to the Biesiot Activities Center. The 2017 North Dakota Legislative Assembly provided an appropriation to Dickinson State University for the settlement amount. The settlement was paid in July 2017 consistent with the terms of the settlement agreement.

DSUF's Restated Articles of Incorporation state that upon dissolution, remaining assets shall be distributed to the SBHE for the exclusive use and benefit of the Dickinson State University or its direct successors in interest. The receiver recommended that all remaining net assets of DSUF be directed to be turned over to a new 501(c)(3) tax-exempt Foundation in keeping with DSUF's Restated Articles of Incorporation.

There is a cash reserve account remaining in excess of \$300,000 pending the outcomes of resolving claims from the U.S. Internal Revenue Service relating to Charitable Remainder Trusts. All tax returns have been filed by the court appointed Receiver. The U.S. Internal Revenue Service has approved one of the returns and the remainder of the returns are pending review. Once all returns are approved, any remaining cash will be distributed to the DSU Heritage Foundation and a final Receiver's report will be filed to obtain Court approval of the final distribution and closing the receivership dissolution action.

The receivership was closed effective August 6, 2020 through the Court's approval of the Final Receiver's report. The final tax returns have been filed and final fees were paid. The final check was issued to the Dickinson State University Heritage Foundation on August 7, 2020 in the amount of \$337,402. The Receiver has been discharged and the case was closed by the Stark County District Court.

Financial Audit:

In fiscal year 2013, The DSUF's independent auditors issued a qualified opinion on the DSUF financial statements because they were unable to form an opinion regarding the proper amount and classification of unrestricted and temporarily restricted net assets. In fiscal year 2014, the DSUF's independent auditors were unable to issue an audit opinion on the DSUF financial statements as a result of the aforementioned arbitration and the overall condition of the DSUF financial records. An audit has not been performed since fiscal year 2014.

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NOTES TO THE FINANCIAL STATEMENTS

Additionally, it has been reported that DSUF may have used endowment funds as collateral to obtain financing and to meet monthly operating expenses of the foundation and one of its real estate projects.

NDSU Research and Technology Park, Inc. (NDSU RTP)

On December 30, 1999, NDSU through the State of North Dakota and the SBHE entered into a ground lease, whereby the NDSU RTP leases 40 acres of land for \$1 per year for the next seventy-five years.

On July 1, 2002, NDSU and NDSU RTP entered into an agreement for cooperation and assistance between entities. The agreement is an annual agreement, which automatically extends for one-year periods unless cancelled by either party to the agreement.

During fiscal year 2017, NDSU and NDSU RTP entered into renewed agreements, whereby NDSU leases the Research Buildings I and II through June 30, 2032. During fiscal year 2020, total annual rent of \$312,000 was paid by NDSU for these two buildings, in addition to the \$1.8 million of principal and interest paid by NDSU directly to the bond trustee. NDSU reimbursed NDSU RTP \$30,556 for property insurance on the two buildings and directly pays the utility costs under these agreements. The annual rent will be re-adjusted by mutual agreement every two years. These agreements are subject to funding and legislative appropriations.

During fiscal year 2020, NDSU and the RTP entered into an agreement where NDSU RTP creates, maintains, and operates makerspace at the Park to help recruit and educate future leaders in the STEM fields. Under the agreement NDSU will pay the RTP \$90,000 per year. During fiscal 2020, the first year of the agreement, NDSU paid the NDSU RTP \$45,000 for this service.

NDSU Foundation (The Foundation)

Fargodome Lease and Improvements

In fiscal year 2006, the Foundation financed the construction and equipping of office space, locker rooms, meetings rooms, and related facilities in the Fargodome for use by NDSU through the sale of revenue bonds issued by Cass County. The Foundation has leased the space in the Fargodome from the City of Fargo and subleased the space, furniture, fixtures and equipment to NDSU. Under the agreement, NDSU will pay rent to the NDSUFAA for use of the premises. The amount of the rent is tied to the \$3.5 million debt service retirement plus the Fargodome annual space rent and all costs incurred by the Foundation incident to the lease, less any contributions received by the Foundation for the project. Under this agreement in fiscal year 2020, the Foundation paid the debt service and other fees on behalf of NDSU in the amount of \$331,587.

The facility is included in long-term investments and the debt is included in long-term liabilities on the financial reports of the Foundation. NDSU has also recorded a capital asset and a capital lease payable, reflected as "Due to Component Units" by NDSU, of \$131,000 as of June 30, 2020. Since the foundation is a discretely presented component unit of the System and the component unit and the System are reporting the same assets and debt for the Fargodome improvements, a reclassification entry was made to ending balances in the component unit consolidating financial statements to show the appropriate due from primary institution.

Renaissance Hall

The former Northern School Supply building was donated to the Foundation by NDSU alumni in December of 2001. During fiscal year 2003 and 2004, the Foundation renovated the building with the intent to lease the facility to NDSU beginning fall 2004. The Foundation transferred nearly the entire ownership of the building to 650 NP Avenue, LLC and Kilbourne Design Group, LLC, for a five-year period

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NOTES TO THE FINANCIAL STATEMENTS

in order to achieve tax credits that would ultimately reduce the cost of the building to NDSU. During the five-year tax credit period, NDSU leased the building from the two LLCs, with the lease payments composed of interest and fees. With the five-year tax credit period ending December 31, 2010 (as extended), and the ownership was transferred back to the Foundation, permanent financing was put in place on December 17, 2010, with the issuance of \$5.65 million of 20-year University Facilities Lease Revenue Bonds, Series 2010 (Renaissance Hall Project). The financing structure involving the five-year temporary ownership transfer resulted in achieving tax credits of \$4.9 million which directly lowered the leasing cost to NDSU.

Under this refinanced debt issuance and lease agreement, as approved by the SBHE on December 16, 2010, the property is leased to NDSU for rent equal to the semi-annual principal and interest on the bonds, plus all costs incurred by the Foundation incident to ownership of the property. Ownership of the property will transfer to NDSU when the bonds are repaid in full. NDSU paid the Foundation \$413,000 in fiscal year 2020 for debt service under this agreement. As of June 30, 2020, the outstanding balance on the bonds, reflected as "Due to Component Units" by NDSU, is \$3.6 million.

Barry Hall Business Building and Klai Hall Architecture Building

Effective November 28, 2007, NDSU and the Foundation entered into lease agreements for two buildings in downtown Fargo, formerly known as the "Pioneer Mutual Building" and "Lincoln Mutual building". The Foundation financed the construction of the Barry Hall business building and Klai Hall architecture building projects through the sale of \$18.52 million of twenty-year University Facilities Revenue Bonds issue by the City of Fargo, North Dakota. The City has loaned the bond proceeds to the Foundation for payments equal to the sum of the semi-annual interest payments and installments of varying principal amounts on the variable rate bonds and the semi-annual principal and interest payments on the fixed-rate bonds. The principal payments on the variable rate bonds will be funded from payments on donor pledges restricted for the project. Under the terms of the loan, the Foundation is responsible for the real estate taxes, insurance, repairs and maintenance, and other costs incident to ownership of the property.

The property is included with property in the financial statements and the bonds have been recorded as a direct obligation of the Foundation. Ownership of the property will transfer to NDSU when the bonds are repaid in full. The bonds are guaranteed by the Foundation. This property is leased to NDSU for rental equal to the sum of the semi-annual interest only payments on the variable term bonds plus the semi-annual principal and interest payments on the fixed-rate bonds for the term of the bonds, plus all the costs incurred by the Foundation incident to ownership of the property.

In May 2012, the Foundation refinanced the original bonds issued in November 2007. As a result, new leases were executed. Under the terms of the new leases, NDSU pays and recognizes a liability for the entire amount of the previously issued bonds. During fiscal year 2020, NDSU paid \$158,000 to the bond trustee on-behalf of the Foundation under the new leases for debt service on Barry Hall & Klai Hall. NDSU has an option to acquire the property upon full payment of the bonds. As of June 30, 2020, the outstanding balance on the bonds, reflected as "Due to Component Units" by NDSU, is \$8.15 million.

Other Transactions

The Foundation provides meeting space rental and database support service to NDSU for an annually negotiated fee. NDSU paid the foundation \$384,000 for the fiscal year ending December 31, 2019.

In addition to the debt service payments on the Fargodome, Renaissance, Barry and Klai Halls, NDSU reimburses the Foundation for other operating expenses related to those buildings, such as property

June 30, 2020

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insurance, flood insurance, boiler inspection fees, real estate taxes and bond administrative fees. Those costs totaled \$158,432 during the fiscal year ending December 31, 2019.

Based on an agreement that began January 1, 2015, and automatically renewed annually since then, NDSU pays \$87,592 of annual building rent to the Foundation for use the Criminal Justice and Public Policy building next to the NDSU main campus. This rent was paid again by NDSU during the fiscal year ending June 30, 2020.

The Foundation's fiscal year end is December 31, NDSU's year end is June 30. Timing differences in amounts may occur between entity financial statements, due to different year end dates.

UND Aerospace Foundation (UND AF)

UND AF recorded expenses reimbursed to UND for salaries, building rent, aircraft rental, and goods and services under an operating agreement aggregating \$9.9 million in fiscal year 2020. This operating agreement has no specific term and is intended to memorialize various operating agreements, rate structures, duties, and obligations each party has to the other. Expenses reimbursed to UND represent actual costs incurred and are included in supporting services in the consolidated statements of activities.

UND AF recorded revenue for service and hangar, CRJ, 360-degree tower, and aircraft rental to UND of \$2.9 million in fiscal year 2020, which is included in program and event income in the consolidated statements of activities.

As of June 30, 2020, the UND AF recorded accounts payable to UND of \$2.1 million for reimbursable costs and services. As of June 30, 2020, the UND AF had recorded accounts receivable from UND of approximately \$1.2 million, which are included in accounts receivable in the consolidated statements of financial position.

UND AF entered into a sublease with UND to lease the aircraft storage hangar/ground support equipment facility. The lease term is for 20 years, commencing on July 7, 2003, until July 6, 2023. For the first 15 years of the sublease, UND will pay the UND AF's monthly minimum payment of \$12,672, beginning on October 1, 2003, subject to actual cost adjustments. At the end of the 15 years of the sublease, rent will be adjusted based upon the interest rate adjustments of the debt incurred by the UND AF in the construction of the hangar. Under this noncancelable sublease with UND, UND AF will receive future minimum rentals of \$1.7 million over the next five years.

RE Arena, Inc. (REA)

REA and UND, entered into an operating agreement from July 1, 2017 to June 30, 2020. The operating agreement sets forth the facility usage, fees and services, ticket administration and revenue allocation, sponsorship sales administration and revenue allocation, and net income disposition. In accordance with this agreement: (i) REA collects all ticket revenue from ticketed UND athletic events (hockey, football, men's and women's basketball, and volleyball), REA retains 52 percent of such ticket revenue and remits 48 percent to UND, and (ii) REA collects all sponsorship sales revenue from UND athletic events at the arena, REA retains 64 percent of such sponsorship revenue, net of direct costs, and remits 36 percent to UND, net of direct costs. In addition, UND and REA jointly utilize the UND and REA marketing staff to market and promote UND athletic events.

REA may contract with UND for materials and personnel in service, utility and other areas and will reimburse UND based on separate agreements. Revenue and expense arrangements for all other UND events held at the arena will be negotiated on an event-by-event basis.

June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS

In REA's fiscal year 2020, gross tickets sales were \$4.8 million of which REA recognized revenue of \$2.5 million with a net due to UND \$2.3 million as of May 31, 2020. Gross ticket sales for the next athletic season year are recorded in deferred revenue at gross by REA for a total of \$2.8 million, as of May 31, 2020.

REA recognized net sponsorship (advertising) revenue of approximately \$903,000 for the fiscal year ended May 31, 2020 and the net due to UND in sponsorship (advertising) income of approximately \$473,000, as of May 31, 2020. REA did not allocate any portion of their net income to the UND Athletic Department for the year ended May 31, 2020. REA expensed approximately \$944,000 to UND for utilities, maintenance staff, phone service and other expenses for the fiscal year ended May 31, 2020. As of May 31, 2020, REA did not have an accounts payable balance to UND for monthly services.

Amounts are reported on the accrual basis of accounting, which may or may not be the same as that used by UND. REA fiscal year end is May 31 and UND's fiscal year end is June 30. Amounts may differ between entity financial statements because of timing differences due to different year ends.

UND Alumni Association and UND Foundation (UND Foundation)

UND is leasing space in the Gorecki Alumni Center in the amount of \$75,000 per year. Additionally, rental payments consisting of UND's share of the operating and maintenance costs for space used in the Gorecki Alumni Center are calculated annually.

During the year ended June 30, 2020, UND provided approximately \$2.0 million of institutional support for event and database support, annual giving campaign, career development center and shared positions. The UND Foundation manages UND's endowment investments and charged them approximately \$281,000 in investment management fees during the fiscal year ended June 30, 2020. These fees and support are reported as program and event income on the statement of activities.

The UND Foundation has other receivables from UND related to the renovation of an existing building for the Energy and Environmental Research Center (EERC) and the construction of the Minot Center for Family Practice for \$3.4 million and \$1.8 million, respectively. The UND Foundation has accounts payable due to UND related to miscellaneous services and payments of approximately \$235,000.

The UND Foundation is leasing 45,000 square feet of land for the Gorecki Alumni Center from UND. Starting in 2016, the rate is \$0.10 per square foot, per year. The cost in fiscal year 2020 was \$4,500.

On July 24, 2002, the UND Foundation issued \$8.6 million of tax- exempt lease revenue bonds to finance the construction of an office building and the renovation of an existing building for the EERC of UND. The UND Foundation recorded a receivable from UND of \$8.6 million due under the direct-financing lease arrangement. On October 18, 2012, the UND Foundation issued Taxable Refunding Lease Revenue Bonds, Series 2012 in the amount of \$6.4 million to refund its outstanding Lease Revenue Bonds, Series 2002.

The UND Foundation also amended the related lease agreement with UND. Interest accrues on the bonds at rates from 0.75 percent to 4.20 percent depending upon maturity. Annual principal and semiannual interest payments are due through fiscal year 2027 and as of June 30, 2020 were \$3.4 million. The bonds are secured by a lease with UND. The terms for the repayment are the same as the payment terms of the related bonds. During fiscal year ended June 30, 2020, the UND Foundation recorded payment of principal and interest of \$415,000 and approximately \$146,000, respectively. The interest is included in program and event income on the statement of activities.

June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS

On October 24, 2003, the UND Foundation issued \$4.4 million of tax-exempt lease revenue bonds to finance the purchase of land and the construction of a facility for occupancy by the Minot Center for Family Practice in Minot, North Dakota. The center is a department of the School of Medicine & Health Sciences at UND. The UND Foundation recorded a receivable from UND of \$4.4 million due under the direct-financing lease agreement. In June 2008, the \$3.7 million remaining balance of the 2003 bonds was refinanced with Lease Revenue Refunding Bonds, Series 2008. In April 2018, the \$2.2 million remaining balance of the 2008 bonds was refinanced with Lease Revenue Refunding Bonds, Series 2018. The bond matures as of April 1, 2028. The interest rate is fixed at 3.50 percent until 2028. Payments of \$133,333 are required semi-annually through 2028. The bonds are secured by a lease with UND. Annual principal and semiannual interest payments as of June 30, 2020 was \$266,669.

NON-MAJOR COMPONENT UNITS

North Dakota State College of Science Foundation (NDSCSF)

For the year ended June 30, 2020, NDSCS paid NDSCSF \$174,000 for the rental of NDSCS Fargo building and \$10,953 for parking lots.

Williston State College Foundation (WSCF)

Effective September 1, 2011, WSCF loaned WSC \$500,000 for the purchase of a geothermal system for the residence hall. Semiannual principal and interest payments of \$30,000 are due January 1 and July 1, with a final payment of \$18,442 due July 1, 2022. The loan bears an interest rate of 3 percent. As of June 30, 2020, the loan balance of \$105,000 of which approximately \$57,000 is a current asset.

On November 1, 2013, WSCF entered into a lease agreement with WSC. WSCF is leasing a passenger motor coach to WSC. The value of the bus was \$375,000. Quarterly lease payments of \$12,000 are being made by WSC for a seven-year lease term. The lease bears an interest rate of 3.19 percent. The lease expires on August 1, 2020. Total payments on the lease as of June 2019 was \$70,821. At June 30, 2020, the lease had a balance of \$11,924 which is classified as a current asset.

Individuals working on behalf of the WSCF and the North Dakota Department of Motor Vehicles (DMV) are employees of and paid by WSC. WSCF reimburses WSC for the time WSC employees spend on Foundation and DMV matters. WSCF records these amounts as expenses. The amount reimbursed for the years ending June 30, 2020 was \$597,000.

NOTE 20- PLEDGED REVENUES

Pledged Revenue Required for Future Principal and Interest on Existing Bonds	\$ 452,633,876		
Term of Commitment ranging fr	2023-2047		
Percentage of Revenue Pledged	5%		
Current Year Pledged Revenue,	Pledged Revenue	Recognized Revenue	Percentage of Pledged Revenue to Recognized Revenue
Net revenues from auxiliaries	\$ 12,075,128	\$ 90,781,941	13%
Tuition and Student Fees	5,747,915	338,541,806	2%
Cares Act Part B	3,159,694	8,034,490	39%
Other	670,008	-	0%
Total	\$ 21,652,745	\$ 437,358,237	5%
Current Year Principal and Intere	\$ 21,652,745		

June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS

NOTE 21 – FUNCTIONAL EXPENSE CLASSIFICATION

The System reports operating expenses using the “natural classification” on the Statement of Revenues, Expenses and Changes in Net Position. Operating expenses for the year ending June 30, 2020, using the functional classification are as follows:

Operating Expense	
Instruction	\$ 354,446,731
Academic Support	79,023,863
Student Services	97,286,757
Institutional Support	127,083,229
Physical Plant	94,377,504
Scholarships and Fellowship:	50,358,471
Auxiliary Enterprises	88,505,149
Public Service	66,707,200
Research	163,272,315
Depreciation	72,345,493
Total	<u>\$ 1,193,406,710</u>

NOTE 22 – OPERATING LEASES

The institutions are obligated under certain leases for equipment, vehicles and facility rental, which are accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore, the resulting expenditures are recognized as incurred. Lease expenditures for the year ended June 30, 2020, amounted to \$7.0 million.

Future minimum lease payments at June 30, 2020:

Fiscal Year	Future Minimum Lease Payments
2021	\$ 4,099,596
2022	2,977,689
2023	2,380,360
2024	1,007,764
2025	879,517
2026 - 2030	1,235,973
2031 - 2035	472,678
2036 - 2040	47,268
	<u>\$ 13,100,845</u>

NOTE 23 – CONTINGENCIES

Amounts received and expended by the System under various federal and state programs are subject to audit by governmental agencies. In the opinion of management, audit adjustments, if any, will not have a significant effect on the financial position of the System.

In the normal course of its activities, the institutions of the System are party to various legal actions. Because, in the opinion of management and counsel, the risk of material loss in excess of insurance coverage for these items is remote, the outcome of the legal proceedings and claims is not expected to have a material effect on the financial position of the System. Therefore, an estimated liability has not been recorded.

NOTE 24 – RISK MANAGEMENT

The System is exposed to various risks of loss related to torts; theft, damage, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The following programs have been established to address some of these risks and loss exposures.

RISK MANAGEMENT FUND

The Risk Management Fund (N.D.C.C. ch.32-12.2) was established by the 1995 North Dakota Legislature as a result of a court decision that eliminated the State’s sovereign immunity. The Risk Management Division of the Office of Management and Budget administers the Fund.

The Fund provides liability coverage and defense of a claim/lawsuit brought against the state of North Dakota, its agencies and employees acting within the scope of employment. The coverage amounts are \$250,000 per person and \$1,000,000 per occurrence.

The Fund is a risk retention pool that is funded by contributions paid by all State agencies, boards and commissions. The contributions are calculated by an actuary based on various factors, including the agency’s loss history and number of full-time employees.

Additional information regarding coverage can be found at

<https://www.nd.gov/omb/agency/risk-management-services>.

NORTH DAKOTA FIRE AND TORNADO AND STATE BONDING FUND

The System also participates in the North Dakota Fire and Tornado Fund and State Bonding Fund. The System pays an annual premium to the Fire and Tornado Fund to cover property damage to personal property. Replacement cost coverage is determined in consultation with the Fire and Tornado Fund. The State Bonding Fund currently provides the System with blanket fidelity bond coverage in the amount of \$2,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

Risk Management Workers Compensation Program

The Risk Management Workers Compensation Program (N.D.C.C. § 65-04-03.1) was established by the 2001 North Dakota Legislature and created a single workers’ compensation account for all state agencies. This cross-agency program is designed to save premium dollars through a deductible program while enhancing recovery of injured employees. The program is administered by the Risk Management Division of the Office of Management and Budget.

Workers compensation provides money and medical benefits to an employee who has an injury as a result of an accident, injury or occupational disease on-the-job. The question of negligence or fault is usually not at issue.

Workforce Safety & Insurance (WSI) continues to determine the level of compensation an injured worker and his or her care provider are entitled to receive; and will determine experience rates, dividends, assessments, and the premiums payable by State entities for workers’ compensation coverage. Effective July 1, 2001, workers’ compensation premiums are paid to the Risk Management Division rather than to WSI. Additional information regarding coverage can be found at

<https://www.nd.gov/omb/agency/risk-management-services>

June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS

NOTE 25 – SUBSEQUENT EVENTS

On July 2, 2020, VCSU issued \$3.2 million, Series 2020 Housing and Auxiliary Facilities Revenue Bonds. The bonds were issued in December 2019 and are included in these financial statements and notes. The proceeds are held in escrow and were used to refund the existing 2010 bonds on July 2, 2020. The bonds are collateralized by net housing and auxiliary facilities systems and mature in 2046.

On October 29, 2020, the North Dakota Building Authority issued bonds for UND. The first bond is \$30.0 million and will fund deferred maintenance projects. The bond will be repaid from local funds. The second bond is \$6.0 million for new Nistler College of Business building which will be repaid from a general fund appropriation to NDUS. The bonds mature in 2040.

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North Dakota University System
Required Supplementary Information (RSI)
June 30, 2020

Schedule of the NDUS Proportionate Share of Net Pension Liability - Last 10 Fiscal Years *

	NDUS' Proportion of the Net Pension Liability	NDUS' Proportionate Share of the Net Pension Liability	NDUS Covered Employee Payroll	Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2020	9.34%	\$ 109,414,127	\$ 97,100,937	112.68%	71.66%
2019	9.61%	\$ 162,113,636	\$ 98,685,274	164.27%	61.89%
2018	9.77%	\$ 157,065,812	\$ 99,755,332	157.45%	61.98%
2017	10.34%	\$ 100,749,199	\$ 104,177,803	96.71%	70.46%
2016	11.08%	\$ 75,351,113	\$ 98,721,150	76.33%	77.15%
2015	11.23%	\$ 71,311,045	\$ 94,566,414	75.41%	77.70%

**This schedule is intended to show information for 10 years. Additional years will be displayed as they become available. Complete data for this schedule is not available prior to 2015.*

Schedule of the NDUS Contributions - Last 10 Fiscal Years*

this is fiscal year date

	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Excess (Deficiency)	NDUS Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2020	\$ 7,175,888	\$ 7,175,888	\$ -	\$ 102,506,102	7.00%
2019	\$ 7,268,591	\$ 7,268,591	\$ -	\$ 100,877,902	7.21%
2018	\$ 7,134,215	\$ 7,134,215	\$ -	\$ 99,755,332	7.15%
2017	\$ 7,546,708	\$ 7,546,708	\$ -	\$ 104,177,803	7.09%
2016	\$ 7,654,994	\$ 7,654,994	\$ -	\$ 98,721,150	7.26%
2015	\$ 7,380,713	\$ 7,380,713	\$ -	\$ 94,566,414	7.44%

**This schedule is intended to show information for 10 years. Additional years will be displayed as they become available. Complete data for this schedule is not available prior to 2015.*

Changes of benefit terms

The interest rate earned on member contributions will decrease from 7.25 percent to 7.00 percent effective January 1, 2020 (based on the adopted decrease in the investment return assumption). NDUS members who are hired on or after January 1, 2020 will have a benefit multiplier of 1.75 percent (compared to the current benefit multiplier of 2.00 percent). The fixed employer contribution for new members of the NDUS will increase from 7.12 percent to 8.26 percent. For members who terminate after December 31, 2019, final average salary is the higher of the final average salary calculated on December 31, 2019 or the average salary earned in the three highest periods of twelve consecutive months employed during the last 180 months of employment. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2018.

Changes of assumptions

The North Dakota PERS Board approved the following changes to the actuarial assumptions beginning with the July 1, 2019 valuation:

- The investment return assumption was lowered from 7.75 percent to 7.50 percent

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2018.

**North Dakota University System
Required Supplementary Information (RSI)
June 30, 2020**

Schedule of the NDUS Proportionate Share of Net OPEB Liability - Last 10 Fiscal Years *

	NDUS' Proportion of the Net OPEB Liability	NDUS' Proportionate Share of the Net OPEB Liability	NDUS Covered Employee Payroll	Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2020	8.76%	\$ 7,036,909	\$ 97,762,911	7.20%	63.13%
2019	9.07%	\$ 7,146,894	\$ 99,296,140	7.20%	61.89%
2018	9.31%	\$ 7,365,193	\$ 100,731,452	7.31%	59.78%

**This schedule is intended to show information for 10 years. Additional years will be displayed as they become available. Complete data for this schedule is not available prior to 2018.*

Schedule of the NDUS Contributions - Last 10 Fiscal Years *

	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Excess (Deficiency)	NDUS Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2020	\$ 1,157,241	\$ 1,157,241	\$ -	\$ 102,506,102	1.13%
2019	\$ 1,150,435	\$ 1,150,435	\$ -	\$ 100,890,040	1.14%
2018	\$ 1,148,790	\$ 1,148,790	\$ -	\$ 100,731,452	1.14%

**This schedule is intended to show information for 10 years. Additional years will be displayed as they become available. Complete data for this schedule is not available prior to 2018.*

Changes of benefit terms

Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2018.

Changes of assumptions

The North Dakota PERS Board approved the following changes to the actuarial assumptions beginning with the July 1, 2019 valuation:

* The investment return assumption was lowered from 7.50 percent to 7.25 percent.

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of Jul 1, 2018.

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NORTH DAKOTA UNIVERSITY SYSTEM

Supplementary Information
JUNE 30, 2020

COMBINING STATEMENT OF NET POSITION

	North Dakota University System Office	Bismarck State College	Dakota College at Bottineau	Dickinson State University	Lake Region State College	Mayville State University	Minot State University
ASSETS							
Current assets							
Cash and cash equivalents	\$ 15,272,715	\$ 8,219,452	\$ 2,747,381	\$ 3,299,511	\$ 5,929,757	\$ 3,048,288	\$ 19,658,291
Investments	-	3,480,000	-	5,680,000	1,500,000	400,077	5,922,400
Accounts receivable, net	2,460	1,105,855	334,181	317,048	594,222	582,766	978,312
Due from component units - investments held on behalf of the institutions	-	-	-	-	-	-	-
Due from component units	-	93,364	150	140,634	2,805	5,917	133,763
Due from other NDUS institutions	1,341,731	33,754	(14,168)	94,958	70,553	162,577	156,920
Due from State general fund	3,300	653,323	331,937	244,263	-	70,091	19,999
Grants and contracts receivables, net	388,889	1,389,752	882,379	282,344	988,741	309,074	877,969
Inventories	-	708,849	132,670	-	233,383	230,329	-
Notes receivable, net	-	563,154	51,037	99,207	53,675	104,900	277,951
Other assets	1,965	437,822	5,933	-	4,021	22,085	24,234
Total current assets	17,011,060	16,685,325	4,471,500	10,157,965	9,377,157	4,936,104	28,049,839
Noncurrent assets							
Restricted cash and cash equivalents	-	101,578	-	-	-	218,194	54
Restricted investments	-	-	-	-	-	-	752,260
Endowment investments	-	-	-	-	-	17,000	-
Notes receivable, net	-	155,329	67,653	672,336	130,230	226,084	1,718,589
Other long-term investments	-	146,000	-	-	-	-	-
Due from component units - investments held on behalf of the institutions	-	-	-	207,904	-	-	3,397,723
Other noncurrent assets	-	-	-	-	-	-	-
Capital assets, net	666,910	58,598,344	7,340,835	36,995,386	13,456,342	26,979,128	72,624,700
Total noncurrent assets	666,910	59,001,251	7,408,488	37,875,626	13,586,572	27,440,406	78,493,326
Total assets	17,677,970	75,686,576	11,879,988	48,033,591	22,963,729	32,376,510	106,543,165
DEFERRED OUTFLOW OF RESOURCES							
	1,851,803	2,769,400	380,504	1,518,770	1,294,028	1,747,090	2,393,665
LIABILITIES							
Current liabilities							
Accounts payable and accrued liabilities	1,749,943	1,660,035	375,111	158,256	503,479	272,559	1,039,876
Due to other NDUS institutions	605,634	52,884	108,249	28,509	41,662	131,706	56,375
Due to component units	-	23,235	-	(4,988)	-	1,794	151,537
Accrued payroll	644,048	1,599,773	273,638	1,290,373	440,152	1,083,745	2,092,726
Unearned revenue	-	1,141,516	164,348	584,342	1,642,385	498,063	1,036,176
Deposits	124,222	104,271	73,984	99,797	243,355	192,948	506,097
Long-term liabilities - current portion							
Due to component units	-	156,579	-	-	-	-	-
Due to others	134,092	790,628	75,075	489,439	405,942	1,088,485	880,667
Total current liabilities	3,257,939	5,528,921	1,070,405	2,645,728	3,276,975	3,269,300	5,763,454
Noncurrent liabilities							
Pension liability	3,263,234	5,203,098	746,920	3,005,210	2,179,363	3,425,733	5,038,534
OPEB liability	208,452	335,283	47,997	191,971	139,216	218,832	323,776
Other noncurrent liabilities	-	-	-	69,486	-	-	9,999
Long-term liabilities							
Due to component units	-	758,118	-	-	-	-	-
Due to others	1,469,872	8,102,628	1,423,008	7,124,928	2,896,418	5,644,990	17,389,890
Total noncurrent liabilities	4,941,558	14,399,127	2,217,925	10,391,595	5,214,997	9,289,555	22,762,199
Total liabilities	8,199,497	19,928,048	3,288,330	13,037,323	8,491,972	12,558,855	28,525,653
DEFERRED INFLOW OF RESOURCES							
	1,837,167	2,790,215	438,714	1,632,430	1,273,028	1,764,495	2,960,408
NET POSITION							
Net investment in capital assets	666,487	50,079,987	6,050,238	29,966,858	10,648,536	20,870,000	55,769,105
Restricted for:							
Nonexpendable:							
Scholarships and fellowships	-	-	-	-	-	17,524	3,216,137
Expendable:							
Scholarships and fellowships	-	76,261	17,070	223,244	-	11,231	1,325,945
Research	-	-	-	-	-	-	-
Institutional	-	(155,313)	33,665	(25,889)	(37,786)	(19,133)	846,887
Loans	-	201,498	193,633	1,096,237	260,251	501,070	2,678,729
Capital projects	-	-	-	-	-	1,390	141,770
Debt service	-	2,636	18,109	8,867	531,598	150,196	491,491
Other	734	-	-	-	-	-	-
Unrestricted	8,825,890	5,532,644	2,220,733	3,613,291	3,090,158	(1,732,028)	12,980,705
Total net position	\$ 9,493,111	\$ 55,737,713	\$ 8,533,448	\$ 34,882,608	\$ 14,492,757	\$ 19,800,250	\$ 77,450,769

NORTH DAKOTA UNIVERSITY SYSTEM

Supplementary Information
JUNE 30, 2020

COMBINING STATEMENT OF NET POSITION - continued

	North Dakota State College of Science	North Dakota State University	University of North Dakota	Valley City State University	Williston State College	Eliminations	Total
ASSETS							
Current assets							
Cash and cash equivalents	\$27,895,781	\$ 48,332,055	\$ 71,462,200	\$ 8,766,886	\$ 5,162,049	\$ -	\$ 219,794,366
Investments	673,281	24,000,001	100,000,000	393,604	-	-	142,049,363
Accounts receivable, net	1,249,345	6,232,148	15,754,267	827,842	790,517	(1,219,515)	27,549,448
Due from component units - investment held on behalf of the institutions	-	-	-	109,162	-	-	109,162
Due from component units	140,000	7,302,299	3,157,766	97,274	57,436	-	11,131,408
Due from other NDUS institutions	4,035	86,465	401,342	-	450,221	(2,279,415)	508,973
Due from State general fund	105,851	7,723,755	3,547,576	1,171,485	111,111	-	13,982,691
Grants and contracts receivables, net	860,776	14,444,763	18,642,741	538,013	452,913	-	40,058,354
Inventories	576,178	1,413,318	3,350,709	141,081	197,323	-	6,983,840
Notes receivable, net	145,373	1,053,790	2,827,010	76,429	148,772	-	5,401,298
Other assets	-	1,176,644	918,729	49,782	61,349	-	2,702,564
Total current assets	31,650,620	111,765,238	220,062,340	12,171,558	7,431,691	(3,498,930)	470,271,467
Noncurrent assets							
Restricted cash and cash equivalents	-	1,954,301	58,963,873	17,565	3,903,365	-	65,158,930
Restricted investments	-	1,901	2,250,000	3,611,895	526,958	-	7,143,014
Endowment investments	-	459,111	-	47,217	52,200	-	575,528
Notes receivable, net	430,112	3,662,765	9,464,337	340,797	(38,120)	-	16,830,112
Other long-term investments	-	75,998,704	38,685,667	1,200,000	-	-	116,030,371
Due from component units - investment held on behalf of the institutions	-	47,412	15,269,069	915,105	-	-	19,837,213
Other noncurrent assets	-	197,040	-	-	-	-	197,040
Capital assets, net	48,756,006	518,888,952	641,798,448	38,923,034	50,285,693	-	1,515,313,778
Total noncurrent assets	49,186,118	601,210,186	766,431,394	45,055,613	54,730,096	-	1,741,085,986
Total assets	80,836,738	712,975,424	986,493,734	57,227,171	62,161,787	(3,498,930)	2,211,357,453
DEFERRED OUTFLOW OF RESOURCES							
	2,805,768	18,914,966	21,707,424	1,071,743	715,448	-	57,170,609
LIABILITIES							
Current liabilities							
Accounts payable and accrued liabilities	559,707	8,732,658	19,966,234	1,318,824	1,251,754	(331,116)	37,257,320
Due to other NDUS institutions	51,236	1,012,187	1,020,844	24,474	34,054	(3,167,814)	-
Due to component units	-	-	825,833	-	-	-	997,411
Accrued payroll	1,984,124	15,420,910	14,346,765	1,242,834	651,334	-	41,070,422
Unearned revenue	587,933	9,231,305	8,537,725	535,197	122,969	-	24,081,959
Deposits	345,537	1,902,875	4,579,316	301,359	(6,450)	313,947	8,781,258
Long-term liabilities - current portion							
Due to component units	-	2,276,384	702,993	-	69,208	-	3,205,164
Due to others	481,766	7,380,064	10,134,784	3,374,883	289,728	-	25,525,553
Total current liabilities	4,010,303	45,956,383	60,114,494	6,797,571	2,412,597	(3,184,983)	140,919,087
Noncurrent liabilities							
Pension liability	5,923,056	34,819,350	42,454,524	2,031,553	1,323,552	-	109,414,127
OPEB liability	384,204	2,243,951	2,728,906	129,773	84,548	-	7,036,909
Other noncurrent liabilities	11,389	-	-	-	7,802	-	98,676
Long-term liabilities							
Due to component units	-	22,945,000	5,740,331	-	47,458	-	29,490,907
Due to others	8,061,525	127,721,500	279,995,818	10,134,080	16,840,181	-	486,804,838
Total noncurrent liabilities	14,380,174	187,729,801	330,919,579	12,295,406	18,303,541	-	632,845,457
Total liabilities	18,390,477	233,686,184	391,034,073	19,092,977	20,716,138	(3,184,983)	773,764,544
DEFERRED INFLOW OF RESOURCES							
	3,450,422	20,695,397	25,326,696	1,152,656	859,548	-	64,181,176
NET POSITION							
Net investment in capital assets	41,466,083	378,789,641	420,792,277	26,173,747	34,942,431	-	1,076,215,390
Restricted for:							
Nonexpendable:							
Scholarships and fellowships	1,212	508,595	13,131,222	455,030	58,008	-	17,387,728
Expendable:							
Scholarships and fellowships	44,750	625,503	1,983,920	138,572	(27,921)	-	4,418,575
Research	-	6,550,180	468,967	-	-	-	7,019,147
Institutional	477,766	805,809	3,482,585	331,346	132,803	-	5,872,740
Loans	922,454	6,253,079	23,878,855	605,217	141,191	-	36,732,214
Capital projects	-	73,132	-	-	1,123,822	-	1,340,114
Debt service	55	2,004,898	2,171,277	3,611,844	913,543	-	9,904,514
Other	-	-	-	503,042	-	-	503,776
Unrestricted	18,889,287	81,897,972	125,931,286	6,234,483	4,017,672	(313,947)	271,188,146
Total net position	\$61,801,607	\$477,508,809	\$591,840,389	\$38,053,281	\$41,301,549	\$ (313,947)	\$1,430,582,344

NORTH DAKOTA UNIVERSITY SYSTEM

Supplementary Information

JUNE 30, 2020

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	North Dakota University System Office	Bismarck State College	Dakota College of Bottineau	Dickinson State University	Lake Region State College	Mayville State University	Minot State University
OPERATING REVENUES							
Student tuition and fees (net of scholarship allowances of \$66.3 million and bad debt allowance of \$1.1 million)	\$ 4,455,384	\$ 13,406,164	\$ 2,156,579	\$ 7,573,207	\$ 4,382,074	\$ 5,652,030	\$ 15,916,571
Federal grants and contracts (net of bad debt allowance of \$1,900)	-	943,682	691,294	410,780	651,381	4,578,638	3,082,829
State grants and contracts	-	422,731	257,887	17,326	741,336	553,477	2,404,481
Nongovernmental grants and contracts	-	769,750	119,121	(2,218)	66,140	-	308,613
Sales and services of educational departments (net of bad debt allowance of \$257,600)	1,605,944	4,125,063	157,886	436,893	797,781	1,626,071	1,508,472
Auxiliary enterprises (net of scholarship allowances of \$1.1 million and bad debt allowance of \$324,000)	-	4,339,396	1,384,306	1,750,890	1,594,742	1,756,332	2,866,757
Other (net of bad debt allowance of \$69,600)	-	11,338	11,022	98,906	13,961	28,500	124,155
Total operating revenues	6,061,328	24,018,124	4,778,095	10,285,784	8,247,415	14,195,048	26,211,878
OPERATING EXPENSES							
Salaries and wages	16,960,611	30,406,570	6,576,698	18,025,304	11,656,146	17,210,136	36,920,350
Operating expenses	14,113,711	9,616,826	4,170,455	5,320,021	2,876,978	4,509,089	11,099,871
Data processing	3,515,634	714,087	102,745	260,145	198,062	188,756	484,831
Depreciation expense	1,659,323	2,690,486	429,658	1,631,504	1,275,432	1,805,338	4,340,815
Scholarships and fellowships	17,857,519	1,478,447	623,909	741,263	728,575	860,304	2,197,931
CARES Act Aid to Students	-	235,160	66,580	320,047	36,973	42,000	454,699
Cost of sales and services	-	2,013,024	336,080	202	672,113	564,781	-
Total operating expenses	54,106,798	47,154,600	12,306,125	26,298,486	17,444,279	25,180,404	55,498,497
Operating income (loss)	(48,045,470)	(23,136,476)	(7,528,030)	(16,012,702)	(9,196,864)	(10,985,356)	(29,286,619)
NONOPERATING REVENUES (EXPENSES)							
State appropriations	58,221,370	15,453,825	3,813,409	9,821,902	6,267,057	7,709,580	19,320,944
Federal appropriations	-	-	-	-	-	-	-
Federal grants and contracts	-	2,719,576	1,215,678	1,979,302	1,321,877	923,549	3,237,384
Federal grants and contracts stimulus	-	661,720	253,665	528,943	381,837	42,985	963,495
Gifts	351,000	1,538,230	417,577	901,836	800,899	482,323	2,343,158
Endowment and investment income	33,210	53,571	129,320	181,714	28,229	346,182	255,069
Interest on capital asset - related debt	(2,377)	(307,081)	(2,684)	(191,580)	(120,548)	(213,964)	(983,793)
Gain (loss) on disposal of capital assets	-	(1,000)	2,353	-	(78)	(1,242)	(43,071)
Insurance proceeds	-	27,000	-	-	31	-	30,214
Tax revenues	-	-	-	-	-	213,883	-
General and special grant expenditures	(15,692,723)	-	-	-	-	-	-
Transfers to North Dakota Industrial Commission	(2,487,638)	-	-	-	-	-	-
Other nonoperating revenues (expenses) (net of bad debt allowance of \$285,000)	3,052,730	(36,894)	(46,959)	(211,693)	(106,819)	(153,800)	(361,801)
Net nonoperating revenues (expenses)	43,475,572	20,108,947	5,782,359	13,010,424	8,572,485	9,349,496	24,761,599
Income (loss) before capital grants, gifts, and transfers	(4,569,898)	(3,027,529)	(1,745,671)	(3,002,278)	(624,379)	(1,635,860)	(4,525,020)
State appropriations - capital assets	-	1,118,127	343,492	319,332	589,841	54,020	545,969
Inter-institutional transfers	(5,984)	5,984	-	-	-	-	-
Capital grants and gifts	-	674,088	18,661	339,558	17,001	-	849,668
Total other revenue	(5,984)	1,798,199	362,153	658,890	606,842	54,020	1,395,637
Increase (decrease) in net position	(4,575,882)	(1,229,330)	(1,383,518)	(2,343,388)	(17,537)	(1,581,840)	(3,129,383)
NET POSITION							
Net position - beginning of year, as restated	14,068,993	56,967,043	9,916,966	37,225,996	14,510,294	21,382,090	80,580,152
Net position - end of year	\$ 9,493,111	\$ 55,737,713	\$ 8,533,448	\$ 34,882,608	\$ 14,492,757	\$ 19,800,250	\$ 77,450,769

NORTH DAKOTA UNIVERSITY SYSTEM

Supplementary Information

JUNE 30, 2020

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - continued

	North Dakota State College of Science	North Dakota State University	University of North Dakota	Valley City State University	Williston State College	Eliminations	Total
OPERATING REVENUES							
Student tuition and fees (net of scholarship allowances of \$66.3 million and bad debt allowance of \$1.1 million)	\$ 8,316,725	\$ 115,717,389	\$ 153,000,034	\$ 7,046,639	\$ 1,308,357	\$ (389,347)	\$ 338,541,806
Federal grants and contracts (net of bad debt allowance of \$1,900)	650,567	37,729,772	61,859,808	415,029	319,125	(2,976,697)	108,356,208
State grants and contracts	743,900	8,957,843	17,868,658	63,146	422,297	(4,591,063)	27,862,019
Nongovernmental grants and contracts	-	8,718,683	21,607,912	(5,900)	33,426	(168,524)	31,447,003
Sales and services of educational department: (net of bad debt allowance of \$257,600)	2,898,926	33,758,906	41,487,841	603,393	3,276,656	(1,161,121)	91,122,711
Auxiliary enterprises (net of scholarship allowances of \$1.1 million and bad debt allowance of \$324,000)	6,856,943	38,883,018	27,158,978	2,704,465	1,903,210	(417,096)	90,781,941
Other (net of bad debt allowance of \$69,600)	135,301	630,084	791,023	23,282	23,795	-	1,891,367
Total operating revenues	19,602,362	244,395,695	323,774,254	10,850,054	7,286,866	(9,703,848)	690,003,055
OPERATING EXPENSES							
Salaries and wages	27,957,040	281,301,507	306,321,627	16,870,142	10,198,167	(47,509)	780,356,789
Operating expenses	8,351,988	82,324,556	98,183,950	6,759,138	3,733,232	(8,077,168)	242,982,647
Data processing	76,614	4,676,284	7,345,788	620,560	339,531	(31,701)	18,491,336
Depreciation expense	3,014,359	26,345,039	24,876,568	1,974,410	2,302,561	-	72,345,493
Scholarships and fellowships	1,629,524	8,203,985	9,990,112	937,672	1,063,637	(559,863)	45,753,015
CARES Act Aid to Students	358,762	3,802,373	2,866,762	206,900	159,802	-	8,550,058
Cost of sales and services	2,400,055	7,614,069	10,394,797	522,435	409,816	-	24,927,372
Total operating expenses	43,788,342	414,267,813	459,979,604	27,891,257	18,206,746	(8,716,241)	1,193,406,710
Operating income (loss)	(24,185,980)	(169,872,118)	(136,205,350)	(17,041,203)	(10,919,880)	(987,607)	(503,403,655)
NONOPERATING REVENUES (EXPENSES)							
State appropriations	17,400,000	115,671,036	104,550,867	10,393,821	5,284,471	-	373,908,282
Federal appropriations	-	5,746,159	-	-	-	-	5,746,159
Federal grants and contracts	3,287,632	10,655,516	9,346,739	1,547,243	1,289,614	-	37,524,110
Federal grants and contracts stimulus	372,629	7,612,288	5,769,039	467,342	532,556	-	17,586,499
Gifts	883,392	16,882,844	14,082,657	1,518,376	3,167,554	(12,000)	43,357,846
Endowment and investment income	930,366	4,700,002	4,822,882	616,460	(511,696)	-	11,585,309
Interest on capital asset - related debt	(290,496)	(4,440,761)	(7,670,048)	(416,610)	(707,329)	-	(15,347,271)
Gain (loss) on disposal of capital assets	(407,033)	(124,626)	(3,969,726)	(2,718)	-	-	(4,547,141)
Insurance proceeds	13,042	405,700	281,154	-	-	-	757,141
Tax revenues	-	500,000	5,465,998	-	-	-	6,179,881
General and special grant expenditures	-	-	-	-	-	3,513,018	(12,179,705)
Transfers to North Dakota Industrial Commission	-	785,903	-	-	-	-	(1,701,735)
Other nonoperating revenues (expenses) (net of bad debt allowance of \$285,000)	(325,458)	(1,634,799)	(4,689,644)	(192,776)	(4,378)	(2,689,413)	(7,401,704)
Net nonoperating revenues (expenses)	21,864,074	156,759,262	127,989,918	13,931,138	9,050,792	811,605	455,467,671
Income (loss) before capital grants, gifts, and transfers	(2,321,906)	(13,112,856)	(8,215,432)	(3,110,065)	(1,869,088)	(176,002)	(47,935,984)
State appropriations - capital assets	268,994	4,724,168	6,144,292	3,715,668	1,135,783	(137,945)	18,821,741
Inter-institutional transfers	-	-	-	-	-	-	-
Capital grants and gifts	21,868	8,304,027	6,485,236	549,093	242,581	-	17,501,781
Total other revenue	290,862	13,028,195	12,629,528	4,264,761	1,378,364	(137,945)	36,323,523
Increase (decrease) in net position	(2,031,044)	(84,661)	4,414,096	1,154,696	(490,724)	(313,947)	(11,612,461)
NET POSITION							
Net position - beginning of year, as restated	63,832,651	477,593,470	587,426,293	36,898,585	41,792,273	-	1,442,194,805
Net position - end of year	\$ 61,801,607	\$ 477,508,809	\$ 591,840,389	\$ 38,053,281	\$ 41,301,549	\$ (313,947)	\$ 1,430,582,344

NORTH DAKOTA UNIVERSITY SYSTEM
Supplementary Information
June 30, 2020

COMBINING STATEMENT OF CASH FLOWS

	North Dakota University System Office	Bismarck State College	Dakota College of Bottineau	Dickinson State University	Lake Region State College	Mayville State University	Minot State University
ACTIVITIES							
Student tuition and fees	\$ 4,472,037	\$ 13,787,208	\$ 2,231,529	\$ 7,497,804	\$ 4,345,474	\$ 6,008,354	\$ 15,939,848
Grants and contracts	(388,889)	1,879,547	647,287	332,224	499,951	5,386,772	5,688,103
Payments to suppliers	(17,969,089)	(12,263,182)	(4,498,469)	(5,625,474)	(3,797,711)	(6,081,833)	(11,420,956)
Payments to employees	(16,362,440)	(29,618,103)	(6,603,074)	(17,731,326)	(11,407,328)	(16,613,253)	(36,355,144)
Payments for scholarships and fellowships	(17,857,519)	(1,478,448)	(623,909)	(741,264)	(728,576)	(860,305)	(2,197,932)
CARES Act payments to students	-	(235,160)	(66,580)	(320,047)	(36,973)	(42,000)	(454,699)
Loans issued to students	-	(36)	-	(41,600)	-	-	(133,222)
Collection of loans to students	-	44,492	40,387	234,286	62,090	119,006	493,955
Auxiliary enterprise charges	-	4,307,388	1,376,776	1,766,204	1,599,169	1,861,993	2,992,243
Sales and service of educational departments	1,379,369	4,065,373	97,897	183,135	869,785	1,881,547	1,653,345
Cash received/(paid) on deposits	86,195	2,850	(691)	(22,576)	18,157	288	32
Other receipts (payments)	3,046,185	(102,443)	1,260,465	(256,596)	(89,097)	(98,652)	(242,561)
Net cash provided (used) by operating activities	(43,594,151)	(19,610,514)	(6,138,382)	(14,725,230)	(8,665,059)	(8,438,083)	(24,036,988)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
State appropriations	58,429,912	15,453,825	3,813,409	9,821,902	6,267,057	7,693,479	19,320,944
Federal appropriations	-	-	-	536,500	-	-	-
Grants and gifts received for other than capital purposes	351,000	4,333,862	1,633,255	2,881,140	2,563,533	1,405,873	5,580,543
Grants given for other than capital purposes	(15,692,723)	-	-	-	-	-	-
Federal stimulus revenues	-	661,720	253,666	528,944	381,837	42,986	963,496
Direct lending receipts	-	6,109,062	1,923,505	4,944,099	2,395,565	4,183,251	8,284,331
Direct lending disbursements	-	(6,186,960)	(1,951,042)	(4,944,099)	(2,395,565)	(4,183,251)	(8,271,327)
Agency fund cash increase (decrease)	6,738	(676,184)	20,246	15,112	(41,342)	294,654	(32,739)
Transfers to Industrial Commission	(2,487,639)	-	-	-	-	-	-
Tax revenues	-	-	-	-	-	213,880	-
Net cash flows provided (used) by noncapital financing activities	40,607,288	19,695,325	5,693,039	13,783,598	9,171,085	9,650,872	25,845,248
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Proceeds from issuance of debt	-	-	-	25,714	74,312	-	-
Capital appropriations	136,389	616,501	21,439	75,070	589,841	16,101	707,785
Capital grants and gifts received	-	674,087	18,656	274,558	470,402	-	1,849,666
Proceeds from sale of capital assets	-	-	-	-	(79)	-	-
Purchases of capital assets	(656,678)	(1,470,118)	(393,680)	(756,161)	(663,907)	(315,118)	(3,047,681)
Insurance proceeds	-	27,000	-	-	31	-	30,214
Principal paid on capital debt and lease	(59,274)	(812,459)	(18,958)	(431,594)	(353,009)	(1,040,470)	(584,642)
Interest paid on capital debt and lease	(2,380)	(313,852)	(2,684)	(191,583)	(120,548)	(234,655)	(997,119)
Net cash provided (used) by capital and related financing activities	(581,943)	(1,278,841)	(375,227)	(1,003,996)	(2,957)	(1,574,142)	(2,041,777)
CASH FLOWS FROM INVESTING ACTIVITIES							
Proceeds from sales and maturities of investments	-	-	-	2,000,000	250,000	-	(578,010)
Interest on investments	33,211	53,032	129,320	182,443	28,229	346,069	232,648
Purchase of investments	-	-	-	-	-	-	(4,632,534)
Net cash provided (used) by investing activities	33,211	53,032	129,320	2,182,443	278,229	346,069	(4,977,896)
Net increase (decrease) in cash	(3,535,595)	(1,140,998)	(691,250)	236,815	781,298	(15,284)	(5,211,413)
CASH - BEGINNING OF YEAR, as restated	\$ 18,808,310	\$ 9,462,028	\$ 3,438,631	\$ 3,062,696	\$ 5,148,459	\$ 3,281,766	\$ 24,869,758
CASH - END OF YEAR	\$ 15,272,715	\$ 8,321,030	\$ 2,747,381	\$ 3,299,511	\$ 5,929,757	\$ 3,266,482	\$ 19,658,345

NORTH DAKOTA UNIVERSITY SYSTEM

Supplementary Information
June 30, 2020

	<u>North Dakota University System Office</u>	<u>Bismarck State College</u>	<u>Dakota College of Bottineau</u>	<u>Dickinson State University</u>	<u>Lake Region State College</u>	<u>Mayville State University</u>	<u>Minot State University</u>
RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES							
Operating income (loss)	\$ (48,045,470)	\$ (23,136,476)	\$ (7,528,030)	\$(16,012,702)	\$ (9,196,864)	\$ (10,985,356)	\$ (29,286,619)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:							
Depreciation expense	1,659,323	2,690,486	429,658	1,631,504	1,275,432	1,805,338	4,340,815
Other nonoperating revenues (expenses)	3,046,750	(59,490)	1,235,440	(355,502)	(106,819)	(153,800)	(365,102)
Change in assets, deferred outflows, liabilities and deferred inflows	-						
Accounts receivable adjusted for interest receivable	(209,924)	248,314	(296)	(313,369)	64,367	451,881	348,689
Grant & contract receivables	(388,889)	(256,617)	(421,017)	(93,664)	(958,907)	254,656	(107,822)
Inventories	-	5,046	-	-	16,257	18,305	-
Notes receivable	-	35,437	37,742	173,551	66,313	105,697	510,806
Other assets	(565)	(54,292)	14,002	-	3,760	26,648	(1,614)
Accounts payable and accrued liabilities adjusted for interest payable	(339,742)	17,612	101,657	(64,556)	(77,909)	(698,366)	16,839
Pension liability	(1,368,271)	(1,981,120)	(335,590)	(1,300,139)	(508,475)	(1,479,877)	(2,263,808)
OPEB liability	5,524	17,632	290	3,333	21,449	3,895	1,955
Net change in deferred outflows	407,209	419,765	98,626	427,311	(144,738)	467,826	665,299
Net change in deferred inflows	1,360,399	2,160,751	297,560	1,226,435	878,879	1,446,400	2,007,256
Accrued payroll	45,529	23,185	(102,754)	(167,932)	(52,467)	103,012	8,637
Compensated absences	147,781	148,254	15,492	104,970	54,170	55,626	145,867
Unearned revenue	-	108,148	19,525	38,105	(17,665)	139,742	(58,220)
Deposits	86,195	2,851	(687)	(22,575)	18,158	290	34
Net cash provided (used) by operating activities	<u>\$ (43,594,151)</u>	<u>\$ (19,610,514)</u>	<u>(6,138,382)</u>	<u>\$(14,725,230)</u>	<u>\$ (8,665,059)</u>	<u>\$ (8,438,083)</u>	<u>\$ (24,036,988)</u>
SUPPLEMENTAL DISCLOSURE ON NON CASH TRANSACTIONS							
Assets acquired through capital lease	\$ -	\$ -	\$ 5,006	\$ -	\$ -	\$ 110,041	\$ -
Assets acquired through special assessment	-	-	-	-	-	-	-
Expenses paid by capital lease/special assessments	-	(28,577)	1,282,400	-	-	-	-
Gifts of capital assets	-	-	-	-	-	-	-
Net increases (decrease) in value of investments	-	-	-	-	-	77	387
Total non-cash transactions	<u>\$ -</u>	<u>\$ (28,577)</u>	<u>\$ 1,287,406</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 110,118</u>	<u>\$ 387</u>

NORTH DAKOTA UNIVERSITY SYSTEM
Supplementary Information
June 30, 2020

COMBINING STATEMENT OF CASH FLOWS -CONTINUED

	North Dakota State College of Science	North Dakota State University	University of North Dakota	Valley City State University	Williston State College	Eliminations	Total
CASH FLOWS FROM OPERATING ACTIVITIES							
Student tuition and fees	\$ 8,454,562	\$ 116,493,711	\$ 155,098,506	\$ 7,106,248	\$ 1,211,692	\$ (389,347)	\$ 342,257,626
Grants and contracts	1,441,030	53,976,595	97,006,657	98,570	530,450	(7,736,284)	159,362,013
Payments to suppliers	(11,299,720)	(97,158,810)	(112,865,408)	(7,186,808)	(3,366,872)	8,158,366	(285,375,966)
Payments to employees	(27,457,616)	(274,279,854)	(304,481,696)	(16,562,640)	(10,073,956)	-	(767,546,430)
Payments for scholarships and fellowships	(1,629,525)	(8,203,985)	(9,990,112)	(937,672)	(1,063,637)	557,875	(45,755,009)
	(358,762)	(3,802,374)	(2,866,762)	(206,900)	(159,802)	-	(8,550,059)
Loans issued to students	-	(5,913)	(672,307)	-	2,177	-	(850,901)
Collection of loans to students	184,910	1,312,712	3,233,733	138,902	14,946	-	5,879,419
Auxiliary enterprise charges	6,942,295	38,727,721	27,288,593	2,705,654	1,878,039	(417,096)	91,028,979
Sales and service of educational departments	2,943,157	34,471,724	39,437,884	672,871	3,082,420	(1,161,121)	89,577,386
Cash received/(paid) on deposits	(121,376)	(8,814)	1,603,859	27,320	15,237	313,947	1,914,428
Other receipts (payments)	(178,768)	(951,615)	(389,652)	18,643	24,490	(2,689,413)	(649,014)
Net cash provided (used) by operating activities	(21,079,813)	(139,428,902)	(107,596,705)	(14,125,812)	(7,904,816)	(3,363,073)	(418,707,528)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
State appropriations	17,400,000	115,714,939	104,328,022	10,393,821	5,284,471	-	373,921,781
Federal appropriations	-	5,746,160	-	-	-	-	6,282,660
Grants and gifts received for other than capital purposes	4,171,025	25,317,106	23,789,897	3,065,619	4,457,169	(12,000)	79,538,022
Grants given for other than capital purposes	-	-	-	-	-	3,513,018	(12,179,705)
Federal stimulus revenues	372,629	7,612,288	5,769,039	467,343	532,557	-	17,586,505
Direct lending receipts	6,904,680	50,850,794	100,439,482	4,604,046	(140,943)	-	190,497,872
Direct lending disbursements	(6,904,680)	(50,850,794)	(100,514,569)	(4,604,046)	(1,251,376)	-	(192,057,709)
Agency fund cash increase (decrease)	8,613	699,365	(509,799)	(392,970)	1,424,662	-	816,356
Transfers to Industrial Commission	-	785,903	-	-	-	-	(1,701,736)
Tax revenues	-	500,000	5,465,999	-	-	-	6,179,879
Net cash flows provided (used) by noncapital financing activities	21,952,267	156,375,761	138,768,071	13,533,813	10,306,540	3,501,018	468,883,925
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Proceeds from issuance of debt	-	-	84,135,651	3,200,000	7,348,513	-	94,784,190
Capital appropriations	450,968	5,481,806	3,166,422	2,552,858	1,024,673	(137,945)	14,701,908
Capital grants and gifts received	21,868	9,100,648	1,988,233	549,091	12,577	-	14,959,786
Proceeds from sale of capital assets	144,259	-	3,711,677	-	-	-	3,855,857
Purchases of capital assets	(849,977)	(30,624,373)	(83,369,225)	(2,200,452)	(5,624,684)	-	(129,972,054)
Insurance proceeds	13,042	405,701	218,022	-	-	-	694,010
Principal paid on capital debt and lease	(357,203)	(8,768,838)	(6,303,281)	(205,234)	(573,931)	-	(19,508,893)
Interest paid on capital debt and lease	(292,747)	(4,599,711)	(5,857,393)	(457,326)	(683,148)	-	(13,753,146)
Net cash provided (used) by capital and related financing activities	(869,790)	(29,004,767)	(2,309,894)	3,438,937	1,504,000	(137,945)	(34,238,342)
CASH FLOWS FROM INVESTING ACTIVITIES							
Proceeds from sales and maturities of investments	-	43,462,955	70,670,449	476,275	-	-	116,281,669
Interest on investments	929,469	4,424,651	5,119,700	616,460	24,849	-	12,120,081
Purchase of investments	-	(41,000,000)	(62,748,624)	(3,727,794)	-	-	(112,108,952)
Net cash provided (used) by investing activities	929,469	6,887,606	13,041,525	(2,635,059)	24,849	-	16,292,798
Net increase (decrease) in cash	932,133	(5,170,302)	41,902,997	211,879	3,930,573	-	32,230,853
CASH - BEGINNING OF YEAR, as restated	\$ 26,963,648	\$ 55,456,658	\$ 88,523,076	\$ 8,572,572	\$ 5,134,841	\$ -	\$ 252,722,443
CASH - END OF YEAR	\$ 27,895,781	\$ 50,286,356	\$ 130,426,073	\$ 8,784,451	\$ 9,065,414	\$ -	\$ 284,953,296

NORTH DAKOTA UNIVERSITY SYSTEM

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June 30, 2020

	North Dakota State College of Science	North Dakota State University	University of North Dakota	Valley City State University	Williston State College	Eliminations	Total
RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES							
Operating income (loss)	\$ (24,185,980)	\$ (169,872,118)	\$ (136,205,350)	\$ (17,041,203)	\$ (10,919,880)	\$ (987,607)	\$ (503,403,655)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:							
Depreciation expense	3,014,359	26,345,039	24,876,568	1,974,410	2,302,561		72,345,493
Other nonoperating revenues (expenses)	(314,070)	(1,112,984)	(4,692,188)	(2,884)	(10,888)	(2,689,413)	(5,580,950)
Change in assets, deferred outflows, liabilities and deferred inflows							
Accounts receivable adjusted for interest receivable	303,030	1,336,670	(2,348,309)	113,971	(179,798)	3,498,930	3,314,156
Grant & contract receivables	46,562	(1,472,474)	(4,329,723)	(373,705)	(244,399)	-	(8,345,999)
Inventories	(57,465)	136,056	(157,343)	34,013	7,810	-	2,679
Notes receivable	172,762	1,294,035	2,470,531	141,359	14,884	-	5,023,117
Other assets	-	(468,715)	3,511,512	(1,755)	11,582	-	3,040,563
Accounts payable and accrued liabilities adjusted							
for interest payable	(429,998)	(2,634,222)	3,200,374	592,175	934,878	(3,498,930)	(2,880,188)
Pension liability	(2,586,139)	(17,830,458)	(21,226,173)	(951,600)	(867,859)	-	(52,699,509)
OPEB liability	5,533	(84,607)	(72,588)	(933)	(11,467)	-	(109,984)
Net change in deferred outflows	759,398	5,404,547	6,490,921	285,165	320,891	-	15,602,220
Net change in deferred inflows	2,319,212	15,520,774	18,226,020	858,561	696,906	-	46,999,153
Accrued payroll	14,109	2,943,221	(2,267,244)	41,403	(8,594)	-	580,105
Compensated absences	(12,688)	1,110,947	688,996	74,907	(5,665)	-	2,528,657
Unearned revenue	(7,061)	(35,799)	2,633,431	102,986	38,984	-	2,962,176
Deposits	(121,377)	(8,814)	1,603,860	27,318	15,238	313,947	1,914,438
Net cash provided (used) by operating activities	<u>\$ (21,079,813)</u>	<u>\$ (139,428,902)</u>	<u>\$ (107,596,705)</u>	<u>\$ (14,125,812)</u>	<u>\$ (7,904,816)</u>	<u>\$ (3,363,073)</u>	<u>\$ (418,707,528)</u>
SUPPLEMENTAL DISCLOSURE ON NON CASH TRANSACTIONS							
Assets acquired through capital lease	\$ 57,204	\$ 185,000	\$ 303,565	\$ -	\$ -	\$ -	\$ 660,816
Assets acquired through special assessment	-	-	-	9,808	-	-	9,808
Expenses paid by capital lease/special assessments	-	616,683	-	189,893	-	-	2,060,399
Gifts of capital assets	-	42,500	3,800,000	-	230,000	-	4,072,500
Net increases (decrease) in value of investments	712	112,966	(381,013)	-	-	-	(266,871)
Total non-cash transactions	<u>\$ 57,916</u>	<u>\$ 957,149</u>	<u>\$ 3,722,552</u>	<u>\$ 199,701</u>	<u>\$ 230,000</u>	<u>\$ -</u>	<u>\$ 6,536,652</u>

Combining Statement of Financial Position -- Non-Major Component Units

FASB Basis	MiSU Development Foundation June 30, 2020	NDSCS Foundation June 30, 2020	WSC Foundation June 30, 2020	Total Non-major Component
Assets				
Current assets				
Cash and cash equivalents	\$ 493,541	\$ 980,157	\$ 7,187,718	\$ 8,661,416
Investments	-	23,570,626	-	23,570,626
Accounts receivable, net	8,353	575,286	65,490	649,129
Notes receivable	-	-	50,153	50,153
Receivable from primary institution	-	-	70,823	70,823
Unconditional promises to give, net of allowance	383,917	60,000	398,030	841,947
Other assets	30,124	8,028	37,540	75,692
Total current assets	915,935	25,194,097	7,809,754	33,919,786
Noncurrent assets				
Restricted cash and cash equivalents	-	-	676,488	676,488
Investments:				
Investments, net of current portion	27,002,234	-	13,611,114	40,613,348
Investments held in trust	3,397,723	-	-	3,397,723
Other long-term investments	-	-	225,641	225,641
Total investments	30,399,957	-	13,836,755	44,236,712
Long term pledges				
receivable/unconditional promises to give	787,720	1,548,802	1,678,637	4,015,159
Receivable from primary institution	-	-	47,458	47,458
Other noncurrent assets	60,997	214,501	2,294,521	2,570,019
Capital assets, net	5,011,152	1,566,031	15,941,493	22,518,676
Total noncurrent assets	36,259,826	3,329,334	34,475,352	74,064,512
Total assets	37,175,761	28,523,431	42,285,106	107,984,298
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	2,441	12,730	205,493	220,664
Payable to university	130,742	140,000	93,277	364,019
Accrued payroll	-	-	3,235	3,235
Current portion of gift annuities and life income agreements	58,088	-	-	58,088
Deferred revenue	-	152,500	-	152,500
Other current liabilities	2,334	-	-	2,334
Long-term liabilities--current portion	130,670	1,534,466	142,394	1,807,530
Total current liabilities	324,275	1,839,696	444,399	2,608,370
Noncurrent liabilities				
Gift annuities and life income agreements, net of current portion	424,024	258,828	-	682,852
Investments held on behalf of institutions	3,397,723	-	-	3,397,723
Long-term liabilities	1,880,363	-	12,062,889	13,943,252
Total noncurrent liabilities	5,702,110	258,828	12,062,889	18,023,827
Total liabilities	6,026,385	2,098,524	12,507,288	20,632,197
NET ASSETS				
Without donor restrictions	1,942,122	1,466,450	2,680,301	6,088,873
With donor restrictions	29,207,254	24,958,457	27,097,515	81,263,226
Total net assets	31,149,376	26,424,907	29,777,816	87,352,099
Total liabilities and net assets	\$ 37,175,761	\$ 28,523,431	\$ 42,285,104	\$ 107,984,298

NORTH DAKOTA UNIVERSITY SYSTEM
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COMBINING STATEMENT OF ACTIVITIES, Non-Major Component Units

FASB BASIS

	MiSU Development Foundation June 30, 2020	NDSCS Foundation June 30, 2020	WSC Foundation June 30, 2020	Total
Support and revenue				
Contributions, grants and donations	\$ 1,425,540	\$ 1,702,019	\$ 1,480,905	\$ 4,608,464
In-Kind contributions	180,786	-	-	180,786
Gifts and contributions	1,606,326	1,702,019	1,480,905	4,789,250
Investment income				
Dividends and interest	4,008	-	-	4,008
Investment income	865,327	1,382,503	1,840,561	4,088,391
Change in split interest agreements	(43,103)	45,514	-	2,411
Investment income	826,232	1,428,017	1,840,561	4,094,810
Grant revenue	565,281	-	-	565,281
Net realized and unrealized gains (losses) on investment securities	-	-	229,568	229,568
Program and event income	-	-	9,764,053	9,764,053
Other income	594,171	819,629	1,040,762	2,454,562
Total support and revenue	3,592,010	3,949,665	14,355,849	21,897,524
EXPENSES				
Program services	2,310,137	1,107,742	3,112,680	6,530,559
Supporting services	272,392	461,232	10,810,114	11,543,738
Fundraising	290,194	18,568	-	308,762
Total expenses	2,872,723	1,587,542	13,922,794	18,383,059
Change in Net Assets	719,287	2,362,123	433,055	3,514,465
Net Assets, Beginning of Year, as restated	30,430,089	24,062,784	29,344,761	83,837,634
Net Assets, End of Year	\$ 31,149,376	\$ 26,424,907	\$ 29,777,816	\$ 87,352,099

North Dakota University System

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SCHEDULE OF BONDS PAYABLE and Certificates of Participation - Primary Institutions

	Original Balance	Original Discount (Premium)	Original Balance, Net of Discount (Premium)	Interest Rate	Installments	Balance Outstanding
Bonds						
Bismarck State College						
2015 Housing & Auxiliary Facilities, due through 2030, collateralized by net revenues of housing & auxiliary system and College Fee, interest rate fixed.	\$ 3,005,000	\$ 59,569	\$ 3,064,569	2.0 - 3.0%	\$160,000 to \$275,000	\$ 2,179,713
2012 Housing & Auxiliary Facilities, due through 2033, collateralized by net revenues of housing & auxiliary system and College Fee, interest rate fixed.	7,000,000	119,765	7,119,765	2.0 - 4.0%	\$265,000 to \$475,000	5,094,142
Total BSC	<u>10,005,000</u>	<u>179,334</u>	<u>10,184,334</u>			<u>7,273,855</u>
Mayville State University						
2013 Facilities Revenue Bonds, due through the year 2024, collateralized by student fees, sales tax and earnings, interest rate fixed.	1,850,000	35,057	1,885,057	2.0-3.25%	\$181,516 to \$213,413	820,515
2017 Facilities Revenue Bonds (2010 Refund), due through year 2030, collateralized by Housing and Facilities revenue, student fees, federal interest subsidy related to the bond interest payments and earnings on funds created under the indenture	2,800,000	-	2,800,000	1.25%-3.25%	\$185,000 to \$255,000	2,225,000
Total MaSU	<u>4,650,000</u>	<u>35,057</u>	<u>4,685,057</u>			<u>3,045,515</u>
Minot State University						
2015 Student Services Facilities Revenue Bonds refunding due through 2030, collateralized by net revenues from auxiliary housing.	3,305,000	128,825	3,433,825	2.0-4.0%	\$195,000 to \$290,000	2,577,295
2010 Wellness Fund, due August 1, 2040, collateralized by student fees and net revenues from the Wellness Center, housing and the student union.	10,000,000	-	10,000,000	2.0-6.6%	\$135,000 to \$1,415,000	8,610,000
Total MISU	<u>13,305,000</u>	<u>128,825</u>	<u>13,433,825</u>			<u>11,187,295</u>
North Dakota State College of Science						
2012 Housing Facilities Revenue Bonds, due through 2037, fixed rate collateralized by net housing and auxiliary facilities pledged revenues.	9,000,000	-	9,000,000	3.76%	\$265,000 to \$545,000	7,035,000
Total NDSCS	<u>9,000,000</u>	<u>-</u>	<u>9,000,000</u>			<u>7,035,000</u>
North Dakota State University						
2012A Housing & Auxiliaries Facilities Revenue Bonds, Maturity April 1, 2027, collateralized by auxiliary revenue	5,730,000	62,552	5,792,552	2.0-3.0%	\$455,956 to \$465,450	2,937,993
2014A Housing & Auxiliary Facilities Revenue Refunding Bonds Maturity April 1, 2034, collateralized by net revenues of housing and auxiliary services, interest rate fixed.	8,340,000	108,914	8,448,914	2.0-4.0%	\$575,237 to \$581,250	6,424,281
2015A Housing & Auxiliary Facilities Refunding Bonds Maturity April 1, 2036 collateralized by net revenues of housing and auxiliary services, interest rate fixed	21,195,000	2,185,340	23,380,340	3.0 - 5.0%	\$2,351,200 to \$2,351,200	14,976,100
2015B Housing & Auxiliary Facilities Bonds, Maturity April 1, 2035, collateralized by net revenues of housing and auxiliary services, interest rate fixed	9,355,000	366,958	9,721,958	2.0 - 5.0%	\$524,659 to \$683,806	7,974,057
2016 Housing & Auxiliary Facilities Refunding Bonds, Maturity April 1, 2036, collateralized by net revenues of housing and auxiliary services, interest rate fixed	10,405,000	310,288	10,715,288	2.0 - 4.0%	\$534,469 to \$671,575	9,127,445
2016 Research & Tech Park Taxable Lease Refunding Bonds, Maturity May 1, 2032, collateralized by lease revenues, interest rate fixed	18,790,000	-	18,790,000	1.1 - 3.9%	\$1,254,452 to \$1,806,231	13,370,000
2017A Housing & Auxiliary Facilities Bonds, Maturity April 1, 2047, collateralized by net revenues of housing and auxiliary services, interest rate fixed	48,770,000	1,522,948	50,292,948	2.0 - 5.0%	\$1,833,019 to \$2,782,350	49,198,220
2017B Housing & Auxiliary Facilities Refunding Bonds, Maturity April 1, 2039, collateralized by net revenues of housing and auxiliary services, interest rate fixed	22,755,000	1,500,818	24,255,818	2.0 - 5.0%	\$1,539,325 to	22,268,785
Total NDSU	<u>145,340,000</u>	<u>6,057,818</u>	<u>151,397,818</u>			<u>126,276,881</u>

North Dakota University System

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SCHEDULE OF BONDS PAYABLE and Certificates of Participation - Primary Institutions

	Original Balance	Original Discount (Premium)	Original Balance, Net of Discount (Premium)	Interest Rate	Installments	Balance Outstanding
University of North Dakota						
2019 Housing & Auxiliary Facilities Revenue Bonds due through 2050, collateralized by net housing and auxiliary facilities system revenues, debt service grants, and bond indenture earnings, fixed rate.	71,545,000	9,402,569	80,947,569	4.0-5.0%	\$340,000 to \$5,690,000	80,947,570
2015 Housing & Auxiliary Facilities Revenue Bonds due through 2035, collateralized by net housing and auxiliary facilities system revenues, debt service grants, and bond indenture earnings, fixed rate.	38,985,000	1,489,517	40,474,517	3.0-4.0%	\$2,719,125 to \$2,835,607	32,360,837
2009 Aerospace Hanger Revenue Bonds due through 2029, collateralized by revenue from flight operations and proceeds from any casualty insurance payments.	1,500,000	-	1,500,000	4.25%	\$73,016 to \$133,054	713,500
2012 Housing & Auxiliaries Facilities Revenue Bonds, Maturity April 1, 2027, collateralized by housing and auxiliary revenue.	17,360,000	1,561,940	18,921,940	2-5%	\$220,000 to \$1,115,000	13,711,780
2012 EERC Revenue Bonds, maturity June 1, 2027, variable interest rate	6,405,000	-	6,405,000	0.75-4.2%	\$325,000 to \$540,000	3,360,000
2013 Housing & Auxiliaries Facilities Revenue Bonds Maturity April 1, 2034 collateralized by net housing and auxiliary facilities system revenue	8,130,000	81,122	8,211,122	2.0%-4.1%	\$300,000 to \$560,000	6,299,577
2014 Housing & Auxiliaries Facilities Revenue Bonds Maturity April 1, 2044 collateralized by net housing and auxiliary facilities system revenue	27,305,000	302,110	27,607,110	3.0%-4.0%	\$475,000 to \$1,465,000	24,103,998
Total UND	<u>171,230,000</u>	<u>12,837,258</u>	<u>184,067,258</u>			<u>161,497,262</u>
Valley City State University						
2010 Housing & Auxiliary Facilities Revenue Bonds for the renovation of Snoeyenbos Hall Revenue Bonds due through 2040, collateralized by net housing and auxiliary facilities system revenues, interest is variable and ranges from 2.8% to 7.05%	3,430,000	-	3,430,000	2.8% - 7.05%	\$25,000 to \$380,000	3,075,000
2020 Housing & Auxiliary Facilities Revenue Bonds for the renovation of Snoeyenbos Hall Revenue Bonds due through 2046, collateralized by net housing and auxiliary facilities system revenues, interest is variable and ranges from 3.35% to 4.0%	3,200,000	93,248	3,293,248	3.35% -4%	\$175,000 to \$188,000	3,200,000
2013 Housing & Auxiliary Facilities Revenue Bonds due through 2033, collateralized by net housing and auxiliary facilities system revenues, interest rate fixed.	2,565,000	-	2,565,000	3% - 4%	\$40,000 to \$185,000	2,038,248
Total VCSU	<u>9,195,000</u>	<u>93,248</u>	<u>9,288,248</u>			<u>8,313,248</u>
Williston State College						
2010 Housing and Auxiliary Services, matures 2041 collateralized by net housing revenue. Interest rate is fixed.	9,375,000	-	9,375,000	5.40-7.25%	\$200,000 to \$505,000	7,425,000
Total WSC	<u>9,375,000</u>	<u>-</u>	<u>9,375,000</u>			<u>7,425,000</u>
Total Bonds Payable	<u>\$ 372,100,000</u>	<u>\$ 19,331,540</u>	<u>\$ 391,431,540</u>			<u>\$ 332,054,056</u>
Certificates of Participation						
University of North Dakota						
Series 2018, Steam Plant, due through 2057, collateralized by lease revenue from state appropriations	\$76,575,000	3,126,530	79,701,530	4.0-5.0%	\$1,890,000 to \$7,745,000	\$79,701,530
Series 2018B, Steam Plant, due through 2041, collateralized by lease revenue from state appropriations	16,455,000	\$686,311	\$17,141,311	3.55-4.46%	\$105,000 to \$2,460,000	17,141,311
Total UND	<u>93,030,000</u>	<u>3,812,841</u>	<u>96,842,841</u>			<u>96,842,841</u>
Williston State College						
Series 2019, Energy conservation improvement projects due through 2048, subject to annual appropriations by the North Dakota Legislature as part of the general operating appropriations.	7,355,000	(77,592)	7,277,408	3.40%	\$120,000 to \$400,000	7,277,408
Total Certificates of Participation	<u>\$100,385,000</u>	<u>\$3,735,249</u>	<u>\$104,120,249</u>			<u>\$104,120,249</u>

NORTH DAKOTA UNIVERSITY SYSTEM

Supplementary Information

June 30, 2020

Financial Information for Revenue Producing Buildings (Unaudited)

(as Required by ND Century Code 15-55-20)

	Bismarck State College	Dakota State College	Dickinson State University	Lake Region State College	Mayville State University	Minot State University
Operating Revenues	\$ 4,542,825	\$ -	\$ -	\$ -	\$ 373,816	\$ 540,350
Operating Expenses	5,142,813	-	-	-	193,329	503,845
Net Operating Revenues	<u>(599,988)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>180,487</u>	<u>36,505</u>
Pledged Fees	438,192	-	-	-	95,031	1,289,777
Non Operating Revenue	501,400	-	-	-	119,163	82,334
CARES Act - Part B used to reimburse housing, dining and parking (do not include Cares Act Part A monies)	390,421	-	-	-	53,962	547,997
Investment Income	266	-	-	-	-	7,337
Debt Service Grants	-	-	-	-	-	183,469
Net Revenue Available for Debt Retirement	<u>730,291</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>448,643</u>	<u>2,147,419</u>
Current year Debt Service						
Principal	485,000	-	-	-	190,000	385,000
Interest	233,994	-	-	-	70,544	904,777
Total Debt Service	<u>\$ 718,994</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 260,544</u>	<u>\$ 1,289,777</u>

NORTH DAKOTA UNIVERSITY SYSTEM

Supplementary Information

June 30, 2020

Financial Information for Revenue Producing Buildings (Unaudited) - Continued

(as Required by ND Century Code 15-55-20)

	North Dakota State College of Science	North Dakota State University	University of North Dakota	Valley City State University	Williston State College	Total
Operating Revenues	\$ 7,034,612	\$ 38,925,320	\$ 25,338,023	\$ 2,848,178	\$ 662,461	\$ 80,265,585
Operating Expenses	6,353,853	34,767,216	21,973,505	3,198,797	186,941	72,320,299
Net Operating Revenues	<u>680,759</u>	<u>4,158,104</u>	<u>3,364,518</u>	<u>(350,619)</u>	<u>475,520</u>	<u>7,945,286</u>
Pledged Fees	294,137	5,896,748	5,289,450	123,435	90,000	13,516,770
Non Operating Revenue	50,255	4,313,641	1,530,697	507,495	-	7,104,985
CARES Act - Part B used to reimburse housing, dining and parking (do not include Cares Act Part A monies)	-	3,802,374	2,580,991	226,471	30,707	7,632,923
Investment Income	3,264	6,313	108,830	1,374	3,902	131,286
Debt Service Grants	-	-	-	89,547	219,016	492,032
Net Revenue Available for Debt Retirement	<u>1,028,415</u>	<u>18,177,180</u>	<u>12,874,486</u>	<u>597,703</u>	<u>819,145</u>	<u>36,823,282</u>
Current year Debt Service						
Principal	300,000	4,830,000	3,410,000	165,000	235,000	10,000,000
Interest	<u>275,106</u>	<u>3,293,716</u>	<u>4,326,231</u>	<u>279,575</u>	<u>521,652</u>	<u>9,905,595</u>
Total Debt Service	<u>\$ 575,106</u>	<u>\$ 8,123,716</u>	<u>\$ 7,736,231</u>	<u>\$ 444,575</u>	<u>\$ 756,652</u>	<u>\$ 19,905,595</u>