



Financial Statements  
December 31, 2023 and 2022

# North Dakota State University Foundation

North Dakota State University Foundation

Table of Contents

December 31, 2023 and 2022

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Independent Auditor’s Report.....	1
Financial Statements	
Statements of Financial Position – Assets .....	3
Statements of Financial Position – Liabilities and Net Assets.....	4
Statements of Activities .....	5
Statements of Functional Expenses .....	7
Statements of Cash Flows .....	9
Notes to Financial Statements .....	11



## Independent Auditor's Report

To the Executive Governing Board  
North Dakota State University Foundation  
Fargo, North Dakota

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of North Dakota State University Foundation (Foundation), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of North Dakota State University Foundation as of December 31, 2023 and 2022, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Responsibilities of Management for the Financial Statements*

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for one year after the date that the financial statements are issued.

## ***Auditor's Responsibilities of the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

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

*Eide Bailly LLP*

Fargo, North Dakota  
April 26, 2024

# North Dakota State University Foundation

## Statements of Financial Position – Assets

December 31, 2023 and 2022

	2023	2022
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 8,082,829	\$ 7,223,564
Short-term investments	12,043,942	9,545,895
Receivables		
Current portion of unconditional promises to give	20,254,306	18,323,521
Interest	4,267	4,834
Current portion of contracts for deed and notes receivable	66,795	65,987
Bequest	200,000	700,700
Other	616,358	564,081
Prepaid expenses	413,598	318,647
	<b>41,682,095</b>	<b>36,747,229</b>
<b>Property and Equipment</b>		
Property and equipment, net of accumulated depreciation	3,473,933	3,372,751
Real estate held for University purposes, net of accumulated depreciation	24,391,047	25,950,157
	<b>27,864,980</b>	<b>29,322,908</b>
<b>Other Assets</b>		
Investments	499,795,905	454,966,418
Equity method investments	17,638,219	17,248,153
Contracts for deed and notes receivable, net of current portion	449,619	516,413
Cash restricted for capital projects	7,647,285	127,703
Split-interest trusts held by others, net	74,930	66,490
Beneficial interest in charitable trust held by others	1,112,847	1,017,310
Unconditional promises to give, net	31,587,580	35,930,156
	<b>558,306,385</b>	<b>509,872,643</b>
	<b>\$ 627,853,460</b>	<b>\$ 575,942,780</b>

North Dakota State University Foundation  
 Statements of Financial Position – Liabilities and Net Assets  
 December 31, 2023 and 2022

	2023	2022
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued liabilities	\$ 3,201,690	\$ 3,484,400
Cash and cash equivalents held for others	3,324	48,209
Investments held for others	1,151,602	1,001,251
Current portion of split-interest agreements	867,174	996,566
Current portion of notes and bonds payable	4,574,619	3,024,117
Other	6,028	39,080
Total current liabilities	9,804,437	8,593,623
Split-interest agreements, net of current portion	7,758,832	7,144,228
Notes and bonds payable, net of current portion	34,796,268	24,966,833
Total liabilities	52,359,537	40,704,684
Net Assets		
Without donor restrictions	32,151,518	30,808,646
With donor restrictions	543,342,405	504,429,450
Total net assets	575,493,923	535,238,096
Total liabilities and net assets	\$ 627,853,460	\$ 575,942,780

North Dakota State University Foundation

Statements of Activities

Year Ended December 31, 2023

	With Donor Restrictions	Without Donor Restrictions	Total
Revenue and Other Support			
Gifts and grants	\$ 49,923,961	\$ 342,720	\$ 50,266,681
Liabilities to income beneficiaries	(445,780)	-	(445,780)
	<u>49,478,181</u>	<u>342,720</u>	<u>49,820,901</u>
Investment income	17,341,343	4,322,368	21,663,711
Net realized and unrealized gain on investments and real estate held for University purposes	<u>19,520,536</u>	<u>3,360,673</u>	<u>22,881,209</u>
Net investment return	<u>36,861,879</u>	<u>7,683,041</u>	<u>44,544,920</u>
Change in value of split-interest agreements	(862,211)	(166,440)	(1,028,651)
Other income	<u>379,075</u>	<u>1,185,265</u>	<u>1,564,340</u>
	85,856,924	9,044,586	94,901,510
Net assets released from restrictions	<u>(46,943,969)</u>	<u>46,943,969</u>	<u>-</u>
Total revenue and other support	<u>38,912,955</u>	<u>55,988,555</u>	<u>94,901,510</u>
Expenses			
Program services			
Support to University	-	37,564,768	37,564,768
Alumni outreach	-	1,908,267	1,908,267
Total program expenses	<u>-</u>	<u>39,473,035</u>	<u>39,473,035</u>
Support services			
Administrative and general expenses	-	10,561,385	10,561,385
Fundraising and development	-	4,611,263	4,611,263
Total supporting services expenses	<u>-</u>	<u>15,172,648</u>	<u>15,172,648</u>
Total expenses	<u>-</u>	<u>54,645,683</u>	<u>54,645,683</u>
Change in Net Assets	38,912,955	1,342,872	40,255,827
Net Assets, Beginning of Year	<u>504,429,450</u>	<u>30,808,646</u>	<u>535,238,096</u>
Net Assets, End of Year	<u>\$ 543,342,405</u>	<u>\$ 32,151,518</u>	<u>\$ 575,493,923</u>

North Dakota State University Foundation

Statements of Activities

Year Ended December 31, 2022

	With Donor Restrictions	Without Donor Restrictions	Total
Revenue and Other Support			
Gifts and grants	\$ 31,343,410	\$ 329,868	\$ 31,673,278
Liabilities to income beneficiaries	(451,422)	-	(451,422)
	<u>30,891,988</u>	<u>329,868</u>	<u>31,221,856</u>
Investment income	20,891,514	3,495,970	24,387,484
Net realized and unrealized loss on investments and real estate held for University purposes	(56,736,204)	(6,867,145)	(63,603,349)
Net investment return	(35,844,690)	(3,371,175)	(39,215,865)
Change in value of split-interest agreements	1,162,823	(142,142)	1,020,681
Other income	553,396	1,064,196	1,617,592
	(3,236,483)	(2,119,253)	(5,355,736)
Net assets released from restrictions	(50,053,572)	50,053,572	-
Total revenue and other support	<u>(53,290,055)</u>	<u>47,934,319</u>	<u>(5,355,736)</u>
Expenses			
Program services			
Support to University	-	44,646,732	44,646,732
Alumni outreach	-	1,349,424	1,349,424
Total program expenses	-	45,996,156	45,996,156
Support services			
Administrative and general expenses	-	6,222,380	6,222,380
Fundraising and development	-	3,913,678	3,913,678
Total supporting services expenses	-	10,136,058	10,136,058
Total expenses	-	56,132,214	56,132,214
Change in Net Assets	(53,290,055)	(8,197,895)	(61,487,950)
Net Assets, Beginning of Year	557,719,505	39,006,541	596,726,046
Net Assets, End of Year	<u>\$ 504,429,450</u>	<u>\$ 30,808,646</u>	<u>\$ 535,238,096</u>



North Dakota State University Foundation  
Statements of Functional Expenses  
Year Ended December 31, 2023

	Program Services			Administrative and General	Fundraising and Development	Total
	Support to University	Alumni Outreach	Total			
Scholarships and Fellowships	\$ 11,471,279	\$ -	\$ 11,471,279	\$ -	\$ -	\$ 11,471,279
Departmental Expenses	3,138,581	-	3,138,581	-	-	3,138,581
Building and Equipment	19,187,389	-	19,187,389	-	-	19,187,389
Faculty Support	3,562,205	-	3,562,205	-	-	3,562,205
Other Support to NDSU	205,314	-	205,314	-	-	205,314
Purchase of Auction Items	-	-	-	-	134,430	134,430
Salaries and Wages	-	806,409	806,409	1,530,876	2,375,685	4,712,970
Employee Benefits	-	175,313	175,313	470,821	621,673	1,267,807
Payroll Taxes	-	55,783	55,783	101,516	169,198	326,497
Employee Recruiting	-	-	-	154,954	-	154,954
Dues and Subscriptions	-	-	-	6,625	334	6,959
Printing and Postage	-	187,691	187,691	41,782	45,653	275,126
Supplies	-	18,107	18,107	8,866	7,767	34,740
Donor Relations	-	63	63	20,206	106,122	126,391
Advertising and Marketing	-	5,179	5,179	500	3,242	8,921
Recognition Gifts	-	13,700	13,700	1,201	30,521	45,422
Travel	-	47,342	47,342	58,317	230,808	336,467
Staff and Non-Staff Expenses	-	23,298	23,298	28,151	2,496	53,945
Meetings	-	434	434	71,145	393	71,972
Training and Development	-	-	-	74,900	1,075	75,975
Repairs and Maintenance	-	7,744	7,744	77,442	38,721	123,907
Utilities	-	10,407	10,407	64,395	40,879	115,681
Computer and Software	-	129,947	129,947	268,560	357,412	755,919
Equipment	-	28,086	28,086	56,171	77,247	161,504
Insurance	-	15,607	15,607	48,913	42,927	107,447
Credit Card and Bank Charges	-	554	554	75,824	-	76,378
Income Taxes	-	-	-	3,104	-	3,104
Accounting Fees	-	-	-	56,748	-	56,748
Legal Fees	-	-	-	39,359	-	39,359
Consulting and Professional Fees	-	6,316	6,316	112,099	24,310	142,725
Compliance Fees	-	-	-	6,768	-	6,768
Interest	-	-	-	692,036	-	692,036
Bad Debt Expense	-	-	-	4,196,925	-	4,196,925
Life Insurance Premiums	-	-	-	4,644	-	4,644
Event Expense	-	363,370	363,370	8,523	235,784	607,677
Conference Services	-	-	-	63,406	-	63,406
Farm Expense	-	-	-	8,519	-	8,519
Rental Property Occupancy	-	-	-	431,144	-	431,144
Rental Property Real Estate Taxes	-	-	-	38,933	-	38,933
Rental Property Insurance	-	-	-	42,181	-	42,181
Depreciation and Depletion	-	12,917	12,917	1,695,831	64,586	1,773,334
	<u>\$ 37,564,768</u>	<u>\$ 1,908,267</u>	<u>\$ 39,473,035</u>	<u>\$ 10,561,385</u>	<u>\$ 4,611,263</u>	<u>\$ 54,645,683</u>

North Dakota State University Foundation  
 Statements of Functional Expenses  
 Year Ended December 31, 2022

	Program Services			Administrative and General	Fundraising and Development	Total
	Support to University	Alumni Outreach	Total			
Scholarships and Fellowships	\$ 9,652,154	\$ -	\$ 9,652,154	\$ -	\$ -	\$ 9,652,154
Departmental Expenses	2,005,994	-	2,005,994	-	-	2,005,994
Building and Equipment	28,486,971	-	28,486,971	-	-	28,486,971
Faculty Support	3,927,590	-	3,927,590	-	-	3,927,590
Other Support to NDSU	574,023	-	574,023	-	-	574,023
Purchase of Auction Items	-	-	-	-	126,226	126,226
Salaries and Wages	-	456,309	456,309	1,812,472	1,947,547	4,216,328
Employee Benefits	-	119,117	119,117	545,932	490,036	1,155,085
Payroll Taxes	-	28,886	28,886	126,634	143,293	298,813
Employee Recruiting	-	-	-	14,847	-	14,847
Dues and Subscriptions	-	-	-	10,779	69	10,848
Printing and Postage	-	177,337	177,337	19,467	17,539	214,343
Supplies	-	17,211	17,211	43,017	5,876	66,104
Donor Relations	-	-	-	24,253	85,489	109,742
Advertising and Marketing	-	3,062	3,062	500	1,850	5,412
Recognition Gifts	-	8,248	8,248	624	29,201	38,073
Travel	-	35,400	35,400	79,117	218,965	333,482
Staff and Non-Staff Expenses	-	17,451	17,451	20,260	1,085	38,796
Meetings	-	419	419	70,092	623	71,134
Training and Development	-	-	-	72,339	-	72,339
Repairs and Maintenance	-	16,134	16,134	56,451	40,317	112,902
Utilities	-	20,658	20,658	61,323	51,317	133,298
Computer and Software	-	57,542	57,542	103,785	140,660	301,987
Equipment	-	27,815	27,815	43,426	67,993	139,234
Insurance	-	19,170	19,170	42,436	46,861	108,467
Credit Card and Bank Charges	-	-	-	67,246	-	67,246
Income Taxes	-	-	-	709	-	709
Accounting Fees	-	-	-	47,280	-	47,280
Legal Fees	-	-	-	90,504	-	90,504
Consulting and Professional Fees	-	26,115	26,115	60,165	209,683	295,963
Compliance Fees	-	-	-	2,787	-	2,787
Interest	-	-	-	612,956	-	612,956
Bad Debt Recovery	-	-	-	(211,882)	-	(211,882)
Life Insurance Premiums	-	-	-	4,965	-	4,965
Event Expense	-	292,468	292,468	48,932	223,871	565,271
Conference Services	-	-	-	56,966	-	56,966
Miscellaneous	-	-	-	3,244	-	3,244
Farm Expense	-	-	-	163,197	-	163,197
Rental Property Occupancy	-	-	-	381,917	-	381,917
Rental Property Real Estate Taxes	-	-	-	30,054	-	30,054
Rental Property Insurance	-	-	-	38,824	-	38,824
Depreciation and Depletion	-	26,082	26,082	1,676,762	65,177	1,768,021
	<u>\$ 44,646,732</u>	<u>\$ 1,349,424</u>	<u>\$ 45,996,156</u>	<u>\$ 6,222,380</u>	<u>\$ 3,913,678</u>	<u>\$ 56,132,214</u>

# North Dakota State University Foundation

## Statements of Cash Flows

Years Ended December 31, 2023 and 2022

	2023	2022
<b>Operating Activities</b>		
Change in net assets	\$ 40,255,827	\$ (61,487,950)
Charges and credits to change in net assets not affecting cash		
Depreciation and depletion	1,773,334	1,768,021
Net realized and unrealized gains and losses on investments	(22,881,209)	63,603,349
Change in beneficial interest in charitable trust held by others	(95,537)	234,940
Change in cash surrender value of life insurance	(10,632)	38,376
Gifts to be held in perpetuity	(18,995,574)	(17,008,222)
Change in value of split-interest agreements	120,780	(1,578,918)
Gifts restricted for capital projects	(20,254,306)	(1,730,000)
Transfer from donor restricted fund to restricted for capital projects	(2,097,784)	(1,149,315)
Payments for capital projects	19,916,956	27,148,912
Loss on disposal of property and equipment	-	3,052
Change in value of split-interest trusts held by others	(8,440)	18,462
Change in cash and cash equivalents held for others	(44,885)	7,079
Changes in operating assets and liabilities		
Unconditional promises to give	7,781,981	(4,605,721)
Receivables - interest, grant, bequest, and other	448,990	(375,680)
Prepaid expenses	(94,951)	(4,157)
Accounts payable and accrued liabilities	(282,710)	1,074,705
Other	(33,052)	11,554
<b>Net Cash from Operating Activities</b>	<b>5,498,788</b>	<b>5,968,487</b>
<b>Investing Activities</b>		
Proceeds from the sale of investments	95,296,887	58,172,147
Purchases of investments, including real estate and equipment held for investments	(119,972,295)	(82,579,132)
Payments for capital projects	(19,916,956)	(27,148,912)
Receipts on notes and contracts receivable	65,986	65,172
Property and equipment purchases	(307,856)	(437,942)
<b>Net Cash used for Investing Activities</b>	<b>(44,834,234)</b>	<b>(51,928,667)</b>

North Dakota State University Foundation

Statements of Cash Flows – page 2  
 Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Financing Activities		
Gifts to be held in perpetuity	\$ 17,285,004	\$ 16,609,314
Gifts restricted for capital projects	16,594,686	17,418,437
Transfer from donor restricted fund to restricted for capital projects	2,097,784	1,149,315
Payments to beneficiaries of split-interest agreements	(79,049)	(283,659)
Proceeds from establishment of split-interest agreements	443,481	533,286
Proceeds from issuance of notes payable	15,388,000	9,835,000
Principal payments on bonds and notes payable	<u>(4,015,613)</u>	<u>(2,798,647)</u>
Net Cash from Financing Activities	<u>47,714,293</u>	<u>42,463,046</u>
Net Change in Cash, Cash Equivalents, and Restricted Cash	8,378,847	(3,497,134)
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	<u>7,351,267</u>	<u>10,848,401</u>
Cash, Cash Equivalents, and Restricted Cash, End of Year	<u>\$ 15,730,114</u>	<u>\$ 7,351,267</u>
Cash and Cash Equivalents	\$ 8,082,829	\$ 7,223,564
Cash Restricted for Capital Projects	<u>7,647,285</u>	<u>127,703</u>
Total cash, cash equivalents, and restricted cash	<u>\$ 15,730,114</u>	<u>\$ 7,351,267</u>
Supplemental Disclosures of Cash Flow Information		
Cash paid during the year for interest	<u>\$ 696,421</u>	<u>\$ 615,915</u>
Supplemental Schedule of Noncash Investing and Financing Activities		
Issuance and capitalization of special assessments	<u>\$ 7,550</u>	<u>\$ 4,370</u>

**Note 1 - Principal Activity and Significant Accounting Policies****Organization**

The North Dakota State University Foundation (Foundation) is a North Dakota nonprofit corporation established to raise, manage, distribute, and steward private resources to support the various priorities of North Dakota State University (University). The Foundation's mission is to build enduring relationships that maximize advocacy and philanthropy to support the University.

**Cash and Cash Equivalents**

The Foundation considers all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to capital expenditures, permanent endowment, or other long-term purposes of the Foundation are excluded from this definition.

**Bequest Receivables**

Bequest receivables as of December 31, 2023 and 2022, of \$200,000 and \$700,700 are receivable from the trusts of various estates. Bequest receivables are recorded at fair market value upon the notification of the donor's death. The Foundation records receivables from estates at the time it is notified of the death of a donor and there is no evidence that the provisions of the donor's will are to be contested.

**Promises to Give**

Unconditional promises to give are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in gifts and grant revenue in the statements of activities. Management determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. As of December 31, 2023 and 2022, the allowance was \$5,160,619 and \$1,000,820.

Conditional promises to give are only receivable upon the occurrence of uncertain future events and therefore are not recorded in the accompanying financial statements. As of December 31, 2023 and 2022, the Foundation did not have any conditional promises to give.

**Property and Equipment**

Property and equipment additions over \$2,500 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation is provided using the straight-line method over the following estimated useful lives:

Buildings and improvements	5-50 years
Office furniture and equipment	5-20 years
Computer software	3-5 years

When assets are sold or otherwise disposed of, the cost and related depreciation are removed from the accounts, and any remaining gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The Foundation reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended December 31, 2023 and 2022.

### **Real Estate Held for University Purposes**

Real estate held for University purposes represents property leased to the University and others intended for current University use or in support of the University. It is stated at the fair market value at the time of the gift or at cost if purchased. Depreciation is provided using the straight-line method over 15 to 31.5 years.

### **Investments**

The Foundation carries investments at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities. Certain funds have been pooled for ease of management and to achieve greater diversification in investments. Earnings on investments are allocated to individual accounts based on a unitization process. Investment income is reported in the statements of activities and consists of lease, interest and dividend income, less investment management, direct internal investment expenses, and custodial fees. Net realized and unrealized gain on investments consists of all realized and unrealized gains and losses on investments.

### **Equity Method Investments**

Investments in entities in which the Foundation has the ability to exercise significant influence over operating and financial policies but does not have operational control are recorded under the equity method of accounting. Under the equity method, the initial investment is recorded at cost and adjusted annually to recognize the Foundation's share of earnings and losses of those affiliates entities, net of any additional investments or distributions. The Foundation's share of net earnings or losses of the entities is included in other income.

The Foundation is considered the limited partner in these equity method investments. If no single partner controls the limited partnership, the general and limited partners shall apply the equity method of accounting to their interests, except for instances when a limited partner's interest is so minor that the limited partner may have virtually no influence over partnership operations and financial policies. No such instances exist for the years ended December 31, 2023 and 2022.

**Cash Restricted for Capital Projects**

Cash restricted for capital projects consists of cash and highly liquid financial instruments that are restricted by donors for long-term capital project purposes.

**Gift Annuity Agreements**

The Foundation has entered into gift annuity agreements, which provide that the Foundation shall pay periodic amounts to designated beneficiaries until their death. Payments continue even if the assets gifted or acquired as a result of a gift have been exhausted. The Foundation records these gifts at market value with a corresponding liability recorded for the actuarially determined present value of payments to be made to the designated beneficiaries. The residual amounts of the gifts are recorded as net assets with donor restrictions or without donor restrictions based on the donors' wishes. The Foundation has elected the fair value option for any gift annuity agreements entered into. In subsequent years, the liability for future payments to the donor is reduced by payments made to the donor and is adjusted to reflect changes in the fair value of the liability at the end of the year. Upon termination of the annuity contract, the remaining liability is removed and recognized as income. The estimated present value of future payments to be made under these agreements, discounted at 5% for 2023 and 2022, totals \$2,688,448 and \$2,942,672 at December 31, 2023 and 2022.

**Charitable Remainder Trusts**

Charitable remainder trusts consist of charitable remainder unitrusts and annuity trusts. These trusts are governed by the respective trust agreements, which generally provide for either an income stream or a future distribution of cash or other assets to the Foundation, in whole or in part, for a specified period or upon the occurrence of a specific event, respectively. The trust assets are recorded at fair value, and a related liability for future payments to be made to the specified beneficiaries is recorded at fair value using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the liability. The excess of contributed assets over the trust liability is recorded as net assets with donor restrictions until such amount is received via trust distribution and/or is expended in satisfaction of the restricted purpose stipulated by the trust agreement, if any, at which time net assets are released to net assets without donor restrictions or are transferred to the endowment. The Foundation has elected the fair value option for any charitable remainder trusts entered into. In subsequent years, the liability for future trust payments to the donor is reduced by payments made to the donor and is adjusted to reflect changes in the fair value of the liability at the end of the year.

Upon termination of the trust, the remaining liability is removed and recognized as income. The estimated present value of future investment income distributions to beneficiaries, discounted at 5% for 2023 and 2022, totals \$5,937,558 and \$5,198,122 at December 31, 2023 and 2022.

**Net Assets**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The Executive Governing Board has designated, from net assets without donor restrictions, net assets for an operating reserve, capital repair reserve, property reserve, and board-designated endowment. The board designated capital repair reserve was \$365,890 and \$464,546 as of December 31, 2023 and 2022.

*Net Assets With Donor Restrictions* – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Foundation reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

**Revenue and Revenue Recognition**

The Foundation recognizes contributions when cash, securities or other assets; an unconditional promise to give; or notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

**Donated Services**

Many individuals, including board members, have contributed significant amounts of time to activities of the Foundation without compensation. Volunteers also donate services for periodic fundraising drives, such as the Bison Bidder's Bowl. During the years ended December 31, 2023 and 2022, the value of contributed services meeting the requirement for recognition in the financial statements was not material and has not been recorded.



**Donated Assets**

Donated property, marketable securities and other non-cash donations are recorded as contributions at their estimated market value at the date of the donation. Such donations are reported as net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. The Foundation reclassifies net assets with donor restrictions to net assets without donor restrictions when the restriction has been fulfilled.

**Functional Allocation of Expenses**

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include repairs and maintenance, depreciation, and utilities, which are allocated on a square footage basis, as well as salaries and wages, employee benefits, payroll taxes, printing and postage, supplies and equipment, computer and software, insurance, professional fees, and other expenses, which are allocated on the basis of estimates of time and effort.

**Income Taxes**

The Foundation is a publicly supported organization under Internal Revenue Code Section 501(c)(3) and is classified as an organization which is not a private foundation. Accordingly, the Foundation is not subject to federal income taxes. In addition, the Foundation is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes.

The Foundation believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Foundation would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred. The Foundation files an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS to report its unrelated business taxable income.

**Cash and Cash Equivalents Held for Others**

Cash and cash equivalents held for others consist of funds held and invested for various organizations.

**Investments Held For Others**

Investments held for others represent the portion of charitable remainder unitrusts for which the Foundation holds the assets, but is not the beneficiary. See Note 5.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates and those differences could be material.

**Financial Instruments and Credit Risk**

The Foundation maintains its cash, money market accounts, and certificates of deposit in bank deposit accounts which exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor, per insured bank, for each account ownership category. At December 31, 2023 and 2022, the Foundation had approximately \$6,634,500 and \$5,481,000, respectively, in excess of FDIC-insured limits. To date, the Foundation has not experienced losses in any of these accounts. Credit risk associated with promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from committed supporters of the University and the Foundation. Investments are made by diversified investment managers whose performance is monitored by management, the Investment Committee, and the Finance and Audit Committee of the Foundation. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management, the Investment Committee, and the Finance and Audit Committee believe that the investment policies and guidelines are prudent for the long-term welfare of the Foundation and University.

**Beneficial Interests in Charitable Trusts Held by Others**

The Foundation has been named as an irrevocable beneficiary of perpetual charitable trusts held and administered by independent trustees. These trusts were created independently by donors and are administered by outside agents designated by the donors. Therefore, the Foundation has neither possession nor control over the assets of the trusts. At the date the Foundation receives notice of a beneficial interest, a donor restricted contribution is recorded in the statements of activities, and a beneficial interest in charitable trusts held by others is recorded in the statements of financial position at fair value of the assets contributed to the trust. Thereafter, beneficial interests in the trusts are reported at fair value in the statements of financial position, with trust distributions and changes in fair value recognized in the statements of activities. Upon receipt of trust distributions or expenditures, or both, in satisfaction of the donor-restricted purpose, if any, net assets with donor-imposed time or purpose restrictions are released to net assets without donor restrictions. Trust distributions with donor-imposed restrictions that are perpetual in nature are transferred to the endowment, in which case, net assets with donor-restrictions are not released.

**Subsequent Events**

Subsequent events have been evaluated through April 26, 2024, the date the financial statements were issued.

**Note 2 - Liquidity and Availability**

The Foundation regularly monitors liquidity for its operations and programmatic needs while also striving to maximize the investment of its available funds. It is the Foundation's policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Foundation considers all expenditures related to ongoing fundraising operations and programmatic support of the University to be general expenditures. As such, donor restricted assets that can be used within one year are included in determining the financial assets that are available to meet cash needs for general expenditures within one year.

The following financial assets are considered unavailable for general expenditure within one year: assets that are illiquid or not convertible to cash within one year, trust assets, assets held for others, endowments and accumulated earnings net of the appropriation that will be made available within one year, and board designated endowments. The following table reflects the Foundation's financial assets available for general expenditure within one year as of December 31, 2023 and 2022, respectively. Spending from the endowment is described in Note 13 to these financial statements and are shown in the following tables as Appropriations from endowment portfolio.

Financial assets available for general expenditure within one year of the statement of financial position date, comprise the following:

	<u>2023</u>	<u>2022</u>
Cash and Cash Equivalents	\$ 2,461,497	\$ 5,447,539
Cash Restricted for Capital Projects	7,647,285	127,703
Shortterm Investments	11,612,821	9,410,554
Investments	20,728,822	17,623,414
Appropriations from Endowment Portfolio	17,053,090	15,317,902
Unconditional Promises to Give	15,452,354	16,496,761
Other Receivables	<u>502,069</u>	<u>564,081</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 75,457,938</u>	<u>\$ 64,987,954</u>

Distributions from the Foundation's board designated endowment are made at the request and approval of the Foundation's Executive Governing Board. The board designated endowment could be drawn upon if the Board approves that action.

**Note 3 - Promises to Give****Unconditional Promises to Give**

Unconditional promises to give are estimated to be collected as follows at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Within One Year	\$ 20,612,972	\$ 18,636,166
In One to Five Years	30,501,045	26,383,955
Over Five Years	9,016,912	12,682,300
	<u>60,130,929</u>	<u>57,702,421</u>
Less allowance for uncollectible promises to give	(5,160,619)	(1,000,820)
Less discount to net present value, .95%-5%	<u>(3,128,424)</u>	<u>(2,447,924)</u>
	<u>\$ 51,841,886</u>	<u>\$ 54,253,677</u>

Unconditional promises to give are presented as follows at December 31, 2023 and 2022 in the statements of financial position:

	<u>2023</u>	<u>2022</u>
Current Portion of Unconditional Promises to Give	\$ 20,254,306	\$ 18,323,521
Unconditional Promises to Give, Net of Current Portion	<u>31,587,580</u>	<u>35,930,156</u>
	<u>\$ 51,841,886</u>	<u>\$ 54,253,677</u>

Approximately \$36,107,499 of the total gross unconditional pledges at December 31, 2023, represents amounts due from five donors.

**Intentions to Give**

The Foundation has additional intentions to give not recorded in the financial statements which consist of remembrances under wills of approximately \$135,816,000 and \$135,525,000 at December 31, 2023 and 2022.

**North Dakota Higher Education Challenge Fund Grant**

In 2013, the Foundation began receiving matching funds from the North Dakota Higher Education Challenge Fund Grant (Challenge Grant) program. The program provides for a 50% match to qualified donations, subject to the approval of a specially appointed committee. According to the Challenge Grant legislation, if grant funds are provided on the basis of a monetary pledge, and if the amount forthcoming is less than the amount pledged, the Foundation is liable to the University for any shortfall. As of December 31, 2023 and 2022, the outstanding pledges matched by the Challenge Grant were \$1,991,280 and \$1,300,137, respectively.

Management is not aware of any specific uncollectible promises to give associated with the Challenge Grant program.

**Note 4 - Investments**

The composition of investments at December 31, 2023 and 2022 is detailed in the table below:

	<u>2023</u>	<u>2022</u>
Money Market Funds	\$ 417,598	\$ 4,927,922
Fixed Income	151,255,301	136,276,212
Global Equity	204,354,121	183,438,221
Global Hedge Funds	56,406,934	51,469,371
Government Securities	85	85
Commodity Funds	161,418	213,566
Private Equity	71,441,963	58,146,108
Real Estate Funds	27,286,477	29,535,510
Cash Surrender Value of Life Insurance	515,950	505,318
	<u>\$ 511,839,847</u>	<u>\$ 464,512,313</u>
Short-Term Investments	\$ 12,043,942	\$ 9,545,895
Investments	499,795,905	454,966,418
	<u>\$ 511,839,847</u>	<u>\$ 464,512,313</u>

**Note 5 - Fair Value of Assets and Liabilities**

The Foundation has determined the fair value of certain assets and liabilities in accordance with generally accepted accounting principles, which provides a framework for measuring fair value.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques should maximize the use of observable inputs and minimize the use of unobservable inputs. A fair value hierarchy has been established, which prioritizes the valuation inputs into three broad levels.

Level 1 inputs consist of quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the reporting date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the related asset or liability, either directly or indirectly. These included quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or the liability and market corroborated inputs. Level 3 inputs are unobservable inputs related to the asset or liability. In these situations, inputs are developed using the best information in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to an entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk, or liquidity profile of the asset or liability.

A portion of the fixed income and global equity investments are classified within Level 1 because they are comprised of investments with readily determinable fair values based on daily redemption values. The remaining portion of the fixed income and global equity, as well as the government securities, commodity funds, private stock, cash surrender value of life insurance, and investments held for others are valued by custodians of the investments using pricing models based on credit quality, time to maturity, stated interest rates and market assumptions. These investments are classified within Level 2. The fair values of split interest trusts held by others, and beneficial interest in trust/assets held by others are determined by using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the underlying assets and are based on the fair values of trust investments as reported by the trustees. These are classified within Level 3.

The Foundation uses Net Asset Value (NAV) per share, or its equivalent, such as member units or an ownership interest in partners' capital, to estimate the values of the global hedge funds, private equity and real estate funds. The global hedge funds are valued at the close of each business day. The NAV in these funds is recalculated each business day. For co-mingled and pooled marketable investment funds, CommonFund and SEI determines their NAV by using a direct look through basis to the underlying direct assets holding. At this level, the underlying assets have a direct market reference price that is traceable. For certain private equity investments, NAV is estimated at the present value of expected future cash flows. For the private equity and real estate funds, NAV is determined with independent, third-party valuations occurring monthly to every six months depending upon the investment type.

# North Dakota State University Foundation

Notes to Financial Statements

December 31, 2023 and 2022

The related fair values of these assets and liabilities as measured on a recurring basis are determined as follows:

December 31, 2023	Total	Level 1	Level 2	Level 3
<b>Assets</b>				
Investments				
Money market funds	\$ 417,598	\$ 417,598	\$ -	\$ -
Fixed income	151,255,301	114,315,304	36,939,997	-
Global equity	204,354,121	193,305,543	11,048,578	-
Commodity Funds	161,418	-	161,418	-
Government securities	85	-	85	-
Cash surrender value of life insurance	515,950	-	515,950	-
	356,704,473	\$ 308,038,445	\$ 48,666,028	\$ -
Global hedge funds (at NAV)	56,406,934			
Private equity (at NAV)	71,441,963			
Real estate funds (at NAV)	27,286,477			
	\$ 511,839,847			
Split-interest trusts held by others, net	\$ 74,930	\$ -	\$ -	\$ 74,930
Beneficial interest in trust/assets held by others	\$ 1,112,847	\$ -	\$ -	\$ 1,112,847
<b>Liabilities</b>				
Obligations under split interest agreements	\$ 8,626,006	\$ -	\$ -	\$ 8,626,006
Investments held for others	\$ 1,151,602	\$ -	\$ 1,151,602	\$ -
<b>December 31, 2022</b>				
	Total	Level 1	Level 2	Level 3
<b>Assets</b>				
Investments				
Money market funds	\$ 4,927,922	\$ 4,927,922	\$ -	\$ -
Fixed income	136,276,212	105,413,983	30,862,229	-
Global equity	183,438,221	173,408,614	10,029,607	-
Commodity Funds	213,566	-	213,566	-
Government securities	85	-	85	-
Cash surrender value of life insurance	505,318	-	505,318	-
	325,361,324	\$ 283,750,519	\$ 41,610,805	\$ -
Global hedge funds (at NAV)	51,469,371			
Private equity (at NAV)	58,146,108			
Real estate funds (at NAV)	29,535,510			
	\$ 464,512,313			
Split-interest trusts held by others, net	\$ 66,490	\$ -	\$ -	\$ 66,490
Beneficial interest in trust/assets held by others	\$ 1,017,310	\$ -	\$ -	\$ 1,017,310
<b>Liabilities</b>				
Obligations under split interest agreements	\$ 8,140,794	\$ -	\$ -	\$ 8,140,794
Investments held for others	\$ 1,001,251	\$ -	\$ 1,001,251	\$ -

North Dakota State University Foundation

Notes to Financial Statements

December 31, 2023 and 2022

Following is a reconciliation for Level 3 assets measured on a recurring basis:

	Split Interest	Beneficial Interest	Total
Balance at December 31, 2021	\$ 84,952	\$ 1,252,250	\$ 1,337,202
Changes in value of split-interest agreement	(18,462)	-	(18,462)
Change in beneficial interest	<u>-</u>	<u>(234,940)</u>	<u>(234,940)</u>
Balance at December 31, 2022	<u>66,490</u>	<u>1,017,310</u>	<u>1,083,800</u>
Changes in value of split-interest agreement	8,440	-	8,440
Change in beneficial interest	<u>-</u>	<u>95,537</u>	<u>95,537</u>
Balance at December 31, 2023	<u><u>\$ 74,930</u></u>	<u><u>\$ 1,112,847</u></u>	<u><u>\$ 1,187,777</u></u>

Changes in value of split-interest agreement and beneficial interest are recorded within the change in value of split interest agreements on the statements of activities.

Following is a reconciliation for Level 3 liabilities measured on a recurring basis:

Liabilities under split-interest agreements

Balance at December 31, 2021	\$ 9,470,085
Payments to beneficiaries of split-interest agreements	(283,659)
Proceeds from establishment of split-interest agreements	533,286
Changes in value of split-interest agreement	<u>(1,578,918)</u>
Balance at December 31, 2022	<u>8,140,794</u>
Payments to Beneficiaries of Split-Interest Agreements	(79,049)
Proceeds from Establishment of Split-Interest Agreements	443,481
Changes in Value of Split-Interest Agreement	<u>120,780</u>
Balance at December 31, 2023	<u><u>\$ 8,626,006</u></u>

For the years ended December 31, 2023 and 2022, there were no transfers in or out of level 3.



## North Dakota State University Foundation

Notes to Financial Statements

December 31, 2023 and 2022

The following table presents the range and weighted average of the unobservable inputs used to develop Level 3 fair value measurements for the years ended December 31, 2023 and 2022:

	2023	2022	Valuation Technique	Unobservable Input	Range (Weighted Avg.)
Split-Interest Trusts Held by others	\$ 74,930	\$ 66,490	Discount to present value	Risk-adjusted discount rate	5.00%
Beneficial Interest in trust/assets held by others	1,112,847	1,017,310	Discount to present value	Risk-adjusted discount rate	5.00%
Obligations under Split interest agreements	8,626,006	8,140,794	Discount to present value	Risk-adjusted discount rate	5.00%

Investments in certain entities that calculate net asset value per share (or its equivalent) are as follows for the years ended December 31, 2023 and 2022:

Investment Type	December 31, 2023			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Global hedge funds (1)	\$ 56,406,934	\$ -	Quarterly	95 Days
Private equity (2)	71,441,963	111,462,148	Ineligible	n/a
Real estate funds (2)	27,286,477	26,047,673	Ineligible	n/a
Investment Type	December 31, 2022			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Global hedge funds (1)	\$ 51,469,371	\$ -	Quarterly	95 Days
Private equity (2)	58,146,108	26,798,343	Ineligible	N/A
Real estate funds (2)	29,535,510	27,032,885	Ineligible	N/A

(1) Global Hedge Funds – this category includes investments in hedge funds and funds of hedge funds that invest in equity, debt, structured products and derivative securities. Debt securities include corporate debt, mortgage debt, and sovereign debt. The managers of these funds have the flexibility to change their exposure based on their view of particular securities and the overall market. The strategies of these funds include event-driven, relative value, arbitrage, and directional strategies.

(2) Real Estate and Private Equity Funds – this category includes direct investments in private capital, venture capital, distressed debt and real assets, generally through limited partnerships. The fair value of these investments has been estimated using the percentage share of the Foundation’s ownership interest in partner’s capital. Distributions from each fund are received when the underlying investments in the funds create distributable cash flow and when underlying investments are liquidated. These investments cannot be redeemed.

North Dakota State University Foundation

Notes to Financial Statements

December 31, 2023 and 2022

**Note 6 - Contracts for Deed and Notes Receivable**

Contracts for deed and notes receivable consist of the following at December 31, 2023 and 2022:

	2023	2022
1.25% note receivable, due in annual installments of \$72,879, including interest, to April 2030, secured by land	\$ 485,364	\$ 551,350
8% note receivable, unsecured	31,050	31,050
	516,414	582,400
Less current portion	(66,795)	(65,987)
	\$ 449,619	\$ 516,413

Maturities of the contracts for deed and notes receivable are as follows:

Years Ending December 31,	Amount
2024	\$ 66,795
2025	67,647
2026	68,492
2027	69,348
2028	70,208
Thereafter	173,924
	\$ 516,414

**Note 7 - Real Estate Held for University Purposes**

Real estate held for University purposes consists of the following at December 31, 2023 and 2022:

	2023	2022
Land	\$ 3,230,950	\$ 3,223,398
Buildings and Improvements	49,004,501	49,004,501
	52,235,451	52,227,899
Less accumulated depreciation	(27,844,404)	(26,277,742)
	\$ 24,391,047	\$ 25,950,157

**Note 8 - Property and Equipment**

Property and equipment consists of the following as of December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Land	\$ 885,505	\$ 885,505
Buildings and Improvements	4,310,659	4,045,227
Furniture and Equipment	<u>1,557,195</u>	<u>1,546,953</u>
	6,753,359	6,477,685
Less accumulated depreciation	<u>(3,279,426)</u>	<u>(3,104,934)</u>
	<u>\$ 3,473,933</u>	<u>\$ 3,372,751</u>

**Note 9 - Equity Method Investments**

Investments in the following limited partnerships are being recorded on the equity method:

- Limited partnership I – 33.56% limited partnership interest
- Limited partnership II – 33.69% limited partnership interest
- Limited partnership III – 31.73% Class A and 48.89% Class B limited partnership interest
- Limited partnership IV – 20.07% Class A and 1.05% Class B limited partnership interest
- Limited partnership VI – 16.95% limited partnership interest
- Limited partnership VII – 15.08% Class A and .85% Class B limited partnership interest

The Foundation received these limited partnership interests as a charitable contribution. Partnerships I through IV were received in 2018 and VI and VII were received in 2019. The Foundation received \$804,422 and \$750,271 in distributions and recognized \$1,194,488 and \$1,190,597 of income during 2023 and 2022.

Summary financial statement information on equity method investments is as follows:

	<u>2023</u>	<u>2022</u>
Assets	<u>\$ 33,220,726</u>	<u>\$ 32,622,620</u>
Liabilities	\$ 41,726,050	\$ 42,545,959
Equity	<u>(8,505,324)</u>	<u>(9,923,339)</u>
Total liabilities and equity	<u>\$ 33,220,726</u>	<u>\$ 32,622,620</u>
Total Revenues	\$ 14,533,495	\$ 13,843,533
Total Expenses	<u>9,097,672</u>	<u>8,571,598</u>
Net income	<u>\$ 5,435,823</u>	<u>\$ 5,271,935</u>

**Note 10 - Notes and Bonds Payable**

	2023	2022
1.5% note payable, interest payments due quarterly, principal payments due annually to December 2028, secured by promises to give receivable for the renovation and construction of the Aldevron Tower (1)	\$ 5,020,538	\$ 6,121,678
3.98% bond payable, due in semi-annual installments of varying amounts, to October 2030, secured by Renaissance Hall building and land (2)	2,550,000	2,855,000
University Facilities Revenue Refunding Bonds, Series 2012 secured by Barry and Klai Hall land and building (3)		
2% to 3% serial bonds, due in varying annual installments through December 2023	-	390,000
3% to 4% term bonds, with varying sinking fund requirements beginning December 2024 through December 2036	6,365,000	6,365,000
.95% note payable, interest payments due quarterly, principal payments due annually starting in 2023, to December 2033, secured by promises to give receivable for the renovation and construction of the NODAK Insurance Football Performance Complex (4)	25,210,532	9,835,000
Other debt	224,817	235,060
Variable rate note payable, paid in full	-	2,189,212
	39,370,887	27,990,950
Less current maturities	(4,574,619)	(3,024,117)
	\$ 34,796,268	\$ 24,966,833

(1) A line of credit was issued to provide financing for the renovation and construction of the Aldevron Tower at North Dakota State University. On June 30, 2021, this line of credit converted to a note payable. Interest will continue to be paid quarterly. Principal payments between \$1,000,000 and \$1,500,000 must be paid by December 31 of each year through 2028. This line is secured by the promises to give receivable for the renovation and construction of the Aldevron Tower.

(2) The Foundation refinanced the outstanding debt acquired with the transfer of Renaissance Hall from Kilbourne Design Group, LLC through the sale of 20-year University Facilities Lease Revenue Bonds. JP Morgan Chase Bank, N.A. has loaned the bond proceeds to the Foundation for semi-annual payments of interest and varying principal amounts. The property is leased to NDSU for rental equal to the semi-annual principal and interest payments on the bonds plus all costs incurred by the Foundation incident to ownership of the property. Ownership of the property will transfer to NDSU when the bonds are repaid in full. The property is included with real estate held for University purposes in the financial statements.

- (3) The Foundation refinanced the outstanding debt associated with the Barry Hall business building project and Klai Hall architecture building project, through the sale of 25-year University Facility Revenue Refunding Bonds issued 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 installment of varying principal amounts on the various fixed rate bonds. The bonds are guaranteed by the Foundation. This property is leased to NDSU for rental equal to the sum of the semi-annual interest and principal payments on the fixed rate bonds for the term of the bonds, plus all costs incurred by the Foundation incident to ownership of the property. Ownership of the property will transfer to NDSU when the bonds are repaid in full. The property is included with real estate held for University purposes in the financial statements and the bonds have been recorded as a direct obligation of the Foundation.
- (4) A line of credit was issued to provide financing for the renovation and construction of the NODAK Insurance Football Performance Complex at North Dakota State University. On September 30, 2023, this line of credit converted to a note payable. Interest will continue to be paid quarterly. Principal payments between \$400,000 and \$3,300,000 must be paid by December 31 of each year through 2033. This line is secured by the promises to give receivable for the renovation and construction of the NODAK Insurance Football Performance Complex.

Future principal payments of notes and bonds payable are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2024	\$ 4,574,619
2025	5,219,005
2026	4,999,819
2027	5,266,047
2028	5,546,755
Thereafter	13,764,642
	<u>\$ 39,370,887</u>

Under the terms of the loan agreements, the Foundation is required to maintain certain measures of non-financial and financial performance.

**Note 11 - Net Assets**

Net assets with donor restrictions are restricted for the following purposes or periods.

	<u>2023</u>	<u>2022</u>
Subject to the Passage of Time or Specified Purpose		
Scholarships	\$ 51,868,305	\$ 35,368,956
NDSU departmental expenses	71,662,851	69,671,053
NDSU buildings and equipment	35,604,644	34,781,801
Foundation operations - time restriction	<u>462,476</u>	<u>351,200</u>
	<u>159,598,276</u>	<u>140,173,010</u>
Endowments Held in Perpetuity		
Scholarships	223,342,254	214,358,148
NDSU departmental expenses	157,698,717	147,252,554
NDSU buildings and equipment	126,250	126,250
Foundation operations	<u>2,576,908</u>	<u>2,519,488</u>
Total endowments held in perpetuity	<u>383,744,129</u>	<u>364,256,440</u>
	<u>\$ 543,342,405</u>	<u>\$ 504,429,450</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. Amounts released are as follows for the years ended December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Purpose Restrictions Accomplished		
Scholarships and grants paid	\$ 10,008,219	\$ 9,239,838
NDSU departmental expenses	6,846,447	6,418,035
NDSU building and equipment	19,187,390	28,275,089
Foundation operations	852,627	726,081
Bad debt expense	4,196,925	-
Endowment management fees	4,120,234	4,002,376
Gift fees	<u>1,732,127</u>	<u>1,392,153</u>
Total net assets released from restrictions	<u>\$ 46,943,969</u>	<u>\$ 50,053,572</u>

The Foundation's Executive Governing Board has chosen to place approximately \$3,906,000 and \$4,909,000 as of December 31, 2023 and 2022 in board designated endowments for Foundation operations, scholarships, and grants.

Net assets without donor restrictions consist of the following balances for the years ended December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Net Assets without Donor Restrictions:		
Cash and cash equivalents	\$ 270,905	\$ 69,375
Short-term investments	5,086,374	2,910,791
Receivables	69,694	449,188
Prepaid expenses	313,228	316,055
Property and equipment, net	18,630,425	19,497,646
Investments	<u>7,780,892</u>	<u>7,565,591</u>
Total net assets without donor restrictions	<u>\$ 32,151,518</u>	<u>\$ 30,808,646</u>

## Note 12 - Employee Benefit Plans

### Tax Deferred Annuity

The Foundation has a tax deferred annuity plan under Internal Revenue Code section 403(b) which covers all eligible employees. The employees contribute to the plan through salary reductions. The Foundation makes no contributions toward the plan.

### Pension Plan

The Foundation has a defined contribution pension plan covering all eligible employees. The Foundation contributes 9.5% of the eligible salary of each employee with six months to ten years of service, and 10% of the eligible salary of each employee with ten or more years of service. Total pension plan expense for the years ended December 31, 2023 and 2022 was \$411,133 and \$383,120.

## Note 13 - Endowment

The Foundation's endowment (the Endowment) consists of approximately 1,560 individual funds established for a variety of purposes. The endowment includes donor-restricted endowment funds and funds designated by the Board to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

**Interpretation of Relevant Law**

The Executive Governing Board of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation retains in perpetuity (a) the original value of initial and subsequent gift amounts donated to the Endowment and (b) any accumulations to the Endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA. The following factors are considered in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Foundation and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Foundation
7. The investment policies of the Foundation.

As of December 31, 2023 and 2022, endowment net asset composition by type of fund is as follows:

	<u>At December 31, 2023</u>		
	<u>With Donor Restrictions</u>	<u>Without Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ 434,987,710	\$ -	\$ 434,987,710
Board-designated endowment funds	-	3,906,153	3,906,153
	<u>\$ 434,987,710</u>	<u>\$ 3,906,153</u>	<u>\$ 438,893,863</u>
	<u>At December 31, 2022</u>		
	<u>With Donor Restrictions</u>	<u>Without Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ 400,956,042	\$ -	\$ 400,956,042
Board-designated endowment funds	-	4,909,165	4,909,165
	<u>\$ 400,956,042</u>	<u>\$ 4,909,165</u>	<u>\$ 405,865,207</u>



North Dakota State University Foundation

Notes to Financial Statements

December 31, 2023 and 2022

Changes in endowment net assets as of December 31, 2023 are as follows:

	<u>For the Year Ending December 31, 2023</u>		
	<u>With Donor Restrictions</u>	<u>Without Donor Restrictions</u>	<u>Total</u>
Endowment Net Assets, Beginning of year	\$ 400,956,042	\$ 4,909,165	\$ 405,865,207
Investment Return			
Investment income	15,079,091	-	15,079,091
Net appreciation/(depreciation) (realized and unrealized)	19,156,163	410,602	19,566,765
Contributions	18,010,517	1,058,690	19,069,207
Appropriation of Endowment assets for expenditure	(13,523,179)	(93,339)	(13,616,518)
Endowment Fees	(4,690,924)	(87,334)	(4,778,258)
Other Changes:			
Transfer to general unrestricted net assets:	-	(2,291,631)	(2,291,631)
Endowment Net Assets, End of Year	<u>\$ 434,987,710</u>	<u>\$ 3,906,153</u>	<u>\$ 438,893,863</u>

Changes in endowment net assets as of December 31, 2022 are as follows:

	<u>For the Year Ending December 31, 2022</u>		
	<u>With Donor Restrictions</u>	<u>Without Donor Restrictions</u>	<u>Total</u>
Endowment Net Assets, Beginning of year	\$ 432,065,389	\$ 4,960,667	\$ 437,026,056
Investment Return			
Investment income	19,119,682	-	19,119,682
Net appreciation/(depreciation) (realized and unrealized)	(54,011,746)	(443,355)	(54,455,101)
Contributions	17,199,429	974,771	18,174,200
Appropriation of Endowment assets for expenditure	(9,321,913)	-	(9,321,913)
Endowment Fees	(4,094,799)	(582,918)	(4,677,717)
Endowment Net Assets, End of Year	<u>\$ 400,956,042</u>	<u>\$ 4,909,165</u>	<u>\$ 405,865,207</u>

**Funds with Deficiencies**

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Foundation has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At December 31, 2023, funds with original gift values of \$118,987,346, fair values of \$115,031,085 and deficiencies of \$3,956,261 were reported in net assets with donor restrictions. At December 31, 2022, funds with original gift values of \$127,549,910, fair values of \$117,275,233, and deficiencies of \$10,274,677 were reported in net assets with donor restrictions.

**Return Objectives and Risk Parameters**

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and for scholarships supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds functioning as endowment. Under this policy, as approved by the Executive Governing Board, the endowment assets are invested in a manner that is expected to outperform a custom benchmark (the Policy Benchmark) consisting of the appropriate indices of each of the asset classes and their proportional weight in the portfolio while assuming a moderate level of investment risk. The Policy Benchmark is constructed by selecting appropriate indices (e.g., S&P 500, Russell 2000, MSCI World ex US, Barclays Capital US Aggregate Bond Index, etc.) and assigning beginning of the quarter weightings by asset class. The total return of the invested assets is expected to exceed the total return of the Policy Benchmark. Actual returns in any given year may vary from this goal.

**Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

**Distribution Policy and How the Investment Objectives Relate to Distribution Policy**

The Foundation has a policy of appropriating for distribution each year an amount determined by applying the distribution rate to the average of the fair value of endowment investments for the 12 quarters then ended. The distribution rate, net of endowment management fees, was 4.00% for the years ended December 31, 2023 and 2022. In establishing this policy, the Foundation considered the long-term expected return on its endowment. The Foundation's distribution policy is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets in perpetuity as well as to provide additional growth through new gifts and investment return. The Board designates a portion of the Foundation's cumulative investment return for support of its mission. The remainder is retained to support future University programs and to offset potential market declines.

**Note 14 - Related Party****Reimbursement of Expenses**

Throughout the course of the year the Foundation, a component unit of North Dakota State University, owed the University for various expenses incurred on behalf of the Foundation. Such expenses include building projects and pledges for completed building projects.

As of December 31, 2023 and 2022, the Foundation had the following accrued liabilities owed to NDSU:

	<u>2023</u>	<u>2022</u>
Program Support	\$ 1,735,894	\$ 1,023,443
Grants	279,049	262,753
Building Projects	461,063	1,466,821
Miscellaneous Services	<u>32,346</u>	<u>16,714</u>
	<u>\$ 2,508,352</u>	<u>\$ 2,769,731</u>

These amounts are recorded within accounts payable and accrued liabilities on the statements of financial position. The expenses related to building projects are included within support to University on the statement of activities.

**Other**

The Foundation provides meeting space rental and database support and communication services to the University for an annually negotiated fee. These revenues for the years ended December 31, 2023 and 2022 totaled \$998,765 and \$888,052, which is recorded in other income on the statements of activities. As of December 31, 2023 and 2022, the Foundation had receivables related to these support services of \$494,174 and \$426,346, respectively, which is recorded within other receivables on the statements of financial position. As of December 31, 2023 and 2022, the Foundation also had other receivables of \$111,962 and \$121,367 from the University for various purposes. The Foundation received contributions from board members in the amount of \$3,104,980 and \$180,069 for the years ended December 31, 2023 and 2022.

**Lease Income**

The University leases certain properties that are owned and financed by the Foundation. The revenues related to these arrangements are recorded within investment income on the statements of activities. The revenues for the years ended December 31, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Barry and Klai Hall	\$ 632,949	\$ 635,349
Renaissance Hall	<u>413,435</u>	<u>415,349</u>
	<u>\$ 1,046,384</u>	<u>\$ 1,050,698</u>

See Note 10 for discussion of future minimum rent payments related to these leases.

**Note 15 - Gift and Endowment Fees**

The Foundation has an operating agreement with the University wherein the University has delegated, and the Foundation has accepted, responsibility for development, advancement, acceptance and management of all gifts designated for the University. To support these related costs, the Foundation, in consultation with the University, assesses fees on gifts and endowed funds. A gift fee of 5% is assessed to cash gifts up to \$5,000,000 and 0.5% on the gift amount above \$5,000,000. This fee is reported as a component of net assets released from restriction in the statements of activities as detailed in Note 13. Endowed donations are invested and a per annum management fee of 1.89% is assessed on a quarterly basis based upon the beginning-of-quarter market value of that endowment within the investment portfolio. In rare circumstances, the President/CEO of the Foundation, in consultation with the CFO of the Foundation, can agree to alternate fee arrangements with donors. The fees are reflected as a component of net assets released from restriction in the statements of activities as detailed in Note 11 and Note 13.

**Note 16 - Commitments and Contingencies****Ground Lease**

In 2018, the Foundation entered into a ground lease with a private developer to construct, operate, and manage student housing and retail on land the Foundation owns near the University. The Foundation considers this agreement an operating lease. The ground lease term is for 50 years after construction is substantially completed for a base rental of \$100,000 per year and a maximum rental of 5% of gross revenues derived from the property per year. The ownership of any building or structure constructed on the land passes to the Foundation at the end of the ground lease. The Foundation has the option to purchase the interest of the tenant in and to the project at certain times during the term of the ground lease. The process for electing this option and the price to be paid are set forth in the ground lease.