

ANNUAL FINANCIAL REPORT

June 30, 2012



NORTH DAKOTA UNIVERSITY SYSTEM

ANNUAL FINANCIAL REPORT

Fiscal Year Ended
JUNE 30, 2012

Prepared by the North Dakota University System Director of Financial Reporting
in collaboration with Campus Controllers and Accounting Staff.



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NORTH DAKOTA UNIVERSITY SYSTEM

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STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. BOULEVARD AVENUE - DEPT. 117
BISMARCK, NORTH DAKOTA 58505

INDEPENDENT AUDITOR'S REPORT

Honorable Jack Dalrymple, Governor

Members of the Legislative Assembly

The State Board of Higher Education

We have audited the accompanying financial statements of the business-type activities of the North Dakota University System and its aggregate discretely presented component units as of and for the year ended June 30, 2012, which collectively comprise the North Dakota University System's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the University System's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the aggregate discretely presented component units were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of the North Dakota University System are intended to present the financial position and the changes in financial position and, where applicable, cash flows of only that portion of the business-type activities and aggregate discretely presented component units of the State of North Dakota 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, 2012, and the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the North Dakota University System as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2012, on our consideration of the North Dakota University System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, beginning on page 5, be presented to supplement the basic financial statements. is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the North Dakota University System's basic financial statements. The Combining Statement of Net Assets, Combining Statement of Revenues, Expenses, and Changes in Net Assets, Combining Statement of Cash Flows, Statement of Net Assets – Non-Major Component Units, Statement of Revenues, Expenses, and Changes in Net Assets – Non-Major Component Units and Schedule of Bonds Payable – Primary Institution are presented for the purposes of additional analysis and are 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 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 financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the Combining Statement of Net Assets, Combining Statement of Revenues, Expenses, and Changes in Net Assets, Combining Statement of Cash Flows, Statement of Net Assets – Non-Major Component Units, Statement of Revenues, Expenses, and Changes in Net Assets – Non-Major Component Units and Schedule of Bonds Payable – Primary Institution are fairly

stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the North Dakota University System's basic financial statements. The Financial Information for Revenue Producing Buildings is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

A handwritten signature in cursive script, appearing to read "Bob Peterson".

Robert R. Peterson
State Auditor

December 13, 2012

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**NORTH DAKOTA UNIVERSITY SYSTEM
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2012**

The North Dakota University System’s (the “System”) discussion and analysis (MD&A) provides an overview of the System’s financial activities and issues for the year ended June 30, 2012. It is designed to focus on the current year’s activities, resulting changes and currently known facts to assist readers in understanding the accompanying financial statements.

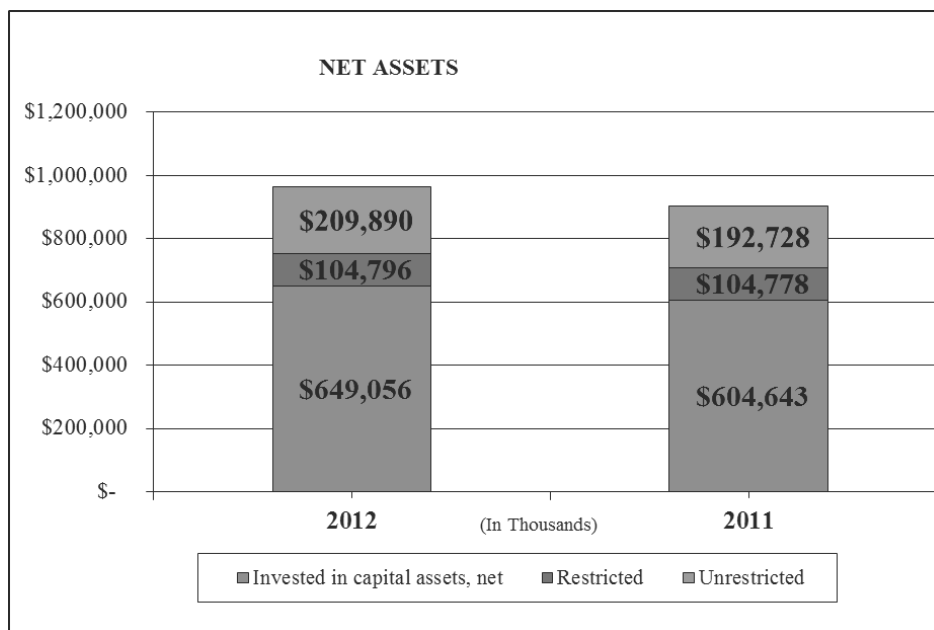
This discussion provides an overview of the financial position of the System for the year ended June 30, 2012 and should be read in conjunction with the accompanying financial statements and notes to the financial statements. The financial statements, notes, and this discussion and analysis are the responsibility of management.

Activities from the eleven public post-secondary campuses, the North Dakota University System Office, and the System’s 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.

FINANCIAL HIGHLIGHTS

The System’s overall financial standing continues to be sound with total assets of \$1.4 billion and total liabilities of \$435.9 million, resulting in a net assets total of \$963.7 million (an increase of \$61.6 million over the previous fiscal year). The System has done well in managing its financial resources and is better off as a result of the current year’s activities. Total operating revenues increased 5 percent primarily as a result of increases in tuition, room and board and grants and contracts revenue. Total operating expenses increased 4 percent.

Total net assets were \$963.7 million at June 30, 2012 and \$902.1 million at June 30, 2011. The following graph illustrates the net asset breakdown for fiscal years ending June 30, 2012 and 2011:



As a percent of total net assets, invested in capital assets (net of related debt) is the largest category of net assets due to the significant size of the System’s physical infrastructure.

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets, the Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows provide information on the System as a whole and present a long-term view of the System's finances. Refer to Note 1 in the accompanying financial statements for activities included in the System's basic financial statements.

The statements assist in answering the question "Is the System as a whole financially better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets report information on the System as a whole and on its activities in a way that helps answer this question. The Statement of Cash Flows summarizes transactions affecting cash and cash equivalents during the fiscal year. It also provides information about the ability of the System to generate future cash flows necessary to meet its obligations and to evaluate its potential for additional financing.

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

STATEMENT OF NET ASSETS

The Statement of Net Assets presents the financial position of the System at one point in time and includes all assets and liabilities of the System. Net assets are the difference between assets and liabilities and may be thought of as one way to measure the System's financial health, or financial position. Over time, increases or decreases in the System's net assets are an indicator of whether its financial health is improving or deteriorating.

Assets and liabilities are classified as either current or noncurrent. Current assets are those resources that are convertible to cash within one year and are available to satisfy current liabilities. Current assets include cash and cash equivalents, short-term investments and accounts receivable. Noncurrent assets are mainly long-term investments and property, equipment and intangibles. Current liabilities are those obligations of the System that are due within one year of the statement date. Noncurrent liabilities are comprised of long-term debt and other obligations of the System.

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

Unrestricted net assets encompass a wide array of core operational functions of the campuses. The balances shown are not only cash balances, but consist of investments, accounts receivable, inventories, and other non-liquid assets. Operating cycles create significant 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012

The following table shows the Condensed Statement of Net Assets at June 30, 2012 and 2011:

	June 30 (in Thousands)		Dollar Change	Percent Change
	2012	2011		
Current assets	\$ 260,916	\$ 243,904	\$ 17,012	7%
Capital assets, net	930,433	884,936	45,497	5%
Other noncurrent assets	208,310	193,048	15,262	8%
Total assets	<u>\$ 1,399,659</u>	<u>\$ 1,321,888</u>	<u>\$ 77,771</u>	<u>6%</u>
Current liabilities	\$ 106,277	\$ 97,965	\$ 8,312	8%
Noncurrent liabilities	329,640	321,774	7,866	2%
Total liabilities	<u>\$ 435,917</u>	<u>\$ 419,739</u>	<u>\$ 16,178</u>	<u>4%</u>
Invested in capital assets, net	\$ 649,056	\$ 604,643	\$ 44,413	7%
Restricted	104,796	104,778	18	0%
Unrestricted	209,890	192,728	17,162	9%
Total net assets	<u>\$ 963,742</u>	<u>\$ 902,149</u>	<u>\$ 61,593</u>	<u>7%</u>

Current Ratio

(current assets to current liabilities)

<u>2.5</u>	<u>2.5</u>
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Primary Reserve Ratio

(expendable net assets to operating expenses)

<u>0.29</u>	<u>0.28</u>
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Total assets increased \$77.8 million during fiscal year 2012 to a total of \$1.40 billion. Cash and equivalents increased \$13.3 million and investments increased \$18.1 million. Grants and contracts receivables decreased \$8.6 million. Net capital assets increased \$45.5 million for net additions to property and equipment less depreciation expense, as discussed in a later section of this MD&A.

Total liabilities increased \$16.2 million during fiscal year 2012 to a total of \$435.9 million. Accounts payable and accrued liabilities increased \$2.4 million due primarily to timing of billings. Long-term liabilities increased \$7.9 million, as discussed in a later section of this MD&A.

The current ratio, calculated by dividing current assets by current liabilities, measures the System's ability to meet current obligations. The System's current ratio at June 30, 2012 was 2.5 to 1, which indicates the System's current assets are almost three times that of its current liabilities. A ratio of less than 1 to 1 would be cause for concern.

Total net assets increased \$61.6 million during fiscal year 2012 as a result of the year's activity.

The primary reserve ratio (calculated by dividing expendable and unrestricted net assets by operating expenses), measures the ability of the System to continue operating at current levels, within current restrictions, without future revenues. Proof of an adequate reserve ratio is often required to secure long-term financing. The System's primary reserve ratio at June 30, 2012 is 0.29 to 1, which indicates in an emergency situation, the System could continue its current operations for approximately 14 weeks.

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

The Statement of Revenues, Expenses, and Changes in Net Assets provides information about the System's activities during the year by reporting all the revenues and expenses for the year. In the Statement of Revenues, Expenses and Changes in Net Assets, all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. When revenues and other support exceed expenses, the result is an increase in net assets. When the reverse occurs, the result is a decrease in net assets. The relationship between revenues and expenses may be thought of as the System's operating results.

Revenues and expenses are categorized as either operating or nonoperating. Operating revenues are revenues earned by the System in exchange for its goods and services, such as tuition and fees, grants and contracts, sales and services of educational departments and auxiliary enterprise revenues. Operating expenses are expenses incurred during the normal operations of the System and include, salaries and wages, operating expenses, depreciation, scholarships and fellowships and cost of sales and services. Nonoperating revenues and expense are those derived from non-exchange transactions. Examples include: insurance proceeds, investment income, gifts, state appropriations, interest on capital asset-related debt and gains or losses on capital assets. Even though state appropriations fund operating expenses, they are classified as nonoperating revenues as the Government Accounting Standards Board has ruled that they are not an exchange for goods or services. Other nonoperating items that are reported separately at the bottom of the statement include capital related transactions – appropriations, gifts, grants and transfers.

The following table shows a Condensed Statement of Revenues, Expenses and Changes in Net Assets for the fiscal years ended June 30, 2012 and 2011:

	June 30 (in Thousands)		Dollar Change	Percent Change
	2012	2011		
Operating revenues	\$ 656,440	\$ 626,470	\$ 29,970	5%
Operating expenses	1,034,658	991,389	43,269	4%
Operating loss	(378,218)	(364,919)	(13,299)	4%
Nonoperating revenues, net of expenses	388,157	383,467	4,690	1%
Income before capital grants, gifts, and transfers	9,939	18,548	(8,609)	-46%
Capital appropriations, grants and gifts	57,794	62,394	(4,600)	-7%
Transfers	(6,140)	(5,637)	(503)	9%
Increase in net assets	<u>\$ 61,593</u>	<u>\$ 75,305</u>	<u>\$ (13,712)</u>	<u>-18%</u>

Tuition and Fees Funding Ratio

(tuition and fees to operating expenses)	<u>27%</u>	<u>26%</u>
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Net Income Margin (increase in net assets to total revenue)	<u>5.5%</u>	<u>6.9%</u>
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From June 30, 2011, operating expenses increased 4 percent and operating loss increased 4 percent. Net income margin, calculated by dividing increase in net assets by total revenue, is a measure of current year financial status. The System's net income margin for fiscal year 2012 is 5.5 percent. A positive margin is good, as it signifies the System is not spending more than it is taking in.

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012

Revenues

The following table shows revenues by source for the fiscal years ended June 30, 2012 and 2011:

	June 30 (in Thousands)		Dollar Change	Percent Change
	2012	2011		
Operating revenues				
Student tuition and fees	\$ 279,042	\$ 261,960	\$ 17,082	7%
Grants and contracts	190,662	190,390	272	0%
Sales and services of education departments	73,701	67,829	5,872	9%
Auxiliary enterprises	111,530	104,662	6,868	7%
Other	1,506	1,630	(125)	-8%
Total operating revenues	<u>\$ 656,440</u>	<u>\$ 626,470</u>	<u>\$ 29,970</u>	<u>5%</u>
Nonoperating revenues, capital gifts and grants				
State Appropriations	\$ 321,967	\$ 309,453	\$ 12,514	4%
Federal appropriations	7,326	5,646	1,680	30%
Federal grants and contracts	42,997	48,366	(5,369)	-11%
Gifts	24,239	24,890	(651)	-3%
Investment income	4,074	10,552	(6,477)	-61%
Insurance proceeds	278	175	103	59%
Tax revenues	2,794	2,661	132	5%
Gain on sale of capital assets	-	177	(177)	0%
State appropriations-capital assets	36,583	38,382	(1,800)	-5%
Capital grants & gifts	21,211	24,012	(2,801)	-12%
Total nonoperating revenues, capital gifts and grants	<u>\$ 461,468</u>	<u>\$ 464,314</u>	<u>\$ (2,846)</u>	<u>-1%</u>
Total Revenues	<u>\$ 1,117,908</u>	<u>\$ 1,090,784</u>	<u>\$ 27,124</u>	<u>2%</u>

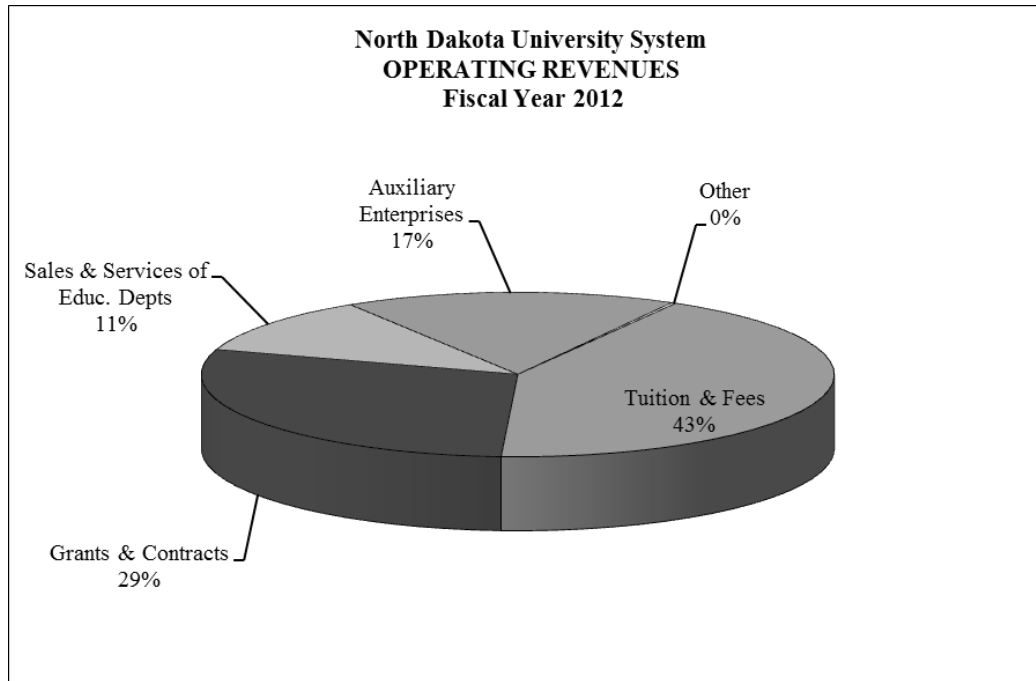
Tuition and fee revenues increased 7 percent from fiscal year 2011. Grant and contract revenues (included in operating revenues) were flat in fiscal year 2012. Within this total, federal grants and contracts revenue decreased \$7.5 million and state grants and contracts revenue increased \$4.6 million while private grants and contracts increased \$3.2 million.

Revenues from auxiliary enterprises such as housing, bookstore and foodservice increased 7 percent from fiscal year 2012.

State appropriations, excluding capital assets, increased 4 percent over fiscal year 2012. Investment income decreased 61 percent from fiscal year 2011.

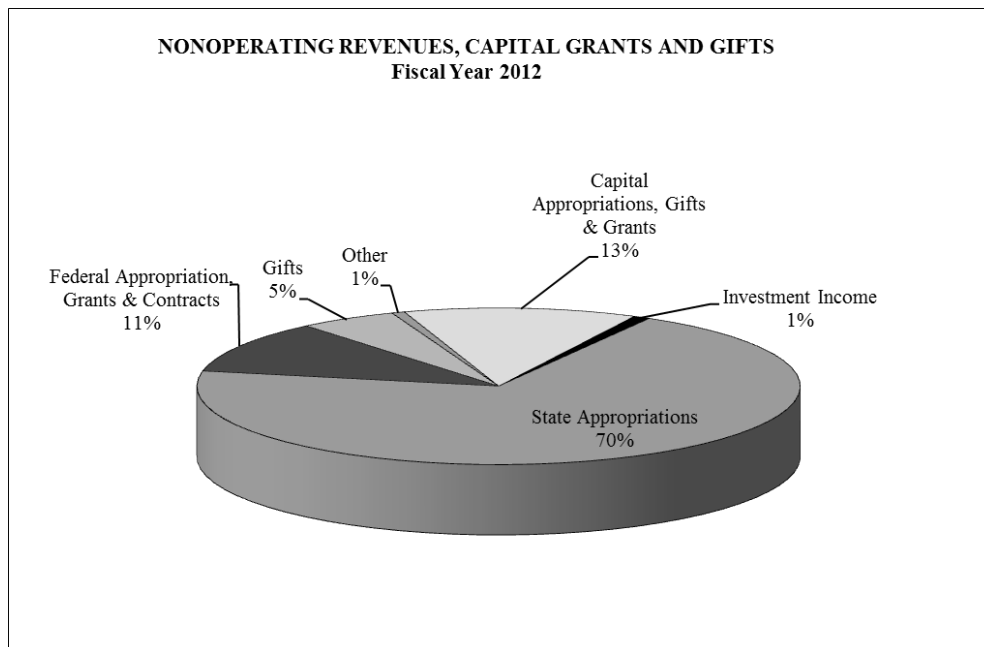
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012

The following graph depicts sources of operating revenues for fiscal year 2012:



In fiscal year 2012, tuition and fees accounted for 43 percent of operating revenues, an increase of 1 percent from the previous fiscal year.

The following chart depicts sources of nonoperating revenues, capital grants and gifts for fiscal year 2012:



No major changes in these percentages have occurred from the previous fiscal year.

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012

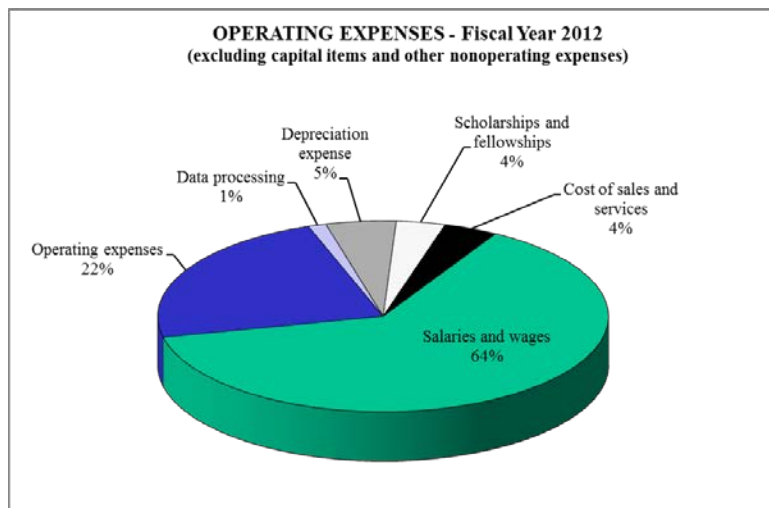
Expenses

The following table shows expenses by natural classification for the fiscal years ended June 30, 2012 and 2011:

	June 30 (in Thousands)		Dollar Change	Percent Change
	2012	2011		
Operating expenses				
Salaries and wages	\$ 665,604	\$ 643,481	\$ 22,123	3%
Operating expenses	224,401	199,371	25,031	13%
Data processing	13,524	16,790	(3,266)	-19%
Depreciation expense	53,104	53,051	54	0%
Scholarships and fellowships	36,951	40,068	(3,117)	-8%
Cost of sales and services	41,073	38,628	2,444	6%
Total operating expenses	<u>\$ 1,034,658</u>	<u>\$ 991,389</u>	<u>\$ 43,269</u>	<u>4%</u>
Nonoperating expenses				
Interest on capital asset related debt	\$ 15,361	\$ 14,751	\$ 610	4%
Loss on sale of capital assets	299	-	299	100%
General and special grant expenditures	-	2,545	(2,545)	-100%
Other nonoperating, net	-	1,156	(1,156)	-100%
Total nonoperating expenses	<u>\$ 15,660</u>	<u>\$ 18,452</u>	<u>\$ (2,791)</u>	<u>-15%</u>
Total expenses	<u>\$ 1,050,318</u>	<u>\$ 1,009,840</u>	<u>\$ 40,478</u>	<u>4%</u>

Salaries and wages expense for the System increased 3 percent in fiscal year 2012 as a result of wage increases. Operating expenses, including travel, office expenses, supplies, utilities, repairs, rents and leases, fees, instructional supplies and other general expenses increased 13 percent in fiscal year 2012 which is higher than the Higher Education Price Index which reported a 1.7% increase for fiscal year 2012. Scholarships and fellowships expense decreased 8 percent for increases in aid to students.

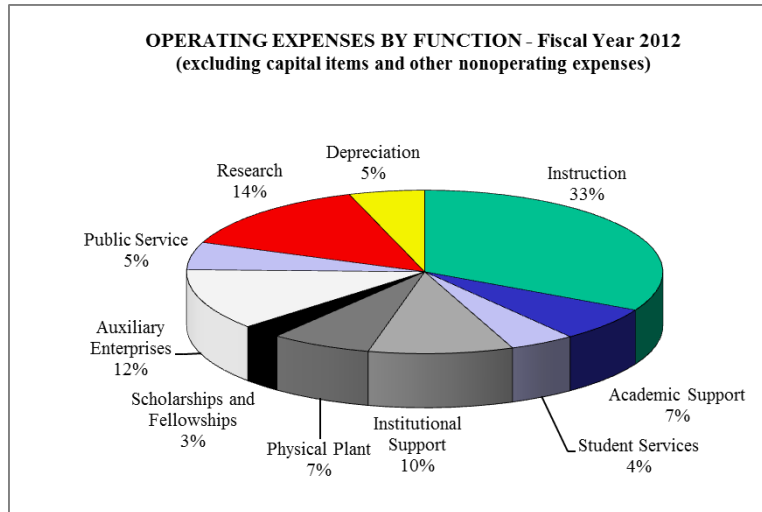
The allocation of operating expenses among the natural classification categories has not changed significantly from fiscal year 2011. The following chart depicts the uses of operating funds according to natural classification for fiscal year 2012:



MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

In addition to their natural classification, it is also informative to review operating expenses by function. The following chart illustrates operating expenses by function for fiscal year 2012:



The allocation of expenses to functional areas has not changed significantly from prior year. Instructional expenses, at 33 percent, continue to represent the largest expenditure category. The instructional function includes all expenses related to instruction (e.g. classroom, distance ed and continuing education) and instructional support. Academic support includes libraries, academic deans, and other departments that directly support the academic unit of the campuses. Student services include all offices that provide a specific service to students, including career services, registration, admission and counseling. Institutional support includes staff that supports the institution as a whole (e.g. business office, IT support and president's office). The physical plant function includes upkeep, maintenance and utilities for campus facilities. Scholarships and fellowships include aid provided to students. Auxiliary enterprises are the self-supporting activities of the campuses, such as bookstore, food service and housing. Depreciation represents the non-cash expense of capitalized assets over time. Public service includes expenses for activities established primarily to provide non-instructional services that are beneficial to individuals and groups external to the institution. All activities specifically organized to produce research, which is mostly federally funded, is included in the research function.

STATEMENT OF CASH FLOWS

The Statement of Cash Flows shows inflows and outflows of cash without regard to accrual items. Cash flows from operating activities on the Statement of Cash Flows will always be different from the operating gain or loss on the Statement of Revenues, Expenses, and Changes in Net Assets (SRECNA) because of the inclusion of noncash items, such as depreciation expense, on the SRECNA. Also, the SRECNA is prepared on the accrual basis of accounting, meaning that it shows revenues earned and expenses incurred. The primary cash receipts from operating activities consist of tuition and fees, grants and contracts, and auxiliary income from housing, food service and bookstore operations. Cash outlays include payment of wages and benefits; operating expenses such as utilities, supplies, insurance and repairs; and, scholarships to students.

State appropriations are the primary source of cash flows from noncapital financing activities. Accounting standards require that we reflect this source of revenue as nonoperating, even though the campus budgets depend on this to continue the current level of operations. Other noncapital financing activity includes gifts received from endowment and charitable gift annuities.

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012

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. Purchase and sale of investments and income earned on investments are included in cash flows from investing activities.

The Condensed Statement of Cash Flows for the fiscal years ended June 30, 2012 and 2011 is shown below:

	June 30 (in Thousands)	
	2012	2011
Cash flows from operating activities	\$ (311,181)	\$(310,727)
Cash flows from noncapital financing activities	394,428	384,913
Cash flows from capital and related financing activities	(55,893)	(60,498)
Cash flows from investing activities	(14,093)	14,737
	<u>\$ 13,260</u>	<u>\$ 28,425</u>
Increase in cash and cash equivalents during the year	<u>\$ 13,260</u>	<u>\$ 28,425</u>

Consistent with accounting standards, cash flows from state appropriations (excluding capital assets) are included in noncapital financing activities, even though they provide funding for operating activities. Cash received from state appropriations, excluding capital assets, in fiscal year 2012 was \$315.5 million. If this figure is added to the cash flows from operating activities, the result is a positive cash flow of \$4.4 million.

CAPITAL ASSET AND LONG-TERM LIABILITIES HIGHLIGHTS

CAPITAL ASSETS

On June 30, 2012, the System had \$930.4 million invested in net capital assets, as reflected in the following table, which represents a net increase of \$45.5 million or 5 percent during the fiscal year.

	June 30 (in thousands)	
	2012	2011
Land	\$ 16,105	\$ 16,105
Land improvements/infrastructure	170,510	171,539
Buildings	1,014,544	949,277
Furniture, fixtures, and equipment	272,071	261,805
Library materials	105,769	104,348
Construction in progress	96,895	85,895
Capitalized software	22,825	22,357
Other intangibles	1,431	863
Total	<u>\$ 1,700,150</u>	<u>\$ 1,612,189</u>
Total accumulated depreciation and amortization	<u>(769,717)</u>	<u>(727,253)</u>
Capital assets, net	<u>\$ 930,433</u>	<u>\$ 884,936</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012

Total additions to depreciable capital assets in fiscal year 2012 were \$42.5 million. Construction in progress for other projects underway totaled \$96.9 million at June 30, 2012. Some of the major projects, and their estimated project costs, include:

- National Energy Center of Excellence Building completion of fourth floor at BSC - \$4.3 million
- Student Union Addition and Renovation at BSC - \$9.0 million
- Science/Library Renovation and Education Addition at MaSU - \$5.2 million
- Agassiz Hall Renovation at MaSU - \$3.8 million
- Wellness Center at MiSU - \$12.8 million
- Geothermal conversion at MiSU - \$16.2 million
- Bisek Hall Remodel at NDSCS - \$10.5 million
- Forkner Hall Remodel at NDSCS - \$5.0 million
- Riley Hall Remodel at NDSCS - \$4.0 million
- Research Greenhouse Complex – Phase III at NDSU - \$9.4 million
- Minard Hall at NDSU - \$22.9 million
- Bison Sports Arena at NDSU - \$29.1 million
- Indoor Track Facility at NDSU - \$5.5 million
- West Dining Center Addition at NDSU - \$7.0 million
- Energy Savings Project at NDSU - \$11.0 million
- Expansion of Research Building #1 at NDSU - \$9.0 million
- IT Facility at UND - \$15.5 million
- Center of Excellence/Hydrogen Technology at UND - \$4.0 million
- Wilkerson Addition at UND - \$14.0 million
- Rhoades Science Building renovation at VCSU - \$10.5 million
- New residence hall at WSC - \$9.9 million
- Career & Technology Center at WSC - \$6 million
- Science Lab addition at WSC - \$3.52 million

Outstanding commitments for these and other capital projects as of June 30, 2012 totaled \$64.1 million. More detailed information about the System's capital assets is presented in Note 5 and Note 14 to the financial statements.

LONG-TERM LIABILITIES

On June 30, 2012, the System had \$343.3 million in bonds and other long-term obligations outstanding, compared to \$338.6 million on June 30, 2011, as represented in the following table:

	June 30 (in thousands)	
	2012	2011
Bonds Payable	\$ 224,923	\$ 222,013
Notes Payable	11,408	7,310
Capital Leases	73,211	75,649
Special Assessments	3,966	3,844
Compensated Absences	29,783	29,788
Total Debt	<u>\$ 343,291</u>	<u>\$ 338,604</u>
Viability Ratio (expendable net assets to L-T debt)	<u>0.9</u>	<u>0.8</u>

MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2012

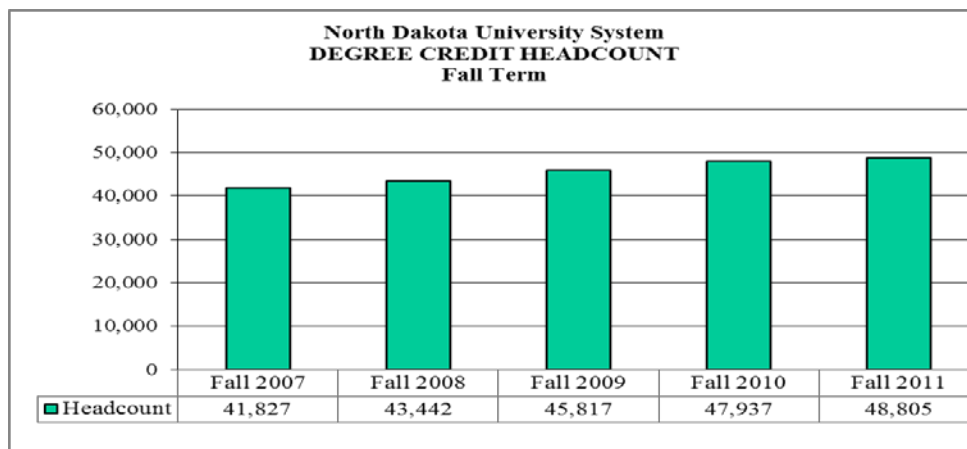
Long-term liabilities added in fiscal year 2012 totaled approximately \$44.1 million, including: revenue bonds totaling \$21.7 million for new construction and renovation projects, \$15.1 million in new capital leases for purchase of capital assets, \$327 thousand in new special assessments for campus improvements and \$6.8 million in other long-term obligations. Total debt retired in fiscal year 2012 was \$39.4 million, consisting primarily of capital lease payments of \$17.5 million, bond payments of \$18.8 million and other regularly scheduled principal payments. At June 30, 2012, \$91.0 million of auxiliary enterprise revenues (82 percent) are pledged as security for outstanding revenue bonds.

The viability ratio, calculated by dividing expendable net assets by long-term debt, measures the System’s ability to retire long-term debt using available current resources. The System’s viability ratio at June 30, 2012 of .9 to 1 indicates the System needs to watch its future debt levels closely as a ratio of 1 to 1 or greater is preferred. More detailed information about the System’s long-term liabilities is presented in Notes 7 through 11 to the financial statements.

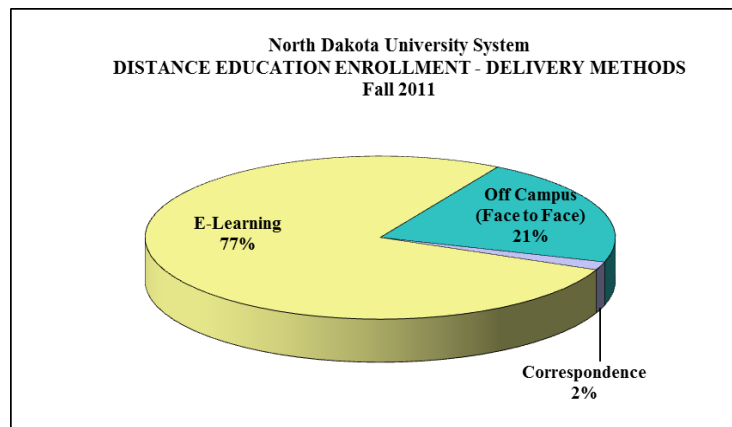
OTHER HIGHLIGHTS

STUDENT ENROLLMENTS

Annual unduplicated degree credit headcount for fall 2011 was 48,805, an increase of 2 percent over the previous fall enrollment. Degree credit headcount for the University System for the last five fall terms is as follows:



E Learning (internet, IVN and other) accounts for 77 percent of all distance education offerings, as noted in the graph below:



MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

STATE FUNDING

The 2011 Legislative Assembly approved a state general fund appropriation for all entities of the North Dakota University System (including major capital projects) of \$757.3 million for the 2011-13 biennium. This was an increase of \$139.6 million or 22.6 percent more than the 2009-11 adjusted appropriation. Of the total increases, \$83 million was included for base funding; \$2.5 million for one-time items and the remaining \$54.1 million one-time funding was for major capital projects. Excluding major capital projects, the total general fund increase over 2009-11 was \$85.5 million or 13.8 percent for all NDUS entities. The System's appropriation (excluding ag extension and research centers) as a percentage of the state's total 2011-13 general fund budget was 16.2 percent, compared to 18.3 percent in 2009-11.

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 robin.putnam@ndus.edu or State Capitol - 10th Floor, 600 E. Boulevard, Bismarck, ND 58505-0230.

NORTH DAKOTA UNIVERSITY SYSTEM
FINANCIAL STATEMENTS
JUNE 30, 2012

STATEMENT OF NET ASSETS

	Primary Institutions
ASSETS	
Current assets	
Cash and cash equivalents	\$ 108,601,335
Investments	37,906,808
Accounts receivable, net	20,351,674
Receivable from component units	6,776,477
Due from State General Fund	23,931,848
Grants & contracts receivables, net	40,095,728
Inventories	8,154,484
Notes receivable, net	8,456,722
Other assets	6,640,861
Total current assets	<u>\$ 260,915,937</u>
Noncurrent assets	
Restricted cash and cash equivalents	\$ 14,585,264
Restricted investments	23,282,360
Endowment investments	15,255,340
Notes receivable, net	30,355,009
Other long-term investments	119,237,203
Unamortized bond discount & cost of issuance	4,374,317
Due from component units	1,220,300
Capital assets, net	930,433,162
Total noncurrent assets	<u>1,138,742,955</u>
Total assets	<u>\$ 1,399,658,892</u>
LIABILITIES	
Current liabilities	
Accounts payable and accrued liabilities	\$ 31,267,979
Payable to component units	89,177
Accrued payroll	30,624,222
Deferred revenue	18,666,707
Deposits	6,784,543
Long-term liabilities--current portion	
Due to Component Units	3,048,760
Due to Others	15,795,862
Total current liabilities	<u>106,277,250</u>
Noncurrent liabilities	
Other noncurrent liabilities	\$ 5,193,510
Long-term liabilities	
Due to Component Units	56,218,040
Due to Others	268,228,300
Total noncurrent liabilities	<u>329,639,850</u>
Total liabilities	<u>\$ 435,917,100</u>
NET ASSETS	
Invested in capital assets, net of related debt	\$ 649,056,160
Restricted for:	
Nonexpendable:	
Scholarships and fellowships	15,075,669
Expendable:	
Scholarships and fellowships	3,138,592
Research	12,574,027
Institutional	17,914,771
Loans	45,296,530
Capital projects	27,901
Debt service	10,407,596
Other	360,778
Unrestricted	209,889,768
Total net assets	<u>\$ 963,741,792</u>

NORTH DAKOTA UNIVERSITY SYSTEM
FINANCIAL STATEMENTS
JUNE 30, 2012

STATEMENT OF NET ASSETS

	Component Units
ASSETS	
Current assets	
Cash and cash equivalents	\$ 54,068,523
Investments	29,388,974
Accounts receivable, net	2,050,645
Receivable from Primary Institution	3,114,551
Unconditional promises to give, net of allowance	13,383,896
Assets limited as to use	-
Inventories	1,209,880
Other assets	5,023,537
Total current assets	<u>\$ 108,240,006</u>
Noncurrent assets	
Restricted cash and cash equivalents	\$ 5,266,706
Investments	
Investments, net of current portion	270,074,915
Investments, temporarily restricted	588,775
Investments, permanently restricted	3,996,681
Investments held in trust	6,532,409
Beneficial interest in trust	13,883,508
Charitable gift annuity investments	4,577,363
Investments held under split-interest agreements	2,237,469
Charitable remainder trust account investments	20,199,485
Endowment investments	8,322,459
Real estate and equipment held for investment, net of accumulated depreciation	26,428,406
Other long-term investments	10,492,753
Total investments	<u>\$ 367,334,223</u>
Contracts for deed and notes receivable, net of current portions	\$ 2,243,003
Long term pledges receivable/ unconditional promises to give	49,480,177
Other receivables	135,585
Due from Primary Institution-Capital Leases	56,473,913
Notes receivable, net	4,574,917
Other noncurrent assets	2,412,638
Capital assets, net	151,256,696
Total noncurrent assets	<u>639,177,858</u>
Total assets	<u>\$ 747,417,864</u>
LIABILITIES	
Current liabilities	
Accounts payable and accrued liabilities	\$ 6,460,592
Payable to Primary Institution	10,827,782
Accrued payroll	844,043
Current portion of gift annuities and life income agreements	2,899,634
Deferred revenue	12,847,467
Other current liabilities	1,130,715
Long-term liabilities--current portion	5,684,979
Total current liabilities	<u>40,695,212</u>
Noncurrent liabilities	
Deferred revenue	\$ 3,489,227
Deposits	3,037,617
Gift annuities and life income agreements, net of current portion	22,792,044
Obligations under split-interest agreement	1,047,256
Other noncurrent liabilities	1,165,307
Long-term liabilities	92,272,152
Total noncurrent liabilities	<u>123,803,603</u>
Total liabilities	<u>\$ 164,498,815</u>
NET ASSETS	
Temporarily restricted	\$ 106,822,117
Nonexpendable	
Permanently restricted	294,585,510
Net investment in property and equipment	70,519,128
Unrestricted	110,992,294
Total net assets	<u>\$ 582,919,049</u>
Total liabilities and net assets	<u>\$ 747,417,864</u>

NORTH DAKOTA UNIVERSITY SYSTEM
FINANCIAL STATEMENTS
JUNE 30, 2012

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	Primary Institution
OPERATING REVENUES	
Student tuition and fees (net of scholarship allowances of \$61,196,827 and bad debt allowance of \$1,265,743)	\$ 279,041,855
Federal grants and contracts	140,502,852
State grants and contracts (net of bad debt allowance recapture of (\$6,056))	18,136,844
Nongovernmental grants and contracts (net of bad debt allowance of \$74,418)	32,021,969
Sales and services of educational departments (net of bad debt recapture of (\$11,619))	73,701,310
Auxiliary enterprises (net of scholarship allowances of \$5,217,368 and bad debt allowance of \$422,302; \$91,046,465 of revenues are pledged as security for revenue bonds)	111,529,517
Other (net of bad debt allowance of \$119,326)	1,505,841
Total operating revenues	<u>\$ 656,440,188</u>
OPERATING EXPENSES	
Salaries and wages	\$ 665,604,152
Operating expenses	224,401,277
Data processing	13,523,879
Depreciation expense	53,104,390
Scholarships and fellowships	36,951,349
Cost of sales and services	41,072,830
Total operating expenses	<u>\$ 1,034,657,877</u>
Operating income (loss)	<u>\$ (378,217,689)</u>
NONOPERATING REVENUES (EXPENSES)	
State appropriations	\$ 321,966,577
Federal appropriations	7,325,897
Federal grants and contracts (net of bad debt allowance of \$87,468)	42,996,888
Gifts	24,238,882
Endowment Investment income (net of investment expense of \$59,138)	4,074,431
Interest on capital asset-related debt	(15,361,416)
Gain (loss) on disposal of capital assets	(298,832)
Insurance proceeds	277,505
Tax revenues	2,793,673
General and special grant expenditures	29,017
Other nonoperating revenues (expenses) (net of bad debt allowance of \$155,241)	114,273
Net nonoperating revenues (expenses)	<u>\$ 388,156,895</u>
Income before capital grants, gifts, and transfers	<u>\$ 9,939,206</u>
State appropriations-capital assets	\$ 36,582,584
Transfers to from Building Authority	(6,140,476)
Capital grants and gifts	21,211,210
Increase in net assets	<u>\$ 61,592,524</u>
NET ASSETS	
Net assets--beginning of year	<u>\$ 902,149,268</u>
Net assets--end of year	<u>\$ 963,741,792</u>

NORTH DAKOTA UNIVERSITY SYSTEM
FINANCIAL STATEMENTS
JUNE 30, 2012

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	Component Units
Support and Revenue	
Gift and contributions	\$ 54,125,995
Investment income	5,684,504
Net realized and unrealized gains (losses) on investment securities	(11,585,788)
Program and event income	57,239,615
Other income	13,953,208
Total support and revenue	<u>\$ 119,417,534</u>
Expenses	
Program services	\$ 26,993,813
Supporting services	66,796,039
Fundraising expense	3,392,526
Total operating expenses	<u>\$ 97,182,378</u>
Change in split-interest agreement	\$ 386,890
Change in value of split-interst agreement	<u>40,677</u>
Change in Net Assets	\$ 22,662,723
Net Assets, Beginning of Year	<u>\$ 560,256,326</u>
Net Assets, End of Year	<u>\$ 582,919,049</u>

NORTH DAKOTA UNIVERSITY SYSTEM
FINANCIAL STATEMENTS
JUNE 30, 2012

STATEMENT OF CASH FLOWS

	Primary Institution
CASH FLOWS FROM OPERATING ACTIVITIES	
Student tuition and fees	\$ 277,290,823
Grants and contracts	200,031,788
Payments to suppliers	(277,925,788)
Payments to employees	(663,932,204)
Payments for scholarships and fellowships	(36,951,349)
Loans issued to students	(4,941,566)
Collection of loans to students	5,583,659
Auxiliary enterprise charges	113,801,911
Sales and service of educational departments	73,096,437
Cash received (paid) on deposits	297,234
Other receipts (payments)	2,467,799
Net cash used by operating activities	<u>\$ (311,181,256)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State appropriations	\$ 315,544,816
Federal appropriations	6,810,055
Grants and gifts received for other than capital purposes	68,283,234
Grants given for other than capital purposes	29,017
Direct lending receipts	212,902,521
Direct lending disbursements	(212,947,536)
Agency fund cash increase (decrease)	1,011,907
Tax revenues	2,793,673
Net cash flows provided by noncapital financing activities	<u>\$ 394,427,687</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from issuance of debt	\$ 27,601,490
Transfers to Building Authority	(6,140,476)
Capital appropriations	34,101,749
Capital grants and gifts received	24,646,458
Proceeds from sale of capital assets	1,779,083
Purchases of capital assets	(95,372,634)
Insurance proceeds	232,565
Principal paid on capital debt and lease	(20,992,867)
Deposits with capital debt payment trustees	(6,195,000)
Interest paid on capital debt and lease	(15,553,705)
Net cash used by capital and related financing activities	<u>\$ (55,893,337)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales and maturities of investments	\$ 48,833,050
Interest on investments	4,778,109
Purchase of investments	(67,703,779)
Net cash provided by investing activities	<u>\$ (14,092,620)</u>
Net increase in cash	\$ 13,260,474
CASH - BEGINNING OF YEAR	109,926,125
CASH - END OF YEAR	<u>\$ 123,186,599</u>
RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	\$ (378,217,689)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities	
Depreciation expense	53,104,392
Other nonoperating revenues (expenses)	5,002,259
Change in assets and liabilities	
Accounts receivable adjusted for interest receivable	1,928,827
Grant & contract receivables	8,689,825
Inventories	(308,746)
Notes receivable	1,715,882
Other assets	(4,313,179)
Accounts payable and accrued liabilities adjusted for interest payable	(2,044,347)
Accrued payroll	1,677,970
Compensated absences	(6,022)
Deferred revenue	1,276,551
Deposits	313,019
Net cash provided (used) by operating activities	<u>\$ (311,181,257)</u>
SUPPLEMENTAL DISCLOSURE ON NON CASH TRANSACTIONS	
Assets acquired through capital lease	\$ 1,951,262
Assets acquired through special assessment	299,532
Expenses paid by capital lease/special assessments	956,440
Gifts of capital assets	(860,166)
Net increase (decrease) in value of investments	(1,374,570)
Total non-cash transactions	<u>\$ 972,498</u>

NORTH DAKOTA UNIVERSITY SYSTEM
FINANCIAL STATEMENTS
JUNE 30, 2012

STATEMENT OF NET ASSETS - MAJOR COMPONENT UNITS

	BSC Foundation	DSU Foundation	NDSU Development Foundation	NDSU Research & Technology Park	UND Aerospace Foundation
	June 30, 2012	June 30, 2012	December 31, 2011	June 30, 2012	June 30, 2012
Assets					
Current assets					
Cash and cash equivalents	\$ 218,198	\$ 2,003,167	\$ 13,382,734	\$ 3,763,968	\$ 13,982,340
Investments	-	8,463,694	11,647,450	-	1,466,795
Accounts receivable, net	20,948	-	-	148,140	1,495,520
Receivable from Primary Institution	-	-	-	-	-
Unconditional promises to give, net of allowance	-	1,745,085	6,382,236	2,500	-
Inventories	-	-	-	-	92,222
Other assets	129,294	-	1,747,445	204,390	249,310
Total current assets	<u>\$ 368,440</u>	<u>\$ 12,211,946</u>	<u>\$ 33,159,865</u>	<u>\$ 4,118,998</u>	<u>\$ 17,286,187</u>
Noncurrent assets					
Restricted cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Investments:					
Investments, net of current portion	7,316,953	-	94,613,861	-	-
Investments, temporarily restricted	-	-	-	-	-
Investments, permanently restricted	-	-	-	-	-
Investments held in trust	3,468,865	-	-	-	-
Beneficial interest in trust	1,488,897	-	-	-	-
Charitable gift annuity investments	-	-	-	-	-
Investments held under split-interest agreement	-	2,237,469	-	-	-
Charitable remainder trust account investments	-	-	-	-	-
Endowment investments	-	-	-	-	-
Real estate and equipment held for investment, net of accumulated depreciation	129,482	-	45,649,702	-	-
Other long-term investments	100,357	-	-	-	3,565,694
Total investments	<u>\$ 12,504,554</u>	<u>\$ 2,237,469</u>	<u>\$ 140,263,563</u>	<u>\$ -</u>	<u>\$ 3,565,694</u>
Contracts for deed and notes receivable, net of current portions	\$ -	\$ -	\$ 2,243,003	\$ -	\$ -
Long term pledges receivable/unconditional promises to give	632,126	1,449,374	16,439,685	12,409	-
Other receivables	955,000	-	-	-	-
Receivable from Primary Institution	-	-	-	-	-
Notes receivable, net	-	-	-	4,459,750	-
Other noncurrent assets	234,725	830,979	515,109	405,054	-
Capital assets, net	15,983,082	1,302,376	5,023,330	25,913,906	22,789,218
Total noncurrent assets	<u>\$ 30,309,487</u>	<u>\$ 5,820,198</u>	<u>\$ 164,484,690</u>	<u>\$ 30,791,119</u>	<u>\$ 26,354,912</u>
Total assets	<u>\$ 30,677,927</u>	<u>\$ 18,032,144</u>	<u>\$ 197,644,555</u>	<u>\$ 34,910,117</u>	<u>\$ 43,641,099</u>
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities	\$ 80,379	\$ 63,605	\$ 1,534,529	\$ 275,193	\$ 498,657
Payable to Primary University	-	-	1,467,422	-	1,027,787
Accrued payroll	-	24,718	-	70,875	446,562
Current portion of gift annuities and life income agreements	224,845	-	739,246	-	-
Deferred revenue	107,576	-	-	-	9,008,604
Other current liabilities	-	884,165	161,362	-	-
Long-term liabilities-current portion	112,660	422,816	1,169,769	988,140	1,066,927
Total current liabilities	<u>\$ 525,460</u>	<u>\$ 1,395,304</u>	<u>\$ 5,072,328</u>	<u>\$ 1,334,208</u>	<u>\$ 12,048,537</u>
Noncurrent liabilities					
Deferred revenue	\$ 3,489,227	\$ -	\$ -	\$ -	\$ -
Deposits	-	-	-	-	-
Gift annuities and life income agreements, net of current portion	2,687,801	-	5,863,292	-	-
Obligations under split-interest agreement	-	1,047,256	-	-	-
Other noncurrent liabilities	161,605	-	-	1,003,700	-
Long-term liabilities	1,852,162	6,038,223	25,589,422	28,123,323	3,736,570
Total noncurrent liabilities	<u>\$ 8,190,795</u>	<u>\$ 7,085,479</u>	<u>\$ 31,452,714</u>	<u>\$ 29,127,023</u>	<u>\$ 3,736,570</u>
Total liabilities	<u>\$ 8,716,255</u>	<u>\$ 8,480,783</u>	<u>\$ 36,525,042</u>	<u>\$ 30,461,231</u>	<u>\$ 15,785,107</u>
NET ASSETS					
Temporarily restricted	\$ 382,928	\$ 1,248,346	\$ 41,059,591	\$ 14,909	\$ 5,000,000
Nonexpendable:					
Permanently restricted:	12,197,723	10,001,208	90,241,055	-	-
Net investment in property and equipment	-	-	-	-	-
Unrestricted	9,381,021	(1,698,193)	29,818,867	4,433,977	22,855,992
Total net assets	<u>21,961,672</u>	<u>9,551,361</u>	<u>161,119,513</u>	<u>4,448,886</u>	<u>27,855,992</u>
Total liabilities and net assets	<u>\$ 30,677,927</u>	<u>\$ 18,032,144</u>	<u>\$ 197,644,555</u>	<u>\$ 34,910,117</u>	<u>\$ 43,641,099</u>

NORTH DAKOTA UNIVERSITY SYSTEM
FINANCIAL STATEMENTS
JUNE 30, 2012

STATEMENT OF NET ASSETS - MAJOR COMPONENT UNITS - Continued

			RE Arena, Inc			
			UND Arena			
			Services, Inc.			
	UND Alumni	Facilities, Inc.	Total	Non-major		Total
	Association &	Arena Holdings	Major	Component		Component
	UND	Charitable LLC	Component			
	Foundation	& Affiliates				
	June 30, 2012	May 31, 2012	Units	Units	Reclassifications	Units
ASSETS						
Current assets						
Cash and cash equivalents	\$ 3,590,509	\$ 6,646,242	\$ 43,587,158	\$ 10,481,365	\$ -	\$ 54,068,523
Investments	-	-	21,577,939	7,811,035	-	29,388,974
Accounts receivable, net	-	943,731	2,608,339	96,380	(654,074)	2,050,645
Due from Primary Institution	-	-	-	59,199	3,055,352	3,114,551
Unconditional promises to give, net of allowance	4,241,132	-	12,370,953	1,012,943	-	13,383,896
Inventories	-	1,104,852	1,197,074	12,806	-	1,209,880
Other assets	2,253,074	123,318	4,706,831	409,366	(92,660)	5,023,537
Total current assets	\$ 10,084,715	\$ 8,818,143	\$ 86,048,294	\$ 19,883,094	\$ 2,308,618	\$ 108,240,006
Noncurrent assets						
Restricted cash and cash equivalents	\$ -	\$ 4,936,518	\$ 4,936,518	\$ 330,188	\$ -	\$ 5,266,706
Investments:						
Investments, net of current portion	140,259,957	-	242,190,771	27,884,144	-	270,074,915
Investments, temporarily restricted	-	-	-	588,775	-	588,775
Investments, permanently restricted	-	-	-	3,996,681	-	3,996,681
Investments held in trust	2,950,267	-	6,419,132	113,277	-	6,532,409
Beneficial interest in trust	11,414,673	-	12,903,570	979,938	-	13,883,508
Charitable gift annuity investments	4,577,363	-	4,577,363	-	-	4,577,363
Investments held under split-interest agreement	-	-	2,237,469	-	-	2,237,469
Charitable remainder trust account investments	20,199,485	-	20,199,485	-	-	20,199,485
Endowment investments	-	-	-	8,322,459	-	8,322,459
Real estate and equipment held for investment, net of accumulated depreciation	-	-	45,779,184	4,997,292	(24,348,070)	26,428,406
Other long-term investments	6,181,553	-	9,847,604	645,149	-	10,492,753
Total investments	\$ 185,583,298	\$ -	\$ 344,154,578	\$ 47,527,715	\$ (24,348,070)	\$ 367,334,223
Contracts for deed and notes receivable, net of current portions	\$ -	\$ -	\$ 2,243,003	\$ -	\$ -	\$ 2,243,003
Long term pledges						
receivable/unconditional promises to give	30,382,402	-	48,915,996	564,181	-	49,480,177
Other receivables	9,039,268	-	9,994,268	-	(9,858,683)	135,585
Due from Primary Institution-Capital Leases	-	-	-	555,787	55,918,126	56,473,913
Notes receivable, net	91,643	-	4,551,393	23,524	-	4,574,917
Other noncurrent assets	-	-	1,985,867	426,771	-	2,412,638
Capital assets, net	10,877,945	70,519,128	152,408,985	22,842,765	(23,995,054)	151,256,696
Total noncurrent assets	\$ 235,974,556	\$ 75,455,646	\$ 569,190,608	\$ 72,270,931	\$ (2,283,681)	\$ 639,177,858
Total assets	\$ 246,059,271	\$ 84,273,789	\$ 655,238,902	\$ 92,154,025	\$ 24,937	\$ 747,417,864
LIABILITIES						
Current liabilities						
Accounts payable and accrued liabilities	\$ 1,903,537	\$ 1,791,607	\$ 6,147,507	\$ 1,403,180	\$ (1,090,093)	\$ 6,460,594
Payable to Primary University	-	2,642,969	5,138,178	4,075,213	1,614,391	10,827,782
Accrued payroll	280,899	-	823,054	20,989	-	844,043
Current portion of gift annuities and life income agreements	1,907,668	-	2,871,759	27,875	-	2,899,634
Deferred revenue	-	4,129,844	13,246,024	98,035	(496,592)	12,847,467
Other current liabilities	-	-	1,045,527	87,957	(2,769)	1,130,715
Long-term liabilities--current portion	691,716	483,669	4,935,697	749,282	-	5,684,979
Total current liabilities	\$ 4,783,820	\$ 9,048,089	\$ 34,207,746	\$ 6,462,531	\$ 24,937	\$ 40,695,214
Noncurrent liabilities						
Deferred revenue	\$ -	\$ -	\$ 3,489,227	\$ -	\$ -	\$ 3,489,227
Deposits	3,037,617	-	3,037,617	-	-	3,037,617
Gift annuities and life income agreements, net of current portion	13,971,367	-	22,522,460	269,584	-	22,792,044
Obligations unders split-interest agreement	-	-	1,047,256	-	-	1,047,256
Other noncurrent liabilities	-	-	1,165,305	-	-	1,165,305
Long-term liabilities	9,210,264	3,513,633	78,063,597	14,208,555	-	92,272,152
Total noncurrent liabilities	\$ 26,219,248	\$ 3,513,633	\$ 109,325,462	\$ 14,478,139	\$ -	\$ 123,803,601
Total liabilities	\$ 31,003,068	\$ 12,561,722	\$ 143,533,208	\$ 20,940,670	\$ 24,937	\$ 164,498,815
NET ASSETS						
Temporarily restricted	\$ 50,391,505	\$ -	\$ 98,097,279	\$ 8,724,838	\$ -	\$ 106,822,117
Nonexpendable:						
Permanently restricted	140,279,367	-	252,719,353	41,866,157	-	294,585,510
Net investment in property and equipment	-	70,519,128	70,519,128	-	-	70,519,128
Unrestricted	24,385,331	1,192,939	90,369,934	20,622,360	-	110,992,294
Total net assets	215,056,203	71,712,067	511,705,694	71,213,355	-	582,919,049
Total liabilities and net assets	\$ 246,059,271	\$ 84,273,789	\$ 655,238,902	\$ 92,154,025	\$ 24,937	\$ 747,417,864

NORTH DAKOTA UNIVERSITY SYSTEM
FINANCIAL STATEMENTS
JUNE 30, 2012

STATEMENT OF Revenues, Expenses and Changes in Net Assets, Major Component Units

	BSC	DSU	NDSU	NDSU	UND
	Foundation	Foundation	Development	Research &	Aerospace
	June 30, 2012	June 30, 2012	Foundation	Park	Foundation
	June 30, 2012	June 30, 2012	December 31, 2011	June 30, 2012	June 30, 2012
Support and revenue					
Gifts and contributions	\$ 1,131,644	\$ 2,884,991	\$ 13,370,858	\$ 249,669	\$ 2,098,580
Investment income	247,903	263,940	2,663,758	-	279,899
Net realized and unrealized gains (losses) on investment securities	(246,121)	(262,587)	(10,004,285)	-	-
Program and event income	37,333	471,662	-	39,900	34,008,090
Other income	367,923	390,323	666,734	2,622,620	360,780
Total support and revenue	<u>\$ 1,538,682</u>	<u>\$ 3,748,329</u>	<u>\$ 6,697,065</u>	<u>\$ 2,912,189</u>	<u>\$ 36,747,349</u>
Expenses					
Program Services	\$ 1,053,862	\$ 1,443,530	\$ 2,948,118	\$ 948,292	\$ 281,138
Supporting services	877,514	1,252,145	4,312,532	2,422,639	30,859,067
Fund raising expense	69,547	194,766	-	-	-
Total expenses	<u>\$ 2,000,923</u>	<u>\$ 2,890,441</u>	<u>\$ 7,260,650</u>	<u>\$ 3,370,931</u>	<u>\$ 31,140,205</u>
Change in split-interest agreement	\$ -	\$ -	\$ -	\$ -	\$ -
Change in value of split interest agreements	\$ 40,677	\$ -	\$ -	\$ -	\$ -
Change in Net Assets	<u>\$ (421,564)</u>	<u>\$ 857,888</u>	<u>\$ (563,585)</u>	<u>\$ (458,742)</u>	<u>\$ 5,607,144</u>
Net Assets, Beginning of Year	<u>\$ 22,383,236</u>	<u>\$ 8,693,473</u>	<u>\$ 161,683,098</u>	<u>\$ 4,907,628</u>	<u>\$ 22,248,848</u>
Net Assets, End of Year	<u>\$ 21,961,672</u>	<u>\$ 9,551,361</u>	<u>\$ 161,119,513</u>	<u>\$ 4,448,886</u>	<u>\$ 27,855,992</u>

NORTH DAKOTA UNIVERSITY SYSTEM
FINANCIAL STATEMENTS
JUNE 30, 2012

STATEMENT OF Revenues, Expenses and Changes in Net Assets, Major Component Units - Continued

	UND Alumni Association & UND Foundation June 30, 2012	RE Arena, Inc UND Arena Services, Inc. UND Sports Facilities, Inc. Arena Holdings Charitable LLC & Affiliates May 31, 2012	Total Major Component Units	Non-Major Component Units	Total Component Units
Support and revenue					
Gifts and contributions	\$ 26,039,070	\$ -	\$ 45,774,812	\$ 8,351,183	\$ 54,125,995
Investment income	1,011,383	-	4,466,883	1,217,621	5,684,504
Net realized and unrealized gains (losses) on investment securities	-	-	(10,512,993)	(1,072,795)	(11,585,788)
Program and event income	5,984,514	8,464,246	49,005,745	8,233,870	57,239,615
Other income	-	1,543,505	5,951,885	8,001,323	13,953,208
Total support and revenue	\$ 33,034,967	\$ 10,007,751	\$ 94,686,332	\$ 24,731,202	\$ 119,417,534
Expenses					
Program Services	\$ 11,042,389	\$ 861,248	\$ 18,578,577	\$ 8,415,236	\$ 26,993,813
Supporting services	1,886,419	9,958,407	51,568,723	15,227,316	66,796,039
Fund raising expense	2,581,213	-	2,845,526	547,000	3,392,526
Total expenses	\$ 15,510,021	\$ 10,819,655	\$ 72,992,826	\$ 24,189,552	\$ 97,182,378
Change in split-interest agreement	\$ 386,890	\$ -	\$ 386,890	\$ -	\$ 386,890
Change in value of split interest agreements	\$ -	\$ -	\$ 40,677	-	\$ 40,677
Change in Net Assets	\$ 17,911,836	\$ (811,904)	\$ 22,121,073	\$ 541,650	\$ 22,662,723
Net Assets, Beginning of Year	\$ 197,144,367	\$ 72,523,971	\$ 489,584,621	\$ 70,671,705	\$ 560,256,326
Net Assets, End of Year	\$ 215,056,203	\$ 71,712,067	\$ 511,705,694	\$ 71,213,355	\$ 582,919,049

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 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 (Board) is the governing body for North Dakota's eleven publicly supported colleges and universities. In addition to these eleven institutions, the Board 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 Board was established in 1939 when the voters of North Dakota approved an initiated measure to add Article VIII to the State Constitution. The Board consists of eight 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 statewide Council of College Faculties. The Board is an entity of the executive branch of the government of the State of North Dakota. The colleges and universities governed by the Board are collectively known and referred to as the North Dakota University System hereafter referred to as the University System. The Board appoints a Commissioner of Higher Education (Chancellor) to serve as the chief executive officer of the Board and of the University 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 University System Office. 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 University 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 University 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 State Board of Higher Education. Each entity receives a separate appropriation from the North Dakota Legislature as provided by North Dakota Constitutional Article VIII, S 6(6)(e) and state statute.

North Dakota University System Entities (Primary Institution)

North Dakota University System Office (NDUSO)

Bismarck State College (BSC)

Dakota College of Bottineau (DCB)

Dickinson State University (DSU)

Lake Region State College (LRSC)

Mayville State University (MaSU)

Minot State University (MiSU)

North Dakota State College of Science (NDSCS)

North Dakota State University (NDSU)

Agricultural Experiment Stations:

North Dakota State University Main Research Center

NOTES TO THE FINANCIAL STATEMENTS

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

Component Units

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

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

NOTES TO THE FINANCIAL STATEMENTS

Blended Component Units

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

The **Mystic Athletic Club** (BSC) is considered a blended component unit. Although it is a legally separate entity, the Mystic Athletic Club is reported as if it were part of the primary institution because the board is comprised of BSC employees and its sole purpose is to provide support for the athletic programs at BSC. Complete financial statements may be obtained at the entity's administrative office at Bismarck State College, Athletic Department, 1601 Edwards Avenue, Bismarck, ND 58501.

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 NDUS. Some members of the State Board of Higher Education 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 University 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 15 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 is a legally separate, tax-exempt organization providing support and recognition to BSC through a variety of programs. The foundation acts primarily as a fund-raising organization to supplement the resources that are available to the college. The foundation is managed by a 75-member board of directors comprised of leading citizens, both alumni and friends of the college as well as seven ex-officio members that are officers/employees of BSC. Complete financial statements for Bismarck State College Foundation may be obtained at the entity's administrative offices at 1255 Schafer Street, PO Box 5587, Bismarck, ND 58506-5587.

NOTES TO THE FINANCIAL STATEMENTS

Dickinson State University Foundation, Inc., was organized in 1952 as a non-profit corporation to provide an avenue through which alumni and friends of the University may contribute financially to the University. Gifts, grants, and bequests to the foundation benefit present and future students by providing scholarship assistance and the funding of special projects. The foundation is managed by a 26-member board of directors comprised of leading citizens, both alumni and friends of DSU as well as one ex-officio member that is an officer/employee of DSU. Complete financial statements for the Foundation may be obtained at Dickinson State University, Dickinson, ND 58601.

North Dakota State University Development Foundation is an incorporated, nonprofit organization developed solely for the benefit of NDSU. The foundation is approved by the IRS as a charitable, tax-exempt organization and designated by the University as the repository for private giving to the University. Its purpose is to raise, manage, and disburse contributions for the benefit of NDSU. The foundation is managed by a board of trustees comprised of 60 elected alumni and friends of the university as well as four ex-officio members – the president of NDSU, the president and vice president of the Alumni Association and the executive director of the Development Foundation and Alumni Foundation. In fiscal year 2012, the foundation changed their fiscal year end from June 30 to December 31. Foundation financial statements and footnote disclosures are presented as of December 31, 2011. Complete financial statements for North Dakota State University Development Foundation may be obtained at the entity's administrative office at 1241 N. University Drive, Fargo, ND 58102, or PO Box 5144, Fargo, ND 58105.

NDSU Research & Technology Park, Inc., is a nonprofit organization established in 1999 to promote an economic environment dedicated to applied research and technology discovery for the benefit of NDSU, its faculty and staff and students and the citizens of North Dakota. The majority of the Park's board of directors (7 of 10) works in private industry. Vacancies are filled by a majority vote of the board. Officers of NDSU fill the remaining three positions. The President of NDSU serves as president of the board of directors and has control over final building plans for any new building at the Park. Complete financial statements for NDSU Research & Technology Park, Inc. may be obtained at the entity's administrative office at 1854 NDSU Research Circle North, Fargo, ND 58104.

UND Aerospace Foundation is a nonprofit entity organized in 1985 to encourage and develop the University of North Dakota's John D. Odegard School of Aerospace Sciences. The foundation's principal activities consist of developing and conducting training programs, research and development, and consulting services related to the aerospace industry. The foundation is managed by a board of directors consisting of five to seven voting members, including two or more persons who are active in the aerospace industry and/or graduates of UND with an interest in the aerospace industry, elected by the board. Non-voting members/representatives on the board include a senior manager of the foundation elected by the board, the dean of the Odegard School of Aerospace Sciences and the president of the University. The foundation benefits the University, financially and otherwise, through its promotion of the Odegard School and its programs and in the sharing of resources. Complete financial statements for the Aerospace Foundation may be obtained at the entity's administrative office at Box 9023, Grand Forks, ND 58202.

The **Alumni Association of the University of North Dakota** was incorporated in 1915 for the purpose of 1) keeping classmates in contact with each other, 2) keeping graduates and former students informed of happenings at UND, and 3) involving the graduates, former students, and special friends in the ongoing growth and development of UND. **UND Foundation** was incorporated in 1978 to replace the Alumni Association Development Fund and is the umbrella organization for alumni and private support for UND. These two legally separate nonprofit corporations have the same board of directors

NOTES TO THE FINANCIAL STATEMENTS

and the same executive vice president, but different board presidents and Vice-Presidents. The board of directors consists of 23 voting members, 21 who are alumni of UND and 3 ex-officio members that are officers of UND. Complete combined financial statements for the Alumni Association of the University of North Dakota and University of North Dakota Foundation, may be obtained at the entity's administrative offices at PO Box 8157, Grand Forks, ND 58202.

RE Arena, Inc., UND Arena Services, Inc., UND Sports Facilities, Inc., Arena Holdings Charitable LLC are related organizations with common board of directors and management organized in 2003 for the benefit of UND. These organizations operate and maintain a multipurpose sports and entertainment arena in Grand Forks, ND. The arena is used primarily for UND athletics and activities. UND Sports Facilities, Inc. is the sole member of Arena Holdings Charitable LLC. RE Arena, Inc. conducts the day-to-day operations of the arena as an agent for UND Sports Facilities. UND Arena services, Inc. is the legal manager of Arena Holdings. Complete combined financial statements for these organizations may be obtained at Ralph Engelstad Arena, One Ralph Engelstad Arena Drive, Grand Forks ND 58203.

Non-major Component Units

Dakota College of Bottineau Foundation was established to act primarily as a fund-raising organization to supplement the resources that are available to DCB. The Logrollers, a legally separate organization, operates as an entity within the Foundation. The foundation and Logrollers are managed by the same eight-member board of directors comprised of leading citizens, both alumni and friends of the college as well as one ex-officio member that is an officer of DCB. However, each entity has separate committees that direct each organization's activities. Complete combined financial statements for Dakota College at Bottineau Development Foundation and Logrollers may be obtained at the entity's administrative offices at 105 Simrall Boulevard, Bottineau, ND 58318.

Lake Region Community College Foundation was established in 1959 to provide a permanent structure through which support for Lake Region State College could be channeled. The work and the resources of the foundation are managed by a 27-member board of directors elected by the foundation membership to serve three-year terms. Complete financial statements for the Community College Foundation may be obtained at the entity's administrative office at 1801 College Drive North, Devils Lake, ND 58301-1598.

Mayville State University Foundation was established to act primarily as a fund-raising organization to supplement the resources that are available to MaSU. The foundation is managed by a 15-member board of directors comprised of leading citizens, both alumni and friends of the university as well as ex-officio members that are officers/employees of MaSU. The Comet Athletic Club, a legally separate non-profit organization, operates as an entity within the foundation. The Club's purpose is to promote, support, and encourage interest and participation in MaSU sports. Their financial activity is reflected in the foundation's financial statements. Complete financial statements for Mayville State University Foundation may be obtained at the entity's administrative office at 330 3rd Street Northeast, Mayville, ND 58257.

Minot State University Development Foundation was incorporated in 1978 exclusively for the benefit of MiSU. Its purpose is to establish, promote and stimulate voluntary financial support for the benefit of the university, especially in the building of endowment and in addressing the long-term priorities of the university. A board of directors comprising 13 voting members manages the foundation. Two are ex-officio appointments from the Board of Regents and the Alumni Association, and three are ex-officio

NOTES TO THE FINANCIAL STATEMENTS

members who are employees of MISU. Complete financial statements for Minot State University Development Foundation may be obtained at the entity's administrative office at 500 University Avenue West, Minot, ND 58707.

North Dakota State College of Science Foundation was established to act primarily as a fund-raising organization to supplement the resources that are available to NDSCS. The foundation is managed by a 23-member board of directors comprised of leading citizens, both alumni and friends of the college as well as four ex-officio members that are officers/employees of NDSCS. Complete financial statements for North Dakota State College of Science Foundation may be obtained at the entity's administrative office at 800 Sixth Street North, Wahpeton, ND 58076-0002.

North Dakota State University Research Foundation is a legally separate, non-profit 501(c)(3) organization created to provide support to NDSU in its mission by enabling NDSU faculty to enhance their involvement in research, technology transfer, and business endeavors. Through linkages with public and private businesses and industries, the foundation facilitates the commercialization of research technologies developed by NDSU faculty and staff. The foundation is managed by an 11-member board of directors, comprised of five NDSU employees and six individuals who are not employed by NDSU. Complete financial statements for the Research Foundation may be obtained at the entity's administrative office at 1735 NDSU Research Park Drive, Fargo, ND 58108-6050.

North Dakota State University Team Makers Club was established in 1950 by a group of local business leaders who recognized the need for a community-based support group to benefit NDSU Bison Athletics. Team Makers is a legally separate, non-profit 501(c)(3) organization to provide financial support, promotion and spirit for NDSU student-athletes and the NDSU Athletics Department in order to achieve excellence. The foundation is managed by board of directors comprised of 11 voting members, of which one is an employee of NDSU. Complete financial statements for the NDSU Team Makers may be obtained at the entity's administrative office at NDSU Dept 1200, PO Box 6050, Fargo ND 58108-6050.

University of North Dakota Center for Innovation Foundation was incorporated in 1991. The Foundation supports the Center for Innovation and the Department of Entrepreneurship at the University of North Dakota to fulfill their mission of helping entrepreneurs, innovators, researchers and students launch new technologies, products and ventures, develop business and marketing plans, access talent and secure sources of venture financing. This fiscal year the foundation supported the College of Business and Public Administration in the amount of \$270,316 plus \$50,000 for the support of an international marketing specialist at UND and \$50,000 for students that work as entrepreneur interns at the Center for Innovation. The foundation is managed by a board of directors comprised of 9 members as well as four ex-officio non-voting members who are officers of UND plus the Director of the Center for Innovation. Complete financial statements for the Center for Innovation may be obtained at the entity's administrative office at 4200 James Ray Drive, Grand Forks ND 58203.

The University of North Dakota Research Foundation is the newest foundation and was formed in 2006 to assist the University of North Dakota to advance its research agenda, to commercialize its university innovations and discoveries, and to create economic opportunities for Grand Forks and the State of North Dakota. The foundation works with UND to build successful and strategic partnerships between the university and private companies, resulting in mutual gains for each. Complete financial statements for the UND Research Foundation may be obtained at the entity's administrative office at 4201 James Ray Drive, Grand Forks ND 58202.

NOTES TO THE FINANCIAL STATEMENTS

Valley City State University Foundation was established to support Valley City State University by involving alumni and friends of the university in activities and private giving that meet the university's needs and advance its welfare. The foundation is managed by a 19 member Board of Directors comprised of leading citizens, both alumni and friends of the university, as well as two ex-officio nonvoting members that are officers of VCSU. Complete financial statements for Valley City State University Foundation may be obtained at the entity's administrative office at 101 College Street SW, Valley City, ND 58072.

Williston State College Foundation was established to act primarily as a fund-raising organization to supplement the resources that are available to WSC. The foundation is managed by an 11-member board of directors comprised of leading citizens, both alumni and friends of the college. Complete financial statements for Williston State College Foundation may be obtained at the entity's administrative office at PO Box 1286, 501 18th Street East, Williston, ND 58802-1286.

JOINT VENTURES

Tri-College University

Tri-College University (TCU) is a legally separate organization that is 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 and NDSU, as a means of maximizing higher educational services for the people of the region. The organization serves as an agency through which resources are received and dispensed to supplement the educational endeavors of the three universities. The corporation also serves as a means for promoting and strengthening existing and potential educational programs and courses. An eight-member board of directors, including the presidents of the three universities, handles the affairs of the corporation. All property, funds and income of this corporation are held for the exclusive use and benefit of Concordia College, Minnesota State University Moorhead and NDSU. 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, 2012, Tri-College University had net assets of approximately \$532,229 and is not considered a financial burden to NDSU. The financial activity of this organization is not reflected in the accompanying financial statements. Complete audited financial statements for Tri-College University may be obtained at the entity's administrative office at North Dakota State University, Renaissance Hall, 650 NP Avenue 100, Fargo, ND 58102.

INSIGNIFICANT COMPONENT UNITS

The following organizations are component units of the University System but have been deemed insignificant due to small total assets and revenues balances. Entities in this category had less than 0.3% each in total assets and less than 0.5% each in total revenues when compared to total assets and revenues of the primary institution. Separate boards of directors control these entities. In addition, the college or university 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, 2012 were:

BSC:	National Alumni Association 1255 Schafer Street PO Box 5587 Bismarck, ND 58506-5587	DSU:	The Blue Hawk Booster Club 24 2 nd Street W Dickinson, ND 58601-5128
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NOTES TO THE FINANCIAL STATEMENTS

MaSU:	Mutual Aid Corporation 330 3 rd Street NE Mayville, ND 5825 Minot State University 500 University Ave W	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 RSVP Enterprise Dept. 2020 Box 6050 Fargo, ND 58108-6050 NDSU 4H Foundation FLC 219, Dept 7280 PO Box 6050 Fargo, ND 58108	UND:	EERC Foundation Energy & Environmental Research Center University of North Dakota 5 North 23 rd Street, Stop 9018 Grand Forks, ND 58202-9018 Law School Foundation 215 Centennial Drive Stop 9003 Grand Forks, ND 58502-9003 The Fellows of the University of North Dakota 264 Centennial Drive Twamley Hall Grand Forks, ND 58502
WSC	Teton Booster Club PO Box 760 Williston, ND 58802		

BASIS OF PRESENTATION

The financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments, and Statement No. 35, Basic Financial Statements - and Management’s Discussion and Analysis - for Public Colleges and Universities, issued in June and November, 1999, as amended by GASB Statement Nos. 36, 37 and 38. The System follows the “business-type activities” (BTA) reporting requirements of GASB Statement No. 34 that provides a comprehensive one-line look at the System’s activities.

BASIS OF ACCOUNTING

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

The University System follows the pronouncements of the Governmental Accounting Standards Board (GASB), which is the nationally accepted standard setting body for establishing generally accepted accounting principles for governmental entities. The University System follows all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989 unless those pronouncements conflict with GASB pronouncements.

NOTES TO THE FINANCIAL STATEMENTS

UNRESTRICTED NET ASSETS

Unrestricted net assets include 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 University 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 University 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 University 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 University System. Revenues from nonexchange transactions and state appropriations that represent subsidies or gifts to the University System, as well as investment income, are considered nonoperating since these are either investing, capital or noncapital financing activities. Operating expenses are all expense transactions incurred other than those related to investing, capital or noncapital financing activities. Revenues received for capital financing activities, as well as related expenses, are considered neither operating nor nonoperating activities and are presented after nonoperating activities.

BUDGETARY PROCESS

The State of North Dakota operates through a biennial appropriation. Legislation requires the Board 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. The Governor is required by legislation to present his budget to the General Assembly at the beginning of each session. The

General Assembly enacts the budget of the various institutions through the passage of specific appropriation acts. Before signing the appropriation acts, the Governor may veto or reduce any specific appropriation, subject to legislative override. Once passed and signed, the budget becomes the state's financial plan for the next two years.

The Board allocates contingency and capital emergency funding within guidelines provided by the General Assembly. Any funds received by the Board and entities of the University System pursuant to

NOTES TO THE FINANCIAL STATEMENTS

federal acts, private grants, and other sources not deposited in the operating funds in the state treasury are appropriated for the biennial period. The Board has the authority to transfer funds between line items by notifying the Office of Management and Budget in writing, with the exception that the Board may not approve transfers from any capital assets line item.

The North Dakota Constitution prohibits any transfers between institutions, even by the legislature. Institutions within the University 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.

Board policy requires each college or university to submit a biennial budget for Board 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 Board 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 University 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 University 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. Investments are reported at fair value for year-end financial reporting. Fair value is the amount at which an investment could be exchanged between two willing parties, which for financial reporting purposes is based on quoted market prices. The net increase (decrease) in the fair value of investments is recognized as a part of investment income. Investments are classified as Investments, if the maturity date is more than three months to one year, or as Other Long-term Investments, if the maturity date is more than one-year from the date of the financial statements. Investments restricted by bond covenants or invested from bond proceeds are classified as Restricted Investments. Investments held by endowment funds are classified as Endowment Investments.

RECEIVABLES

Accounts receivables include tuition, fees, food service, room and board charges and apartment rent; accrued interest on investments; and Family Practice 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 short-term institutional loans. Net receivables are shown on the basic financial statements. The allowances for doubtful accounts/notes are detailed in Note 3.

NOTES TO THE FINANCIAL STATEMENTS

INVENTORIES

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

CAPITAL AND INTANGIBLE ASSETS

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

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

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

Depreciation and intangible amortization is calculated using the straight-line method over the following estimated useful lives for the System and its component units. All campuses, except UND and NDSU, use the ½ year convention.

Land Improvements	10 – 35 years
Infrastructure	20 – 60 years
Buildings	10 – 50 years
Equipment	3 – 20 years
Internally developed software	2 – 10 years
Purchased software	3 – 5 years
Other Intangibles	3 – 20 years
Library Books	10 years

NOTES TO THE FINANCIAL STATEMENTS

DEPOSITS

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

COMPENSATED ABSENCES

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

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 assets. 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. Certain other scholarship amounts paid or refunded directly to the student are generally reflected as expenses.

NET ASSETS

Net assets are classified according to external donor restrictions or availability of assets for satisfaction of University System obligations. Restricted Net Assets 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 Assets are all other funds available at the discretion of the University 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.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The accompanying financial statements include estimates such items as allowances for uncollectible accounts, scholarship allowances, accrued expenses and other liability accounts.

NOTES TO THE FINANCIAL STATEMENTS

New Accounting Pronouncements

In November 2010, the GASB issued Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements." The statement applies to certain service concession arrangements, which are a type of public-private or public-public partnership. The statement is effective for periods beginning after December 15, 2011.

In June 2011, the GASB issued Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position." The statement is effective for periods beginning after December 15, 2011.

In March 2012, the GASB issued Statement No. 65, "Items Previously Reported as Assets and Liabilities." This statement defines deferred inflows and outflows and is effective for periods beginning after December 15, 2012.

In March 2012, the GASB issued Statement No. 66, "Technical Corrections-2012, an amendment of GASB Statements No. 10 and No. 62." The statement is effective for periods beginning after December 15, 2012.

In June 2012, the GASB issued Statement No. 67, "Financial Reporting for Pension Plans-an amendment of GASB Statement No. 25." The statement is effective for periods beginning after June 15, 2013.

In June 2012, the GASB issued Statement No. 68, "Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27." The statement is effective for periods beginning after June 15, 2014.

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

NOTE 2 – DEPOSITS AND INVESTMENTS

LIMITATIONS

Primary Institution

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 requires that all moneys not deposited in the special revenue fund within the State Treasury (unless restricted by the terms of a grant, donation or bequest), received by the institutions from federal, state, and local grants and contracts, indirect cost recoveries, tuition, special student fees, room and board and other auxiliary enterprise fees, student activity fees, continuing education program fees, internal service fund revenues, and all other revenues must be deposited in the BND.

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

NOTES TO THE FINANCIAL STATEMENTS

the State Treasury or in a duly authorized depository for the state funds that is a member of the federal deposit insurance corporation. The Board may invest such funds in direct obligations of, or in obligations where the United States of America guarantees the principal and interest, or obligations of the State of North Dakota or any municipality as defined in NDCC Section 21-03-01.

DEPOSITS

Cash and Cash Equivalents are reported on the Statement of Net Assets as follows:

	<u>June 30, 2012</u>	
	<u>Carrying Amount</u>	<u>Bank Balance</u>
Cash Deposits at the Bank of North Dakota	\$ 111,886,591	\$ 127,085,210
Cash Deposits at institutions other than the Bank of North Dakota	11,067,238	10,317,357
Certificates of Deposit at the Bank of North Dakota	166,104,538	166,104,538
Certificates of Deposit at institutions other than the Bank of North Dakota	482,984	482,984
Total Bank Deposits	<u>\$ 289,541,350</u>	<u>\$ 303,990,089</u>
 Add: Cash on Hand/Petty Cash	 \$ 232,771	
 Less: Amts. credit risked as deposits but reported as investments	 \$ (166,587,521)	
 Cash & Cash Equivalents per Statement of Net Assets	 <u>\$ 123,186,599</u>	

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the System’s deposits may not be returned to it. The System does not specifically address policies concerning custodial credit risk and while the deposits in the Bank of North Dakota are backed by the State of North Dakota, they are deemed to be uninsured and uncollateralized by GASB definition. As of June 30, 2012, \$300.8 million of the System’s bank balance of \$303.9 million was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$293,189,748
Uninsured and collateral held by pledging bank not in system’s name	\$ 7,664,449.

Investments

Investments are reported at fair value (market) and reported on the Statement of Net Assets as of June 30, 2012, as follows:

NOTES TO THE FINANCIAL STATEMENTS

Investment Type	Market Value	Maturities			
		Less than 1 year	1 year to 5 years	6 years to 10 years	More than 10 years
US Treasuries	\$ 13,968,678	\$ 13,453,036	\$ 515,562	\$ 80	\$ -
US Agencies	-	-	-	-	-
US Strips	138,698	70,968	-	67,730	-
Corporate Bonds	179,214	153,485	25,729	-	-
Mutual Bond Funds	302,944	302,944	-	-	-
Guaranteed Investment Contracts	237,375	-	-	-	237,375
Money Market Mutual Funds	8,836,925	8,836,925	-	-	-
Other	681,986	655,892	26,094	-	-
Subtotal	<u>\$ 24,345,820</u>	<u>\$ 23,473,250</u>	<u>\$ 567,385</u>	<u>\$ 67,810</u>	<u>\$ 237,375</u>
Stocks	15,589,637				
Certificates of Deposit - BND	154,153,158				
Certificates of Deposit - non-BND	482,984				
Equity Mutual Funds	700,427				
Other	409,687				
Total Investments per the Statement of Net assets	<u>\$ 195,681,713</u>				

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Per NDCC the system is limited to investing funds with the Bank of North Dakota, with the exception of gifts governed by an endowment agreement. 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. Campuses choose terms based on maximizing their return within the limits of their cash flow needs. Campuses rely on brokers to provide year-end market values for the investments 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, 2012, the system's debt portfolio (excluding US Treasuries and US Agencies) included Standard & Poor's quality ratings as follows:

Investment Type	Credit Quality Rating			
	AAA	AA	A	Not Rated
US Agencies	\$ -	\$ -	\$ -	\$ -
Corporate Bonds	-	51,101	128,113	-
Mutual Bond Funds	-	-	-	302,944
GICs	-	237,375	-	-
Money market mutual funds	8,798,898	-	-	38,027
Other	-	-	138,009	543,977
Total	<u>\$ 8,798,898</u>	<u>\$ 288,476</u>	<u>\$ 266,122</u>	<u>\$ 884,948</u>

NOTE 3 – RECEIVABLES

Receivables at June 30, 2012 consist of the following amounts:

NOTES TO THE FINANCIAL STATEMENTS

	Current	NonCurrent	Total
Student & General	\$ 24,418,546		\$ 24,418,546
Interest Receivable	328,232		328,232
Allowance for doubtful Accts	(4,395,104)		(4,395,104)
Accounts Receivable, net	\$20,351,674		\$ 20,351,674
Grants & Contracts Receivable	36,824,896		36,824,896
Appror. Rec. - Other	7,550		7,550
Due from Other State Agencies	3,263,282		3,263,282
Allowance for Doubtful G&C Rec	-		-
Grants & Contracts Receivable, net	\$40,095,728		\$ 40,095,728
Student	\$ 10,019,579	\$ 36,133,967	\$ 46,153,546
Others	-	-	-
Allowance for Doubtful Notes	(1,562,857)	(5,778,958)	(7,341,815)
Notes Receivable, net	\$ 8,456,722	\$ 30,355,009	\$ 38,811,731

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. NDUS 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, NDUS 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, NDUS 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, campuses have differing policies with respect to spending investment income and net appreciation on endowment funds. UND's policy allows up to 4.5% of the average of the last five years of assets in their investment pool to be expended. MiSU allows for 5.0 percent of the three year average market value of the assets to be expended; 4.5 percent for scholarships and 0.5 percent for administrative expense. MaSU, NDSU, VCSU and WSC give departments authority to spend all investment income earned on the endowment funds. Net appreciation on investments are available for expenditure and consists of the following at June 30, 2012:

		<u>Reflected in net assets as:</u>
Mayville State University	\$ 3,230	Expendable scholarships & fellowships
Minot State University	52,940	Expendable scholarships & fellowships
University of North Dakota	465,000	Non -expendable scholarships & fellowships
Williston State College	2,885	Cash in bank
Total NDUS	\$ 524,055	

NOTES TO THE FINANCIAL STATEMENTS

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. Bismarck State College, Lake Region State College and Williston State College 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, 2012 are approximately \$84.9 million and \$1.91 million, respectively.

NOTE 5 – CAPITAL AND INTANGIBLE ASSETS

Capital asset activity for the year ended June 30, 2012 was as follows:

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Land	\$ 16,104,607	\$ -	\$ -	\$ -	\$ 16,104,607
Construction in progress	85,894,911	61,632,072	3,754,053	(46,877,554)	96,895,376
Total non-depreciable capital assets	\$ 101,999,518	\$ 61,632,072	\$ 3,754,053	\$ (46,877,554)	\$ 112,999,983
Land improvements/infrastructure	\$ 166,878,560	\$ 1,981,297	\$ 93,090	\$ 1,743,722	\$ 170,510,489
Buildings	953,937,211	15,973,879	478,925	45,112,078	1,014,544,243
Furniture, fixtures, and equipment	261,804,765	19,848,946	9,604,725	21,754	272,070,740
Intangibles:					
Computer Software	22,357,338	467,716	-	-	22,825,054
Websites	450,461	264,765	-	-	715,226
Other	412,498	302,904	-	-	715,402
Library materials	104,348,128	3,652,171	2,231,710	-	105,768,589
Total depreciable capital assets	\$ 1,510,188,961	\$ 42,491,678	\$ 12,408,450	\$ 46,877,554	\$ 1,587,149,743
Less accumulated depreciation and amortization					
Land improvements/infrastructure	\$ 75,005,893	\$ 4,478,591	\$ 87,465	\$ -	\$ 79,397,019
Buildings	412,913,186	23,613,558	370,247	-	436,156,497
Furniture, fixtures, and equipment	149,800,519	18,527,879	7,951,026	-	160,377,372
Intangibles					
Computer Software	10,414,173	2,045,582	-	-	12,459,755
Easements	50,201	-	-	-	50,201
Websites	-	127,660	-	-	127,660
Other	89,079	16,975	-	-	106,054
Library materials	78,979,571	4,294,145	2,231,710	-	81,042,006
Total accumulated depreciation and amortization	\$ 727,252,622	\$ 53,104,390	\$ 10,640,448	\$ -	\$ 769,716,564
Total depreciable capital assets, net	\$ 782,936,339	\$ (10,612,712)	\$ 1,768,002	\$ 46,877,554	\$ 817,433,179
Capital assets, net	\$ 884,935,857	\$ 51,019,360	\$ 5,522,055	\$ -	\$ 930,433,162

NOTES TO THE FINANCIAL STATEMENTS

Construction in progress for the year ended June 30, 2012 was as follows:

	Amount Authorized	Expended (CIP Asset)	Expended (Non capitalized)	Authorized Balance
Bismarck State College	\$ 15,194,561	\$ 2,033,692	\$175,739	\$ 12,985,130
Dakota College of Bottineau	700,000	44,389	-	655,611
Dickinson State University	-	-	-	-
Lake Region State College	7,181,216	2,609,920	-	4,571,296
Mayville State University	10,043,009	8,806,652	369,976	866,381
Minot State University	32,520,865	17,893,059	184,325	14,443,481
North Dakota State College of Science	19,500,000	1,765,961	-	17,734,039
North Dakota State University	94,898,866	37,683,448	215,470	56,999,948
University of North Dakota	33,500,000	4,820,127	-	28,679,873
Valley City State University	10,925,000	3,177,933	-	7,747,067
Williston State College	21,445,000	18,060,195	-	3,384,805
North Dakota University System Office	-	-	-	-
Total NDUS	\$ 245,908,517	\$ 96,895,376	\$945,510	\$ 148,067,631

NOTE 6 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consisted of the following at June 30, 2012:

Accounts Payable	25,171,421
Due to other state agencies	\$ 513,317
Due to Other Funds	108,330
Sales Tax Payable	9,769
Accrued Interest	2,603,783
Contractor Payable/Retainage	2,817,302
Other liabilities	44,057
Total Payables & Accrued Liabilities	\$ 31,267,979

NOTE 7 – LONG-TERM LIABILITIES

The changes in long-term liabilities during fiscal year 2012 are as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Current Portion	Noncurrent Portion
Bonds Payable	\$ 199,247,726	\$ 21,730,000	\$ 17,919,988	\$ 203,057,738	\$ 8,788,554	\$ 194,269,184
Bonds Payable to Component Units	22,765,000	-	900,000	21,865,000	925,000	20,940,000
Notes Payable	7,309,762	4,881,045	1,260,975	10,929,832	890,568	10,039,264
Notes Payable to Component Units	-	500,000	21,644	478,356	36,472	441,884
Capital Leases	38,612,176	3,043,995	5,368,456	36,287,715	4,329,615	31,958,100
Capital Leases with Component Units	37,036,787	12,116,810	12,230,154	36,923,443	2,087,287	34,836,156
Special Assessments	3,843,766	327,106	204,741	3,966,131	258,238	3,707,893
Compensated Absences	29,788,619	1,460,049	1,465,921	29,782,747	1,528,888	28,253,859
Total	\$ 338,603,836	\$ 44,059,005	\$ 39,371,879	\$343,290,962.00	\$ 18,844,622	\$ 324,446,340

NOTES TO THE FINANCIAL STATEMENTS

NOTE 8 – BONDS PAYABLE

Revenue bonds are limited obligations of the University 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 Assets, Restricted for Debt Service.

The summary of outstanding obligations of the campuses, as of June 30, 2012 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	\$ 11,400,000	3.4 - 5.35%	\$ 10,695,000
Dickinson State University	775,000	3.75 - 5.0%	470,000
Lake Region State College	1,050,000	3.0-5.125%	530,000
Mayville State University	6,465,000	1.55 - 6.63%	5,374,512
Minot State University	17,299,000	0 - 6.60%	14,403,626
North Dakota State College of Science	9,000,000	4.0 - 5.5%	9,000,000
North Dakota State University	108,695,000	1.5 - 6.5%	101,255,000
University of North Dakota	77,655,000	1 - 5.0%	64,040,500
Valley City State University	6,730,000	2.8 - 7.25%	6,285,000
Williston State College	2,046,000	3.0% - 6.9%	9,241,000
North Dakota University System	14,200,000	4.28%	3,628,100
Total Bonds Payable	\$ 255,315,000		\$ 224,922,738

Industrial Commission Bonds

For the 2011-2013 biennium, the North Dakota University System Office received an appropriation of \$12.2 million to act as the fiscal agent for the campuses on bond payments to the Industrial Commission. Of this total, \$417,250 is special funds, which is the amount the campuses pay as local match. During fiscal year 2012, the North Dakota University System Office paid \$5.85 million in general funds to the Industrial Commission of North Dakota.

Refunding and Defeased Bonds

The purpose of a refunding bond is to refund in advance of maturity another bond issue. Under an advanced refunding arrangement, refunding bonds are issued, and the net proceeds plus additional resources that may be required, are used to purchase securities issued or guaranteed by the United States Government. These securities are then deposited in an irrevocable trust under an escrow agreement which provides that all proceeds from the trust will be used to fund the principal and interest payments of the previously issued bonded debt being refunded. The trust deposits have been computed so that the securities in the trust, along with future cash flow generated by the securities, will be sufficient to service the previously issued bonds. As a result, trust account assets and liabilities for the defeased bonds are not included in the University System's financial statements. The following is a description of the University System's defeased bonds and the balance of the bonds outstanding in the trust.

NOTES TO THE FINANCIAL STATEMENTS

North Dakota State College of Science

On June 20, 2001, North Dakota State College of Science issued \$2,785,000 of Housing and Auxiliary Facilities Improvement and Refunding Revenue Bonds (Series 2001). These bonds were used to i) refund, defease and discharge outstanding North Dakota State School of Science Married Student Housing Revenue Bonds 1970, Dormitory Revenue Bonds of 1970, and Dormitory Revenue Bonds of 1972; ii) finance the cost of the construction of the parking lot and related improvements at the College; and iii) to pay certain costs associated with the issuance of the Series 2001 bonds. The June 30, 2011 principal amount outstanding of \$90,000 was paid in fiscal year 2012.

North Dakota State University

On December 30, 1985, the University issued \$4,833,813 of Housing and Auxiliary Facilities Revenue Refunding Bonds (Series 1985). The purpose of issuing Series 1985 bonds was to refund in advance of maturity the outstanding advanced refunded bonds, which consisted of all bonds outstanding as of December 30, 1985, totaling \$7,675,000. The principal amounts outstanding as of June 30, 2012 of the original bonds refunded, total \$65,000.

On March 1, 2012, North Dakota State University issued \$5.730 million of Housing and Auxiliary Facilities Revenue Refunding Bonds (Series 2012) with an interest rates ranging from 2.0 to 3.0 percent. The bonds were used to call \$6,195,000 of outstanding Series 2002 Housing and Auxiliary Facilities Revenue Bonds. The University advance refunded the bonds to reduce its total debt service payments over the next 20 years by approximately \$1,192,255 and to obtain an economic gain (difference of the present values of the debt service payments on the old and new debt) of approximately \$688,240. The reduction in the reserve requirement of \$507,510 and the net proceeds of \$6,407,510 (after payment of underwriting fees and other issuance costs) were used to pay the principal and outstanding interest on the 2002 bonds. As a result, the 2002 bonds are considered paid in full and the liability for those bonds has been removed from the Statement of Net Assets.

Scheduled Maturities of Bonds Payable

Fiscal Year	Principal	Interest	Total
2013	\$ 9,713,554	\$ 10,455,687	\$ 20,169,241
2014	9,612,052	10,074,010	19,686,062
2015	6,812,703	9,736,042	16,548,745
2016	7,100,402	9,477,168	16,577,570
2017	7,399,522	9,190,654	16,590,176
2018 - 2022	41,209,005	40,772,578	81,981,583
2023 - 2027	45,257,500	31,209,248	76,466,748
2028 - 2032	52,153,000	19,757,604	71,910,604
2033 - 2037	35,985,000	7,689,706	43,674,706
2038 - 2042	9,680,000	1,315,978	10,995,978
	<u>\$ 224,922,738</u>	<u>\$ 149,678,675</u>	<u>\$374,601,413</u>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9 – NOTES PAYABLE

Energy Performance Contracts

Several campuses have individual notes payable to GE Capital Public Finance, Inc., for energy improvements through a performance contract. Details of the notes are as follows:

Institution	Original Balance	Maturity Date	Interest Rate	Outstanding Balance June 30, 2012
Bismarck State College	\$ 1,492,000	July 2012	5.01%	\$ 209,973
Dakota College of Bottineau	378,067	August 2013	4.27%	56,409
Dickinson State University	21,765	July 2016	9.90%	14,012
Lake Region State College	4,881,045	June 2027	3.27%-5.15%	4,881,045
Mayville State University	7,280,185	August 2012 - December 2024	4.97% - 5.25%	5,646,567
Minot State University	1,158,054	December 2012	4.22%	73,306
Valley City State University	1,065,688	November 2012	4.87%	48,520
Williston State College	500,000	September 2033	5.00%	478,356
Total Notes Payable	\$ 16,276,804			\$ 11,408,188

Scheduled Maturities of Notes Payable

Fiscal Year	Principal	Interest	Total
2013	\$ 927,040	\$ 524,460	\$ 1,451,500
2014	569,734	493,084	1,062,818
2015	595,249	468,404	1,063,653
2016	642,556	442,284	1,084,840
2017	686,552	413,947	1,100,499
2018 - 2022	4,332,065	1,560,230	5,892,296
2023 - 2027	3,654,993	456,794	4,111,787
	<u>\$11,408,188</u>	<u>\$4,359,204</u>	<u>\$15,767,393</u>

NOTE 10 – CAPITAL LEASES

The institutions lease various types of capital assets under capital lease agreements. Capital leases give rise to property rights and lease obligations and therefore, the assets under lease are recorded as assets of the institution and the lease obligation is recognized as a liability. The leases have varying interest rates with maturities to 2042.

NOTES TO THE FINANCIAL STATEMENTS

Carrying Value of Assets Held Under Capital Leases		
	Carrying Value	Accumulated Depreciation
Land improvements/infrastructure	\$ 560,015	\$ 278,402
Buildings	70,549,245	11,416,943
Furniture, fixtures, and equipment	31,647,658	15,368,678
Total	\$ 102,756,918	\$ 27,064,023

Scheduled Maturities of Capital Leases

Fiscal Year	Principal	Interest	Total
2013	\$ 6,416,901	\$ 2,965,838	\$ 9,382,740
2014	5,658,194	2,918,016	8,576,211
2015	5,410,414	2,648,446	8,058,860
2016	5,109,580	2,405,562	7,515,142
2017	5,197,206	2,169,054	7,366,260
2018 - 2022	20,952,965	7,587,643	28,540,608
2023 - 2027	11,873,160	4,341,372	16,214,532
2028 - 2032	6,178,503	2,318,222	8,496,725
2033 - 2037	5,339,696	939,525	6,279,221
2038 - 2042	1,074,539	165,405	1,239,944
	\$ 73,211,158	\$ 28,459,084	\$ 101,670,242

NOTE 11 – 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 campus property.

NOTES TO THE FINANCIAL STATEMENTS

Scheduled Maturities of Special Assessments

Fiscal Year	PRIMARY INSTITUTION		
	Principal	Interest	Total
2013	\$ 258,238	\$ 190,197	\$ 448,436
2014	244,773	177,318	422,091
2015	243,282	165,387	408,669
2016	238,557	153,560	392,117
2017	233,955	142,052	376,007
2018 - 2022	1,031,008	553,533	1,584,541
2023 - 2027	727,757	343,155	1,070,912
2028 - 2032	597,755	185,579	783,334
2033 - 2037	390,806	39,081	429,887
	<u>\$ 3,966,132</u>	<u>\$ 1,949,861</u>	<u>\$ 5,915,993</u>

Compensated Absences

The compensated absences liability of the institutions at June 30, 2012 consists of accumulated unpaid annual leave, compensatory time, payable portion of accumulated sick leave, personal holiday hours,

and Saturday/legal holiday hours earned and vested. Compensated absences for employees at June 30, 2012 and 2011 totaled \$29,782,747 and \$28,788,619, respectively. Leave policies restrict the accumulation of unused vacation and thus limit the actual payments made to employees upon termination or retirement.

NOTE 12 – RETIREMENT BENEFITS

The North Dakota University System participates in two major retirement systems: North Dakota Public Employees' Retirement System administered by the State of North Dakota and a privately administered retirement system: Teachers' Insurance Annuity Association and College Retirement Equity Fund. The following is a brief description of each plan:

NORTH DAKOTA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (NDPERS)

Description of Plan

NDPERS is a cost-sharing, multiple-employer, defined benefit pension plan covering substantially all broadband employees of the University System. The plan provides retirement, disability and death benefits. If an active employee dies with less than three years of credited service, a death benefit equal to the value of the employee's accumulated contributions, plus interest, is paid to the employee's beneficiary. If the employee has earned more than three years of credited service, the surviving spouse will be entitled to a single payment refund, lifetime monthly payments in an amount equal to 50 percent of the employee's accrued normal retirement benefit, monthly payments in an amount equal to 50 percent of the employee's accrued normal retirement benefit, 60 monthly payments equal to the employee's accrued normal retirement benefit calculated as if the employee were age 65 the day

NOTES TO THE FINANCIAL STATEMENTS

before death occurred or monthly payments in an amount equal to the employees' accrued 100% joint and survivor retirement benefit if the member had reached normal retirement age prior to the date of death. If the surviving spouse dies before the employee's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

Eligible employees, who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits that are equal to 25 percent of their final average salary with a minimum benefit of \$100. To qualify under this section, the employee must meet the criteria established by the Retirement Board for being considered totally disabled. Employees are entitled to unreduced monthly pension benefits equal to 2.0% of their final average salary for each year of service beginning when the sum of age and years of credited service equal or exceed 85, or at normal retirement age (65). The plan permits early retirement at ages 55-64, with three or more years of service.

Funding Policy

Benefit and contribution provisions are administered in accordance with chapter 54-52 of the North Dakota Century Code. This state statute requires that a percentage of the participant's salary be contributed to the plan by either the employee or by the employer under a "salary reduction" agreement. The rate was 4% through December 31, 2011 increased to 5% on January 1, 2012. The NDUS has implemented a salary reduction agreement and is currently contributing the employees share. Through December 31, 2011, the NDUS was required to contribute 4.12% of each participant's salary as the employer's share. The rate was increased to 5.12% on January 1, 2012. In addition to the 5.12% employer contribution the employer is required to contribute 1.14% of each participating employee's gross wage to a prefunded retiree health insurance program. The required contributions are determined using an entry age normal actuarial funding method and are included in state statute.

The North Dakota Retirement Board was created by the State Legislature and is the governing authority of NDPERS. Benefit and contribution provisions are administered in accordance with chapter 54-52 of the North Dakota Century Code, changes to the plan documents must be approved by the legislature and Governor. The University System's required and actual contributions to NDPERS for the fiscal years ending June 30, 2012, 2011 and 2010 were \$8,009,288, \$7,302,659 and \$6,929,921, respectively.

A financial report that includes financial statements and the required supplementary information for NDPERS can be obtained by writing to NDPERS; 400 East Broadway, Suite 505; P.O. Box 1657; Bismarck, ND 58502.

TIAA-CREF 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 Board of Higher Education in its approved TIAA-CREF retirement resolution. All benefits vest immediately to the participant. The State Board of Higher Education has the authority for establishing or amending plan provision and establishing or amending contribution requirements. Further information can be obtained by writing to TIAA-CREF; Denver Regional Office; 1700 Broadway, Suite 770; Denver, Colorado 80290 or by calling 800-842-2009.

Funding Policy

The plan requires employee and employer contributions be based on a classification system and years

NOTES TO THE FINANCIAL STATEMENTS

of service based on the following schedule. Beginning, January 1, 2012 contributions in class I and II increased from 1.5 percent to 2.5 percent for participant contributions and from 9.5 percent to 10.5 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 2.0 percent to 3.0 percent for participant contributions for employee contributions and from 10.0 percent to 11.0 percent for institution contributions.

Employment Class	Years of Service	Contributions by the Participant	Contributions by the Institution
I	0 thru 10	2.5%	10.5%
	over 10	3.0%	11.0%
II	0 thru 2	1.5%	5.5%
	3 thru 10	2.5%	10.5%
	over 10	3.0%	11.0%
President/Chancellor (additional employer contribution)	0 thru 12	0.0%	8.33%*
	or		
	less than 3	0.0%	0.0%
	3 to less than 6	0.0%	4.0%
	6 yrs and over	0.0%	8.0%

**A final contribution is made in the year the president terminates employment equal to the difference between total contributions made and the president's final annual salary in year of termination of employment.*

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 North Dakota University System has no further liability once annual contributions are made. The University System contributed \$31,486,688 and \$28,862,608 to TIAA-CREF during the fiscal years ending June 30, 2012 and 2011, respectively.

NOTE 13 – POST-EMPLOYMENT BENEFITS

STATE GROUP HEALTH PLAN

Members who receive retirement benefits from the Public Employees Retirement System may receive a credit toward their monthly health insurance premium under the state health plan based upon the member's years of credited service. The benefits are set by statute and the plan is a cost-sharing multiple-employer defined benefit plan. The employer contribution for the Public Employees Retirement System is set by statute on an actuarially determined basis (projected unit actuarial cost method) at 1.14 percent of covered compensation.

There are approximately 808 retired University System employees receiving these benefits and 3,378 active employees with retiree health credit. The actuarially determined required employer contribution of \$1,032,872 for the year ended June 30, 2012 is 1.14 percent of the covered payroll. The University System's actual and required contributions for the fiscal years ending June 30, 2012, 2011 and 2010 were \$1,032,872, \$1,028,414 and \$972,873, respectively.

As of June 30, 2012 there was \$63.9 million in net assets available for benefits under the state retiree health insurance credit plan. The actuarially accrued liability was \$112.4 million and the underfunded actuarially accrued liability was \$54.1 million at June 30, 2012.

NOTES TO THE FINANCIAL STATEMENTS

TERMINATION BENEFITS

Early Retirement Agreements

When early retirement is deemed to be in the mutual benefit of an employee and the University System, the Board has adopted Policy 703.1 on Early Retirement. This policy applies to tenured faculty, the chancellor, vice chancellors, other system office professional staff, presidents, executive deans, vice president, provosts, deans, and other officers responsible for a major unit of an institution who report directly to a president, vice president, provost, or executive dean who are members of TIAA-CREF, TFFR, or TIRF. During the fiscal year ended June 30, 2012, twelve employees elected early retirement.

Under the Tenured (Contract) Purchase Option, the employee is eligible for payment of up to 100 percent of the employee's final contract salary if the sum of the employee's age and total years of employment equals 70 or greater. Payments will be pursuant to the approved agreement, but cannot be made until at least 90 days after the date of Early Retirement Agreement. During the fiscal year ended June 30, 2012, 30 University System employees elected to participate in this option. Policy 703.1 also allows the early retirement agreements to retain the retiree on the applicable group health and life insurance plan. Payment by the institution of premiums is negotiable. Total cost to the institutions for these termination benefits will be \$273,104 over the term of the new contracts. Amounts payable to employees at June 30, 2012 for outstanding contract buyouts and future health and life premiums, adjusted for projected health insurance premium increases and discounted to the present were \$286,714, assuming health insurance premium increases of 15 percent and a discount rate of 0.1 percent.

Under the Phased Retirement Option, retirement is over a period of time. The percentage of workload each year is negotiated. The campus may pay all or any part of the retirement contributions on the current salary or any part of the individual's salary until the individual terminates all employment. During the fiscal year ended June 30, 2012, no University System employees participated in this option.

Severance Agreements

In fiscal year 2012, institutions paid \$336,534 to 22 employees under separate employment separation agreements.

NOTE 14 – CONSTRUCTION COMMITMENTS AND FINANCING

The campuses have contracted for various construction projects as of June 30, 2012. Estimated costs To complete the various projects and the sources of anticipated funding are as follows:

NOTES TO THE FINANCIAL STATEMENTS

Campus	Expended			Funding for Remaining Costs			
	Contracts Awarded	Through 41090	Total Cost To Complete	Federal Sources	State Sources	Institutional Funds	Other Sources
BSC	\$ 4,446,001	\$ 1,965,061	\$ 2,480,940	\$ -	\$ 2,180,530	\$ -	\$ 300,410
DCB	652,594	-	652,594	-	652,594	-	-
DSU	-	-	-	-	-	-	-
LRSC	7,181,216	2,609,920	4,571,296	-	-	4,571,296	-
MaSU	9,008,328	8,949,032	59,296	-	-	39,957	19,339
MiSU	21,097,630	16,026,746	5,070,884	103,516	1,667,022	3,292,115	8,231
NDSCS	18,404,678	1,799,844	16,604,835	-	8,909,737	124,214	7,570,884
NDSU	83,370,048	60,579,216	22,790,831	3,288,150	11,657,432	-	7,845,250
UND	14,837,067	11,793,674	3,043,393	223,924	2,223,210	596,259	-
VCSU	8,353,524	3,106,512	5,247,011	-	5,234,511	-	12,500
WSC	19,330,160	15,769,478	3,560,682	-	387,810	-	3,172,872
Total	\$186,681,246	\$122,599,483	\$64,081,763	\$ 3,615,590	\$ 32,912,847	\$ 8,623,841	\$ 18,929,486

NOTE 15 –COMPONENT UNIT TRANSACTIONS

MAJOR COMPONENT UNITS

Investments

Investments are reported at fair value (market) and reported on the Statement of Net Assets as follows:

As of June 30, 2012, the major component units had investments as shown below:

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	\$ 173,455	\$ 85	\$ 5,964	\$ -	\$ 167,406
US Agencies	60,547	-	59,986	-	561
Corporate Bonds	4,857,403	140,749	3,938,480	190,517	587,657
Mutual Bond Funds	55,189,939	831,276	37,765,503	46,820	16,546,340
Money Market Mutual Funds	686,125	686,125	-	-	-
Other	2,832,922	2,810,039	22,883	-	-
Subtotal	\$ 63,800,391	\$ 826,874	\$ 41,763,969	\$ 237,337	\$ 1,918,976
Equity Mutual Funds	\$ 153,385,053				
Trust Funds	-				
Investment in Real Estate	58,424,151				
Commodity Hedge and Limited Partnerships	31,069,629				
Stocks	20,332,000				
Certificate of Deposits	6,987,796				
Other	31,733,497				
Total Investments per the Statement of Net assets	\$ 365,732,517				

Interest Rate Risk

North Dakota State University Development Foundation's investment policy addresses interest rate risk by requiring allocation of fixed income securities among maturities of different lengths according to interest rate prospects. Bismarck State College Foundation's investment policy limits the average

NOTES TO THE FINANCIAL STATEMENTS

maturity of the portfolio to between four and seven years with a maximum maturity for any one fixed income security of ten years.

Custodial Credit Risk

As of June 30, 2012, the major component units had no investments that were uninsured and not registered in the name of the component unit.

CAPITAL ASSETS

Capital asset activity for the major component units for the year ended June 30, 2012 was as follows:

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Land	\$ 3,278,749	\$ 31,843	\$ -	\$ -	\$ 3,310,592
Construction in progress	710,762	11,131,346	2,726,181	-	9,115,927
Total non-depreciable capital assets	\$ 3,989,511	\$ 11,163,189	\$ 2,726,181	\$ -	\$ 12,426,519
Land improvements/infrastructure	\$ 1,247,796	\$ -	\$ -	\$ -	\$ 1,247,796
Buildings	164,702,168	2,848,635	-	-	167,550,803
Furniture, fixtures, and equipment	36,834,035	3,084,154	740,482	-	39,177,707
Total depreciable capital assets	\$ 202,783,999	\$ 5,932,789	\$ 740,482	\$ -	\$ 207,976,306
Less accumulated depreciation					
Land improvements/infrastructure	\$ 498,770	\$ 46,826	\$ -	\$ -	\$ 545,596
Buildings	46,794,369	3,866,130	-	-	50,660,499
Furniture, fixtures, and equipment	14,560,355	2,967,869	740,479	-	16,787,745
Total accumulated depreciation	\$ 61,853,494	\$ 6,880,825	\$ 740,479	\$ -	\$ 67,993,840
Total depreciable capital assets, net	\$ 140,930,505	\$ (948,036)	\$ 3	\$ -	\$ 139,982,466
Capital assets, net	\$ 144,920,016	\$ 10,215,153	\$ 2,726,184	\$ -	\$ 152,408,985

BONDS PAYABLE

Bonds payable for the major component units at June 30, 2012 was as follows:

Issue	June 30, 2012		
	Maturity Date	Interest Rate	Balance Outstanding
BSC Foundation	2012-2032	4.5 - 5.25%	\$ 1,964,822
Dickinson State University Foundation	2017-2024	1.0 - 6.0%	5,887,241
NDSU Development Foundation	2018-2038	0.85% - 5.19%	25,083,972
NDSU Research & Technology Park, Inc.	2032	4.0 - 4.75%	21,865,000
UND Alumni Foundation	2013-2027	2.5 - 5.0%	9,901,980
Total Component Unit Bonds Payable			\$ 64,703,015

NOTES TO THE FINANCIAL STATEMENTS

Scheduled Maturities of Bonds Payable

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 931,449	\$ 1,071,327	\$ 2,002,776
2013	3,053,418	2,780,262	5,833,680
2014	3,185,515	2,650,797	5,836,312
2015	3,074,869	2,520,453	5,595,322
2016	3,208,632	2,385,942	5,594,574
2017	3,356,014	3,156,175	6,512,189
2018 - 2022	20,609,588	8,745,622	29,355,210
2023 - 2027	19,469,988	4,854,462	24,324,450
2028 - 2032	7,546,175	1,086,613	8,632,788
2033 - 2037	232,468	33,443	265,911
2038 - 2042	34,899	557	35,456
	<u>\$ 64,703,015</u>	<u>\$ 29,285,653</u>	<u>\$ 93,988,668</u>

NOTES PAYABLE

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

	<u>June 30, 2012</u>	
	<u>Interest Rate</u>	<u>Balance Outstanding</u>
DSU Foundation	4.05 - 5.5%	\$ 564,808
NDSU Development Foundation	2.77% - 6.86%	1,474,357
NDSU Research & Tech Park, Inc.	3.0%	350,000
UND Aerospace Foundation	0.25 - 5.8%	3,107,021
RE, Arena, Inc	3.0%	3,997,302
Total Component Unit Notes Payable		<u>\$ 9,493,488</u>

NOTES TO THE FINANCIAL STATEMENTS

Scheduled Maturities of Notes Payable

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 231,398	\$ 95,123	\$ 326,521
2013	1,844,297	366,005	2,210,302
2014	2,511,776	241,229	2,753,005
2015	1,154,661	169,433	1,324,094
2016	983,617	133,240	1,116,857
2017	958,320	81,847	1,040,167
2018 - 2022	1,604,379	152,942	1,757,321
2023 - 2027	138,283	21,339	159,622
2028 - 2032	66,757	7,356	74,113
	<u>\$ 9,493,488</u>	<u>\$ 1,268,514</u>	<u>\$ 10,762,002</u>

Scheduled Maturities of Capital Leases

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 55,281	\$ 79,357	\$ 134,638
2014	49,912	77,118	127,030
2015	51,567	74,773	126,340
2016	54,024	72,315	126,339
2017	56,599	69,741	126,340
2018 - 2022	326,115	305,582	631,697
2023 - 2027	411,587	220,110	631,697
2028 - 2032	519,460	112,237	631,697
2033 - 2037	180,921	8,588	189,509
	<u>\$ 1,705,466</u>	<u>\$1,019,821</u>	<u>\$ 2,725,287</u>

Reconciliation of Receivable to and Payable From Primary Institution

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

NOTES TO THE FINANCIAL STATEMENTS

Primary University Due from Component Units - Current	\$ 6,776,477	Primary University Due to Component Units - Current	\$ 89,177
Primary University Due from Component Units - Non-Current	1,220,300	Primary University Long Term Liability to Component Unit - Current Portion	3,048,760
Total Due from Component Units	<u>\$ 7,996,777</u>	Primary University Long Term Liability to Component Unit - Non-Current Portion	<u>56,218,040</u>
Timing Differences:		Total Due to Component Units	\$59,355,977
Transactions with Component Units having fiscal year ends other than June 30th	2,952,206	Timing Differences:	
Transactions in transit at June 30, 2012	<u>(121,201)</u>	Transactions with Component Units having fiscal year ends other than June 30th	319,486
Component Unit Payable to Primary University	<u>\$10,827,782</u>	Transactions in transit at June 30, 2012	<u>(86,999)</u>
		Total Receivable from Primary University	<u>\$59,588,464</u>
		Receivable from Primary University - Current	\$ 3,114,551
		Receivable from Primary University - Non Current	<u>56,473,913</u>
			<u>\$59,588,464</u>

SIGNIFICANT TRANSACTIONS

Bismarck State College and Bismarck State College Foundation

On January 25, 2007, BSC and BSC Foundation entered into a 15-year lease agreement to facilitate the construction of a Mechanical Maintenance building. Under the agreement, BSC is responsible for payment of 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 \$1.4 million debt service retirement. Upon payment of all the bonds, BSC will have the option to purchase the premises for \$100.

On October 19, 2007, BSC and BSC Foundation 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. The audited financial statements of BSC Foundation for

NOTES TO THE FINANCIAL STATEMENTS

fiscal year 2012 report this transaction as an operating lease and report the related capital assets and related debt as assets and debt of the foundation.

The building is recorded as a capital asset in the foundation's financial statements at actual cost less accumulated depreciation. BSC recorded the capital asset based on the lease value plus subsequent improvements made by BSC, net of accumulated depreciation. The table below displays the amounts recorded by both:

	<u>BSC</u>	<u>BSC Foundation</u>
NECE Building	\$ 6,541,322	\$ 15,846,116
Accumulated Depreciation	(726,080)	(1,422,087)
Net Value of NECE Building	<u>\$ 5,815,242</u>	<u>\$ 14,424,029</u>

Dickinson State University and Dickinson State University Foundation

The Dickinson State University Foundation issued two series of revenue bonds of \$9,200,000 on June 4, 2009 to finance the Badlands Activities Center project. The bonds will be paid off with private donations raised by the Foundation and are summarized as follows:

\$5,000,000 million bond at a fixed rate of 5.89%. The bond is amortized over 15 years with semi-annual payments due each January and July 20th. The payments in 2010 will be interest only, with the first principal payment due in January of 2011.

\$4,200,000 million bond with a variable rate of interest, currently 0.95%. The bond is re-priced every six months and has payments each January and July. There are neither time limits nor prepayment penalties on this issue.

North Dakota State University and NDSU Research and Technology Park, Inc.

On December 30, 1999, NDSU through the State of North Dakota and the North Dakota State Board of Higher Education entered into a ground lease, whereby the NDSU Research & Technology Park, Inc. (component unit) leases 40 acres of land for \$1 per year for the next seventy-five years.

On November 1, 2000, NDSU Research and Technology Park, Inc. (RTP) entered into a \$6.5 million lease agreement with the City of Fargo to finance the construction of laboratory and research facilities and all equipment and furnishings located on property owned by the city. The agreement assigned to NDSU all of RTP's obligations under the lease, including but not limited to the 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. Upon payment of all the bonds, title to the facility will revert to RTP. On August 1, 2002, essentially the same legal and financial structure used to construct Research Building #1 was used to construct a second Research Building. The second lease agreement was for \$20,450,000.

On January 25, 2007, the city of Fargo, on behalf of the NDSU Research & Technology Park, issued \$4,735,000 of Series 2007A (Research 1) and \$18,100,000 of Series 2007B (Research 2) Lease Revenue Refunding Bonds. These bonds are used to advance refund the callable maturities of both the Series 2000 (Research 1) and Series 2002 (Research 2) bonds and to pay the costs of issuance (including the insurance premium for the insurance policy and the reserve fund surety bond) relating to bonds for both Series A and 2B bonds. For the Series 2000 bonds, there is a principal amount of

NOTES TO THE FINANCIAL STATEMENTS

\$4,365,000 of callable maturities on October 1 in years 2011 through 2021. For the Series 2002 bonds, there is a principal amount of \$17,215,000 of callable maturities on October 1 in years 2013 through 2032. On the original bonds refunded, the principal amounts outstanding as of June 30, 2012 are as follows: Series 2000 bonds \$4,200,000 and Series 2002 bonds \$17,665,000.

The audited financial statements of RTP for fiscal year 2012 report these transactions as an operating lease and report the related capital assets and related debt as assets and debt of RTP.

NDSU and RTP have entered into an operating agreement, whereby NDSU leases Research Building #1 for an annual rent of \$628,943 and Research Building #2 for \$1,525,963 through July 2013, plus utilities and insurance. Total payments under these agreements in fiscal year 2012 were approximately \$2.2 million. These agreements are subject to funding and legislative appropriations. On July 1, 2002, NDSU and RTP entered into an agreement for cooperation and assistance between entities. The agreement automatically extends for one-year periods unless cancelled by either party to the agreement.

North Dakota State University and NDSU Development Foundation

NDSU Equine Center

Effective January 1, 2003, NDSU and the NDSU Development Foundation entered into a ten-year lease agreement with an option for an additional ten year term to facilitate the construction of an Equine Science Center. Under the agreement, NDSU will pay rent to the NDSU Development Foundation for use of the premises. The amount of the rent is tied to the \$4.355 million debt service retirement plus necessary insurance and taxes incurred by the Development Foundation. NDSU paid the Development Foundation \$309,781 in fiscal year 2012 under this agreement.

The facility is included in long-term investments and the debt is included in long-term liabilities on the financial reports of the NDSU Development Foundation. NDSU has also recorded a capital asset and a capital lease payable of \$3,070,000 as of June 30, 2012. Since the Development Foundation is a discretely presented component unit of the University System and the component unit and the University System are reporting the same assets and debt for the Equine Center, a reclassification entry was made to ending balances in the component unit consolidating financial statements to show the appropriate due from primary institution.

Fargodome Lease and Improvements

In fiscal year 2006, the NDSU Development Foundation financed the construction and equipping of office space, locker rooms, meetings rooms, and related facilities in the Fargodome for use by NDSU through the sale of revenue bonds issued by Cass County. The Foundation has leased the space in the Fargodome from the City of Fargo and subleased the space, furniture, fixtures and equipment to NDSU. Under the agreement, NDSU will pay rent to the NDSU Development Foundation for use of the premises. The amount of the rent is tied to the \$3.5 million debt service retirement plus the Fargodome annual space rent and all costs incurred by the Development Foundation incident to the lease, less any contributions received by the Foundation for the project. Under this agreement in fiscal year 2012, the Development Foundation paid the debt service and other fees on behalf of NDSU in the amount of \$331,996.

The facility is included in long-term investments and the debt is included in long-term liabilities on the financial reports of the NDSU Development Foundation. NDSU has also recorded a capital asset and a capital lease payable of \$2,286,500 as of June 30, 2012. Since the Development Foundation is a discretely presented component unit of the University System and the component unit and the

NOTES TO THE FINANCIAL STATEMENTS

University System are reporting the same assets and debt for the Fargodome improvements, a reclassification entry was made to ending balances in the component unit consolidating financial statements to show the appropriate due from primary institution.

Renaissance Hall

The former Northern School Supply building was donated to the NDSU Development Foundation by NDSU alum in December of 2001. During fiscal year 2003 and 2004, the NDSU Development Foundation renovated the building with the intent to lease the facility to NDSU beginning fall 2004. The Development 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 Development Foundation, permanent financing was put in place on December 17, 2010, with the issuance of \$5,650,000 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 State Board of Higher Education 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 Development Foundation incident to ownership of the property. Ownership of the property will transfer to NDSU when the bonds are repaid in full. As of June 30, 2012 the outstanding balance on the bonds, reflected as "Due to Component Units" by NDSU, is \$5,405,000.

Aircraft

Effective June 28, 2007, NDSU and the NDSU Development Foundation entered into a \$2,348,000, ten-year, lease agreement for the purchase of an aircraft. Under the agreement, NDSU will pay rent to the NDSU Development Foundation for use of the aircraft. The amount of the rent is equal to the amount of the principal and interest payments on the loan, for the life of the loan. During fiscal year 2012, NDSU made \$322,919 of debt service to the NDSU Development Foundation on the Aircraft lease. The University is responsible for all costs incurred in operation and maintenance of the aircraft. Upon completion of the loan payments, ownership of the aircraft will be transferred to NDSU. Since the Development Foundation is a discretely presented component unit of the University System and the component unit and the University System are reporting the same assets and debt for the leased aircraft, a reclassification entry was made to ending balances in the component unit consolidating financial statements to show the appropriate due from primary institution.

Barry Hall Business Building and Klai Hall Architecture Building

Effective November 28, 2007, NDSU and the NDSU Development 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 20-year University Facilities Revenue Bonds issue by the City of Fargo, North Dakota. The City has loaned the bond proceeds to the Foundation for payments equal to the sum of the semi-annual interest payments and installments of varying principal amounts on the variable rate bonds and the semi-annual principal and interest payments on the fixed-rate bonds. The principal payments on the variable rate bonds will be

NOTES TO THE FINANCIAL STATEMENTS

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. During fiscal 2011, NDSU paid \$807,122 to the NDSU Development Foundation for under the leases for debt service, property taxes and insurance on Barry Hall & Klai Hall. NDSU has an option to acquire the property upon full payment of the bonds. The bonds payable have a balance of \$10,605,596 at December 31, 2012. In May 2012, the NDSU Development Foundation refinanced the bonds. The leases with NDSU were refunded and new leases were entered into with NDSU.

NDSU President's House

On September 15, 2008, the NDSU Development Foundation financed the construction of a new residence for the NDSU President through the sale of \$900,000 of 30 year University Facilities Bonds. The interest rate is a fixed rate of 4.20% with semi-annual principal and interest payments. The repayment source is private donations and pledges. The bonds payable have a balance of \$846,969 at December 31, 2011. During fiscal year 2010, the President's House was capitalized on NDSU's books for the sum of the Foundation & NDSU costs, plus the donated services (\$2,605,983).

Other Transactions

NDSU also has agreements in place with the Foundation for maintenance of the University's alumni records, for use and insurance on certain land and buildings and for lease of a vehicle. Amounts paid by NDSU under these agreements as of June 30, 2012 totaled \$559,911. In addition, the Development Foundation may contract with NDSU for materials and personnel in the service and utility areas and will reimburse NDSU based on separate agreements.

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

University of North Dakota and UND Aerospace Foundation

The Aerospace Foundation reimbursed UND for salaries, building rent, aircraft rental, and goods and services under an operating agreement aggregating approximately \$18.3 million in fiscal 2012. The amount paid UND included aircraft rental of \$5.4 million, room and board of \$635,000, tuition and fees of \$1.8 million, salaries of \$4.0 million and flight repairs and fuel of \$6.5 million. 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.

UND reimbursed the foundation for air service and hangar, CRJ, 360-degree tower and aircraft rental of \$1.1 million. These expense reimbursements represent actual costs incurred. In addition, the Aerospace Foundation may contract with UND for materials and personnel in the service and utility areas and will reimburse UND based on separate arrangements. As of June 30, 2012, the foundation has recorded accounts payable to UND of \$1,027,787 for reimbursable costs and services under these arrangements.

The Aerospace Foundation entered into a sublease with UND to lease the aircraft storage

NOTES TO THE FINANCIAL STATEMENTS

hangar/ground support equipment facility. The lease term is for 20 years, commencing on July 7, 2003 until July 6, 2023. For the first 15 years of the sublease, UND will pay the foundation monthly minimum payments of \$12,672 beginning on October 1, 2003, subject to actual cost adjustments. At the end of the 15 years, rent will be adjusted based upon an interest rate adjustment or a refinancing of the debt incurred by the foundation in the construction of the hangar. The audited financial statements of the foundation report the capital assets and related debt for this lease. Since the foundation is a discretely presented component unit of the University System and the component unit and the University System are reporting the same assets and debt for this transaction, a reclassification entry was made to ending balances in the component unit consolidating financial statements to show the appropriate due from primary institution.

University of North Dakota and RE Arena, Inc.

RE Arena, Inc. manages, operates and maintains an arena known as the Ralph Englestad Arena, which was constructed in 2001 for the benefit of UND athletics. UND and RE Arena, Inc enter into an annual operating agreement from July 1 to June 30. 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) RE Arena Inc. collects all ticket revenue from ticketed UND athletic events (men's and women's hockey, football, men's and women's basketball, and volleyball), RE Arena, Inc. retains 52% of such ticket revenue and remits 48% to UND, and (ii) RE Arena Inc. collects all sponsorship sales revenue from UND athletic events at the arena, RE Arena, Inc. retains 64% of such sponsorship revenue, net of direct costs, and remits 36% to UND. In addition, UND and RE Arena, Inc. jointly utilize UND and RE Arena Inc. marketing staff to market and promote UND athletic events.

In addition, RE Arena, Inc. may contract with UND for materials and personnel in the service and utility 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. The transactions in relation to the contractual relationship are as follows:

- Gross tickets sales were \$3,945,713 of which UND recognized revenue of \$3,945,713 and expenses of \$ 2,107,801. REA recognized net revenue of \$ 2,051,771, a difference of \$56,030 due to trade allocations.
- Gross ticket sales for the next athletic season year are recorded as due from component unit and deferred revenue at gross; the amount is \$2,680,846. REA also records at gross with a payable to UND for its percentage.
- UND recognizes sponsorship (advertising) revenue at net of \$346,868, while REA recognizes at gross and expenses for the amount allocated to UND.
- REA owes UND net income allocation for fiscal year 2012 of \$300,000.
- REA paid UND \$930,054 for utilities and maintenance staff.

RE Arena Inc. fiscal year end is May 31, UND year end is June 30. Timing differences in amounts may occur between entity financial statements, due to different year end dates.

University of North Dakota and University of North Dakota Foundation

The University of North Dakota Foundation issued tax-exempt lease revenue bonds on October 24, 2003 of \$4,400,000 to finance the land purchase and construction of the Minot Family Practice Center. The center is a department of the School of Medicine & Health Sciences at UND. The interest rate is

NOTES TO THE FINANCIAL STATEMENTS

fixed at 4.15 percent until 2018. Principal balance outstanding at June 30, 2012 is \$3,087,084. Payments of \$136,000 are required semi-annually through 2018. A receivable from UND and the bond payable is included on the financial reports of the foundation and UND has recorded a capital asset and a capital lease payable as of June 30, 2012.

On July 24, 2002, UND Foundation issued lease revenue bonds of \$8,595,000 on behalf of UND to, i) finance the construction of an office building for EERC, ii) renovate the current EERC building, iii) finance capitalized interest, and iv) pay cost of issuance of the bonds. UND and UND Foundation also entered into a lease agreement on July 1, 2002, whereby the foundation leases the property to UND and UND will pay the foundation basic rents which will be sufficient to cover principal and interest on the lease revenue bonds when due. The bonds bear an interest rate of 2.5 to 5.13 percent and mature in 2027. The lease revenue bond has a balance of \$6,310,000 at June 30, 2012. The foundation's financial statements include this transaction as a receivable from UND and a long-term liability. UND's financial statements include the capitalized asset and a long-term liability due to UND Foundation.

On December 22, 2008, the UND Foundation issued bonds of \$1,200,000 to fund construction of the North Dakota Center for Human Safety (NDCHS). Annual payments of principal along with semi-annual payments of interest are required at a fixed interest rate of 3.5%. Payments are due through 2013. The bonds have a balance of \$504,896 at June 30, 2012. The bond payments are expected to be collected from future gifts. UND recorded a capital lease of \$206,810 which as a balance as of June 30, 2012 of \$124,086, this was amount of finance costs being incurred by the Foundation.

UND leases office space to the UND Foundation at a cost of \$1 per year and provides some administrative services, computer services, utilities and maintenance at no cost as a partial in-kind reimbursement for services rendered by the Foundation. At June 30, 2012, the foundation estimated the fair rental value reflected in the audited financial statements at \$129,000.

NON-MAJOR COMPONENT UNITS

North Dakota State University and North Dakota State University Research Foundation

Revenues from research fees & royalties received from patents and other intellectual property or know-how are first used to cover expenses incurred in patenting, licensing, collection, and other expenses related to the technology. After these expenses have been paid, the net research fee (royalty) income is divided so that at least 30% of the net proceeds will be paid to those responsible for the invention, and 70% is distributed by negotiation between the department, college, and the Foundation. The portion distributable to an NDSU department is credited to a liability account called Distributable Managed Funds and recognized as an expense at the Foundation. NDSU reports an offsetting revenue and receivable (Due from Component Units) in its financial statements. A summary of the fiscal 2011 activity in the Distributable Managed Funds liability account at the Foundation is as follows:

Beginning Distributable Managed Funds (DMF) as of 6/30/2011	\$	2,137,205
Royalties transferred to DMFs		546,790
Portion of above Royalties distributed to NDSU Departments		(2,683,995)
Other Payments on account to NDSU Departments		
Ending Distributable Managed Funds as of 6/30/2012	\$	-

NOTES TO THE FINANCIAL STATEMENTS

North Dakota State College of Science and North Dakota State College of Science Foundation

For the year ended June 30, 2012, NDSCS paid the foundation \$174,000 for the rental of the Skills & Technology Training Center building.

University of North Dakota and University of North Dakota Research Foundation

For the year ended June 30, 2012, UND paid the foundation \$1,153,099 for the rental of a building and \$109,335 for research space in a separate building.

Valley City State University and Valley City State University Foundation

The foundation has a memorandum of Agreement with VCSU for administrative services. Under this agreement, the foundation paid VCSU approximately \$93,872 during fiscal year 2012.

Williston State College and Williston State College Foundation

In FY2012, WSC and the foundation entered into an arrangement whereby the foundation lent WSC \$500,000 for a dormitory geothermal heating project. The note has a twelve year term and a 5% fixed annual interest rate.

NOTE 16 – ON-BEHALF PAYMENTS

On-behalf payments for fringe benefits and salaries are direct payments made by one entity to a third party recipient for the employees of another legally separate entity. On-behalf payments include pension plan contributions, employee health and life insurance premiums, and salary supplements or stipends. The amount of on-behalf payments for fringe benefits and salaries for fiscal year ended June 30, 2012 is \$62,850. There were no on-behalf payments made as contributions to a pension plan for which the System is not legally responsible.

NOTE 17 – FUNCTIONAL EXPENSE CLASSIFICATION

The System reports operating expenses using the “natural classification” on the Statement of Revenues, Expenses and Changes in Net Assets. Operating expenses for the year ending June 30, 2012, using the “functional classification” are presented below:

Operating Expenses	
Instruction	\$ 338,873,103
Academic Support	70,517,805
Student Services	45,852,068
Institutional Support	101,567,609
Physical Plant	70,550,131
Scholarships and Fellowships	27,673,430
Auxiliary Enterprises	125,062,941
Public Service	56,392,547
Research	145,063,853
Depreciation	53,104,390
Total	<u>\$ 1,034,657,877</u>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 18 – OPERATING LEASES

The campuses are obligated under certain leases for equipment, vehicles and facility rental, which are accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore, the resulting expenditures are recognized as incurred. Lease expenditures for the year ended June 30, 2012, amounted to \$6.4 million.

Future minimum lease payments at June 30, 2012 are as follows:

<u>Fiscal Year</u>	<u>Future Minimum Lease Payments</u>
2013	\$ 3,284,963
2014	2,192,093
2015	1,839,892
2016	1,661,025
2017	1,404,118
2018 - 2022	3,114,516
2023 - 2027	252,500
2028 - 2032	252,500
2033 - 2037	50,500
	<u>\$ 14,052,107</u>

NOTE 19 – CONTINGENCIES

Amounts received and expended by the University 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 University System.

In the normal course of its activities, the institutions of the University 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 University System. Therefore, an estimated liability has not been recorded.

Minard Hall

Minard Hall is the largest academic facility located in the historical district on NDSU's campus. Legislative appropriations were approved for the 2007-09 & 2009-11 biennia for the renovation and an addition to Minard Hall. Original authorized funding for the project is \$18,000,000: \$17,500,000 general funds and \$500,000 special/local funds.

Minard Hall experienced an unprecedented partial collapse of the north wall in the early morning hours of December 27, 2009. The partial collapse of Minard Hall's North wall, during the construction of the legislatively approved addition, resulted in a delay in the completion of the project, increased costs for construction and legal expenses, as well as numerous other issues, such as relocation of faculty, staff, and classroom space. Since that time NDSU has been periodically updating the State Board of Higher Education and the Legislative Assembly's Budget Section, as information becomes available.

NOTES TO THE FINANCIAL STATEMENTS

In November & December of 2011, the State Board of Higher Education and Legislative Assembly's Budget Section approved NDSU to incur additional costs of \$4,874,300 due to the collapse. The State Board of Higher Education approved a \$4,874,300 increase with the intent that up to this amount (less any recovered from insurance or legal action) be ultimately funded by a state general fund deficiency appropriation per NDCC 48-01-.2-25. The Budget Section's approval indicated the additional funding come from insurance proceeds, legal settlements, and other available funds.

As of June 30, 2012, total costs charged to the Minard Hall project are \$15,706,620 which is still within the original \$18,000,000 authorized funding. As of the reporting date for the fiscal 2012 financials, NDSU is pursuing litigation against multiple parties in order to recoup the damages incurred as a result of the collapse.

NOTE 20 – RISK MANAGEMENT

The University 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 are funds/pools established by the state for risk management issues.

There have been no significant reductions in insurance coverage from the prior year and settled claims from these risks have not exceeded insurance coverage in any of the past three years.

RISK MANAGEMENT FUND

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

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

The Fund is a risk retention pool that is funded by contributions paid by all State agencies. 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 University System also participates in the North Dakota Fire and Tornado Fund and State Bonding Fund. The University 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 University System with blanket fidelity bond coverage in the amount of \$750,000 to \$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.

NOTES TO THE FINANCIAL STATEMENTS

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 21 – ASBESTOS SETTLEMENT

During fiscal year 1999, the University System settled an asbestos lawsuit against W.R. Grace & Co. The Chancellor has designated the dollars for asbestos related projects at the campuses. The designated amount for NDSU and UND at June 30, 2012 is \$1,318,760 and \$1,309,088, respectively.

NOTE 22– DEFICIT NET ASSET BALANCES > \$100,000

As of June 30, 2012 the institutions listed below had the following reportable net asset balance deficits greater than \$100,000.

<u>Institution</u>	<u>Fund</u>	<u>Description</u>	<u>Deficit Balance</u>
Minot State University	10229	Beaver Lodge	\$ 2,699,987
	10232	University Heights Housing	595,709
			<u>\$ 3,295,696</u>
North Dakota State University	28100	Barry Hall Finishing	\$ 1,587,226
		Total NDSU	\$ 1,587,226
University of North Dakota	22364	EERC Cost of Litigation	\$ 1,153,847
	21220	Bismarck Center for Family Medicine	476,739
		Total UND	<u>\$ 1,630,586</u>
Total University System			<u><u>\$ 6,513,508</u></u>

MINOT STATE UNIVERSITY

The deficit in the Beaver Lodge and University Height Housing funds represents the recording of a payable to a local fund for the payment of debt. The payable is offset by a corresponding receivable in the local fund. As revenue is collected from Beaver Lodge and University Heights, the cash will be transferred to the local fund to repay the debt.

NORTH DAKOTA STATE UNIVERSITY

Barry Hall Finishing Costs – The deficit is the result of paying furniture, IT equipment and landscaping costs on the Barry Hall project in fiscal 2010. Original NDSU plans were to pay for these costs through a lease agreement with the NDSU Development Foundation. During a performance audit in FY10, the

NOTES TO THE FINANCIAL STATEMENTS

State Auditor's Office questioned the legality of lease agreements on Barry Hall; as a result, the lease agreement on the Barry Hall finishing costs was put on hold. Based on advice from the ND University System Office, NDSU did not enter into the planned lease agreement; but instead accumulated the costs in a university fund/project, reporting the deficit, and implemented a plan to repay the deficit over 5 years. Paying for these costs using inter-fund borrowing in this manner results in interest savings and keeps the university's long-term debt down. During FY12 NDSU made the annual \$530,000 installment payment. The deficit is in line with the deficit reduction plan for Barry Hall approved by the SBHE BAFC on May 5, 2011.

UNIVERSITY OF NORTH DAKOTA

Fund 22364 - EERC Costs of Litigation had an original deficit balance of \$1,846,000 as of June 30, 2008. This balance represents the aggregate of costs incurred relative to ongoing litigation. As each case is brought to closure, balances will be brought to zero using funds resulting from the settlement. A settlement agreement has been signed and a deficit reduction plan has been implemented. A monthly payment of \$19,979.23 is made and the prediction is it will be paid off in 5.204 years or 62.45 months. The maximum time needed to cover the deficit was just over 9 years and is in line with the previously reported deficit reduction plan. The intent is still to bring the deficit to zero as quickly as possible.

Fund 21220 – The Bismarck Center for Family Medicine net equity deficit as of June 30, 2008 was \$52,850 before an audit adjustment to increase the accounts receivable allowance by \$1,108,030 was made to the June 30, 2008 financial statements in December 2008. The adjustment relates to a \$1,775,973 accounts receivable balance due to UND from Bismarck MedCenter One Hospital. The audit adjustment was made after Medicare made a provider audit adjustment to Bismarck MedCenter One Hospital financial statements. UND disputed the Medicare provider adjustment, but the 8th Circuit court ruled in favor of Medicare in May 2011 and has declined a rehearing. A 2nd Group appeal has been discontinued. The deficit will be reduced through increased patient care revenue and responsible management of operating expenses. In addition, the SMHS will continue to work with the teaching hospitals to improve their hospital billing to Medicare for resident time spent in hospital service. The SMHS plans to eliminate this deficit entirely by June 30, 2015. Analysis of the Bismarck hospitals accounts receivables is a cooperative effort of the financial officers of the SMHS, UND and the Bismarck hospitals. Adjustments to the hospital's accounts receivables will continue to be made as new data becomes available.

NOTE 23 – Subsequent Events

UNIVERSITY OF NORTH DAKOTA

In October 2012, UND issued Series 2012 Bonds to refund:

- a. the outstanding University of North Dakota Housing and Auxiliary Facilities Improvement and Refunding Revenue Bonds, Series 2002,
- b. to fund an escrow to be used to refund the outstanding 2015 through 2032 maturities of the University of North Dakota Housing and Auxiliary Facilities Revenue Bonds, Series 2004 on April 1, 2014, and
- c. to pay the costs of issuance. The refunding is expected to result in savings in excess of 7% over the original term of the bonds.

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NORTH DAKOTA UNIVERSITY SYSTEM
SUPPLEMENTARY INFORMATION
JUNE 30, 2012

	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	\$ 11,256,308	\$ 5,542,381	\$ 1,873,878	\$ 5,183,760	\$ 3,336,410	\$ 2,871,199	\$ 14,587,363
Investments	-	3,561,000	-	9,655,000	-	475,000	1,872,400
Accounts receivable, net	401,061	578,978	382,295	378,236	519,875	611,420	923,696
Due from other NDUS institutions	-	-	-	-	47,922	10,608	110,974
Due from component units	-	75,662	-	5,051	-	23,209	1,091,569
Due from State General Fund	1,909,134	481,215	-	848,459	294,830	70,201	1,051,297
Grants and contracts receivable, net	20,645	1,365,536	28,862	404,268	604,599	508,175	2,437,981
Inventories	-	711,191	174,489	425,222	258,568	238,805	-
Notes receivable, Net	-	100,535	50,840	220,186	79,945	152,557	667,974
Other assets	3,472	222,525	13,311	173,853	25,832	142,172	4,086,497
Total current assets	\$ 13,590,620	\$ 12,639,023	\$ 2,523,675	\$ 17,294,035	\$ 5,167,981	\$ 5,103,346	\$ 26,829,751
Non current assets							
Restricted cash and cash equivalent	\$ -	\$ 491,740	\$ -	\$ 77,500	\$ 4,628,558	\$ 159,397	\$ 92
Restricted investments	-	6,696,380	-	-	105,000	355	1,129,535
Endowment investments	-	-	-	-	-	17,000	1,219,900
Notes receivable, net	-	362,123	183,446	794,494	277,705	421,339	2,410,249
Other long-term investments	-	-	-	-	-	-	-
Unamortized bond discounts and cost of issuance	16,277	250,115	-	13,663	-	107,038	284,101
Due from component units	-	-	-	-	-	-	-
Capital assets, net	9,061,678	36,042,318	5,220,076	34,137,077	6,249,581	25,163,753	77,054,298
Total noncurrent assets	9,077,955	43,842,676	5,403,522	35,022,734	11,260,844	25,868,882	82,098,175
Total assets	\$ 22,668,575	\$ 56,481,699	\$ 7,927,197	\$ 52,316,769	\$ 16,428,825	\$ 30,972,228	\$ 108,927,926
LIABILITIES							
Current liabilities							
Accounts payable and accrued liabilities	\$ 3,406,661	\$ 1,706,063	\$ 68,118	\$ 1,552,069	\$ 334,285	\$ 427,081	\$ 3,636,644
Due to component units	-	24,937	-	-	-	-	-
Accrued payroll	371,273	1,398,655	209,472	1,054,263	427,012	732,764	2,117,726
Deferred revenue	-	524,128	19,307	-	437,850	154,491	801,650
Deposits	1,301,803	470,038	(48,418)	132,705	283,739	221,538	590,266
Long-term liabilities-current portion	-	-	-	-	-	-	-
Due to component units	-	112,660	-	-	-	-	-
Due to others	1,929,294	459,502	54,043	506,557	348,167	923,938	676,613
Total current liabilities	7,009,031	4,695,983	302,522	3,245,594	1,831,053	2,459,812	7,822,899
Noncurrent liabilities							
Other Noncurrent Liabilities	39,434	124,913	-	70,134	-	-	4,045,758
Long-term liabilities	-	-	-	-	-	-	-
Due to component units	-	1,852,161	-	-	-	-	-
Due to others	2,918,517	12,191,290	243,080	625,300	5,472,008	11,156,705	14,991,917
Total noncurrent liabilities	2,957,951	14,168,364	243,080	695,434	5,472,008	11,156,705	19,037,675
Total liabilities	\$ 9,966,982	\$ 18,864,347	\$ 545,602	\$ 3,941,028	\$ 7,303,061	\$ 13,616,517	\$ 26,860,574
NET ASSETS							
Invested in capital assets, net of related debt	\$ 5,229,513	\$ 28,867,095	\$ 5,058,186	\$ 33,653,065	\$ 5,418,246	\$ 13,599,942	\$ 62,748,343
Restricted for:	-	-	-	-	-	-	-
Nonexpendable:	-	-	-	-	-	-	-
Scholarships and fellowships	-	-	-	-	-	17,524	1,163,391
Expendable:	-	-	-	-	-	-	-
Scholarships and fellowships	-	221,641	10,216	19,190	-	8,049	710,467
Research	-	-	-	-	50,604	-	4,204
Institutional	-	221,014	519,091	241,033	-	57,662	547,560
Loans	-	546,888	268,368	1,225,382	383,545	601,332	3,243,001
Capital Projects	-	-	-	-	-	-	-
Debt Service	-	480,362	(8,507)	85,461	195,349	110,887	904,650
Other	115,271	-	-	-	-	-	-
Unrestricted	7,356,809	7,280,352	1,534,241	13,151,610	3,078,020	2,960,315	12,745,736
Total net assets	\$ 12,701,593	\$ 37,617,352	\$ 7,381,595	\$ 48,375,741	\$ 9,125,764	\$ 17,355,711	\$ 82,067,352

NORTH DAKOTA UNIVERSITY SYSTEM
SUPPLEMENTARY INFORMATION
JUNE 30, 2012

	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	\$ 13,030,145	\$ 22,248,069	\$ 25,018,272	\$ 2,925,807	\$ 727,743	\$ -	\$ 108,601,335
Investments	271,267	8,304,750	12,180,373	1,587,018	-	-	37,906,808
Accounts receivable, net	1,081,988	5,505,059	10,678,110	163,312	483,098	(1,355,454)	20,351,674
Due from other NDUS institutions	-	-	-	-	-	(169,504)	-
Due from component units	-	597,706	4,492,109	99,010	392,161	-	6,776,477
Due from State General Fund	207,630	17,049,913	759,742	855,950	403,477	-	23,931,848
Grants and contracts receivable, net	836,818	17,041,130	15,027,412	360,943	1,459,359	-	40,095,728
Inventories	353,843	2,066,337	3,664,498	159,361	102,172	-	8,154,486
Notes receivable, Net	415,028	1,470,460	5,102,825	142,876	53,496	-	8,456,722
Other assets	-	457,417	1,410,201	94,948	10,632	-	6,640,860
Total current assets	\$ 16,196,719	\$ 74,740,841	\$ 78,333,542	\$ 6,389,225	\$ 3,632,138	\$ (1,524,958)	\$ 260,915,938
Non current assets							
Restricted cash and cash equivalent	\$ 2,491,492	\$ 6,597,177	\$ 58,478	\$ 80,820	\$ 10	\$ -	\$ 14,585,264
Restricted investments	5,995,197	6,053,393	2,250,000	525,542	526,958	-	23,282,360
Endowment investments	-	370,698	12,900,593	694,949	52,200	-	15,255,340.0
Notes receivable, net	1,497,541	5,287,044	18,412,497	515,540	193,031	-	30,355,009
Other long-term investments	-	49,881,259	69,355,946	-	-	-	119,237,205
Unamortized bond discounts and cost of issuance	250,300	2,573,123	521,835	178,665	179,200	-	4,374,317
Due from component units	-	1,220,300	-	-	-	-	1,220,300
Capital assets, net	19,179,789	315,461,631	356,822,971	14,999,721	31,040,266	-	930,433,159
Total noncurrent assets	29,414,319	387,444,625	460,322,320	16,995,237	31,991,665	-	1,138,742,954
Total assets	\$ 45,611,038	\$ 462,185,466	\$ 538,655,862	\$ 23,384,462	\$ 35,623,803	\$ (1,524,958)	\$ 1,399,658,892
LIABILITIES							
Current liabilities							
Accounts payable and accrued liabilities	\$ 785,030	\$ 9,346,571	\$ 8,313,541	\$ 1,272,889	\$ 646,415	\$ (227,388)	\$ 31,267,979
Due to component units	-	-	64,240	-	-	-	89,177
Accrued payroll	1,554,777	9,869,336	11,552,423	843,713	492,808	-	30,624,222
Deferred revenue	344,037	7,966,920	7,851,324	331,233	235,767	-	18,666,707
Deposits	193,301	1,188,830	3,345,471	163,084	267,378	(1,325,192)	6,784,543
Long-term liabilities-current portion	-	-	-	-	-	-	-
Due to component units	-	2,283,681	579,947	-	72,472	-	3,048,760
Due to others	132,659	3,669,474	6,666,281	184,785	244,549	-	15,795,862
Total current liabilities	3,009,804	34,324,812	38,373,227	2,795,704	1,959,389	(1,552,580)	106,277,250
Noncurrent liabilities							
Other Noncurrent Liabilities	5,253	25,716	874,500	-	7,802	-	5,193,510
Long-term liabilities	-	-	-	-	-	-	-
Due to component units	-	43,609,903	10,269,092	-	486,884	-	56,218,040
Due to others	10,358,961	99,217,766	94,930,957	6,858,375	9,263,424	-	268,228,300
Total noncurrent liabilities	10,364,214	142,853,385	106,074,549	6,858,375	9,758,110	-	329,639,850
Total liabilities	\$ 13,374,018	\$ 177,178,197	\$ 144,447,776	\$ 9,654,079	\$ 11,717,499	\$ (1,552,580)	\$ 435,917,100
NET ASSETS							
Invested in capital assets, net of related debt	\$ 16,889,304	\$ 193,282,993	\$ 254,311,998	\$ 8,592,638	\$ 21,404,837	\$ -	\$ 649,056,160
Restricted for:							
Nonexpendable:							
Scholarships and fellowships	900	372,771	12,955,825	508,763	56,495	-	15,075,669
Expendable:							
Scholarships and fellowships	-	123,053	1,913,515	102,007	30,454	-	3,138,592
Research	-	8,549,270	3,969,949	-	-	-	12,574,027
Institutional	3,203,424	1,723,898	10,564,725	530,338	306,026	-	17,914,771
Loans	3,763,254	7,057,463	27,255,641	681,857	269,799	-	45,296,530
Capital Projects	-	27,901	-	-	-	-	27,901
Debt Service	-	5,021,691	2,622,902	335,690	659,111	-	10,407,596
Other	-	-	-	245,507	-	-	360,778
Unrestricted	8,380,138	68,848,229	80,613,531	2,733,583	1,179,582	27,622	209,889,768
Total net assets	\$ 32,237,020	\$ 285,007,269	\$ 394,208,086	\$ 13,730,383	\$ 23,906,304	\$ 27,622	\$ 963,741,792

NORTH DAKOTA UNIVERSITY SYSTEM
SUPPLEMENTARY INFORMATION
JUNE 30, 2012

	North Dakota University System Office	Bismarck State College	Dakota College of Bottineau	Dickinson State University	Lake Region State College
OPERATING REVENUES					
Student tuition and fees (net of scholarship allowance of \$61,196,827 and bad debt allowance of \$1,265,743)	\$ 6,583,476	\$ 11,780,538	\$ 1,337,065	\$ 8,865,206	\$ 4,095,205
Federal grants and contracts	910,664	2,630,917	288,441	1,484,914	1,429,339
State grants and contracts (net of bad debt allowance recapture of (\$6,056))	202,290	2,033,873	520,828	278,169	668,550
Nongovernmental grants and contracts (net of bad debt allowance of \$74,418)	18,138	8,731	6,900	77,055	18,516
Sales and services of educational departments (net of bad debt allowance recapture of (\$11,619))	1,060,444	3,528,699	184,973	1,113,985	666,860
Auxiliary enterprises, (net of scholarship allowance of \$5,217,368 and bad debt allowance of \$422,302; \$91,046,465 of revenue are pledged as security for revenue bonds)	-	4,166,182	1,248,001	4,445,706	1,424,632
Other operating revenue (net of bad debt allowance of \$119,326)	-	8,924	1,588	65,517	(5,266)
Total operating revenues	<u>\$ 8,775,012</u>	<u>\$ 24,157,864</u>	<u>\$ 3,587,796</u>	<u>\$ 16,330,552</u>	<u>\$ 8,297,836</u>
OPERATING EXPENSES					
Salaries	10,410,563	24,944,661	4,942,402	\$ 18,462,910	\$ 9,374,061
Operating expenses	9,805,864	10,347,532	2,181,014	8,978,113	4,444,162
Data processing	4,487,991	609,754	112,282	434,344	375,918
Depreciation	1,778,926	1,901,688	250,177	1,667,471	482,955
Scholarships and fellowships	17,464,596	3,112,265	348,105	870,194	444,448
Costs of sales and services	342	2,252,162	204,790	668,057	693,433
Total operating expenses	<u>\$ 43,948,282</u>	<u>\$ 43,168,062</u>	<u>\$ 8,038,770</u>	<u>\$ 31,081,089</u>	<u>\$ 15,814,977</u>
Operating income (loss)	<u>\$ (35,173,270)</u>	<u>\$ (19,010,198)</u>	<u>\$ (4,450,974)</u>	<u>\$ (14,750,537)</u>	<u>\$ (7,517,141)</u>
NONOPERATING REVENUES (EXPENSES)					
State appropriations	\$ 45,875,283	\$ 13,475,174	\$ 3,246,905	\$ 11,410,434	\$ 4,359,225
Federal appropriations	-	-	-	-	-
Federal grants and contracts (net of bad debt allowance of \$87,468)	-	4,677,730	1,221,953	2,189,686	1,462,921
Gifts	84	1,413,951	205,111	745,410	560,977
Endowment and investment income (net of investment expense of \$59,138)	102	35,024	18,382	54,185	10,310
Interest on capital asset related debt	(185,782)	(400,661)	(9,929)	(26,219)	(42,557)
Gain (loss) on capital assets	-	(19,199)	-	-	-
Insurance proceeds	-	10,297	-	-	104
Tax revenues	-	-	-	-	-
General and special grant expenditures	(4,908,456)	-	-	-	-
Other Nonoperating revenue (net of bad debt allowance of \$155,241)	627,577	(61,840)	(46,728)	45	1
Net nonoperating revenues	<u>\$ 41,408,808</u>	<u>\$ 19,130,476</u>	<u>\$ 4,635,694</u>	<u>\$ 14,373,541</u>	<u>\$ 6,350,981</u>
Income (loss) before capital grants, gifts and transfers	\$ 6,235,538	\$ 120,278	\$ 184,720	\$ (376,996)	\$ (1,166,160)
State Appropriations - Capital Assets	\$ -	\$ 2,171,719	\$ 89,611	\$ 949,066	\$ 3,524,738
Transfer to Building Authority	(5,855,984)	-	-	-	-
Capital grants and gifts	-	447,674	-	3,060	105,000
Total other revenue	<u>(5,855,984)</u>	<u>2,619,393</u>	<u>89,611</u>	<u>952,126</u>	<u>3,629,738</u>
Increase (decrease) in net assets	<u>\$ 379,554</u>	<u>\$ 2,739,671</u>	<u>\$ 274,331</u>	<u>\$ 575,130</u>	<u>\$ 2,463,578</u>
NET ASSETS					
Net assets--beginning of year	\$ 12,322,039	\$ 34,877,681	\$ 7,107,264	\$ 47,800,611	\$ 6,662,186
Net assets--end of year	<u>\$ 12,701,593</u>	<u>\$ 37,617,352</u>	<u>\$ 7,381,595</u>	<u>\$ 48,375,741</u>	<u>\$ 9,125,764</u>

NORTH DAKOTA UNIVERSITY SYSTEM
SUPPLEMENTARY INFORMATION
JUNE 30, 2012

	Mayville State University	Minot State University	North Dakota State College of Science	North Dakota State University	University of North Dakota
OPERATING REVENUES					
Student tuition and fees (net of scholarship allowance of \$61,196,827 and bad debt allowance of \$1,265,743)	\$ 3,927,988	\$ 14,296,228	\$ 8,092,699	\$ 96,268,445	\$ 116,843,762
Federal grants and contracts	3,393,600	6,848,676	1,067,321	53,578,855	70,839,473
State grants and contracts (net of bad debt allowance recapture of (\$6,056))	25,881	1,377,650	1,293,792	9,195,960	8,830,110
Nongovernmental grants and contracts (net of bad debt allowance of \$74,418)	40,000	501,149	29,068	9,372,488	21,535,344
Sales and services of educational departments (net of bad debt allowance recapture of (\$11,619))	614,031	1,013,778	3,035,024	21,448,147	39,729,771
Auxiliary enterprises, (net of scholarship allowance of \$5,217,368 and bad debt allowance of \$422,302; \$91,046,46 of revenue are pledged as security for revenue bonds)	2,335,457	3,968,983	4,709,980	45,071,208	39,510,599
Other operating revenue (net of bad debt allowance of \$119,326)	(10,021)	68,466	102,901	761,115	634,265
Total operating revenues	<u>\$ 10,326,936</u>	<u>\$ 28,074,930</u>	<u>\$ 18,330,785</u>	<u>\$ 235,696,218</u>	<u>\$ 297,923,324</u>
OPERATING EXPENSES					
Salaries	\$ 11,258,997	\$ 35,971,791	\$ 25,000,684	\$ 233,120,287	\$ 270,738,599
Operating expenses	3,477,122	11,815,679	11,690,016	74,437,588	84,909,832
Data processing	151,463	476,682	504,450	4,102,430	1,486,593
Depreciation	1,053,909	3,015,600	2,104,729	18,901,210	20,572,488
Scholarships and fellowships	655,946	1,638,955	1,446,439	5,370,497	7,891,089
Costs of sales and services	811,271	670	753,987	10,536,285	23,820,984
Total operating expenses	<u>\$ 17,408,708</u>	<u>\$ 52,919,377</u>	<u>\$ 41,500,305</u>	<u>\$ 346,468,297</u>	<u>\$ 409,419,585</u>
Operating income (loss)	<u>\$ (7,081,772)</u>	<u>\$ (24,844,447)</u>	<u>\$ (23,169,520)</u>	<u>\$ (110,772,079)</u>	<u>\$ (111,496,261)</u>
NONOPERATING REVENUES (EXPENSES)					
State appropriations	\$ 6,287,086	\$ 18,777,068	\$ 17,060,000	\$ 91,679,136	\$ 95,892,777
Federal appropriations	-	-	-	7,325,897	-
Federal grants and contracts (net of bad debt allowance of \$87,468)	1,368,874	4,075,009	4,161,576	11,742,071	10,815,014
Gifts	607,154	1,598,879	549,121	9,772,784	7,868,966
Endowment and investment income (net of investment expense of \$59,138)	101,760	103,708	290,387	1,753,531	1,809,895
Interest on capital asset related debt	(666,275)	(751,005)	(48,514)	(6,776,674)	(5,674,891)
Gain (loss) on capital assets	(204,878)	(5,031)	(4,202)	(685,406)	611,215
Insurance proceeds	-	10,586	937	175,861	56,760
Tax revenues	206,118	-	-	107,850	2,479,705
General and special grant expenditures	-	-	-	-	-
Other Nonoperating revenue (net of bad debt allowance of \$155,241)	(407,134)	287	(37,581)	(30,971)	70,314
Net nonoperating revenues	<u>\$ 7,292,705</u>	<u>\$ 23,809,501</u>	<u>\$ 21,971,724</u>	<u>\$ 115,064,079</u>	<u>\$ 113,929,755</u>
Income (loss) before capital grants, gifts and transfers	\$ 210,933	\$ (1,034,946)	\$ (1,197,796)	\$ 4,292,000	\$ 2,433,494
State Appropriations - Capital Assets	\$ 1,161,644	\$ 4,415,218	\$ 1,607,630	\$ 12,656,972	\$ 4,064,817
Transfer to Building Authority	-	-	-	(284,492)	-
Capital grants and gifts	76,500	2,847,087	166,724	8,086,373	8,527,720
Total other revenue	<u>1,238,144</u>	<u>7,262,305</u>	<u>1,774,354</u>	<u>20,458,853</u>	<u>12,592,537</u>
Increase (decrease) in net assets	<u>\$ 1,449,077</u>	<u>\$ 6,227,359</u>	<u>\$ 576,558</u>	<u>\$ 24,750,853</u>	<u>\$ 15,026,031</u>
NET ASSETS					
Net assets--beginning of year	\$ 15,906,634	\$ 75,839,993	\$ 31,660,462	\$ 260,256,416	\$ 379,182,055
Net assets--end of year	<u>\$ 17,355,711</u>	<u>\$ 82,067,352</u>	<u>\$ 32,237,020</u>	<u>\$ 285,007,269</u>	<u>\$ 394,208,086</u>

NORTH DAKOTA UNIVERSITY SYSTEM
SUPPLEMENTARY INFORMATION
JUNE 30, 2012

	Valley City State University	Williston State College	Eliminations	Total
OPERATING REVENUES				
Student tuition and fees (net of scholarship allowance of \$61,196,827 and bad debt allowance of \$1,265,743)	\$ 5,534,220	\$ 1,555,077	\$ (138,054)	\$ 279,041,855
Federal grants and contracts	1,448,505	1,865,146	(5,282,999)	140,502,852
State grants and contracts (net of bad debt allowance recapture of (\$6,056))	34,021	541,890	(6,866,170)	18,136,844
Nongovernmental grants and contracts (net of bad debt allowance of \$74,418)	372,933	88,855	(47,208)	32,021,969
Sales and services of educational departments (net of bad debt allowance recapture of (\$11,619))	341,775	3,019,197	(2,055,374)	73,701,310
Auxiliary enterprises, (net of scholarship allowance of \$5,217,368 and bad debt allowance of \$422,302; \$91,046,465 of revenue are pledged as security for revenue bonds)	2,512,284	2,486,755	(350,270)	111,529,517
Other operating revenue (net of bad debt allowance of \$119,326)	13,368	29,729	(164,745)	1,505,841
Total operating revenues	<u>\$ 10,257,106</u>	<u>\$ 9,586,649</u>	<u>\$ (14,904,820)</u>	<u>\$ 656,440,188</u>
OPERATING EXPENSES				
Salaries	\$ 13,351,713	\$ 8,027,227	\$ 257	\$ 665,604,152
Operating expenses	6,251,225	3,675,367	(7,612,237)	224,401,277
Data processing	459,743	373,661	(51,432)	13,523,879
Depreciation	1,010,234	365,003	-	53,104,390
Scholarships and fellowships	647,716	1,017,871	(3,956,772)	36,951,349
Costs of sales and services	561,942	774,444	(5,537)	41,072,830
Total operating expenses	<u>\$ 22,282,573</u>	<u>\$ 14,233,573</u>	<u>\$ (11,625,721)</u>	<u>\$ 1,034,657,877</u>
Operating income (loss)	<u>\$ (12,025,467)</u>	<u>\$ (4,646,924)</u>	<u>\$ (3,279,099)</u>	<u>\$ (378,217,689)</u>
NONOPERATING REVENUES (EXPENSES)				
State appropriations	\$ 8,811,392	\$ 5,092,097	\$ -	\$ 321,966,577
Federal appropriations	-	-	-	7,325,897
Federal grants and contracts (net of bad debt allowance of \$87,468)	1,289,367	(7,313)	-	42,996,888
Gifts	1,308,414	1,238,783	(1,630,752)	24,238,882
Endowment and investment income (net of investment expense of \$59,138)	171,432	(274,285)	-	4,074,431
Interest on capital asset related debt	(408,732)	(370,177)	-	(15,361,416)
Gain (loss) on capital assets	14,343	(5,674)	-	(298,832)
Insurance proceeds	22,960	-	-	277,505
Tax revenues	-	-	-	2,793,673
General and special grant expenditures	-	-	4,937,473	29,017
Other Nonoperating revenue (net of bad debt allowance of \$155,241)	-	303	-	114,273
Net nonoperating revenues	<u>\$ 11,209,176</u>	<u>\$ 5,673,734</u>	<u>\$ 3,306,721</u>	<u>\$ 388,156,895</u>
Income (loss) before capital grants, gifts and transfers	\$ (816,291)	\$ 1,026,810	\$ 27,622	\$ 9,939,206
State Appropriations - Capital Assets	\$ 3,580,637	\$ 2,360,532	\$ -	\$ 36,582,584
Transfer to Building Authority	-	-	-	(6,140,476)
Capital grants and gifts	-	951,072	-	21,211,210
Total other revenue	<u>3,580,637</u>	<u>3,311,604</u>	<u>-</u>	<u>51,653,318</u>
Increase (decrease) in net assets	<u>\$ 2,764,346</u>	<u>\$ 4,338,414</u>	<u>\$ 27,622</u>	<u>\$ 61,592,524</u>
NET ASSETS				
Net assets--beginning of year	\$ 10,966,037	\$ 19,567,890	\$ -	\$ 902,149,268
Net assets--end of year	<u>\$ 13,730,383</u>	<u>\$ 23,906,304</u>	<u>\$ 27,622</u>	<u>\$ 963,741,792</u>

NORTH DAKOTA UNIVERSITY SYSTEM
SUPPLEMENTARY INFORMATION
JUNE 30, 2012

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	\$ 7,554,969	\$ 11,735,041	\$ 1,307,680	\$ 8,946,117	\$ 4,064,784	\$ 3,784,322	\$ 14,040,731
Grants and contracts	1,149,951	5,098,811	1,082,733	2,072,261	2,049,833	3,602,372	8,330,210
Payments to suppliers	(12,875,480)	(13,936,674)	(2,653,408)	(10,165,812)	(5,294,047)	(4,277,960)	(13,112,639)
Payments to employees	(9,646,900)	(24,909,891)	(4,917,713)	(18,419,131)	(9,378,616)	(11,144,127)	(35,736,988)
Payments for scholarships and fellowships	(17,464,596)	(3,112,265)	(348,105)	(870,194)	(444,448)	(655,946)	(1,638,955)
Loans issued to students	-	(100,650)	(12,500)	(162,482)	(73,150)	(72,720)	(481,453)
Collection of loans to students	-	108,808	39,886	171,417	64,352	65,768	394,695
Auxiliary enterprise charges	-	4,168,123	1,241,791	4,587,637	1,408,166	2,290,751	3,903,235
Sales and service of educational departments	660,119	3,647,963	177,915	1,185,184	636,606	561,927	(197,567)
Cash received (paid) on deposits	134,058	45,275	(56,143)	(34,658)	(1,901)	855	22,127
Other receipts (payments)	626,345	71,119	(21,413)	98,150	(11,454)	(52,419)	143,751
Net cash provided (used) by operating activities	\$ (29,861,534)	\$ (17,184,340)	\$ (4,159,277)	\$ (12,591,511)	\$ (6,979,875)	\$ (5,897,177)	\$ (24,332,853)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
State appropriations	\$ 45,839,501	\$ 14,552,610	3,246,905	\$ 11,410,434	\$ 4,069,225	\$ 6,287,086	\$ 18,777,068
Federal appropriations	-	-	-	-	-	-	-
Grants and gifts received for other than capital purposes	1,167,829	6,096,052	1,427,064	2,935,096	2,023,898	1,976,028	5,673,888
Grants given for other than capital purposes	(4,908,456)	-	-	-	-	-	-
Direct Lending Receipts	-	11,580,117	2,368,586	6,350,869	3,034,640	4,155,714	10,049,233
Direct Lending Disbursements	-	(11,587,282)	(2,368,586)	(6,350,869)	(3,035,890)	(4,016,851)	(10,090,629)
Agency fund cash increase (decrease)	-	243,908	3,899	(16,378)	30,630	20,387	(25,757)
Tax revenues	-	-	-	-	-	206,118	-
Net cash flows provided by noncapital financing activities	\$ 42,098,874	\$ 20,885,405	\$ 4,677,868	\$ 14,329,152	\$ 6,122,503	\$ 8,628,482	\$ 24,383,803
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Proceeds from issuance of debt	\$ -	\$ 7,119,765	\$ -	\$ -	\$ 4,881,045	\$ -	\$ -
Transfers to Building Authority	(5,855,984)	-	-	-	-	-	-
Capital appropriations	(390,954)	1,819,917	89,611	100,607	3,519,908	1,546,596	3,469,190
Capital grants and gifts received	-	483,507	(168,943)	10,102	105,018	76,500	2,847,087
Proceeds from sale of capital assets	-	-	-	-	-	-	-
Purchases of capital assets	(148,625)	(3,047,482)	(13,888)	(243,013)	(3,176,817)	(2,072,515)	(18,807,985)
Insurance proceeds	-	10,297	-	-	104	-	10,586
Principal paid on capital debt and lease	(1,798,342)	(442,439)	(83,206)	(57,810)	(453,573)	(1,191,079)	(673,217)
Deposits with capital debt payment trustees	-	-	-	-	-	-	-
Interest paid on capital debt and lease	(225,920)	(373,074)	(9,929)	(26,851)	(42,557)	(665,797)	(853,333)
Net cash provided (used) by capital and related financing activities	\$ (8,419,825)	\$ 5,570,491	\$ (186,355)	\$ (216,965)	\$ 4,833,128	\$ (2,306,295)	\$ (14,007,672)
CASH FLOWS FROM INVESTING ACTIVITIES							
Proceeds from sales and maturities of investments	\$ -	\$ 3,255,000	\$ 51,994	\$ -	\$ -	\$ 220,215	\$ 1,612,412
Interest on investments	102	34,058	18,341	54,689	10,310	101,762	128,117
Purchase of investments	-	(9,545,190)	-	-	-	(12)	1,003,204
Net cash provided (used) by investing activities	\$ 102	\$ (6,256,132)	\$ 70,335	\$ 54,689	\$ 10,310	\$ 321,965	\$ 2,743,733
Net increase (decrease) in cash	\$ 3,817,617	\$ 3,015,424	\$ 402,571	\$ 1,575,365	\$ 3,986,066	\$ 746,975	\$ (11,212,989)
CASH - BEGINNING OF YEAR	7,438,691	3,018,697	1,471,307	3,685,895	3,978,902	2,283,621	25,800,444
CASH - END OF YEAR	\$ 11,256,308	\$ 6,034,121	\$ 1,873,878	\$ 5,261,260	\$ 7,964,968	\$ 3,030,596	\$ 14,587,455
RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES							
Operating income (loss)	\$ (35,173,270)	\$ (19,010,198)	\$ (4,450,974)	\$ (14,750,537)	\$ (7,517,141)	\$ (7,081,772)	\$ (24,844,447)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities							
Depreciation expense	1,778,926	1,901,688	250,177	1,667,471	482,955	1,053,909	3,015,600
Other nonoperating revenues (expenses)	627,577	(75,019)	(47,223)	54,327	1	15,492	4,046,045
Change in assets and liabilities							
Accounts receivable adjusted for interest receivable	570,432	114,432	(23,060)	198,083	(49,769)	(159,626)	(1,274,198)
Grant & contract receivables	18,859	425,290	266,563	232,124	(66,572)	142,891	(397,265)
Inventories	-	(21,267)	(28,712)	(52,804)	37,757	(19,466)	-
Notes receivable	-	23,171	37,774	35,126	26,413	41,941	14,348
Other assets	15,048	(37,385)	24,222	(19,741)	(6,189)	(72,969)	(3,957,691)
Accounts payable and accrued liabilities adjusted for interest payable	1,403,172	(560,979)	(133,471)	35,318	130,728	52,198	(943,854)
Accrued payroll	26,544	(16,433)	22,727	109,677	(13,359)	103,032	157,517
Compensated absences	737,118	51,203	1,962	(65,898)	8,804	11,839	77,286
Deferred revenue	-	(24,117)	(23,118)	-	(11,601)	(1,284)	(248,321)
Deposits	134,058	45,275	(56,143)	(34,658)	(1,901)	16,639	22,127
Net cash provided (used) by operating activities	\$ (29,861,536)	\$ (17,184,339)	\$ (4,159,277)	\$ (12,591,511)	\$ (6,979,874)	\$ (5,897,178)	\$ (24,332,853)
SUPPLEMENTAL DISCLOSURE ON NON CASH TRANSACTIONS							
Assets acquired through capital lease	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 73,025
Assets acquired through special assessment	-	-	38,805	-	-	-	-
Expenses paid by capital lease/special assessments	-	-	-	-	-	422,626	-
Gifts of capital assets	-	20,298	-	3,060	-	-	-
Net increases (decrease) in value of investments	-	1,190	-	-	-	-	(59,332)
Total non-cash transactions	\$ -	\$ 21,488	\$ 38,805	\$ 3,060	\$ -	\$ 422,626	\$ 13,693

NORTH DAKOTA UNIVERSITY SYSTEM
SUPPLEMENTARY INFORMATION
JUNE 30, 2012

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	\$ 8,322,519	\$ 93,949,978	\$ 116,459,366	\$ 5,589,725	\$ 1,673,645	\$ (138,054)	\$ 277,290,823
Grants and contracts	2,970,840	78,773,698	102,422,182	2,078,891	2,596,383	(12,196,377)	200,031,788
Payments to suppliers	(13,168,168)	(88,669,345)	(109,060,055)	(7,631,519)	(4,749,887)	7,669,206	(277,925,788)
Payments to employees	(24,680,767)	(234,143,926)	(269,835,258)	(13,313,460)	(7,805,170)	(257)	(663,932,204)
Payments for scholarships and fellowships	(1,446,439)	(5,370,497)	(7,891,089)	(647,716)	(1,017,871)	3,956,772	(36,951,349)
Loans issued to students	(107,048)	(1,212,827)	(2,582,490)	(103,632)	(32,614)	-	(4,941,566)
Collection of loans to students	382,954	1,001,348	3,199,146	111,333	43,952	-	5,583,659
Auxiliary enterprise charges	4,709,997	45,146,252	41,738,731	2,508,566	2,448,932	(350,270)	113,801,911
Sales and service of educational departments	3,025,991	23,873,328	38,254,139	343,787	2,982,419	(2,055,374)	73,096,437
Cash received (paid) on deposits	8,612	47,521	102,019	(10,650)	40,119	-	297,234
Other receipts (payments)	90,371	522,234	859,149	11,976	294,735	(164,745)	2,467,799
Net cash provided (used) by operating activities	\$ (19,891,138)	\$ (86,082,236)	\$ (86,334,160)	\$ (11,062,699)	\$ (3,525,357)	\$ (3,279,099)	\$ (311,181,256)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
State appropriations	\$ 17,060,000	\$ 84,505,721	\$ 95,892,777	\$ 8,811,392	\$ 5,092,097	\$ -	\$ 315,544,816
Federal appropriations	-	6,810,055	-	-	-	-	6,810,055
Grants and gifts received for other than capital purposes	4,710,697	21,514,854	18,583,962	2,600,458	1,231,782	(1,658,374)	68,283,234
Grants given for other than capital purposes	-	-	-	-	-	4,937,473	29,017
Direct Lending Receipts	10,144,974	56,457,820	99,014,215	7,945,473	1,800,880	-	212,902,521
Direct Lending Disbursements	(10,144,974)	(56,314,792)	(99,144,051)	(7,945,473)	(1,948,139)	-	(212,947,536)
Agency fund cash increase (decrease)	430,903	397,835	(56,435)	192,487	(209,572)	-	1,011,907
Tax revenues	-	107,850	2,479,705	-	-	-	2,793,673
Net cash flows provided by noncapital financing activities	\$ 22,201,600	\$ 113,479,343	\$ 116,770,173	\$ 11,604,337	\$ 5,967,048	\$ 3,279,099	\$ 394,427,687
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Proceeds from issuance of debt	\$ 9,000,000	\$ 5,730,000	\$ 370,680	\$ -	\$ 500,000	\$ -	\$ 27,601,490
Transfers to Building Authority	-	(284,492)	-	-	-	-	(6,140,476)
Capital appropriations	1,663,482	15,325,261	3,790,449	2,887,577	280,105	-	34,101,749
Capital grants and gifts received	166,724	10,151,857	7,493,794	-	3,480,812	-	24,646,458
Proceeds from sale of capital assets	400	10,700	1,773,657	-	(5,674)	-	1,779,083
Purchases of capital assets	(2,276,758)	(37,267,011)	(18,147,328)	(3,306,217)	(6,864,995)	-	(95,372,634)
Insurance proceeds	937	175,861	11,820	22,960	-	-	232,565
Principal paid on capital debt and lease	(616,631)	(7,632,007)	(7,472,132)	(282,204)	(290,227)	-	(20,992,867)
Deposits with capital debt payment trustees	-	(6,195,000)	-	-	-	-	(6,195,000)
Interest paid on capital debt and lease	(95,833)	(6,520,987)	(5,958,088)	(411,159)	(370,177)	-	(15,553,705)
Net cash provided (used) by capital and related financing activities	\$ 7,842,321	\$ (26,505,818)	\$ (18,137,148)	\$ (1,089,043)	\$ (3,270,156)	\$ -	\$ (55,893,337)
CASH FLOWS FROM INVESTING ACTIVITIES							
Proceeds from sales and maturities of investments	\$ -	\$ 10,480,795	\$ 30,608,265	\$ 1,304,369	\$ 1,300,000	\$ -	\$ 48,833,050
Interest on investments	290,387	1,690,760	2,552,194	171,600	(274,211)	-	4,778,109
Purchase of investments	(5,458,050)	(14,893,196)	(38,250,000)	(560,535)	-	-	(67,703,779)
Net cash provided (used) by investing activities	\$ (5,167,663)	\$ (2,721,641)	\$ (5,089,541)	\$ 915,434	\$ 1,025,789	\$ -	\$ (14,092,620)
Net increase (decrease) in cash	\$ 4,985,120	\$ (1,830,352)	\$ 7,209,324	\$ 368,029	\$ 197,324	\$ -	\$ 13,260,474
CASH - BEGINNING OF YEAR	10,536,517	30,675,598	17,867,426	2,638,598	530,429	-	109,926,125
CASH - END OF YEAR	\$ 15,521,637	\$ 28,845,246	\$ 25,076,750	\$ 3,006,627	\$ 727,753	\$ -	\$ 123,186,599
RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES							
Operating income (loss)	\$ (23,169,520)	\$ (110,772,079)	\$ (111,496,261)	\$ (12,025,467)	\$ (4,646,924)	\$ (3,279,099)	\$ (378,217,689)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities							
Depreciation expense	2,104,729	18,901,210	20,572,488	1,010,234	365,003	-	53,104,390
Other nonoperating revenues (expenses)	(41,165)	(54,170)	449,277	-	27,122	-	5,002,264
Change in assets and liabilities	-	-	-	-	-	-	-
Accounts receivable adjusted for interest receivable	13,194	1,338,314	(25,569)	23,593	(321,957)	1,524,958	1,928,827
Grant & contract receivables	580,659	5,946,097	1,217,255	223,432	100,493	-	8,689,825
Inventories	25,836	(93,627)	(158,943)	(1,243)	3,723	-	(308,746)
Notes receivable	337,732	(50,128)	1,191,393	29,115	28,997	-	1,715,882
Other assets	(92,885)	(184,712)	(224,393)	5,631	237,884	-	(4,313,179)
Accounts payable and accrued liabilities adjusted for interest payable	(200,965)	(1,091,384)	864,730	(346,413)	271,532	(1,524,958)	(2,044,347)
Accrued payroll	54,963	330,603	641,717	52,283	208,699	-	1,677,970
Compensated absences	264,955	(1,354,243)	261,624	(14,030)	13,358	-	(6,022)
Deferred revenue	222,719	954,361	270,499	(9,182)	146,593	-	1,276,551
Deposits	8,612	47,521	102,019	(10,650)	40,119	-	313,019
Net cash provided (used) by operating activities	\$ (19,891,136)	\$ (86,082,237)	\$ (86,334,163)	\$ (11,062,698)	\$ (3,525,357)	\$ (3,279,099)	\$ (311,181,254)
SUPPLEMENTAL DISCLOSURE ON NON CASH TRANSACTIONS							
Assets acquired through capital lease	\$ -	\$ 340,516	\$ 1,537,721	\$ -	\$ -	\$ -	\$ 1,951,262
Assets acquired through special assessment	11,829	-	-	248,898	-	-	299,532
Expenses paid by capital lease/special assessments	-	-	533,814	-	-	-	956,440
Gifts of capital assets	-	39,000	(922,524)	-	-	-	(860,166)
Net increases (decrease) in value of investments	-	13,000	(1,329,428)	-	-	-	(1,374,570)
Total non-cash transactions	\$ 11,829	\$ 392,516	\$ (180,417)	\$ 248,898	\$ -	\$ -	\$ 972,498

NORTH DAKOTA UNIVERSITY SYSTEM
SUPPLEMENTARY INFORMATION
JUNE 30, 2012

Statement of Net Assets -- Non-major Component Units

	Dakota College of Bottineau Foundation June 30, 2012	Lake Region Community College Foundation June 30, 2012	MaSU Alumni Foundation June 30, 2012	MiSU Development Foundation June 30, 2012	NDSCS Foundation June 30, 2012	NDSU Research Foundation June 30, 2012
Assets						
Current assets						
Cash and cash equivalents	\$ 134,775	\$ -	\$ -	\$ 986,605	\$ 3,622,344	\$ 175,327
Investments	891,156	-	-	-	6,819,729	150
Accounts receivable, net	-	-	-	13,728	-	-
Receivable from Primary Institution	-	-	-	-	-	-
Unconditional promises to give, net of allowance	-	25,000	-	508,000	-	-
Inventories	-	-	-	-	-	-
Other assets	-	-	780	30,278	-	8,421
Total current assets	\$ 1,025,931	\$ 25,000	\$ 780	\$ 1,538,611	\$ 10,442,073	\$ 183,898
Noncurrent assets						
Restricted cash and cash equivalents	\$ -	\$ -	\$ 106,254	\$ -	\$ -	\$ 223,934
Investments:						
Investments, net of current portion	947,846	1,847,617	4,061,151	10,933,701	-	-
Investments, temporarily restricted	-	-	-	-	-	-
Investments, permanently restricted	-	-	-	-	-	-
Investments held in trust	-	-	-	-	-	-
Beneficial interest in trust	-	979,938	-	-	-	-
Endowment investments	-	2,142,929	-	-	-	3,367,133
Real estate and equipment held for investment, net of accumulated depreciation	-	-	-	4,918,334	-	-
Other long-term investments	37,013	-	-	-	-	-
Total investments	984,859	4,970,484	4,061,151	15,852,035	-	3,367,133
Long term pledges						
receivable/unconditional promises to give	-	-	-	-	-	-
Notes receivable, net	-	-	-	3,524	-	-
Receivable from Primary Institution	-	-	-	-	-	-
Other noncurrent assets	-	-	88,815	67,599	-	-
Capital assets, net	-	-	222	-	1,962,644	-
Total noncurrent assets	984,859	4,970,484	4,256,442	15,923,158	1,962,644	3,591,067
Total assets	\$ 2,010,790	\$ 4,995,484	\$ 4,257,222	\$ 17,461,769	\$ 12,404,717	\$ 3,774,965
LIABILITIES						
Current liabilities						
Accounts payable and accrued liabilities	\$ 210	-	\$ 23,578	\$ 684,547	\$ 9,832	\$ 93,099
Payable to university	-	-	-	1,037,128	-	-
Accrued payroll	-	-	-	-	-	657
Current portion of gift annuities and life income agreements	-	-	-	25,800	-	-
Deferred revenue	-	-	-	-	-	-
Other current liabilities	-	-	-	-	-	-
Long-term liabilities--current portion	-	-	-	125,160	51,222	-
Total current liabilities	210	-	23,578	1,872,635	61,054	93,756
Noncurrent liabilities						
Gift annuities and life income agreements, net of current portion	-	-	-	227,369	-	-
Long-term liabilities	-	-	-	2,249,510	1,887,535	-
Total noncurrent liabilities	-	-	-	2,476,879	1,887,535	-
Total liabilities	\$ 210	\$ -	\$ 23,578	\$ 4,349,514	\$ 1,948,589	\$ 93,756
NET ASSETS						
Temporarily restricted	\$ 99,461	\$ 1,146,047	\$ 1,495,962	\$ 3,482	\$ 368,614	\$ -
Nonexpendable:						
Permanently restricted	1,802,714	3,122,867	3,274,743	10,376,693	9,518,391	-
Net investment in property and equipment	-	-	-	-	-	-
Unrestricted	108,405	726,570	(537,061)	2,732,080	569,123	3,681,209
Total net assets	\$ 2,010,580	\$ 4,995,484	\$ 4,233,644	\$ 13,112,255	\$ 10,456,128	\$ 3,681,209
Total liabilities and net assets	\$ 2,010,790	\$ 4,995,484	\$ 4,257,222	\$ 17,461,769	\$ 12,404,717	\$ 3,774,965

NORTH DAKOTA UNIVERSITY SYSTEM
SUPPLEMENTARY INFORMATION
JUNE 30, 2012

Statement of Net Assets -- Non-major Component Units

	NDSU Team Makers Club December 31, 2011	UND Center for Innovation December 31, 2011	UND Research Foundation June 30, 2012	VCSU Foundation June 30, 2012	WSC Foundation June 30, 2012	Total Non-major Component
Assets						
Current assets						
Cash and cash equivalents	\$ 1,029,475	\$ 302,295	\$ 583,243	\$ 520,376	\$ 3,126,925	\$ 10,481,365
Investments	-	-	-	-	100,000	7,811,035
Accounts receivable, net	-	76,445	6,207	-	-	96,380
Due from Primary Institutions	-	-	-	-	59,199	59,199
Unconditional promises to give, net of allowance	95,754	47,826	-	328,805	7,558	1,012,943
Inventories	4,084	8,722	-	-	-	12,806
Other assets	2,459	312,085	10,763	3,735	40,845	409,366
Total current assets	\$ 1,131,772	\$ 747,373	\$ 600,213	\$ 852,916	\$ 3,334,527	\$ 19,883,094
Noncurrent assets						
Restricted cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 330,188
Investments:						
Investments, net of current portion	1,793,811	-	-	-	8,300,018	27,884,144
Investments, temporarily restricted	-	-	-	588,775	-	588,775
Investments, permanently restricted	-	-	-	3,996,681	-	3,996,681
Investments held in trust	-	-	-	-	113,277	113,277
Beneficial interest in trust	-	-	-	-	-	979,938
Endowment investments	-	2,812,397	-	-	-	8,322,459
Real estate and equipment held for investment, net of accumulated depreciation	-	-	-	-	78,958	4,997,292
Other long-term investments	-	410,249	-	7,000	190,887	645,149
Total investments	1,793,811	3,222,646	-	4,592,456	8,683,140	47,527,715
Long term pledges						
receivable/unconditional promises to give	-	-	-	564,181	-	564,181
Notes receivable, net	-	20,000	-	-	-	23,524
Receivable from Primary Institution	-	-	-	-	555,787	555,787
Other noncurrent assets	-	189,117	27,373	2,961	50,906	426,771
Capital assets, net	618	3,413,728	16,477,776	14,095	973,682	22,842,765
Total noncurrent assets	1,794,429	6,845,491	16,505,149	5,173,693	10,263,515	72,270,931
Total assets	\$ 2,926,201	\$ 7,592,864	\$ 17,105,362	\$ 6,026,609	\$ 13,598,042	\$ 92,154,025
LIABILITIES						
Current liabilities						
Accounts payable and accrued liabilities	\$ 50,623	\$ 182,257	\$ 111,084	\$ 4,771	\$ 243,179	\$ 1,403,180
Payable to university	2,327,280	-	-	94,697	616,108	4,075,213
Accrued payroll	-	-	20,332	-	-	20,989
Current portion of gift annuities and life income agreements	-	-	-	2,075	-	27,875
Deferred revenue	2,214	67,290	28,531	-	-	98,035
Other current liabilities	25,000	25,000	35,656	2,301	-	87,957
Long-term liabilities--current portion	-	-	355,354	217,546	-	749,282
Total current liabilities	2,405,117	274,547	550,957	321,390	859,287	6,462,531
Noncurrent liabilities						
Gift annuities and life income agreements, net of current portion	-	-	-	37,569	4,646	269,584
Long-term liabilities	84,719	153,300	9,436,006	397,485	-	14,208,555
Total noncurrent liabilities	84,719	153,300	9,436,006	435,054	4,646	14,478,139
Total liabilities	\$ 2,489,836	\$ 427,847	\$ 9,986,963	\$ 756,444	\$ 863,933	\$ 20,940,670
NET ASSETS						
Temporarily restricted	\$ -	\$ 659,811	\$ 123,335	\$ 1,271,492	\$ 3,556,634	\$ 8,724,838
Nonexpendable:						
Permanently restricted	-	3,392,782	-	3,998,281	6,379,686	41,866,157
Net investment in property and equipment	-	-	-	-	-	-
Unrestricted	436,365	3,112,424	6,995,064	392	2,797,789	20,622,360
Total net assets	\$ 436,365	\$ 7,165,017	\$ 7,118,399	\$ 5,270,165	\$ 12,734,109	\$ 71,213,355
Total liabilities and net assets	\$ 2,926,201	\$ 7,592,864	\$ 17,105,362	\$ 6,026,609	\$ 13,598,042	\$ 92,154,025

NORTH DAKOTA UNIVERSITY SYSTEM
SUPPLEMENTARY INFORMATION
JUNE 30, 2012

Statement of Net Assets - Non-Major Component Units

	Dakota College of Bottineau Foundation	Lake Region Community College Foundation	MaSU Alumni Foundation	MISU Development Foundation	NDCS Foundation	NDSU Research Foundation
Support and revenue						
Gifts and contributions	\$ 124,559	\$ 441,635	\$ 1,716,876	\$ 698,875	\$ 762,612	\$ -
Investment income	-	80,401	113,677	204,757	234,266	77,822
Net realized and unrealized gains (losses) on investment securities	(474)	33,853	(40,986)	(446,910)	(244,851)	70,075
Program and event income	101,166	-	411,407	-	48,480	-
Other income	37,314	106,498	11,811	184,999	823,912	2,134,567
Total support and revenue	\$ 262,565	\$ 662,387	\$ 2,212,785	\$ 641,721	\$ 1,624,419	\$ 2,282,464
Expenses						
Program Services	\$ 129,905	\$ 249,735	\$ 1,124,100	\$ -	\$ 520,684	\$ -
Supporting services	65,218	168,852	45,935	1,271,659	585,672	2,152,306
Fund raising expense	-	42,761	74,405	-	-	-
Total expenses	\$ 195,123	\$ 461,348	\$ 1,244,440	\$ 1,271,659	\$ 1,106,356	\$ 2,152,306
Change in Net Assets	\$ 67,442	\$ 201,039	\$ 968,345	\$ (629,938)	\$ 518,063	\$ 130,158
Net Assets, Beginning of Year	\$ 1,943,138	\$ 4,794,445	\$ 3,265,299	\$ 13,742,193	\$ 9,938,065	\$ 3,551,051
Net Assets, End of Year	\$ 2,010,580	\$ 4,995,484	\$ 4,233,644	\$ 13,112,255	\$ 10,456,128	\$ 3,681,209

NORTH DAKOTA UNIVERSITY SYSTEM
SUPPLEMENTARY INFORMATION
JUNE 30, 2012

Statement of Net Assets - Non-Major Component Units

	NDSU Team Makers Club	UND Center for Innovation	UND Research Foundation	VCSU Foundation	WSC Foundation	Total
Support and revenue						
Gifts and contributions	\$ 2,370,654	\$ 1,167,398	\$ 21,082	\$ 516,215	\$ 531,277	\$ 8,351,183
Investment income	5,490	4,198	2,515	165,700	328,795	1,217,621
Net realized and unrealized gains (losses) on investment securities		(123,292)		(272,475)	(47,735)	(1,072,795)
Program and event income	282,223	162,904	-	123,612	7,104,078	8,233,870
Other income	43,836	332,638	1,809,407	416,483	2,099,858	8,001,323
Total support and revenue	\$ 2,702,203	\$ 1,543,846	\$ 1,833,004	\$ 949,535	\$ 10,016,273	\$ 24,731,202
Expenses						
Program Services	2,172,559	1,414,135	-	785,406	2,018,712	8,415,236
Supporting services	373,675	505,013	2,626,505	239,964	7,192,517	15,227,316
Fund raising expense	55,084	-	-	374,750	-	547,000
Total expenses	\$ 2,601,318	\$ 1,919,148	\$ 2,626,505	\$ 1,400,120	\$ 9,211,229	\$ 24,189,552
Change in Net Assets	\$ 100,885	\$ (375,302)	\$ (793,501)	\$ (450,585)	\$ 805,044	\$ 541,650
Net Assets, Beginning of Year	\$ 335,480	\$ 7,540,319	\$ 7,911,900	\$ 5,720,750	\$ 11,929,065	\$ 70,671,705
Net Assets, End of Year	\$ 436,365	\$ 7,165,017	\$ 7,118,399	\$ 5,270,165	\$ 12,734,109	\$ 71,213,355

NORTH DAKOTA UNIVERSITY SYSTEM
SUPPLEMENTARY INFORMATION
JUNE 30, 2012

SCHEDULE OF BONDS PAYABLE - Primary Institution

Issue	Original Balance	Interest Rate	Installments	Balance Outstanding
Bismarck State College				
2005 Housing & Auxiliary Facilities, due through 2030, collateralized by net revenues and income of housing services, interest rate fixed.	\$ 4,400,000	3.4-5.35%	\$90,000 to \$710,000	\$ 3,695,000
2012 Housing & Auxiliary Facilities, due through 2033, collateralized by net revenues and income of housing services, interest rate fixed.	\$ 7,000,000	2.0 - 4.0%	\$265,000 to \$475,000	7,000,000
Total BSC				<u>\$ 10,695,000</u>
Dickinson State University				
2006 Student Union Improvement Revenue Refunding Bonds, due through 2020, collateralized by student union fee revenue and bookstore net revenue, interest rate fixed.	\$ 775,000	3.75%-5.0%	\$50,000 to \$310,000	<u>\$ 470,000</u>
Total DSU				<u>\$ 470,000</u>
Lake Region State College				
2004 Housing & Auxiliary Facilities Improvement Revenue Bonds due through the year 2017, collateralized by auxiliary services net revenues, facility usage fees and HUD interest subsidy, interest rate fixed.	\$ 1,050,000	3.0-5.125%	\$55,000 to \$100,000	<u>\$ 530,000</u>
Total LRSC				<u>\$ 530,000</u>
Mayville State University				
2003 Facilities Revenue Bonds, due through the year 2018, collateralized by the student fees, sales tax and earnings, interest rate fixed.	\$ 2,800,000	5.38%	\$115,358	\$ 1,959,512
2010 Facilities Revenue Bonds, due through the year 2030, collateralized by the Housing and Facilities revenue, student fees, federal interest subsidy related to the bond interest payments and earnings on funds created under the indenture.	\$ 3,665,000	1.55-6.63%	\$173,923 to \$265,602	<u>3,415,000</u>
Total MaSU				<u>\$ 5,374,512</u>
Minot State University				
2001 Building Authority, consisting of revenue bonds due through the year 2013, interest rate fixed.	\$ 2,299,000	None	\$208,625 to \$315,000	\$ 208,626
2006 Student Services Facilities Revenue Bonds due through 2030, collateralized by net revenues from auxiliary housing, interest rate fixed.	\$ 5,000,000	4.0-5.25%	\$125,000 to \$290,000	4,330,000
2010 Wellness Fund, due August 1, 2040, collateralized by student fees and net revenues from the Wellness Center, housing and the student union.	\$ 10,000,000	2.0-6.6%	\$135,000 to \$1,415,000	9,865,000
Total MiSU				<u>\$ 14,403,626</u>
North Dakota State College of Science				
2012 Housing Facilities Revenue Bonds, due through 2037, fixed rate collateralized by net housing and auxiliary facilities pledged revenues.	\$ 9,000,000	3.76%	\$265,000 to \$545,000	<u>\$ 9,000,000</u>
Total NDSCS				<u>\$ 9,000,000</u>

NORTH DAKOTA UNIVERSITY SYSTEM
SUPPLEMENTARY INFORMATION
JUNE 30, 2012

SCHEDULE OF BONDS PAYABLE - Primary Institution (continued)

Issue	Original Balance	Interest Rate	Installments	Balance Outstanding
North Dakota State University				
2004 Housing & Auxiliary Facilities Revenue Bonds through 2034, collateralized by net revenues of housing and auxiliary services, interest rate fixed.	\$ 10,350,000	3.0-5.0%	\$125,000 to \$630,000	\$ 8,745,000
2005 Housing & Auxiliary Facilities Revenue Bonds, due through 2035, collateralized by net revenues of housing and auxiliary system, interest rate fixed.	\$ 18,700,000	4.25-5.0%	\$1,200,000	17,065,000
2006A Housing & Auxiliary Facilities Revenue Bonds, due through 2036, collateralized by net revenues of housing and auxiliary system, interest rate fixed.	\$ 9,990,000	4.25-5.0%	\$630,000	8,895,000
2006B Housing & Auxiliary Facilities Revenue Bonds, due through 2029, collateralized by net revenues of housing and auxiliary system, interest rate fixed.	\$ 2,845,000	4.25-5.0%	\$225,000	2,520,000
2007B Research & Tech Park Refunding callable Revenue Bonds Maturity June 30 2023, collateralized by lease revenue, fixed rate.	\$ 18,100,000	4.0-6.5%	\$805,000 to \$1,330,000	17,665,000
2007A Research & Tech Park Refunding callable Revenue Bonds Maturity June 30 2022, collateralized by lease revenue, fixed rate	\$ 4,735,000	4.0-4.125%	\$220,000 to \$510,000	4,200,000
2007 Housing & Auxiliaries Facilities Revenue Bonds, fixed rate Maturity 2037, collateralized by Auxiliary revenue.	\$ 12,000,000	4.5-5.0%	\$735,237 to \$791,897	11,170,000
2009 Housing & Auxiliaries Facilities Revenue Bonds, Maturity July 29, 2039, collateralized by Auxiliary revenue.	\$ 26,245,000	1.5-4.8%	\$1,715,000	25,265,000
2012 Housing & Auxiliaries Facilities Revenue Bonds, Maturity April 1, 2027, collateralized by housing and auxiliary revenue.	\$ 5,730,000	2.0-3.0%	\$5,730,000	5,730,000
Total NDSU				<u>\$ 101,255,000</u>
University of North Dakota				
2002 Memorial Union Refunding Revenue Bonds due through 2021, collateralized by net housing and auxiliary facilities system, debt service grants, & bond indenture earnings, fixed rate.	\$ 6,710,000	3-5%	\$235,000 to \$550,000	\$ 2,425,000
2004 Housing & Auxiliary Facilities Revenue Bonds due through 2034, collateralized by net housing and auxiliary facilities system, debt service grants, & bond indenture earnings, fixed rate..	\$ 19,645,000	1-5%	\$30,000 to \$1,180,000	16,675,000
2006 Housing & Auxiliary Facilities Revenue Bonds due through 2036, collateralized by net housing and auxiliary facilities system, debt service grants, & bond indenture earnings, fixed rate.	\$ 40,050,000	3.5-5%	\$85,000 to \$2,875,000	39,560,000
2009 Aerospace Hanger Revenue Bonds due through 2029, collateralized by revenue from flight operations and proceeds from any casualty insurance payments.	\$ 1,500,000	4.25%	\$73,016 to \$133,054	1,285,500
2009 Refinance of 1998A Housing and Refunding Revenue Bonds due through 2021, collateralized by net housing & auxiliary facilities system, debt service grants, and bond indenture earnings.	\$ 9,750,000	3.8-4.8%	\$1,830,000 to \$2,080,000	4,095,000
Total UND				<u>\$ 64,040,500</u>

NORTH DAKOTA UNIVERSITY SYSTEM
SUPPLEMENTARY INFORMATION
JUNE 30, 2012

SCHEDULE OF BONDS PAYABLE - Primary Institution (continued)

Issue	Original Balance	Interest Rate	Installments	Balance Outstanding
Valley City State University				
2003 Housing & Auxiliary Facilities Revenue Bonds due through 2033, collateralized by net housing and auxiliary facilities system, interest rate fixed.	\$ 3,300,000	5.678%	\$50,000 to \$225,000	\$ 2,855,000
Total VCSU				<u>3,430,000</u>
2010 Housing & Auxiliary Facilities Revenue Bonds for the renovation of Snoeyenbos Hall Revenue Bonds due through 2040, collateralized by net housing and auxiliary facilities system, interest is variable and ranges from 2.8% to 7.05%	\$ 3,430,000	2.8-7.05%	\$25,000 to \$380,000	3,430,000
Total VCSU				<u>\$ 6,285,000</u>
Williston State College				
1979 Student Housing Revenue Bonds, due through 2019, collateralized by net revenues and income from Nelson Hall and apartments, interest rate fixed.	\$ 546,000	3.0%	\$1,000 to \$20,000	\$ 66,000
2010 Housing and Auxiliary Services, matures 2041	\$ 1,500,000	6.9%	\$150,000	9,175,000
Total WSC				<u>\$ 9,241,000</u>
North Dakota University System				
2003 ConnectND Project Revenue Bonds, Series C, issued by North Dakota Building Authority (\$20,000,000 - NDUS owns 71%), due through the year 2014 collateralized by student fees, fixed rate.	\$ 14,200,000	4.28%	\$1,890,000 to \$2,615,000	\$ 3,628,100
Total NDUS				<u>\$ 3,628,100</u>
Total Bonds Payable	<u>\$ 255,315,000</u>			<u>\$ 224,922,738</u>

NORTH DAKOTA UNIVERSITY SYSTEM
SUPPLEMENTARY INFORMATION
JUNE 30, 2012

Financial Information for Revenue Producing Buildings (Unaudited)

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

	Bismarck State College	Dakota State College	Dickinson State University	Lake Region State College	Mayville State University	Minot State University
Operating Revenues	\$ 4,230,287	\$ 442,714	\$ 3,103,984	\$ 1,408,945	\$ 2,140,577	\$ 378,340
Operating Expenses	4,213,855	557,137	3,059,355	1,724,630	1,850,496	1,445,198
Net Operating Revenues	<u>\$ 16,432</u>	<u>\$ (114,423)</u>	<u>\$ 44,629</u>	<u>\$ (315,685)</u>	<u>\$ 290,081</u>	<u>\$ (1,066,858)</u>
Pledged Fees	\$ 274,774	\$ -	\$ 134,830	\$ 84,051	\$ 76,547	\$ 611,383
Non Operating Revenue	369,800	138,771	71,453	136,791	110,549	1,216,971
Investment Income	1,128	-	-	6,653	1	28,672
Debt Service Grants	-	6,091	-	23,170	67,705	211,273
Capitalized Interest	-	-	-	-	-	-
Net Revenue Available for Debt Retirement	<u>\$ 662,134</u>	<u>\$ 30,439</u>	<u>\$ 250,912</u>	<u>\$ (65,020)</u>	<u>\$ 544,883</u>	<u>\$ 1,001,441</u>
Current year Debt Service						
Principal	\$ 110,000	\$ 29,000	\$ 55,000	\$ 75,000	\$ 140,000	\$ 280,000
Interest	<u>222,056</u>	<u>506</u>	<u>25,338</u>	<u>27,861</u>	<u>192,672</u>	<u>728,129</u>
Total Debt Service	<u>\$ 332,056</u>	<u>\$ 29,506</u>	<u>\$ 80,338</u>	<u>\$ 102,861</u>	<u>\$ 332,672</u>	<u>\$ 1,008,129</u>

NORTH DAKOTA UNIVERSITY SYSTEM
SUPPLEMENTARY INFORMATION
JUNE 30, 2012

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	\$ 4,829,665	\$ 38,241,860	\$ 37,638,430	\$ 2,739,996	\$ 1,110,819	\$ 96,265,616
Operating Expenses	9,516,030	35,552,142	33,379,763	2,673,661	688,592	94,660,860
Net Operating Revenues	<u>\$ (4,686,365)</u>	<u>\$ 2,689,718</u>	<u>\$ 4,258,667</u>	<u>\$ 66,334</u>	<u>\$ 422,227</u>	<u>\$ 1,604,757</u>
Pledged Fees	\$ 87,193	\$ 3,251,915	\$ 3,977,762	\$ 127,747	\$ 90,000	\$ 8,716,202
Non Operating Revenue	2,281,279	4,829,997	2,980,449	490,429	111,474	12,737,964
Investment Income	2,098	1,102	133,933	10,794	4,746	189,128
Debt Service Grants	-	24,408	-	62,730	282,434	677,811
Capitalized Interest	335,197	-	-	-	121	335,318
Net Revenue Available for Debt Retirement	<u><u>\$ (1,980,598)</u></u>	<u><u>\$ 10,797,139</u></u>	<u><u>\$ 11,350,811</u></u>	<u><u>\$ 758,035</u></u>	<u><u>\$ 911,002</u></u>	<u><u>\$ 24,261,178</u></u>
Current year Debt Service						
Principal	\$ -	\$ 5,050,000	\$ 3,025,000	\$ 120,000	\$ 220,000	\$ 9,104,000
Interest	<u>326,796</u>	<u>3,890,012</u>	<u>3,034,464</u>	<u>387,235</u>	<u>583,755</u>	<u>9,418,824</u>
Total Debt Service	<u><u>\$ 326,796</u></u>	<u><u>\$ 8,940,012</u></u>	<u><u>\$ 6,059,464</u></u>	<u><u>\$ 507,235</u></u>	<u><u>\$ 803,755</u></u>	<u><u>\$ 18,522,824</u></u>