

Comments prepared for the Interim Higher Education Committee meeting, July 30-31, 2012
 Robert O. Kelley, President, University of North Dakota
 SUBJECT: Unrestricted Net Assets

Mr. Chairman, Members of the Committee:

Good afternoon. I am Robert Kelley, President of the University of North Dakota.

I have been asked to review "unrestricted net assets" at UND.

Let me begin by letting you know that the UND Annual Financial Report for fiscal year 2011 is available online by going to the UND Office of Finance and Operations website and clicking on "Financial Reports". I will provide a hard copy for committee review, along with a copy of this testimony, to the committee staff. The data in this report is a full accounting of all UND's assets and liabilities for the fiscal year ending in 2011.

"Net assets" is a financial reporting category. It's the sum of the university's total assets, minus its total liabilities.

"Net assets" can be divided into three categories:

1. Capital assets
2. Restricted assets (those designated by an external party)
3. Unrestricted assets (those not designated by external parties... but may already be obligated for specific purposes within the university)

As president of the university, I'm interested in the university's net assets because they are an important indicator of the overall financial health of the university. Some simple financial ratios (like assets to liabilities) permit comparisons of one institution to another.

There are quite a few ratios that can be examined, but I want to emphasize that multiple ratios and trends over time should be taken together when evaluating the financial health of an institution.

To make my point, I have chosen six such ratios for UND that have been published in the North Dakota University System Financial Review for the fiscal year ending in 2011. Taken together, they provide a useful summary of UND's overall financial position:

- **Viability ratio:** measures the ability to retire long term debt using current resources. A ratio greater than 1.0 is good, with higher numbers better than lower numbers. UND has a 1.1 with an improving trend since 2008.
- **Primary Reserve ratio:** Measures the ability to operate at current levels without future revenues for a short term. A ratio greater than .1 is good with higher numbers better than lower numbers. UND has a ratio of .3 with a stable trend since 2008.
- **Current ratio:** Measure the ability to meet current obligations. A ratio greater than 2.0 is good, again higher numbers are better than lower numbers. UND has a ratio of 2.2, but a decreasing trend since 2008. The trend number suggests either a decrease in current assets, an increase in current liabilities, or both.
- **Working Capital ratio:** Measures the ability to sustain operations in a short-term emergency (4-6 weeks is good). UND has capital reserves to sustain the institution for 5.7 weeks, down from

10.3 weeks in 2008. Still, UND is in a positive position relative to working capital and fiscal sustainability.

- **Operating Income Margin ratio:** Measures current year financial results. A ratio greater than 0 is considered good. UND is at 2.0%, up from a negative .3% in 2008. This indicates that UND is not spending more than it is taking in during the fiscal year. Also, a ratio of 2.0 indicates that the institution is marginally adding to operational reserves.
- **Change in long-term liabilities:** A negative change indicates the institution retired more debt than it added during the three year period since 2008. UND has a positive 6% change, meaning that UND has added slightly more debt than it held in 2008. However, this calculation, when coupled with a viability ratio of 1.1, indicates that UND will be able to service that debt over time.

I hope that these limited data provide you with an accurate description of how unrestricted net assets factor in to UND's overall financial health. These assets are derived from all of the major revenue sources that fund the institution (state appropriations; tuition and fees; grants and contracts; sales and services of departments; auxiliary enterprises; and gifts).

In addition, the current data suggests that UND's overall financial position is positive at the moment... with adequate reserves and liquidity. Furthermore, these data, coupled with upward enrollment trends, recently resulted in bond rating upgrades from Standard and Poor's to A+ with positive outlook (upgraded from stable outlook); and a reaffirmation of the Aa3 rating from Moody's (with an outlook upgrade from negative to stable).

To conclude, UND reported some \$379 million in net assets for FY 2011. Of this number, 66% is related to capital assets, 16% is restricted by external parties, while the remaining 18% is "unrestricted". These funds are reported as unrestricted even if UND internally designates the funds, for example, to capital projects, grant matches, irregular operating cycles, in addition to numerous departmental and university initiatives. It is incorrect to think that unrestricted net assets are readily available resources.

Mr. Chairman, thank you for the opportunity of discussing these financial matters with the committee.

Since I am not accompanied today by Alice Brekke, UND's Vice President for Finance and Operations, I will do my best to answer any questions that you may have.

Operating Revenues: Overview

Revenue	Purpose	Source of Funds (Examples)	Uses of Funds (Examples)	Net Assets X Restricted by ◇ Designated for
Tuition and Fees	Support campus operations and supplement programs	<ul style="list-style-type: none"> • Student tuition • Student fees 	<ul style="list-style-type: none"> • Tuition, and some fees, used to support core instructional mission • Student Government and other student activities • Revenue Bond debt service • Construct, repair and replace capital assets 	<ul style="list-style-type: none"> X Bond covenants ◇ Core campus mission ◇ Specific courses or programs ◇ Student groups
Grants & Contracts	Perform contracted services to advance research, teaching and service programs	<ul style="list-style-type: none"> • Federal • State • Private 	<ul style="list-style-type: none"> • Research • Training • Program development 	<ul style="list-style-type: none"> X Grant or contact terms
Sales & Services - Auxiliary	Provide services such as housing, dining, bookstore and parking to students and constituents	<ul style="list-style-type: none"> • Room and board charges • Book/supply sales • Parking permits • Facility rental fees 	<ul style="list-style-type: none"> • Daily operations • Debt service • Facility construction, repair & replacement 	<ul style="list-style-type: none"> X Bond covenants ◇ Working capital ◇ Emergency reserves ◇ Major repairs ◇ Building additions
Sales & Services - Other	Fund self-supporting programs or supplement programs partially funded from the general fund and/or tuition collections	<ul style="list-style-type: none"> • Grant and contract indirect cost recovery for administrative overhead • Continuing ed fees • Ticket sales • Workforce training fees • Service centers (e.g. print shop, facility services, etc.) 	<ul style="list-style-type: none"> • Marketing/recruitment • Seed money for new grants • Continuing education activities/programs • Workforce training delivery • Other campus priorities 	<ul style="list-style-type: none"> ◇ Working capital ◇ Emergency reserves ◇ Major repairs ◇ Self-support programs
Other Operating Revenue	Provide financing to students to assist with college costs	<ul style="list-style-type: none"> • Interest Income-Loans • Loan late fees 	<ul style="list-style-type: none"> • Loans to students • Loan center operations 	<ul style="list-style-type: none"> X Federal/state policies ◇ Students

NORTH DAKOTA UNIVERSITY SYSTEM
FINANCIAL REVIEW
Fiscal Year Ending 2011 (with trends since FY 2008)
Prepared in March 2012

As with any large business organization governed by a board, it is essential that the board members know the financial strength of the organization. This information is important to have in order to make informed decisions. The central purpose and use of the information in this report is to provide the board with a financial analysis of each institution which is needed to assist the board in fulfilling its fiduciary responsibilities. In addition, to this report a separate semi-annual budget status report is presented to the SBHE Budget, Audit and Finance Committee which discloses significant revenue and expenditure variances, deficits, and pending lawsuits.

The purpose of this financial review is to gain an understanding of the financial health of each institution, based on year-end financial statements as of June 30, 2011 and to identify trends that are occurring over a period of time (FY2008 thru FY2011). It is not the intent of the Ratio Analysis section of this report to compare ratios of one institution to the ratios of another, but rather to compare each institution to the identified industry standard. These are general industry standards and not specific to just higher education. However, they do provide a good benchmark to measure financial performance. **In addition, it is important to note that individual ratio results do not stand on their own; rather, the results of all the ratios and trends over time should be viewed together when considering the financial health of the institution.**

In order to distinguish between financial statement position and funding adequacy, a Funding Analysis section (**page 13**) is included in this report. Nationally, ND ranks 23 out of 50 in state/local appropriations funding per FTE student. It is important to point out that institutions can be financially stable despite being less well funded than their counterparts. This is largely due to good fiscal management; however, there is a limit to how far resources can be stretched. Some long-term consequences of limited resources are deferred maintenance and faculty and staff salaries, which lag comparators. Even in light of their funding challenges, this report suggests that ND institutions are well managed and most are financially stable.

Viability Ratio

This ratio measures the ability to retire long-term debt using current resources. It is calculated by comparing combined expendable net assets to total long-term debt (bonds, notes and capital leases). Expendable net assets includes all unrestricted net assets and all expendable restricted net assets, excluding net investment in plant. A ratio of greater than 1.0 is good and a ratio of less than .3 is of concern. Please note that the formula was changed in FY2010 to be in line with the formula used by the Higher Learning Commission. Prior to FY2010, the viability ratio was calculated by comparing combined unrestricted net assets and net assets restricted for debt service to total long-term debt (bonds, notes and capital leases). Historical figures have been restated consistent with the new reporting approach.

The following table shows the viability ratio for each institution for the current fiscal year and three previous fiscal years:

VIABILITY RATIO				
Institution	FY 2011	FY 2010	FY 2009	FY 2008
DSU	10.8	10.1	9.5	4.7
NDSCS	7.4	6.6	4.6	3.6
DCB	5.6	3.9	2.2	2.3
LRSC	3.0	2.6	2.1	1.9
MiSU	1.5	1.6	3.5	2.9
UND	1.1	.9	.9	.9
BSC	.9	.9	.8	.6
Total NDUS	.9	.8	.9	.9
VCSU	.7	1.2	1.0	1.0
NDSU	.5	.5	.6	.6
WSC	.4	1.4	1.6	2.0
MaSU	.2	.2	.4	.4

*Greater than
1.0 is good*

Five of the eleven institutions have a viability ratio of less than 1.0. The ratio increased for six of the institutions in FY2011 compared to FY2008 as a result of long-term debt retired during the three year period and an increase in net assets. The ratio for the NDUS, as a whole, is slightly below industry standard of 1.0.

Primary Reserve Ratio

This ratio measures the ability to operate at current levels without future revenues. It is calculated by comparing combined unrestricted net assets and expendable restricted net assets to annual operating expenses. A ratio of greater than .1 is good while a ratio of less than .05 is of concern.

The following table shows the primary reserve ratio for each institution for the current fiscal year and three previous fiscal years:

<i>PRIMARY RESERVE RATIO</i>				
Institution	FY 2011	FY 2010	FY 2009	FY 2008
MiSU	.5	.5	.6	.5
DSU	.4	.4	.4	.5
LRSC	.3	.3	.3	.3
NDSCS	.3	.4	.3	.3
UND	.3	.3	.3	.3
WSC	.3	.1	.1	.2
Total NDUS	.3	.3	.3	.3
BSC	.2	.2	.2	.2
DCB	.2	.2	.1	.2
MaSU	.2	.2	.2	.2
NDSU	.2	.2	.2	.3
VCSU	.2	.2	.2	.2

*Greater than
 .1 is good*

The primary reserve ratio is good for all campuses and remained stable at most campuses over the last several years. As a result, the total NDUS ratio remains good.

Current Ratio

This ratio measures the ability to meet current obligations. The ratio is calculated by comparing current assets (unrestricted cash and investments, accounts/notes/grants receivable and inventories) to current liabilities (accounts payable, accrued payroll, student deposits and current portion of long-term debt). A ratio of greater than 2 is good, while a ratio of less than 1 is of concern.

The following table shows the current ratio for each institution for the current fiscal year and three previous fiscal years:

CURRENT RATIO				
Institution	FY 2011	FY 2010	FY 2009	FY 2008
DSU	7.8	7.8	4.5	8.0
NDSCS	4.9	5.5	4.0	4.5
DCB	4.8	3.7	2.6	3.5
MiSU	3.9	3.6	6.1	5.2
LRSC	3.4	3.4	3.7	3.5
WSC	2.7	1.5	1.9	2.3
BSC	2.5	2.7	2.3	2.2
Total NDUS	2.5	2.5	2.7	3.1
UND	2.2	2.3	2.2	2.8
VCSU	2.2	2.8	2.5	2.5
NDSU	2.0	2.0	2.9	3.1
MaSU	1.6	1.5	0.9	1.6

*Greater than
2.0 is good*

The current ratio for most of the institutions is good and increased at four of the eleven institutions since FY2008 (NDSCS, DCB, WSC, BSC).

Working Capital Ratio

This ratio measures the ability to sustain operations in a short-term emergency situation (4-6 weeks). The ratio compares working capital (current assets less current liabilities) to total operating expenses, converted into weeks. While no industry standard is available, professional judgment suggests that an institution should be able to cover a minimum of 4 weeks of operating expenses in the event of an emergency.

The following table shows the working capital ratio for each institution for the current fiscal year and three previous fiscal years:

WORKING CAPITAL RATIO				
Institution	FY 2011	FY 2010	FY 2009	FY 2008
DSU	21.7	21.1	20.5	22.1
MiSU	20.3	22.7	25.7	24.6
NDSCS	15.3	15.7	13.2	12.3
LRSC	14.4	15.8	15.0	13.8
DCB	11.6	8.9	5.3	7.0
BSC	8.3	9.0	8.2	9.8
VCSU	8.1	9.1	9.3	9.3
WSC	7.8	3.2	5.4	7.2
Total NDUS	7.7	8.1	9.4	11.1
MaSU	5.8	4.5	0.0	4.2
UND	5.7	6.3	7.1	10.3
NDSU	5.1	5.6	8.9	9.6

4-6 weeks is good

All of the institutions have good or very good working capital reserves. The working capital ratio increased at five campuses (NDSCS, LRSC, DCB, WSC and MaSU) over the past three years, and decreased at all other campuses (DSU, MiSU, BSC, VCSU, UND and NDSU).

Operating Income Margin

This ratio measures current year financial results. The ratio is calculated by comparing combined operating and nonoperating net income (before capital gifts and grants) to total combined operating and nonoperating revenues (excluding capital gifts and grants). A ratio of greater than zero is desired and indicates the institution is not spending more than it is taking in during the year. Additionally, a ratio of greater than zero indicates the institution is adding to reserves.

The following table shows the operating income margin for each institution for the current fiscal year and three previous fiscal years:

Operating Income Margin				
Institution	FY 2011	FY 2010	FY 2009	FY 2008
WSC	4.7%	11.5%	5.0%	1.1%
NDSU	2.5%	-0.2%	-0.9%	0.1%
DCB	2.4%	5.7%	-2.2%	-3.7%
MaSU	2.3%	-0.5%	-1.9%	0.3%
UND	2.0%	1.9%	-0.5%	-0.3%
Total NDUS	1.8%	1.5%	0.1%	0.5%
LRSC	0.0%	4.6%	0.0%	-3.7%
MiSU	-0.5%	1.6%	0.9%	3.8%
DSU	-1.4%	-2.2%	-0.2%	1.5%
BSC	-2.3%	1.3%	-0.4%	1.7%
VCSU	-3.5%	-2.1%	-3.8%	-6.3%
NDSCS	-5.6%	-0.7%	-3.4%	-3.1%

Greater than 0
 is good

Five institutions (MiSU, DSU, BSC, VCSU and NDSCS) have an operating income margin below zero, which means they spent more to operate in FY2011 than they earned from operations in FY2011. A negative margin for one year could be due to timing issues or one-time events. Several years of a ratio of zero or less is of concern. Institutions with a ratio of zero or less for the last two consecutive years such as DSU, NDSCS and VCSU should be closely monitored

Net Income Margin

This ratio measures an institution’s financial status in terms of current year operations. The ratio is calculated by dividing the current year’s increase in net assets by total revenues. A positive net income margin indicates that the institution experienced a net increase in current year fund balances. A negative net income margin results when an institution’s current year expenditures exceed its current year revenues, requiring the institution to draw on reserves or creating deficit spending.

Net Income Margin				
Institution	FY 2011	FY 2010	FY 2009	FY 2008
WSC	22.0%	16%	9%	13%
MaSU	20.0%	13%	5%	7%
DCB	13.1%	9%	-1%	1%
NDSU	8.5%	5%	2%	2%
Total NDUS	6.9%	7%	3%	2%
UND	6.6%	3%	1%	2%
BSC	6.5%	5%	14%	1%
DSU	2.6%	26%	14%	9%
MiSU	2.2%	18%	7%	6%
VCSU	1.8%	7%	5%	4%
NDSCS	1.6%	12%	3%	2%
LRSC	.5%	5%	1%	-3%

Positive margin good

All institutions had a positive net income margin. A negative margin for one year could be due to timing issues or one-time events. Several years of a negative margin is of concern. Since FY2008, no institution has had a negative net income margin for more than one year.

Trend: Change in net liquid assets less current liabilities (FY2008 to FY2011)

This calculation measures the change in ability to meet current obligations over time. It is the percentage change from June 30, 2008 to June 30, 2011 between liquid assets (cash, current investments and current receivables) and current liabilities. A positive percentage change is desirable as it indicates improvement over time in an institution's ability to meet current obligations. A negative percentage change indicates decline in ability over time to meet current obligations.

The following table shows the percentage change in net liquid assets for each institution from FY2008 to FY2011 and the dollar amount of net liquid assets for the current fiscal year and three previous fiscal years:

Net Liquid Assets					
Institution	Trend	Ending Balance (in millions)			
	% Change FY 2008- 2011	FY 2011	FY 2010	FY 2009	FY 2008
DCB	140%	\$1.6	\$1.1	\$0.5	\$0.6
MASU	106%	\$1.4	\$1.0	\$-0.8	\$0.8
NDSCS	35%	\$11.4	\$11.6	\$9.1	\$8.5
LRSC	31%	\$3.5	\$3.4	\$2.9	\$2.7
BSC	19%	\$5.9	\$5.4	\$4.4	\$5.0
DSU	18%	\$12.8	\$11.9	\$10.7	\$10.8
VCSU	12%	\$2.9	\$3.0	\$2.7	\$2.6
MiSU	3%	\$19.9	\$21.1	\$21.1	\$19.3
Total NDUS	-18%	\$136.2	\$137.0	\$149.1	\$166.2
NDSU	-39%	\$31.6	\$33.9	\$51.2	\$51.4
UND	-40%	\$37.1	\$40.0	\$44.9	\$61.6
WSC	-52%	\$1.6	\$0.5	\$0.9	\$1.0

*Positive
change good*

The change in net liquid assets coupled with the current ratio gives an indication of change in financial liquidity from one year to another. All institutions, with the exception of NDSU and UND had an increase in net liquid assets since FY2008.

Trend: Change in long-term liabilities (FY2008 to FY2011)

This calculation measures the change in long-term liabilities over time. It is the percentage change from June 30, 2008 to June 30, 2011 in total long-term liabilities. A negative change indicates the institution retired more debt than it added over the three-year period. A positive change indicates the institution added more debt than it retired.

The following table shows the percentage change in long-term liabilities for each institution from FY2008 to FY2011 and the dollar amount of long-term liabilities at year end and for the three previous fiscal years:

Long-term Liabilities					
Institution	Trend	Ending Balance (in millions)			
	% Change FY 2008-2011	FY 2011	FY 2010	FY 2009	FY 2008
DSU	-52%	\$1.3	\$1.3	\$1.2	\$2.6
NDSCS	-42%	\$1.8	\$2.0	\$2.6	\$3.2
BSC	-36%	\$8.0	\$7.8	\$8.2	\$12.6
DCB	-28%	\$0.3	\$0.3	\$0.4	\$0.5
LRSC	-21%	\$1.4	\$1.5	\$1.6	\$1.7
UND	6%	\$117.2	\$121.0	\$115.8	\$109.9
Total NDUS	23%	\$338.6	\$328.8	\$284.2	\$275.7
NDSU	34%	\$156.7	\$151.8	\$127.5	\$117.3
VCSU	66%	\$7.1	\$3.9	\$4.1	\$4.3
MISU	96%	\$16.2	\$16.6	\$7.0	\$8.3
MASU	191%	\$12.8	\$13.5	\$6.1	\$4.4
WSC	1,219%	\$9.8	\$0.7	\$0.8	\$0.7

Negative
change
good

This calculation, coupled with the viability ratio indicates an institution's ability to service debt over time. Institutions with a viability ratio of less than 1.0, coupled with a large increase in long-term debt are MaSU, NDSU, VCSU and WSC. MaSU increased its long term debt in the past two years by \$6.1 million for the construction of a Coal Heating Plant and by \$3.7 million for the Renovation of Agassiz Hall. In FY2010, MiSU issued a \$10 million bond for the construction of the Wellness Center. NDSU issued a \$26 million bond in FY2010 for the construction of the Niskanen Apartments & Addition to West Dining Center. WSC long-term debt increased with the issuance of a \$9.75 million bond for the construction of a new residence hall. With viability ratios of less than 1.0, MaSU, NDSU, VCSU and WSC should remain cautious about adding new debt in the near future.

Trend: Change in Fall FTE enrollment (2008-2011)

This calculation shows the percentage change in FTE enrollment from Fall 2008 to Fall 2011, including all credit on-campus and distance learning students.

The second column in the following table shows the percentage change for each institution in Fall FTE enrollment from the Fall 2011 Enrollment Report (FY2012) to the Fall 2008 (FY2009) Enrollment Report. The third column shows the percentage change in Fall FTE enrollment from the Fall 2010 (FY2011) Enrollment Report to the Fall 2007 (FY2008) Enrollment Report.

Institution	Fall FTE Enrollment						
	Trend	Trend	Enrollment*				
	% Change Fall Enrollment Report FY 2008-2011	% Change Fall Enrollment Report FY 2007-2010	2011	2010	2009	2008	2007
DCB	19%	34%	524	540	490	440	402
LRSC	26%	21%	988	921	868	784	764
MASU	25%	20%	704	704	662	563	586
VCSU	23%	19%	1,012	957	833	823	807
UND	11%	10%	12,320	12,018	11,306	11,137	10,967
BSC	9%	15%	3,208	3,208	3,160	2,937	2,792
NDSU	7%	13%	12,606	12,708	12,577	11,794	11,221
Total NDUS	8%	11%	39,089	38,913	37,564	36,096	35,075
MISU	3%	10%	2,794	3,002	2,832	2,720	2,730
NDSCS	16%	6%	2,366	2,217	2,076	2,041	2,097
WSC	8%	3%	608	570	573	562	551
DSU	-15%	-4%	1,959	2,054	2,187	2,294	2,158

*From the Fall Enrollment Report and as re-defined, Aug. 2006 based on 15 credit hours.

Positive growth good

Overall, the NDUS saw an increase in FTE enrollment since Fall 2008 of 8 percent. All of the institutions, with the exception of DSU experienced increased enrollment in each of the last three consecutive years. Occasional declines in enrollment are not unusual, but several consecutive years of declining enrollment is noteworthy. DSU had three consecutive years of declining enrollment since 2008.

Percentage of Face-to-Face Enrollment to Total Unduplicated Enrollment

This calculation measures the percentage of face-to-face on-campus headcount enrollment compared to enrollment headcount that receives instruction in other than face-to-face on-campus instruction. Face-to-face on-campus enrollment may include students who are enrolled in both types of instruction.

The face-to-face on-campus enrollment is obtained from Table 9 of the Fall 2011 Enrollment Report and may include face-to-face on-campus students who are also enrolled in other than face-to-face on-campus instruction. Total headcount is obtained from the Fall 2011 Enrollment Report, Table 1. The percentage to total unduplicated enrollment is calculated by dividing face-to-face on-campus headcount (Table 9) by the unduplicated campus enrollment total (Table 1).

	(A)	(B)	(C)	(D) (B+C)-A	(E) (D)/(A)	(F) (B)/(A)	(G) (C)/(A)
INSTITUTION	UNDULICATED CAMPUS ENROLLMENT TOTALS ¹	UNDULICATED FACE TO FACE ON CAMPUS ²	UNDULICATED WITHIN DISTANCE EDUCATION ³	# OF STUDENTS DUPLICATED BETWEEN FACE-TO-FACE ON CAMPUS AND DE ⁴	% OF TOTAL ENROLLED IN BOTH FACE-TO-FACE & DISTANCE EDUCATION ⁵	% OF TOTAL HEADCOUNT ENROLLMENT IN FACE TO-FACE ON-CAMPUS INSTRUCTION ⁶	% OF TOTAL HEADCOUNT ENROLLMENT IN DISTANCE EDUCATION ⁶
BSC	4,392	2,646	2,542	796	18.1%	60.2%	57.9%
DCB	812	384	536	136	16.7%	47.3%	66.0%
DSU	2,346	1,783	731	168	7.2%	76.0%	31.2%
LRSC	2,056	412	1,796	152	7.4%	20.0%	87.4%
MASU	970	583	451	64	6.6%	60.1%	46.5%
MISU	3,657	2,556	1,686	585	16.0%	69.9%	46.1%
NDSCS	3,127	1,731	1,769	373	11.9%	55.4%	56.6%
NDSU	14,399	13,653	3,613	2,867	19.9%	94.8%	25.1%
UND	14,697	11,975	4,152	1,430	9.7%	81.5%	28.3%
VCSU	1,384	800	1,101	517	37.4%	57.8%	79.6%
WSC	993	599	581	187	18.8%	60.3%	58.5%
NDUS Total	48,833	37,122	18,958	7,275	14.9%	76.0%	38.8%

¹ Source: Fall Enrollment Report: Table 1

² Source: 2011 Fall Enrollment Report: Table 9, column F. May also include face-to-face on-campus students who are also enrolled in other than face-to-face on-campus instruction.

³ Source: 2011 Fall Enrollment Report: Table 9, column E. Includes face-to-face off campus, correspondence and internet based instruction. May also include distance education students who are also enrolled in face-to-face instruction.

⁴ Source: 2011 Fall Enrollment Report: Table 9, column G (DE & On-Campus Duplicated Totals) less column H (Unduplicated DE & On-Campus Total).

⁵ Subtracting column D from the sum of columns E and F may not exactly equal 100% due to rounding.

⁶ Columns E & F total more than 100% because of students enrolled in both on-campus and distance education courses.

Waivers as a percentage of tuition

This calculation measures the dollar amount of waivers granted as a percentage of gross tuition and fee revenue. The higher the percentage, the more the institution is forgoing revenues.

The following table shows waivers for each institution as a percentage of tuition for the current fiscal year and three previous fiscal years:

Waivers as a Percentage of Tuition				
Institution	FY 2011	FY 2010	FY 2009	FY 2008
BSC	1.1%	1.1%	1.1%	1.0%
DCB	3.6%	2.2%	2.8%	3.0%
LRSC	3.6%	3.9%	5.1%	5.2%
MASU	3.4%	3.1%	5.8%	4.0%
WSC	4.4%	5.3%	3.2%	4.2%
MISU	6.8%	5.8%	7.5%	7.4%
VCSU	6.9%	8.0%	8.0%	8.1%
UND	7.0%	7.0%	6.8%	6.7%
NDSCS	9.3%	8.8%	7.3%	5.7%
Total NDUS	9.3%	9.6%	9.5%	9.1%
NDSU	13.8%	14.4%	13.6%	13.2%
DSU	20.0%	21.7%	23.0%	21.1%

FY2011 waivers for the NDUS totaled \$30.4 million, an increase of 26 percent over FY2008. While the dollar amount of waivers increased 26 percent, total waivers as a percentage of tuition increased by only less than .2 percent. Therefore, the dollar increase in waivers corresponds to the dollar increase in tuition over the three-year period, rather than the result of an increase in the number of waivers.

Six of the institutions (BSC, DCB, NDSCS, NDSU, UND and WSC) had an increase in waivers as a percentage of tuition from FY2008 while five institutions (DSU, LRSC, MaSU, MiSU, and VCSU) had a decrease in the amount of waivers granted as a percent of tuition for the same period.

The NDUS has not been able to obtain external objective and measurable national data against which to benchmark tuition waivers.

It should be noted that many of the waivers are partial waivers to reduce the “published” tuition rate. At some campuses, this practice is not necessary as the SBHE approved special tuition rates at select campuses. For example, some campuses charge the resident rate to all students, regardless of residency status. Others have a published higher non-resident rate, but use waivers to lower this rate, but generally not less than the resident rate.

Also, the SBHE has approved alternative tuition rates at select campuses. As a result, the difference between the historical rate and the approved alternative tuition rate is not reflected in the waiver figures above.

FUNDING ANALYSIS
National per FTE Funding Comparison

Funding per FTE for the public instructions of higher education in North Dakota are well below that of public instruction in other states.

FY 2011 Total Educational Revenue per FTE - Public Institutions of Higher Ed				
Total Educational Revenues Per FTE*		Educational Appropriations (State/Local) Per FTE*		
1	Wyoming	17994	1 Wyoming	15943
2	Alaska	16273	2 Alaska	11866
3	Delaware	15241	3 North Carolina	9463
4	Connecticut	14606	4 Connecticut	8176
5	Rhode Island	14237	5 New York	8082
6	Maine	13910	6 New Mexico	7960
7	Maryland	13695	7 Texas	7904
8	New Jersey	13344	8 Oklahoma	7613
9	Michigan	13248	9 Illinois	7556
10	Vermont	13120	10 Nevada	7357
11	Pennsylvania	12993	11 Louisiana	7309
12	Alabama	12903	12 Kentucky	7206
13	Kentucky	12797	13 Georgia	7186
14	Texas	12657	14 Arkansas	7086
15	North Dakota	12416	15 Maryland	6913
16	North Carolina	12264	16 Hawaii	6911
17	Minnesota	12104	17 Nebraska	6896
18	New York	11976	18 Tennessee	6828
19	Oklahoma	11968	19 Mississippi	6820
20	Illinois	11771	20 California	6631
21	Mississippi	11730	21 Idaho	6545
22	Virginia	11597	22 New Jersey	6372
23	Arkansas	11253	23 North Dakota	6263
24	Tennessee	11050	24 Wisconsin	6243
25	Iowa	10877	25 Maine	6155
26	Massachusetts	10850	26 Alabama	5991
27	Missouri	10642	27 Florida	5810
28	Nevada	10588	28 Missouri	5701
29	West Virginia	10510	29 Washington	5606
30	South Carolina	10471	30 Massachusetts	5599
31	Nebraska	10448	31 West Virginia	5527
32	Wisconsin	10425	32 Arizona	5433
33	New Hampshire	10402	33 Virginia	5229
34	South Dakota	10400	34 Utah	5039
35	Hawaii	10228	35 Minnesota	4993
36	New Mexico	10189	36 Kansas	4959
37	Indiana	10026	37 South Carolina	4811
38	Louisiana	9992	38 Rhode Island	4674
39	Oregon	9990	39 Michigan	4663
40	Arizona	9869	40 South Dakota	4650
41	Georgia	9594	41 Pennsylvania	4602
42	Ohio	9545	42 Delaware	4569
43	Idaho	9537	43 Iowa	4481
44	Kansas	9376	44 Oregon	4359
45	California	9137	45 Indiana	4173
46	Utah	9127	46 Montana	4153
47	Colorado	8970	47 Ohio	4139
48	Montana	8795	48 Colorado	3136
49	Florida	8648	49 New Hampshire	2646
50	Washington	8557	50 Vermont	2599
	US	11016	US	6290

*Excluding Ag research, extension and med school funding.
Source SHEEO Data

SUMMARY BY INSTITUTION

BSC

BSC's overall financial position remains good. The primary reserve ratio and current ratio remained at about the same levels while the viability and the net income margin ratio increased since FY2008. The working capital ratio decreased slightly but is still well above the 4-6 weeks benchmark established as an acceptable level of working capital. Long-term debt decreased 36 percent, due to the \$3.889 million prepayment of the NECE capital lease in FY2009.

DCB

Prior to FY2008 DCB's financial position had progressively declined and was of concern. Steps taken by DCB in FY2007 helped to improve their financial position considerably. All of DCB's ratios are good or very good. DCB's viability ratio, current ratio, working capital ratio and operating income margin have improved since FY2008. Net liquid assets increased and long-term debt decreased in the same time period.

DSU

DSU's financial position remains good. The viability ratio and the net income margin ratio have increased since FY2008 while the primary ratio, current ratio and working capital ratio have remained at about the same levels. Long-term debt decreased 52 percent from FY2008. FTE enrollment decreased from FY2008. The operating income margin was negative for FY2011 and the previous three years. This along with enrollment declines is a concern.

LRSC

LRSC's overall financial position is good. The viability ratio, working capital ratio and net income margin improved from FY2008. Debt remains at a manageable level and FTE enrollment increased 26 percent from FY2008. Since FY2008, long-term debt decreased 21 percent and the viability ratio has steadily improved.

MaSU

At June 30, 2011 the financial condition of MaSU has improved since implementing a financial management plan in FY2006. Since FY2008, the working capital ratio and the net income margin have increased. The primary reserve ratio and the current ratio remained at the same levels from FY2008. The viability ratio decreased slightly from FY2008. Long-term debt increased for the construction of a Coal Heating Plant and the renovation of Agassiz Hall. Enrollment increased since FY2008 with increases in both distance learning enrollment and on campus enrollment.

MiSU

MiSU's financial position is good. Long-term debt increased due to the issuance of a \$10 million bond in FY2010 for the construction of a Wellness Center but is not a concern given MiSU's strong reserves and liquidity. None of the ratios indicate any concerns at this point.

NDSCS

NDSCS's financial position is good. Reserves and liquidity are strong and long term debt decreased considerably since FY2008. Net liquid assets have increased significantly since FY2008. Total FTE enrollment increased from FY2008. On campus enrollment continues to decline but distance learning enrollment has increased significantly. None of the ratios indicate

NDUS Financial Review
FY 2011

any concerns at this point; however, it should be noted that NDSCS had negative operating income for the last three years and this should continue to be monitored.

NDSU

NDSU's financial position is good. Although the viability ratio is a concern, liquidity and reserves are stable. Long term liabilities increased 34 percent since FY2008. NDSU received a Moody's rating of Aa3 (upper-medium-grade), with a stable outlook on February 8, 2012. According to Moody's, "The Aa3 rating reflects NDSU's established market position as the State's land grant research university with stable and growing state appropriations and good growth in grants and contracts." Furthermore, Moody's report indicates "We believe that the University's debt level is manageable at its current level".

UND

UND's overall financial position is good with adequate reserves and liquidity. The increase in long-term debt is not a concern given UND's reserves and liquidity levels. However, the impact of issuing long-term debt in the future should be carefully evaluated. FTE enrollment has steadily increased every year since FY2008.

VCSU

VCSU's liquidity is good. Long term debt increased 66 percent since FY2008. VCSU had net operating losses in the last three years due to the exclusion from the operating income margin calculation of state appropriations for capital assets that were used for expenses that were not capitalized and due to the expenses associated with the Center of Excellence funding received in FY2006. This influx of revenue is causing some distortion in the ratios due to the fact that the grant is being spent over four years with no new revenue coming in. Total FTE enrollment increased 23 percent since FY2008.

WSC

WSC's financial position has improved with the primary ratio, current ratio, working capital ratio, the net income margin and the operating income margin increasing since FY2008. Long-term debt increased due to the issuance of a \$9.75 million bond for the construction of a new residence hall. FTE enrollment also increased since FY2008.

University of North Dakota



Annual Financial Report 2011

Dr. Robert Kelley, President
University of North Dakota
PO Box 8193
Grand Forks, ND 58202

Dear President Kelley:

I am pleased to forward the University of North Dakota 2011 Annual Financial Report, covering fiscal year July 1, 2010, to June 30, 2011. The financial statements are prepared in accordance with generally accepted accounting principles as presented by the Governmental Accounting Standards Board (GASB), which is the accepted primary standard-setting body for establishing governmental accounting and financial reporting principles.

Respectfully,



Alice C. Brekke
Vice President for Finance and Operations



University of North Dakota 2011 Financial Report

Table of Contents

Management's Discussion and Analysis

Introduction	1
Background Information	2
Mission Statement	3
Exceptional UND	5
Spirit Campaign	7
Enrollment, Tuition and Fees	8
Other Statistical Highlights	11
North Dakota Economic Factors	13
Budgetary Highlights	13
Financial Highlights	16
Financial Ratios	24
Capital Assets	25
Financial Contacts	26

Financial Statements

Statement of Net Assets	29
Statement of Revenue, Expenses, and Changes in Net Assets	31
Statement of Cash Flows	33
Notes to Financial Statements	36
Note 1 – Summary of Significant Accounting Policies	36
Note 2 – Deposits and Investments	43
Note 3 – Receivables	45
Note 4 – Endowment Funds	46
Note 5 – Capital Assets	46
Note 6 – Accounts Payable and Accrued Liabilities	47
Note 7 – Long Term Liabilities	48
Note 8 – Bonds Payable	48
Note 9 – Notes Payable	49
Note 10 – Capital Leases	49
Note 11 – Other Long Term Liabilities	50
Note 12 – Retirement Benefits	50
Note 13 – Post Retirement Benefits	52
Note 14 – Construction Commitments and Financing	53
Note 15 – Component Unit Transactions	54
Note 16 – On-Behalf Payments	56
Note 17 – Functional Expense Classification	56
Note 18 – Operating Leases	57
Note 19 – Contingencies	57
Note 20 – Risk Management	57
Note 21 – Asbestos Settlement	58
Note 22 – Deficit Fund Balance greater than \$100,000	59
Note 23 – Subsequent Events	59

Supplemental Information – Component Units

Major Component Units	61
Non-Major Component Units	63

Management's Discussion and Analysis

Introduction

The University of North Dakota's (herein referred to as "UND" or the "University") discussion and analysis provides an overview of the University's financial activities for the year ending June 30, 2011. It is designed to focus on current year activities in an effort to assist readers in understanding how those activities impacted the accompanying financial statements.

The financial activity of the eleven public post-secondary campuses under the control of the North Dakota University System (NDUS), including the University of North Dakota, is combined into a single financial report audited by the North Dakota State Auditor's Office (SAO). The single financial report is available at und.edu/finance-operations/financial-report-ndus.cfm or by contacting any of the UND financial contacts listed on page 27. In compliance with North Dakota Century Code (NDCC) section 54-10-01, the SAO is required to perform additional financial related audits for each campus every two years. The SAO also performs a third audit every two years known as the State of North Dakota Single Audit. This is an audit of the federal funds received by UND. These audit reports are available at www.nd.gov/auditor/reports.htm

The University of North Dakota issues a financial report annually. The financial statements presented in this annual report are extracted from the single financial report of the eleven public post-secondary campuses under the NDUS.

Government Accounting Standards Board (GASB) Statement No. 14, the Financial Reporting Entity, established standards for defining and reporting on the financial entity. This standard was used to decide which related entities are component units. Effective July 1, 2003, GASB Statement No. 14 was amended with GASB Statement No. 39, Determining Whether Organizations Are Component Units. The objective of GASB Statement No. 39 is to clarify reporting requirements for these organizations.

The University of North Dakota Aerospace Foundation (UNDAF), the UND Alumni Association & Foundation, the RE Arena Inc., UND Arena Services Inc., and Arena Holdings Charitable LLC are major component units of the University of North Dakota. The Fellows, UND Research Foundation, and the University of North Dakota Center for Innovation Foundation are non-major component units. These units are separate legal entities with their own audit reports. In the combined single financial audit for the NDUS, the entities are discretely presented in a separate column. In this financial report, the entities' financial statements are presented as supplementary information beginning on page 58.

The Law School Foundation and EERC Foundation are not reported as either major or non-major component units. These entities are not part of this financial report, nor are they presented in the NDUS single financial report.

Background Information

The University of North Dakota is the state's most comprehensive intensive research university and the primary center for professional education and training. UND has brought in more than \$353 million for sponsored programs from internal and external sources over the last five years. UND's economic impact on the state and region is nearly \$1 billion a year.

Founded by the Dakota Territorial Assembly in 1883, six years before statehood, UND was intended to be, and has remained, a university with a strong liberal arts foundation surrounded by a variety of professional and specialized programs. UND is one of only 47 public universities in the nation with both accredited graduate schools of law and medicine. It is admired for its spacious, beautiful campus and extensive resources. The University has earned an international reputation for its academic and research programs.

UND enrolls 14,194 students (Fall 2010) from baccalaureate through doctoral and professional degrees. 46% come from North Dakota; the rest represent all other states, eight Canadian provinces, and more than 50 nations.

Location

The University is located in Grand Forks, a college town of 50,000 on the Red River of the North separating North Dakota and Minnesota. The campus includes 223 buildings (over 6 million square feet under roof) on 550 acres.

Grand Forks is linked by Interstate 29 to Fargo, N.D., 70 miles to the south, and to Winnipeg, Manitoba, 150 miles to the north. The city is 300 miles northwest of Minneapolis and a day's drive from Chicago, Milwaukee, and Des Moines. Commercial air service links the Grand Forks International Airport to Minneapolis and on to other destinations worldwide.

Academic Divisions

- John D. Odegard School of Aerospace Sciences
- College of Arts and Sciences
- College of Business and Public Administration
- College of Education and Human Development
- School of Engineering and Mines
- Graduate School
- School of Law
- School of Medicine and Health Sciences
- College of Nursing
- Division of Continuing Education



Mission Statement

The University of North Dakota, as a member of the North Dakota University System, serves the state, the country, and the world community through teaching, research, creative activities, and service. State-assisted, the University's work depends also on federal, private, and corporate sources. With other research universities, the University shares a distinctive responsibility for the discovery, development, preservation, and dissemination of knowledge. Through its sponsorship and encouragement of basic and applied research, scholarship, and creative endeavor, the University contributes to the public well-being.

The University maintains its original mission in liberal arts, business, education, law, medicine, engineering and mines; and has also developed special missions in nursing, fine arts, aerospace, energy, human resources, and international studies. It provides a wide range of challenging academic programs for undergraduate, professional and graduate students through the doctoral level. The University encourages students to make informed choices, to communicate effectively, to be intellectually curious and creative, to commit themselves to lifelong learning and the services of others, and to share responsibility both for their own communities and for the world. The University promotes cultural diversity among its students, staff and faculty.

In addition to its on-campus instructional and research programs, the University of North Dakota separately and cooperatively provides extensive continuing education and public service programs for all areas of the state and region.





From Great to

AN EXCEPTIONAL UND
WILL PROVIDE A RICH
EXPERIENCE NURTURING
TRADITION, EXPLORATION,
AND INTELLECTUAL AND
SOCIAL GROWTH.

Vision

An Exceptional UND will be a nationally and internationally recognized state university in which a community of dedicated teacher-scholars promote the public well-being and educate the next generations of students to be leaders in shaping a better future.

Conversations

To engage members of campus and the community, a number of conversations were held to talk about the future of the University of North Dakota. These conversations were open to the public and broadcast live online.

Exceptional Priorities

Enrich the Student Learning Experience

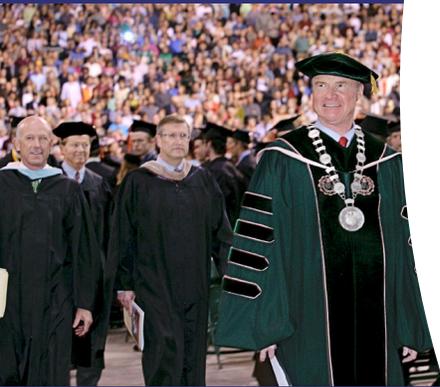
- Rigorous and engaging first-year undergraduate experiences, such as seminars, linked courses, and learning communities
- Deep-learning opportunities such as undergraduate research, experiential and service learning, and study abroad
- Adaptive, convenient, and personalized attention to student success
- Environment and programs that embrace diversity, understanding, and fellowship

INITIATIVES IN PROGRESS:

- Undergraduate Learning Working Group (ULWG)
- School of Engineering & Mines Living-Learning Community

Encourage Gathering

- Commons for Learning and Inquiry, a 21st-century information hub supporting both physical and virtual gatherings and collaborative teaching and research
- Center for Exceptional Teaching and Learning
- Chester Fritz Library transformation to support advanced learning and discovery
- Student Social Center



Exceptional UND

Facilitate Collaboration

- Emphasis on and enhanced support of interdisciplinary teaching, research and creative activity, and teamwork
- Strengthened research infrastructure through cutting-edge technologies, enhanced staff support and expertise, and expanded electronic resources
- Student and staff involvement in cross-disciplinary initiatives

Expand UND's Presence

- Promote downtown development and vitality by partnering with community organizations, fostering artistic and creative endeavors, or embedding branches of academic programs
- UND Village featuring businesses oriented toward a university community, such as locally owned and operated restaurants or coffee shops, movie theaters, boutiques, or housing

Enhance the Quality of Life for Faculty and Staff

- Mid-career faculty development opportunities
- Staff career advancement programs
- Employment opportunities for spouses and partners
- Affordable, high-quality childcare
- Innovative health-and-wellness initiatives
- Recruit, retain, and develop a diverse faculty, staff, and administration

Exceptional Future

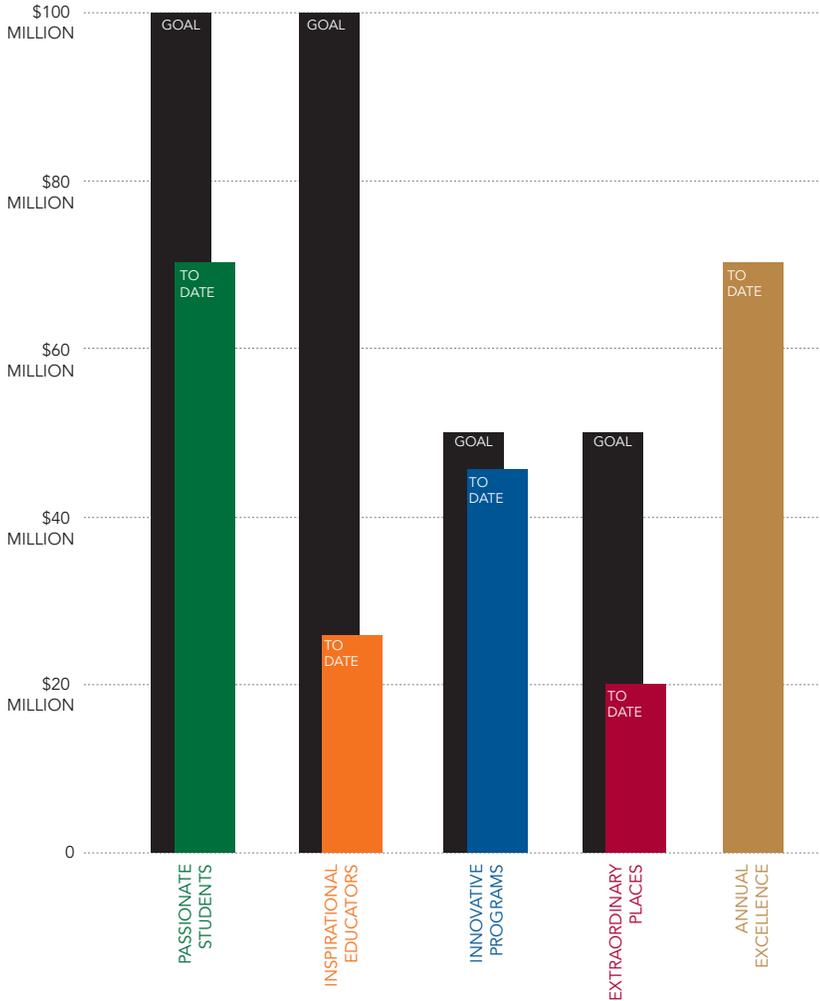
An Exceptional UND is a shared vision of purpose and resources to serve our people, our state, and the world in which we live. An Exceptional UND strengthens connections and nurtures the potential in every member of the university community: students, faculty, staff, and citizens alike. An Exceptional UND promotes learning, research, and scholarly and creative activity for the advancement of North Dakota, the nation, and beyond. An Exceptional UND will be a vital component of an exceptional future. Join us!



UND WILL LINK THE PEOPLE OF NORTH DAKOTA TO THE STATE, NATION, AND GLOBE THROUGH NATIONALLY AND INTERNATIONALLY RECOGNIZED EXCEPTIONAL ACCOMPLISHMENTS.

NORTH DAKOTA SPIRIT
CAMPAIGN GOAL: \$300,000,000
 THROUGH JUNE 30, 2011: \$228,452,775

NORTH DAKOTA
SPIRIT



PASSIONATE STUDENTS

One of UND's highest priorities is increasing the number of private scholarships available to students.

INSPIRATIONAL EDUCATORS

Building endowments to support faculty will dramatically strengthen the University's ability to retain our best and recruit additional, inspirational faculty leaders.

INNOVATIVE PROGRAMS

UND will strengthen programs in energy, life sciences, rural health care and more.

EXTRAORDINARY PLACES

Building and infrastructure priorities include:

- Enhanced laboratory spaces
- Continued investments in technology
- An indoor athletic training complex
- An alumni center
- A new College of Business & Public Administration

ANNUAL EXCELLENCE

Annual gifts provide flexible resources to allow the president, deans and department chairs to invest in any of the four campaign priority areas

PRESIDENT KELLEY'S VISION

The University of North Dakota is committed to enhancing North Dakota and our society through reaching and learning, research, scholarship and creative activities, and service. These tenets form the foundation from which we will continue to build.

I invite you to reignite your North Dakota spirit and join us in our most ambitious campaign ever. Your partnership will support UND's commitment to its passionate students, inspirational educators, innovative programs, and extraordinary places.

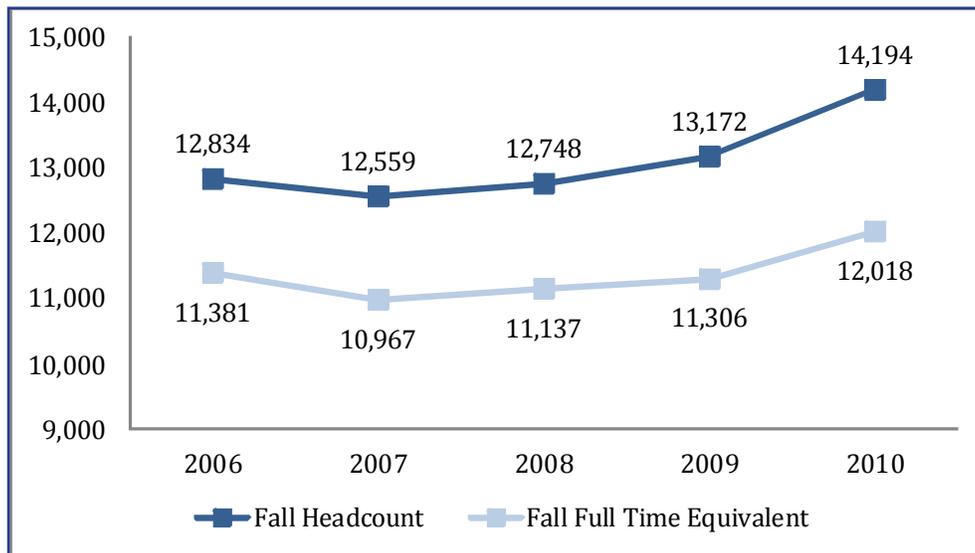
Every college and unit at North Dakota's flagship university is committed to a shared vision that will redefine our great state. Your support of this campaign is your chance to be part of moving UND - and North Dakota - from great to exceptional. I invite you to join us.

*The UND Foundation provides a centralized infrastructure and services to support all private fund raising efforts on behalf of the UND. Gifts received by the UND Foundation are not reported as gifts in the UND Statement of Revenue and Expenses and Changes in Net Assets. UND recognizes gifts from the UND Foundation when funds are given to UND for expenses.

Enrollment

Fall Enrollment

	2006	2007	2008	2009	2010
Fall Headcount	12,834	12,559	12,748	13,172	14,194
Fall FTE*	11,381	10,967	11,137	11,306	12,018



* Full Time Equivalent

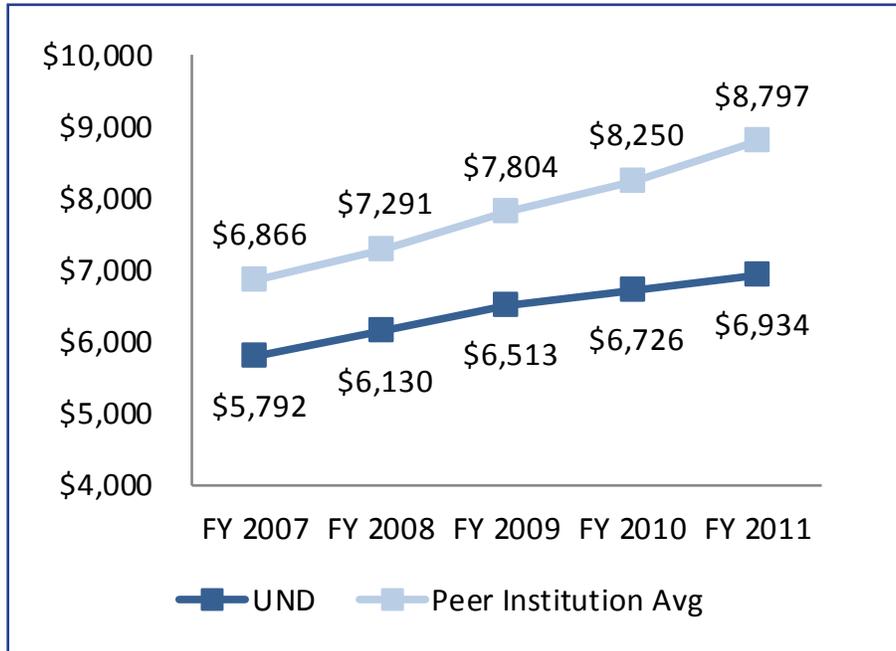
FTE Percent Increase Over Prior Year				
Fall 2007	Fall 2008	Fall 2009	Fall 2010	
-2.14%	1.50%	3.33%	7.76%	

Headcount Percent Increase Over Prior Year				
Fall 2007	Fall 2008	Fall 2009	Fall 2010	
-3.64%	1.55%	1.52%	6.30%	

	Fall 2006	Fall 2007	Fall 2008	Fall 2009	Fall 2010
Undergraduate	10,376	10,085	10,129	10,440	11,139
Graduate	1,978	1,985	2,135	2,248	2,560
Law School	239	245	241	243	254
Medical School	241	244	243	241	241
Total	12,834	12,559	12,748	13,172	14,194

Tuition and Fees

In-State Undergraduate Tuition and Fees



Percent increase over prior year

	UND	Peer Institution
FY 2008	5.8%	6.2%
FY 2009	6.2%	7.0%
FY 2010	3.3%	5.7%
FY 2011	3.1%	6.6%

UND charges tuition based on state of residence. Undergraduate Resident tuition is charged to students from North Dakota or those who meet other qualifications for resident tuition according to NDUS policy. Undergraduate Non-Resident tuition is assessed at 267% of the resident rate. The State of North Dakota has various agreements with higher education consortiums to assess tuition rates that are less than the non-resident rate to students from participating states and provinces. Contiguous, Midwest Higher Education Consortium (MHEC), and Western Undergraduate Exchange (WUE) tuition is charged to undergrads at 150% of the Resident rate. (See below for participating states/provinces). Minnesota Reciprocity tuition is charged to students from Minnesota at the average Minnesota State Colleges and Universities (MnSCU) four-year campus resident rate, as determined by the State of Minnesota.

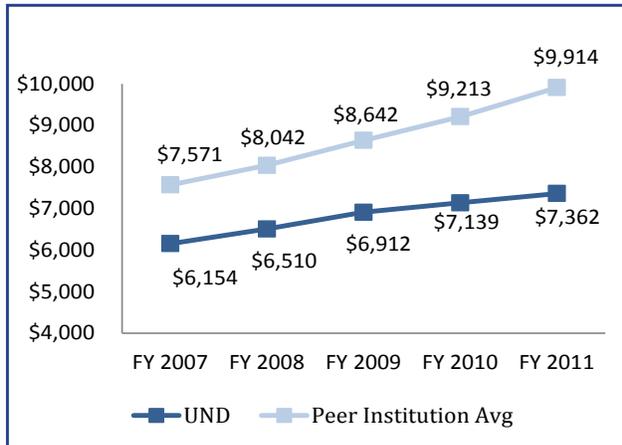
Contiguous – South Dakota, Montana, Saskatchewan, and Manitoba

MHEC – Illinois, Indiana, Kansas, Michigan, Missouri, Nebraska, and Wisconsin

WUE – Alaska, Arizona, California, Colorado, Hawaii, Idaho, Nevada, New Mexico, Oregon, Utah, Washington, and Wyoming

Mandatory fees charged to students are not residency-based. They are charged to all students, regardless of residency, and are capped at 12 credits.

In-State Graduate Tuition and Fees

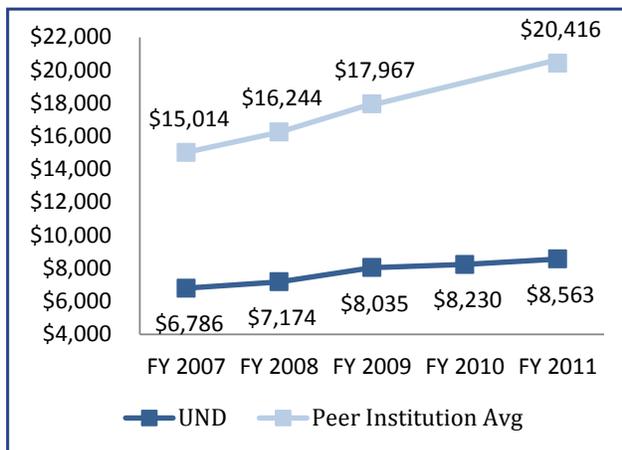


Percent increase over prior year

	UND	Peer Institution
FY 2008	5.8%	6.2%
FY 2009	6.2%	7.0%
FY 2010	3.3%	5.7%
FY 2011	3.1%	6.6%

Graduate tuition is also residency-based. Resident, Contiguous, and Minnesota Reciprocity rates are assessed to students meeting the same requirements as undergraduates. Non-Resident tuition is assessed at 267% of Resident tuition. However, there is no MHEC rate for Graduate students, as MHEC is an Undergraduate program. Graduate students from the WUE states who are enrolled in the following programs are eligible for Western Regional Graduate Program tuition at 150% of the Resident rate: Ecology of the Northern Great Plains, doctorate in Counseling Psychology, Theatre Arts, Nursing, doctorate in Science, and History.

In-State Law School Tuition and Fees

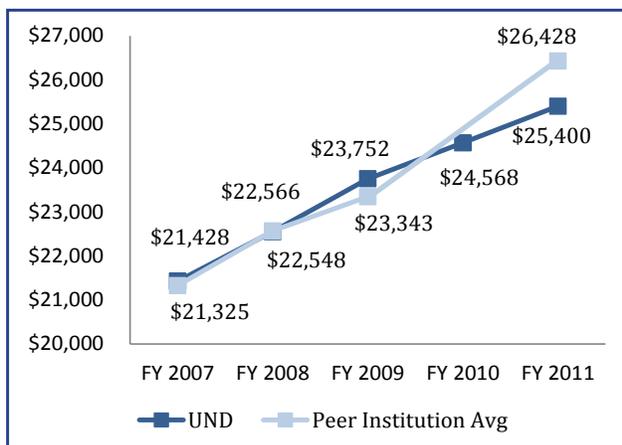


Percent increase over prior year

	UND	Peer Institution
FY 2008	5.7%	8.2%
FY 2009	12.0%	10.6%
FY 2010	2.4%	N/A*
FY 2011	4.0%	N/A*

Law tuition is residency-based, but with fewer categories. Students from Minnesota and Contiguous states/provinces are charged at 150% of Resident tuition. Non-Residents are billed 267% of Resident tuition.

In-State Medical School Tuition and Fees



Percent increase over prior year

	UND	Peer Institution
FY 2008	5.2%	5.8%
FY 2009	5.3%	3.4%
FY 2010	3.4%	N/A*
FY 2011	3.4%	N/A*

Medical tuition is residency-based with students from Minnesota charged 110% of Resident tuition. Non-Residents are charged at 267% of Resident tuition.

*NOTE: Professional degree tuition numbers for peer institutions were not available for fiscal year 2010

Other Statistical Highlights

Online Payments

Beginning in fiscal year 2008, UND contracted with a third party vendor (TouchNet®) to give students the ability to pay online and to allow UND departments to receive online payments from non-student activities.

Student Payments on Accounts	Fall 2008	Fall 2009	Fall 2010
TouchNet® ACH	39.80%	52.06%	59.90%
TouchNet® Credit Card	6.01%	4.54%	5.29%
Other Payment Methods	54.19%	43.40%	34.81%

Non-student Online Payments	FY09	FY10	FY11
Number of Sites	32	40	40
Number of Transactions	10,194	30,286	33,068
Revenue	\$1,904,286	\$4,717,418	\$4,739,204

Employees

Benefited employees are defined as permanent employees, age 18 and over, who work 20 hours or more per week for a minimum of twenty weeks during the year.

	2007	2008	2009	2010	2011
Benefited Employees	2,690	2,657	2,802	2,879	2,839

Purchasing Card

UND permits departments to use a UND MasterCard® to make small dollar purchases. Items purchased on the card are processed faster, easier, and more efficiently than the traditional voucher method.

Purchasing Card Volume				
2008	2009	2010	2011	
\$ 4,103,287	\$ 5,359,782	\$ 8,655,154	\$ 15,274,395	

Student Refunds

UND began using a third party vendor (Higher One®) in Fall 2008 for refund management. Refund management assists UND with the disbursement of excess student financial aid and other refunds allowing more time for direct customer support to the students. The following are key statistics related to this service.

Refunds	Fall 2009	Fall 2010	Fall 2011
Number of refunds	20,266	22,082	22,158
Total dollar amount of refunds	\$ 47,954,523	\$ 61,572,257	\$ 51,163,241
Refunds disbursed electronically	92%	93%	94%
via Easy Refund®	35%	38%	41%
via ACH	57%	55%	53%
via Paper Check	8%	7%	6%

Financial Aid Awarded to Students

	2009-10		2010-11	
	Students	Amount	Students	Amount
Student loans ⁽¹⁾	8,077	\$ 93,407,944	8,444	\$ 95,821,051
Grants	3,354	13,087,882	3,844	15,381,107
Waivers	1,882	8,201,062	1,970	9,093,095
UND scholarships	2,955	7,712,969	3,110	7,719,424
External scholarships ⁽¹⁾⁽²⁾	1,341	2,769,456	1,355	2,340,836
Federal work-study	853	1,388,395	793	1,209,375
Other awards ⁽¹⁾⁽³⁾	1,387	8,153,145	1,609	9,076,029
Total financial aid awarded	19,849	\$ 134,720,853	21,125	\$ 140,640,917

(1)- These awards are not recorded as revenue or expense in UND financial statements

(2)- The scholarship check is mailed directly to UND but made payable to the student

(3)- Third party billing, VA benefits, etc.

All figures reported from the Student Financial Aid System.

Bond Rating

A bond rating is the measure of the quality and safety of a bond. It indicates the likelihood that a debt issuer will be able to meet scheduled repayments, and dictates the interest rate paid. "AAA" is the best possible rating, and "D" is the worst. Bond ratings are requested when the University plans to issue or refinance debt.

A1 Moody's Investor Services 2009

This rating reflects:

- Important educational and economic role within the State of North Dakota (rated Aa2);
- Variety of nationally ranked specialty programs;
- Improved student demand and stabilization of market position;
- Difficult state demographic environment; and
- Limited balance sheet resources.

A+ Standard and Poor's 2011

This rating reflects:

- Flagship position in North Dakota (AA+/positive issuer credit rating or ICR), and increasing state funding for the last four years;
- Good demand despite declining population trends;
- Stable financial operations with historically adequate debt service coverage;
- Maximum annual debt service (MADS) burden that equals an estimated 3.1% (including capital leases) of 2010 expenses, which are considered manageable, and fairly limited additional debt plans;
- Adequate financial resources compared to operations, with June 30, 2010 adjusted unrestricted net assets (UNA) of \$72 million equal to 68.6% of debt outstanding; and
- Comprehensive course offerings which include a medical and law school.

-Partially offsetting the preceding credit strengths is our view of:

- UND's low financial resources compared to operations, with June 30, 2010 adjusted UNA of \$72 million equal to only 18.2% of adjusted operating expenses, and
- Flat to declining demographics of graduating high school students in North Dakota, offset by a growing percentage of out-of-state students (54% in fiscal 2010).

Budgetary Highlights

North Dakota Economic Factors

State Funding

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

Budgetary Highlights

UND and the School of Medicine and Health Sciences

The 2009 Legislative Assembly approved a state general fund appropriation for the 2009-11 biennium of \$175.6 million for UND and the School of Medicine and Health Sciences. This represents an increase of \$26 million, or 17.4% over the 2007-09 adjusted appropriation. The increased general funds, along with funds generated by a tuition rate increase, were allocated to support:

- Cost to continue fiscal year 2009 salary increases
- Non-salary inflation, including utilities
- Employee health insurance premium increases
- Salary increases for 2009-11
- Enhancing programs and services to students and the state; and to increase national competitiveness in attracting students, faculty and research investments
- College affordability
- Extraordinary repairs

The University submits annual payroll and operating budgets as well as biennial budgets consistent with State Board of Higher Education (SBHE) guidelines. The budgets represent a comprehensive financial plan for the University, and include not only state funds, but also local funds, auxiliary funds, and grant and contract funds for both the University and the Medical School.

Budgetary Preparation

The preparation of the individual budget documents vary slightly, but generally fall into the following steps:

- **Planning** - Early in the budget cycle, discussions regarding the budget process and priorities occur with the Council of Deans, Executive Council, and President's Cabinet. In support of the budget decisions that must be made, the Budget Office updates budget schedules, revenue projections, and various fee/recharge rates, as well as determines tentative funds available.
- **Pending Budget Needs** - Budget requests are received from various departments or divisions through the respective Vice President/President on an ongoing basis. These requests are tabulated by the Budget Office in a pending needs list, which is used to identify current needs as resources become available at various times during the year.
- **Review** - Budgets are reviewed by the Budget Manager and Budget Analyst to ensure accuracy and compliance with SBHE guidelines. A comparison of budget to available funding is also performed.
- **Department Preparation** - Upon completion of the review process, the final budget documents are assembled by the Budget Office and are distributed to the appropriate board, agency, or individual.
- **Monitoring** - Comparison of actual revenue and expenditures to budget occurs at various levels within the University.

Main Campus

The fiscal year 2011 annual budget for UND was prepared consistent with applicable legislation, the SBHE policy/guidelines and institutional policies/procedures.

Expenditures budgeted for fiscal year 2011 are funded from multiple sources including general fund, tuition, fees (program, course, lab, flight, activity, etc.), sales, room, board, grants, contracts and gifts. Decisions regarding the allocation of resources were guided by the Executive Council and President's Cabinet.

Recognizing that resource needs are far greater than the funds available, prioritization has occurred within a framework originally recommended by the University Planning and Budget Committee and reaffirmed for fiscal year 2011 by the Executive Council. Priorities include:

- Salary increases (5% plus related fringe benefits)
- Academic positions - changing allocations to programs based on changing enrollments
- Other support costs - changing allocations to programs based on changing enrollments
- Operating inflation (utilities)
- Increased funding for Facilities including funds towards deferred maintenance
- Technology (including infrastructure)
- Library
- Graduate Teaching Assistant positions – changing allocations to programs based on changing enrollments



Budgetary Highlights - Continued

With a new leadership team in place, a review of strategic priorities occurred and decisions were made regarding the use of the equity funding provided by the 61st Legislative Assembly. The amount for the biennium was \$2,101,461. Following is a number of new programs that have been implemented. Academic Affairs continues to work through a comprehensive resource allocation model to be used for the allocation and reallocation of resources in response to changing program needs.

- M.S. in Sustainable Energy Engineering
- Ph.D. in Chemical Engineering
- Chemical Engineering (continuation of EPSCOR initiated positions)
- Ph. D. in Scientific Computing
- Unmanned Aerial Systems
- Earth System Science & Policy (ESSP)
- Social Work (new faculty and GRAs)
- Department of Entrepreneurship
- Leadership Minor Instruction and Coordination
- Law School Tuition
- Admissions Position
- Distance Engineering Degree Program
- Marketing/Recruiting

In addition, a number of one-time allocations were made using a variety of funding sources. Examples include:

- Web Development
- Marketing/Branding
- International Recruiting
- Consultant Strategic Planning
- Retention Initiatives
- Prairie Public Radio
- Searches
- Deferred Maintenance
- Campus Signage
- Smart Classrooms
- Scale-up Classrooms
- Emergency Preparedness
- Healthy 2020 Initiative

School of Medicine and Health Sciences

The UND School of Medicine & Health Sciences (SMHS) submitted a 2010-11 budget consistent with legislative intent and NDUS guidelines. In addition, local and grant funds have been budgeted according to NDUS guidelines and are dependent on funds available to departments.

The SMHS prepared the 2009-11 biennial budget request targeting four priorities. These included compensation, research/economic development, technology and program development. Both fiscal year 2010 and fiscal year 2011 budgets focus on the implementation of these priorities consistent with the University of North Dakota Strategic Plan and the Higher Education Roundtable Report.

Financial Highlights

Statement of Net Assets

Statement of Revenue, Expenses, and Changes in Net Assets

Statement of Cash Flow

Total Revenues by Funding Source

Operating Expenses by Type

Operating Expenses by Function



Financial Highlights

Statement of Net Assets

ASSETS	2011	2010
Cash and Investments, Current and Noncurrent	\$107,691,270	\$91,734,178
Accounts Receivable	31,583,791	30,004,278
Notes Receivable, Current and Noncurrent	24,706,715	24,925,161
Inventories	3,505,555	3,288,979
Capital Assets, Net	356,659,019	349,642,971
Other Assets	1,475,335	1,699,693
TOTAL ASSETS	\$525,621,685	\$501,295,260
LIABILITIES		
Accounts Payable and Accrued Liabilities	\$17,257,949	\$15,467,635
Deferred Revenue	7,580,824	7,818,608
Deposits	3,334,952	3,133,115
Long Term Liabilities, Current and Noncurrent	117,214,570	121,950,603
Other Long Term Liabilities	1,051,335	1,015,189
TOTAL LIABILITIES	\$146,439,630	\$149,385,150
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	\$248,896,545	\$237,503,322
Restricted	60,826,025	61,663,872
Unrestricted	69,459,485	52,742,916
TOTAL NET ASSETS	\$379,182,055	\$351,910,110
TOTAL LIABILITIES AND NET ASSETS	\$525,621,685	\$501,295,260

The Statement of Net Assets reports all financial and capital resources of the University at the end of the fiscal year. The assets and liabilities are shown in order of their relative liquidity. An asset's liquidity is determined by how readily it is expected to be converted to cash and whether restrictions limit the University's ability to utilize the resources. A liability's liquidity is based on its maturity, or when cash is expected to be used to liquidate it. Assets less liabilities are defined as net assets.

Assets

The University of North Dakota has assets of \$526 million this fiscal year. Of this \$526 million, \$357 million, or 68%, is invested in net capital assets. Capital assets are defined as assets used in the operations of the University that have an initial useful life extending beyond a single reporting period. Capital assets include land, land improvements, buildings, building improvements, infrastructure, moveable equipment, software, library books, and other intangible assets less accumulated depreciation and amortization.

GASB Statement No. 34 requires the University to recognize depreciation on all capital assets whose economic benefit or service potential is used up slowly, lengthening their useful life. Depreciation expense calculated for every year of useful life is reported as accumulated depreciation. Accumulated depreciation and amortization for fiscal year 2011 is \$278 million, which is netted against capital assets.

Capital assets less accumulated depreciation include:

Land, Building & Infrastructure	\$ 435 million
Moveable Equipment	\$ 117 million
Library Books	\$ 66 million
Construction in Progress	\$ 15 million
Intangible Assets	\$ 1.4 million
Subtotal	<u>\$ 634 million</u>
Less: Accumulated Depreciation	\$ 277 million
Total	<u>\$ 357 million</u>

The next largest category of assets is cash and investments at \$108 million or 20% of total assets. External parties restrict \$17 million or 15% of the cash and investments. The remaining amount is held in more than 1,000 different funds in over 250 departments. Cash and investments increased from fiscal year 2010 to fiscal year 2011 by 8%. By comparison to other NDUS institutions, it is not uncommon to have 18% of total assets held in cash and investments. This fiscal year, the cash and investment to total assets at the NDUS institutions averaged 23%.

The remaining assets consist primarily of grants and contracts receivables at \$16 million, notes receivables at \$25 million, and accounts receivables from students, customers, component units and inventories at \$18 million.

In summary, total assets increased by \$24 million or 5%. The change in assets is largely due to a \$16 million increase in cash and investments and a \$7 million increase in net capital assets. The cash and investments increase is due to \$3.7 million received for construction of the School of Medicine Family Medicine Center not yet spent, \$4.1 million of tuition revenue that will be spent on numerous one-time projects in fiscal year 2012, \$3 million market value increase in pooled investments, and a \$4 million increase in cash from auxiliary services with the remaining increase across all funds.

Liabilities

The University of North Dakota has liabilities of \$146 million this fiscal year. Liabilities decreased \$2.9 million from fiscal year 2010. The change is mainly attributed to an increase of \$1.8 million in amounts owed to vendors and payroll liabilities. The change is also attributed to a decrease of long term liabilities because principal payments of \$8.9 million exceed new debt of \$4.1 million. This new debt consists of capital leases for aircrafts, unmanned aircraft systems simulators, and a microscope as well as a \$700,000 increase in compensated absences liability.

Net Assets

The \$526 million in assets is offset by the \$146 million in liabilities. Total net assets for fiscal year 2011 are \$379 million. Net assets increased by \$27 million or 8% for fiscal year 2011. Of this \$379 million in net assets, \$250 million or 66% is related to capital assets, \$61 million or 16% is restricted by external parties, while the remaining 18% is unrestricted. These will be listed as unrestricted even if UND internally designates its purpose. UND has designated funds for capital projects, grant match, irregular operating cycles, as well as numerous departmental and University initiatives. Unrestricted net assets are not readily available resources.

Financial Highlights - Continued

Statement of Revenue, Expense, and Changes in Net Assets

REVENUES	2011	2010
Student Tuition and Fees	\$109,079,747	\$102,959,970
Grants and Contracts, Operating and Nonoperating	123,582,425	111,013,081
State Appropriations	91,766,764	87,194,513
Sales and Services of Educational Departments	35,924,966	34,677,962
Auxiliary Enterprises	36,544,575	34,059,953
Gifts	8,066,562	9,984,840
Other, Operating and Nonoperating	8,936,093	7,676,952
TOTAL REVENUES	\$413,901,132	\$387,567,271

EXPENSES	2011	2010
Salaries and Wages	\$262,286,962	\$247,250,388
Operating Expenses	90,216,972	92,535,574
Depreciation Expenses	20,435,710	19,593,281
Scholarships and Fellowships	8,579,497	8,304,499
Other, Operating and Nonoperating	5,110,046	8,214,845
TOTAL EXPENSES	\$386,629,187	\$375,898,587

INCREASE (DECREASE) IN NET ASSETS	\$27,271,945	\$11,668,684
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NET ASSETS	2011	2010
Net Assets - Beginning of the Year, as Restated	351,910,110	340,241,426
Net Assets - End of the Year	\$379,182,055	\$351,910,110

The Statement of Revenues, Expenses, and Changes in Net Assets, the operating statement of the University, reports all revenues and expenses of the University for the fiscal year. Revenues, classified by major sources, are reported net of related discounts and allowances.

Total revenue of the University of North Dakota increased by \$26 million (7%). This included a \$6 million (6%) increase in tuition and fee revenue, a \$13 million (11%) increase in grants and contract revenue, a \$5 million (5%) increase in revenue recognized from state appropriations and \$3.7 million increase in auxiliary enterprises and auxiliary services. The \$13 million increase in grant and contract activity was mainly related to funds received for the construction of the new Education building.

Total expenses increased by \$11 million (3%) due to a \$15 million (6%) increase in salary and benefits and a \$4 million (6%) drop in operating expenses along with a \$2 million (11%) increase in cost of goods sold and other expenses decreasing by \$2 million.

The University of North Dakota net assets increased by \$15 million from \$12 million to \$27 million. This is primarily due to revenue of \$13 million for the Education building. The remaining increase in net assets can be contributed to the same reasons cash and investments increased: increased tuition collections, auxiliary revenues and market value increases in pooled investments.

Statement of Cash Flow

	2011	2010
Cash Flows from Operating Activities	\$(81,361,320)	\$(83,153,773)
Cash Flows from Noncapital Financing Activities	110,378,898	106,405,900
Cash Flows from Capital and Related Financing Activities	(18,636,819)	(27,446,991)
Cash Flows from Investing Activities	(2,212,025)	283,579
Net Increase (Decrease) in Cash and Cash Equivalents	\$8,168,734	\$(3,911,285)

The Statement of Cash Flow provides information about the cash receipts and cash disbursements of an institution during a fiscal year. Specifically, the Statement of Cash Flow reports for the fiscal year, the cash effects of an institution's operations, non-capital financing transactions, capital and related financing transactions, and investing transactions. This statement also reflects the reconciliation of the beginning cash balance with the ending cash balance for the period.

Cash from operating activities increased by \$2 million in fiscal year 2011. The increase is due to cash expenditures being less than cash received for operations.

Cash from state appropriations is included in the non-capital financing activities. The funds budgeted for the biennium are split for the two fiscal years, with more funds budgeted the second fiscal year of the biennium. Fiscal year 2011 is the first year of the 2010-2012 biennium.

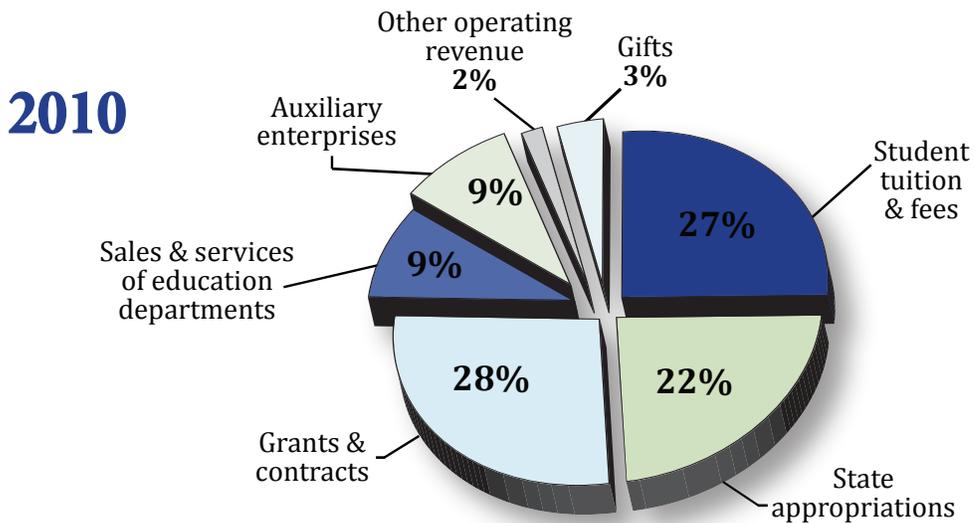
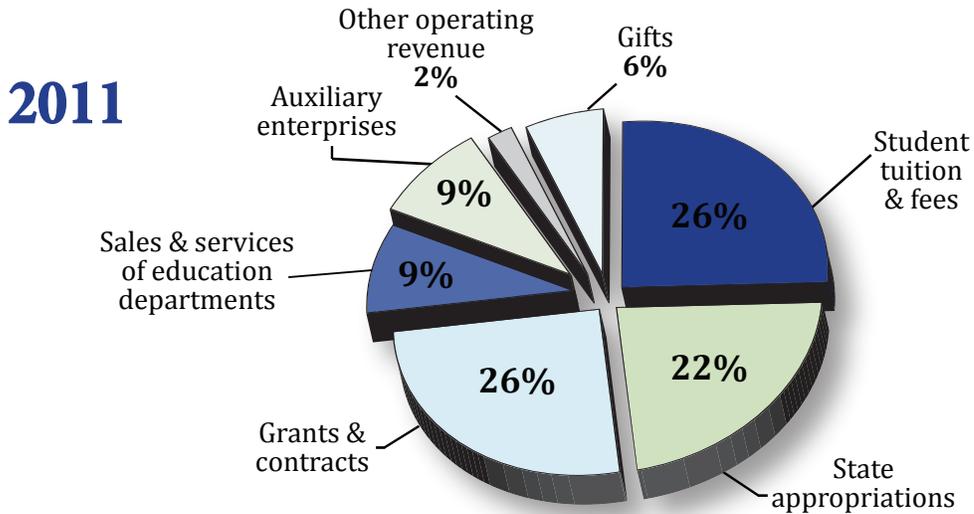
The increase in cash from capital and related financing activities was \$9 million, which is largely attributed to an increase in capital revenue for construction projects.

Cash from investing activities decreased because more cash was shifted to investments than the prior year.



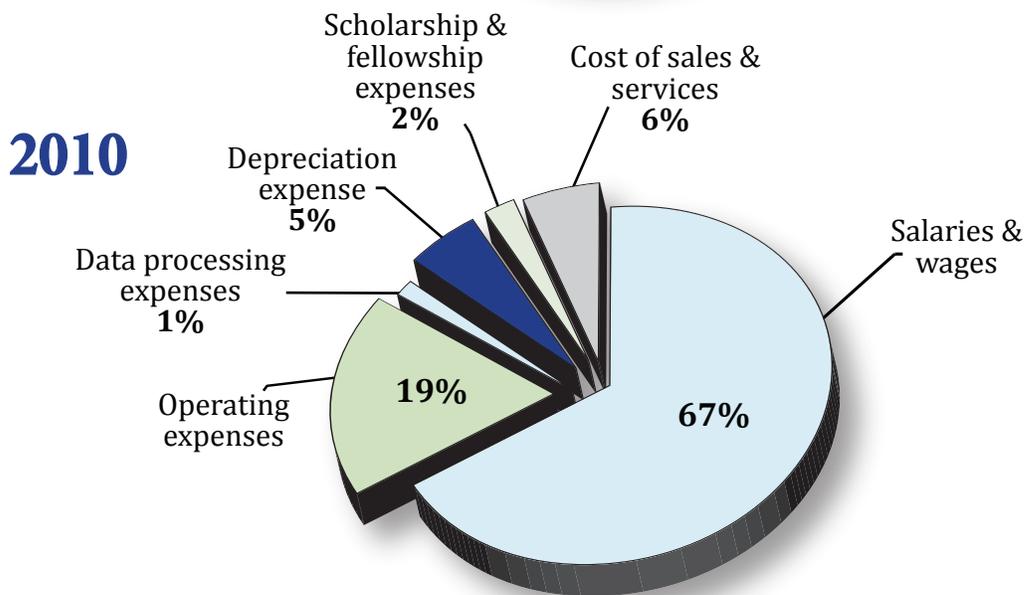
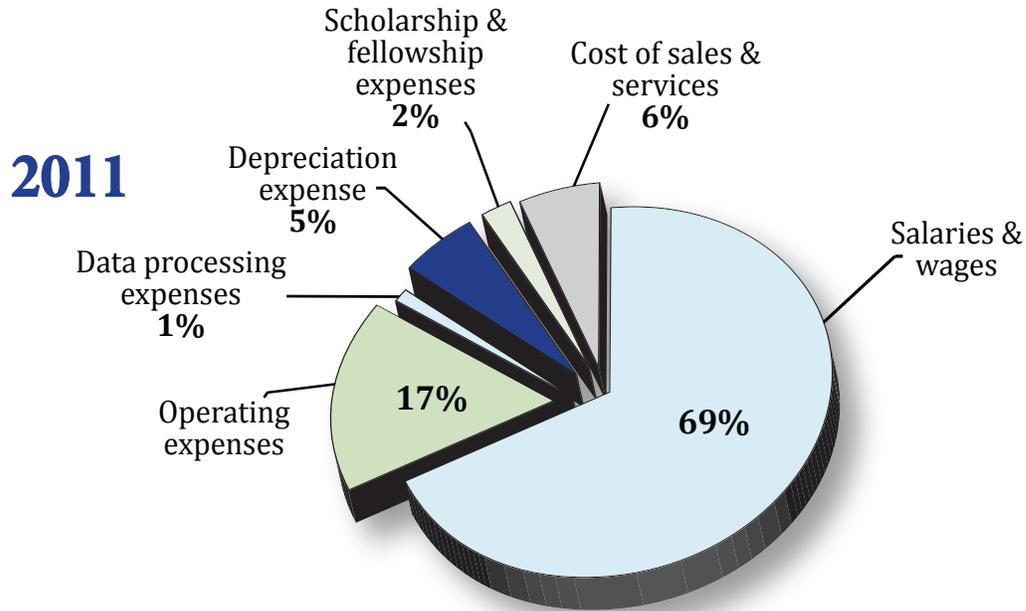
Other Statistical Highlights

Total Revenues by Funding Source



	2011	2010	% Change
Student Tuition and Fees	\$ 109,079,747	\$ 102,959,970	5.94%
State Appropriations	91,766,764	87,194,513	5.24%
Grants and Contracts	107,472,954	107,707,273	-0.22%
Sales and Services of Education Departments	35,924,966	34,677,962	3.60%
Auxiliary Enterprises	36,544,575	34,059,953	7.29%
Other	8,936,093	7,676,952	16.40%
Gifts	24,176,033	13,290,648	81.90%
Total	\$ 413,901,132	\$ 387,567,271	6.79%

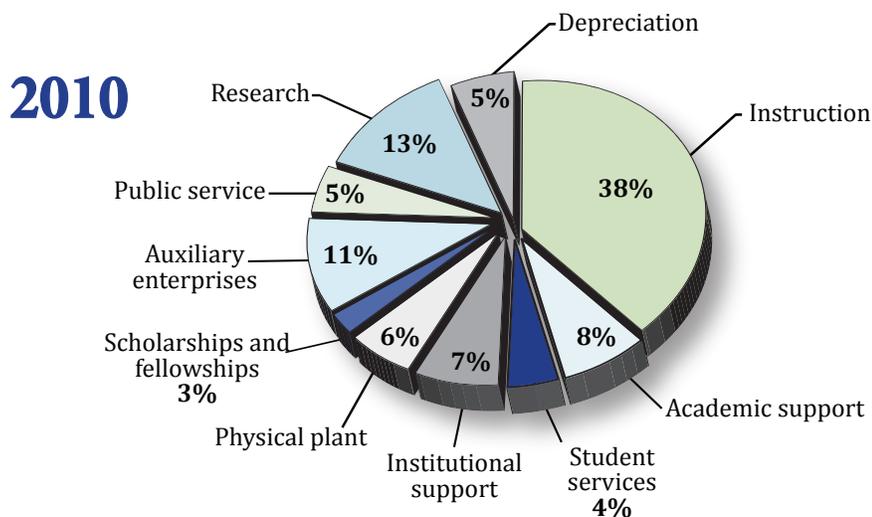
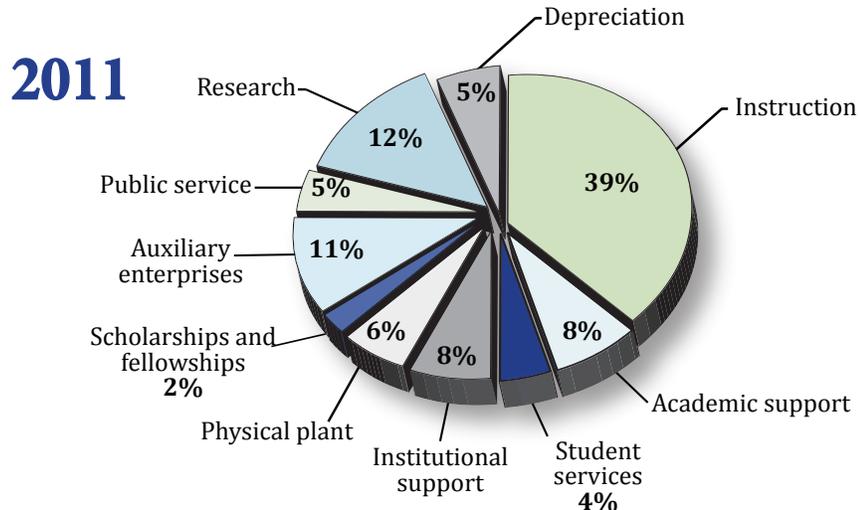
Operating Expense by Type



	2011	2010	% Change
Salaries and Wages	\$ 262,286,962	\$ 247,250,388	6.08%
Operating Expenses	64,096,964	68,144,126	-5.94%
Data Processing Expenses	4,193,684	4,474,097	-6.27%
Depreciation Expense	20,435,710	19,593,281	4.30%
Scholarship and Fellowship Expenses	8,579,497	8,304,499	3.31%
Cost of Sales and Services	21,926,324	19,917,351	10.09%
Total	\$ 381,519,141	\$ 367,683,742	3.76%

Other Statistical Highlights - Continued

Operating Expense by Function



	2011	2010	% Change
Instruction	\$147,850,220	\$140,051,701	5.57%
Academic Support	29,115,699	28,397,426	2.53%
Student Services	16,400,986	15,564,636	5.37%
Institutional Support	28,862,351	26,426,914	9.22%
Physical Plant	23,470,051	22,868,017	2.63%
Scholarships and Fellowships	8,697,451	9,663,182	-9.99%
Auxiliary Enterprises	41,083,193	39,580,786	3.80%
Public Service	18,432,997	16,226,478	13.60%
Research	47,170,483	49,311,321	-4.34%
Depreciation	20,435,710	19,593,281	4.30%
Total	\$381,519,141	\$367,683,742	3.76%

Financial Ratios

	2011	2010	2009
Current Ratio (current assets to current liabilities)	2.19	2.30	2.20
Primary Reserve Ratio (expendable net assets to operating expense)	0.31	0.28	0.28
Tuition and Fees Funding Ratio (student tuition & fees to operating expenses)	29%	28%	28%
Net Income Margin (increase in net assets to total revenue)	6.6%	3.0%	1.1%
Viability Ratio (expendable net assets to long term debt)	1.00	0.85	0.90

Current Ratio

The current ratio measures whether or not the University has enough readily available resources to pay its short term bills and liabilities. The fiscal year 2011 ratio is 2.19, a ratio of 2 or greater is considered healthy. By comparison, NDUS's current ratio was 2.5 and 2.5 for fiscal years 2011 and 2010 respectively.

Primary Reserve Ratio

The primary reserve ratio, calculated by dividing expendable net assets by operating expenses, measures the ability of the University to continue operating at current levels, within current restrictions, without future revenues. Proof of an adequate reserve ratio is often required to secure long-term financing. A ratio of 1.0 denotes that an institution would have the ability to cover its expenses for one year without a revenue stream. The University's primary reserve ratio at June 30, 2011, is .31, which indicates that in an emergency situation, the University could continue its current operations for approximately 16 weeks. By comparison, NDUS's primary reserve ratio was .28 and .26 for fiscal years 2011 and 2010 respectively.

Tuition and Fees Funding Ratio

The tuition and fees funding ratio measures the portion of the total operating expenses that are covered by tuition and fee revenue. The University's tuition and fee funding ratio was 29%. By comparison, NDUS's tuition and fees funding was 26% and 27% for fiscal years 2011 and 2010 respectively.

Net Income Margin

The net income ratio indicates whether total activities resulted in income or deficit. A positive ratio indicates that the institution experienced income for one year. By comparison, the NDUS's net income margin was 6.9% and 6.7% for fiscal years 2011 and 2010 respectively.

Viability Ratio

The viability ratio is a measure of clear financial health; the availability of expendable net assets to cover debt should the University need to settle its obligations as of the fiscal year end. Expendable Net Assets are the balances in total net assets excluding investment in capital assets and non-expendable scholarships and fellowships. A ratio of 1.00 or greater indicates an institution has sufficient expendable net assets to satisfy debt requirements. By comparison, the NDUS's viability ratio was .8 and .8 for fiscal years 2011 and 2010 respectively.

Capital Assets

	2011	2010	<i>Increase (decrease)</i>
Land	\$ 6,499,711	\$ 6,499,711	-
Land Improvements/Infrastructure	82,773,414	81,444,926	\$ 1,328,488
Buildings	345,960,112	342,403,996	3,556,116
Equipment	117,008,859	113,155,320	3,853,539
Library Books	65,612,881	63,584,264	2,028,617
Construction in Progress	15,118,171	3,930,599	11,187,572
Intangibles (Software)	1,381,383	977,338	404,045
	\$ 634,354,531	\$ 611,996,154	\$ 22,358,377

The University of North Dakota holds substantial investment in capital assets, which represent a significant percentage of the University's total assets. The change in capital assets shown above is calculated as additions minus retirements. Equipment is a capital asset if the cost is greater than \$5,000 and the equipment has a useful life beyond one year. Capital assets also include land improvements, infrastructure improvements, and building improvements costing \$10,000 or greater, which significantly increases the value of an existing asset, and extends the life of the asset. New buildings, land, and infrastructure are capital assets. Land is the only capital asset that does not depreciate. Library books and periodicals are capitalized at actual cost. Annual subscription services for library resources are not capital assets.

Total additions to capital assets in fiscal year 2011 were \$30 million, which includes \$7.7 million in retirements. Significant additions to capital assets include:

- Leasehold improvements to an aircraft hangar (land improvements) - \$1.3 million
- Building improvements to 43 buildings on campus - \$2.2 million
- Aircraft and aerospace related equipment - \$4 million
- School of Medicine and Health Sciences equipment - \$2.2 million
- Technology, research and other equipment - \$3.5 million
- New Education building (construction in progress) - \$8.5 million
- Bismarck Family Medicine Center (construction in progress) - \$1.7 million
- EERC equipment fabrications - \$1.4 million

Accumulated depreciation and amortization in fiscal year 2011 was \$278 million with depreciation & amortization expense of \$20 million.

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Major Component Units

University of North Dakota

Aerospace Foundation
4251 University Ave Stop 9023
Grand Forks ND 58202-9023
701.777.4740
www.undaerospace.com

University of North Dakota

Alumni Association and Foundation
3100 University Ave Stop 8157
Grand Forks ND 58202-8157
701.777.2611
www.undalumni.org/

**RE Arena Inc., UND Arena Services Inc.,
Arena Holdings Charitable LLC & Affiliates**
One Ralph Engelstad Drive
Grand Forks ND 58203
701.777.4167
www.theralph.com

Non-Major Component Units

UND Research Foundation

4201 James Ray Drive
Grand Forks ND 58202
701.757.5100
www.undrf.org

Center for Innovation Foundation

4200 James Ray Drive
Grand Forks ND 58203
701.777.3132
www.innovators.net

The Fellows

Alerus Financial
Trust Department
401 Demers Ave
Grand Forks ND 58206-6001
701.795.3211



Financial Statements

Statement of Net Assets

Statement of Revenues, Expenses, and Changes in Net Assets

Statement of Cash Flow

Notes to Financial Statements



Statement of Net Assets

For Year Ended June 30, 2011 and 2010 - University of North Dakota

ASSETS	2011	2010
Current Assets		
Cash and Cash Equivalents	\$ 16,861,620	\$ 8,643,356
Investments	18,791,631	30,125,735
Accounts Receivable, Net	8,572,442	9,128,817
Receivable from Component Units	6,281,308	4,328,282
Due from State General Fund	485,374	345,467
Intergovernmental Receivables, Net	16,244,667	16,201,712
Inventories	3,505,555	3,288,979
Notes Receivable, Net	4,941,343	5,405,788
Other Assets	1,185,806	1,373,494
Total Current Assets	\$ 76,869,746	\$ 78,841,630
Noncurrent Assets		
Restricted Cash and Cash Equivalents	\$ 1,005,807	\$ 1,055,337
Restricted Investments	2,527,061	3,556,254
Endowment Investments	13,105,112	11,167,141
Notes Receivable, Net	19,765,372	19,519,373
Other Long-Term Investments	55,400,039	37,186,355
Unamortized Bond Discount and Cost of Issuance	289,528	326,199
Other Noncurrent Assets	-	-
Capital Assets, Net	356,659,020	349,642,971
Total Noncurrent Assets	\$ 448,751,939	\$ 422,453,630
TOTAL ASSETS	\$ 525,621,685	\$ 501,295,260
LIABILITIES		
Current Liabilities		
Accounts Payable and Accrued Liabilities	\$ 5,456,110	\$ 4,663,863
Payable to Component Units	144,180	128,145
Accrued Payroll	11,657,659	10,675,627
Deferred Revenue	7,580,824	7,818,608
Deposits	3,334,952	3,133,115
Long Term Liabilities - Current Portion		
Payable to Others	518,511	7,294,341
Payable to Component Units	6,371,593	501,218
Total Current Liabilities	\$ 35,063,829	\$ 34,214,917
Noncurrent Liabilities		
Advances from Bank of ND (Line of Credit)	-	-
Other Long-Term Liabilities	\$ 1,051,335	\$ 1,015,189
Long-Term Liabilities		
Payable to Others	99,598,552	102,911,966
Payable to Component Units	10,725,914	11,243,078
Total Noncurrent Liabilities	\$ 111,375,801	\$ 115,170,233
TOTAL LIABILITIES	\$ 146,439,630	\$ 149,385,150

For Year Ended June 30, 2011 and 2010 - University of North Dakota

NET ASSETS	2011	2010
Invested in Capital Assets, Net of Related Debt		
Restricted for:	\$ 248,896,545	\$ 237,503,322
Nonexpendable:		
Scholarships and Fellowships	13,271,309	11,215,998
Expendable:		
Scholarships and Fellowships	3,098,328	4,131,821
Research	4,980,062	6,312,599
Instructional Department Uses	9,861,135	8,583,765
Loans	27,090,366	27,204,315
Capital Projects	-	-
Debt Service	2,524,825	4,215,374
Expendable Restricted Other	-	-
Unrestricted	69,459,485	52,742,916
TOTAL NET ASSETS	\$ 379,182,055	\$ 351,910,110



Statement of Revenues, Expenses, and Changes In Net Assets

For Year Ended June 30, 2011 and 2010 - University of North Dakota

UNIVERSITY OF NORTH DAKOTA		
Statement of Revenues, Expenses and Changes in Net Assets		
For Year Ended June 30, 2011		
	2011	2010
OPERATING REVENUES		
Student Tuition and Fees (1)	\$ 109,079,747	\$ 102,959,970
Local Appropriations	-	-
Federal Grants and Contracts	70,495,451	70,366,079
State and Local Grants and Contracts	6,959,201	7,139,892
Nongovernmental Grants and Contracts	18,569,258	19,353,458
Sales and Services of Educational Departments	35,924,966	34,677,962
Auxiliary Enterprises (1)	36,544,575	34,059,953
Other	592,556	581,767
TOTAL OPERATING REVENUES	\$ 278,165,754	\$ 269,139,081
OPERATING EXPENSES		
Salaries and Wages	\$ 262,286,962	\$ 247,250,388
Operating Expenses	64,096,964	68,144,126
Data Processing	4,193,684	4,474,097
Depreciation Expenses	20,435,710	19,593,281
Scholarships and Fellowships (1)	8,579,497	8,304,499
Cost of Sales and Services	21,926,324	19,917,351
TOTAL OPERATING EXPENSES	\$ 381,519,141	\$ 367,683,742
OPERATING INCOME	\$ (103,353,387)	\$ (98,544,661)
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	\$ 88,417,041	\$ 83,593,586
Federal Appropriations	-	-
Federal Grants and Contracts	11,449,044	10,847,844
Gifts	8,066,562	9,984,840
Investment Income	5,580,868	4,670,599
Interest on Capital Asset-Related Debt	(5,110,046)	(4,674,438)
Gain (Loss) on Capital Assets	265,330	186,364
Insurance Proceeds	99,011	120,124
Tax Revenue	2,265,652	2,118,098
General and Special Grant Expenses	-	-
Other Nonoperating	132,676	(1,121,617)
NET NONOPERATING	\$ 111,166,138	\$ 105,725,400

For Year Ended June 30, 2011 and 2010 - University of North Dakota

	2011	2010
INCOME (LOSS) BEFORE CAPITAL GRANTS AND GIFTS	\$ 7,812,751	\$ 7,180,739
Federal Appropriations - Capital Assets	-	-
State Appropriations - Capital Assets	3,349,723	3,600,927
Transfer to Building Authority	-	-
Capital Grants and Gifts	\$ 16,109,471	\$ 3,305,808
TOTAL OTHER	\$ 19,459,194	\$ 6,906,735
Transfer to NDUS for CND	-	(2,418,790)
INCREASE (DECREASE) IN NET ASSETS	\$ 27,271,945	\$ 11,668,684
NET ASSETS		
Net Assets - Beginning of Year	351,910,110	340,241,426
Net Assets - End of Year	\$ 379,182,055	\$ 351,910,110



(1) In accordance with generally accepted accounting principles, student tuition and fees, auxiliary revenues and scholarship and fellowship expenses have been reduced by the following amounts (the net effect is \$0).

	2011	2010
Student Tuition and Fees	\$ 15,487,272	\$ 13,582,907
Auxiliary	1,789,095	1,716,298
Scholarship and Fellowships	\$ 17,276,366	\$ 15,299,205

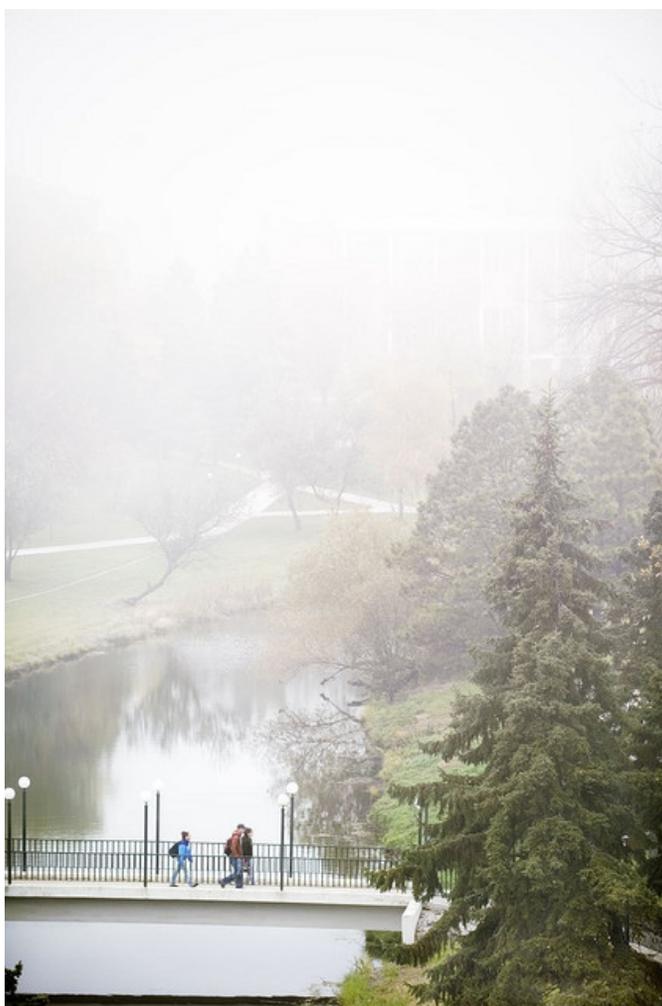
Statement of Cash Flow

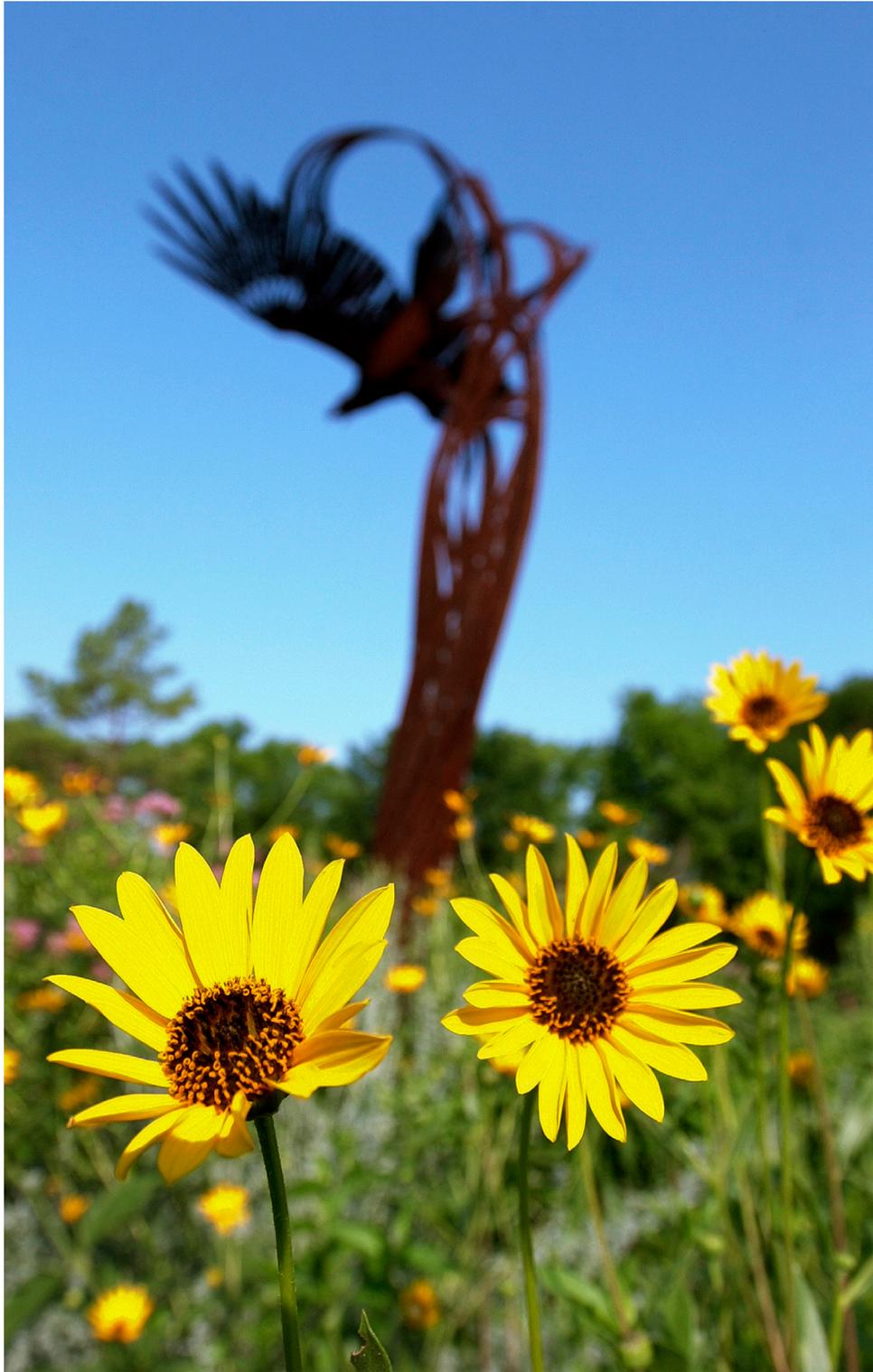
For Year Ended June 30, 2011 and 2010 - University of North Dakota

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Student Tuition and Fees	\$ 110,052,303	\$ 104,468,896
Grants and Contracts	95,980,955	98,342,515
Payments to Suppliers	(88,626,495)	(89,590,684)
Payments to Employees	(260,661,479)	(246,295,412)
Payments for Scholarships and Fellowships	(8,579,497)	(8,304,499)
Loans Issued to Students	(3,320,629)	(3,977,304)
Collection of Loans to Students	2,830,841	2,665,447
Auxiliary Enterprise Charges	31,461,130	34,220,381
Sales and Services of Educational Departments	38,507,151	31,210,296
Cash Received (Paid) on Deposits	214,156	(2,418,879)
Other Receipts (Payments)	780,244	(3,474,530)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (81,361,320)	\$ (83,153,773)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Appropriations	\$ 88,417,041	\$ 83,593,586
Federal Appropriations	-	-
Grants and Gifts Received for Other than Capital Purposes	19,507,606	20,832,684
Grants Given for Other than Capital Purposes	-	-
Advances from Bank of North Dakota	-	-
Direct Lending Receipts	74,252,968	-
Direct Lending Disbursements	(74,228,429)	-
Principal Paid on Advances from Bank of North Dakota	-	-
Agency Fund Cash Increase (Decrease)	(24,727)	(138,468)
Tax Revenues	2,265,652	2,118,098
Other Nonoperating Receipts (Payments)	188,787	-
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	\$ 110,378,898	\$ 106,405,900
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from Issuance of Debt	\$ 202,915	\$ 1,500,000
Capital Appropriations	3,209,816	4,489,015
Capital Grants and Gifts Received	15,740,488	(27,660)
Proceeds from Sale of Capital Assets	1,424,400	1,150,130
Purchases of Capital Assets	(25,366,019)	(20,930,393)
Insurance Proceeds	164,096	277,432
Principal Paid on Capital Debt and Lease	(8,884,466)	(9,241,220)
Deposits with Capital Debt Payment Trustees	-	-
Interest Paid on Capital Debt and Lease	(5,128,049)	(4,664,295)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	\$ (18,636,819)	\$ (27,446,991)

For Year Ended June 30, 2011 and 2010 - University of North Dakota

	2011	2010
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales and Maturities of Investments	\$ 37,619,404	\$ 45,473,536
Interest on Investments	2,476,836	2,782,447
Purchases of Investments	(42,308,265)	(47,972,404)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	\$ (2,212,025)	\$ 283,579
NET INCREASE (DECREASE) IN CASH		
	\$ 8,168,734	\$ (3,911,285)
Cash - Beginning of Year	\$ 9,698,693	\$ 13,609,978
Cash - End of Year	\$ 17,867,427	\$ 9,698,693





Notes to Financial Statements

Note 1 - Summary of Significant Accounting Policies

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

Reporting Entity

The North Dakota State Board of Higher Education (SBHE) is the governing body of North Dakota's eleven publicly supported colleges and universities. The University of North Dakota, including the School of Medicine and Health Sciences, is included in the reporting entity of the NDUS. The SBHE was established in 1939 when the voters of North Dakota approved an initiated measure to add Article VIII to the State Constitution. The SBHE consists of eight voting members. The Governor, with the advice and consent of the Senate, appoints seven of the eight voting members. The eighth member is a full-time resident student appointed by the Governor. A ninth member is a faculty member (non-voting) selected by the statewide Council of College Faculties. The SBHE is an entity of the executive branch of the government of the State of North Dakota. The colleges and universities governed by the SBHE are collectively known as the North Dakota University System. The SBHE appoints a Commissioner of Higher Education (Chancellor) to serve as the chief executive officer of the SBHE and of the NDUS. The Chancellor and the Chancellor's staff must have their principal office in the State Capitol per the North Dakota Constitution. This office is referred to as the University System Office. The North Dakota Legislature appropriates funds it deems necessary, and as required by law, for those agencies and institutions authorized to exist by the constitution and statutes. Separate general ledgers are maintained for the NDUS office and each institution on the Oracle/PeopleSoft Financial Systems.

The University of North Dakota is included in the reporting entity of the NDUS. The NDUS is an entity of the executive branch of the government of the State of North Dakota, and is thus a component unit of the State of North Dakota. The financial statements presented here are also included in the comprehensive annual financial report of the State of North Dakota as part of the University System Consolidated Statements.

The University was created by the North Dakota Constitution and/or the North Dakota Century Code (NDCC). The University receives a separate appropriation from the North Dakota Legislature as provided by North Dakota Constitutional Article VIII, S 6(6)(e) and state statute.

Component Units

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

Note 1 - Continued

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

The component units' financial statements are presented under Financial Accounting Standards Board (FASB) standards. As such, certain amounts reported on the University financial statements (receivables from and payables to component units) are not reflected on the component units' financial statements. Certain other amounts have been reclassified for consistent presentation.

BLENDED COMPONENT UNITS

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

The University of North Dakota has no blended Component Units.

DISCRETELY PRESENTED COMPONENT UNITS

The following component units are legally separate entities; however, a fiscal dependency relationship exists whereby the entity does not have the ability to complete certain essential fiscal events without substantive approval from the primary institution or due to the nature and significance of the relationship to the University, exclusion would render the financial statements incomplete or misleading. Although the institution does not control the timing or amount of receipts from the component units, the majority of resources, or income thereon, which the entities hold and invest is restricted to the activities of the institution or its constituents by the donors. Therefore, these entities are discretely presented in the financial statements using Financial Accounting Standards Board (FASB) standards, including Statement No. 117, Financial Reporting for Not-for-Profit Organizations. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. With the exception of necessary presentation adjustments, no modifications have been made to the foundation's financial information in the financial report for these differences. Component units that are significant relative to the other component units and to the institution are considered "major" component units and are displayed in separate columns in the component unit section of the financial statements and are included in Note 15 under Major Component Units. In this financial report, the major component units are included as supplementary information. Component units that are not significant relative to the other component units and to the institution are considered non-major component units and are displayed in a separate column in the component unit section of the financial statements. Note disclosures are not provided for "non-major" component units.

Major Component Units

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

The Alumni Association of the University of North Dakota was incorporated in 1915 for the purpose of 1) maintaining classmates contact with each other; 2) keeping graduates, and former students informed of happenings at UND; and 3) involving graduates, former students and special friends in the ongoing growth and development of UND. UND Foundation was incorporated in 1978 to replace the Alumni Association Development Fund and is the umbrella organization for alumni and private support for the University of North Dakota. These two legally separate non-profit corporations have the same board of directors and the same executive vice president, but different Board presidents and vice presidents. The board of directors consists of 23 voting members, 21 of whom are UND alumni and three ex-officio members that are officers at UND. Complete combined financial statements for the Alumni Association of the University of North Dakota and University of North Dakota Foundation may be obtained at the entity's administrative offices at PO Box 8157, Grand Forks, ND 58202.

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

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

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

The Fellows of the University of North Dakota was organized in 1970 as a non profit corporation for the purpose of supporting and promoting the University of North Dakota. The Fellows provides scholarships, promotion and special project fund-raising for UND. The Fellows is managed by a board of directors comprised of five members, including two officers of UND. The Fellows transferred \$82,974 to UND for scholarships and special project funding. Complete financial statements may be obtained at UND 264 Centennial Drive Stop 8364, Twamley Hall, Grand Forks, ND 58202.

INSIGNIFICANT COMPONENT UNITS

The following organizations are component units of the University but have been deemed insignificant due to small total assets and revenues balances. Entities in this category had less than \$1 million dollars each in total assets and less than \$750,000 each in total revenues. Separate boards of directors control these entities. In addition, the institution does not exercise financial or administrative control over these entities; and/or, the entities' relationship with the institution is not significant enough to warrant inclusion in the reporting entity's financial statements. The related organizations at June 30, 2011 were:

EERC Foundation
Law School Foundation

Note 1 - Continued

Basis of Presentation

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

Basis of Accounting

The financial statements of the University of North Dakota have been prepared on the accrual basis whereby all revenues are recorded when earned and all expenses are recorded when they have been reduced to a legal or contractual obligation to pay.

The University of North Dakota follows the pronouncements of the GASB, which is the nationally accepted standard setting body for establishing generally accepted accounting principles for governmental entities. The University of North Dakota follows all applicable GASB pronouncements as well as FASB pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with GASB pronouncements.

Unrestricted Net Assets

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

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

Restricted Assets

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

Revenue and Expense Recognition

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

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

Budgetary Process

The State of North Dakota operates on a biennial appropriation. Legislation requires the SBHE to present a single unified budget request covering the needs of all the institutions under its control to the Governor through the Director of the Office of Management and Budget. The Governor is required by legislation to present his budget to the General Assembly at the beginning of each session. The General Assembly enacts the budget of the various institutions through the passage of specific appropriation acts. Before signing the appropriation acts, the Governor may veto or reduce any specific appropriation, subject to legislative override. Once passed and signed, the budget becomes the state's financial plan for the next two years.

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

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

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

Cash and Cash Equivalents

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

Investments

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

Note 1 - Continued

Receivables

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

Inventories

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

Capital and Intangible Assets

Land, buildings, equipment, and other property are stated at historical cost, with the exception of property acquired prior to July 1, 1965. Professional consultants for the purposes of insurance and financial record keeping evaluated these assets. Library books and periodicals are stated at an estimated inventory value as of June 30, 1974, with subsequent additions at cost and deletions at an average cost.

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

The composite method is used for library book depreciation. All books purchased during a year are consolidated and depreciated as a group of assets rather than individually. Expenses for construction in progress are capitalized as incurred. Interest expense relating to construction is capitalized, net of interest income earned on resources set aside for the construction or remodeling costs. Certain reserves have been established by bond indenture for the repayment of revenue bond indebtedness. Such reserves are recorded in the appropriate restricted assets category (cash/investments) and as "net assets restricted for debt service" on the Statement of Net Assets.

Depreciation and intangible amortization is calculated using the straight-line method over the following estimated useful lives.

Land Improvements	50 years
Infrastructure	50 years
Buildings	50 years
Equipment	3-12 years
Library Books	10 years
Internally developed software	2-10 years
Purchased software	3-5 years
Other Intangibles	3-20 years

Deposits

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

Compensated Absences

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

Scholarship Allowances

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

Net Assets

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

Restatement of Beginning Net Assets

Net Assets, beginning of year , as previously reported	<u>\$ 351,910,110</u>
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Beginning net assets were not restated.

USE OF ESTIMATES

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

Note 1 - Continued

New Accounting Pronouncements

In February 2009 the GASB issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. The statement is effective beginning in fiscal year 2011. GASB Statement No. 54 had no impact on the fiscal year 2011 financial statements.

In December 2009 the GASB issued Statement No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. The statement is effective for periods beginning after June 15, 2011. The effect GASB Statement No. 57 will have on the fiscal year 2012 financial statements has not yet been determined.

In June 2010, the GASB issued Statement No. 59 Financial Instruments Omnibus. The statement applies to certain financial instruments and is effective beginning in fiscal year 2011 GASB Statement No. 59 had no impact on the fiscal year 2011 financial statements.

In November 2010, the GASB issued Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements." The statement applies to certain service concession arrangements, which are a type of public-private or public-public partnership. The statement is effective for periods beginning after December 15, 2011. The effect GASB Statement No. 60 will have on the fiscal year 2012 financial statements has not yet been determined.

In June 2011, the GASB issued Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position." The statement is effective for periods beginning after December 15, 2011. The effect GASB Statement No. 63 will have on the fiscal year 2012 financial statements has not yet been determined.

In June 2011, the GASB issued Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions-an amendment of GASB Statement No. 53." The statement is effective for periods beginning after June 15, 2011. The effect GASB Statement No. 64 will have on the fiscal year 2012 financial statements has not yet been determined.

Note 2 - Deposits and Investments

Limitations

The NDCC governs the deposit and investment policies of the University. NDCC Section 6-09-07 states, "All state funds...must be deposited in the Bank of North Dakota...or must be deposited in accordance with constitutional and statutory provisions."

In addition, NDCC Section 21-04-02 provides that public funds belonging to or in the custody of the state shall be deposited in the Bank of North Dakota. NDCC Section 15-10-12 requires that all moneys not deposited in the special revenue fund within the State Treasury (unless restricted by the terms of a grant, donation or bequest), received by the University from federal, state, and local grants and contracts, indirect cost recoveries, tuition, special student fees, room and board, and other auxiliary enterprise fees, student activity fees, continuing education program fees, internal service fund revenues, and all other revenues must be deposited in the Bank of North Dakota.

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

NDCC Section 54-06-08 states clearing accounts and cash balances must be maintained in the Bank of North Dakota, or, if the state entity is located outside Bismarck, in another state or federally chartered financial institution. The account is used for clearing or cashing of checks and making change.

Deposits

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

Deposits	Carrying Amount	Bank Balance
Total cash deposits at BND	\$ 17,726,319	\$ 26,258,601
CDs at BND	70,308,265	70,308,265
Total cash deposits at other	107,389	111,202
CDs at other	-	-
Total deposits	\$ 88,141,973	\$ 96,678,068

Cash on hand/petty cash	33,719
Less amts reported as investments	(70,308,265)
Cash & cash equivalents-SNA	\$ 17,867,427

	Statement of Net Assets Classification		
	Current	Non-Current	Total
	Cash & Equiv (Unrestricted)	Restricted Cash & Equiv	
BND	\$ 16,720,513	\$ 1,005,807	\$ 17,726,320
On Hand	33,719	-	33,719
Other	107,388	-	107,388
	\$ 16,861,620	\$ 1,005,807	\$ 17,867,427

Investments

Investments are reported for the University at fair value (market) and reported on the Statement of Net Assets as of June 30, 2011 is shown below:

Investment Type	Market Value	Maturities			
		Less than 1 year	1 year to 5 years	6 years to 10 years	More than 10 years
US Treasuries	\$3,462,977	\$1,459,043	\$2,003,843	\$91	
US Agencies					
FHLMC	290,550	-	-	-	290,550
MMK Mutual Fund	818,132	818,132	-	-	-
Subtotal	\$4,571,659	\$2,277,175	\$2,003,843	\$91	\$290,550

	Market Value	Statement of Net Assets Classification				
		Current	Non-Current			Total
		Unrestricted Investments	Restricted Investments	Restricted Endow Investments	Other L-T Invest (Unrestricted)	
Stocks	\$14,941,534					
Equity Mutual Funds	2,385					
BND CDs	70,308,265					
Total Investments of Net Assets	\$89,823,843					
CDs - BND		\$18,560,502	\$ 2,527,061	\$ 554,725	\$ 48,665,977	\$70,308,265
Investments - Other		231,129	-	12,550,387	6,734,062	19,515,578
Totals		\$18,791,631	\$2,527,061	\$13,105,112	\$55,400,039	\$89,823,843

Note 2 - Continued

Deposits and Investments

Custodial credit risk is the risk that in the event of a financial institution failure, the University's deposits may not be returned to it. The NDCC does not specifically address policies concerning custodial credit risk, and while the deposits in the Bank of North Dakota are backed by the State of North Dakota, they are deemed to be uninsured and uncollateralized by GASB definition. As of June 30, 2011, \$96.567 million of the University's bank balance of \$96.678 million was exposed to custodial credit risk as follows:

Uninsured and uncollateralized \$96,566,866

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

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill their obligation. As of June 30, 2011, the University's debt portfolio (excluding US Treasuries and US Agencies) included Standard & Poor's quality ratings as follows:

Investment Type	Credit Quality Rating				
	AAA	AA-	A+	A	Not Rated
FHLMC	\$290,550				
Money market mutual funds	818,132				
Total	\$1,108,682	\$ -	\$ -	\$ -	\$ -

Note 3 - Receivable

Receivables at June 30, 2011, for the University consist of the following amounts:

	Current	NonCurrent	Total
Student and general	\$ 10,291,672		\$ 10,291,672
Interest - BND	35,833		35,833
Allowance for doubtful accounts	(1,755,063)		(1,755,063)
Accounts receivable, net	\$ 8,572,442		\$ 8,572,442
Grants and contracts receivables	\$ 16,134,928		\$ 16,134,928
Due From Other State Agencies	109,739		109,739
Grants and contracts, net	\$ 16,244,667		\$ 16,244,667
Perkins & Other Loans	\$ 5,702,699	\$ 22,810,795	\$ 28,513,494
Allowance for Doubtful Notes	(761,356)	(3,045,423)	(3,806,779)
Loans receivable, net	\$ 4,941,343	\$ 19,765,372	\$ 24,706,715

Note 4 - Endowment Funds

The endowment funds reported herein are donor-restricted funds in the custody of the University. NDCC Section 59-21 applies to the investment of endowments governed by a gift instrument. Subject to any limitations in the gift instrument such funds may be invested in any real or personal property deemed advisable by the governing board. NDCC Section 59-21-02.5a(7) applies to standard of conduct in the administration of powers to make and retain investments. It states that in managing and investing an institutional fund, the needs of the institution and the fund to make distributions and to preserve capital must be considered. UND's policy allows up to 4.5% of the average of the last five years of assets in the Alerus endowment pool to be expended.

Net appreciation on investments totaled \$2.1 million at June 30, 2011, and is reflected in net assets under non-expendable scholarship and fellowships.

Endowment funds reported herein do not include the Federal Land Grant Fund held by the State Land Department. The annual proceeds from assets held by the State Land Commissioner are deposited into the University's operating fund at the State Treasury and are used for current operating purposes.

Total Land Department assets	\$74.1 million
UND Proceeds	\$465,000

Note 5 - Capital and Intangible Assets

Capital asset activity for the year ended June 30, 2011, was as follows:

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Land	\$ 6,499,711	\$ -	\$ -	\$ -	\$ 6,499,711
Construction in progress	3,930,601	12,500,893	-	(1,313,323)	15,118,171
Total non-depreciated capital assets	\$ 10,430,312	\$ 12,500,893	\$ -	\$ (1,313,323)	\$ 21,617,882
Land improvements/infrastructure	\$ 81,444,926	\$ 1,328,488	\$ -	\$ -	\$ 82,773,414
Buildings	342,403,995	2,243,795	1,000	1,313,323	345,960,113
Equipment	113,155,320	9,947,635	6,094,095	-	117,008,860
Library books	63,584,264	2,330,670	302,053	-	65,612,881
Total depreciable capital assets	\$ 600,588,505	\$ 15,850,588	\$ 6,397,148	\$ 1,313,323	\$ 611,355,268
Intangibles	\$ 977,338	\$ 404,045	\$ -	\$ -	\$ 1,381,383
Total capital assets & intangibles	\$ 611,996,155	\$ 28,755,526	\$ 6,397,148	\$ -	\$ 634,354,533
Less accumulated depreciation					
Land improvements/infrastructure	\$ 23,151,362	\$ 1,886,634	\$ -	\$ -	\$ 25,037,996
Buildings	123,338,222	6,838,690	-	-	130,176,912
Equipment	68,773,706	8,601,388	4,791,328	-	72,583,766
Library books	46,780,081	2,886,800	302,053	-	49,364,828
Total accumulated depreciation	\$ 262,043,371	\$ 20,213,512	\$ 5,093,381	\$ -	\$ 277,163,502
Intangible amortization	\$ 309,812	\$ 222,199	\$ -	\$ -	\$ 532,011
Total depreciation & amortization	\$ 262,353,183	\$ 20,435,711	\$ 5,093,381	\$ -	\$ 277,695,513
Capital Assets, net	\$ 349,642,972	\$ 8,319,815	\$ 1,303,767	\$ -	\$ 356,659,020

Note 5 - Continued

Construction in Progress (CIP)

Project	Amount	Expended	Authorized
	Authorized	(CIP Balance)	Balance
Equipment fabrications	\$ -	\$ 2,847,427	\$ (2,847,427)
Education building	12,600,000	9,608,419	2,991,581
Bismarck FMC	5,400,000	1,676,551	3,723,449
IT facility	90,000	76,217	13,783
Center of excellence/hydrogen technology	4,000,000	395,854	3,604,146
McEwen technology demonstration facility	-	103,828	(103,828)
Vehicle to be turned over to state fleet	-	409,874	(409,874)
Totals	\$ 22,090,000	\$ 15,118,170	\$ 6,971,830

Equipment fabrications are equipment being fabricated at EERC for research and will be categorized as major assets when completed.

The renovation and addition of the Education building originally built in 1954 is funded with federal stimulus funding.

The Bismarck Family Medicine Center is being constructed with oil trust funds from the state.

The IT facility expenses include architect fees for a possible new facility.

Center for Excellence/Hydrogen Technology is an addition to the Hydrogen building.

McEwen Technology Demonstration Facility is an addition of concrete footings in the building to handle heavier equipment and additional footings on the outside of the building. There also were some electrical upgrades.

The vehicle was purchased on a grant and will be transferred to State Fleet in Fiscal Year 2012.

Note 6 - Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of the following at June 30, 2011:

	Amount
Accounts payable	\$ 3,930,803
Sales tax payable	785
Accrued interest	806,727
Contractor payable/retainage	717,797
Other liabilities	(2)
Total payables & accrued liabilities	\$ 5,456,110

Note 7 - Long Term Liabilities

Long-term liabilities of UND consist of bonds payable, notes payable, capital leases, special assessments, and compensated absences. The changes in long-term liabilities during fiscal year 2011 are as shown below:

	Beginning Balance	Additions	Retirements	Ending Balance	Current Portion	Noncurrent Portion
Bonds payable	\$ 70,138,500		\$ 3,001,500	\$ 67,137,000	\$ 3,096,500	\$ 64,040,500
Notes payable	-	-	-	-	-	-
Capital leases	42,188,378	\$ 3,492,226	5,847,841	39,832,763	3,246,219	36,586,544
Special assessments	255,277	-	35,125	220,152	35,125	185,027
Compensated absences	9,368,448	656,207	-	10,024,655	512,260	9,512,395
Total	\$ 121,950,603	\$ 4,148,433	\$ 8,884,466	\$ 117,214,570	\$ 6,890,104	\$ 110,324,466

Note 8 - Bonds Payable

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

The summary of outstanding obligations, as of June 30, 2011, is presented below and the detail is presented in the Supplementary Information.

Description	Original Balance	Maturity	Interest Rate	Installments	Balance
2009 Refinance of 1998 Housing	\$ 9,750,000	2014	3.8 - 4.8%	\$2,162,700 to 2,163,200	\$ 6,035,000
2002 Memorial Union Refunding	6,710,000	2021	3.0 - 5.041%	235,000 to 550,000	2,955,000
2004 Housing & Auxiliary Facilities Revenue	19,645,000	2034	1.0 - 5.0%	869,813 to 1,231,625	17,130,000
2006 Housing & Auxiliary Facilities Revenue	40,050,000	2036	3.5 - 5.0%	85,000 to 2,875,000	39,660,000
2009 Aerospace Hanger	1,500,000	2030	4.25%	73,016 to 133,054	1,357,000
Total Bonds Payable					\$ 67,137,000

Industrial Commission Bonds

For the 2009-2011 biennium, the NDUS received an appropriation of \$12.01 million to act as the fiscal agent for the University on bond payments to the Industrial Commission of North Dakota. Of this total, \$717,000 is special funds, which is the amount the University pays as local match. During fiscal year 2011, the NDUS paid \$5.35 million in general funds to the Industrial Commission of North Dakota. This excludes the payments UND pays directly to the Industrial Commission for the 2003 and 2005 Energy Bonds that are recorded in our financial statements as bonds payable.

Note 8 - Continued

Refunding and Defeased Bonds

The University does not have any defeased bonds, and has no balance of outstanding bonds in a trust.

Scheduled maturities of Bonds Payable

Fiscal Year	Principal	Interest	Total
2012	\$ 3,096,500	\$ 3,094,478	\$ 6,190,978
2013	3,211,500	2,973,718	6,185,218
2014	3,006,500	2,867,102	5,873,602
2015	1,871,500	2,749,277	4,620,777
2016	1,981,500	2,672,421	4,653,921
2017-2021	11,352,500	11,882,124	23,234,624
2022-2026	12,692,500	9,033,119	21,725,619
2027-2031	15,844,500	5,719,290	21,563,790
2032-2036	14,080,000	1,677,250	15,757,250
	<u>\$ 67,137,000</u>	<u>\$ 42,668,779</u>	<u>\$ 109,805,779</u>

Note 9 - Notes Payable

The University does not have any outstanding notes payable as of June 30, 2011.

Note 10 - Capital Leases

The University leases various types of equipment and property under capital lease agreements. Capital leases give rise to property rights and lease obligations and therefore, the assets under lease are recorded as assets of the University and the lease obligation is recognized as a liability. The leases have varying interest rates with maturities to 2036.

Fiscal Year	Principal	Interest	Total
2012	\$ 3,246,219	\$ 1,749,048	\$ 4,995,267
2013	3,453,234	1,746,250	5,199,484
2014	3,307,838	1,579,442	4,887,280
2015	3,317,152	1,416,833	4,733,985
2016	3,095,623	1,258,526	4,354,149
2017-2021	13,122,740	4,032,961	17,155,701
2022-2026	5,787,707	1,976,300	7,764,007
2027-2031	491,219	242,011	733,230
2032-2036	4,011,031	153,014	4,164,045
Total	<u>\$ 39,832,763</u>	<u>\$ 14,154,385</u>	<u>\$ 53,987,148</u>

Note 11 - Other Long Term Liabilities

Special Assessments

The University receives special assessments from the City or County for improvements made to roads and infrastructure owned by the City or County that are adjacent to or on the University.

Schedule of maturities of Special Assessments

Fiscal Year	Principal	Interest	Total
2012	\$ 35,125	\$ 14,593	\$ 49,718
2013	35,125	12,304	47,429
2014	34,490	10,015	44,505
2015	30,133	7,765	37,898
2016	23,625	5,763	29,388
2017-2021	61,654	10,421	72,075
	<u>\$ 220,152</u>	<u>\$ 60,861</u>	<u>\$ 281,013</u>

Compensated Absences

The compensated absences liability at June 30, 2011, consists of accumulated unpaid annual leave, compensatory time, payable portion of accumulated sick leave, personal holiday hours, and Saturday/legal holiday hours earned and vested. Compensated absences for employees at June 30, 2011 and 2010 totaled \$10,024,655 and \$9,368,448, respectively. Leave policies restrict the accumulation of unused vacation and thus limit the actual payments made to employees upon termination or retirement.

Note 12 - Retirement Benefits

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

NORTH DAKOTA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (NDPERS)

Description of Plan

NDPERS is a cost-sharing, multiple-employer, defined benefit pension plan covering substantially all broadband employees of the University. The plan provides retirement, disability and death benefits. If an active employee dies with less than five years of credited service, a death benefit equal to the value of the employee's accumulated contributions, plus interest, is paid to the employee's beneficiary. If the employee has earned more than five years of credited service, the beneficiary will be entitled to a single payment refund, lifetime monthly payments in an amount equal to 50% of the employee's accrued normal retirement benefit, or 60 monthly payments equal to the employees' normal retirement benefit calculated as if the employee were age 65 the day before the death occurred (or, effective August 1, 1995, monthly payments in an amount equal to the employee's accrued 100% joint and survivor retirement benefit if the member had reached normal retirement age prior to date of death). If the beneficiary dies before the employee's accumulated pension benefits are paid, the balance will be payable to the beneficiary's designated beneficiary.

Eligible employees, who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits that are equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the employee must meet the criteria established by the Retirement Board for being considered totally disabled.

Note 12 - Continued

Description of Plan - Continued

Employees are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85, or at normal retirement age (65), equal to 2% of their final average salary for each year of service. The plan permits early retirement at ages 55-64, after five or more years of service. NDPERS issues a publicly available financial report that includes financial statements and the required supplementary information for NDPERS. That report may be obtained by writing to NDPERS; 400 East Broadway, Suite 505; P.O. Box 1657; Bismarck, ND 58502.

Funding Policy

NDPERS is funded by employee contributions (set by statute) of 4% of regular compensation. During the 1983-1985 biennium, the State implemented the employer pickup provision of the IRS code whereby the employer makes a portion or all of the required employee contributions. The University is paying the full employee contribution. Employer contributions of 4.12 % of covered compensation are set by statute. The required contributions are determined using an entry age normal actuarial funding method.

The North Dakota Retirement Board was created by the State Legislature and is the governing authority of NDPERS. Benefit and contribution provisions are administered in accordance with NDCC 54-52. Changes to the plan documents must be approved by the legislature and Governor. The University's required and actual contributions to NDPERS for the fiscal years ending June 30, 2011, and June 30, 2010 were, \$3,639,441 and \$3,478,592 respectively.

TEACHERS' INSURANCE ANNUITY ASSOCIATION AND COLLEGE RETIREMENT FUND (TIAA-CREF)

Description of Plan

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

Funding Policy

The plan requires employee and employer contributions be founded on a classification system and years of service based on the following schedule:

Employment Class	Years of Service	Contributions by the		
		Participant	Institution	
I and III	0-10	1.50%	9.50%	* A final contribution is made in the year the president terminates employment equal to the difference between total contributions made and the president's final annual salary in year of termination of employment.
	10+	2.00%	10.00%	
II	0-2	0.50%	4.50%	
	3-10	1.50%	9.50%	
	10+	2.00%	10.00%	
IV	0	1.00%	9.00%	
President (additional employer contribution)	0-12 or	0.00%	8.33%*	
	< 3	0.00%	0.00%	
	3-6	0.00%	4.00%	
	6+	0.00%	8.00%	

Funding Policy - Continued

Plan contributions are made on a tax-deferred basis in accordance with Section 414(h)(2) of the Internal Revenue Code. All contributions are applied as premiums to retirement annuity contracts owned by the participant. The University has no further liability once annual contributions are made. The University contributed \$11,386,681 and \$10,556,222 in June 30, 2010, and 2011 respectively to TIAA-CREF.

Note 13 - Post Retirement Benefits

State Group Health Plan

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

There are approximately 296 retired University employees receiving these benefits and 1,159 active employees with retiree health credit. The actuarially determined required employer contribution of \$448,316 for the year ended June 30, 2011, is 1.14 % of the covered payroll. The University's actual and required contributions for the fiscal years ending June 30, 2011, and 2010 were \$448,316 and \$428,223 respectively.

Early Retirement Agreements

When early retirement is deemed to be in the mutual benefit of an employee and the University, the SBHE has adopted Policy 703.1 on Early Retirement. This policy applies to tenured faculty, professional staff, president, vice president, provosts, deans, and other officers responsible for a major unit of an institution who report directly to a president, vice president, provost who are members of TIAA-CREF, TFFR, or TIRF. During the fiscal year ended June 30, 2011, no employees elected early retirement.

Under the Tenured (Contract) Purchase Option, the employee is eligible for payment of up to 100% of the employee's final contract salary if the sum of the employee's age and total years of employment equals 70 or greater. Payments will be pursuant to the approved agreement, but cannot be made until at least 90 days after the date of Early Retirement Agreement. During the fiscal year ended June 30, 2011, no University employees elected to participate in this option. Policy 703.1 also allows the Early Retirement Agreements to retain the retiree on the applicable group health and life insurance plan. Payment by the University is negotiable. Total costs to the University for these termination benefits will be \$0 over the term of the new contract. Amounts payable to employees at June 30, 2011, for outstanding contract buyouts and future health and life premiums, adjusted for projected health insurance premium increases and discounted to the present were \$0.00, assuming health insurance premium increases of 5-10 % and a discount rate of .3%.

Under the Phased Retirement Option, retirement occurs over a period of time. The percentage of workload is negotiated each year. The University may pay all or part of the retirement contributions on the current salary or part of the individual's salary until the individual terminates employment. During the fiscal year ended June 30, 2011, fourteen employees elected this option.

Severance Agreements

In fiscal year 2011, UND had no employees under separate employment separation agreements.

Note 14 - Construction Commitments and Financing

The University has contracted for the construction of various projects as of June 30, 2011. Estimated costs to complete the various projects and the sources of anticipated funding are presented below:

Project	Contracts Awarded	Expended Through June 30, 2011	Total Cost To Complete	Costs to complete funded by:			
				Federal Sources	State Sources	Institutional Funds	Other Sources
Aerospace Hangar (3 projects)	\$ 621,101	\$ 615,472	\$ 5,629	\$ -	\$ -	\$ 5,629	\$ -
Biomedical Research Facility Repair	7,995	-	7,995	-	7,995	-	-
Bismarck FMC (2 projects)	5,158,635	1,436,643	3,721,992	-	3,721,992	-	-
Brannon & Selke Hall Renovation (3 projects)	279,951	169,491	110,460	-	-	110,460	-
Chester Fritz Auditorium - Replace Chiller	39,160	25,454	13,706	-	13,706	-	-
Chester Fritz Auditorium - Roof Repair	71,890	18,000	53,890	-	53,890	-	-
Chester Fritz Library Repairs/Replacements	73,194	47,576	25,618	-	25,618	-	-
Clifford Hall - Simulator Consoles	11,340	540	10,800	-	-	10,800	-
Education (4 projects)	10,140,537	9,266,064	874,472	874,472	-	-	-
Energy Projects	105,163	68,356	36,807	-	-	-	36,807
Fargo Medical Education	70,234	45,652	24,582	-	24,582	-	-
Gamble Mechanical	57,442	37,337	20,105	-	20,105	-	-
Installation of SCADA Telemetry System	10,791	-	10,791	-	-	10,791	-
IT Facility	90,000	76,217	13,783	-	-	13,783	-
Lorne McEwen Tech Facility 2	18,400	1,800	16,600	-	-	-	16,600
Memorial Union - Remodeling	8,375	-	8,375	-	-	8,375	-
Memorial Union - Replace AHU's	25,190	16,374	8,817	-	8,817	-	-
Memorial Union - Replace Portion of Roof	59,207	-	59,207	-	59,207	-	-
NCHT Addition (5 projects)	3,743,279	373,037	3,370,242	3,370,242	-	-	-
Nursing Classrooms (4 projects)	315,594	296,521	19,073	-	14,051	5,022	-
Odegard Hall - Update Fire Alarm System	6,350	3,898	2,452	-	2,452	-	-
O'Kelly Hall - Replace Solarium	61,000	-	61,000	-	61,000	-	-
O'Kelly Hall - Roofing	12,000	9,840	2,160	-	2,160	-	-
Pavement Study	340,388	97,116	243,272	-	114,013	129,259	-
Rehabilitate Bike Path - 6th Ave N & Highway 2	88,900	-	88,900	69,075	19,825	-	-
SOMHS - Roofing	14,400	11,808	2,592	-	2,592	-	-
Steam Plant - Paint Main Stack	43,685	-	43,685	-	-	43,685	-
Steam Plant Stockpile Screw (2 projects)	283,728	283,474	254	-	-	254	-
Steam Plant Variable Frequency Drive	16,354	10,630	5,724	5,724	-	-	-
Twamley Hall - Roofing	7,500	6,150	1,350	-	1,350	-	-
UAS Training Center (4 projects)	509,745	318,649	191,096	-	191,096	-	-
Wellness Center - Generator Wiring	16,207	4,457	11,750	-	-	11,750	-
Wilkerson & Memorial Union Kitchen Range	44,550	28,958	15,592	15,593	-	-	-
Totals	\$ 22,352,285	\$ 13,269,514	\$ 9,082,771	\$ 4,335,106	\$ 4,344,451	\$ 349,808	\$ 53,407

Note 15 - Component Unit Transactions

MAJOR COMPONENT UNITS

University of North Dakota and UND Aerospace Foundation

The Aerospace Foundation reimbursed UND for salaries, building rent, aircraft rental, and goods and services under an operating agreement aggregating approximately \$19 million in fiscal year 2011. This operating agreement has no specific term and is intended to memorialize various operating agreements, rate structures, duties, and obligations each party has to the other. UND reimbursed the Foundation for air service and hangar, CRJ, 360-degree tower and aircraft rental of \$1.1 million. These expense reimbursements represent actual costs incurred. In addition, the Aerospace Foundation may contract with UND for materials and personnel in the service and utility areas, and will reimburse UND based on separate arrangements. As of June 30, 2011, the Foundation has recorded accounts payable to UND of \$726,108 for reimbursable costs and services under these arrangements.

The Aerospace Foundation entered into a sublease with UND to lease the aircraft storage hangar/ground support equipment facility. The lease term is for 20 years, commencing on July 7, 2003, until July 6, 2023. For the first 15 years of the sublease, UND will pay the Foundation monthly minimum payments of \$12,672 beginning on October 1, 2003, subject to actual cost adjustments. At the end of the 15 years, rent will be adjusted based upon an interest rate adjustment or a refinancing of the debt incurred by the Foundation in the construction of the hangar. The audited financial statements of the Foundation report the capital assets and related debt for this lease.

University of North Dakota and RE Arena, Inc.

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

Revenue and expense arrangements for all other UND events held at the arena are negotiated on an event-by-event basis. Per this agreement, RE Arena, Inc. received approximately \$1,953,805 in ticket revenue and \$352,970 in sponsorship revenue from UND athletic events in fiscal year 2011. Additionally, under the agreement, to the extent funds are available, RE Arena, Inc. and UND determine an amount to fund a reserve for extraordinary repairs, maintenance and building improvements. The amount reserved in fiscal year 2011 was \$700,000. On an annual basis, RE Arena, Inc. will remit to UND its net income after adding back depreciation and amortization, and deducting the funded reserve, capital expenditure, additional principal reduction on Betty Englestad Sioux Center debt and amount mutually agreed to be retained by RE Arena Inc. for the fiscal year. RE Arena, Inc. paid UND \$500,000 under this agreement in fiscal year 2011.

In addition, RE Arena, Inc. may contract with UND for materials and personnel in the service and utility areas and will reimburse UND based on separate agreements. As of June 30, 2011, RE Arena, Inc. has a payable to UND of \$244,919 for these expenditures.

Note 15 - Continued

University of North Dakota and University of North Dakota Foundation

The University of North Dakota Foundation issued tax-exempt lease revenue bonds on October 24, 2003, of \$4,400,000 to finance the land purchase and construction of the Minot Family Practice Center. The center is a component of the School of Medicine & Health Sciences at UND. The interest rate is fixed at 4.15 percent until 2018. Principal balance outstanding at June 30, 2011, is \$3,224,472. Payments of \$136,000 are required semi-annually through 2018. A receivable from UND and the bond payable is included on the financial reports of the Foundation and UND has recorded a capital asset and a capital lease payable as of June 30, 2011.

On July 24, 2002, UND Foundation issued lease revenue bonds of \$8,595,000 on behalf of UND to, i) finance the construction of an office building for EERC, ii) renovate the current EERC building, iii) finance capitalized interest, and iv) pay cost of issuance of the bonds. UND and UND Foundation also entered into a lease agreement on July 1, 2002, whereby the Foundation leases certain property to UND and UND will pay the Foundation basic rents which will be sufficient to cover principal and interest on the lease revenue bonds when due. The bonds bear an interest rate of 2.5 to 5.13 percent and mature in 2027. The lease revenue bond has a balance of \$6,600,000 at June 30, 2011. The Foundation's financial statements include this transaction as a receivable from UND and a long-term liability. UND's financial statements include the capitalized asset and a long-term liability due to UND Foundation.

On April 16, 2008, the UND Foundation issued bonds of \$2,200,000 to build a University President's Home and an addition to the Jodsaas Center Engineering building. Series B for the President's residence was \$900,000 and Series A for the Jodsaas Center Engineering Building was \$1,300,000. The bonds had an original maturity date of 2038 but were repaid in fiscal year 2011 and there was no outstanding balance at June 30, 2011.

On December 22, 2008, the UND Foundation issued bonds of \$1,200,000 to fund construction of the North Dakota Center for Human Safety (NDCHS). Annual payments of principal along with semi-annual payments of interest are required at a fixed interest rate of 3.5%. Payments are due through 2013. The bonds have a balance of \$744,612 at June 30, 2011.

UND leases office space to the UND Foundation at a cost of \$1 per year and provides some administrative services, computer services, utilities and maintenance at no cost as a partial in-kind reimbursement for services rendered by the Foundation. At June 30, 2011, the Foundation estimated the fair rental value reflected in the audited financial statements at \$129,000.

NON-MAJOR COMPONENT UNITS

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

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

The Fellows of the University of North Dakota was organized in 1970 as a nonprofit corporation for the purpose of supporting and promoting the University of North Dakota. The Fellows provides scholarships, promotion and special project fund-raising for UND. In Fiscal Year 2011, The Fellows is managed by a board of directors comprised of five members, including two officers of UND. The Fellows transferred \$82,974 to UND for scholarships and special project funding. Complete financial statements may be obtained at UND 264 Centennial Drive, Twamley Hall, Grand Forks, ND 58202.

Note 16 - On-Behalf Payments

On-behalf payments for fringe benefits and salaries are direct payments made by one entity to a third party recipient for the employees of another legally separate entity. On-behalf payments include pension plan contributions, employee health and life insurance premiums, and salary supplements or stipends. The amount of on-behalf payments for fringe benefits and salaries for fiscal year ended June 30, 2011 was \$0. There were no on-behalf payments made as contributions to a pension plan for which the University is not legally responsible.

Note 17 - Functional Expense Classification

The University reports operating expenses using the "natural classification" on the Statement of Revenues, Expenses, and Changes in Net Assets. Operating expenses for the year ending June 30, 2011, using the "functional classification" are presented below:

Instruction	\$ 147,850,220
Academic Support	29,115,699
Student Services	16,400,986
Institutional Support	28,862,351
Physical Plant	23,470,051
Scholarships and Fellowships	8,697,451
Auxiliary Enterprises	41,083,193
Public Service	18,432,997
Research	47,170,483
Depreciation	20,435,710
Total	<u>\$ 381,519,141</u>

Note 18 - Operating Leases

The University is obligated under lease agreements for equipment, vehicles and facility rental, which are accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore, the resulting expenditures are recognized as incurred. Lease expenditures for the year ended June 30, 2011, amounted to \$986,000.

Future minimum rental payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2011, are as follows:

Fiscal Year	Future Minimum Lease Payments
2012	\$1,323,036
2013	146,183
2014	141,893
2015	141,893
2016	118,214
2017-2021	417,532
	<u>\$2,288,751</u>

Note 19 - Contingencies

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

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

Note 20 - Risk Management

The University is exposed to various risks of loss related to torts; theft, damage, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The following are funds/pools established by the State for risk management issues:

Risk Management Fund

The 1995 Legislative Assembly established the Risk Management Fund (RMF), an internal service fund, to provide a self-insurance vehicle for funding the liability exposures of state agencies resulting from the elimination of the state's sovereign immunity. The RMF manages the tort liability of the state, its agencies, employees and the University. All state agencies participate in the RMF and each fund's contribution is determined using a projected cost allocation approach. The University obtains most of its insurance through the RMF.

North Dakota Fire and Tornado and State Bonding Fund

The University also participates in the North Dakota Fire and Tornado Fund and State Bonding Fund. The University pays an annual premium to the Fire and Tornado Fund to cover property damage to personal property. Replacement cost coverage is estimated in consultation with the Fire and Tornado Fund. The State Bonding Fund currently provides the University with blanket fidelity bond coverage in the amount of \$750,000 to \$2,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

North Dakota Workforce Safety and Insurance

The University participates in the North Dakota Workforce Safety and Insurance, an Enterprise Fund of the State of North Dakota. The agency is a state insurance fund and is a no-fault insurance system. It covers the state's employers and employees financed by premiums assessed to employers. The premiums are available for the payment of claims to employees injured in the course of employment.

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

Note 21 - Asbestos Settlement

During fiscal year 1999, the University settled an asbestos lawsuit against W.R. Grace & Co. The Chancellor designated the dollars for asbestos related projects. The balance of the settlement at 6/30/11 is \$331,174.

Note 22 - Deficit Fund Balances > \$100,000

As of June 30, 2011, the University had negative fund balances in excess of \$100,000. Listed below are the fund numbers, fund description and deficit balances for each:

Fund	Description	Balance
21220	Bismarck Family Medicine Center	\$ 498,025
22416	Maintenance-Labor	183,197
22364	EERC Cost of Litigation	1,355,839
		<u>\$ 2,037,061</u>

School of Medicine and Health Sciences

Fund 21220 – Bismarck Family Medicine Center

The Bismarck Center for Family Medicine net equity deficit as of June 30, 2008, was \$52,850 before an audit adjustment to increase the accounts receivable allowance by \$1,108,030 was made to June 30, 2008 financial statements in December 2008. The adjustment relates to a \$1,775,973 accounts receivable balance due to UND from Bismarck MedCenter One Hospital. The audit adjustment was made after Medicare made a provider audit adjustment to Bismarck MedCenter One Hospital financial statements. This Medicare provider audit adjustment may result in decreased graduate medical education reimbursements due to UND. UND disputes the Medicare provider adjustment, but the end result is a 2011 fiscal year net equity deficit of \$498,025. An analysis of the Bismarck MedCenter One Hospital and Bismarck St. Alexius Hospital receivables for June 30, 2011, was performed jointly by both hospital and SMHS officials. The result of this analysis led to a reduction of \$387,221 from the June 30, 2010 adjustment. The Bismarck hospitals are in the midst of a legal dispute with Medicare, which at this date is awaiting decision at the U.S. Federal District Court in Bismarck, ND.

School of Aerospace Sciences

Fund 22416 – Maintenance-Labor

This fund is a recharge center and had a deficit balance of \$183,197. The deficit will be recovered through adjustment of rates.

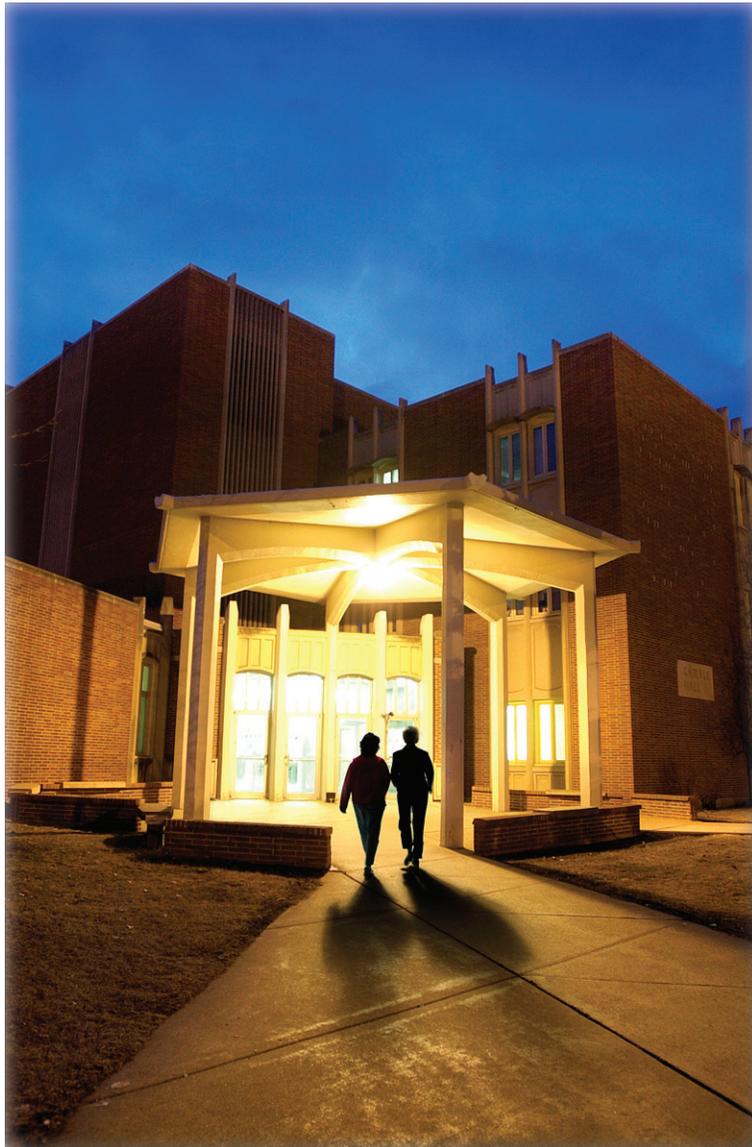
Energy and Environmental Research Center (EERC)

Fund 22364 – EERC Costs of Litigation

This fund had a deficit balance of \$1,763,238 at June 30, 2009. This balance represents the aggregate of costs incurred relative to ongoing litigation. As each case is brought to closure, balances will be brought to zero using funds resulting from the settlement. Additionally, monthly payments are made by EERC to reduce the deficit. The maximum time required to cover the deficit is just over nine years. The deficit balance as of June 30, 2011, was \$1,355,839.

Note 23 - Subsequent Events

The University of North Dakota had no reportable subsequent events.



Supplemental Information - Major Component Units

Statement of Financial Position

	UND Aerospace Foundation	RE Arena, Inc UND Arena Services, Inc. UND Sports Facilities, Inc. Arena Holdings Charitable LLC	UND Alumni Association & UND Foundation
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 7,990,528	\$ 2,153,615	\$ 9,748,920
Investments	2,270,390	-	15,244,722
Receivables	5,591,839	1,267,038	2,121,043
Contribution Receivable, net	-	-	11,054,566
Inventory	78,053	830,626	1,000
Prepaid assets	152,865	154,852	14,508
Deferred Revenue Collection Account	-	4,283,025	-
Total Current Assets	16,083,675	8,689,156	38,184,759
Noncurrent Assets			
Investments	735,000	-	154,059,323
Promises to give	-	-	23,877,472
Other receivables	-	-	9,547,276
Property and equipment, net of accumulated depreciation	20,232,797	72,738,709	2,397,460
Restricted cash - reserve fund	-	4,375,799	-
Total Noncurrent Assets	20,967,797	77,114,508	189,881,531
TOTAL ASSETS	37,051,472	85,803,664	228,066,290
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	1,632,090	4,530,224	167,909
Accrued payroll	-	-	274,196
Deferred revenue	6,299,277	4,283,025	-
Current Portion of Long-term Debt	1,052,977	469,142	667,484
Total Current Liabilities	8,984,344	9,282,391	1,109,589
Noncurrent Liabilities			
Annuities payable	-	-	16,802,078
Deposits held in custoday for others	-	-	3,108,656
Long-term debt	5,818,280	3,997,302	9,901,600
Total Noncurrent Liabilities	5,818,280	3,997,302	29,812,334
TOTAL LIABILITIES	14,802,624	13,279,693	30,921,923
NET ASSETS			
Unrestricted	16,948,848	(214,738)	19,915,225
Temporarily restricted	5,300,000	-	46,119,172
Net investment in property and equipment	-	72,738,709	-
Permanently restricted	-	-	131,109,970
TOTAL NET ASSETS	22,248,848	72,523,971	197,144,367
TOTAL LIABILITIES AND NET ASSETS	\$ 37,051,472	\$ 85,803,664	\$ 228,066,290

Statement of Activities

	UND Aerospace Foundation	RE Arena, Inc UND Arena Services, Inc. UND Sports Facilities, Inc. Arena Holdings Charitable LLC	UND Alumni Association & UND Foundation
REVENUES			
Gifts and pledges	\$ 5,505,667	-	\$ 18,450,572
Operations, events, fees and miscellaneous	-	\$ 9,136,595	6,242,622
Consulting, training and support services	34,516,337	-	-
Investment income	161,906	-	17,540,037
Merchandise sales	765,706	-	-
Other	52,308	-	-
TOTAL REVENUES	41,001,924	9,136,595	42,233,231
EXPENSES			
Direct support to UND		-	8,439,537
Other support to UND	-	-	3,105,080
Operations	-	-	1,517,715
Fundraising	-	-	2,602,986
Donations and scholarships	272,149		
Expenses	-	7,038,501	-
Management and general	1,407,894	-	
Training expense	27,681,644	-	
Bad debt expense	1,872,782		
Interest expense	366,053	156,199	-
Depreciation and amortization		4,280,506	
Loss on sale of property	131,758	-	-
TOTAL EXPENSES	31,732,280	11,475,206	15,665,318
OTHER CHANGES IN NET ASSETS			
Change in value of split interest agreements	-	-	(5,668,695)
TOTAL OTHER CHANGES IN NET ASSETS	-	-	(5,668,695)
Change in Net Assets	9,269,644	(2,338,611)	32,236,608
Net Assets, Beginning of Year	12,979,204	74,862,582	164,907,759
Net Assets, End of Year	\$ 22,248,848	\$ 72,523,971	\$ 197,144,367

Supplemental Information - Non Major Component Units

Statement of Financial Position

	UND Center for Innovation	UND Research Foundation	The Fellows
ASSETS			
<i>Current Assets</i>			
Cash and cash equivalents	\$ 346,023	\$ 551,698	\$ 2,072,064
Investments	-	-	359,139
Receivables	194,437	3,697	-
Contribution receivable, net	155,000	-	-
Inventory	9,343	-	-
Prepaid assets	-	3,684	-
Total Current Assets	704,803	559,079	2,431,203
<i>Noncurrent Assets</i>			
Cash and cash equivalents restricted		264,560	
Investments	3,552,593		1,533,495
Contribution receivable	44,891	-	-
Other receivables	20,000	-	-
Property and equipment, net of accumulated depreciation	3,520,564	17,255,926	-
Other noncurrent assets		38,278	-
Total Noncurrent Assets	7,138,048	17,558,764	1,533,495
TOTAL ASSETS	7,842,851	18,117,843	3,964,698
LIABILITIES			
<i>Current Liabilities</i>			
Accounts payable and accrued liabilities	52,532	95,471	-
Investments held for others	-	-	359,139
Deferred revenue	175,000	20,858	-
Deposits	-	32,940	-
Current Portion of Long-term Debt	-	6,252,724	-
Total Current Liabilities	227,532	6,401,993	359,139
<i>Noncurrent Liabilities</i>			
Long-term debt	75,000	3,803,950	-
Liabilities under charitable remainder trusts			37,076
Total Noncurrent Liabilities	75,000	3,803,950	37,076
TOTAL LIABILITIES	302,532	10,205,943	396,215
NET ASSETS			
Unrestricted	3,332,696	7,036,220	1,598,997
Temporarily restricted	667,791	875,680	1,274,486
Permanently restricted	3,539,832	-	695,000
TOTAL NET ASSETS	7,540,319	7,911,900	3,568,483
TOTAL LIABILITIES AND NET ASSETS	\$ 7,842,851	\$ 18,117,843	\$ 3,964,698

Statement of Activities

	UND Center for Innovation	UND Research Foundation	The Fellows
OPERATING REVENUES			
Gifts and pledges	\$ 55,127	\$ 248,565	-
Operations, events, fees and miscellaneous	374,789	-	-
Grants and contracts		1,237,570	
Royalties, Leases and Rentals	-	1,075,120	-
Investment income	319,658	2,229	\$ 295,264
Other		9,773	-
TOTAL OPERATING REVENUES	749,574	2,573,257	295,264
EXPENSES			
Direct support to UND		-	85,974
Other support to UND		-	
Operations		-	
Fundraising		-	
Donations and scholarhsips	375,480		
Expenses	368,400	1,344,270	82,812
Management and general		-	
Training expense		-	
Bad debt expense		280	
Interest expense	3,890	577,824	-
Depreciation and amortization	117,061	749,582	
Loss on sale of property		-	-
TOTAL EXPENSES	864,831	2,671,956	168,786
Change in Net Assets	(115,257)	(98,699)	126,478
Net Assets, Beginning of Year	7,655,576	8,010,599	3,442,005
Net Assets, End of Year	\$ 7,540,319	\$ 7,911,900	\$ 3,568,483



The University of North Dakota is an equal opportunity, affirmative action institute.

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