



Financial Statements

December 31, 2024 and 2023

# North Dakota State University Foundation

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Financial Statements

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## 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, 2024 and 2023, 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, 2024 and 2023, 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.



Fargo, North Dakota  
April 25, 2025

# North Dakota State University Foundation

## Statements of Financial Position – Assets

December 31, 2024 and 2023

	2024	2023
Assets		
Current Assets		
Cash and cash equivalents	\$ 10,869,015	\$ 8,082,829
Short-term investments	26,550,791	12,043,942
Receivables		
Current portion of unconditional promises to give	15,820,643	20,254,306
Interest	3,670	4,267
Current portion of contracts for deed and notes receivable	67,647	66,795
Bequest	-	200,000
Other	156,285	616,358
Prepaid expenses	362,929	413,598
Total current assets	53,830,980	41,682,095
Property and Equipment		
Property and equipment, net of accumulated depreciation	3,492,433	3,473,933
Real estate held for University purposes, net of accumulated depreciation	23,100,653	24,391,047
	26,593,086	27,864,980
Other Assets		
Investments	537,145,309	499,795,905
Equity method investments	17,878,457	17,638,219
Contracts for deed and notes receivable, net of current portion	381,972	449,619
Cash restricted for capital projects	21,877,604	7,647,285
Split-interest trusts held by others, net	82,626	74,930
Beneficial interest in charitable trust held by others	1,158,909	1,112,847
Unconditional promises to give, net	29,910,205	31,587,580
	608,435,082	558,306,385
Total assets	\$ 688,859,148	\$ 627,853,460

North Dakota State University Foundation  
Statements of Financial Position – Liabilities and Net Assets  
December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued liabilities	\$ 4,895,027	\$ 3,201,690
Cash and cash equivalents held for others	18,817	3,324
Investments held for others	1,270,648	1,151,602
Current portion of split-interest agreements	942,013	867,174
Current portion of notes and bonds payable	2,166,812	4,574,619
Other	<u>10,564</u>	<u>6,028</u>
Total current liabilities	9,303,881	9,804,437
Split-interest agreements, net of current portion	8,511,513	7,758,832
Notes and bonds payable, net of current portion	<u>29,813,216</u>	<u>34,796,268</u>
Total liabilities	<u>47,628,610</u>	<u>52,359,537</u>
Net Assets		
Without donor restrictions	34,815,288	32,151,518
With donor restrictions	<u>606,415,250</u>	<u>543,342,405</u>
Total net assets	<u>641,230,538</u>	<u>575,493,923</u>
Total liabilities and net assets	<u><u>\$ 688,859,148</u></u>	<u><u>\$ 627,853,460</u></u>

# North Dakota State University Foundation

## Statements of Activities

Year Ended December 31, 2024

	With Donor Restrictions	Without Donor Restrictions	Total
Revenue and Other Support			
Gifts and grants	\$ 66,209,640	\$ 267,836	\$ 66,477,476
Liabilities to income beneficiaries	(805,583)	-	(805,583)
	<u>65,404,057</u>	<u>267,836</u>	<u>65,671,893</u>
Investment income	25,335,757	5,909,759	31,245,516
Net realized and unrealized gain on investments and real estate held for University purposes	<u>16,082,100</u>	<u>4,031,580</u>	<u>20,113,680</u>
Net investment return	<u>41,417,857</u>	<u>9,941,339</u>	<u>51,359,196</u>
Change in value of split-interest agreements	(892,391)	(165,068)	(1,057,459)
Other income	<u>1,245,607</u>	<u>1,317,358</u>	<u>2,562,965</u>
	107,175,130	11,361,465	118,536,595
Net assets released from restrictions	<u>(44,102,285)</u>	<u>44,102,285</u>	<u>-</u>
Total revenue and other support	<u>63,072,845</u>	<u>55,463,750</u>	<u>118,536,595</u>
Expenses			
Program services			
Support to University	-	38,309,771	38,309,771
Alumni outreach	-	2,302,159	2,302,159
Total program expenses	<u>-</u>	<u>40,611,930</u>	<u>40,611,930</u>
Support services			
Administrative and general expenses	-	6,750,011	6,750,011
Fundraising and development	-	5,438,039	5,438,039
Total supporting services expenses	<u>-</u>	<u>12,188,050</u>	<u>12,188,050</u>
Total expenses	<u>-</u>	<u>52,799,980</u>	<u>52,799,980</u>
Change in Net Assets	63,072,845	2,663,770	65,736,615
Net Assets, Beginning of Year	<u>543,342,405</u>	<u>32,151,518</u>	<u>575,493,923</u>
Net Assets, End of Year	<u>\$ 606,415,250</u>	<u>\$ 34,815,288</u>	<u>\$ 641,230,538</u>

# 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	-	<u>1,908,267</u>	<u>1,908,267</u>
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	-	<u>4,611,263</u>	<u>4,611,263</u>
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 Functional Expenses  
Year Ended December 31, 2024

	Program Services			Administrative and General	Fundraising and Development	Total
	Support to University	Alumni Outreach	Total			
Scholarships and Fellowships	\$ 16,009,060	\$ -	\$ 16,009,060	\$ -	\$ -	\$ 16,009,060
Departmental Expenses	1,929,354	-	1,929,354	-	-	1,929,354
Building and Equipment	15,758,302	-	15,758,302	-	-	15,758,302
Faculty Support	4,493,606	-	4,493,606	-	-	4,493,606
Other Support to NDSU	119,449	-	119,449	-	-	119,449
Purchase of Auction Items	-	-	-	-	152,168	152,168
Salaries and Wages	-	943,914	943,914	1,706,015	2,721,178	5,371,107
Employee Benefits	-	178,361	178,361	531,204	706,341	1,415,906
Payroll Taxes	-	63,628	63,628	109,701	191,818	365,147
Employee Recruiting	-	-	-	31,780	-	31,780
Dues and Subscriptions	-	2,157	2,157	8,753	295	11,205
Printing and Postage	-	186,634	186,634	21,015	37,901	245,550
Supplies	-	30,798	30,798	20,373	13,476	64,647
Donor Relations	-	497	497	37,543	99,134	137,174
Advertising and Marketing	-	4,907	4,907	10,500	6,802	22,209
Recognition Gifts	-	7,072	7,072	2,754	51,907	61,733
Travel	-	62,227	62,227	97,124	213,599	372,950
Staff and Non-Staff Expenses	-	11,431	11,431	43,031	891	55,353
Meetings	-	1,560	1,560	73,545	702	75,807
Training and Development	-	270	270	71,996	1,165	73,431
Repairs and Maintenance	-	14,512	14,512	65,275	43,512	123,299
Utilities	-	15,643	15,643	47,613	41,143	104,399
Computer and Software	-	181,612	181,612	246,263	396,230	824,105
Equipment	-	42,675	42,675	158,938	93,170	294,783
Insurance	-	23,452	23,452	37,813	51,166	112,431
Credit Card and Bank Charges	-	-	-	60,059	-	60,059
Income Taxes	-	-	-	426	-	426
Accounting Fees	-	-	-	62,541	-	62,541
Legal Fees	-	-	-	60,986	-	60,986
Consulting and Professional Fees	-	27,267	27,267	93,071	44,721	165,059
Compliance Fees	-	-	-	145	-	145
Interest	-	-	-	600,296	-	600,296
Bad Debt Expense	-	-	-	270,004	-	270,004
Life Insurance Premiums	-	-	-	4,624	-	4,624
Event Expense	-	476,425	476,425	6,753	489,417	972,595
Conference Services	-	-	-	77,863	-	77,863
Miscellaneous	-	-	-	50	-	50
Farm Expense	-	-	-	9,390	-	9,390
Rental Property Occupancy	-	-	-	443,184	-	443,184
Rental Property Real Estate Taxes	-	-	-	40,432	-	40,432
Rental Property Insurance	-	-	-	44,829	-	44,829
Depreciation and Depletion	-	27,117	27,117	1,654,122	81,303	1,762,542
	<u>\$ 38,309,771</u>	<u>\$ 2,302,159</u>	<u>\$ 40,611,930</u>	<u>\$ 6,750,011</u>	<u>\$ 5,438,039</u>	<u>\$ 52,799,980</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 Cash Flows

Years Ended December 31, 2024 and 2023

	2024	2023
Operating Activities		
Change in net assets	\$ 65,736,615	\$ 40,255,827
Charges and credits to change in net assets not affecting cash		
Depreciation and depletion	1,762,542	1,773,334
Net realized and unrealized gains and losses on investments	(20,113,680)	(22,881,209)
Change in beneficial interest in charitable trust held by others	(46,062)	(95,537)
Change in cash surrender value of life insurance	(6,951)	(10,632)
Gifts to be held in perpetuity	(24,636,704)	(18,995,574)
Change in value of split-interest agreements	10,617	120,780
Gifts restricted for capital projects	(30,119,176)	(20,254,306)
Transfer from donor restricted fund to restricted for capital projects	2,466,017	(2,097,784)
Payments for capital projects	15,141,751	19,916,956
Change in value of split-interest trusts held by others	(7,696)	(8,440)
Change in cash and cash equivalents held for others	15,493	(44,885)
Changes in operating assets and liabilities		
Unconditional promises to give	976,661	7,781,981
Receivables - interest, grant, bequest, and other	660,670	448,990
Prepaid expenses	50,669	(94,951)
Accounts payable and accrued liabilities	1,693,337	(282,710)
Other	4,536	(33,052)
Net Cash from Operating Activities	13,588,639	5,498,788
Investing Activities		
Proceeds from the sale of investments	148,817,985	95,296,887
Purchases of investments, including real estate and equipment held for investments	(180,674,799)	(119,972,295)
Payments for capital projects	(15,141,751)	(19,916,956)
Receipts on notes and contracts receivable	66,795	65,986
Property and equipment purchases	(248,886)	(307,856)
Net Cash used for Investing Activities	(47,180,656)	(44,834,234)

# North Dakota State University Foundation

Statements of Cash Flows – page 2  
Years Ended December 31, 2024 and 2023

	2024	2023
Financing Activities		
Gifts to be held in perpetuity	\$ 24,764,737	\$ 17,285,004
Gifts restricted for capital projects	35,125,520	16,594,686
Transfer from donor restricted fund to restricted for capital projects	(2,466,017)	2,097,784
Payments to beneficiaries of split-interest agreements	(31,175)	(79,049)
Proceeds from establishment of split-interest agreements	848,078	443,481
Proceeds from issuance of notes payable	-	15,388,000
Principal payments on bonds and notes payable	(7,632,621)	(4,015,613)
Net Cash from Financing Activities	50,608,522	47,714,293
Net Change in Cash, Cash Equivalents, and Restricted Cash	17,016,505	8,378,847
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	15,730,114	7,351,267
Cash, Cash Equivalents, and Restricted Cash, End of Year	\$ 32,746,619	\$ 15,730,114
Cash and Cash Equivalents	\$ 10,869,015	\$ 8,082,829
Cash Restricted for Capital Projects	21,877,604	7,647,285
Total cash, cash equivalents, and restricted cash	\$ 32,746,619	\$ 15,730,114
Supplemental Disclosures of Cash Flow Information		
Cash paid during the year for interest	\$ 605,467	\$ 696,421
Supplemental Schedule of Noncash Investing and Financing Activities		
Issuance and capitalization of special assessments	\$ 241,762	\$ 7,550

**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, 2024 and 2023, of \$0 and \$200,000 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, 2024 and 2023, the allowance was \$948,300 and \$5,160,619.

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, 2024 and 2023, 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, 2024 and 2023.

### **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, 2024 and 2023.

**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 2024 and 2023, totals \$2,644,223 and \$2,688,448 at December 31, 2024 and 2023.

**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 2024 and 2023, totals \$6,809,303 and \$5,937,558 at December 31, 2024 and 2023.

**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 \$342,005 and \$365,890 as of December 31, 2024 and 2023.

*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, 2024 and 2023, 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, 2024 and 2023, the Foundation had approximately \$10,092,600 and \$6,634,500, 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 25, 2025, 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, 2024 and 2023, 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:

	2024	2023
Cash and cash equivalents	\$ 9,351,477	\$ 2,461,497
Cash restricted for capital projects	21,877,604	7,647,285
Short-term investments	24,540,513	11,612,821
Investments	22,059,220	20,728,822
Appropriations from endowment portfolio	17,980,589	17,053,090
Unconditional promises to give	13,681,272	15,452,354
Other receivables	17,796	502,069
	<u>17,796</u>	<u>502,069</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 109,508,471</u>	<u>\$ 75,457,938</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, 2024 and 2023:

	2024	2023
Within one year	\$ 16,079,523	\$ 20,612,972
In one to five years	27,201,011	30,501,045
Over five years	5,904,656	9,016,912
	49,185,190	60,130,929
Less allowance for uncollectible promises to give	(948,300)	(5,160,619)
Less discount to net present value, .95%-5%	(2,506,042)	(3,128,424)
	<u>\$ 45,730,848</u>	<u>\$ 51,841,886</u>

Unconditional promises to give are presented as follows at December 31, 2024 and 2023 in the statements of financial position:

	2024	2023
Current Portion of Unconditional Promises to Give	\$ 15,820,643	\$ 20,254,306
Unconditional Promises to Give, Net of Current Portion	29,910,205	31,587,580
	<u>\$ 45,730,848</u>	<u>\$ 51,841,886</u>

Approximately \$30,119,176 of the total gross unconditional pledges at December 31, 2024, represents amounts due from six 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 \$162,244,000 and \$135,816,000 at December 31, 2024 and 2023.

#### 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, 2024 and 2023, the outstanding pledges matched by the Challenge Grant were \$3,471,739 and \$1,991,280, 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, 2024 and 2023 is detailed in the table below:

	2024	2023
Money market funds	\$ 2,000,000	\$ 417,598
Fixed income	171,040,014	151,255,301
Global equity	204,035,487	204,354,121
Global hedge funds	64,489,792	56,406,934
Government securities	85	85
Commodity funds	168,759	161,418
Private equity	94,924,705	71,441,963
Real estate funds	26,514,357	27,286,477
Cash surrender value of life insurance	522,901	515,950
	<u>\$ 563,696,100</u>	<u>\$ 511,839,847</u>
Short-term investments	\$ 26,550,791	\$ 12,043,942
Investments	<u>537,145,309</u>	<u>499,795,905</u>
	<u>\$ 563,696,100</u>	<u>\$ 511,839,847</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, 2024 and 2023

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

<b>December 31, 2024</b>	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Assets</b>				
Investments				
Money market funds	\$ 2,000,000	\$ 2,000,000	\$ -	\$ -
Fixed income	171,040,014	119,827,891	51,212,123	-
Global equity	204,035,487	191,562,049	12,473,438	-
Commodity Funds	168,759	-	168,759	-
Government securities	85	-	85	-
Cash surrender value of life insurance	522,901	-	522,901	-
	<u>377,767,246</u>	<u>\$ 313,389,940</u>	<u>\$ 64,377,306</u>	<u>\$ -</u>
Global hedge funds (at NAV)	64,489,792			
Private equity (at NAV)	94,924,705			
Real estate funds (at NAV)	26,514,357			
	<u>\$ 563,696,100</u>			
Split-interest trusts held by others, net	<u>\$ 82,626</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 82,626</u>
Beneficial interest in trust/assets held by others	<u>\$ 1,158,909</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,158,909</u>
<b>Liabilities</b>				
Obligations under split interest agreements	<u>\$ 9,453,526</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,453,526</u>
Investments held for others	<u>\$ 1,270,648</u>	<u>\$ -</u>	<u>\$ 1,270,648</u>	<u>\$ -</u>
<b>December 31, 2023</b>	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<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	-
	<u>356,704,473</u>	<u>\$ 308,038,445</u>	<u>\$ 48,666,028</u>	<u>\$ -</u>
Global hedge funds (at NAV)	56,406,934			
Private equity (at NAV)	71,441,963			
Real estate funds (at NAV)	27,286,477			
	<u>\$ 511,839,847</u>			
Split-interest trusts held by others, net	<u>\$ 74,930</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 74,930</u>
Beneficial interest in trust/assets held by others	<u>\$ 1,112,847</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,112,847</u>
<b>Liabilities</b>				
Obligations under split interest agreements	<u>\$ 8,626,006</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,626,006</u>
Investments held for others	<u>\$ 1,151,602</u>	<u>\$ -</u>	<u>\$ 1,151,602</u>	<u>\$ -</u>

# North Dakota State University Foundation

Notes to Financial Statements

December 31, 2024 and 2023

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

	Split Interest	Beneficial Interest	Total
Balance at December 31, 2022	\$ 66,490	\$ 1,017,310	\$ 1,083,800
Changes in value of split-interest agreement	8,440	-	8,440
Change in beneficial interest	-	95,537	95,537
Balance at December 31, 2023	74,930	1,112,847	1,187,777
Changes in value of split-interest agreement	7,696	-	7,696
Change in beneficial interest	-	46,062	46,062
Balance at December 31, 2024	<u>\$ 82,626</u>	<u>\$ 1,158,909</u>	<u>\$ 1,241,535</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, 2022	\$ 8,140,794
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	120,780
Balance at December 31, 2023	<u>8,626,006</u>
Payments to Beneficiaries of Split-Interest Agreements	(31,175)
Proceeds from Establishment of Split-Interest Agreements	848,078
Changes in Value of Split-Interest Agreement	10,617
Balance at December 31, 2024	<u>\$ 9,453,526</u>

For the years ended December 31, 2024 and 2023, there were no transfers in or out of level 3.



# North Dakota State University Foundation

Notes to Financial Statements

December 31, 2024 and 2023

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, 2024 and 2023:

	2024	2023	Valuation Technique	Unobservable Input	Range (Weighted Avg.)
Split-Interest Trusts Held by others	\$ 82,626	\$ 74,930	Discount to present value	Risk-adjusted discount rate	5.00%
Beneficial Interest in trust/assets held by others	1,158,909	1,112,847	Discount to present value	Risk-adjusted discount rate	5.00%
Obligations under Split interest agreements	9,453,526	8,626,006	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, 2024 and 2023:

December 31, 2024				
Investment Type	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Global hedge funds (1)	\$ 64,489,792	\$ -	Quarterly	95 Days
Private equity (2)	94,924,705	85,143,068	Ineligible	n/a
Real estate funds (2)	26,514,357	25,837,479	Ineligible	n/a
December 31, 2023				
Investment Type	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

(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.

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

Contracts for deed and notes receivable consist of the following at December 31, 2024 and 2023:

	2024	2023
1.25% note receivable, due in annual installments of \$72,879, including interest, to April 2030, secured by land	\$ 418,569	\$ 485,364
8% note receivable, unsecured	31,050	31,050
	449,619	516,414
Less current portion	(67,647)	(66,795)
	<u>\$ 381,972</u>	<u>\$ 449,619</u>

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

Years Ending December 31,	Amount
2025	\$ 67,647
2026	68,492
2027	69,348
2028	70,208
2029	71,093
Thereafter	102,831
	<u>\$ 449,619</u>

**Note 7 - Real Estate Held for University Purposes and Available for Lease**

The Foundation leases various real estate property under the terms of operating leases. Initial lease terms range from 1 to 50 years with fixed lease payments as outlined in the lease agreements.

In addition to the fixed lease payment agreements, the Foundation has entered into a ground lease with a base rental amount 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.

# North Dakota State University Foundation

Notes to Financial Statements

December 31, 2024 and 2023

Real estate held for University purposes and subject to operating leases consists of the following at December 31, 2024 and 2023:

	2024	2023
Land	\$ 3,472,711	\$ 3,230,950
Buildings and improvements	49,004,501	49,004,501
	52,477,212	52,235,451
Less accumulated depreciation	(29,376,559)	(27,844,404)
	<u>\$ 23,100,653</u>	<u>\$ 24,391,047</u>

Depreciation expense for leased real estate subject to operating leases is provided on the straight-line method over the estimated useful life of the property. Depreciation expense relating to leased property subject to operating leases was \$1,532,156 and \$1,566,660 for 2024 and 2023, respectively.

During 2024 and 2023, the Foundation recognized \$2,020,257 and \$1,930,437, respectively, in lease income from operating leases, which is included in investment income on the statements of activity.

The following is a maturity analysis of the annual undiscounted cash flows of the operating lease payments to be received as of December 31, 2024:

Year Ending December 31,	Amount
2025	\$ 1,317,430
2026	1,105,090
2027	1,112,190
2028	1,128,990
2029	1,119,550
Thereafter	7,454,800
	<u>\$ 13,238,050</u>

## Note 8 - Property and Equipment

Property and equipment consists of the following as of December 31, 2024 and 2023:

	2024	2023
Land	\$ 885,505	\$ 885,505
Buildings and improvements	4,348,418	4,310,659
Furniture and equipment	1,669,041	1,557,195
	6,902,964	6,753,359
Less accumulated depreciation	(3,410,531)	(3,279,426)
	<u>\$ 3,492,433</u>	<u>\$ 3,473,933</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 \$550,798 and \$804,422 in distributions and recognized \$791,036 and \$1,194,488 of income during 2024 and 2023.

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

	2024	2023
Assets	<u>\$ 32,084,103</u>	<u>\$ 33,220,726</u>
Liabilities	\$ 40,911,315	\$ 41,726,050
Equity	<u>(8,827,212)</u>	<u>(8,505,324)</u>
Total liabilities and equity	<u>\$ 32,084,103</u>	<u>\$ 33,220,726</u>
Total revenues	\$ 15,129,727	\$ 14,533,495
Total expenses	<u>11,687,822</u>	<u>9,097,672</u>
Net income	<u>\$ 3,441,905</u>	<u>\$ 5,435,823</u>

**Note 10 - Notes and Bonds Payable**

	<u>2024</u>	<u>2023</u>
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)	\$ 3,900,000	\$ 5,020,538
3.98% bond payable, due in semi-annual installments of varying amounts, to October 2030, secured by Renaissance Hall building and land (2)	2,230,000	2,550,000
University Facilities Revenue Refunding Bonds, Series 2012 secured by Barry and Klai Hall land and building (3) 3% to 4% term bonds, with varying sinking fund requirements beginning December 2024 through December 2036	5,960,000	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)	19,442,000	25,210,532
Other debt	<u>448,028</u>	<u>224,817</u>
	31,980,028	39,370,887
Less current maturities	<u>(2,166,812)</u>	<u>(4,574,619)</u>
	<u><u>\$ 29,813,216</u></u>	<u><u>\$ 34,796,268</u></u>

(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>
2025	\$ 2,166,812
2026	5,005,545
2027	5,272,025
2028	5,552,996
2029	3,877,931
Thereafter	10,104,719
	<u>\$ 31,980,028</u>

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

# North Dakota State University Foundation

Notes to Financial Statements

December 31, 2024 and 2023

## Note 11 - Net Assets

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

	2024	2023
Subject to the Passage of Time or Specified Purpose		
Scholarships	\$ 66,985,189	\$ 51,868,305
NDSU departmental expenses	73,876,241	71,662,851
NDSU buildings and equipment	56,566,861	35,604,644
Foundation operations - time restriction	582,266	462,476
	<u>198,010,557</u>	<u>159,598,276</u>
Endowments Held in Perpetuity		
Scholarships	267,610,473	223,342,254
NDSU departmental expenses	138,073,985	157,698,717
NDSU buildings and equipment	126,250	126,250
Foundation operations	2,593,985	2,576,908
	<u>408,404,693</u>	<u>383,744,129</u>
Total endowments held in perpetuity	<u>\$ 606,415,250</u>	<u>\$ 543,342,405</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, 2024 and 2023:

	2024	2023
Purpose Restrictions Accomplished		
Scholarships and grants paid	\$ 14,281,473	\$ 10,008,219
NDSU departmental expenses	6,504,707	6,846,447
NDSU building and equipment	15,758,302	19,187,390
Foundation operations	1,005,123	852,627
Bad debt expense	270,004	4,196,925
Endowment management fees	4,606,265	4,120,234
Gift fees	1,676,411	1,732,127
	<u>\$ 44,102,285</u>	<u>\$ 46,943,969</u>
Total net assets released from restrictions	<u>\$ 44,102,285</u>	<u>\$ 46,943,969</u>

The Foundation's Executive Governing Board has chosen to place approximately \$3,368,000 and \$3,906,000 as of December 31, 2024 and 2023 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, 2024 and 2023:

	2024	2023
Net Assets without Donor Restrictions:		
Cash and cash equivalents	\$ 2,561,518	\$ 270,905
Short-term investments	5,086,267	5,086,374
Receivables	28,820	69,694
Prepaid expenses	370,499	313,228
Property and equipment, net	17,961,400	18,630,425
Investments	8,806,784	7,780,892
	<u>\$ 34,815,288</u>	<u>\$ 32,151,518</u>
Total net assets without donor restrictions		
	<u>\$ 34,815,288</u>	<u>\$ 32,151,518</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, 2024 and 2023 was \$451,840 and \$411,133.

## Note 13 - Endowment

The Foundation's endowment (the Endowment) consists of approximately 1,610 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, 2024 and 2023, endowment net asset composition by type of fund is as follows:

	At December 31, 2024		
	With Donor Restrictions	Without Donor Restrictions	Total
Donor-restricted endowment funds	\$ 481,856,999	\$ -	\$ 481,856,999
Board-designated endowment funds	-	3,367,808	3,367,808
	<u>\$ 481,856,999</u>	<u>\$ 3,367,808</u>	<u>\$ 485,224,807</u>
	At December 31, 2023		
	With Donor Restrictions	Without Donor Restrictions	Total
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>

# North Dakota State University Foundation

Notes to Financial Statements

December 31, 2024 and 2023

Changes in endowment net assets as of December 31, 2024 are as follows:

	For the Year Ending December 31, 2024		
	With Donor Restrictions	Without Donor Restrictions	Total
Endowment Net Assets, Beginning of year	\$ 434,987,710	\$ 3,906,153	\$ 438,893,863
Investment Return			
Investment income	23,695,735	-	23,695,735
Net appreciation/(depreciation) (realized and unrealized)	15,548,374	321,514	15,869,888
Contributions	26,070,142	692,108	26,762,250
Appropriation of Endowment assets for expenditure	(13,116,292)	(284,887)	(13,401,179)
Endowment Fees	(5,328,670)	(67,080)	(5,395,750)
Other Changes:			
Transfer to general unrestricted net assets:	-	(1,200,000)	(1,200,000)
Endowment Net Assets, End of Year	<u>\$ 481,856,999</u>	<u>\$ 3,367,808</u>	<u>\$ 485,224,807</u>

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

	For the Year Ending December 31, 2023		
	With Donor Restrictions	Without Donor Restrictions	Total
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>

**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, 2024, funds with original gift values of \$43,894,395, fair values of \$43,494,516 and deficiencies of \$399,879 were reported in net assets with donor restrictions. 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.

**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, 2024 and 2023. 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****Direct University Support**

Direct University support, included in expenses, consisted of the following for the years ended December 31, 2024 and 2023:

	2024	2023
Scholarships and fellowships	\$ 16,009,060	\$ 11,471,279
Department expenses	1,929,354	3,138,581
Building and equipment	15,758,302	19,187,389
Faculty support	4,493,606	3,562,205
Other support to NDSU	119,449	205,314
	<u>\$ 38,309,771</u>	<u>\$ 37,564,768</u>

**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, 2024 and 2023, the Foundation had the following accrued liabilities owed to NDSU:

	2024	2023
Program support	\$ 1,330,213	\$ 1,735,894
Grants	2,176,310	279,049
Building projects	456,335	461,063
Miscellaneous services	36,510	32,346
	<u>\$ 3,999,368</u>	<u>\$ 2,508,352</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 the 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, 2024 and 2023 totaled \$1,097,230 and \$998,765, which is recorded in other income on the statements of activities. As of December 31, 2024 and 2023, the Foundation had receivables related to these support services of \$0 and \$494,174, respectively, which is recorded within other receivables on the statements of financial position. As of December 31, 2024 and 2023, the Foundation also had other receivables of \$133,118 and \$111,962 from the University for various purposes. The Foundation received contributions from board members in the amount of \$6,166,870 and \$3,104,980 for the years ended December 31, 2024 and 2023.

**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, 2024 and 2023 are as follows:

	2024	2023
Barry and Klai Hall	\$ 641,418	\$ 632,949
Renaissance Hall	415,770	413,435
	<u>\$ 1,057,188</u>	<u>\$ 1,046,384</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****Funding Guarantees**

As of December 31, 2024, the Foundation has guaranteed funding to the University for various capital projects in advance of receipt of related unconditional promises to give by donors. The following guarantees were outstanding as of December 31, 2024:

<u>Project Name</u>	<u>Total Guarantee</u>	<u>Total Disbursements to Date</u>	<u>Remaining Guarantee</u>
Bolley Agricultural Laboratory	\$ 2,715,191	\$ -	\$ 2,715,191
Music Building Expansion	9,950,000	2,052,378	7,897,622
Peltier Complex	14,125,723	10,310,794	3,814,929
Richard Offerdahl '65 Engineering Complex	40,100,000	3,103,157	36,996,843
	<u>\$ 66,890,914</u>	<u>\$ 15,466,329</u>	<u>\$ 51,424,585</u>

The Foundation has also guaranteed funds to the University totaling \$1,560,000 for an additional year of support for the NDSU Tuition Award Program. It is anticipated that this guarantee will be fulfilled through funding to be applied in the following order: philanthropic gifts, unused funds previously designated to the Tuition Award Program, other University sources, and the unrestricted resources of the Foundation.