



Annual Financial Report

June 30, 2023

**NORTH DAKOTA UNIVERSITY SYSTEM
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NORTH DAKOTA UNIVERSITY SYSTEM

**ANNUAL FINANCIAL
REPORT**

Fiscal Year Ended
JUNE 30, 2023

NORTH DAKOTA UNIVERSITY SYSTEM

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INDEPENDENT AUDITOR'S REPORT

Members of the Legislative Assembly

State Board of Higher Education

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities, fiduciary activities, and the aggregate discretely presented component units of the North Dakota University System, as of and for the year ended June 30, 2023, 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.

In our opinion, based on our audit and the reports of the other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the fiduciary activities, and the aggregate discretely presented component units of the North Dakota University System, as of June 30, 2023, and 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.

We did not audit the financial statements of the discretely presented component units. These statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as it relates to the amounts included for the discretely presented component units, are based solely on the report of other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the North Dakota University System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of the discretely presented component units were not audited in accordance with *Government Auditing Standards*.

Emphasis of Matters

As discussed in Note 1, the financial statements of the North Dakota University System are intended to present the financial position, the changes in financial position, and cash flows of only that portion of the business-type activities, fiduciary activities, and the aggregate discretely presented component units of the North Dakota University System that is 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, 2023, the changes in its financial position, or its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Also as discussed in Note 1, the North Dakota University System adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 96, Subscription-Based Information Technology Arrangements. Our opinions are not modified with respect to this matter.

Responsibilities of Management for Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that is free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the North Dakota University System's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 North Dakota University System's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the North Dakota University System's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 the 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively compare the North Dakota University System's basic financial statements. The Combining Financial Statements, Statement of Financial Position – Non-Major Component Units, Statement of Activities – Non-Major Component Units, and Schedule of Bonds Payable and Certificates of Participation - Primary Institution are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility

of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 Financial Statements, Statement of Financial Position – Non-Major Component Units, Statement of Activities – Non-Major Component Units, and Schedule of Bonds Payable and Certificates of Participation - Primary Institution are fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Financial Information for Revenue Producing Buildings but does not include the basic financial statements and our auditor’s report, thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and consider whether a material inconstancy exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2023, on our consideration of the North Dakota University System’s internal control over financial reporting and on our tests of 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 29, 2023

NORTH DAKOTA UNIVERSITY SYSTEM MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2023

The North Dakota University System's (NDUS) discussion and analysis (MD&A) provides an overview of the System's financial activities for the year ended June 30, 2023 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 at a point in time. The Statement of Revenues, Expenses, and Changes in Net Position reports revenue and expense information. 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 NDUS 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 NDUS.

The Statement of Net Position is a financial snapshot of the NDUS at June 30, 2023. 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 NDUS.

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 NDUS during the year.

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 Higher Education Emergency Relief Fund (HEERF Act), depreciation, scholarships and fellowships and cost of sales and services.

MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2023

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 in accordance with Government Accounting Standards Board (GASB) standards. 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 NDUS, how cash was expended, and the change in the cash balance during the year.

State appropriations are included in cash flows from noncapital financing activities in accordance with GASB standards, even though the campus budgets depend on this revenue for operations. Other noncapital financing activities includes gifts received from endowment and charitable gift annuities.

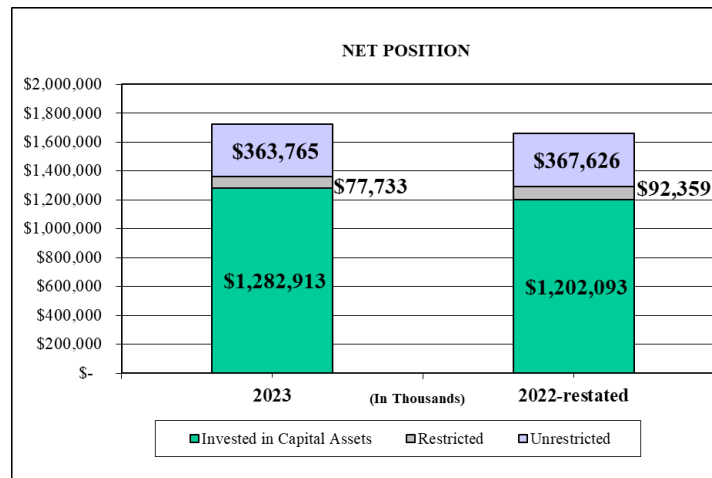
Cash flows from capital and related financing activities include all plant funds and related long-term debt activities (except depreciation and amortization), as well as capital gifts, grants and appropriations.

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 \$2.9 billion and total liabilities and deferred inflows were \$1.2 billion, resulting in a net position of \$1.7 billion. Net position increased \$62.3 million from fiscal year 2022.

The following graph illustrates the net position breakdown for fiscal years ending June 30, 2023 and 2022, as restated:



Invested in capital assets is the largest category of net position due to the significant size of the NDUS’ physical infrastructure.

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023

STATEMENT OF NET POSITION

The following table shows the Condensed Statement of Net Position at June 30, 2023 and 2022, as restated:

Condensed Statement of Net Position
June 30, 2023 and 2022 (in thousands)

	June 30 (in thousands)		Dollar Change	Percent Change
	2023	2022-restated		
Current assets	\$ 711,164	\$ 665,894	\$ 45,270	7%
Capital assets, net	1,926,074	1,806,959	119,115	7%
Other noncurrent assets	124,460	188,774	(64,314)	-34%
Total assets	2,761,698	2,661,627	100,072	4%
Deferred outflows of resources	178,007	114,154	63,853	56%
Current liabilities	191,806	163,253	28,554	17%
Noncurrent liabilities	917,770	764,758	153,012	20%
Total liabilities	1,109,576	928,011	181,565	20%
Deferred inflows of resources	105,718	185,692	(79,974)	-43%
Invested in capital assets	1,282,913	1,202,093	80,820	7%
Restricted	77,733	92,359	(14,626)	-16%
Unrestricted	363,765	367,626	(3,861)	-1%
Total Net Position	\$ 1,724,411	\$ 1,662,078	\$ 62,334	4%

The increase in current assets is mainly attributed to increases in cash of \$30.6 million and grants and contracts receivable of \$23.7 million, offset by a decrease in due from component units of \$5.7 million. DSU's cash declined \$6.9 million in fiscal year 2023 as a result of the completion of the Pulver Hall renovations and the Biesiot Activity Center which were completed and final payments made in fiscal year 2023. Cash balances at year-end may also fluctuate from year-to-year depending on operational needs and the accounts payable payment cycles.

Current grants and contracts receivable increased primarily at UND, NDSU and BSC. UND's increase of \$13.7 million is due to an increase in energy-related projects at EERC. NDSU's grants and contracts receivable increased \$7.5 million for Legacy Bond Fund monies for the construction of the Peltier Complex for agricultural development center. Current grants and contracts receivable increased \$2.5 million at BSC which is related to the construction of the new Larry C. Skogen Polytechnic Building.

The decrease in Due from Component Units is mainly related to a decrease at UND because of the completion of the Nistler College of Business & Public Administration in fiscal year 2022.

Capital assets, net increased \$116.5 million or 6 percent from fiscal year 2022 and are discussed in more detail in a later section of this MD&A.

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023

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, 2023 and 2022.

Condensed Statement of Revenue, Expenses, and Changes in Net Position
June 30, 2023 and 2022 (in thousands)

	June 30 (in thousands)		Dollar Change	Percent Change
	2023	2022		
Operating revenues	\$ 859,965	\$ 806,653	\$ 53,311	7%
Operating expenses	1,394,641	1,317,428	77,213	6%
Operating loss	(534,676)	(510,775)	(23,901)	5%
Nonoperating revenues, net of expenses	521,804	539,053	(17,249)	-3%
Income (loss) before capital grants, gifts, and transfers	(12,872)	28,278	(41,150)	-146%
Capital appropriations, grants and gifts	75,375	101,335	(25,960)	-26%
Increase (loss) in net position	\$ 62,503	\$ 129,613	\$ (67,110)	-52%

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, 2023 and 2022:

	June 30 (in Thousands)		Dollar Change	Percent Change
	2023	2022		
Operating revenues				
Student tuition and fees	\$ 380,216	\$ 375,135	\$ 5,081	1%
Grants and contracts	262,251	225,897	36,354	16%
Sales and services of education departments	109,689	103,301	6,388	6%
Auxiliary enterprises	106,909	101,258	5,651	6%
Other	900	1,063	(163)	-15%
Total operating revenues	859,965	806,654	53,311	7%
Nonoperating revenues, capital gifts and grants				
State appropriations	\$ 399,158	\$ 396,882	\$ 2,276	1%
Federal appropriations	6,793	6,305	488	8%
Federal grants and contracts	70,860	110,133	(39,273)	-36%
Gifts	63,478	51,742	11,736	23%
Endowment and investment income	13,151	9,783	3,368	34%
Insurance proceeds	727	1,478	(751)	-51%
Tax revenues	6,323	6,148	175	3%
Gain (loss) on sale of capital assets	1,107	(5,444)	6,551	-120%

MANAGEMENT’S DISCUSSION AND ANALYSIS
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State appropriations-capital assets	44,357	46,734	(2,377)	-5%
Capital grants and gifts	31,019	54,601	(23,582)	-43%
Total	636,973	678,362	(41,389)	-6%
Total Revenues	\$ 1,496,938	\$ 1,485,016	\$ 11,922	1%

Operating grants and contracts increased due to an increase in state grants at UND for EERC and unmanned aircraft systems. UND also experienced an increase in private grants and contracts at EERC and the School of Medicine and Health (SOMHS) and a decrease in the aerospace department.

The increase in sales and services of educational departments is mainly due to an increase at UND. UND’s increase is the result of an expansion of the resident program at the SOMHS and an increased resident cost reimbursement for a cost-of-living adjustment from various health care systems that utilize the residents’ services.

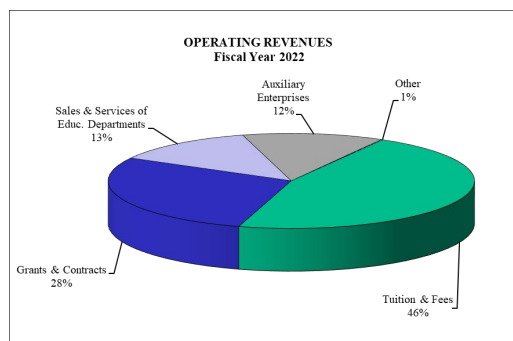
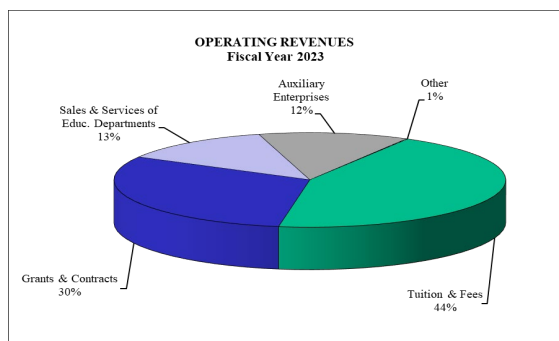
The increase in auxiliary enterprises revenue is mainly attributed to increases at NDSU and UND. NDSU’s increase resulted from a three-percent increase in Room & Board rates and an increase in the utilization of residence halls, apartments and dining plans with more upper classmen living on campus at NDSU. The increase at NDSU was offset by a decrease in football clothing sales and book revenue due to lower enrollment. UND realized increases in food and merchandise sales at Memorial Union and residence hall revenues from recently completed housing projects.

Federal grants and contracts (nonoperating revenues) decreased due to the reduction of Covid-related grants of \$39.1 million as the pandemic subsided.

Gifts increased at DSU, MaSU, NDSU, UND and WSC. The increase at DSU of \$2.5 million is the result of gifts received from the DSU Heritage Foundation for the Biesiot Sports Complex. MaSU’s increase of \$831,000 is the result of a larger scholarship contribution from the Mayville State University Foundation. NDSU realized an increase of \$2.1 million from an increase in scholarship funds from the NDSU Foundation. UND realized an increase in gifts from the UND Foundation for athletics, scholarships and non-capitalized expenditures for the new Nistler College of Business and Public Administration building resulting in an increase of \$5.9 million. WSC’s gifts increased \$691,000, mainly the result of increased scholarships from the WSC Foundation.

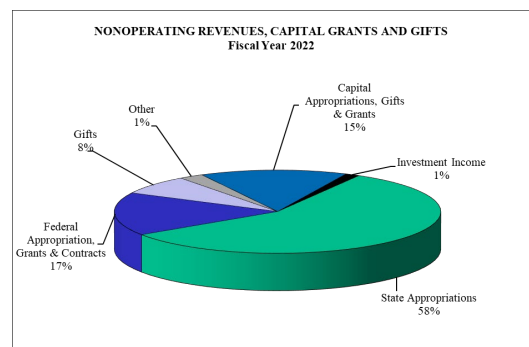
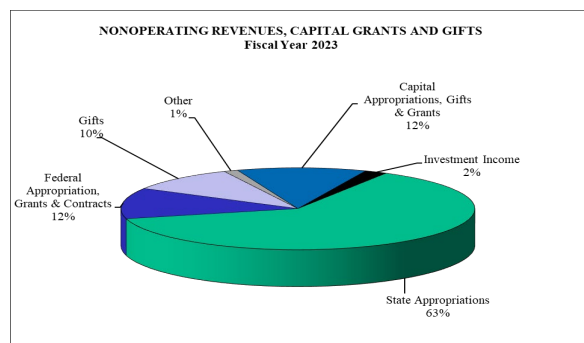
Capital grants and gifts decrease of \$23.6 million is mainly the result of the completion of the new Nistler College of Business and Public Administration building in fiscal year 2022. The building was funded with gifts. The decrease in capital grants and gifts was partially offset by an increase at BSC of \$3.1 million and DCB of \$1.4 million. BSC received a grant for the Larry K. Skogen Polytechnic Building and DCB received a grant for a Career and Technical Education capital project.

The following graphs depict sources of operating and nonoperating revenues for fiscal year 2023 and 2022:



MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2023



Expenses

The following table shows expenses by natural classification for the fiscal years ended June 30, 2023 and 2022.

	June 30 (in Thousands)		Dollar Change	Percent Change
	2023	2022		
Operating expenses				
Salaries and wages	\$ 862,716	\$ 806,867	\$ 55,849	7%
Operating expenses	343,707	300,154	43,553	15%
Data processing	21,304	23,511	(2,207)	-9%
Depreciation expense	95,303	83,619	11,684	14%
Scholarships and fellowships	44,428	46,658	(2,230)	-5%
HEERF Act Aid to Students	321	34,324	(34,003)	-99%
Cost of sales and services	26,861	22,295	4,566	20%
Total operating expenses	1,394,640	1,317,428	77,212	6%
Nonoperating expenses				
Interest on capital asset related debt	23,430	23,456	(26)	0%
General and special grant expenditures	8,175	16,135	(7,960)	-49%
Transfers to Industrial Commission	6,299	7,508	(1,209)	-16%
Other nonoperating, net	1,890	(9,126)	11,016	-121%
Total nonoperating expenses	39,794	37,973	1,821	5%
Total expenses	\$ 1,434,434	\$ 1,355,401	\$ 79,033	6%

The change in total operating expense of \$77.2 million is mainly due to the following:

- The increase in salaries and wages is mainly due to increased appropriated salary increases and equity adjustments approved by the North Dakota State Legislature and the actuarially determined pension expense. Salaries and wages increased \$27.9 million. Pension expense increased \$20.4 million as a result of a reduction in the actuarially determined long-term rate of return by 0.5 percent for the 2022 valuation. The remainder of the increase is attributed to increases in payroll related taxes and retirement expense as a result of the increased salaries and wages.
- Operating expenses increased \$43.6 million due to the following:
 - Travel increased \$9.3 million from fiscal year 2022 as the Covid pandemic subsided. Travel in fiscal year 2022 was still being impacted by the pandemic.
 - Utilities increased \$3.4 million due to higher rates in fiscal year 2023.
 - Operating fees and services increased \$10.7 million and are mainly attributed to increases at UND in facilities, academic affairs, IT, flight operations and housing.
 - Professional fees and services increased \$19.9 million. UND's expenses increased by \$12.5 million due to the increase in UAS project and the energy related projects at EERC discussed

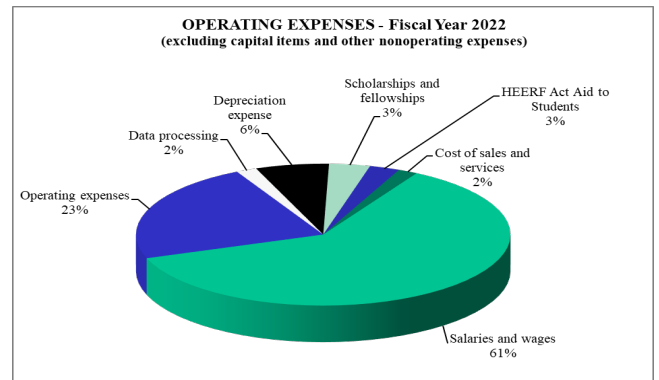
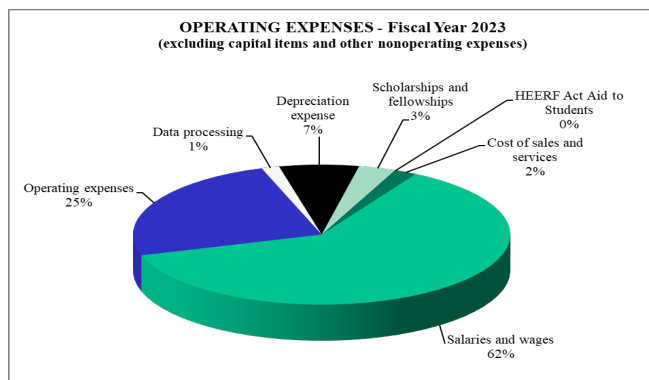
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2023

previously. NDSU expenses increase of \$5.1 million is attributed to an increase in subawards given in the Upper Great Plains Transportation Institute, the College of Engineering and EPSCOR. The increase correlates to an increase in federal awards revenue.

- The increase in cost of sales and services is primarily due to the increased expenses in flight operations and facilities expenses at UND of \$3.1 million.
- General and special grant expenditures decrease is the result of decreased expenditures in the North Dakota Challenge Grant and Nursing Education Consortium payments, which typically are spent primarily in the first fiscal year of the biennium and a decrease in the one-time grant funding of the Governor Emergency Education Relief funding.

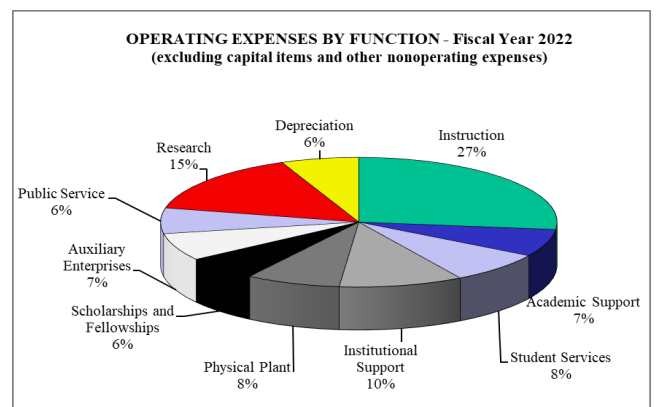
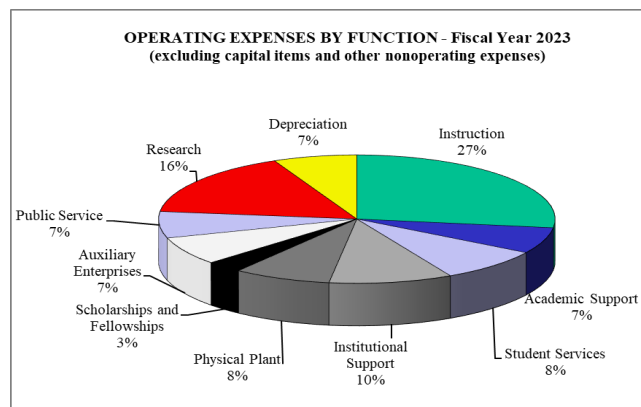
Other net nonoperating revenue (expense) decreased \$11.0 million. For fiscal year 2022, the 2021 Legislative Assembly through SB2033 established a Capital Building Fund carrying forward the 2019-21 remaining Tier II/III funds of \$3.3 million and SB1003 section 6 provided an additional transfer of \$19 million. Both amounts were transferred in fiscal year 2022. Neither of these items repeated in fiscal year 2023. Additionally, UND recognized bond issue costs of \$1.7 million in fiscal year 2022. UND did not issue bonds in fiscal year 2023.

The following chart depicts the uses of operating funds according to natural classification for fiscal year 2023:



The allocation of operating expenses among the natural classification categories has not changed significantly from fiscal year 2022.

The following chart illustrates operating expenses by function for fiscal year 2023:



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

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2023

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, admissions 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.

Scholarships and fellowships include aid provided to students.

Auxiliary enterprises are 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, 2023 and 2022 is shown below:

	June 30 (in thousands)	
	2023	2022
Cash flows from operating activities	\$ (410,931)	\$ (427,318)
Cash flows from noncapital financing activities	527,092	549,114
Cash flows from capital and related financing activities	(164,464)	(32,964)
Cash flows from investing activities	63,025	(22,981)
Increase in cash and cash equivalents during the year	\$ 65,851	\$ 65,851

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 \$397.9 million in fiscal year 2023 and \$398.5 million in fiscal year 2022. If these amounts are added to the cash flows from operating activities, the result is a cash outflow of \$13.0 million in fiscal year 2023 and a cash outflow of \$28.8 million in fiscal year 2022.

CAPITAL ASSET AND LONG-TERM LIABILITIES HIGHLIGHTS

CAPITAL ASSETS AND INTANGIBLES

On June 30, 2023, the NDUS had \$1.93 billion invested in net capital assets and intangibles, which represents a net increase of \$119.1 million or seven percent during the fiscal year.

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023

	June 30 (in thousands)	
	2023	2022-restated
Land	\$ 21,038	\$ 20,978
Land improvements/infrastructure	292,295	285,216
Buildings	2,012,944	1,934,544
Furniture, fixtures, and equipment	412,805	393,323
Library materials	81,677	81,548
Construction in progress	309,421	251,900
Capitalized software	24,122	25,332
Right-to-use on long-term leases	47,434	45,433
SBITAS	34,760	28
Other intangibles	2,199	2,200
Total	3,238,694	3,040,502
Total accumulated depreciation and amortization	(1,312,620)	(1,233,543)
Capital assets, net	\$ 1,926,074	\$ 1,806,959

Total additions to depreciable capital assets and intangibles in fiscal year 2023 were \$92.6 million. In fiscal year 2023, the NDUS implemented GASB Standard 96 – Subscription Based Information Technology Arrangements (SBITAs) which requires the capitalization of agreements that meet the criteria for capitalization established in the standard, resulting in additions of \$34.8 million.

Construction in progress for other projects underway totaled \$309.4 million at June 30, 2023. Major projects and their total project costs through June 30, 2023 include:

BSC

- Larry K. Skogen Polytechnic Building - \$4.0 million

MiSU

- Hartnett Hall - \$12.6 million

NDSU

- Dunbar Hall II (Sugihara Hall) - \$47.4 million
- Nodak Insurance Football Performance Complex - \$45.7 million
- Peltier Complex - \$34.8 million

UND

- New Residence Halls - \$117.5 million
- O'Kelly Hall - \$12.0 million

Outstanding commitments for these and other capital projects as of June 30, 2023 totaled \$150.4 million. More information about the System's capital assets is presented in Note 5 and Note 18 to the financial statements.

LONG-TERM LIABILITIES

	June 30 (in thousands)	
	2023	2022
Bonds payable	\$ 300,081	\$ 313,172
Certificates of participation	260,727	262,217
Notes payable	25,133	29,072

MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2023

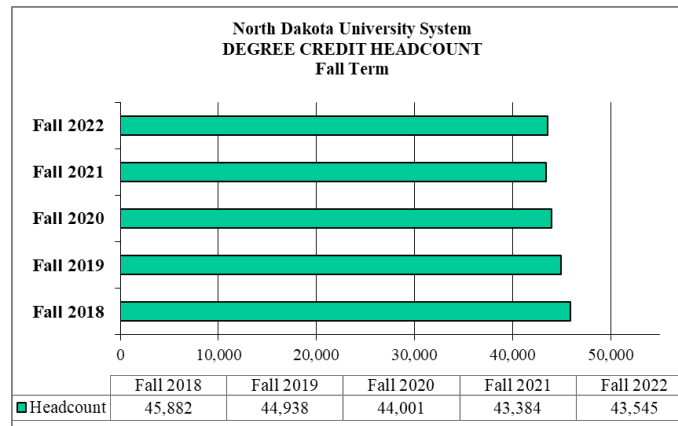
Leases payable	37,293	38,909
Special assessments	18,008	18,730
Compensated absences	36,629	35,096
Total Debt	<u>\$ 677,871</u>	<u>\$ 697,196</u>

Long-term liabilities added in fiscal year 2023 totaled \$6.0 million. Retirements totaled 25.4 million.

OTHER HIGHLIGHTS

STUDENT ENROLLMENTS -

As illustrated in the chart below, Annual Degree Credit Headcount enrollment for fall 2022 increased by 161 or 0.37 percent compared to fall 2021 and decreased by 2,337 or 5.1 percent compared to fall 2018.



Source: 2022 Fall Enrollment Report: Table 1-System Duplicated and Institutional Headcount Enrollments

Additional detailed enrollment data is contained in the 2022 NDUS Fall Enrollment Report.

STATE FUNDING

The 2023 Legislative Assembly approved a state general fund appropriation for all entities of the North Dakota University System of \$989.2 million for the 2023-25 biennium. This is an increase of \$176.2 million above the 2021-23 original appropriation. Of the total increases, \$117.4 million was base funding and \$58.8 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, 2023

STATEMENT OF NET POSITION

	Primary Institutions
ASSETS	
Current assets	
Cash and cash equivalents	\$ 360,543,470
Investments	185,274,797
Accounts receivable, net	33,049,116
Due from component units - investments held on behalf of the institutions	166,538
Due from component units	12,175,461
Due from other NDUS institutions	-
Due from State general fund	11,035,421
Grants and contracts receivables, net	94,020,965
Inventories	7,889,223
Lease receivable	9,766
Notes receivable, net	2,675,412
Other assets	4,323,803
Total current assets	<u>711,163,972</u>
Noncurrent assets	
Restricted cash and cash equivalents	14,143,066
Restricted investments	3,618,759
Endowment investments	575,528
Lease receivable	226,489
Notes receivable, net	9,783,303
Other long-term investments	74,098,607
Due from component units - investments held on behalf of the institutions	22,014,283
Capital assets, net	1,926,074,039
Total noncurrent assets	<u>2,050,534,074</u>
Total assets	<u>2,761,698,046</u>
DEFERRED OUTFLOW OF RESOURCES	
	178,007,396
LIABILITIES	
Current liabilities	
Accounts payable and accrued liabilities	64,368,446
Due to component units	383,325
Accrued payroll	46,342,307
Unearned revenue	29,910,204
Deposits	4,863,721
SBITA liabilities current portion	9,168,897
Long-term liabilities - current portion	
Due to component units	3,622,641
Due to others	33,146,818
Total current liabilities	<u>191,806,359</u>
Noncurrent liabilities	
Pension liability	253,541,008
OPEB liability	9,952,456
SBITA liabilities noncurrent portion	13,167,223
Other noncurrent liabilities	7,802
Long-term liabilities	
Due to component units	21,364,147
Due to others	619,737,202
Total noncurrent liabilities	<u>917,769,838</u>
Total liabilities	<u>1,109,576,197</u>
DEFERRED INFLOW OF RESOURCES	
	105,718,092
NET POSITION	
Net investment in capital assets	1,282,913,497
Restricted for:	
Nonexpendable:	
Scholarships and fellowships	19,088,200
Expendable:	
Scholarships and fellowships	5,164,661
Research	8,625,143
Institutional	11,059,302
Loans	23,566,292
Capital projects	72,023
Debt service	6,132,110
Other	4,025,360
Unrestricted	363,764,569
Total net position	<u>\$ 1,724,411,157</u>

NORTH DAKOTA UNIVERSITY SYSTEM
FINANCIAL STATEMENTS
JUNE 30, 2023

STATEMENT OF FINANCIAL POSITION

FASB Basis	Component Units
ASSETS	
Current assets	
Cash and cash equivalents	\$ 54,480,019
Investments	44,520,794
Accounts receivable, net	4,127,127
Notes receivable	2,788,905
Receivable from primary institution	4,556,157
Unconditional promises to give, net of allowance	23,392,409
Inventories	1,537,200
Current portion of net investment in direct financing leases	971,628
Other assets	4,316,678
Total current assets	<u>140,690,917</u>
Noncurrent assets	
Restricted cash and cash equivalents	15,350,623
Investments	
Investments, net of current portion	929,193,768
Investments, restricted	3,838,761
Investments held in trust	30,435,092
Beneficial interest in trust	16,470,142
Charitable gift annuity investments	5,334,702
Charitable remainder trust account investments	15,057,812
Real estate and equipment held for investment, net of accumulated depreciation	16,370,044
Other long-term investments	31,423,712
Total investments	<u>1,048,124,033</u>
Contracts for deed and notes receivable, net of current portions	516,413
Long term pledges receivable/ unconditional promises to give	75,586,516
Other receivables	3,533
Receivable from primary institution	21,261,836
Notes receivable, net	8,585,000
Net investment in direct financing leases, net of current portion	8,967,088
Other noncurrent assets	5,880,336
Capital assets, net	190,449,553
Total noncurrent assets	<u>1,374,724,931</u>
Total assets	<u>1,515,415,848</u>
LIABILITIES	
Current liabilities	
Accounts payable and accrued liabilities	5,585,499
Payable to primary institutions	7,140,111
Accrued payroll	1,418,370
Current portion of gift annuities and life income agreements	2,862,232
Deferred revenue	12,217,867
Other current liabilities	1,489,973
Long-term liabilities--current portion	11,696,688
Total current liabilities	<u>42,410,740</u>
Noncurrent liabilities	
Deposits	21,187,107
Payable to primary institutions	646,385
Investments held on behalf of Institutions	3,212,453
Gift annuities and life income agreements, net of current portion	16,984,916
Obligations under split-interest agreement	7,233,547
Other noncurrent liabilities	1,212,711
Long-term liabilities	97,307,524
Total noncurrent liabilities	<u>147,784,643</u>
Total liabilities	<u>190,195,383</u>
NET ASSETS	
Without donor restrictions	263,794,954
With donor restrictions	1,061,425,511
Total net assets	<u>1,325,220,465</u>
Total liabilities and net assets	<u>\$ 1,515,415,848</u>

NORTH DAKOTA UNIVERSITY SYSTEM
Financial Statements
June 30, 2023

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	Primary Institution
OPERATING REVENUES	
Student tuition and fees (net of scholarship allowances of \$77.7 and bad debt allowance of \$1.2 million)	\$ 380,216,199
Federal grants and contracts	167,729,867
State grants and contracts	53,928,637
Nongovernmental grants and contracts	40,592,222
Sales and services of educational departments (net of bad debt allowance of \$510,000)	109,689,074
Auxiliary enterprises (net of scholarship allowances of \$1.5 million and bad debt allowance of \$541,000)	106,908,837
Other (net of bad debt allowance of \$223,000)	899,756
Total operating revenues	<u>859,964,592</u>
OPERATING EXPENSES	
Salaries and wages	862,716,073
Operating expenses	343,707,018
Data processing	21,304,227
Depreciation expense	95,303,139
Scholarships and fellowships	44,428,245
HEERF Act Aid to Students	320,861
Cost of sales and services	26,861,050
Total operating expenses	<u>1,394,640,613</u>
Operating income (loss)	<u>(534,676,021)</u>
NONOPERATING REVENUES (EXPENSES)	
State appropriations	399,157,924
Federal appropriations	6,793,320
Federal grants and contracts (net of bad debt allowance of \$69,000)	34,439,080
Federal grants and contracts stimulus	36,421,113
Local appropriations	-
Gifts	63,478,380
Endowment and investment income	13,150,616
Interest on capital asset - related debt	(23,429,957)
Gain (loss) on disposal of capital assets	1,107,008
Insurance proceeds	727,138
Tax revenues	6,323,279
General and special grant expenditures	(8,174,714)
Transfers to North Dakota Industrial Commission	(6,299,248)
Other nonoperating revenues (expenses)	(1,889,943)
Net nonoperating revenues (expenses)	<u>521,803,996</u>
Income (loss) before capital grants, gifts, and transfers	(12,872,025)
Federal appropriations - capital assets	-
State appropriations - capital assets	44,356,520
Capital grants and gifts	31,018,883
Total other revenue	<u>75,375,403</u>
Increase (decrease) in net position	<u>62,503,378</u>
NET POSITION	
Net position - beginning of year, as restated	1,661,907,779
Net position - end of year	<u>\$ 1,724,411,157</u>

**NORTH DAKOTA UNIVERSITY SYSTEM
FINANCIAL STATEMENTS
JUNE 30, 2023**

STATEMENT OF ACTIVITIES

FASB BASIS	Component Units
Support and revenue	
Gifts and contributions	\$ 72,903,549
Investment income	39,564,921
Grant revenue	5,510,397
Net realized and unrealized gains (losses) on investment securities	(41,930,344)
Program and event income	42,035,950
Other income	11,014,474
Total support and revenue	<u>129,098,947</u>
 Expenses	
Program services	88,117,645
Supporting services	50,648,319
Fundraising expense	8,832,029
Total operating expenses	<u>147,597,993</u>
 Change in net assets	 (18,499,046)
 Net assets, beginning of year	 <u>1,343,719,511</u>
 Net assets, end of year	 <u>\$ 1,325,220,465</u>

NORTH DAKOTA UNIVERSITY SYSTEM
FINANCIAL STATEMENTS
JUNE 30, 2023

STATEMENT OF CASH FLOWS

	Primary Institution
CASH FLOWS FROM OPERATING ACTIVITIES	
Student tuition and fees	\$ 380,475,731
Grants and contracts	240,867,271
Payments to suppliers	(378,996,090)
Payments to employees	(834,308,413)
Payments for scholarships and fellowships	(44,428,252)
HEERF Act payments to students	(320,861)
Loans issued to students	(1,657,121)
Collection of loans to students	2,961,825
Auxiliary enterprise charges	106,471,100
Sales and service of educational departments	117,425,381
Cash received/(paid) on deposits	107,488
Other receipts (payments)	471,007
Net cash used by operating activities	<u>(410,930,934)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State appropriations	397,949,608
Federal appropriations	6,791,799
Grants and gifts received for other than capital purposes	93,938,423
Grants given for other than capital purposes	(8,201,197)
Federal stimulus revenues	36,421,116
Direct lending receipts	213,376,357
Direct lending disbursements	(213,208,508)
Transfers to Industrial Commission	(6,299,249)
Tax revenues	6,323,280
Net cash flows provided by noncapital financing activities	<u>527,091,629</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from issuance of debt	206,585
Capital appropriations	42,498,703
Capital grants and gifts received	28,540,591
Proceeds from sale of capital assets	1,790,943
Proceeds from lease receivables	34,539
Purchases of capital assets	(179,299,036)
Insurance proceeds	727,141
Principal paid on capital debt and leases	(35,301,656)
Interest paid on capital debt and lease	(23,661,824)
Net cash used by capital and related financing activities	<u>(164,464,014)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales and maturities of investments	174,457,621
Interest on investments	12,307,683
Purchase of investments	(123,740,318)
Net cash provided by investing activities	<u>63,024,986</u>
Net increase (decrease) in cash	14,721,667
CASH - BEGINNING OF YEAR, as restated	<u>359,964,869</u>
CASH - END OF YEAR	<u>\$ 374,686,536</u>
RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	\$ (534,676,021)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities	
Depreciation and amortization expense	95,303,139
Other nonoperating revenues (expenses)	(4,003,696)
Change in assets, deferred outflows, liabilities and deferred inflows	
Accounts receivable adjusted for interest receivable	8,969,313
Grant & contract receivables	(21,407,078)
Inventories	(720,169)
Notes receivable	1,829,027
Other assets	3,574,940
Accounts payable and accrued liabilities adjusted for interest payable	8,485,002
Pension liability	162,895,620
OPEB liability	5,344,120
Net change in deferred outflows	(64,041,686)
Net change in deferred inflows	(79,804,611)
Accrued payroll	2,505,191
Compensated absences	1,532,642
Unearned revenue	3,175,843
Deposits	107,490
Net cash provided (used) by operating activities	<u>\$ (410,930,934)</u>
SUPPLEMENTAL DISCLOSURE ON NON CASH TRANSACTIONS	
Assets acquired through long-term leases	\$ 3,725,494
Assets acquired through note payable	404,891
Assets acquired through long-term software based IT arrangements	21,405,477
Assets acquired through special assessments	2,924
Long-term lease receivable initialted	143,087
Gifts of capital assets	172,890
Net increase (decrease) in value of investments	<u>835,058</u>
Total non-cash transactions	<u>\$ 26,689,821</u>

NORTH DAKOTA UNIVERSITY SYSTEM
Financial Statements
June 30, 2023

STATEMENT OF FIDUCIARY NET POSITION

	<u>Custodial Funds</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 575,347
Accounts receivable, net	869,847
Due from component units	22,957
Due from other NDUS institutions	975
Total current assets	<u>1,469,126</u>
Total assets	<u>1,469,126</u>
LIABILITIES	
Current liabilities	
Accounts payable and accrued liabilities	61,231
Due to other NDUS institutions	71
Accrued payroll	103,491
Deposits	<u>(11,978)</u>
Total current liabilities	<u>152,815</u>
Total liabilities	<u>152,815</u>
NET POSITION	
Restricted for:	
Individuals, organizations and other governments	<u>1,316,310</u>
Total net position	<u>\$ 1,316,310</u>

NORTH DAKOTA UNIVERSITY SYSTEM**Financial Statements****June 30, 2023****STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**

	Custodial funds
ADDITIONS	
Student tuition and fees	\$ 7,280
Nongovernmental grants and contracts	2,457,865
Sales and services of educational departments	1,030,292
Auxiliary enterprises	20,900
Gifts	106,496
Other nonoperating revenues	13,752
Total additions	<u>3,636,585</u>
DEDUCTIONS	
Salaries and wages	2,760,348
Operating expenses	828,605
Data processing	24,908
Cost of sales and services	(26,751)
Total deductions	<u>3,587,110</u>
Increase (decrease) in net position	<u>49,475</u>
NET POSITION	
Net position - beginning of year	<u>1,266,835</u>
Net position - end of year	<u>\$ 1,316,310</u>

STATEMENT OF FINANCIAL POSITION- MAJOR COMPONENT UNITS

FASB BASIS	MiSU		NDSU	NDSU	NDSU		UND Alumni
	BSC	Development			Research &	UND	
	Foundation	Foundation	Technology	Aerospace	UND	Association &	
	June 30, 2023	June 30, 2023	Foundation	Foundation	Park	Foundation	UND
		June 30, 2023	December 31, 2022	June 30, 2023	June 30, 2023	June 30, 2023	
Assets							
Current assets							
Cash and cash equivalents	\$ 900,910	\$ 634,929	\$ 1,062,280	\$ 7,223,564	\$ 970,449	\$ 23,217,845	\$ 9,582,871
Investments	-	-	28,283,321	9,545,895	-	-	-
Accounts receivable, net	36,073	9,463	-	721,902	21,010	2,729,952	-
Notes Receivable	-	-	2,303,440	65,987	-	-	-
Receivable from primary institution	47,831	-	-	547,713	-	233,584	-
Unconditional promises to give, net of allowance	438,225	465,968	1,248	18,323,521	-	142,000	2,148,582
Inventories	-	-	-	-	-	937,711	6,750
Current portion of net investment in direct financing leases	-	-	-	-	859,508	112,120	-
Other assets	42,860	35,791	12,887	318,647	273,919	394,576	2,013,258
Total current assets	1,465,899	1,146,151	31,663,176	36,747,229	2,124,886	27,767,788	13,751,461
Noncurrent assets							
Restricted cash and cash equivalents	-	-	-	127,703	-	285,706	13,000,000
Investments							
Investments, net of current portion	30,318,403	36,596,281	-	454,966,418	623,384	-	383,173,377
Investments, restricted	-	-	-	-	-	-	-
Investments held in trust	6,035,532	3,212,453	-	-	-	-	21,187,107
Beneficial interest in trust	1,478,664	-	-	-	-	-	14,991,478
Charitable gift annuity investments	-	-	-	-	-	-	5,334,702
Charitable remainder trust account investments	-	-	-	-	-	-	15,057,812
Real estate and equipment held for investment, net of accumulated depreciation	192,199	-	-	25,950,157	-	-	-
Other long-term investments	46,849	-	-	17,248,153	-	242,000	13,661,069
Total investments	38,071,647	39,808,734	-	498,164,728	623,384	242,000	453,405,545
Contracts for deed and notes receivable, net of current portions	-	-	-	516,413	-	-	-
Long term pledges receivable/unconditional promises to give	951,783	1,208,879	5,075,140	35,930,156	-	568,000	30,775,423
Other receivables	-	-	-	-	-	-	1,573,783
Receivable from primary institution	481,866	-	-	-	-	-	-
Notes receivable, net	-	-	-	-	8,585,000	-	-
Net investment in direct financing leases, net of current portion	-	-	-	-	8,387,956	-	579,132
Other noncurrent assets	126,447	1,563,087	60,971	1,083,800	434,800	1,013,780	-
Capital assets, net	12,796,880	14,043,846	18,239,593	3,372,751	7,304,519	66,354,627	9,964,789
Total noncurrent assets	52,428,623	56,624,546	23,375,704	539,195,551	25,335,659	68,464,113	509,298,672
Total assets	53,894,522	57,770,697	55,038,880	575,942,780	27,460,545	96,231,901	523,050,133
LIABILITIES							
Current liabilities							
Accounts payable and accrued liabilities	210,691	224,662	1,583,088	714,669	105,360	729,746	136,388
Payable to primary institution	82,341	282,965	-	2,769,731	-	1,346,389	968,647
Accrued payroll	-	-	-	-	26,564	832,249	552,162
Current portion of gift annuities and life income agreements	381,395	72,958	-	996,566	-	-	1,411,313
Deferred revenue	-	-	1,500,000	-	36,190	2,286,972	2,849,662
Other current liabilities	-	-	-	1,088,540	-	132,840	-
Long-term liabilities-current portion	238,433	309,157	2,953,283	3,024,117	972,767	603,278	3,438,989
Total current liabilities	912,860	889,742	6,036,371	8,593,623	1,140,881	5,931,474	9,357,161
Noncurrent liabilities							
Deposits	-	-	-	-	-	-	21,187,107
Payable to primary institution	-	646,385	-	-	-	-	-
Investments held on behalf of institutions	-	3,212,453	-	-	-	-	-
Gift annuities and life income agreements, net of current portion	2,826,189	365,836	452,319	-	-	-	13,340,572
Obligations under split-interest agreement membership units	89,319	-	-	7,144,228	-	-	-
Other noncurrent liabilities	309,886	-	-	-	124,265	778,560	-
Long-term liabilities	4,123,207	5,123,352	-	24,966,833	17,646,645	6,700,519	27,227,322
Total noncurrent liabilities	7,348,601	9,348,026	452,319	32,111,061	17,770,910	7,479,079	61,755,001
Total liabilities	8,261,461	10,237,768	6,488,690	40,704,684	18,911,791	13,410,553	71,112,162
NET ASSETS							
Without donor restrictions	10,784,208	10,990,514	2,146,340	30,808,646	8,548,754	82,535,642	46,705,512
With donor restrictions	34,848,853	36,542,415	46,403,850	504,429,450	-	285,706	405,232,459
Total net assets	45,633,061	47,532,929	48,550,190	535,238,096	8,548,754	82,821,348	451,937,971
Total liabilities and net assets	\$ 53,894,522	\$ 57,770,697	\$ 55,038,880	\$ 575,942,780	\$ 27,460,545	\$ 96,231,901	\$ 523,050,133

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				Reclassifications	Total Component Units	Non-major Component Units	Total Component Units
	May 31, 2023	Total Major Component Units	Non-major Component Units					
ASSETS								
Current assets								
Cash and cash equivalents	\$ 4,428,986	\$ 48,021,834	\$ 6,458,185	\$ -	\$ -	\$ 54,480,019		
Investments	6,691,578	44,520,794	-	-	-	44,520,794		
Accounts receivable, net	748,637	4,267,037	3,801	(143,711)	-	4,127,127		
Notes receivable	-	2,369,427	419,478	-	-	2,788,905		
Receivable from primary institution	-	829,128	14,139	3,712,890	-	4,556,157		
Unconditional promises to give, net of allowance	-	21,519,544	1,872,865	-	-	23,392,409		
Inventories	592,739	1,537,200	-	-	-	1,537,200		
Current portion of net investment in direct financing leases	-	971,628	-	-	-	971,628		
Other assets	1,492,735	4,584,673	207,005	(475,000)	-	4,316,678		
Total current assets	13,954,675	128,621,265	8,975,473	3,094,179	-	140,690,917		
Noncurrent assets								
Restricted cash and cash equivalents	1,430,372	14,843,781	506,842	-	-	15,350,623		
Investments:								
Investments, net of current portion	-	905,677,863	23,515,905	-	-	929,193,768		
Investments, restricted	3,838,761	3,838,761	-	-	-	3,838,761		
Investments held in trust	-	30,435,092	-	-	-	30,435,092		
Beneficial interest in trust	-	16,470,142	-	-	-	16,470,142		
Charitable gift annuity investments	-	5,334,702	-	-	-	5,334,702		
Charitable remainder trust account investments	-	15,057,812	-	-	-	15,057,812		
Real estate and equipment held for investment, net of accumulated depreciation	-	26,142,356	-	(9,772,312)	-	16,370,044		
Other long-term investments	-	31,198,071	225,641	-	-	31,423,712		
Total investments	3,838,761	1,034,154,799	23,741,546	(9,772,312)	-	1,048,124,033		
Contracts for deed and notes receivable, net of current portions	-	516,413	-	-	-	516,413		
Long term pledges								
receivable/unconditional promises to give	-	74,509,381	1,077,135	-	-	75,586,516		
Other receivables	-	1,573,783	-	(1,570,250)	-	3,533		
Receivable from primary institution	-	481,866	-	20,779,970	-	21,261,836		
Notes receivable, net	-	8,585,000	-	-	-	8,585,000		
Net investment in direct financing leases, net of current portion	-	8,967,088	-	-	-	8,967,088		
Other noncurrent assets	-	4,282,885	1,597,451	-	-	5,880,336		
Capital assets, net	56,026,233	188,103,238	14,877,902	(12,531,587)	-	190,449,553		
Total noncurrent assets	61,295,366	1,336,018,234	41,800,876	(3,094,179)	-	1,374,724,931		
Total assets	75,250,041	1,464,639,499	50,776,349	-	-	1,515,415,848		
LIABILITIES								
Current liabilities								
Accounts payable and accrued liabilities	1,707,160	5,411,764	256,076	(82,341)	-	5,585,499		
Payable to primary institution	1,534,839	6,984,912	72,858	82,341	-	7,140,111		
Accrued payroll	-	1,410,975	7,395	-	-	1,418,370		
Current portion of gift annuities and life income agreements	-	2,862,232	-	-	-	2,862,232		
Deferred revenue	5,545,043	12,217,867	-	-	-	12,217,867		
Other current liabilities	268,593	1,489,973	-	-	-	1,489,973		
Long-term liabilities--current portion	-	11,540,024	156,664	-	-	11,696,688		
Total current liabilities	9,055,635	41,917,747	492,993	-	-	42,410,740		
Noncurrent liabilities								
Deposits	-	21,187,107	-	-	-	21,187,107		
Payable to primary institution	-	646,385	-	-	-	646,385		
Investments held on behalf of institutions	-	3,212,453	-	-	-	3,212,453		
Gift annuities and life income agreements, net of current portion	-	16,984,916	-	-	-	16,984,916		
Obligations under split-interest agreement membership units	-	7,233,547	-	-	-	7,233,547		
Other noncurrent liabilities	-	1,212,711	-	-	-	1,212,711		
Long-term liabilities	-	85,787,878	11,519,646	-	-	97,307,524		
Total noncurrent liabilities	-	136,264,997	11,519,646	-	-	147,784,643		
Total liabilities	9,055,635	178,182,744	12,012,639	-	-	190,195,383		
NET ASSETS								
Without donor restrictions	66,194,406	258,714,022	5,080,932	-	-	263,794,954		
With donor restrictions	-	1,027,742,733	33,682,778	-	-	1,061,425,511		
Total net assets	66,194,406	1,286,456,755	38,763,710	-	-	1,325,220,465		
Total liabilities and net assets	\$ 75,250,041	\$ 1,464,639,499	\$ 50,776,349	\$ -	\$ -	\$ 1,515,415,848		

NORTH DAKOTA UNIVERSITY SYSTEM
FINANCIAL STATEMENTS
JUNE 30, 2023

STATEMENT OF ACTIVITIES, Major Component Units

FASB BASIS

	MiSU		NDSU		NDSU	UND	UND Alumni
	BSC	Development	NDSCS	NDSU	Research &	Aerospace	UND Alumni
	Foundation	Foundation	Foundation	Foundation	Technology	Foundation	Association &
	June 30, 2023	June 30, 2023	June 30, 2023	December 31, 2022	Park	June 30, 2023	Foundation
	June 30, 2023	June 30, 2023	June 30, 2023	December 31, 2022	June 30, 2023	June 30, 2023	June 30, 2023
Support and revenue							
Gifts and contributions	\$ 3,695,786	\$ 3,954,605	\$ 1,562,930	\$ 31,221,856	\$ 546,220	\$ 437,806	\$ 29,930,053
Investment income	2,818,168	2,942,764	2,354,717	25,408,165	496,111	487,062	(110,184)
Grant revenue	-	218,292	-	-	-	-	-
Net realized and unrealized gains (losses) on investment securities	-	-	-	(63,603,349)	-	-	20,884,498
Program and event income	43,914	-	-	-	34,500	21,054,128	9,182,278
Other income	451,214	1,833,543	1,177,458	1,617,592	1,076,165	1,108,540	-
Total support and revenue	7,009,082	8,949,204	5,095,105	(5,355,736)	2,152,996	23,087,536	59,886,645
Expenses							
Program services	2,604,067	3,413,042	2,479,150	45,970,074	943,642	-	27,955,933
Supporting services	748,074	406,068	717,131	6,313,639	742,680	22,135,466	3,623,274
Fundraising expense	86,159	411,251	74,419	3,848,501	-	124,699	3,942,525
Total expenses	3,438,300	4,230,361	3,270,700	56,132,214	1,686,322	22,260,165	35,521,732
Change in net assets	3,570,782	4,718,843	1,824,405	(61,487,950)	466,674	827,371	24,364,913
Net Assets, beginning of year	42,062,279	42,814,086	46,725,785	596,726,046	8,082,080	81,993,977	427,573,058
Net assets, end of year	\$ 45,633,061	\$ 47,532,929	\$ 48,550,190	\$ 535,238,096	\$ 8,548,754	\$ 82,821,348	\$ 451,937,971

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, 2023	Total Major Component Units	Non-Major Component Units	Total Component Units
Support and revenue				
Gifts and contributions	\$ -	\$ 71,349,256	\$ 1,554,293	\$ 72,903,549
Investment income	411,901	34,808,704	4,756,217	39,564,921
Grant Revenue	5,292,105	5,510,397	-	5,510,397
Net realized and unrealized gains (losses) on investment securities	-	(42,718,851)	788,507	(41,930,344)
Program and event income	9,197,597	39,512,417	2,523,533	42,035,950
Other income	2,169,628	9,434,140	1,580,334	11,014,474
Total support and revenue	<u>17,071,231</u>	<u>117,896,063</u>	<u>11,202,884</u>	<u>129,098,947</u>
Expenses				
Program services	914,869	84,280,777	3,836,868	88,117,645
Supporting services	11,841,438	46,527,770	4,120,549	50,648,319
Fundraising expense	344,475	8,832,029	-	8,832,029
Total expenses	<u>13,100,782</u>	<u>139,640,576</u>	<u>7,957,417</u>	<u>147,597,993</u>
Change in Net Assets	3,970,449	(21,744,513)	3,245,467	(18,499,046)
Net Assets, Beginning of Year	<u>62,223,957</u>	<u>1,308,201,268</u>	<u>35,518,243</u>	<u>1,343,719,511</u>
Net Assets, End of Year	<u>\$ 66,194,406</u>	<u>\$ 1,286,456,755</u>	<u>\$ 38,763,710</u>	<u>\$ 1,325,220,465</u>

June 30, 2023

NOTES TO THE FINANCIAL STATEMENTS

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). Includes the NDUS System Office and Core Technology Services (CTS).

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

Langdon Research Extension Center

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NOTES TO THE FINANCIAL STATEMENTS

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.

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 exclusively or almost exclusively benefits the primary institution even though it does not

June 30, 2023

NOTES TO THE FINANCIAL STATEMENTS

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 2 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.

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 22-member board of directors as well as six 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.

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NOTES TO THE FINANCIAL STATEMENTS

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 NDSU Foundation engages in development and outreach activities on behalf of NDSU. The NDSU Foundation is governed by an Executive Governing Board comprised of eleven voting members as well as two ex-officio members – the president of NDSU and the President/CEO of the foundation.

The NDSU Foundation’s fiscal year-end is December 31. Financial statements and footnote disclosures are presented as of December 31, 2022. Financial statements may be obtained at their administrative office at 1241 N. University Drive, Fargo, ND 58102.

NDSU Research & Technology Park, Inc., (NDSU RTP) is a separate 501(c)3 non-profit organization developed to promote an economic environment dedicated to research and technology discovery for the benefit of NDSU, its faculty, staff and students, and the citizens of North Dakota. The majority of the NDSU RTP’s board of directors (seven of ten) are private sector members. Officers of NDSU fill the remaining three positions with the President of NDSU serving as president of the board of directors. 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 UND AF’s principal activities are located in Grand Forks, North Dakota and Mesa, Arizona. During fiscal year 2015, the UND AF formed a wholly-owned subsidiary, SunRay Property Holdings, LLC, to support its training programs in Arizona. During fiscal 2022, UND Aerospace Foundation formed a wholly-owned subsidiary, Blue Sky Property, LLC to support its training programs in Arizona.

The UND AF 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 UND AF elected by the board, the dean of the Odegard School of Aerospace Sciences and the president of UND. The UND AF 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 UND AF 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.

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 organization is supported primarily through donor contributions and earnings on investments.

The UND Foundation is governed by a board of directors. The financial statements 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.

June 30, 2023

NOTES TO THE FINANCIAL STATEMENTS

These organizations operate and maintain a multipurpose sports and entertainment complex in Grand Forks, North Dakota. 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). REA conducts day-to-day operations of the arena through a contract with UAS. UAS is the legal manager of AHC. AHC is the lessee 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 Unit

Williston State College Foundation (WSCF) is a legally separate that receives, holds and manages contributions from alumni and private sources. 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, NDSU 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, 2023, the TCU had net position of approximately \$823,000 and is not considered a financial burden to NDSU. 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, 2023 were:

BSC:	Bismarck Innovations Foundation 1200 Edwards Avenue Bismarck, ND 58506-5587	DSU	Dickinson State University Heritage Foundation 290 Campus Drive
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June 30, 2023

NOTES TO THE FINANCIAL STATEMENTS

	Mystic Athletic Club 1500 Edwards Ave. PO Box 5587 Bismarck, ND 58505-5587	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 Mayville State University Foundation 330 3 rd Street NE Mayville, ND 58257	MiSU: MiSU Alumni Association, Inc Minot State University 500 University Ave W Minot, ND 58707 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 NDSU Research Foundation 1735 NDSU Research Park Drive Suite 124 Fargo, ND 58102 NDSU Team Makers Dept 1200 PO Box 6050 Fargo, ND 58108-6050	UND: EERC Foundation Energy & Environmental Research Center 15 N 23 rd St., Ste9018 Grand Forks, ND 58202 UND Center for Innovation Foundation 4200 James Ray Drive, Stop 8272 Grand Forks, ND 58203 WSC Teton Booster Club PO BOX 100 Williston, ND 58802 TrainND Foundation PO Box 4095 Williston, ND 58802
VCSU:	VCSU Foundation 101 College Street SW Valley City, ND 58072	

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 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.

June 30, 2023

NOTES TO THE FINANCIAL STATEMENTS

BASIS OF ACCOUNTING

The financial statements 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 financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB) and are presented to provide a comprehensive entity-wide perspective of the System's assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, expenses, changes in net position and cash flows.

FIDUCIARY FUNDS

The System accounts as custodial funds accounts for activities resulting from the System or its institutions acting as an agent or fiduciary for various organizations.

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 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 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

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NOTES TO THE FINANCIAL STATEMENTS

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 except as specifically provided by the General Assembly.

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, invested from bond proceeds or enabling legislation 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:

- 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.

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NOTES TO THE FINANCIAL STATEMENTS

- 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, including right-to-use leased assets and SBITA assets, 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 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 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 are 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

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NOTES TO THE FINANCIAL STATEMENTS

convention.

Land Improvements	10 – 50 years
Infrastructure	20 – 60 years
Buildings	10 – 120 years
Equipment	3 – 20 years
Internally developed software	2 – 10 years
Right-to-use assets	2 – 30 years
Purchased software	3 – 5 years
Other Intangibles	3 – 20 years
Library Books	10 years

DEPOSITS

Money received in advance for the 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.

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.

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NOTES TO THE FINANCIAL STATEMENTS

SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

The System has entered into subscription-based information technology arrangements (SBITAs) for:

- Athletic department software for recruiting, performance management and compliance,
- Cloud backup services software and web hosting software,
- Communications and call center software,
- Customer relationship management (CRM) software,
- Data analytics software,
- Desktop and server software subscriptions,
- Document management software,
- Effort reporting software,
- Electronic health records management software,
- Emergency management system software,
- Events and organizations management software,
- Facilities and heating plant control software,
- Food services operations software,
- Human resources recruiting, performance and compensation management software,
- Information technology security software,
- Intellectual property software,
- Medical residency program and clinical management software,
- Online learning and instructional design software,
- Procurement and contract management software,
- Program evaluation and reporting system,
- Project management software,
- Recreation department management software,
- Research management and compliance software,
- Scholarship funds and awards management software,
- Student, recruitment, engagement, and success software,
- Survey software,
- Transcript software.
- Video creation software,
- Wellness Center software,

SBITA right-to-use assets are recorded as capital assets, net and the corresponding liability is recorded as a SBITA liability in the Statement of Net Position. Additional information is provided in footnotes 5 and 7.

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.

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NOTES TO THE FINANCIAL STATEMENTS

RESTATEMENT OF BEGINNING NET POSITION

Net Position, beginning of the year, as previously reported	\$ 1,664,060,918
<u>Prior period adjustments:</u>	
Change in accounting method	507,948
Correction of error	(2,661,087)
Net Position, beginning of the year, as restated	<u>\$ 1,661,907,779</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 of such items as allowances for uncollectible accounts, scholarship allowances, accrued expenses and other liability accounts.

New Accounting Pronouncements

Accounting Standards Implemented

During fiscal year 2023, the System adopted the following standards:

- GASB Statement No. 91, Conduit Debt Obligations,
- GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements,
- GASB Statement No. 96, Subscription-Based Information Technology Arrangements,
- GASB Statement No. 99, Omnibus 2022,

Accounting Standards Issued but Not Yet Implemented

The System will implement the following new pronouncements for fiscal years ending after 2023:

- GASB Statement No. 100, Accounting Changes and Error Corrections-an amendment of GASB Statement No. 62,
- GASB Statement No. 101, Compensated Absences.

The effect that these GASB Statements will have on future financial statements has not yet been determined.

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 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

June 30, 2023

NOTES TO THE FINANCIAL STATEMENTS

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:

	Carrying Amount	Bank Balance
Statement of Net Position		
Cash Deposits at the Bank of North Dakota	\$ 364,871,785	\$ 373,870,826
Cash Deposits at institutions other than the Bank of North Dakota	9,643,927	9,821,922
Certificates of Deposit at the Bank of North Dakota	249,067,557	249,073,132
Certificates of Deposit at institutions other than the Bank of North Dakota	118,225	115,825
Total Bank Deposits	623,701,494	\$ 632,881,705
Cash on hand/petty cash	170,824	
Amounts credit risked as deposits but reported as investments	(249,185,782)	
Total Cash and Cash Equivalents	\$ 374,686,536	
 Statement of Fiduciary Net Position		
Cash Deposits at the Bank of North Dakota	\$ 575,297	\$ -
Cash Deposits at institutions other than the Bank of North Dakota	-	-
Certificates of Deposit at the Bank of North Dakota	-	-
Certificates of Deposit at institutions other than the Bank of North Dakota	-	-
Total Bank Deposits	\$ 575,297	\$ -
Cash on Hand/Petty Cash	51	
Amounts credit risked as deposits but reported as investments	-	
Total Cash and Cash Equivalents	\$ 575,348	

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 polices 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, 2023, \$630.3 million of the System’s bank balance of \$632.9 million was exposed to custodial credit risk as follows:

Statement of Net Position:

Uninsured and uncollateralized	\$623.7 million
Uninsured and collateral held by pledging bank not in system’s name	\$ 6.6 million

June 30, 2023

NOTES TO THE FINANCIAL STATEMENTS

Investments

Investments are reported at fair value (market). The balances at June 30, 2023 are:

Investment Type	Market Value	Maturities			More than 10 years
		Less than 1 year	1-5 years	6-10 years	
US Treasuries	\$ 16,997	\$ 16,997	\$ -	\$ -	\$ -
Mutual Bond Funds	625,841	-	106,257	519,584	-
Money Market Mutual funds	833,575	833,575	-	-	-
Debt Securities Subtotal	1,476,413	\$ 850,572	\$ 106,257	\$ 519,584	\$ -
Stocks	712,692				
Exchange Transfer Funds (ETF's)	841,017				
Certificates of Deposit - BND	249,067,557				
Certificates of Deposit - non-BND	118,264				
Investment in Real Estate	11,351,744				
Investments held with Foundation	-				
Equity Securities Subtotal	262,091,274				
Total Investments	\$ 263,567,687				

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, 2023, 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	BBB	Not Rated	
Mutual Bond Funds	\$ 625,841	\$ -	\$ -	\$ 625,841	\$ 625,841
Money market mutual funds	833,575	21,593	299,184	512,798	833,575
Total	\$ 1,459,416	\$ 21,593	\$ 299,184	\$ 1,138,639	\$ 1,459,416

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 institution has the ability to access at the measurement date.

June 30, 2023

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, 2023 are:

	Level 1	Level 2	Level 3	Total
Equity securities	\$ 712,692	\$ -	\$ -	\$ 712,692
US Treasuries	-	16,997.00	-	16,997
ETF funds	841,017	-	-	841,017
Mutual bond funds	106,257	519,584.00	-	625,841
Mutual funds	-	512,798	-	512,798
Real estate	-	-	11,351,752	11,351,752
Total	\$ 1,659,966	\$ 1,049,379	\$ 11,351,752	\$ 14,061,097

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:

	Current	Noncurrent	Total
Student and general	\$ 41,249,444		\$ 41,249,444
Interest receivable	667,534		667,534
Allowance for doubtful accounts	(8,867,863)		(8,867,863)
Accounts receivable, net	<u>\$33,049,116</u>		<u>\$ 33,049,116</u>
Grants and contracts receivable	39,320,081		39,320,081
Appropriation receivable - other	3,383		3,383
Due from other state agencies	54,697,501		54,697,501
Allowance for doubtful grants and contracts receivable	0		0
Grants and contracts receivable, net	<u>\$94,020,965</u>		<u>\$ 94,020,965</u>
Student	2,813,555	10,573,315	13,386,870
Others	0	0	0
Allowance for doubtful notes	(138,143)	(790,012)	(928,155)
Notes receivable, net	<u>\$ 2,675,412</u>	<u>\$ 9,783,303</u>	<u>\$ 12,458,716</u>
Statement of Fiduciary Net Position			
Student and general	\$ 870,184		\$ 870,184
Interest receivable	-		-
Allowance for doubtful accounts	(338)		(338)
Accounts receivable, net	<u>\$869,847</u>		<u>\$ 869,847</u>

June 30, 2023

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4 – 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.

NDSU’s endowment principal is held at a steady amount and all gains are recorded in restricted scholarship funds. The spending of endowment earnings is based on an annual evaluation. UND’s distributions for spending from endowments each fiscal year are calculated once annually with the quarter ended December 31 unitized market value and is based on the set spending rate, currently 3.75 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 is forecast to UND for planning purposes in February, and these distribution amounts will be available for spending in the upcoming fiscal year. Net appreciation on investments is available for expenditure and consists of the following at June 30, 2023:

North Dakota State University	\$ 568,269	<u>Reflected in net position as:</u>
University of North Dakota	650,075	Expendable scholarships and fellowships
		Non-expendable scholarships and fellowships (90 percent),
		unrestricted local funds (10 percent)
Total NDUS	<u>\$1,218,344</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 Department. Total assets held by the State Land Department and proceeds for the fiscal year ended June 30, 2023 are \$244.2 million and \$8.2 million, respectively.

NOTE 5 – CAPITAL AND INTANGIBLE ASSETS –

Capital asset activity for the year ended June 30, 2023 are as follows:

June 30, 2023

NOTES TO THE FINANCIAL STATEMENTS

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Land	\$ 20,977,985	\$ 60,000	\$ -	\$ -	\$ 21,037,985
Construction in progress	251,900,172	127,263,911	8,114	(69,735,426)	309,420,543
Total non-depreciable capital assets	272,878,157	127,323,911	8,114	(69,735,426)	330,458,528
Land improvements/infrastructure	285,215,630	2,531,476	-	4,547,397	292,294,503
Buildings	1,934,544,284	15,820,218	1,896,631	64,475,896	2,012,943,767
Furniture, fixtures, and equipment	393,322,860	34,367,474	15,406,238	520,796	412,804,892
Intangibles:					
Computer software	25,332,425	280,836	1,491,526	-	24,121,735
Websites	863,470	-	-	-	863,470
Right-to-use on leased assets	45,433,337	3,998,495	2,189,536	191,337	47,433,633
SBITA right-to-use intangible	28,000	34,010,584	-	-	34,038,584
SBITA development in process	-	721,801	-	-	721,801
Other	1,335,924	-	-	-	1,335,924
Library materials	81,547,521	845,034	715,754	-	81,676,801
Total depreciable capital assets	2,767,623,451	92,575,918	21,699,685	69,735,426	2,908,235,110
Less accumulated depreciation and amortization					
Land improvements/infrastructure	134,218,236	8,176,758	-	-	142,394,994
Buildings	721,838,461	46,611,303	(1,254,906)	-	769,704,670
Furniture, fixtures, and equipment	270,606,074	22,631,432	13,155,397	(57,384)	280,024,725
Intangibles:					
Computer software	23,961,627	451,484	1,455,086	-	22,958,025
Websites	847,290	244,186	-	-	1,091,476
Right-of-use leased assets	7,005,711	5,958,847	2,155,043	57,384	10,866,899
SBITA right-of-use accumulated amortization	-	9,375,737	-	-	9,375,737
Other	833,642	53,614	-	-	887,256
Library materials	74,231,791	1,799,778	715,752	-	75,315,817
Total accumulated depreciation and amortization	1,233,542,832	95,303,139	16,226,372	-	1,312,619,599
Total depreciable capital assets, net	1,534,080,619	(2,727,221)	5,473,313	69,735,426	1,595,615,511
Capital assets, net	\$ 1,806,958,776	\$ 124,596,690	\$ 5,481,427	\$ -	\$ 1,926,074,039

Construction in progress for the year ended June 30, 2023 was as follows:

	Total Amount Authorized	Expended (CIP Asset)	Capitalized Equipment	Expended (Non capitalized)	Remaining Authorized Balance
Bismarck State College	\$ 38,000,000	\$ 4,024,041	\$ -	\$ -	\$ 33,975,959
Dakota College of Bottineau	7,550,000	3,059,415	-	-	4,490,585
Dickinson State University	-	358,999	-	-	-358,999
Lake Region State College	-	-	-	-	-
Mayville State University	-	-	-	-	-
Minot State University	27,765,757	13,110,480	-	-	14,655,277
North Dakota State College of Science	860,900	30,000	-	-	830,900
North Dakota State University	198,463,085	129,284,217	280,855	-	68,898,013
University of North Dakota	272,341,964	159,416,774	728,194	23,900,249	88,296,747
Valley City State University	22,500,000	136,617	-	-	22,363,383
Williston State College	-	-	-	-	-
Total NDUS	\$ 567,481,706	\$ 309,420,543	\$ 1,009,049	\$ 23,900,249	\$ 233,151,865

Additional information on SBITA right-of-use asset is provided in Note 7. Additional information on leased right-of-use assets is provided in Note 12.

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 6 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consisted of the following at June 30, 2023:

	Totals
Accounts payable	\$ 43,882,537
Due to other state agencies	7,779,004
Sales tax payable	54,612
Accrued interest	3,630,848
Contractor payable/retainage	8,492,282
Other liabilities	529,163
Total payables and accrued liabilities	\$ 64,368,446

Statement of Fiduciary Net Position

	Totals
Accounts Payable	\$ 61,231

NOTE 7 – SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGMENTS LIABILITIES (SBITAs)

The future subscription payments under SBITA agreements are as follows.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 9,168,897	\$ 849,287	\$ 10,018,184
2025	7,148,761	466,952	7,615,713
2026	2,403,570	253,490	2,657,060
2027	1,779,670	150,702	1,930,372
2028	1,246,306	75,520	1,321,826
2029 - 2033	588,916	32,110	621,026
2034 - 2038	-	-	-
2039 - 2043	-	-	-
	\$ 22,336,120	\$ 1,828,061	\$ 24,164,181

In addition to the amounts presented above, NDUS incurred variable SBITA expense of \$493,000 that was not included in the measurement of the subscription liability.

NDUS has committed to SBITAs involving a student success platform, a two-way texting platform, cloud-based CRM system and a capital projects management platform. The SBITAs are currently being implemented and \$722,000 has been paid related to these agreements. These outflows are recorded as SBITA development in progress at June 30, 2023.

NOTE 8 – LONG-TERM LIABILITIES

The changes in long-term liabilities during fiscal year 2023 are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Current Portion</u>	<u>Non-current Portion</u>
Bonds payable	\$ 300,071,711	\$ -	\$ 11,706,011	\$ 288,365,700	\$ 11,950,959	\$ 276,414,741
Bonds payable to component units	13,099,999	-	1,385,000	11,714,999	1,425,000	10,290,000

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NOTES TO THE FINANCIAL STATEMENTS

Certificates of participation	262,217,172	-	1,490,000	260,727,172	9,560,498	251,166,674
Notes payable	24,977,738	569,826	4,210,780	21,336,784	4,259,694	17,077,092
Notes payable to component units	4,094,265	85,425	383,518	3,796,172	1,336,506	2,459,666
Leases payable	28,574,374	3,846,654	4,557,818	27,863,210	3,576,228	24,241,419
Leases payable with component units	10,335,081	-	905,032	9,430,049	861,135	8,614,481
Special assessments	18,730,544	2,924	725,728	18,007,740	713,819	17,293,919
Compensated absences	35,096,352	1,532,630	-	36,628,993	3,085,620	33,543,357
Total	\$ 697,197,236	\$ 6,037,459	\$ 25,363,887	\$ 677,870,808	\$ 36,769,459	\$ 641,101,349

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, 2023, 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%	\$ 5,704,831
Dakota College at Bottineau	2,610,538	2.0 - 5.0%	2,505,095
Mayville State University	4,685,057	1.25 – 3.25%	1,840,000
Minot State University	7,668,816	0.40 – 3.0%	7,324,204
North Dakota State College of Science	6,506,892	3.00%	6,153,703
North Dakota State University	151,397,818	1.1 - 5.0%	106,103,615
University of North Dakota	187,825,190	0.75 - 5.0%	160,913,761
Valley City State University	5,858,248	3.0 - 4.0%	4,612,490
Williston State College	5,347,000	3.10%	4,923,000
Total Bonds Payable	\$ 382,083,893		\$300,080,699

At June 30, 2023, NDSU had pledged \$9.7 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.

DCB and NDSCS contain a provision that the bond owners or a court appointed trustee may pursue any available legal remedy.

The BSC 2012 and the MISU bond issues are subject to redemption in the event of any loss, damage or destruction.

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

June 30, 2023

NOTES TO THE FINANCIAL STATEMENTS

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.

Industrial Commission Bonds

For the 2021-2023 biennium, the System Office received an appropriation of \$13.4 million to act as the fiscal agent for the institutions on bond payments to the North Dakota Industrial Commission. During fiscal year 2023, the System Office paid \$6.1 million in general funds to the North Dakota Industrial Commission.

Scheduled Maturities of Bonds Payable

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 13,375,959	\$ 10,453,998	\$ 23,829,957
2025	12,577,632	10,283,758	22,861,390
2026	13,161,751	9,477,322	22,639,073
2027	13,774,527	8,964,323	22,738,850
2028	13,246,820	8,465,715	21,712,535
2029 - 2033	72,182,045	34,956,089	107,138,134
2034 - 2038	63,371,120	22,856,164	86,227,284
2039 - 2043	48,075,957	13,162,635	61,238,592
2044 - 2048	38,343,539	5,785,085	44,128,624
2049 - 2053	11,971,350	631,800	12,603,150
	<u>\$ 300,080,700</u>	<u>\$ 125,036,888</u>	<u>\$ 425,117,588</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 Certificates of Participation through the Bank of North Dakota. The certificates have interest rates ranging from 4.0 to 5.0 percent and are subject to annual appropriations by the North Dakota Legislature as part of the general operating appropriations.

The Series 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 July 26, 2021, UND issued tax-exempt Certificates of Participation, Series 2021A, in the amount of \$133,010,000 to fund the costs of a major renovation to student housing facilities; demolition of nine student housing facilities based upon student demand; and the construction of a new 400 and 477-bed student housing facility.

JCP University Housing Services, LLC (JCP USH) and UND entered a lease-purchase agreement in which the institution will initially lease the project from JCP USH. The title to the real estate on which the project is

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constructed will remain with the institution. The initial term of the lease commences on June 30, 2023, with extensions through June 30, 2061.

The Series 2021A certificates were issued at a par value of \$133.0 million, with a net premium of \$9.0 million. The certificates have interest rates ranging from 4.0 to 5.0 percent and are subject to annual appropriations by the North Dakota Legislature as part of the general operating appropriations.

The first principal and interest payments are due in fiscal year 2024. The certificates mature in the fiscal year 2061.

The Series 2021B certificates were issued at a par value of \$18.3 million. The certificates have interest rates ranging from 0.42 to 2.34 percent and are subject to annual appropriations by the North Dakota Legislature as part of the general operating appropriations. The first principal payment was due April 1, 2022 and certificates mature in the fiscal year 2034.

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 made 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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 9,560,498	\$ 9,204,521	\$ 18,765,019
2025	1,680,418	8,788,908	10,469,326
2026	1,796,127	8,762,953	10,559,080
2027	1,922,171	8,730,053	10,652,224
2028	1,998,195	8,689,797	10,687,992
2029 - 2033	12,564,444	42,675,393	55,239,837
2034 - 2038	15,020,540	40,522,874	55,543,414
2039 - 2043	22,863,156	36,727,102	59,590,258
2044 - 2048	33,443,976	31,279,000	64,622,976
2049 - 2053	53,125,022	22,884,950	76,009,972
2054 - 2058	73,411,625	11,660,350	85,071,975
2059 - 2063	33,441,000	1,898,850	35,339,850
	<u>\$ 260,727,172</u>	<u>\$ 231,824,753</u>	<u>\$ 492,551,923</u>

NOTE 11 – NOTES PAYABLE

LRSC has a note to Banc of America Public Capital Corp for a wind turbine and a note to Lake Region State College Foundation for an easement related to the wind turbine.

MaSU has a note payable to Capital One, for energy improvements through a performance contract. NDSU has four notes payable to Banc of America Public Capital Corp. for various equipment.

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NOTES TO THE FINANCIAL STATEMENTS

NDSU has a note payable with Banc of America Public Capital Corp for various purchased and leased equipment.

UND has a note payable with Alerus Bank for a building purchased from the University of North Dakota Research Foundation in fiscal year 2013 and a note payable in fiscal year 2023 to Dell Financial Services for a server. UND has a note payable with Wells Fargo for a spectrometer and nine notes payable with Banc of America for aircraft and aircraft simulators. UND has a note payable with Honeywell for a steamline and Capital One for steamline equipment. UND has a note payable with the North Dakota Industrial Commission for energy improvement projects.

WSC has a note payable to the Bank of North Dakota for construction of the Petroleum Safety and Technology Center.

Institution	Original Balance	Maturity Date	Interest Rate	Outstanding Balance June 30, 2023
Lake Region State College	\$4,881,045	June 2027 and July 2032	3.27 - 5.15%	\$1,658,715
Mayville State University	4,338,457	December 2024	2.73%	1,100,704
North Dakota State University	6,728,208	May 2025 through October 2030	1.0 - 4.22%	3,514,760
University of North Dakota	23,454,300	July 2023 through April 2037	1.029 - 4.75%	17,172,460
Williston State College	3,000,000	May 2035	1.75 - 3.0%	1,686,319
Total Notes Payable	\$41,873,987			\$25,132,958

The LRSC note contains a provision that upon default or nonappropriation, the lender may transfer any collateral to the name of the lender, sell or otherwise dispose of any collateral.

The MaSU note contains a provision that upon default, the lender can take any legal remedy, including declaring the note immediately due and taking possession of any equipment.

The NDSU note to Banc of America Public Capital Corp contains a clause that upon default, the lender may declare all payments immediately due and payable and may retake possession or require return of equipment. The lender may then sell or lease the equipment. The NDSU Foundation for the Renaissance Hall Project note contains a nonappropriation clause. In the event of nonappropriation, NDSU may, upon prior written notice to the Foundation, terminate the lease at the end of the then current biennium. The Foundation may take any available remedy by law to enforce payment of the outstanding bonds.

The UND notes contain a provision that in the event of default, outstanding amounts become immediately due if the institution is unable to make payment.

The UND note for the steam line contains a provision that in the event of default, outstanding amounts become payable immediately and the lessor may retake possession of the equipment or require lessee, at lessee's expense, to return all equipment to lessor.

Scheduled Maturities of Notes Payable

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 5,596,200	\$ 624,015	\$ 6,220,215
2025	3,597,832	535,134	4,132,966
2026	3,068,949	417,756	3,486,705

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2024		3,115,426	345,532	3,460,958
2028		1,929,233	267,099	2,196,332
2029	- 2033	5,223,674	752,828	5,976,502
2034	- 2038	2,601,645	143,664	2,745,309
		<u>\$ 25,132,959</u>	<u>\$ 3,086,028</u>	<u>\$ 28,218,987</u>

NOTE 12 –Leases Payable

The institutions lease land, office space and equipment from external parties. Institutions record right-to-use assets and lease liabilities based on the present value of expected payments over the term of the leases. The expected payments are discounted using the interest rate charged in the lease, if available, or the System’s incremental borrowing rate. The right-to-use assets are amortized over the shorter of the lease term or the underlying asset’s useful life.

For leases featuring payments tied to an index or market rate, the valuation is based on the initial index or market rate. Institutions recognized \$404,000 in variable payments not included in the measurement of the lease liability. There are no leases subject to residual value guarantees or commitments under leases before the start of the lease term. Additionally, there were no sales-leaseback or lease-leaseback transactions in fiscal year 2023. NDSU has five subleases with five external parties by which NDSU subleases space in a NDSU Research & Technology Park building. NDSU recognized revenue of \$208,000 for the rent received on these subleases.

Leased assets by major class of underlying assets at June 30, 2023, are as follows:

<u>Asset Class</u>	<u>Cost</u>	<u>Accumulated Amortization</u>
Land	\$ 5,025,332	\$ 954,511
Buildings	30,129,430	6,315,553
Infrastructure	2,998,676	1,219,800
Equipment	9,280,195	2,377,035
	<u>\$47,433,633</u>	<u>\$ 10,866,899</u>

Scheduled Maturities of Lease Obligations

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 4,437,363	\$ 1,322,766	\$ 5,677,737
2025	4,194,278	1,153,163	5,286,854
2026	3,291,953	1,006,319	4,255,810
2027	2,608,625	891,454	3,466,224
2028	2,675,514	796,509	3,446,969
2029 - 2033	12,067,352	2,631,150	14,665,826
2034 - 2038	4,453,268	1,072,037	5,525,305
2039 - 2043	813,767	703,464	1,517,231
2044 - 2048	1,282,669	476,227	1,758,896
2049 - 2053	1,468,474	138,302	1,606,776
	<u>\$37,293,263</u>	<u>\$9,914,365</u>	<u>\$47,207,628</u>

June 30, 2023

NOTES TO THE FINANCIAL STATEMENTS

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 713,819	\$ 614,358	\$ 1,328,177
2025	707,902	589,733	1,297,635
2026	665,139	564,427	1,229,566
2027	685,422	541,282	1,226,704
2028	682,814	517,404	1,200,218
2029 - 2033	3,637,088	2,226,813	5,863,901
2034 - 2038	4,146,106	1,568,394	5,714,500
2039 - 2043	4,720,914	829,544	5,550,458
2044 - 2048	2,048,534	103,987	2,152,521
	<u>\$ 18,007,738</u>	<u>\$ 7,555,942</u>	<u>\$ 25,563,680</u>

Compensated Absences

The compensated absences liability of the institutions at June 30, 2023 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. The liability at June 30, 2023 totaled \$36.6 million. Leave policies restrict the accumulation of unused vacation and 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:

Deferred Outflows

Pension	\$ 170,114,222
Other post employment retirement benefits	5,096,094
Deferred outflows from debt refunding	2,797,076
	<u>\$ 178,007,392</u>

Deferred Inflows

Pension	\$ 104,870,456
Other post employment retirement benefits	486,237
Lease receivable	234,021
Grant amounts received prior to meeting time requirements	94,542
Deferred inflows from debt refunding	32,832
	<u>\$ 105,718,088</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

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NOTES TO THE FINANCIAL STATEMENTS

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 Chair, 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. Members 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

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NOTES TO THE FINANCIAL STATEMENTS

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 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, 2023, the System reported a liability of \$253.5 million for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022 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, 2022, the System's proportionate share was 8.80 percent and increased 0.1 percent from measurement at June 30, 2021.

For the year ended June 30, 2023, the System recognized pension expense of \$30.6 million. At June 30, 2023, 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	\$ 1,322,549	\$ 4,843,072
Changes of assumptions	151,620,484	93,996,789
Net difference between projected and actual earnings on pension plan investments	9,279,544	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,181,285	6,030,595
Employer contributions subsequent to the measurement date	5,710,361	-
Total	<u>\$ 170,114,223</u>	<u>\$ 104,870,456</u>

Deferred outflows of resources of \$5.7 million are related employer contributions after the measurement date and will be recognized as a reduction of net pension liability in the fiscal year ended June 30, 2023.

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:

June 30, 2023

NOTES TO THE FINANCIAL STATEMENTS

Year ended June 30:	
2024	\$ 15,672,072
2025	19,498,719
2026	686,493
2027	23,676,121
2028	-
Thereafter	-

Actuarial assumptions. The total pension liability in the July 1, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent
Salary increases	3.5 percent to 17.75 percent, including inflations
Investment rate of return	5.1 percent, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the Sex-distinct Pub-2010 table for General Employees, with scaling based on actual experience. Respective corresponding tables were used for healthy retirees, disabled retirees, and active members. Mortality rates are projected from 2010 using the MP-2019 scale.

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%	6.00%
International Equity	21%	6.70%
Private Equity	7%	9.50%
Domestic Fixed Income	23%	0.73%
International Fixed Income	0%	0.00%
Global Real Assets	19%	4.77%
Cash Equivalents	0%	0.00%

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

June 30, 2023

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assets are not projected to be 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 6.5 percent; the municipal bond rate is 3.69 percent; and the resulting Single Discount Rate is 5.1 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 5.10 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 (4.10 percent) or 1-percentage-point higher (6.10 percent) than the current rate:

	1.0 percent Decrease 4.1 percent	Current Discount Rate 5.1 percent	1.0 percent Increase 6.1 percent
Employer's proportionate share of the net pension liability	\$ 334,656,701	\$253,541,017	\$ 186,947,849

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued NDPERS financial report.

NDUS 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 retirement resolution with Teachers Insurance and Annuity Association of America (TIAA) as recordkeeper of the plan. 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 North Dakota University System Office, 600 E. Blvd, Bismarck, North Dakota 58505.

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.

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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 \$46.6 million to TIAA during the fiscal years ending June 30, 2023.

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 Highway Patrol Retirement System (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 (RHIC) 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 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

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NOTES TO THE FINANCIAL STATEMENTS

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, 2023, the System reported a liability of \$9.9 million for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, 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, 2022, the System's proportion was 8.29 percent, which was unchanged from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the System recognized OPEB expense of \$1.6 million. At June 30, 2023, 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	\$ 235,943	\$ 85,586
Changes of assumptions	2,506,908	-
Net difference between projected and actual earnings on OPEB plan investments	1,340,064	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	91,658	400,013
Employer contributions subsequent to the measurement date	921,522	-
Total	<u>\$ 5,096,095</u>	<u>\$ 485,599</u>

Deferred outflows of resources of \$921,522, related to OPEB resulting from employer contributions after the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023.

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

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Year ended June 30:		
2024	\$	940,002
2025		866,771
2026		767,377
2027		1,114,822
2028		-
Thereafter		-

Actuarial assumptions. The total OPEB liability in the July 1, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent
Salary increases	Not applicable
Investment rate of return	5.75 percent, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the MortalityPub-2010 Healthy Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 103 percent for males and 101 percent for females. Pub-2010 Disabled Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 117 percent for males and 112 percent for females. Pub-2010 Employee Mortality table (for General Employees), sex-distinct, with rates multiplied by 92 percent for both males and females. Mortality rates are projected from 2010 using the MP-2019 scale.

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, 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equities	33%	5.85%
Small Cap Domestic Equities	6%	6.75%
Domestic Fixed Income	35%	0.50%
International Equities	26%	6.25%

Discount rate. The discount rate used to measure the total OPEB liability was 5.75 percent. The projection of cash flows used to determine the discount rate assumed plan member and statutory rates described in this report. 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,

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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, 2022, calculated using the discount rate of 5.39 percent, 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 (4.39 percent) or 1-percentage-point higher (6.39 percent) than the current rate:

	1 percent Decrease 4.39 percent	Current Discount Rate 5.39 percent	1 percent Increase 6.39 percent
Employer's proportionate share of the net OPEB liability	\$ 12,703,711	\$ 9,952,456	\$ 7,642,851

NOTE 17 – TERMINATION BENEFITS

Termination benefits are benefits provided to employees who are involuntarily or voluntarily terminated, because 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 16 employees for a cost of \$1.0 million in fiscal year 2023. The terms for these agreements range from one month to twelve months. The System recorded a liability at June 30, 2023 of \$101,319 for future payments.

During the same time, the System entered into involuntary separation agreements with two employees for a cost of \$153,000. The terms for these agreements range from one to two months. There is no future liability at June 30, 2023 for these agreements.

In fiscal year 2023, the System incurred \$234,000 in expenses related to voluntary termination agreements entered into in prior fiscal years for four employees. The terms for these agreements range from nine months to forty-eight months. At June 30, 2023, the liability for future payments was \$33,000.

In fiscal year 2023, there were no expenses or related liability associated with involuntary termination agreements entered into in prior fiscal years.

NOTE 18 – CONSTRUCTION COMMITMENTS AND FINANCING

The institutions have contracted for various construction projects as of June 30, 2023. Estimated costs to complete the various projects and the sources of anticipated funding are as follows:

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Institution	Contracts Awarded	Expended Through June 30, 2023	Total Cost To Complete	Funding for Remaining Costs			
				Federal Sources	State Sources	Institutional Funds	Other Sources
BSC	\$ 41,307,407	\$ 4,013,428	\$ 37,293,979	\$ 35,000,000		\$ 2,293,979	
DCB	7,040,278	3,047,573	3,992,705	2,480,951	1,285,272	226,482	
DSU	-	-	-	-	-	-	-
LRSC	-	-	-	-	-	-	-
MaSU	-	-	-	-	-	-	-
MiSU	25,399,869	12,965,868	12,434,001	11,726,177	651,934	55,889	-
NDSCS	860,900	30,000	830,900		415,450	415,450	-
NDSU	176,449,386	121,153,420	55,295,966	3,841,708	7,700,679	1,826,384	41,927,195
UND	243,037,367	202,754,974	40,282,393	25,008,712	2,395,803	6,045,481	6,832,397
VCSU	26,858,916	26,545,289	313,627		114,963	85,000	113,664
WSC	-	-	-	-	-	-	-
Total	\$ 520,954,123	\$ 370,510,552	\$ 150,443,571	\$ 78,057,548	\$ 12,564,101	\$ 10,948,665	\$ 48,873,256

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	\$ 8,338,827	\$ 8,208,374	\$ 95,402	\$ -	\$ 35,051
US Agencies	1,167,140	352,229	394,130	-	420,781
Corporate Bonds	34,066,993	16,261,671	12,850,575	2,489,947	2,464,800
Mutual Bond Funds	238,774,920	36,495,711	25,928,606	41,305,162	135,045,441
Money Market Mutual Funds	8,158,294	8,158,294	-	-	-
Other	308,358	215,288	68,560	-	24,510
Subtotal	\$ 290,814,532.00	\$ 69,691,567.00	\$ 39,337,273.00	\$ 43,795,109.00	\$ 137,990,583.00
Equity Mutual Funds	419,927,797				
Investment in Real Estate	95,726,202				
Commodity Hedge and Limited Partnerships	127,582,516				
Stocks	38,536,169				
Other	106,088,377				
Total Investments	\$ 1,078,675,593				

Interest Rate Risk

Bismarck State College Foundation employs multiple investment strategies including capital appreciation, local fixed income, and balanced portfolios.

NDSU Foundation relies on a total return strategy in which investment returns are achieved through both 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

BSC Foundation maintains its cash in bank deposit accounts which exceed federally insured limits. At June 30, 2023, the BSC Foundation had approximately \$504,600 in excess of FDIC-insured limits.

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NOTES TO THE FINANCIAL STATEMENTS

The North Dakota State University Foundation had approximately \$5.5 million in excess of FDIC-insured limits. To date, the Foundation has not experienced losses in any of these accounts.

The NDSU Research & Technology Park and Subsidiary had approximately \$652,000 in excess of FDIC-insured limits.

REA Arena, Inc.'s cash balances may exceed FDIC limits at various times throughout the year at one financial institution. REA Arena, Inc., has obtained a \$5.5 million letter of credit to insure cash balances in excess 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, 2023 was as follows:

	Beginning				Ending
	Balance-Restated	Additions	Retirements	Transfers	Balance
Land	\$ 14,033,521	\$ -	\$ -	\$ -	\$ 14,033,521
Construction in progress	20,525,843	5,661,352	13,081,651	(1,714,242)	11,391,302
Total non-depreciable capital assets	34,559,364	5,661,352	13,081,651	(1,714,242)	25,424,823
Land improvements/infrastructure	1,888,433	-	-	-	1,888,433
Buildings	210,038,660	22,263,711	36,961	234,606	232,500,016
Furniture, fixtures, and equipment	53,050,050	2,425,759	2,268,270	1,479,636	54,687,175
Total depreciable capital assets	264,977,143	24,689,470	2,305,231	1,714,242	289,075,624
Less accumulated depreciation					
Land improvements/infrastructure	870,278	37,499	-	-	907,777
Buildings	91,098,298	6,163,052	12,300	-	97,249,050
Furniture, fixtures, and equipment	26,423,733	3,305,307	1,488,657	-	28,240,383
Total accumulated depreciation	118,392,309	9,505,858	1,500,957	-	126,397,210
Total depreciable capital assets, net	146,584,834	15,183,612	804,274	1,714,242	162,678,414
Capital assets, net	\$ 181,144,198	\$ 20,844,964	\$ 13,885,925	\$ -	\$ 188,103,237

MAJOR COMPONENT UNITS LONG-TERM LIABILITIES SUMMARY

	Beginning			Ending	Current	Noncurrent
	Balance	Additions	Retirements	Balance	Portion	Portion
Bonds payable	\$ 39,526,272	\$ 18,449,999	\$ 4,582,971	\$ 53,393,300	\$5,298,317	\$ 48,094,983
Notes payable	24,146,369	11,696,024	3,250,872	32,591,521	6,040,053	26,551,468
Special assessments	620,204	-	35,732	584,472	40,994	543,478
Lease obligations	1,114,234	1,206,099	146,724	2,173,609	160,660	2,012,949
Other	8,585,000	-	-	8,585,000	-	8,585,000
Total	\$ 73,992,079	\$ 31,352,122	\$ 8,016,299	\$ 97,327,902	\$11,540,024	\$ 85,787,878

MAJOR COMPONENT UNITS BONDS PAYABLE

Bonds payable for the major component units at June 30, 2023 was as follows:

Component Unit	Maturity	Interest Rate	Balance Outstanding
	Date (Fiscal Year)		
BSC Foundation	2032-2040	2.70 - 5.01%	\$ 4,361,640
NDSU Foundation	2024-2037	2.00 - 4.00%	9,610,000

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NOTES TO THE FINANCIAL STATEMENTS

NDSU Research & Technology Park, Inc.	2032	2.32 - 3.54%	9,685,000
UND Alumni Association and Foundation	2027-2032	0.75 - 4.20%	29,736,660
Total Component Unit Bonds Payable			<u>\$ 53,393,300</u>

Scheduled Maturities of Major Component Bonds Payable

Fiscal Year	Principal	Interest	Total
2023	\$ 695,000	\$ 346,094	\$ 1,041,094
2024	5,328,317	1,470,164	6,798,481
2026	5,387,021	1,416,458	6,803,479
2026	5,553,840	1,254,145	6,807,985
2027	5,713,071	1,085,080	6,798,151
2028	5,209,668	1,227,165	6,436,833
2029 - 2033	22,098,489	3,389,035	25,487,524
2034 - 2038	3,064,895	379,153	3,444,048
2039 - 2043	342,999	7,504	350,503
	<u>\$ 53,393,300</u>	<u>\$ 10,574,798</u>	<u>\$ 63,968,098</u>

MAJOR COMPONENT UNITS NOTES PAYABLE

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

Component Unit	Interest Rate	Maturity Date (Fiscal Year)	Balance Outstanding
MiSU Development Foundation	2.15 - 2.6%	2026 - 2029	\$ 5,432,509
NDSU Foundation	2.25%	2027	2,953,283
UND Alumni Association & Foundation	0.95 - 4.0%	2024 - 2034	18,145,890
UND Aerospace Foundation	4.35%	2036	350,519
	3.25 - 3.90%	2026-2032	5,709,320
Total Component Unit Notes Payable			<u>\$ 32,591,521</u>

Scheduled Maturities of Major Component Units Notes Payable

Fiscal Year	Principal	Interest	Total
2023	\$ 2,310,890	\$ 219,920	\$ 2,530,810
2024	4,979,163	567,773	5,546,936
2025	2,050,974	541,821	2,592,795
2026	6,010,212	420,521	6,430,733
2027	1,840,025	283,630	2,123,655
2028	3,860,241	226,164	4,086,405
2029 - 2033	11,440,766	529,657	11,970,423
2034 - 2038	99,250	6,798	106,048
	<u>\$ 32,591,521</u>	<u>\$ 2,796,284</u>	<u>\$ 35,387,805</u>

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Scheduled Maturities of Major Component Units Lease Obligations

Fiscal Year	Principal	Interest	Total
2024	\$ 160,660	\$ 95,903	\$ 256,563
2025	168,676	87,887	256,563
2026	173,503	79,485	252,988
2027	141,668	71,994	213,662
2028	148,683	64,979	213,662
2029 - 2033	768,685	211,590	980,275
2034 - 2038	103,314	95,713	199,027
2039 - 2043	33,679	88,321	122,000
2044 - 2048	40,486	81,514	122,000
2049 - 2053	48,668	73,332	122,000
2054 - 2058	58,504	63,496	122,000
2059 - 2063	70,328	51,672	122,000
2064 - 2068	256,755	60,446	317,201
	\$ 2,173,609	\$ 1,126,332	\$ 3,299,941

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:

Institutions Receivable from		Institutions Payable to	
Component Units - Current	\$ 12,175,461	Component Units - Current	\$ 383,325
Institutions Receivable		Institutions Long Term	
Component Units - Non-Current	-	Liability to Component	
Total Due from Component Units	12,175,461	Unit - Current Portion	3,622,640
Reconciling Differences:			
Transactions with Component		Institutions Long Term	
Units having fiscal year ends		Liability to Component Unit	
other than June 30, 2023	(4,441,853)	- Non-Current Portion	21,364,146
		Total Due to Component Units	25,370,111
Transactions in transit		Reconciling Differences:	
at June 30, 2023	117,013	Transactions with Component	
		Units having fiscal year ends	
Receivables from insignificant		other than June 30, 2023	547,713
component units	(146,470)		
Other	82,345	Transaction with insignificant component	
		units that are not discretely	
Total Component Unit Payable		presented	(87,635)
to Institutions	\$ 7,786,496	Transactions in transit	

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	at June 30, 2023	40,003
	Other	(52,199)
Total Receivable from		
Institutions		<u>\$ 25,817,993</u>
Component Unit Current		
Receivable from		
Institutions - Current		\$ 4,556,157
Component Unit Non-Current		
Receivable from		
Institutions		21,261,836
Total Component Unit Receivable		
from Institutions		<u>\$ 25,817,993</u>

SIGNIFICANT TRANSACTIONS AND DEVELOPMENTS

Bismarck State College Foundation (BSCF)

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.

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 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 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). On August 28, 2020, an agreement was signed to extend the lease term until August 12, 2025. 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 a lease on BSC financial statements and Student Housing, LLC financial statements includes the capitalized asset.

MiSU Development Foundation (MiSUDF)

On September 1, 2020, MiSU and MiSUDF entered into a two-year facility and ground lease agreement to facilitate the remodel of the MiSU's Summer Theatre. The lease contains an option to renew with the consent of both parties. During the agreement, MiSU will manage and conduct performances of plays and events. MiSU is also responsible to operate, maintain, and keep in good repair all public and common facilities and services on the grounds and adjacent facilities. The MiSUDF is responsible for the cost of all improvements to the premises. At the conclusion of the lease, MiSUDF will return to MiSU the right and title to the premises and all leasehold improvements.

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North Dakota State College of Science Foundation (NDSCSF)

For the year ended June 30, 2023, NDSCS paid NDSCSF \$174,000 for the rental of NDSCS Fargo building and \$11,000 for parking lots.

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 May 1, 2022 and May, 2032. On May 1, 2022, NDSU and NDSU RTP entered into an annual service agreement for Research Building I to continue the services provided as the bonds related to Research Building I have been paid in full and NDSU exercised its option to terminate the Research Building I Lease and purchase Research Building I. During fiscal year 2023, total annual rent of \$402,000 was paid by NDSU for these two buildings, in addition to the \$1.27 million of principal and interest paid by NDSU directly to the bond trustee. The annual rent will be re-adjusted by mutual agreement every two years. These agreements are subject to funding and legislative appropriations.

NDSU Foundation (The Foundation)

Renaissance Hall

The former Northern School Supply building was donated to the Foundation by NDSU alumni in December of 2001. During fiscal years 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 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 \$417,000 in fiscal year 2023 for debt service under this agreement. As of June 30, 2023, the outstanding balance on the bonds are reflected as "Due to Component Units" by NDSU, is \$2.7 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

June 30, 2023

NOTES TO THE FINANCIAL STATEMENTS

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 amount of the previously issued bonds. During fiscal year 2023, NDSU paid \$621,000 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, 2023, the outstanding balance on the bonds, reflected as “Due to Component Units” by NDSU, is \$6.9 million.

Other Transactions

The Foundation provides meeting space rental and database support service to NDSU for an annually negotiated fee. NDSU paid the foundation \$888,052 for the fiscal year ending December 31, 2022.

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 insurance, flood insurance, boiler inspection fees, real estate taxes and bond administrative fees. Those costs totaled \$123,000 during the fiscal year ending December 31, 2022.

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, 2023.

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 \$5.2 million in fiscal year 2023. 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 \$2.3 million in fiscal year 2023, which is included in training and support services in the consolidated statements of activities.

As of June 30, 2023, the UND AF recorded accounts payable to UND of \$1.3 million for reimbursable costs and services. As of June 30, 2023, the UND AF had recorded accounts receivable from UND of approximately \$234,000, which are included in accounts receivable in the consolidated statements of financial position.

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NOTES TO THE FINANCIAL STATEMENTS

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 paid 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.

RE Arena, Inc. (REA)

REA and UND, entered into an operating agreement from July 1, 2020 to September 30, 2030. 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 Arena, Inc. collects all ticket revenue from ticketed UND athletic events (hockey, football, men's and women's basketball, and volleyball), RE Arena, Inc. retains 52 percent of such ticket revenue and remits 48 percent to UND, and (ii) RE Arena, Inc. collects all sponsorship sales revenue from UND athletic events at the arena, RE Arena, Inc. retains 50 percent of such sponsorship revenue, net of direct costs, and remits 50 percent to UND, net of direct costs. In addition, UND and RE Arena, Inc. jointly utilize the UND and RE Arena, Inc. 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.

In REA's fiscal year 2023, gross tickets sales were \$5.1 million of which REA recognized revenue of \$2.7 million, with a net paid to UND of \$2.5 million.

Gross tickets sales for the next athletic season year are recorded in deferred revenue at gross by REA for a total of \$3.2 million.

REA recognized net sponsorship (advertising) revenue of \$926,066 and net paid to UND in sponsorship (advertising) income of \$926,066. REA allocated \$600,000 of net income to UND athletic department for the year ended May 31, 2023. REA paid \$1.2 million to UND for utilities, maintenance staff, phone service and other.

At the end of the fiscal year REA owed UND \$107,336 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 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, 2023, UND provided approximately \$1.8 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 \$256,076 in investment management fees during the fiscal year ended June 30, 2023.

During the year ended June 30, 2023, the Organization paid \$3.9 million to the University of North Dakota for building projects.

June 30, 2023

NOTES TO THE FINANCIAL STATEMENTS

The Organization is leasing 45,000 square feet of land for the Gorecki Alumni Center from the University of North Dakota. Starting in 2016 the rate is \$0.10 per square foot per year. The cost in 2023 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, 2023 were \$2.0 million. The bonds are secured by a lease with UND.

On March 23, 2021, the UND Foundation financed the build of the College of Business and Public Administration building in part with First International Bank & Trust, in an amount up to \$30 million. On July 23, 2023 the UND Foundation modified the University Facilities Bonds, Series 2021 (College of Business and Public Administration Building) to allocate \$13 million of the \$30 million to finance the building of the Frederick “Fritz” Pollard, Jr. Athletic Center. The bonds are now secured by pledged receivables for both building projects. As of June 30, 2023, the outstanding balance on the bonds is \$27.7 million.

NON-MAJOR COMPONENT UNITS

Williston State College Foundation (WSCF)

Individuals working on behalf of the WSCF are employees of and paid by WSC. WSCF reimburses WSC for the time WSC employees spend on Foundation matters. WSCF records these amounts as expenses. The amount reimbursed for the years ending June 30, 2023 was \$456,857.

NOTE 20 – PLEDGED REVENUES

Pledged revenue required for	
future principal and interest	
on existing bonds	\$ 355,780,431
Term of commitment ranging from	2024-2050
Percentage of revenue pledged	6%

Current year pledged revenue, by source:	Pledged Revenue	Recognized Revenue	Percentage of Pledged Revenue to Recognized Revenue
Net revenues from auxiliaries	\$ 13,358,222	\$ 106,961,162	12%
Tuition and student fees	7,397,276	380,879,046	2%
Other	269,817	-	0%
Total	\$ 21,025,315	\$ 487,840,208	4%

Current year principal and interest paid	\$ 21,025,315
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June 30, 2023

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, 2023, using the functional classification are as follows:

Instruction	\$	379,064,611
Academic Support		91,799,030
Student Services		117,616,884
Institutional Support		140,145,042
Physical Plant		110,386,298
Scholarships and Fellowships		41,362,857
Auxiliary Enterprises		98,806,237
Public Service		92,740,052
Research		227,416,460
Depreciation		95,303,139
Total	\$	<u>1,394,640,613</u>

NOTE 22 – 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 23 – 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 statutory caps on State liability will increase each year starting in fiscal year 2023 through fiscal year 2027 as follows:

- Fiscal year 2023: \$375,000 per person, \$1.0 million per occurrence
- Fiscal year 2024: \$406,250 per person and \$1.625 million per occurrence
- Fiscal year 2025: \$437,500 per person and \$1.75 million per occurrence
- Fiscal year 2026: \$468,750 per person and \$1.875 million per occurrence
- Fiscal year 2027: \$500,000 per person and \$2.0 million per occurrence.

June 30, 2023

NOTES TO THE FINANCIAL STATEMENTS

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.

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.

NOTE 24 – SUBSEQUENT EVENTS

On September 30, 2023, the NDSU Foundation converted a line of credit for the Nodak Football Performance was converted to a note payable in the amount of \$25.2 million. The interest rate on the note is 0.95 percent and the note matures December 31, 2033.

North Dakota University System
Required Supplementary Information (RSI)
June 30, 2023

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
2023	8.80%	\$ 253,541,017	\$ 102,191,967	248.10%	54.47%
2022	8.70%	\$ 90,645,397	\$ 98,480,254	92.04%	78.26%
2021	8.96%	\$ 281,834,777	\$ 98,822,521	285.19%	48.91%
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*

	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
2023	\$ 5,712,363	\$ 5,712,363	\$ -	\$ 111,314,049	5.13%
2022	\$ 6,420,524	\$ 6,420,524	\$ -	\$ 102,191,967	6.28%
2021	\$ 6,808,541	\$ 6,808,541	\$ -	\$ 98,480,254	6.91%
2020	\$ 7,175,888	\$ 7,175,888	\$ -	\$ 98,822,521	7.26%
2019	\$ 7,268,591	\$ 7,268,591	\$ -	\$ 97,100,937	7.49%
2018	\$ 7,134,215	\$ 7,134,215	\$ -	\$ 98,685,274	7.23%
2017	\$ 7,546,708	\$ 7,546,708	\$ -	\$ 99,755,332	7.09%
2016	\$ 7,654,994	\$ 7,654,994	\$ -	\$ 104,177,803	7.26%
2015	\$ 7,380,713	\$ 7,380,713	\$ -	\$ 98,721,150	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.*

Notes to Required Supplementary Information for the Year Ended June 30, 2023

Change of benefit Teme

The interest rate earned on member contributions decreased from 6.50 percent to 6.00 percent effective January 1, 2023 (based on the adopted decrease in the investment return assumption). New Main System 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 Main System increased 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, 2020.

Changes of assumptions

The investment return assumption was updated from 7.00 percent to 6.50 percent beginning with the actuarial valuation as of July 1, 2022. All other actuarial assumptions used in the actuarial valuation as of July 1, 2022 were based on an experience review for the period from July 1, 2014 to July 1, 2019, and were adopted for first use commencing with the actuarial valuation as of July 1, 2020.

North Dakota University System
Required Supplementary Information (RSI)
June 30, 2023

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
2023	8.29%	\$ 9,952,456	\$ 85,602,614	11.63%	56.28%
2022	8.29%	\$ 4,608,336	\$ 90,336,572	5.10%	76.63%
2021	8.49%	\$ 7,143,672	\$ 96,809,287	7.38%	63.38%
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
2023	\$ 921,522	\$ 921,522	\$ -	\$ 111,314,049	0.83%
2022	\$ 1,036,573	\$ 1,036,573	\$ -	\$ 85,602,614	1.21%
2021	\$ 1,098,698	\$ 1,098,698	\$ -	\$ 90,336,572	1.22%
2020	\$ 1,157,241	\$ 1,157,241	\$ -	\$ 96,809,287	1.20%
2019	\$ 1,150,435	\$ 1,150,435	\$ -	\$ 97,762,911	1.18%
2018	\$ 1,148,790	\$ 1,148,790	\$ -	\$ 99,296,140	1.16%

**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, 2020.

Changes of assumptions

The investment return assumption was updated from 6.50% to 5.75% beginning with the actuarial valuation as of July 1, 2022. All actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2021.

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	\$15,206,405	\$12,088,166	\$ 6,843,762	\$ 5,058,715	\$ 4,605,784	\$ 9,452,679	\$25,383,919
Investments	-	3,480,000	-	-	2,750,000	400,039	3,277,400
Accounts receivable, net	9	702,882	265,646	331,176	949,253	457,500	632,969
Due from component units - investments held on behalf of the institutions	-	-	-	-	-	-	-
Due from component units	-	84,392	3,500	-	109,062	-	257,821
Due from other NDUS institutions	696,491	28,260	(16,571)	4,143	53,987	92,053	217,332
Due from State general fund	5,080	688,893	1,088,628	421,089	57,205	31,451	16,477
Grants and contracts receivables, net	11,495	3,603,668	803,961	(328,446)	629,115	892,292	2,308,702
Inventories	-	639,815	132,669	-	292,647	219,689	10,344
Lease receivable	-	-	-	-	-	-	-
Notes receivable, net	-	8,902	11,012	61,418	119,721	28,552	209,141
Other assets	190,923	74,399	25,107	(1,060)	69,216	24,590	35,656
Total current assets	<u>16,110,403</u>	<u>21,399,377</u>	<u>9,157,714</u>	<u>5,547,035</u>	<u>9,635,990</u>	<u>11,598,845</u>	<u>32,349,761</u>
Noncurrent assets							
Restricted cash and cash equivalents	-	99,729	-	-	-	207,540	26
Restricted investments	1,049,377	-	-	-	-	-	-
Endowment investments	-	-	-	-	-	17,000	-
Lease receivable	-	-	-	-	-	-	-
Notes receivable, net	-	4,188	8,307	389,175	29,396	135,302	1,270,752
Other long-term investments	-	146,000	-	1,500,000	-	-	-
Due from component units - investments held on behalf of the institutions	-	-	-	375,904	-	-	3,212,453
Capital assets, net	7,612,290	56,605,646	14,050,626	50,712,073	13,156,062	24,608,857	77,411,272
Total noncurrent assets	<u>8,661,667</u>	<u>56,855,563</u>	<u>14,058,933</u>	<u>52,977,152</u>	<u>13,185,458</u>	<u>24,968,699</u>	<u>81,894,503</u>
Total assets	<u>24,772,070</u>	<u>78,254,940</u>	<u>23,216,647</u>	<u>58,524,187</u>	<u>22,821,448</u>	<u>36,567,544</u>	<u>114,244,264</u>
DEFERRED OUTFLOWS of RESOURCES	6,249,597	8,694,793	1,186,166	3,557,042	4,097,050	5,256,465	7,824,874
LIABILITIES							
Current liabilities							
Accounts payable and accrued liabilities	1,168,927	3,012,664	1,054,269	286,473	586,744	734,103	3,836,828
Due to other NDUS institutions	162,473	40,173	222,217	78,607	52,588	36,705	86,615
Due to component units	-	6,634	114,486	-	7,648	(112,122)	231
Accrued payroll	960,561	1,605,501	374,158	1,192,385	538,553	961,979	2,373,147
Unearned revenue	-	1,235,625	3,437,944	108,734	1,052,403	865,783	3,308,551
Deposits	272,858	(65,255)	15,147	(58,093)	257,639	(6,994)	222,393
SBITA liabilities current portion	3,910,972	-	-	10,585	-	-	39,430
Long-term liabilities - current portion	-	-	-	-	-	-	-
Due to component units	-	45,504	-	-	7,958	-	-
Due to others	160,547	1,250,245	170,877	608,531	458,925	1,317,717	845,824
Total current liabilities	<u>6,636,338</u>	<u>7,131,091</u>	<u>5,389,098</u>	<u>2,227,222</u>	<u>2,962,458</u>	<u>3,797,171</u>	<u>10,713,019</u>
Noncurrent liabilities							
Pension liability	8,627,294	12,426,421	1,703,965	5,169,976	5,391,830	7,637,821	11,494,515
OPEB liability	379,486	465,849	68,293	219,328	188,521	290,003	460,683
SBITA liabilities noncurrent portion	2,668,479	-	-	8,884	-	-	22,208
Other noncurrent liabilities	-	-	-	-	-	-	-
Long - term liabilities	-	-	-	-	-	-	-
Due to component units	-	529,761	-	-	69,665	-	-
Due to others	1,755,301	7,401,711	3,619,960	5,855,192	1,759,156	2,556,535	12,677,803
Total noncurrent liabilities	<u>13,430,560</u>	<u>20,823,742</u>	<u>5,392,218</u>	<u>11,253,380</u>	<u>7,409,172</u>	<u>10,484,359</u>	<u>24,655,209</u>
Total liabilities	<u>20,066,898</u>	<u>27,954,833</u>	<u>10,781,316</u>	<u>13,480,602</u>	<u>10,371,630</u>	<u>14,281,530</u>	<u>35,368,228</u>
DEFERRED INFLOWS of RESOURCES	3,487,734	5,136,214	706,672	2,600,772	2,287,307	3,227,417	4,767,987
NET POSITION							
Net investment in capital assets	1,032,414	48,722,546	10,425,803	44,829,300	11,430,463	21,288,992	65,250,238
Restricted for:							
Nonexpendable:							
Scholarships and fellowships	-	-	-	-	-	17,524	3,102,935
Expendable:							
Scholarships and fellowships	-	30,916	14,742	421,918	-	(138,572)	2,246,492
Research	-	-	-	-	-	(42,064)	3,373
Institutional	-	121,739	5,896	2,929,319	(110,410)	618,779	667,031
Loans	-	21,359	27,883	581,115	90,086	146,313	1,786,764
Capital projects	-	-	-	-	-	-	72,023
Debt service	-	27,806	12,327	8,867	337,034	150,196	-
Other	3,437,960	-	-	-	-	-	-
Unrestricted	2,996,661	4,934,320	2,428,174	(2,770,664)	2,512,388	2,273,894	8,804,067
Total net position	<u>\$ 7,467,035</u>	<u>\$53,858,686</u>	<u>\$12,914,825</u>	<u>\$45,999,855</u>	<u>\$14,259,561</u>	<u>\$24,315,062</u>	<u>\$81,932,923</u>

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	\$33,657,362	\$ 100,289,351	\$ 135,037,544	\$ 9,082,430	\$ 3,837,353	\$ -	\$ 360,543,470
Investments	4,672,356	35,001,394	135,000,000	693,608	-	-	185,274,797
Accounts receivable, net	1,612,494	6,128,696	22,083,764	646,453	495,226	(1,256,952)	33,049,116
Due from component units - investments held on behalf of the institutions	-	-	-	166,538	-	-	166,538
Due from component units	-	8,039,086	3,577,001	33,908	70,691	-	12,175,461
Due from other NDUS institutions	9,044	188,270	591,188	47,923	36,907	(1,949,027)	-
Due from State general fund	26,104	8,008,070	576,990	108,528	6,906	-	11,035,421
Grants and contracts receivables, net	998,119	29,567,933	54,285,603	707,414	541,109	-	94,020,965
Inventories	837,294	1,859,755	3,510,907	191,245	194,858	-	7,889,223
Lease receivable	-	8,065	1,701	-	-	-	9,766
Notes receivable, net	83,463	494,019	1,618,544	36,755	3,885	-	2,675,412
Other assets	-	3,408,341	391,263	24,514	80,854	-	4,323,803
Total current assets	<u>41,896,236</u>	<u>192,992,980</u>	<u>356,674,505</u>	<u>11,739,316</u>	<u>5,267,789</u>	<u>(3,205,979)</u>	<u>711,163,972</u>
Noncurrent assets							
Restricted cash and cash equivalents	-	1,742,039	11,832,940	17,567	243,225	-	14,143,066
Restricted investments	-	20,198	2,250,000	299,184	-	-	3,618,759
Endowment investments	-	459,113	-	47,216	52,199	-	575,528
Lease receivable	-	-	226,489	-	-	-	226,489
Notes receivable, net	33,071	1,310,140	6,474,177	124,429	4,366	-	9,783,303
Other long-term investments	-	67,540,447	4,012,160	900,000	-	-	74,098,607
Due from component units - investments held on behalf of the institutions	-	55,145	17,408,323	962,458	-	-	22,014,283
Capital assets, net	44,547,143	630,565,352	891,109,200	67,068,559	48,626,959	-	1,926,074,039
Total noncurrent assets	<u>44,580,214</u>	<u>701,692,434</u>	<u>933,313,289</u>	<u>69,419,413</u>	<u>48,926,749</u>	<u>-</u>	<u>2,050,534,074</u>
Total assets	<u>86,476,450</u>	<u>894,685,414</u>	<u>1,289,987,794</u>	<u>81,158,729</u>	<u>54,194,538</u>	<u>(3,205,979)</u>	<u>2,761,698,046</u>
DEFERRED OUTFLOWS of RESOURCES	8,576,493	56,719,639	69,833,863	3,928,661	2,082,753	-	178,007,396
LIABILITIES							
Current liabilities							
Accounts payable and accrued liabilities	918,378	28,900,643	22,390,166	758,857	772,042	(51,648)	64,368,446
Due to other NDUS institutions	776,293	592,589	1,066,278	(10,431)	50,224	(3,154,331)	-
Due to component units	-	-	366,698	-	(250)	-	383,325
Accrued payroll	2,130,391	14,020,808	20,445,366	1,407,598	331,860	-	46,342,307
Unearned revenue	1,255,116	10,524,871	9,669,613	410,403	80,542	(2,039,381)	29,910,204
Deposits	(228,347)	539,871	4,408,674	108,029	(602,201)	-	4,863,721
SBITA liabilities current portion	-	885,570	4,279,672	42,668	-	-	9,168,897
Long-term liabilities - current portion	-	-	-	-	-	-	-
Due to component units	-	2,075,632	1,493,547	-	-	-	3,622,641
Due to others	540,073	8,383,788	18,297,793	622,599	489,899	-	33,146,818
Total current liabilities	<u>5,391,904</u>	<u>65,923,772</u>	<u>82,417,807</u>	<u>3,339,723</u>	<u>1,122,116</u>	<u>(5,245,360)</u>	<u>191,806,359</u>
Noncurrent liabilities							
Pension liability	12,545,916	80,426,867	99,900,926	5,394,192	2,821,285	-	253,541,008
OPEB liability	511,519	3,160,547	3,946,571	193,114	68,542	-	9,952,456
SBITA liabilities noncurrent portion	-	529,796	9,893,374	44,482	-	-	13,167,223
Other noncurrent liabilities	-	-	-	-	7,802	-	7,802
Long - term liabilities	-	-	-	-	-	-	-
Due to component units	-	19,209,721	1,555,000	-	-	-	21,364,147
Due to others	7,009,652	114,321,491	439,534,160	9,631,252	13,614,989	-	619,737,202
Total noncurrent liabilities	<u>20,067,087</u>	<u>217,648,422</u>	<u>554,830,031</u>	<u>15,263,040</u>	<u>16,512,618</u>	<u>-</u>	<u>917,769,838</u>
Total liabilities	<u>25,458,991</u>	<u>283,572,194</u>	<u>637,247,838</u>	<u>18,602,763</u>	<u>17,634,734</u>	<u>(5,245,360)</u>	<u>1,109,576,197</u>
DEFERRED INFLOWS of RESOURCES	5,538,435	33,590,724	40,826,627	2,196,621	1,351,582	-	105,718,092
NET POSITION							
Net investment in capital assets	38,215,263	507,239,635	442,087,658	57,542,558	34,848,627	-	1,282,913,497
Restricted for:							
Nonexpendable:							
Scholarships and fellowships	901	516,328	14,937,694	459,657	53,161	-	19,088,200
Expendable:							
Scholarships and fellowships	232,520	596,294	1,605,941	224,714	(70,304)	-	5,164,661
Research	-	5,776,590	2,887,244	-	-	-	8,625,143
Institutional	383,275	2,124,303	4,243,963	227,203	(151,796)	-	11,059,302
Loans	330,160	2,652,030	17,311,474	295,409	323,699	-	23,566,292
Capital projects	-	-	-	-	-	-	72,023
Debt service	(101,810)	1,790,231	3,544,835	299,183	63,441	-	6,132,110
Other	-	41,629	545,771	-	-	-	4,025,360
Unrestricted	24,995,208	113,505,095	195,128,383	4,693,511	2,224,147	2,039,384	363,764,568
Total net position	<u>\$64,055,517</u>	<u>\$634,242,135</u>	<u>\$ 681,747,192</u>	<u>\$64,288,006</u>	<u>\$37,290,975</u>	<u>\$ 2,039,384</u>	<u>\$ 1,724,411,157</u>

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 \$77.7 million and bad debt allowance of \$1.2 million)	\$ 4,856,554	\$ 13,554,613	\$ 2,740,764	\$ 7,235,091	\$ 3,902,692	\$ 5,642,031	\$ 15,158,957
Federal grants and contracts	-	1,888,480	447,287	(33,381)	784,779	4,602,702	5,878,093
State grants and contracts	-	759,740	146,553	30,674	680,201	509,782	2,174,599
Nongovernmental grants and contracts	5,000	298,834	(75,372)	3,874,157	13,823	(123,223)	473,801
Sales and services of educational departments (net of bad debt allowance of \$510,000)	1,605,646	3,963,373	282,505	719,914	838,060	1,355,260	2,162,893
Auxiliary enterprises (net of scholarship allowances of \$1.5 million and bad debt allowance of \$541,000)	8,500	4,848,267	1,346,809	2,183,474	1,635,833	1,772,826	3,145,093
Other (net of bad debt allowance of \$223,000)	-	709	1,801	91,402	2,779	4,755	84,178
Total operating revenues	<u>6,475,700</u>	<u>25,314,016</u>	<u>4,890,347</u>	<u>14,101,331</u>	<u>7,858,167</u>	<u>13,764,133</u>	<u>29,077,614</u>
OPERATING EXPENSES							
Salaries and wages	19,276,603	32,620,973	6,769,310	16,958,906	12,375,027	16,691,463	39,866,786
Operating expenses	9,326,794	10,025,971	3,211,712	8,620,705	3,845,425	5,869,064	16,228,415
Data processing	3,232,934	638,751	164,189	391,665	249,199	189,050	483,203
Depreciation expense	4,397,740	3,158,125	553,626	2,561,832	1,364,896	2,315,540	4,620,520
Scholarships and fellowships	17,179,510	1,740,791	371,494	689,664	487,484	836,821	2,318,424
HEERF Act Aid to Student	-	4,966	-	-	-	-	270,693
Cost of sales and services	-	2,144,693	308,499	-	658,892	489,626	76,416
Total operating expenses	<u>53,413,581</u>	<u>50,334,270</u>	<u>11,378,830</u>	<u>29,222,772</u>	<u>18,980,923</u>	<u>26,391,564</u>	<u>63,864,457</u>
Operating income (loss)	<u>(46,937,881)</u>	<u>(25,020,254)</u>	<u>(6,488,483)</u>	<u>(15,121,441)</u>	<u>(11,122,756)</u>	<u>(12,627,431)</u>	<u>(34,786,843)</u>
NONOPERATING REVENUES (EXPENSES)							
State appropriations	58,710,042	17,582,423	5,017,787	10,536,909	7,192,195	9,358,530	20,273,487
Federal appropriations	-	-	-	-	-	-	-
Federal grants and contracts (net of bad debt allowance of \$69,000)	-	2,671,726	687,874	1,274,256	960,632	1,213,803	3,177,781
Federal grants and contracts stimulus	542,016	1,134,399	333,102	-	-	53,127	12,678,938
Other appropriations	-	-	-	-	-	-	-
Gifts	6,700	2,333,649	218,806	4,157,013	856,395	1,631,856	3,127,408
Endowment and investment income	64,496	32,291	153,994	172,290	16,830	415,769	365,477
Interest on capital asset - related debt	(164,745)	(294,660)	(118,342)	(165,570)	(80,354)	(152,680)	(341,875)
Gain (loss) on disposal of capital assets	-	(75,570)	(4,286)	-	19,900	(18,599)	(28,749)
Insurance proceeds	-	-	-	-	9,837	16,609	264,966
Tax revenues	-	-	-	-	-	264,045	-
General and special grant expenditures	(21,270,583)	-	-	-	-	-	-
Transfers to North Dakota Industrial Commission	(6,063,099)	-	-	-	-	-	-
Other nonoperating revenues (expenses)	2,763,166	(12,230)	(19,389)	(66,142)	(21,367)	(29,196)	(148,256)
Net nonoperating revenues (expenses)	<u>34,587,993</u>	<u>23,372,028</u>	<u>6,269,546</u>	<u>15,908,756</u>	<u>8,954,068</u>	<u>12,753,264</u>	<u>39,369,177</u>
Income (loss) before capital grants, gifts, and transfers	<u>(12,349,888)</u>	<u>(1,648,226)</u>	<u>(218,937)</u>	<u>787,315</u>	<u>(2,168,688)</u>	<u>125,833</u>	<u>4,582,334</u>
Federal appropriations - capital assets	-	-	-	-	-	-	-
State appropriations - capital assets	-	106,676	1,476,252	214,084	754,398	1,257,255	1,231,427
Inter-institutional transfers	-	-	-	-	-	-	-
Capital grants and gifts	-	3,942,160	1,455,134	(302,027)	-	-	186,638
Total other revenue	<u>-</u>	<u>4,048,836</u>	<u>2,931,386</u>	<u>(87,943)</u>	<u>754,398</u>	<u>1,257,255</u>	<u>1,418,065</u>
Increase (decrease) in net position	<u>(12,349,888)</u>	<u>2,400,610</u>	<u>2,712,449</u>	<u>699,372</u>	<u>(1,414,290)</u>	<u>1,383,088</u>	<u>6,000,399</u>
NET POSITION							
Net position - beginning of year, as restated	19,816,923	51,458,076	10,202,376	45,300,483	15,673,851	22,931,974	75,932,524
Net position - end of year	<u>\$ 7,467,035</u>	<u>\$ 53,858,686</u>	<u>\$ 12,914,825</u>	<u>\$ 45,999,855</u>	<u>\$ 14,259,561</u>	<u>\$ 24,315,062</u>	<u>\$ 81,932,923</u>

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 \$77.7 million and bad debt allowance of \$1.2 million)	\$ 8,583,312	\$120,451,016	\$190,187,522	\$ 6,793,575	\$ 1,110,072	\$ -	\$ 380,216,199
Federal grants and contracts	751,631	67,382,074	86,654,049	683,767	1,296,437	(2,606,051)	167,729,867
State grants and contracts	845,883	7,813,261	45,304,136	40,596	1,084,663	(5,461,451)	53,928,637
Nongovernmental grants and contracts	9,902	8,711,078	27,323,492	55,156	25,574	-	40,592,222
Sales and services of educational departments (net of bad debt allowance of \$510,000)	4,260,698	40,414,273	50,603,596	999,749	2,900,650	(417,543)	109,689,074
Auxiliary enterprises (net of scholarship allowances of \$1.5 million and bad debt allowance of \$541,000)	9,318,736	45,940,268	31,902,110	2,922,703	1,884,218	-	106,908,837
Other (net of bad debt allowance of \$223,000)	140,756	350,230	196,737	8,844	17,565	-	899,756
Total operating revenues	<u>23,910,918</u>	<u>291,062,200</u>	<u>432,171,642</u>	<u>11,504,390</u>	<u>8,319,179</u>	<u>(8,485,045)</u>	<u>859,964,592</u>
OPERATING EXPENSES							
Salaries and wages	28,479,082	307,056,593	353,073,110	19,075,177	10,408,620	64,423	862,716,073
Operating expenses	10,859,403	107,150,181	163,503,598	5,884,059	4,736,776	(5,555,085)	343,707,018
Data processing	312,159	6,261,477	8,505,436	478,901	397,263	-	21,304,227
Depreciation expense	3,781,466	30,894,213	35,259,159	3,357,326	3,038,696	-	95,303,139
Scholarships and fellowships	1,338,896	7,450,962	11,643,441	827,533	1,324,657	(1,781,432)	44,428,245
HEERF Act Aid to Student	45,202	-	-	-	-	-	320,861
Cost of sales and services	3,201,870	8,419,848	10,689,985	391,948	479,273	-	26,861,050
Total operating expenses	<u>48,018,078</u>	<u>467,233,274</u>	<u>582,674,729</u>	<u>30,014,944</u>	<u>20,385,285</u>	<u>(7,272,094)</u>	<u>1,394,640,613</u>
Operating income (loss)	<u>(24,107,160)</u>	<u>(176,171,074)</u>	<u>(150,503,087)</u>	<u>(18,510,554)</u>	<u>(12,066,106)</u>	<u>(1,212,951)</u>	<u>(534,676,021)</u>
NONOPERATING REVENUES (EXPENSES)							
State appropriations	17,702,413	126,382,061	109,235,839	11,167,572	5,998,666	-	399,157,924
Federal appropriations	-	6,793,320	-	-	-	-	6,793,320
Federal grants and contracts (net of bad debt allowance of \$69,000)	2,817,425	9,832,887	9,476,284	1,341,412	985,000	-	34,439,080
Federal grants and contracts stimulus	247,866	5,472,495	14,494,789	1,140,404	323,977	-	36,421,113
Other appropriations	-	-	-	-	-	-	-
Gifts	2,086,861	23,499,967	20,357,657	1,587,678	3,640,872	(26,482)	63,478,380
Endowment and investment income	1,040,343	5,323,406	4,781,772	778,200	5,748	-	13,150,616
Interest on capital asset - related debt	(191,637)	(4,708,115)	(16,545,208)	(375,806)	(290,965)	-	(23,429,957)
Gain (loss) on disposal of capital assets	(3,013)	133,517	1,187,114	(10,041)	(93,265)	-	1,107,008
Insurance proceeds	25,373	264,989	145,364	-	-	-	727,138
Tax revenues	-	500,000	5,559,234	-	-	-	6,323,279
General and special grant expenditures	-	-	-	-	-	13,095,869	(8,174,714)
Transfers to North Dakota Industrial Commission	-	(236,149)	-	-	-	-	(6,299,248)
Other nonoperating revenues (expenses)	(74,676)	(655,915)	(1,602,828)	(54,441)	(4,806)	(1,963,863)	(1,889,943)
Net nonoperating revenues (expenses)	<u>23,650,955</u>	<u>172,602,463</u>	<u>147,090,017</u>	<u>15,574,978</u>	<u>10,565,227</u>	<u>11,105,524</u>	<u>521,803,996</u>
Income (loss) before capital grants, gifts, and tr	<u>(456,205)</u>	<u>(3,568,611)</u>	<u>(3,413,070)</u>	<u>(2,935,576)</u>	<u>(1,500,879)</u>	<u>9,892,573</u>	<u>(12,872,025)</u>
Federal appropriations - capital assets	-	-	-	-	-	-	-
State appropriations - capital assets	784,247	42,781,949	2,304,229	1,299,192	-	(7,853,189)	44,356,520
Inter-institutional transfers	-	-	-	-	-	-	-
Capital grants and gifts	75,000	25,013,965	571,832	21,510	54,671	-	31,018,883
Total other revenue	<u>859,247</u>	<u>67,795,914</u>	<u>2,876,061</u>	<u>1,320,702</u>	<u>54,671</u>	<u>(7,853,189)</u>	<u>75,375,403</u>
Increase (decrease) in net position	<u>403,042</u>	<u>64,227,303</u>	<u>(537,009)</u>	<u>(1,614,874)</u>	<u>(1,446,208)</u>	<u>2,039,384</u>	<u>62,503,378</u>
NET POSITION							
Net position - beginning of year, as restated	63,652,475	570,014,832	682,284,201	65,902,880	38,737,183	-	1,661,907,779
Net position - end of year	<u>\$ 64,055,517</u>	<u>\$634,242,135</u>	<u>\$681,747,192</u>	<u>\$ 64,288,006</u>	<u>\$ 37,290,975</u>	<u>\$ 2,039,384</u>	<u>\$ 1,724,411,157</u>

NORTH DAKOTA UNIVERSITY SYSTEM
Supplementary Information
June 30, 2023

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
CASH FLOWS FROM OPERATING ACTIVITIES							
Student tuition and fees	\$ 4,842,988	\$ 13,443,834	\$ 2,690,377	\$ 6,941,267	\$ 3,553,154	\$ 5,990,049	\$ 15,192,342
Grants and contracts	49,432	870,276	3,098,217	4,289,225	1,305,009	4,718,020	8,301,000
Payments to suppliers	(12,523,120)	(11,635,614)	(3,257,225)	(10,181,201)	(4,608,157)	(6,335,359)	(15,397,852)
Payments to employees	(18,023,759)	(31,048,474)	(6,556,965)	(16,319,446)	(11,787,971)	(15,926,863)	(38,686,887)
Payments for scholarships and fellowships	(17,179,510)	(1,740,792)	(371,495)	(689,665)	(487,485)	(836,822)	(2,318,425)
HEERF Act payments to students	-	(4,966)	-	-	-	-	(270,693)
Loans issued to students	-	-	-	18,840	-	(45,130)	(261,006)
Collection of loans to students	-	7,208	10,385	64,823	18,266	35,151	245,455
Auxiliary enterprise charges	8,500	4,815,928	1,345,712	2,119,242	1,617,998	1,764,587	3,148,725
Sales and service of educational departments	1,457,051	3,947,938	1,291,891	1,800,399	619,765	1,106,796	4,180,075
Cash received/(paid) on deposits	124,827	(82,486)	(32,067)	(348,733)	16,419	(24,815)	(41)
Other receipts (payments)	3,261,471	(22,389)	(39,523)	(66,016)	(17,200)	(53,935)	(108,885)
Net cash provided (used) by operating activities	(37,982,120)	(21,449,537)	(1,820,693)	(12,371,265)	(9,770,202)	(9,608,321)	(25,976,192)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
State appropriations	58,732,314	17,110,810	5,017,787	10,115,821	7,184,260	9,347,580	20,257,010
Federal appropriations	-	-	-	(659)	(863)	-	-
Grants and gifts received for other than capital purposes	6,700	5,057,259	906,681	5,431,270	1,631,262	2,845,660	6,303,838
Grants given for other than capital purposes	(21,270,584)	-	-	-	-	-	-
Federal stimulus revenues	542,016	1,134,399	333,102	-	-	53,128	12,678,938
Direct lending receipts	-	5,794,880	1,386,800	4,969,984	2,002,308	3,192,045	7,342,597
Direct lending disbursements	-	(5,769,898)	(1,364,870)	(4,969,984)	(2,002,308)	(3,192,045)	(7,343,075)
Transfers to Industrial Commission	(6,063,100)	-	-	-	-	-	-
Tax revenues	-	-	-	-	-	264,046	-
Net cash flows provided (used) by noncapital financing activities	31,947,346	23,327,450	6,279,500	15,546,432	8,814,659	12,510,414	39,239,308
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Proceeds from issuance of debt	-	-	-	-	85,425	-	-
Capital appropriations	31,459	(110,604)	499,405	-	714,566	1,257,256	1,300,853
Capital grants and gifts received	-	3,942,160	1,455,135	(4,066,826)	(241)	-	(886,073)
Proceeds from sale of capital assets	-	-	-	-	19,900	-	15,000
Proceeds from lease receivables	-	-	-	-	-	-	-
Purchases of capital assets	(81,909)	(5,016,961)	(2,711,705)	(5,555,830)	(248,815)	(1,211,641)	(12,274,965)
Insurance proceeds	-	-	-	-	9,837	16,609	264,966
Principal paid on capital debt and leases	(4,904,766)	(1,141,194)	(180,924)	(482,810)	(542,078)	(1,238,606)	(700,941)
Interest paid on capital debt and lease	(164,747)	(303,967)	(124,037)	(165,569)	(80,356)	(150,549)	(354,786)
Net cash provided (used) by capital and related financing activities	(5,119,963)	(2,630,566)	(1,062,126)	(10,271,035)	(41,762)	(1,326,931)	(12,635,946)
CASH FLOWS FROM INVESTING ACTIVITIES							
Proceeds from sales and maturities of investments	606,064	-	-	-	100,000	37	295,902
Interest on investments	37,880	32,166	153,994	172,291	16,831	413,990	227,751
Purchase of investments	(7,580)	-	-	-	-	-	(72,615)
Net cash provided (used) by investing activities	636,364	32,166	153,994	172,291	116,831	414,027	451,038
Net increase (decrease) in cash	(10,518,373)	(720,487)	3,550,675	(6,923,577)	(880,474)	1,989,189	1,078,208
CASH - BEGINNING OF YEAR, as restated	25,724,778	12,908,382	3,293,087	11,982,292	5,486,258	7,671,030	24,305,737
CASH - END OF YEAR	\$ 15,206,405	\$ 12,187,895	\$ 6,843,762	\$ 5,058,715	\$ 4,605,784	\$ 9,660,219	\$ 25,383,945

NORTH DAKOTA UNIVERSITY SYSTEM

Supplementary Information

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	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
RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES							
Operating income (loss)	\$ (46,937,883)	\$ (25,020,252)	\$ (6,488,483)	\$ (15,121,441)	\$ (11,122,756)	\$ (12,627,431)	\$ (34,786,843)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities							
Depreciation and amortization expense	4,397,740	3,158,125	553,626	2,561,832	1,364,896	2,315,540	4,620,520
Other nonoperating revenues (expenses)	2,970,922	(12,231)	(41,153)	(158,473)	(761)	(46,565)	(164,924)
Change in assets, deferred outflows, liabilities and deferred inflows							
Accounts receivable adjusted for interest receivable	(162,163)	(97,194)	(265)	828,883	(590,505)	(31,125)	39,999
Grant & contract receivables	44,432	(2,076,781)	2,579,749	417,775	(173,795)	(271,242)	(225,495)
Inventories	-	25,127	-	-	(61,472)	(811)	(10,345)
Notes receivable	-	31,762	21,122	39,408	(49,735)	26,297	32,042
Other assets	290,550	(10,867)	(173)	1,055	(19,218)	(12,128)	(28,141)
Accounts payable and accrued liabilities adjusted for interest payable	36,610	1,051,599	419,568	(1,102,401)	244,446	128,306	1,366,310
Pension liability	5,581,236	8,058,985	1,087,365	3,237,314	3,693,975	4,874,932	7,335,086
OPEB liability	218,337	249,645	35,418	117,045	109,815	162,751	238,917
Net change in deferred outflows	(2,161,802)	(3,265,450)	(411,347)	(1,152,756)	(1,889,598)	(1,852,490)	(2,774,850)
Net change in deferred inflows	(2,611,344)	(3,741,137)	(554,889)	(1,873,701)	(1,281,781)	(2,460,520)	(3,743,148)
Accrued payroll	142,941	63,427	52,759	214,939	(80,664)	39,928	35,635
Compensated absences	83,477	207,029	3,040	96,619	35,311	-	88,260
Unearned revenue	-	11,162	955,037	(128,629)	35,221	171,053	2,000,825
Deposits	124,827	(82,486)	(32,067)	(348,734)	16,419	(24,816)	(40)
Net cash provided (used) by operating activities	\$ (37,982,120)	\$ (21,449,537)	\$ (1,820,693)	\$ (12,371,265)	\$ (9,770,202)	\$ (9,608,321)	\$ (25,976,192)
SUPPLEMENTAL DISCLOSURE ON NON CASH TRANSACTIONS							
Assets acquired through long-term leases	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 288,453	\$ -
Assets acquired through note payable	-	-	-	-	-	-	-
Assets acquired through long-term software based IT arrangements	-	-	-	63,270	-	-	102,639
Assets acquired through special assessments	-	2,924	-	-	-	-	-
Long-term lease receivable initialted	-	-	-	-	-	-	-
Gifts of capital assets	-	-	-	-	-	-	-
Net increases (decrease) in value of investments	-	-	-	-	-	288,453	131,816
Total non-cash transactions	\$ -	\$ 2,924	\$ -	\$ 63,270	\$ -	\$ 576,906	\$ 234,455

NORTH DAKOTA UNIVERSITY SYSTEM
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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	\$ 8,822,408	\$ 120,791,692	\$ 190,308,565	\$ 6,758,182	\$ 1,140,873	\$ -	\$ 380,475,731
Grants and contracts	2,192,539	75,844,386	145,812,810	204,392	2,249,467	(8,067,502)	240,867,271
Payments to suppliers	(14,496,915)	(115,363,728)	(178,684,853)	(6,817,427)	(5,249,724)	5,555,085	(378,996,090)
Payments to employees	(27,350,251)	(298,463,702)	(341,332,328)	(18,358,668)	(10,388,676)	(64,423)	(834,308,413)
Payments for scholarships and fellowships	(1,338,896)	(7,450,962)	(11,643,441)	(827,533)	(1,324,658)	1,781,432	(44,428,252)
HEERF Act payments to students	(45,202)	-	-	-	-	-	(320,861)
Loans issued to students	-	(69,406)	(1,300,419)	-	-	-	(1,657,121)
Collection of loans to students	50,243	735,199	1,730,994	53,088	11,013	-	2,961,825
Auxiliary enterprise charges	9,272,220	45,917,593	31,735,623	2,929,511	1,795,461	-	106,471,100
Sales and service of educational departments	4,262,381	40,381,248	55,248,219	976,251	2,570,910	(417,543)	117,425,381
Cash received/(paid) on deposits	(147,875)	(287,144)	1,158,238	(33,729)	(235,106)	-	107,488
Other receipts (payments)	72,093	1,834,890	(2,538,135)	1,643	110,856	(1,963,863)	471,007
Net cash provided (used) by operating activities	(18,707,255)	(136,129,934)	(109,504,727)	(15,114,290)	(9,319,584)	(3,176,814)	(410,930,934)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
State appropriations	17,702,413	126,230,957	109,105,257	11,153,639	5,991,760	-	397,949,608
Federal appropriations	-	6,793,321	-	-	-	-	6,791,799
Grants and gifts received for other than capital purposes	4,904,287	33,201,311	26,095,192	2,929,091	4,625,872	-	93,938,423
Grants given for other than capital purposes	-	-	-	-	-	13,069,387	(8,201,197)
Federal stimulus revenues	247,866	5,472,496	14,494,790	1,140,404	323,977	-	36,421,116
Direct lending receipts	5,974,994	68,301,012	109,800,713	3,737,631	873,393	-	213,376,357
Direct lending disbursements	(5,974,994)	(68,301,012)	(109,679,298)	(3,737,631)	(873,393)	-	(213,208,508)
Transfers to Industrial Commission	-	(236,149)	-	-	-	-	(6,299,249)
Tax revenues	-	500,000	5,559,234	-	-	-	6,323,280
Net cash flows provided (used) by noncapital financing activities	22,854,566	171,961,936	155,375,888	15,223,134	10,941,609	13,069,387	527,091,629
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Proceeds from issuance of debt	-	-	-	-	121,160	-	206,585
Capital appropriations	844,187	43,406,392	2,487,047	1,960,715	-	(9,892,573)	42,498,703
Capital grants and gifts received	75,000	24,805,040	3,140,213	21,511	54,672	-	28,540,591
Proceeds from sale of capital assets	-	158,849	1,597,194	-	-	-	1,790,943
Proceeds from lease receivables	-	32,908	1,631	-	-	-	34,539
Purchases of capital assets	(409,330)	(78,906,158)	(68,336,089)	(2,850,462)	(1,695,171)	-	(179,299,036)
Insurance proceeds	25,374	264,990	145,365	-	-	-	727,141
Principal paid on capital debt and leases	(576,787)	(10,271,722)	(14,230,799)	(519,023)	(512,006)	-	(35,301,656)
Interest paid on capital debt and lease	(201,757)	(4,884,752)	(16,391,288)	(376,314)	(463,702)	-	(23,661,824)
Net cash provided (used) by capital and related financing activities	(243,313)	(25,394,453)	(91,586,726)	(1,763,573)	(2,495,047)	(9,892,573)	(164,464,014)
CASH FLOWS FROM INVESTING ACTIVITIES							
Proceeds from sales and maturities of investments	-	36,039,377	137,000,000	416,241	-	-	174,457,621
Interest on investments	1,036,764	4,943,586	4,488,455	778,200	5,775	-	12,307,683
Purchase of investments	(1,000,000)	(37,000,000)	(85,000,000)	(660,123)	-	-	(123,740,318)
Net cash provided (used) by investing activities	36,764	3,982,963	56,488,455	534,318	5,775	-	63,024,986
Net increase (decrease) in cash	3,940,762	14,420,512	10,772,890	(1,120,411)	(867,247)	-	14,721,667
CASH - BEGINNING OF YEAR, as restated	29,716,600	87,610,878	136,097,594	10,220,408	4,947,825	-	359,964,869
CASH - END OF YEAR	\$ 33,657,362	\$ 102,031,390	\$ 146,870,484	\$ 9,099,997	\$ 4,080,578	\$ -	\$ 374,686,536

NORTH DAKOTA UNIVERSITY SYSTEM

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	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)	\$ (24,107,160)	\$(176,171,074)	\$ (150,503,087)	\$ (18,510,554)	\$ (12,066,106)	\$ (1,212,951)	\$ (534,676,021)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities							
Depreciation and amortization expense	3,781,466	30,894,213	35,259,159	3,357,326	3,038,696	-	95,303,139
Other nonoperating revenues (expenses)	(68,664)	(709,734)	(3,797,787)	(45,856)	35,393	(1,963,863)	(4,003,696)
Change in assets, deferred outflows, liabilities and deferred inflows							
Accounts receivable adjusted for interest receivable	(187,494)	326,950	5,889,267	(38,043)	(214,976)	3,205,979	8,969,313
Grant & contract receivables	585,122	(8,085,638)	(13,468,869)	(575,128)	(157,208)	-	(21,407,078)
Inventories	(13,393)	(459,615)	(105,129)	(81,379)	(13,152)	-	(720,169)
Notes receivable	109,811	736,621	803,330	69,636	8,733	-	1,829,027
Other assets	-	2,194,396	1,062,913	38,656	57,897	-	3,574,940
Accounts payable and accrued liabilities adjusted for interest payable	(139,771)	6,906,159	2,567,712	(14,966)	227,409	(3,205,979)	8,485,002
Pension liability	7,872,001	51,378,535	64,308,396	3,534,092	1,933,703	-	162,895,620
OPEB liability	269,751	1,683,288	2,127,791	101,209	30,153	-	5,344,120
Net change in deferred outflows	(2,888,637)	(19,575,770)	(25,595,778)	(1,497,041)	(976,167)	-	(64,041,686)
Net change in deferred inflows	(4,223,300)	(26,003,980)	(31,029,001)	(1,547,102)	(734,708)	-	(79,804,611)
Accrued payroll	57,590	979,572	1,176,079	84,117	(261,132)	-	2,505,191
Compensated absences	41,427	154,855	753,295	41,234	28,095	-	1,532,642
Unearned revenue	351,870	(91,568)	(111,259)	3,238	(21,107)	-	3,175,843
Deposits	(147,874)	(287,144)	1,158,241	(33,729)	(235,107)	-	107,490
Net cash provided (used) by operating activities	\$ (18,707,255)	\$(136,129,934)	\$ (109,504,727)	\$ (15,114,290)	\$ (9,319,584)	\$ (3,176,814)	(410,930,934)
SUPPLEMENTAL DISCLOSURE ON NON CASH TRANSACTIONS							
Assets acquired through long-term leases	\$ 174,000	\$ 1,047,415	\$ 1,882,320	\$ 333,306	\$ -	\$ -	\$ 3,725,494
Assets acquired through note payable	-	404,891	-	-	-	-	404,891
Assets acquired through long-term software based IT arrangements	-	2,001,340	18,927,009	311,219	-	-	21,405,477
Assets acquired through special assessments	-	-	-	-	-	-	2,924
Long-term lease receivable initialted	-	(40,973)	184,060	-	-	-	143,087
Gifts of capital assets	-	-	172,890	-	-	-	172,890
Net increases (decrease) in value of investments	(1,391)	291,532	124,648	-	-	-	835,058
Total non-cash transactions	\$ 172,609	\$ 3,704,205	\$ 21,290,927	\$ 644,525	\$ -	\$ -	\$ 26,689,821

NORTH DAKOTA UNIVERSITY SYSTEM
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COMBINING STATEMENT OF FIDUCIARY 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	\$ -	\$ 64,974	\$ 10,213	\$ 33,061	\$ 2,472	\$ 61,782	\$ 99,908
Accounts receivable, net	-	143,706	1,707	112	-	(2,911)	5,161
Due from component units	-	-	-	-	-	-	-
Due from other NDUS institutions	-	-	-	-	-	-	975
Total current assets	-	208,680	11,920	33,173	2,472	58,871	106,044
Total assets	-	208,680	11,920	33,173	2,472	58,871	106,044
LIABILITIES							
Current liabilities							
Accounts payable and accrued liabilities	-	16,647	292	2,019	-	-	(1,046)
Due to other NDUS institutions	-	-	71	-	-	-	-
Accrued payroll	-	-	-	716	-	-	2,282
Deposits	-	4,508	-	112	2,472	(19,070)	-
Total current liabilities	-	21,155	363	2,847	2,472	(19,070)	1,236
Total liabilities	-	21,155	363	2,847	2,472	(19,070)	1,236
NET POSITION							
Restricted for:							
Individuals, organizations and other governments	-	187,525	11,556	30,326	-	77,941	104,808
Total net position	\$ -	\$ 187,525	\$ 11,556	\$ 30,326	\$ -	\$ 77,941	\$ 104,808

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COMBINING STATEMENT OF FIDUCIARY 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	\$ -	\$ (184,035)	\$ 321,665	\$ 84,165	\$ 81,142	\$ -	\$ 575,347
Accounts receivable, net	-	723,448	423	-	(1,799)	-	869,847
Due from component units	-	22,957	-	-	-	-	22,957
Due from other NDUS institutions	-	-	-	-	-	-	975
Total current assets	<u>-</u>	<u>562,370</u>	<u>322,088</u>	<u>84,165</u>	<u>79,343</u>	<u>-</u>	<u>1,469,126</u>
Total assets	<u>-</u>	<u>562,370</u>	<u>322,088</u>	<u>84,165</u>	<u>79,343</u>	<u>-</u>	<u>1,469,126</u>
LIABILITIES							
Current liabilities							
Accounts payable and accrued liabilities	-	42,905	1,852	-	(1,438)	-	61,231
Due to other NDUS institutions	-	-	-	-	-	-	71
Accrued payroll	-	100,493	-	-	-	-	103,491
Deposits	-	-	-	-	-	-	(11,978)
Total current liabilities	<u>-</u>	<u>143,398</u>	<u>1,852</u>	<u>-</u>	<u>(1,438)</u>	<u>-</u>	<u>152,815</u>
Total liabilities	<u>-</u>	<u>143,398</u>	<u>1,852</u>	<u>-</u>	<u>(1,438)</u>	<u>-</u>	<u>152,815</u>
NET POSITION							
Restricted for:							
Individuals, organizations and other governments	-	418,972	320,236	84,165	80,781	-	1,316,310
Total net position	<u>\$ -</u>	<u>\$ 418,972</u>	<u>\$ 320,236</u>	<u>\$ 84,165</u>	<u>\$ 80,781</u>	<u>\$ -</u>	<u>\$ 1,316,310</u>

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COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

	North Dakota University System Office	Bismarck State College	Dakota College of Bottineau	Dickinson State University	Lake Region State College	Mayville State University
ADDITIONS						
Student tuition and fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Nongovernmental grants and contracts	-	-	-	-	-	-
Sales and services of educational departments	-	258,730	19,444	7,158	-	12,000
Auxiliary enterprises	-	20,834	-	-	-	-
Gifts	-	18,775	500	304	-	-
Other nonoperating revenues	-	2,145	-	9,092	-	-
Total additions	-	<u>300,484</u>	<u>19,944</u>	<u>16,554</u>	<u>-</u>	<u>12,000</u>
DEDUCTIONS						
Salaries and wages	-	105,790	1,080	715	-	-
Operating expenses	-	193,294	20,255	34,047	-	28,074
Data processing	-	-	-	19	-	-
Cost of sales and services	-	(27,105)	-	-	-	-
Total deductions	-	<u>271,979</u>	<u>21,335</u>	<u>34,781</u>	<u>-</u>	<u>28,074</u>
Operating income (loss)	-	<u>28,505</u>	<u>(1,391)</u>	<u>(18,227)</u>	<u>-</u>	<u>(16,074)</u>
Increase (decrease) in net position	-	<u>28,505</u>	<u>(1,391)</u>	<u>(18,227)</u>	<u>-</u>	<u>(16,074)</u>
NET POSITION						
Net position - beginning of year	-	159,020	12,947	48,553	-	94,015
Net position - end of year	\$ -	<u>\$ 187,525</u>	<u>\$ 11,556</u>	<u>\$ 30,326</u>	<u>\$ -</u>	<u>\$ 77,941</u>

NORTH DAKOTA UNIVERSITY SYSTEM
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COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - Continued

	Minot State University	North Dakota State College of Science	North Dakota State University	University of North Dakota	Valley City State University	Williston State College	Eliminations	Total
ADDITIONS								
Student tuition and fees	\$ -	\$ -	\$ -	\$ -	\$ 7,280	\$ -	\$ -	\$ 7,280
Nongovernmental grants and contracts	-	-	2,457,865	-	-	-	-	2,457,865
Sales and services of educational departments	134,577	-	246,606	285,153	43,684	22,940	-	1,030,292
Auxiliary enterprises	-	-	-	-	-	66	-	20,900
Gifts	39,247	-	24,181	510	7,179	15,800	-	106,496
Other nonoperating revenues	-	-	-	2,475	-	40	-	13,752
Total additions	<u>173,824</u>	<u>-</u>	<u>2,728,652</u>	<u>288,138</u>	<u>58,143</u>	<u>38,846</u>	<u>-</u>	<u>3,636,585</u>
DEDUCTIONS								
Salaries and wages	110,185	-	2,541,503	-	-	1,075	-	2,760,348
Operating expenses	53,068	-	119,778	299,155	55,823	25,111	-	828,605
Data processing	39	-	24,850	-	-	-	-	24,908
Cost of sales and services	-	-	-	-	-	354	-	(26,751)
Total deductions	<u>163,292</u>	<u>-</u>	<u>2,686,131</u>	<u>299,155</u>	<u>55,823</u>	<u>26,540</u>	<u>-</u>	<u>3,587,110</u>
Operating income (loss)	<u>10,532</u>	<u>-</u>	<u>42,521</u>	<u>(11,017)</u>	<u>2,320</u>	<u>12,306</u>	<u>-</u>	<u>49,475</u>
Increase (decrease) in net position	<u>10,532</u>	<u>-</u>	<u>42,521</u>	<u>(11,017)</u>	<u>2,320</u>	<u>12,306</u>	<u>-</u>	<u>49,475</u>
NET POSITION								
Net position - beginning of year	94,276	-	376,451	331,253	81,845	68,475	-	1,266,835
Net position - end of year	<u>\$ 104,808</u>	<u>\$ -</u>	<u>\$ 418,972</u>	<u>\$ 320,236</u>	<u>\$ 84,165</u>	<u>\$ 80,781</u>	<u>\$ -</u>	<u>\$ 1,316,310</u>

NORTH DAKOTA UNIVERSITY SYSTEM

Supplementary Information

June 30, 2023

Combining Statement of Financial Position - Non-Major Component Unit

FASB Basis	WSC Foundation June 30, 2023
Assets	
Current assets	
Cash and cash equivalents	\$ 6,458,185
Accounts receivable, net	3,801
Notes receivable	419,478
Receivable from primary institution	14,139
Unconditional promises to give, net of allowance	1,872,865
Other assets	<u>207,005</u>
Total current assets	<u>8,975,473</u>
Noncurrent assets	
Restricted cash and cash equivalents	506,842
Investments:	
Investments, net of current portion	23,515,905
Other long-term investments	<u>225,641</u>
Total investments	<u>23,741,546</u>
Long term pledges receivable/unconditional promises to give	1,077,135
Other noncurrent assets	1,597,451
Capital assets, net	<u>14,877,902</u>
Total noncurrent assets	<u>41,800,876</u>
Total assets	<u>50,776,349</u>
LIABILITIES	
Current liabilities	
Accounts payable and accrued liabilities	256,076
Payable to university	72,858
Accrued payroll	7,395
Long-term liabilities--current portion	<u>156,664</u>
Total current liabilities	<u>492,993</u>
Noncurrent liabilities	
Long-term liabilities	<u>11,519,646</u>
Total noncurrent liabilities	<u>11,519,646</u>
Total liabilities	<u>12,012,639</u>
NET ASSETS	
Without donor restrictions	5,080,932
With donor restrictions	<u>33,682,778</u>
Total net assets	<u>38,763,710</u>
Total liabilities and net assets	<u>\$ 50,776,349</u>

COMBINING STATEMENT OF ACTIVITIES, Non-Major Component Unit

FASB BASIS	WSC
	Foundation
	June 30, 2023
	<u> </u>
Support and revenue	
Contributions, grants and donations	\$ 1,554,293
Investment income	4,756,217
Net realized and unrealized gains (losses) on investment securities	788,507
Program and event income	2,523,533
Other income	1,580,334
Total support and revenue	<u>11,202,884</u>
EXPENSES	
Program Services	3,836,868
Supporting services	4,120,549
Total expenses	<u>7,957,417</u>
Change in Net Assets	3,245,467
Net Assets, Beginning of Year	<u>35,518,243</u>
Net Assets, End of Year	<u>\$ 38,763,710</u>

North Dakota University System

Supplementary Information

June 30, 2023

SCHEDULE OF BONDS PAYABLE and CERTIFICATES OF PARTICIPATION- Primary Institution

Issue	Original Balance	Original Discount (Premium)	Original Balance, Net of Discount (Premium)	Interest Rate	Installments	Balance Outstanding
Bismarck State College						
2015 Housing & Auxiliary Facilities, due through 2030, collateralized by net revenues of housing & auxiliary system and College Fee.	\$ 3,005,000	\$ 59,569	\$ 3,064,569	2.0 - 3.0%	\$160,000 to \$275,000	\$ 1,602,799
2012 Housing & Auxiliary Facilities, due through 2033, collateralized by net revenues of housing & auxiliary system and College Fee.	7,000,000	119,765	7,119,765	2.0 - 4.0%	\$265,000 to \$475,000	4,102,032
Total BSC	<u>10,005,000</u>	<u>179,334</u>	<u>10,184,334</u>			<u>5,704,831</u>
Dakota College at Bottineau						
Dakota College of Bottineau Housing & Auxiliary Facilities Revenue Bonds Series 2022 due through the year 2026. Collateralized with revenues from auxiliaries.	2,480,000	130,538	2,610,538	2.0-5.0%	\$65,000 to	2,505,095
Total DCB	<u>2,480,000</u>	<u>130,538</u>	<u>2,610,538</u>			<u>2,505,095</u>
Mayville State University						
2013 Facilities Revenue Bonds, due through the year 2024, collateralized by student fees, sales tax and earnings.	1,850,000	35,057	1,885,057	2.0-3.25%	\$181,516 to \$213,413	210,000
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	1,630,000
Total MaSU	<u>4,650,000</u>	<u>35,057</u>	<u>4,685,057</u>			<u>1,840,000</u>
Minot State University						
2021 Student Services Facilities Revenue Refunding Bonds, Series 2021, refunded 2010 Wellness Bonds, due August 1, 2040. Collateralized by student fees from Wellness Center, and net revenues from housing and student union.	7,435,000	233,816	7,668,816	0.40-3.0%	\$320,000 to \$470,000	7,324,204
Total MiSU	<u>7,435,000</u>	<u>233,816</u>	<u>7,668,816</u>			<u>7,324,204</u>
North Dakota State College of Science						
2022 Housing Facilities Revenue Bonds, due through 2037, fixed rate collateralized by net housing and auxiliary facilities pledged revenues.	6,175,000	331,892	6,506,892	3.0%	\$320,000 to \$505,000	6,153,703
Total NDSCS	<u>6,175,000</u>	<u>331,892</u>	<u>6,506,892</u>			<u>6,153,703</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	1,740,551
2014A Housing & Auxiliary Facilities Revenue Refunding Bonds Maturity April 1, 2034, collateralized by net revenues of housing and auxiliary services	8,340,000	108,914	8,448,914	2.0-4.0%	\$575,237 to \$581,250	5,272,875
2015A Housing & Auxiliary Facilities Refunding Bonds Maturity April 1, 2036 collateralized by net revenues of housing and auxiliary services.	21,195,000	2,185,340	23,380,340	3.0 - 5.0%	\$2,351,200 \$2,351,200	9,196,366
2015B Housing & Auxiliary Facilities Bonds, Maturity April 1, 2035, collateralized by net revenues of housing and auxiliary services.	9,355,000	366,958	9,721,958	2.0 - 5.0%	\$524,659 to \$683,806	6,728,317
2016 Housing & Auxiliary Facilities Refunding Bonds, Maturity April 1, 2036, collateralized by net revenues of housing and auxiliary services.	10,405,000	310,288	10,715,288	2.0 - 4.0%	\$534,469 to \$671,575	7,795,313
2016 Research & Tech Park Taxable Lease Refunding Bonds, Maturity May 1, 2032, collateralized by lease revenues.	18,790,000	-	18,790,000	1.1 - 3.9%	\$1,254,452 to \$1,806,231	9,685,000
2017A Housing & Auxiliary Facilities Bonds, Maturity April 1, 2047, collateralized by net revenues of housing and auxiliary services.	48,770,000	1,522,948	50,292,948	2.0 - 5.0%	\$1,833,019 to \$2,782,350	45,909,214

North Dakota University System

Supplementary Information

June 30, 2023

SCHEDULE OF BONDS PAYABLE and CERTIFICATES OF PARTICIPATION- Primary Institutions

Issue	Original Balance	Original Discount (Premium)	Original Balance, Net of Discount (Premium)	Interest Rate	Installments	Balance Outstanding
2017B Housing & Auxiliary Facilities Refunding Bonds, Maturity April 1, 2039, collateralized by net revenues of housing and auxiliary services.	22,755,000	1,500,818	24,255,818	2.0 - 5.0%	\$1,539,325 to \$1,544,338	19,775,979
Total NDSU	<u>145,340,000</u>	<u>6,057,818</u>	<u>151,397,818</u>			<u>106,103,615</u>
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.	71,545,000	9,402,569	80,947,569	4.0-5.0%	\$340,000 to \$5,690,000	79,629,741
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.	38,985,000	1,489,517	40,474,517	3.0-4.0%	\$2,719,125 to \$2,835,607	27,367,337
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	499,000
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	2,030,000
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	22,043,800
2020 NDBA Facility Improvement Bonds, Deferred Maintenance & Parking, Maturity December 1, 2040 payable from institution funds.	24,170,000	6,720,994	30,890,994	5%	\$715,000 to \$1,860,000	29,343,884
Total UND	<u>169,910,000</u>	<u>17,915,190</u>	<u>187,825,190</u>			<u>160,913,762</u>
Valley City State University						
2020 Housing & Auxiliary Facilities Revenue Bonds for the renovation of Snoeyenbos Hall Revenue Bonds 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%	\$188,000	3,047,490
2013 Housing & Auxiliary Facilities Revenue Bonds due through 2033, collateralized by net housing and auxiliary facilities system revenues.	2,565,000	-	2,565,000	3% - 4%	\$40,000 to \$185,000	1,565,000
Total VCSU	<u>5,765,000</u>	<u>93,248</u>	<u>5,858,248</u>			<u>4,612,490</u>
Williston State College						
2021 Housing and Auxiliary Services, matures 2041 collateralized by net housing revenues. Interest rate is fixed.	5,347,000	-	5,347,000	3.40%	\$120,000 to \$470,000	4,923,000
Total WSC	<u>5,347,000</u>	<u>-</u>	<u>5,347,000</u>			<u>4,923,000</u>
Total Bonds Payable	<u>\$ 357,107,000</u>	<u>\$ 24,976,893</u>	<u>\$ 382,083,893</u>			<u>\$ 300,080,700</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	\$79,713,432	4.0 - 5.0%	\$79,713,432	79,701,530
Series 2018B, Steam Plant, due through 2041, collateralized by lease revenue from state appropriations.	16,455,000	\$686,311	17,129,409	3.55 - 4.46%	17,129,409	17,141,311
Series 2021A, New Housing, due through 2061, collateralized by rental payments and rights under the Lease-Purchase Agreement.	133,010,000	8,311,572	141,321,572	4.0% - 5.0%	141,321,572	141,321,572
Series 2021B, Wellness Center & Housing, due through 2034, collateralized by rental payments and rights under the Lease-Purchase Agreement.	18,330,000	-	18,330,000	0.42 - 2.34%	\$1,315,000 to \$1,545,000	15,575,000
Total UND	<u>244,370,000</u>	<u>12,124,413</u>	<u>256,494,413</u>		<u>\$96,842,841</u>	<u>253,739,413</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.	7,355,000.00	(77,592)	7,277,408	3.40%	\$120,000 to \$470,000	6,987,759.00
Total WSC						
Total COPs Payable						<u>\$ 260,727,172</u>

NORTH DAKOTA UNIVERSITY SYSTEM

Supplementary Information

June 30, 2023

Financial Information for Revenue Producing Buildings (Unaudited)

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

	<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>
Operating Revenues	\$ 5,325,037	\$ 618,609	\$ -	\$ -	\$ 535,339	\$ 439,826
Operating Expenses	<u>5,677,794</u>	<u>840,076</u>	<u>-</u>	<u>-</u>	<u>334,091</u>	<u>384,361</u>
Net Operating Revenues	<u>(352,757)</u>	<u>(221,467)</u>	<u>-</u>	<u>-</u>	<u>201,248</u>	<u>55,465</u>
Pledged Fees	507,300	-	-	-	400,212	470,234
Non Operating Revenue	612,400	221,626	-	-	246,046	-
Investment Income	<u>261</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>46</u>
Net Revenue Available for Debt Retirement	<u>767,204</u>	<u>159</u>	<u>-</u>	<u>-</u>	<u>847,506</u>	<u>525,745</u>
Current year Debt Service						
Principal	525,000	95,000	-	-	410,000	320,000
Interest	<u>190,111</u>	<u>86,630</u>	<u>-</u>	<u>-</u>	<u>62,947</u>	<u>150,234</u>
Total Debt Service	<u>\$ 715,111</u>	<u>\$ 181,630</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 472,947</u>	<u>\$ 470,234</u>

NORTH DAKOTA UNIVERSITY SYSTEM

Supplementary Information

June 30, 2023

Financial Information for Revenue Producing Buildings (Unaudited) - Continued

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

	<u>North Dakota State College of Science</u>	<u>North Dakota State University</u>	<u>University of North Dakota</u>	<u>Valley City State University</u>	<u>Williston State College</u>	<u>Total</u>
Operating Revenues	\$9,420,835	\$ 45,975,431	\$ 31,056,594	3,209,401	\$ 658,397	\$ 97,239,470
Operating Expenses	<u>6,753,719</u>	<u>39,533,482</u>	<u>25,912,974</u>	<u>2,654,505</u>	<u>261,405</u>	<u>82,352,407</u>
Net Operating Revenues	<u>2,667,116</u>	<u>6,441,949</u>	<u>5,143,620</u>	<u>554,896</u>	<u>396,992</u>	<u>14,887,062</u>
Pledged Fees	350,042	5,755,824	7,045,129	109,502	180,000	14,818,243
Non Operating Revenue	76,290	4,371,763	4,534,491	656,985	9,520	10,729,121
Investment Income	<u>4,799</u>	<u>22,955</u>	<u>5,756</u>	<u>300.87</u>		<u>34,118</u>
Net Revenue Available for Debt Retirement	<u>3,098,247</u>	<u>16,592,491</u>	<u>16,728,996</u>	<u>1,321,683</u>	<u>586,512</u>	<u>40,468,543</u>
Current year Debt Service						
Principal	320,000	5,450,000	2,940,000	210,000	210,000	10,480,000
Interest	<u>200,688</u>	<u>3,496,158</u>	<u>5,929,098</u>	<u>159,979</u>	<u>149,358</u>	<u>10,425,203</u>
Total Debt Service	<u>\$ 520,688</u>	<u>\$ 8,946,158</u>	<u>\$ 8,869,098</u>	<u>\$ 369,979</u>	<u>\$ 359,358</u>	<u>\$ 20,905,203</u>