



ANNUAL AUDITS OF CENTERS OF EXCELLENCE AND CENTERS OF RESEARCH EXCELLENCE
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BUDGET SECTION
SENATE CHAMBER, STATE CAPITOL
SENATOR GARY A. LEE, CHAIRMAN

CHRISTOPHER KALASH- COMMERCIALIZATION MANAGER, OFFICE OF INNOVATION & ENTREPRENEURSHIP

Good afternoon, Mr. Chairman and members of the Budget Section, my name is Chris Kalash. I am the Commercialization Manager for the Office of Innovation and Entrepreneurship within the North Dakota Department of Commerce.

I'm here today to report on the annual audits of Centers of Excellence and Centers of Research Excellence for the 2014 fiscal year.

Centers of Excellence and Centers of Research Excellence Monitoring Report and Distribution of the Annual Audit Reports of Centers of Excellence pursuant to Section 15-69-05(2) and 54-65-03(3)

Annual Audit Reports

To save on printed pages, we have condensed 34 agreed upon procedures reports and 7 financial audits into a summary document that provides information on all of the findings and recommendations included in the reports. We did not receive and agreed upon procedure report from the Strom Center at Dickinson State University. A printed and electronic copy of the reports has been provided to Legislative Council; please contact Legislative Council or the Department of Commerce if you'd like copies of any of the audit reports.

The third-party auditors had no negative findings in any of the seven financial audits. 25 of the 34 agreed upon procedures also had no negative findings. The findings that were uncovered were mostly administrative in nature and some were simply clerical errors.

The Department of Commerce follows up on all errors and findings identified by third-party auditors. In all cases, the findings have been addressed. Any errors in reporting are corrected and we utilize the updated information in our reports.

Monitoring Report

Statute requires the Centers of Excellence Commission to monitor each centers of excellence award for a period of 6 to 10 years. As part of this monitoring, the Commission is to determine whether the centers are having the desired economic benefits. The Commission reviews each center that has been in existence for at least three full fiscal years. As of the end of the 2014 fiscal year, 25 centers had reached this milestone. Of these 25 centers, 4 have been released from

post-award monitoring per N.D.C.C. § 15-69-04. Of the remaining 21 Centers, 13 of the centers were determined to be on track to have the desired economic benefit. I'll be focusing my comments on the status of the eight centers that did not receive this determination.

The UND Research Foundation's Center of Excellence in Life Sciences and Advanced Technologies was the genesis of the facility now referred to as the UND Tech Accelerator. This facility is for companies that have grown beyond the incubator stage, and are approaching a time of rapid growth. It provides a beachhead for technology based companies to find appropriate laboratory space that will enable them to get established in Grand Forks.

At the time the COE award was made and throughout the construction, the Tech Accelerator was projected to be near capacity. However, many of the original tenants outgrew the facility and relocated to elsewhere in Grand Forks. UND purchased the facility in the fall of 2013. In November of 2013, Kevan Rusk was hired as the Director. During FY14, one current tenant in the building moved into a larger office space which resulted in increased rent. During 2014, University of North Dakota school of Medicine and Health Sciences rented two laboratories for its Department of Basic Sciences. The current occupancy of the facility varies from 52-56% monthly. This variance is based on some space that is leased on a per experiment basis.

The Center for Passive Therapeutics is a partnership between the UND Research Foundation and Avianax. The Center had two clearly defined deliverables: 1) assist the private sector partner to advance its goose egg platform for developing human therapeutics and 2) complete the Biosafety Level 3 laboratories within the Tech Accelerator. The Biosafety Level 3 laboratories within the Tech Accelerator have been completed and progress has been made to advance the goose egg platform for developing human therapeutics. Avianax has made progress on the research, licensing, manufacturing and commercialization of Parvo One, a treatment for canine parvo virus. The "needs improvement" assessment by the Commission is based on the Center not yet reaching the goals set forth in previous years Functional Reviews and long term sustainability of the Center.

The NDSU Center for Biopharmaceutical Research and Production was set up to accelerate the discovery and production of biopharmaceuticals and devices. In 2012, Dr. Satish Chandran left the Center. The Center had multiple leadership changes since then and has not been able to secure a partner. After the publication of the 2014 Monitoring Report, the Center requested that the Commission terminate the Center due to the lack of a partner with a shared vision of the original intent of the Center. The Commission approved the request on June 23, 2015. \$2.6 million was uncommitted and by action of the ND Legislature was moved to the Research North Dakota grant fund.

The UND Center for Space Technology and Operations' purpose was two-fold: 1) to bring an aerospace company to North Dakota creating 25 high value jobs and 2) conduct research, using a fundamentally new source of data about atmospheric conditions. The private sector partner experienced difficulties in securing financing for the project. The Commission granted a timeline extension to the Center to find additional private sector partners to move the Center forward. Private Sector Partners were not found. The Center was terminated on December 31, 2014.

\$884,000 was uncommitted and by action of the ND Legislature was moved to the Research North Dakota grant fund.

The UND SUNRISE BioProducts Center was designed to invent, develop, and commercialize green industrial chemicals, polymers, and fiber composites utilizing crop oils as the primary raw material feedstock. The early years of the Center's operation focused on improving the Center's base technology. This was successful, but the Center's private sector partner was unable to secure the funding for the construction of the proposed pilot scale facility in North Dakota. As a result, the Center was terminated on December 31, 2014. \$675,000 was uncommitted and by action of the ND Legislature was moved to the Research North Dakota grant fund.

UAS Software Curriculum and Development - this Enhancement Grant has delivered on the goal of developing a training curriculum for MQ-9 pilots. The curriculum was delivered within budget, but they have not yet secured the number of training contracts necessary to make the Center self-sustaining. Approval and the growth of the Northern Plains UAS Test Site is expected to help the Center overcome this obstacle.

The UAS Research, Education, and Training Enhancement Grant focused on the goals of 1)acquiring and retrofitting Predator Mission Aircrew Training Systems (PMATS) simulators for use in training 2) Hiring and training pilot and sensor instructors and 3) Providing training to pilots of MQ-1 and MQ-9 unmanned aircraft systems. Each of these goals was met. There is a contract with the Air Force Resource Lab (AFRL) to support research and development of unmanned systems human factors issues at the Grand Forks Air Force Base. No pilot training contracts are in place. Again, approval and the growth of the Northern Plains UAS Test Site is expected to help the Center overcome this obstacle. Since the end of the reporting period, the Department of Commerce has been made aware of promising talks with General Atomics regarding a potential contract.

Certificate Programs for Full Motion Video and Activity-Based Intelligence Analysis. The goals of this Enhancement Grant were to develop the Introduction to Activity Based Intelligence (ABI) curriculum. This course offers students the principles needed to acquire analytical skills focusing on leveraging imagery, Geographic Information system (GIS), and technology to include cartography, remote sensing, and global positioning systems, to develop ABI products. The curriculum is complete and ready for distribution. Like earlier mentioned Centers that have a UAS focus, this project was slowed by the delays in the approval of the Northern Plains UAS Test Site.

Two Centers have progressed from "Needs Improvement" in the 2013 Monitoring Report to "On Track" in the 2014 Monitoring Report. These include the Strom Center at Dickinson State University and the Center for Integrated Electronic Systems (CIES) at NDSU.

Annual Report

You received a copy of the 2014 Center of Excellence Annual Report during the legislative session. The report can also be accessed at <http://www.commerce.nd.gov/uploads/4/nddoccentersofexcellencear2014lowres.pdf>. This report

provides an overview of the results from 25 Centers of Excellence, 9 Centers of Excellence Enhancement Grants, 5 Centers of Research Excellence, 6 Base Realignment Grants and 2 Limited Deployment Cooperative Airspace Projects.

As of June 30, 2014, \$57.8 million in state Centers of Excellence funds had been spent by the centers. This \$57.8 million in state funds has leveraged over \$214.2 million in nonstate funds, a ratio of nearly four-to-one. Overall the activities of the centers and partners have resulted in a total economic impact of just over \$751 million.

Other highlights from the report include the fact that three Centers were released from the post-award monitoring requirements in statute after June 30, 2012. These three centers are the BSC National Energy Center of Excellence, UND's EERC National Center for Hydrogen Technology, and the Petroleum Safety and Technology Center at Williston State College.

In the 2014 annual report we share that 264 jobs were created at Centers that are still reporting or by their private sector partners.

The Centers that are no longer reporting include: The National Energy Center of Excellence, the National Center for Hydrogen Technology and the Petroleum Safety and Technology Center, The Center for Innovation, the NDSU Technology Incubator and the NDSU Beef Systems Center. These centers helped create 732 jobs. These numbers are based on the final reporting of these centers in June of 2013.

In fiscal year 2014 there were 73 partners engaged in work with the centers. And 21 businesses have started or significantly expanded within North Dakota.

In nine years, the Centers of Excellence program has made significant progress in growing and diversifying North Dakota's economy. It has helped private businesses add jobs in high tech fields such as electronics, software development, and unmanned aircraft systems. Ultimately, the activities of the centers and their partners have added over half a billion dollars of economic activity to our state's economy. One example is the fact that Northrup Grumman and General Atomics have broken ground at Grand Sky. Grand Sky is the first commercial and UAS Business and Aviation park in the United States and is located near the Grand Forks Air Force Base. The idea behind Grand Sky is that UAS business will flock to the Grand Forks.

Mr. Chairman and members of the Budget Section, thank you for allowing me the time to visit with you today. That concludes my testimony and I am happy to entertain any questions.

Centers of Excellence - Summary of Findings from Agreed Upon Procedures and Financial Audits for Fiscal Year 2014

In accordance with NDCC §§ 15-69-05(2) and 54-65-03(3), each Center of Excellence must undergo financial audits after two full fiscal years of operation and at the conclusion of expending all award funds. Agreed upon procedures engagements are required for years that a center does not have a full fiscal audit conducted. The agreed upon procedures are dictated in NDCC §§ 15-69-05(2) and 54-65-03(3) include the following tasks to be performed by auditors:

1. Verify disbursed award funds were received by the center or grant recipient;
2. Determine that interest earned on award proceeds was retained by the center or grant recipient;
3. Review the Matching Cash Contributions, Matching Contributions in Lieu of Cash (Cash Reserved), and Matching In-Kind Contributions reported in the Functional Review and trace them to supporting documentation and/or accounting records;
4. Verify compliance the Centers of Excellence program matching funds requirements;
5. Review the Leveraged Cash Contributions, Leveraged Contributions in Lieu of Cash (Cash Reserved), and Leveraged In-Kind Contributions reported in the Functional Review and trace them to supporting documentation and/or accounting records;
6. Review the private-sector and private-sector equivalent job creation reported in the Functional Review and trace each position to supporting documentation. Verify that each job meets the qualifying criteria identified in the Functional Review;
7. Review a sample of expenditures to verify compliance the NDCC 15-69-05.1 (use of funds);
8. Review a sample of expenditures to verify expenses were approved, supported with documentation, and spent according to the scope identified in the application for funding;
9. Verify a sample of labor charged to the grant and trace it to supporting effort-reporting documentation;
10. Review the center's or grant recipient's actual expenditures of award funds and compare them to the center's or grant recipient's application budget, including documentation explaining any material differences;
11. Verify the center or grant recipient complied with the timeline as provided under the center's or grant recipient's application and any authorized revisions;
12. Verify the center or grant recipient complied with the scope of activities as provided under the center's or grant recipient's application and any authorized revisions.

What follows is a summary of the results from the agreed upon procedures engagements and fiscal audits that were conducted for the Centers of Excellence and Centers of Excellence Enhancement Grants that had been funded prior to June 30, 2012.

Centers of Excellence

NDSU Center for Advanced Electronics Design and Manufacturing

Agreed Upon Procedures

Eide Bailly, LLP performed the third-party review. No negative findings were identified.

NDSU Center for Surface Protection

Agreed Upon Procedures

Eide Bailly, LLP performed the third-party review. No negative findings were identified.

Financial Audit

Eide Bailly, LLP performed a financial audit of all COE award funds. No negative findings or questioned expenditures were identified.

LRSC Dakota Precision Ag Center

Agreed Upon Procedures

Brady Martz performed the third-party review. No negative findings were identified.

NDSU Center of Excellence for Agbiotechnology: Oilseed Development

Agreed Upon Procedures

Eide Bailly, LLP performed the third-party review. No negative findings were identified.

UND Research Foundation Center of Excellence in Life Sciences and Advanced Technologies

Agreed Upon Procedures

Baker Tilly Virchow Krause, LLP performed the third-party review. No negative findings were identified.

UND Unmanned Aircraft Systems Center of Excellence

Agreed Upon Procedures

Brady Martz performed the third-party review. No negative findings or questioned expenditures were identified.

DSU Strom Center for Entrepreneurship and Innovation - Institute for Technology and Business

Agreed Upon Procedures

The Agreed Upon Procedures report was not received.

NDSU Center for Biopharmaceutical Research and Production

Agreed Upon Procedures

Eide Bailly, LLP performed the third-party review. No negative findings were identified.

NDSU Center for Integrated Electronic Systems

Agreed Upon Procedures

Eide Bailly, LLP performed the third-party review. No negative findings were identified.

NDSU Center Sensors, Communications, & Control

Agreed Upon Procedures

Eide Bailly, LLP performed the third-party review. No negative findings were identified.

UND Center of Excellence in Space Technology and Operations

Agreed Upon Procedures

Brady Martz performed the third-party review. No negative findings or questioned expenditures were identified.

UND Research Foundation Center of Excellence for Passive Therapeutics

Agreed Upon Procedures

Baker Tilly Virchow Krause, LLP performed the third-party review. No negative findings were identified.

UND Petroleum Research, Education, and Entrepreneurship Center of Excellence

Agreed Upon Procedures

Brady, Martz & Associates performed the third-party review. The following findings were identified:

Finding 1: The Functional Review reported an award distributed of \$1,891,830 but the amount received was actually \$1,889,631. This resulted in the cumulative amount disbursed to the Center to be incorrectly reported as \$3,002,199 but should have only been \$3,000,000. One finding was noted. The

center reported in its functional review a \$68,524 matching contribution that cannot be considered due to the source of funding.

Center Response: We concur with the findings concerning the amount of award disbursed to the Center listed in the Functional Review. PREEC will thoroughly review data entered in the Functional Review to ensure information is correct and accurate and all reporting requirements have been met. UND will correct the amount disbursed section of the Functional Review and resubmit the full report to the North Dakota Department of Commerce.

Finding 2: The Center reported \$28,898 of a UND Faculty salary match. This should not have been reported as this faculty amount paid was done with departmental funds.

Center Response: We concur with the findings concerning the UND Faculty salary match reported in the Functional Review. PREEC will extensively review the data required in the Functional Review to ensure the appropriate information is provided and entered correctly for all future reporting. UND will correct the matching funds section of the Functional Review and submit the full report to the North Dakota Department of Commerce.

Finding 3: One instance was noted where labor charged to the Center was not supported by proper effort-reporting documentation resulting in an inability to trace all expenditures in our sample to effort reporting documentation.

Center Response: We concur with the finding concerning the effort-reporting documentation. While this employee was appropriately paid from PREEC funds, the official payroll documents could not be found. Dr. Will Gosnold has provided a written explanation for the employee's salary, which will be kept on file. We will communicate the importance of completing proper effort-reporting documentation and maintaining that documentation on file to the Center staff.

Commerce Response to Findings 1, 2 & 3: A corrected Functional Review has been submitted to the Department of Commerce.

UND SUNRISE BioProducts Center of Excellence for Chemicals, Polymers, and Composites from Crop Oils

Agreed Upon Procedures

Brady Martz performed the third-party review. No negative findings or questioned expenditures were identified.

NDSU Center for Advanced Technology Development and Commercialization

Agreed Upon Procedures

Eide Bailly, LLP performed the third-party review. No negative findings were identified.

DCB Entrepreneurial Center for Horticulture

Agreed Upon Procedures

Brady, Martz & Associates, P.C. performed the third-party review. The following findings were identified:

Finding: Expenditures for job creation, payroll and benefits were not included in the Economic Impact portion of the Functional Review.

Center Response: We concur with the finding concerning. The Center will correct the Economic Impact section resubmit the full report to the North Dakota Department of Commerce.

Commerce Response to Findings: A corrected Functional Review has been submitted to the Department of Commerce.

Center of Excellence - no longer reporting

BSC National Energy Center of Excellence

The BSC National Energy Center of Excellence was released from post-award monitoring by the Centers of Excellence Commission as per N.D.C.C. § 15-69-04.

UND - EERC National Center for Hydrogen Technology

The UND- EERC National Center for Hydrogen Technology was released from post-award monitoring by the Centers of Excellence Commission as per N.D.C.C. § 15-69-04.

VCSU Enterprise University

The VCSU Enterprise University was closed and unspent funds of \$200,545.51 were returned to the General Fund in December of 2011.

WSC Petroleum Safety and Technology Center

The WSC Petroleum Safety and Technology Center was released from post-award monitoring by the Centers of Excellence Commission as per N.D.C.C. § 15-69-04.

COE Enhancement

UND UAS Software and Curriculum Development

Agreed Upon Procedures

Brady, Martz & Associates, P.C. performed the third-party review. The following findings were identified:

Finding 1: The Functional Review should report expenditures to North Dakota entities for the fiscal year ended June 30, 2014. Two expenditures tested that were listed on the Economic Impact Data Form were made to entities outside of North Dakota.

Center Response: We concur with the finding concerning the expenditures listed in the Economic Impact Data section of the submitted Functional Review. UND will correct this section of the Functional Review and resubmit the full report to the North Dakota Department of Commerce.

Commerce Response: A corrected Functional Review has been submitted to the Department of Commerce.

UND Center for UAS Research, Education and Training Enhancement Grant

Agreed Upon Procedures

Brady Martz performed the third-party review. The following findings were identified:

Finding: The Functional Review should report receipt transactions occurring during the fiscal year ending June 30, 2014. The Center reported cumulative receipts disbursed to the Center of \$2,254,000 while the amount reported should be \$2,754,000.

Center Response: We concur with the finding concerning the cumulative receipt transactions reported in the Functional Review. UND will correct the first page of the Functional Review and resubmit the full report to the North Dakota Department of Commerce.

Commerce Response to Findings: A corrected Functional Review has been submitted to the Department of Commerce.

UND Law Enforcement and Public Safety Agency Small UAS Course

Agreed Upon Procedures

Brady Martz performed the third-party review. The following findings were identified:

Finding: The Functional Review submitted for the fiscal year ended June 30, 2014 indicated that the timeline of the grant has not deviated from the initial timeline provided with the application. However, an extension of the project to June 30, 2015 was applied for and approved by The North Dakota Department of Commerce.

Management's View and Corrective Action: We concur with the finding concerning the response to the timeline question in the submitted Functional Review. UND will correct this section of the Functional Review and resubmit the full report to the North Dakota Department of Commerce.

Commerce Response: A revised functional review has been received.

UND Center for Innovation Foundation - V2 Aerospace Technical Assistance Request

Agreed Upon Procedures

Brady Martz performed the third-party review. No negative findings or questioned expenditures were identified.

Financial Audit

Brady, Martz & Associates, P.C. performed a financial audit of all COE award funds. No negative findings or questioned expenditures were identified.

NDSU Materials and Nanotechnology Center

Agreed Upon Procedures

Eide Bailly, LLP performed the third-party review. No negative findings were identified.

NDSU Research 1 Expansion

Agreed Upon Procedures

Eide Bailly, LLP performed the third-party review. No negative findings were identified.

UND GFAFB Realignment Business Transition

Agreed Upon Procedures

Brady, Martz & Associates, P.C. performed the third-party review. The following findings were identified:

Finding 1: The Center was unable to produce supporting documentation for \$65,784 of Leveraged DETA funds received during the fiscal year ended June 30, 2014

Center Response: We concur with the finding concerning the leveraged funds supporting documentation included in the Functional Review. UND was able to provide supporting documentation in excess of \$65,784. We were unable to provide specific detail of cash movement due to multiple projects set up under one award and the obligation of drawing funds through Letter of Credit. A Letter of Credit is a request for reimbursement to one agency for multiple awards funded by said agency. This issue has since been resolved as any new funding from this agency is set up as a separate award rather than multiple projects under one award.

Commerce Response: A corrected Functional Review has been submitted to the Department of Commerce.

Financial Audit

Brady, Martz & Associates, P.C. performed a financial audit of all COE award funds. No negative findings or questioned expenditures were identified.

UND Center for Innovation Foundation - Certificate Programs for Full Motion Video and Activity-Based Intelligence Analysis

Agreed Upon Procedures

Brady, Martz & Associates, P.C. performed the third-party review. No negative findings or questioned expenditures were identified.

Center of Research Excellence

NDSU Center for Life Sciences Research and Applications

Agreed Upon Procedures

Eide Bailly, LLP performed the third-party review. No negative findings were identified.

NDSU Center for Technologically Innovative Products and Processes

Agreed Upon Procedures

Eide Bailly, LLP performed the third-party review. No negative findings were identified.

Financial Audit

Eide Bailly, LLP performed a financial audit of all COE award funds. No negative findings or questioned expenditures were identified.

UND Center for Avian Therapeutics for Infectious Disease

Agreed Upon Procedures

Brady Martz performed the third-party review. No negative findings or questioned expenditures were identified.

Financial Audit

Brady, Martz & Associates, P.C. performed a financial audit of all COE award funds. No negative findings or questioned expenditures were identified.

NDSU Center for Biobased Materials, Science and Technology

Agreed Upon Procedures

Eide Bailly, LLP performed the third-party review. No negative findings were identified.

Cooperative Airspace Projects

UND Limited Deployment Cooperative Airspace Project

Agreed Upon Procedures

Brady Martz performed the third-party review. No negative findings or questioned expenditures were identified.

NDSU Limited Deployment Cooperative Airspace Project

Agreed Upon Procedures

Eide Bailly, LLP performed the third-party review. No negative findings were identified.

CORE Base Realignment

UND Global Hawk Sensor Operator Part Task Trainer

Agreed Upon Procedures

Brady Martz performed the third-party review. No negative findings or questioned expenditures were identified.

UND Center for Innovation Foundation - Joint Distributed Common Ground System

Agreed Upon Procedures

Brady Martz performed the third-party review. No negative findings or questioned expenditures were identified.

Financial Audit

Brady, Martz & Associates, P.C. performed a financial audit of all COE award funds. No negative findings or questioned expenditures were identified.

UND North Dakota UAS Airspace Initiative (Phase 2)

Included as part of the UND-Airspace Integration Team- UAS National Test Site in Monitoring Report.

Agreed Upon Procedures

Condition: The Functional Review submitted for the fiscal year ended June 30, 2014 indicated that the timeline of the grant has not deviated from the initial timeline provided with the application. However, an extension of the project to December 31, 2013 was applied for and approved by The North Dakota Department of Commerce.

Center Response: We concur with the finding concerning the response to the timeline question in the submitted Functional Review. UND will correct this section of the Functional Review and resubmit the full report to the North Dakota Department of Commerce.

Commerce Response: Corrected Functional Review was submitted.

Financial Audit

Brady, Martz & Associates, P.C. performed a financial audit of all COE award funds. No negative findings or questioned expenditures were identified.

UND Airspace Integration Team - UAS National Test Site

Includes activities from UND North Dakota UAS Airspace Initiative in Monitoring Report.

Agreed Upon Procedures

Condition: The Functional Review submitted for the fiscal year ended June 30, 2014 indicated that the timeline of the grant has not deviated from the initial timeline provided with the application. However, an extension of the project to December 31, 2013 was applied for and approved by The North Dakota Department of Commerce.

Center Response: We concur with the finding concerning the response to the timeline question in the submitted Functional Review. UND will correct this section of the Functional Review and resubmit the full report to the North Dakota Department of Commerce.

Commerce Response: Corrected Functional Review was submitted.

Financial Audit

Brady, Martz & Associates, P.C. performed a financial audit of all COE award funds. No negative findings or questioned expenditures were identified.

UND Center for Innovation Foundation- Enhanced Use Lease for Grand Forks Air Force Base III

Agreed Upon Procedures

Brady Martz performed the third-party review. No negative findings or questioned expenditures were identified.

UND Center for Innovation Foundation- Enhanced Use Lease for Grand Forks Air Force Base IV

Agreed Upon Procedures

Brady, Martz & Associates, P.C. performed the third-party review. The following findings were identified:

Finding: Expenditures listed on the Economic Impact Data Form were made to entities outside of North Dakota. Reimbursed expenditures for employee travel outside of North Dakota were misinterpreted and included on the Functional Review.

Center Response: We concur with the finding concerning the expenditures listed in the Economic Impact Data section of the submitted Functional Review. The Center for Innovation Foundation will

correct this section of the Functional Review and resubmit the full report to the North Dakota Department of Commerce.

Commerce Response: Corrected Functional Review was submitted.

CENTERS OF EXCELLENCE MONITORING REPORT

2014

The Centers of Excellence policies state that “On an annual basis, the Department of Commerce shall draft a Monitoring Report which assesses applicable centers’ progress toward the major expected results identified in their respective applications. Findings identified through the post-award monitoring process shall also be noted in the Monitoring Report.” The monitoring reports are presented to the Centers of Excellence Commission for review. After the third fiscal year of operation and every year thereafter, the Commission shall determine whether the Center is having the economic impact projected in its application.

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Centers of Excellence

NDSU – Center for Advanced Electronics Design & Manufacturing

Approved by Budget 12/15/2005
 Section:
 Launch Date: February 2006

Years in Operation:	8	Anticipated Match:	\$9,500,000	Predicted Jobs Center	NA
Amount Awarded:	\$3,000,000	Matching Funds:	<u>\$11,710,011</u>		2
Amount Disbursed:	\$3,000,000	Leveraged Funds:	\$2,680,098	Private Sector	6
Amount Spent:	\$2,893,488	Total Funds Received:	<u>\$14,390,109</u>	Total	8

Expected Major Results

Add at least one new private sector partner.	This goal was not accomplished. We have added several new sustainability project partners, however.
Expand the partnership with Starkey Labs	The partnership with Starkey has continued although unfortunately it has not expanded to larger magnitude projects. Periodic projects. Would like to grow the partnership.
Focus on UAS industry, precision agriculture, and oil/gas industry opportunities for CAEDM projects	A focus has been applied to these areas over the last year resulting in contacts and discussions with many companies. We believe these efforts will produce results over time.

Notes

AUP	No findings
Audit	NA
Conclusions	Center is continuing work with current partners but would like to add more. UAS appears to be promising industry.
Commission Assessment	On Track

NDSU – Center for Surface Protection

Approved by Budget 3/8/2006 Award 1
 Section: 10/30/2007 Award 2
 Launch Date: May 2006

Years in Operation:	8/4	Anticipated Match:	<u>\$8,000,000</u>	Predicted Jobs	80
Amount Awarded:	\$4,000,000	Matching Funds:	\$8,298,799	Center	3
Amount Disbursed:	\$4,000,000	Leveraged Funds:	<u>\$1,371,824</u>	Private Sector	0 ¹
Amount Spent:	\$3,900,969	Total Funds Received:	\$9,670,623	Total	3

¹Earlier center efforts were credited by Marvin Windows & Doors with helping to retain the company’s ND workforce

Expected Major Results

Successful project outcomes for private sector partners and the center resulting in intellectual property and new products.	<p>Successful project outcomes have been achieved for the following partners: Marvin Windows and Doors, Akzo-Nobel Aerospace Coatings, Arkema, Bobcat, Technology Applications Group (TAG), Triton Systems, INVISTA, Caterpillar (formerly Gremada Industries), Caterpillar Remanufacturing Drivetrain, LLC, CertainTeed, IntegenX, PPG Industries, SpageAge Synthetics and USCAR.</p> <p>As of June 30, 2013, additional projects were underway with SpageAge Synthetics, PPG Industries, and Triton Systems.</p>
Leverage funds to advance CSP’s ability to engage new partners and continue efforts with existing partners.	<p>As of June 30, 2014, the Center has received over \$9.6 million in matching and other leveraged funds while spending \$3.9 million in Centers of Excellence award funds. CSP has engaged with several new partners not identified in the applications and has had multiple projects with original partners.</p>
Successful business development efforts leading to self-sustainability	<p>CSP is pursuing new projects with new and existing partners that will further lead to sustainability. CSP is actively engaging the private sector and other funding parties through proactive marketing of its capabilities by various means, e.g., presentations at scientific meetings, conventions, trade shows, etc. Discussions are underway with private-sector companies regarding joint proposals for major new funding that will lead to sustainability and enhancement of CSP’s core competencies. These activities already resulted in a multi-year \$600,000 award for a research proposal sponsored by the Air Force Academy.</p> <p>In general, these activities will in turn lead to new economic development opportunities for North Dakota companies and the State of North Dakota.</p>
Successful promotion of high-technology job creation	<p>Since its inception, the Center has created 3 full-time permanent positions at NDSU with a total annual payroll of \$294,300 (as of June 30, 2014). In addition, CSP partners report 4 full-time jobs and 1 part-time intern position, active as of June 30, 2014, that are the result of the Center’s efforts. The Center previously facilitate the creation of a full-time engineering position and a paid internship position and another CSP employee was subsequently hired by the Center’s North Dakota private partners. These are outstanding examples of how the presence of the Center can aid workforce development and enhance the R&D and technical capabilities of local high tech industry.</p>

Notes

AUP	No Findings
Audit	NA
Conclusions	The Center continues to grow its capabilities and areas of expertise. It also continues to engage with the private sector continually searching for sustainability partners across many industry sectors.
Commission Assessment	On Track

LRSC – Dakota Precision Ag Center

Approved by Budget 12/15/2005 Award 1
 Section: 10/30/2007 Award 2
 Launch Date: February 2006

Years in Operation:	8/4	Anticipated Match:	<u>\$1,691,285</u>	Predicted Jobs	34
Amount Awarded:	\$850,000	Matching Funds:	\$1,959,877	Center	0
Amount Disbursed:	\$850,000	Leveraged Funds:	<u>\$1,178,846</u>	Private Sector	0
Amount Spent:	\$850,000	Total Funds Received:	\$3,138,723	Total	0

Expected Major Results

Develop and test new educational consulting tools	Completed
Addition of new federal and private resources available to the DCTOA	Precision agriculture students from 5 states and 1 Canadian province were in training across the past academic year (27 students).
Addition of consulting and educational capacity for the DCTOA	An AAS in Farm Business Management with a Specialty in Precision Agriculture is now available, and through recommendations and presentations made by Dakota Precision Ag Center, producers have changed out older equipment for new precision guided equipment.
Fabricate a towed-hose slurry manure variable rate applicator capable of site-specific manure management	Design of Slurry Injection Toolbar – Completed Design of towed hose slurry cart – Completed Fabricate slurry injection toolbar – Completed Fabricate slurry cart – Completed
Design micro-level high resolution aerial stereo imagery with LIDAR elevation mapping.	Complete
Design and program automated data uploading from controllers and soil sensors to verify that slurry application time, rate and outcome can occur independent of equipment operator control	Develop firmware/software field test – scheduled for Fall 2013 through Spring 2014. Develop data lookup tables for P & N – scheduled for Winter 2014.
Implement an answer farm 2-year trial to assess the performance of towed-hose site-specific manure application and management	Field test toolbar agronomic characteristics and modify as necessary – Partially complete work. Progress was slowed by the process of fitting the technology to the toolbar.
Create an educational tool operating in an e-college environment so that livestock producers can learn of the advantages of site-specific manure.	Complete

Creation of a locus for the design, development, manufacture, and marketing of high-tech precision agricultural products	Complete
Explore Intellectual Property protection and develop license	Intellectual Property protection is in process.

Notes

AUP	No Findings
Audit	NA
Conclusions	The Center became self-sufficient in late September 2012, as substantial extramural funds were awarded and NDUS funding of core functions began to emerge. Additional substantial extramural resources were awarded in September 2013 as well. The Center is well funded through 2016, its precision agriculture training activities are in 'over-load' status, and new applications for more extramural funding have been developed and submitted to the U.S. Department of Labor and two private foundations.
Commission Assessment	On Track

NDSU – Center for Agbiotechnology: Oilseed Development

Approved by Budget Section: 3/8/2006 Award 1
 10/30/2007 Award 2
 Launch Date: May 2006
 Aug 2009

Years in Operation:	8/4	Anticipated Match:	<u>\$12,000,000</u>	Predicted Jobs	160
Amount Awarded:	\$3,500,000	Matching Funds:	\$12,000,000	Center	1.35
Amount Disbursed:	\$3,500,000	Leveraged Funds:	<u>0</u>	Private Sector	0
Amount Spent:	\$3,381,282	Total Funds Received:	\$12,000,000	Total	1.35

Expected Major Results

Evaluate canola germplasm for adaptation, agronomic performance, and oil quality and quantity	Field trails in North Dakota and Chile continue.
Lines possessing high oil content that also improve biodiesel production efficiency will be evaluated as “new” crops for North Dakota producers.	Research on going but switch has been to hybrids which have replaced open pollinated lines.
Germplasm will be available for release in 1-3 years	Hybrid lines are in field trials but won’t be ready for release for several years.

Notes

AUP	No Findings
Audit	NA
Conclusions	The Center will continue its focus on development of hybrid parents whose combinations as hybrid crops meet the needs of the North Dakota canola seed and processing industry.
Commission Assessment	On Track

UND Research Foundation - Center of Excellence in Life Sciences and Advanced Technology

Approved by Budget Section: 3/8/2006
 Launch Date: March 2007

Years in Operation:	7	Anticipated Match:	\$10,100,000 ¹	Predicted Jobs	100
Amount Awarded:	\$3,500,000	Matching Funds:	\$2,985,886	Center	0
Amount Disbursed:	\$3,500,000	Leveraged Funds:	\$1,361,286	Private Sector	9.5
Amount Spent:	\$3,500,000	Total Funds Received:	\$4,347,172	Total	9.5

¹Borrowed funds were originally counted as match received. Borrowed funds are no longer counted as match received. This change took effect after FY2011. Lease revenue generated from private sector tenants is now considered match

Expected Major Results

Sell the building to the University of North Dakota	<p>The University of North Dakota Research Foundation sold the, commonly known as REAC1, to the University of North Dakota, effective September 16, 2013. UND is continuing to support the center by leasing its research laboratories and office suites. The university is providing support staff and facilities management of the building.</p> <p>A director of the technology accelerator was hired in November, 2013, to move the marketing of the building in reaching its occupancy goals. During FY14, one current tenant in the building moved into a larger office space which resulted in increased rent. During 2014, the Department of Basic Sciences, UNDSMHS, became a tenant and is leasing two laboratories.</p> <p>The University of North Dakota will continue to market and lease building space.</p>
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Notes

AUP	No findings
Audit	NA
Conclusions	<p>It is reported in this report, as it has in previous reports, that the goal of construction and completion of a building was met.</p> <p>Creation of jobs continues as a work-in-progress as the current companies grow and additional companies are added.</p>
Commission Assessment	Needs Improvement

UND – Unmanned Aircraft Systems Center of Excellence

Approved by Budget Section: 3/8/2006 Award 1
 10/30/2007 Award 2
 Launch Date: May 2006

Years in Operation:	8/6	Anticipated Match:	\$7,200,000	Predicted Jobs	50
Amount Awarded:	\$2,500,000	Matching Funds:	\$14,548,990	Center	0
Amount Disbursed:	\$2,500,000	Leveraged Funds:	\$2,638,062	Private Sector	0
Amount Spent:	\$2,500,000	Total Funds Received:	\$17,187,052	Total	0

Expected Major Results

UAS pilot qualifications defined and UAS pilot standards developed for the FAA.	UND’s undergraduate degree program is self-sustaining through tuition and flight training fees. The four year bachelor degree program has over 150 degree seeking students enrolled.
Federal and private grant funding received for human factors research to ensure safe UAS flights.	Ongoing
Research-based flight curricula developed by UND and marketed to the UAS industry.	UND’s undergraduate degree program is self-sustaining through tuition and flight training fees. The four year bachelor degree program has over 150 degree seeking students enrolled.
Other UAS-related business units expanded to the Grand Forks area.	Ongoing. According to a Grand Forks Economic Development Corporation report 180 UAS related jobs have been created in the Greater Grand Forks area.
Leverage funding from the Department of Defense, U.S. Air Force, Lockheed Martin, Raytheon, FAA, and the National Institute of Health.	Ongoing. Rockwell Collins research project for certifiable UAS C2 link
Establish training methods and materials for pilots and set standards for ground-based cockpit information delivery as well as UAS flight and payload control design, potentially resulting in the commercialization of these techniques.	<p>1. Create a world-class MQ-1/9 pilot and sensor operator training program –</p> <p>COMPLETE - UND/L3 UAS Training Center at Grand Forks AFB opened on August 10, 2011</p> <p>ON GOING - actively seeking customers – CBP completed a 9- month MOU for recurrent pilot training in March 2013</p> <p>Purchase MQ-1/9 Part Task Trainers to supplement the PMATS – in process</p> <p>ON GOING – establish a Global Hawk Sensor Operator training program at Grand Forks AFB</p> <p>ON GOING – develop an international UAS training program</p> <p>2. Develop MQ-1/9 Computer Based Training (CBT) to support a pilot and sensor operator</p>

training program NLT January 2011 – COMPLETE course delivered on June 30, 2012
 3. Develop an MQ-1/9 instructor course for pilots and sensor operator instructors NLT January 2012 - ON GOING – UND UAS COE has four (4) instructor pilots in training in support of AFRL

Notes

AUP	No Findings
Audit	NA
Conclusions	The Center is continuing to add capabilities and partners in the areas of research, training and education. This Center was a contributing factor in North Dakota being designated by the FAA as one of six UAS test sites.
Commission Assessment	On Track

DSU Strom Center for Entrepreneurship & Rural Revitalization - Institute for Technology & Business

Approved by Budget Section: 6/4/2006
Launch Date: October 2006

Years in Operation:	7	Anticipated Match:	\$2,981,442	Predicted Jobs	80
Amount Awarded:	\$1,150,000	Matching Funds:	<u>\$4,407,606</u>	Center	0
Amount Disbursed:	\$1,150,000	Leveraged Funds:	\$858,366	Private Sector	85
Amount Spent:	\$1,150,000	Total Funds Received:	<u>\$5,265,972</u>	Total	85

Expected Major Results

Goal #1: Strom Center Mission and Vision	The Strom Center has re-engaged the original members of The Strom Center's Advisory Board and started to meet on a Quarterly basis in late 2013. A Quarterly newsletter was developed in 2013/2014 and is being upgraded to an electronic version in 2014/2015. No formal Strategic/Business plan was developed but is planned for early 2015. A new logo has been developed, exterior signage is being updated, interior signage is in place, a new website has been developed and is scheduled to launch September 2014. Monthly meetings with DSU Marketing.
Goal #2: Technical Assistance: Technology: BizMap Kiosk Pilot	USDA RBOG submitted to fund BizMap initiative. Pending award announcement.
Goal #3: Technical Assistance: Child Care Initiative	Ongoing technical assistance to Child Care providers, including one Center in Dickinson who successfully obtained a grant through the 2013 Legislative authorized program and expanded to add an additional 50 children. Development of the One Stop Shop Child Care Portal for the Vision West ND counties. The web based tool located at www.childcarend.com is now live and final steps to provide outreach materials to child care partners will be complete in September 2014. ND SBDC has taken over hosting duties of the Portal and is outreaching to the remaining counties in North Dakota to be included. The Portal is designed to provide simple instructions to licensers and refers possible providers to other resources through web links. A follow on effort will be completed this fall through a Child Care Convening effort in Dickinson, Minot and Williston. The purpose of this convening is to introduce all involved with the child care industry to one another and develop working relationships and knowledge of shared resources to support child care businesses.
Goal #4: Art Entrepreneurship: Department of Fine and Performing Arts	Continued technical assistance to Art Entrepreneurs and local outreach through ArtUp. Collaboration with UMary to develop a feasibility study and business plan for an Arts Center in Dickinson. Information presented to the general public but no champion identified.
Goal #5: Western North Dakota Energy Project Phase II	The Bush Foundation and Vision West ND Consortium provided additional funding to continue this project in 2013/2014. The project team is in the final stages of preparing an ongoing vision for this project to be continued.
Goal #6: TechWest	The Center was successfully funded through a Tech Based program grant in early 2014 for TechWest. Staff was recruited and started full time August 2014.

Goal #7: Program Sustainability	A Fiscal/Grants Manager was hired in June 2014. He will be responsible to support the Center's ongoing growth and management of grants and fiscal reporting responsibilities. As exhibited above the Center has made great gains in securing additional funds and moving towards sustainability of programs beyond the initial COE award.

Notes

AUP	Not Received
Audit	NA
Conclusions	The re-launch of the Strom Center has gone well. They are focusing on outreach activities with local entrepreneurs and their numbers are up over last year.
Commission Assessment	On Track

NDSU – Center for Biopharmaceutical Research & Production

Approved by Budget Section: 9/25/2008 Award 1
 5/2012 Award 2
 Launch Date: June 2009

Years in Operation:	5/2	Anticipated Match:	\$11,372,000	Predicted Jobs	40
Amount Awarded:	\$5,015,000	Matching Funds:	\$5,390,607	Center	0
Amount Disbursed:	\$2,370,520	Leveraged Funds:	\$871,659	Private Sector	0
Amount Spent:	\$2,366,000	Total Funds Received:	\$6,262,266	Total	0

Expected Major Results

Nutrition project with Sanford Health.	Sanford formed Profile Products LLC to offer new dietary products and services (“Profile”) to promote wellness and health through improved nutrition and weight management. In that regard, Sanford just hosted a Global Nutrition Summit this week wherein Sanford announced a new initiative to further R&D and commercialization of products and services like Profile that can promote health and wellness locally, nationally, and globally. Sanford wishes to involve NDSU in this new nutrition initiative, and is exploring with COE-CBRP how a R&D partnership via COE program might advance further commercialization of Profile products and services.
Nutrition project with Dakota Medical Foundation	DMF is interested in a public-private partnership with NDSU/COE-CBRP to research and develop new ways to improve nutrition in children including, but not limited to, better preparation and/or delivery of nutritious foods to school children locally (which may also become a model nationally). Since 2009, DMF has been on the front lines to combat childhood obesity in order to prevent chronic illnesses: crippling and costly diseases tied to unhealthy lifestyles including heart disease, diabetes, stroke and some types of cancer. For example, DMF has led the CassClayAlive! Program, a group of health-minded organizations in and around the Fargo community focused on promoting healthy eating and active living in childcare, schools, worksites and other community settings. DMF is interested in exploring potential new research and development projects with COE-CBRP (along with faculty members within NDSU's Colleges of Agriculture, Food Systems, and Natural Resources and Human Development and Family Science) that would focus on improved ways and methods to provide better nutrition for children in school and other environments.
The center will provide opportunities for NDSU and its partners to generate intellectual property with high potential for commercialization.	The Center currently has no private sector partners

Notes

AUP	No findings
Audit	NA

Conclusions	NDSU has indicated that it will allow the Center to expire on June 30, 2015.
Commission Assessment	Needs Improvement

NDSU – Center for Integrated Electronic Systems

Approved by Budget Section: 9/25/2008
 Launch Date: June 2009

Years in Operation:	5	Anticipated Match:	\$4,100,000	Predicted Jobs	60
Amount Awarded:	\$2,050,000	Matching Funds:	\$2,278,000	Center	1
Amount Disbursed:	\$2,050,000	Leveraged Funds:	\$1,959,867	Private Sector	6
Amount Spent:	\$2,050,000	Total Funds Received:	\$4,237,867	Total	7

Expected Major Results

Conduct marketing and business development efforts to address future center sustainability.	The Center continues to work the previous partners on additional projects and continues to look for additional partners. Added Cogi as a partner.
Identify potential entrepreneurial opportunities.	Many center partners are “start-up” or “early state” high-tech companies. The center seeks to help its partners advance new products to market and to improve existing product offerings.

Notes

AUP	No Findings
Audit	NA
Conclusions	The Center continues to work with Phone Halo, Rapid Engine and The Okori Group. A request to combine CIES and CSCC was approved by the Commission in November of 2014.
Commission Assessment	On Track

NDSU – Center for Sensors, Communication and Control

Launch Date: June 2011

Years in Operation:	3	Anticipated Match:	\$9,165,132	Predicted Jobs	72
Amount Awarded:	\$2,800,000	Matching Funds:	\$1,221,697	Center	
Amount Disbursed:	\$1,664,985	Leveraged Funds:	\$0	Private Sector	1
Amount Spent:	\$926,677	Total Funds Received:	\$1,221,697	Total	1

Expected Major Results

Development and commercialization of high-tech products that will promote private sector job creation and economic development.	Phone Halo and RapidEngine are both generating revenue. Cogi's app is complete and available in the Apple Store and Google Play.
Engage in the projects outlined in the application.	The five partners in the Center have made the expected progress toward the major results according to the timeline.
Our primary goal is to complete the first \$450,000 project with Pedigree Technologies and to engage with Pedigree on a follow-on project.	At the time of this report, the Center completed tasks on the Pedigree OneView user interface. Later, we performed testing of OneView and the integrated sensors. The OneView development included many bug fixes, feature enhancements and migration from a web interface to a native interface, e.g. Android tablet application.

Notes

AUP	No Findings
Audit	NA
Conclusions	<p>Cogi and Phone Halo have increased their commitments to CSCC and have additional projects in the works.</p> <p>Pedigree Technologies, The Okuri Group and Rapid Engines have chosen not to pursue further projects. The Commission approved this change in April of 2015.</p> <p>A request to combine CIES and CSCC was approved by the Commission in November of 2014.</p>
Commission Assessment	On Track

UND – Center of Excellence in Space Technology and Operations

Approved by Budget Section: 9/25/2008
 Launch Date: June 2009

Years in Operation:	5	Anticipated Match:	<u>\$3,220,000</u>	Predicted Jobs	25
Amount Awarded:	\$1,000,000	Matching Funds:	\$195,000	Center	0
Amount Disbursed:	\$115,510	Leveraged Funds:	<u>\$40,200</u>	Private Sector	0
Amount Spent:	\$113,455	Total Funds Received:	\$235,200	Total	0

Expected Major Results

<p>International Space Station AgCam Operations:</p> <p>ISSAC systems operation center will be completed in 2009; The first student operators will be hired and trained in 2009; Initial ISSAC on-orbit operations will begin in 2009; and Student operators will graduate and become available for CICERO positions. New students will be hired and trained, gaining operator experience.</p>	<p>Project delayed due to lack of matching funds</p>
<p>At GeoOptics, the University of Colorado-Boulder completed their “flat-sat” benchtop risk-reduction prototype of the CICERO Pathfinder spacecraft design and presented their results to GeoOptics. At the completion of UC-Boulder’s activities, GeoOptics suspended further technical work on Pathfinder and CICERO pending additional investment funding</p>	<p>Company officials continue to seek funding</p>
<p>Collaborative Research:</p> <p>UND research will begin using Radio Occultation (RO) data from COSMIC, CICERO’s predecessor prototype; Recruit and hire post-doctoral researcher and initial graduate students. Investigate full benefits of RO data using CICERO’s new operating capability.</p>	<p>Final UND student research activities were completed in August 2014. This resulted in a Master’s thesis</p>

Notes

AUP	No findings
Audit	NA
Conclusions	This Center’s award was terminated on December 31, 2014.
Commission Assessment	Needs Improvement

UND Research Foundation – Center for Passive Therapeutics

Approved by Budget Section: 9/25/2008
 Launch Date: June 2009

Years in Operation:	5	Anticipated Match:	<u>\$8,400,000</u>	Predicted Jobs	60
Amount Awarded:	\$2,650,000	Matching Funds:	\$6,554,467	Center	0
Amount Disbursed:	\$2,650,000	Leveraged Funds:	<u>\$0</u>	Private Sector	0
Amount Spent:	\$2,650,000	Total Funds Received:	\$6,554,467	Total	0

Expected Major Results

Complete Biosafety Level-3 (BSL-3) and research laboratories in 6 months.	This has been done to the extent possible with available funding.
UNDRF, Avianax, and Aldevron agreement is reached within 6 months.	This has been done; are currently working with Aldevron on several projects.
Research benchmarks accomplished; pre-clinical studies on therapeutic candidates for West Nile Virus within 2 years.	This did not happen in two years; however, the pre-clinicals are done for the West Nile Virus.
Production of antibodies to H5N1 Avian Influenza within 2 years.	This did not happen in two years; however, it has been completed
UND Research Foundation receives 2nd year federal funding within the first 15 months.	Completed
Schiltz Goose R&D acquires and fits-out a hatchery and creates 10 new jobs by end of 2nd year.	These numbers have not been met yet.
Finish preclinical work on Rabies, Dengue Fever, Malaria and Avian Influenza	Work is continuing
Avianax will engage in and complete the Phase II STTR (Department of Defense) and collaborate with Aldevron and USAMRIID and UND.	Met and continues
Avianax will complete research on, license, manufacture and commercialize Parvo One.	Significant progress has been made.
Avianax will continue and complete pre-clinical research and development of its "Plug & Play Technology," utilizing goose antibodies for the treatment of viral diseases.	Progress goals have been met.

Notes

AUP	No findings
Audit	NA
Conclusions	The center has accomplished many of the goals outlined in the original application but long term sustainability after COE funds have been expended is questionable.
Commission Assessment	Needs Improvement

UND –Petroleum Research, Education, and Entrepreneurship Center

Approved by Budget Section: 9/25/2008

Launch Date: June 2009

Years in Operation:	5	Anticipated Match:	\$7,958,373	Predicted Jobs	100+
Amount Awarded:	\$3,000,000	Matching Funds:	\$8,002,699	Center	13.66
Amount Disbursed:	\$3,000,000	Leveraged Funds:	\$264,534	Private Sector	0
Amount Spent:	\$2,933,095	Total Funds Received:	\$8,267,233	Total	13.66

Expected Major Results

Improve understanding of the geology, geophysics, and petroleum characteristics of the Williston Basin	Ongoing
Characterization of the diagenesis of Bakken Formation middle member	<p>1) Preparation of additional thin sections. Existing thin sections are not sufficient to characterize middle member diagenesis, and approximately 100 additional sections have to be made.</p> <p>2) Petrographic analysis of thin sections for compositional, diagenetic, and fabric characteristics.</p> <p>3) Relate diagenetic properties of the middle member to lithofacies and production history of each well.</p> <p>These tasks were being conducted largely by a Geology graduate student and comprise research for an MS thesis in Geology. All activities are complete, and the student has completed her thesis and graduated.</p>
Determination of stratigraphy, depositional environments, and petroleum geology of the Three Forks Formation.	<p>We are identifying individual members within the Three Forks, correlating them into North Dakota, describing the lithologic characteristics of the formation, as represented in cores, interpreting depositional environments, and assessing the petroleum potential of the formation.</p> <p>These tasks are being conducted partly by a Geology graduate student and comprise research for a PhD dissertation in Geology. The dissertation has been completed and the student has graduated. This remains an area of ongoing activity, and the overall tasks are approximately 75% complete.</p>
Characterization of the stratigraphy and petroleum potential of the Spearfish Formation in north-central North Dakota.	<p>The Spearfish Formation has been an important producing unit in north-central North Dakota since the mid-1950s, and is the principal producer in 17 fields. Recently, considerable exploration has been done in the Spearfish and equivalent rocks in Manitoba, using horizontal drilling, and some significant discoveries have been made. We intend to characterize the Spearfish in north-central North Dakota, specifically its potential for production using horizontal wells. These tasks are being conducted largely by a Geology graduate student and comprise research for an MS thesis in Geology. All activities are complete, and the student has completed his thesis and graduated.</p>
Address environmental and policy issues of petroleum exploration and production	<p>UND began offering a Bachelor's of Science Degree in Petroleum Engineering in Fall 2010, starting with an enrollment of 90 students. Initial startup of the degree program was accomplished using existing faculty to teach introductory petroleum engineering courses. There are now 4.5 petroleum</p>

	<p>engineering faculty, with 2 additional positions currently being advertised. Approximately 275 undergraduate students have enrolled for the Fall 2014 semester. There have been 8 students who have graduated in the program, and the future rate is anticipated to be in the range of 20-40 graduates per year.</p>
Help entrepreneurs develop new businesses and industry	<p>We have partnered with Advanced Aqua Group, T & T Solutions, Inc. and DPS Technology to develop different systems for extracting minerals from brines and cleaning brines, and partnered with Deep Earth Energy Production who will be installing an EGS type geothermal demonstration plant in Saskatchewan. Other entrepreneurs that we continue to work with to develop new technologies for cleaning up oil-related problems (tank cars, oil spills, soil contamination, etc.) include Goldstryke (Elder and Haas).</p>

Notes

AUP	<p>Finding 1: The Functional Review reported cumulative amounts disbursed to the Center of \$3,002,289 on the Functional Review for fiscal year ended June 30, 2014. This should have only been \$3,000,000.</p> <p>Center Response: We concur with the finding concerning the amount of award disbursed to the Center in the Functional Review. UND will correct this section of the Functional Review and resubmit the full report to the North Dakota Department of Commerce.</p> <p>Finding 2: The Functional Review should plan, publish, and follow a budget for each fiscal year. The Center had a budget, but the Center's expenditures did not follow the budget. Furthermore, the Project Investigator implied that the Center used budgets very generally and in the end used funds as it saw fit.</p> <p>Center Response: We concur with the finding concerning the budget to actual expenditure difference during the fiscal year ending June 30, 2014. While we believe the Center's expenditures were appropriately allocated to PREEC State funds, we will continue to work with the Center in order to implement the process stated in the above recommendation.</p> <p>Finding 3: Noted during fiscal year ended June 30, 2014, the Center reported incorrectly reported the amount paid for professional and social services to North Dakota entities.</p> <p>Center Response: We concur with the finding concerning the amounts reported on the EISDF page of the submitted Functional Review. UND will correct this section of the Functional Review and resubmit the full report to the North Dakota Department of Commerce.</p> <p>Commerce Response to Findings 1, 2 & 3: A corrected Functional Review has been submitted to the Department of Commerce.</p>
Audit	NA
Conclusions	Center continues to be actively engaged with private sector partners. Just under \$100,000 remains of the reward. These funds are being retained to pay for the removal of the geothermal power unit at the end of the field test.
Commission Assessment	On Track

UND – SUNRISE BioProducts Center of Excellence for Chemicals, Polymers and Composites

Approved by Budget Section: 9/25/2008
 Launch Date: June 2009

Years in Operation:	5	Anticipated Match:	\$9,165,132	Predicted Jobs	50
Amount Awarded:	\$2,950,000	Matching Funds:	\$3,106,490	Center	0.13
Amount Disbursed:	\$2,274,495	Leveraged Funds:	\$1,035,053	Private Sector	0
Amount Spent:	\$2,255,586	Total Funds Received:	\$4,141,543	Total	0.13

Note: A \$6.6 million federal earmark originally expected as match was not approved

Expected Major Results

At least 3 new direct jobs created in ND. At least two of these jobs will have a salary in the range of \$40,000 -120,000	Depends upon licensing agreement – not achieved to date
A development agreement for pilot scale facilities will be executed	Depends upon licensing agreement – not achieved to date
Bench-scale research for extraction and recovery of aromatics will be completed.	Complete
Lab-scale research for a noncatalytic cracking process to generate aromatics will be completed	90% Complete
Renewable aromatics samples will be sent to Bayer Material Science for evaluation and synthesis into polyurether	On hold pending funding
Synthesis of vinyl acetate monomer from renewable sources will be accomplished with a commercial partner	Complete
Bench-scale research for improved decarboxylation catalyst completed	Complete
Pilot facility designed and constructed for based cracking process	Preliminary design complete; remainder pending license agreement
Lab-scale evaluation of glycerin as a coal combustion enhancer completed	Complete
Planning meeting held for CICI Site expansion	Complete
At least 4 membership agreements executed for CICI Site expansion and full proposal submitted to NSF for approval	Cancelled when NSF declined UND application to join the CICI
Lab-scale research for renewable high grade carbon completed	Complete
Preliminary evaluation of renewable carbon fibers Completed	Complete

Notes

AUP	No findings
Audit	NA

Conclusions	This Center's award was terminated on December 31, 2014. The Center made progress towards its technical goals, however it did not result in the proposed commercial activity as their private sector partner was unable to secure financing for construction of a demonstration plant.
Commission Assessment	Needs Improvement

NDSU – Center for Advanced Technology Development and Commercialization

Approved by Budget Section: 6/22/2010
 Launch Date: November 2012

Years in Operation:	1	Anticipated Match:	\$7,800,000	Predicted Jobs	6
Amount Awarded:	\$3,900,000	Matching Funds:	\$68,573	Center	0
Amount Disbursed:	\$233,357	Leveraged Funds:	\$0	Private Sector	0
Amount Spent:	\$166,539	Total Funds Received:	\$68,573	Total	0

Expected Major Results

Hire all necessary staff to service this center.	Ongoing
Triton Systems, Inc. remains interested in advanced development and commercialization of NDSU’s proprietary Si6H12-based technologies and associated IP.	They are now exploring joint R&D with the Center.
Meet the deadlines and objectives specified in research, development, and commercialization agreements with the private sector partners.	Ongoing.
Tecton, a new private sector partner, approached the Center late in the reporting period.	We are in discussion about an R&D project.
PPG, a new private sector partner, asked CATCOM to undertake commercially-driven R&D concerning development and testing of improved optical materials (based upon material/product specifications provided by the company).	Those projects ended during the reporting period.
TAG and the Center are continuing two current protective coating-related R&D projects.	Ongoing.
TAG has expressed an interest in a potential third R&D project. Discussion about statement of work, deliverables, timetable, and budget will be initiated once study results from the existing projects are available.	

Notes

AUP	No findings
Audit	No findings
Conclusions	The Center was launched in November of 2012. New partners and projects have been added, including Gelest, Inc., c2sensors and Northrup Grumman.
Commission Assessment	Assessment not needed until after June 30, 2016

DCB - Entrepreneurial Center for Horticulture

Approved by Budget Section: 9/25/2008
 Launch Date: June 2011

Years in Operation:	3	Anticipated Match:	\$889,418	Predicted	18
				Jobs	
Amount Awarded:	\$400,000	Matching Funds:	\$717,571	Center	0
Amount Disbursed:	\$400,000	Leveraged Funds:	\$381,439	Private Sector	.58
Amount Spent:	\$336,532	Total Funds	\$1,099,010	Total	0.58
		Received:			

Expected Major Results

Within 5 years of the initial award funds draw, it is anticipated that 377 entrepreneurs will have utilized the center to enhance their economic situation and thereby grow the ND economy.	Data collection indicates that 100 producers have received assistance through ECH. Several have begun new businesses or expanded existing production with the assistance of ECH.
Within 10 years, at least 150 producers will have constructed season extension growing facilities as a result of their involvement with the center.	This measure has not yet been evaluated.
Complete construction of wash/pack facility and final greenhouse	The facilities are complete and operational and waiting for final Federal EDA approval.
Apply for at least two major grants to supply operational funding for the Center	Two grants were written in the timeframe. One has been initially approved and is awaiting final approval. The other was not submitted due to problems with our University partner's process for grant submittal.
Complete applied research in compost tea (from DCB dining services) as a means for increasing high tunnel fertility.	Ongoing. Compost tea/production will be used and monitored over the next several years.
Network with national colleagues by presenting at the National Women's Food and Agriculture Network conference in November in Iowa.	Complete
Complete the goals of the current RBOG grant by facilitating new businesses and food systems in the REAP zones.	The Center produced specific information and educational packets for producers in REAP zones, provided in-person visits to producers and technical assistance targeted specifically at producers in REAP zones and used the demonstration facilities at Dakota College to engage these producers.

Notes

AUP	<p>Finding: Expenditures for job creation, payroll and benefits were not included in the Economic Impact portion of the Functional Review.</p> <p>Center Response: We concur with the finding concerning. The Center will correct the Economic Impact section resubmit the full report to the North Dakota Department of Commerce.</p>
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	Commerce Response to Findings: A corrected Functional Review has been submitted to the Department of Commerce.
Audit	NA
Conclusions	Center is working with producers and seems to be accomplishing what it set out to do. COE Commission granted a requested timeline extension to June 30, 2017.
Commission Assessment	On Track

Centers of Excellence Released from Post-Award Monitoring

BSC – National Energy Center of Excellence

Approved by Budget Section: 12/15/2005

Launch Date: February 2006

The BSC National Energy Center of Excellence was released from post-award monitoring by the Centers of Excellence Commission as per N.D.C.C. § 15-69-04.

UND EERC – National Center for Hydrogen Technology

Approved by Budget Section: 12/15/2005

Launch Date: February 2006

The UND – EERC National Center for Hydrogen Technology was released from post-award monitoring by the Centers of Excellence Commission as per N.D.C.C. § 15-69-04.

VCSU Enterprise University

The VCSU Enterprise University was closed and unspent funds of \$200,545.51 were returned to the General Fund in December of 2011.

WSC – Petroleum Safety and Technology Center

Approved by Budget Section: 3/8/2006

Launch Date: May, 2006

The WSC Petroleum Safety and Technology Center was released from post-award monitoring by the Centers of Excellence Commission as per N.D.C.C. § 15-69-04.

COE Enhancement

UND – UAS Software Curriculum & Development

Launch Date: March 2011

Years in Operation:	3	Anticipated Leverage:	\$192,806	Predicted Jobs Center	2
Amount Awarded:	\$600,000	Matching Funds:	NA	Private Sector	0
Amount Disbursed:	\$600,000	Leveraged Funds:	\$192,803	Total	0
Amount Spent:	\$598,114	Total Funds Received:	\$192,803		

Expected Major Results

Delivery of the Introduction, Cockpit Ground Control Station Overview, Crew Coordination, Ground Control Station Displays, and Pedestal Controls.	Complete.
Delivery of Pilot/Sensor Operator Menus, MQ-9 Propulsion, Introduction to MQ-9 Tactical Employment, and MQ-9 Electrical System.	Complete.
Delivery of the MQ-9 Fuel System, Data links Autopilot, and MQ-9 Limitations and Performance Charts.	Complete.
Delivery of Flight Controls and Landing Gear, Handover Academics, ARC-210 Radio System, IFF Transponder System, Command and Control, and Pre-program Missions.	Complete.
Final delivery and implementation of MQ-series training curriculum.	The MQ-9 curriculum was delivered within budget. Leveraged MQ-9 curriculum to submit proposals to Flight Safety International (FSI) and Federal Aviation Administration (FAA) for Predator training contracts

Notes

AUP	<p>Finding 1: The Functional Review should report expenditures to North Dakota entities for the fiscal year ended June 30, 2014. Two expenditures tested that were listed on the Economic Impact Data Form were made to entities outside of North Dakota.</p> <p>Center Response: We concur with the finding concerning the expenditures listed in the Economic Impact Data section of the submitted Functional Review. UND will correct this section of the Functional Review and resubmit the full report to the North Dakota Department of Commerce.</p>
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	Commerce Response: A corrected Functional Review has been submitted to the Department of Commerce.
Audit	NA
Conclusions	The UND/L3 UAS Training Center is operational. Center is actively seeking additional training contracts, but has not yet secured the level of contracts anticipated in the proposal.
Commission Assessment	Needs Improvement

UND – UAS Research, Education, & Training Enhancement Grant

Launch Date: December 2010

Years in Operation:	3	Anticipated Leveraged:	\$1,750,000	Predicted Jobs	10
Amount Awarded:	\$2,754,000	Matching Funds:	NA	Center	.28
Amount Disbursed:	\$2,254,000	Leveraged Funds:	\$1,357,961	Private Sector	0
Amount Spent:	\$2,715,668	Total Funds Received:	\$1,357,961	Total	.28

Expected Major Results

Complete renovation of Building 607 at the Grand Forks Air Force Base (GFAFB).	Complete
Procurement, retrofit and stationing of one PMATS simulator in building 607 on Grand forks AFB	Complete
Hire and train pilot and sensor instructors.	Complete
A training contract with Customs and Border Patrol	Not Complete
Training begins once Tasks 1-4 complete	Not Complete
Build a competitive core, including infrastructure and personnel to support research and development of unmanned systems human factors issues at Grand Forks AFB	Ongoing- working with the Air Force Research Laboratory (AFRL) thru a cooperative research agreement to develop a MALE pilot training program - \$5.48 M grant began in April 2011
Testing and evaluation for pilot selection for unmanned aircraft systems: Predictors of UAS pilot training success	Ongoing- working with the AFRL thru a cooperative research agreement to develop a MALE pilot training program - \$5.48 M grant began in April 2011
Remodeling of laboratory space and acquisition of test equipment	On going
Advertising the capabilities and availability of laboratory facilities.	On going
Establishing procedures for use of the facility	Complete
Contracting with first customers	Not Complete

Notes

AUP	<p>Finding: The Functional Review should report receipt transactions occurring during the fiscal year ending June 30, 2014. The Center reported cumulative receipts disbursed to the Center of \$2,254,000 while the amount reported should be \$2,754,000.</p> <p>Center Response: We concur with the finding concerning the cumulative receipt transactions reported in the Functional Review. UND will correct the first page of the Functional Review and resubmit the full report to the North Dakota Department of Commerce.</p> <p>Commerce Response to Findings: A corrected Functional Review has been submitted to the Department of Commerce.</p>
Audit	NA

Conclusions	The AFRL Cooperative Agreement is using the PMATS for instructor qualification, student training and AFRL personnel training. The expected usage over the 3-year period is 200-250 hours. Instructor qualification training began in FY14. The Center continues to pursue a long-term training customer.
Commission Assessment	Needs Improvement

UND – Law Enforcement & Public Safety Agency Small UAS Course

Launch Date: May 2012

Years in Operation:	2	Anticipated Leverage:	<u>\$74,970</u>	Predicted Jobs	8
Amount Awarded:	\$230,000	Matching Funds:	NA	Center	0
Amount Disbursed:	\$230,000	Leveraged Funds:	<u>\$74,970</u>	Private Sector	0
Amount Spent:	\$226,952	Total Funds Received:	\$74,970	Total	0

Expected Major Results

Completion and acceptance of the sUAS curriculum and software.	Completed September 30, 2012
Establish a UAS Research Compliance Committee that is chartered to review and approve all research using UAS conducted by any members of the University including faculty, staff and students. The committee considers the ethical consequences of the proposed research and applies community standards in determining whether a research project may be approved	Complete
The University operates two sUAS aircraft in support of local law enforcement and first responders in a 16-county wide Certificate of Authorization and Waiver (COA) in the Northeast corner of North Dakota. Also, UND requested night sUAS operations.	Complete and ongoing

Notes

AUP	<p>Finding: The Functional Review submitted for the fiscal year ended June 30, 2014 indicated that the timeline of the grant has not deviated from the initial timeline provided with the application. However, an extension of the project to June 30, 2015 was applied for and approved by The North Dakota Department of Commerce.</p> <p>Management’s View and Corrective Action: We concur with the finding concerning the response to the timeline question in the submitted Functional Review. UND will correct this section of the Functional Review and resubmit the full report to the North Dakota Department of Commerce.</p> <p>Commerce Response: A revised functional review has been received.</p>
Audit	No findings
Conclusions	<p>Professor Al Frazier is working with the Grand Forks Sheriff's Office on the use of sUAS operations in law enforcement.</p> <p>UND is factory-authorized trainer for the Draganfly aircraft for both day and night operations.</p> <p>The UND UAS COE is actively working with Lake Region State College to include the Law Enforcement and Public Safety sUAS course their Law Enforcement training program.</p>
Commission Assessment	No assessment needed until after June 30, 2016

UND CFI – V2 Aerospace, Inc. Technical Assistance Request

Launch Date: September 2011

Years in Operation:	2	Anticipated Leverage:	<u>\$115,000</u>	Predicted Jobs	9
Amount Awarded:	\$370,000	Matching Funds:	NA	Center	0
Amount Disbursed:	\$370,000	Leveraged Funds:	<u>\$43,820</u>	Private Sector	0
Amount Spent:	\$370,000	Total Funds Received:	\$43,820	Total	0

Expected Major Results

The project was on hold during the reporting period due to delays in approval of North Dakota's UAS test site by FAA	No activity
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Notes

AUP	No findings
Audit	No findings
Conclusions	V2 may become a viable company when the UAS Test Site becomes operational and Grand Sky park is developed.
Commission Assessment	No assessment needed until June 30, 2015

NDSU – Materials & Nanotechnology Center

Launch Date: September 2011

Years in Operation:	2	Anticipated Leverage:	\$0	Predicted Jobs Center	0
Amount Awarded:	\$1,000,000	Matching Funds:	NA	Private Sector	4.05
Amount Disbursed:	\$1,000,000	Leveraged Funds:	\$0		0
Amount Spent:	\$1,000,000	Total Funds Received:	\$0	Total	0

Expected Major Results

Complete the inside of the building by the end of spring 2010.	Complete
Have the building fully functional with faculty, graduate students, and enough research infrastructure to support an active research environment.	Complete
Obtain a large (>\$1M) grant for the Center	Unsuccessful to date
Recruit industrial partners	Unsuccessful to date

Notes

AUP	No findings
Audit	No findings
Conclusions	The Center serves as a venue for academic research, applied research, teaching, student seminars and distinguished lectures by visiting faculty from around the country and the world. It houses well over \$1M in research equipment and infrastructure and produces 10-20 publications per year as well as multiple grant and pending grant applications. A new MNT faculty member will occupy lab and office space. There are now four full time NDSU faculty in the MNT space. This person has \$400,000 in startup funding that will go into the space, mostly new equipment, but also to create jobs for graduate students, undergraduates and research assistants.
Commission Assessment	No assessment needed until after June 30, 2015

NDSU – Research 1 Expansion

Launch Date: January 2011

Years in Operation:	3	Anticipated Leverage:	\$5,000,000	Predicted Jobs	10
Amount Awarded:	\$4,000,000	Matching Funds:	NA	Center	0
Amount Disbursed:	\$4,000,000	Leveraged Funds:	\$3,613,348	Private Sector	0
Amount Spent:	\$3,903,976	Total Funds Received:	\$3,613,348	Total	0

Expected Major Results

Complete construction of the new facility.	Complete.
The new facility will enhance NDSU’s ability to interface with private industry on research, development, and commercialization efforts.	Dr. Boudjouk has exhibited the facility to over a dozen potential private sector partners.

Notes

AUP	No findings
Audit	NA
Conclusions	The laboratories/centers in the new facility include: Combinatorial Materials Research Laboratory, Bioactive Materials Research Lab, Center for Nanoscale Energy-Related Materials, and ND EDCOE Centers (Center for Surface Protection, Center for Advanced Technology Development and Commercialization, and the Center for Technologically Innovative Products and Processes).
Commission Assessment	On Track

UND – Grand Forks Air Force Base Realignment Business Transition Program

Launch Date: June 2011

Years in Operation:	3	Anticipated Leverage:	\$100,000	Predicted Jobs	50
Amount Awarded:	\$200,000	Matching Funds:	\$55,389	Center	0
Amount Disbursed:	\$199,998	Leveraged Funds:	\$116,880	Private Sector	0
Amount Spent:	\$200,000	Total Funds Received:	\$172,269	Total	0

Expected Major Results

Business Starting Procurement: 3	A new business start-up for the purposes of this project is defined as one that has completed its registration in the Central Contractor Registry (CCR), a requirement for all businesses to compete for government contracts and is new to business procurement activity. The project has assisted three companies in accessing their first contract.
Facilitate at least \$2.5 million in capital infusion into ND small businesses in the Grand Forks Base region in the form of loans, equity and contracts	The project has realized capital infusion of \$25,709,521 received by clients of the program.
Provide at least 950 hours of consultation/training	The Procurement Managers have delivered 1,362 hours of one-on-one consultation to businesses seeking procurement assistance through this project.
Client jobs created/retained: 40	Client jobs created/retained as reported by businesses realizing growth 13 jobs created/151 jobs retained
Serve at least 50 nascent and existing entrepreneurs.	The project has served 143 distinct clients for one-on-one consultation, and 111 clients receiving training during the reporting period, far exceeding the milestone of 50 clients served.
Design and execute at least three specific training events for businesses wanting to pursue subcontract opportunities presented as a result of the base realignment	14 Training events held
Training Attendees: 30	Attendees at the training events totaled 111
Hold at least one joint initiative with Impact Foundation Procurement Technical Assistance Center to facilitate subcontract opportunities for ND companies seeking such business	The Procurement Managers partnered with Impact Foundation to participate in at least five webinar presentations with Impact Foundation and SBA.

Notes

AUP	<p>Finding 1: The Center was unable to produce supporting documentation for \$65,784 of Leveraged DETA funds received during the fiscal year ended June 30, 2014</p> <p>Center Response: We concur with the finding concerning the leveraged funds supporting documentation included in the Functional Review. UND was able to provide supporting documentation in excess of \$65,784. We were unable to provide specific detail of cash movement due to multiple projects set up under one award and the obligation of drawing funds through Letter of Credit. A Letter of Credit is a request for reimbursement to one agency for multiple awards funded by said agency. This issue has since been resolved as any new funding from this agency is set up as a separate award rather than multiple projects under one award.</p> <p>Commerce Response: A corrected Functional Review has been submitted to the Department of Commerce.</p>
Audit	No findings
Conclusions	The Center has been operational for three years has met or exceeded most of the goals of the initial application.
Commission Assessment	On Track

UND CFI – Certificate Programs for Full Motion Video and Activity-Based Intelligence Analysis

Launch Date: June 2011

Years in Operation:	3	Anticipated Match:	\$917,500	Predicted Jobs Center	5
Amount Awarded:	\$746,000	Matching Funds:	NA	Private Sector	0
Amount Disbursed:	\$746,000	Leveraged Funds:	\$0	Total	0
Amount Spent:	\$746,000	Total Funds Received:	\$0		

Expected Major Results

Marketing efforts for this curriculum will continue as UAll develops relationships	The project was on hold during the reporting period due to delays in approval of North Dakota’s Test Site by the FAA
UAll will utilize the body of work in this curriculum to develop other UAS related training materials	
Actively seek new customers for the curriculum.	

Notes

AUP	No findings
Audit	NA
Conclusions	The project was on hold during the reporting period due to delays in approval of North Dakota's UAS Test Site by the FAA.
Commission Assessment	Needs Improvement

Centers of Research Excellence

NDSU – Center for Life Sciences Research and Applications

Launch Date: December 2012

Years in Operation:	1	Anticipated Match:	\$2,700,000	Predicted Jobs	23
Amount Awarded:	\$1,350,000	Matching Funds:	\$0	Center	0
Amount Disbursed:	\$250,000	Leveraged Funds:	\$0	Private Sector	0
Amount Spent:	\$196,753	Total Funds Received:	\$0	Total	0

Expected Major Results

Hire all necessary personnel to adequately staff this center	On going
An updated bioinformatics R&D plan is still under development by CORE-CLS and Sanford Research personnel.	Pending certain developments within Sanford Health/Sanford Research that may bear upon CORE-CLS, Sanford Health intends to provide the CORE-CLS center its feedback on the plan, job description, and proposed budget in August, 2014.

Notes

AUP	NA
Audit	No findings
Conclusions	The Center is currently working with its private sector partners to modify the original scope of work to meet the private sector partner’s current needs.
Commission Assessment	Assessment not needed until after June 30, 2016

NDSU – Center for Technologically Innovative Processes and Products 1 & 2

Launch Date: September 2012

Years in Operation:	1	Anticipated Match:	\$3,167,500	Predicted Jobs Center	22
Amount Awarded:	\$1,331,250	Matching Funds:	<u>\$112,258</u>	Private Sector	0.3
Amount Disbursed:	\$130,000	Leveraged Funds:	\$0	Total	0
Amount Spent:	\$94,674	Total Funds Received:	<u>\$112,258</u>		0.3

Expected Major Results

Serve as a resource to the primary sector	To date, we have completed projects with several companies, started and completed phase two projects with companies, and stand ready to assist other companies as needed. These needs are driven by the companies, not by CTIPP personal timeframes. CTIPP has also engaged additional partners in C2Renew and NoDak Coolers.
Projects will be advancing steadily and job creation should be demonstrable (Yrs 2-3)	Projects continue to advance, no projects have reached commercial stage and no new jobs have been reported.
Sustainability projects may be providing a significant source of funding for the Center (Yrs 3-4)	NA

Notes

AUP	No findings
Audit	NA
Conclusions	The Center has made progress in engaging private partners.
Commission Assessment	Assessment not needed until after June 30, 2016

UND – Center for Avian Therapeutics for Infectious Diseases

Launch Date: August 2012

Years in Operation:	1	Anticipated Match:	<u>\$1,400,000</u>	Predicted Jobs	20
Amount Awarded:	\$700,000	Matching Funds:	\$0	Center	2
Amount Disbursed:	\$700,000	Leveraged Funds:	<u>\$0</u>	Private Sector	0
Amount Spent:	\$697,766	Total Funds Received:	\$1,429,151	Total	2

Expected Major Results

Development and testing of ParvoOne on dogs with Avianax.	Testing was successful.
Work with architect and contractors to remodel space in REAC1 so that ParvoOne can be produced there	Ongoing

Notes

AUP	No findings
Audit	No findings
Conclusions	In conjunction with the “Research, Development and Commercialization of ParvoOne” Research North Dakota grant, ParvoOne vaccine for dogs has been determined to be ready for commercialization. The remodeling necessary for ParvoOne to be produced commercially at REAC1 are being discussed.
Commission Assessment	Assessment not needed until after June 30, 2016

NDSU – Center for Biobased Materials, Science & Technology

Launch Date: June 2014

Years in Operation:	<1	Anticipated Match:	\$3,315,000	Predicted Jobs Center:	267
Amount Awarded:	\$1,132,500	Matching Funds:	\$1,429,051	Private Sector:	0
Amount Disbursed:	\$75,000	Leveraged Funds:	\$0	Total:	0
Amount Spent:	\$0	Total Funds Received:	\$1,429,151		

Expected Major Results

Discussions are currently being held with center partners to develop their project proposals	Active discussion are underway with Akzo-Nobel, Zymergen, Tecton, c2renew, and Earth-Kind and we expect that their projects will be established soon. Two new partners have been proposed for the center and we are awaiting approval: BioAmber and Composites Innovation Center. BioAmber has already received a project proposal from us and plans on executing the project. Active discussions are being held with the Composites Innovation Center.
Recruit four partners for the Center	Ongoing

Notes

AUP	No findings
Audit	NA
Conclusions	The Center is proposing projects to current partners and recruiting additional partners.
Commission Assessment	Assessment not needed until after June 30, 2017

Limited Deployment Cooperative Airspace Project

UND – Limited Deployment Cooperative Airspace Project

Launch Date: November 2011

Years in Operation:	2	Anticipated Leverage:	\$4,100,000	Predicted Jobs Center:	0
Amount Awarded:	\$2,700,000	Matching Funds:	NA	Private Sector:	0.48
Amount Disbursed:	\$2,700,000	Leveraged Funds:	\$3,610,893	Total:	6.77
Amount Spent:	\$2,167,441	Total Funds Received:	\$3,610,893		7.25

Expected Major Results

Standard ADS-B Vendor Selection	Completed
Standard ADS-B Installation	All but a couple of units have been installed. The remaining units are spoken for, and we are working with pilots to install them at a time that works for them. (e.g. a crop-sprayer plans to install this fall)
Enhanced ADS-B Design Review	Completed
Enhanced ADS-B prototype review	Completed
ADS-B Installer and Operator Training Modules	Completed
Radar Control Processor Design	Completed
Components of Prototype RCP System	Completed thru the use of simulations
Develop Primary Radar Usage Schedule	Completed
Design and Develop Radar Data Provision System	Completed thru the use of simulations
Enhanced ADS-B Flight Testing	Delayed owing to challenges with the FAA. It is scheduled for spring 2015 and will be completed by Appareo.
Enhanced ADS-B Installation	This has been delayed owing to the challenges Appareo Systems has encountered. It is scheduled for fall 2015-spring 2016.
Radar Generated Synthetic ADS-B Message	This has been simulated and was evaluated during flight tests in August 2013.

Support CASA testing	Test flights have been executed with 147 encounters. ADS-B can be effectively utilized as a sense and avoid data source.
Final Report	Not yet completed

Notes

AUP	No findings
Audit	NA
Conclusions	Project continues to move forward. There has been a delay in the progress of the project due to some issues between Appareo and the FAA.
Commission Assessment	No assessment needed until after June 30, 2015

NDSU ADS-B Miniaturization Program (LD-CAP)

Launch Date: November 2011

Years in Operation:	2	Anticipated Leverage:	\$1,400,000	Predicted Jobs	0
Amount Awarded:	\$1,300,000	Matching Funds:	NA	Center	0
Amount Disbursed:	\$1,300,000	Leveraged Funds:	\$2,911,292	Private Sector	0
Amount Spent:	\$801,755	Total Funds Received:	\$2,911,292	Total	0

Expected Major Results

Transfer reference design knowledge from Appareo System's baseline product.	Complete
Complete a system architecture assessment.	Complete
Establish development process plans.	Complete
System Architecture Assessment	Complete
Design and Prototype Miniaturized ADS-B Functionality	In progress. The first prototype design was completed consisting of several separate functional blocks for an ADS-B transmitter. The next iterations will integrate these separate functions together into one chip.
ADS-B Integrated circuit chip design	A prototype integrated circuit design was completed consisting of functional blocks for an ADS-B radio frequency transmitter. This design was sent to a semiconductor fabrication company and prototype components were fabricated and provided to NDSU. Test and characterization was completed. These results will feed into the next iteration of the design where further integration of the functional blocks will be the focus.

Notes

AUP	No findings
Audit	NA
Conclusions	The end-to-end cycle of design, simulation, verification, fabrication, and testing for a radio frequency integrated circuit was accomplished successfully for the first time at NDSU and perhaps in the state of ND.
Commission Assessment	No assessment needed until after June 30, 2015

CORE Base Realignment

UND – Global Hawk Sensor Operator Part Task Trainer

Launch Date:	December 2011				
Years in Operation:	2	Anticipated Leverage:	\$11,060,000	Predicted Jobs	15
Amount Awarded:	\$878,204	Matching Funds:	NA	Center	0.25
Amount Disbursed:	\$850,527	Leveraged Funds:	\$11,745,375	Private Sector	0
Amount Spent:	\$756,663	Total Funds Received:	\$11,745,375	Total	0.25

Expected Major Results

<p>Completion of the Global Hawk Sensor Operator Part Task Trainer (PTT):</p> <p>1) develop a fully-functioning PTT prototype</p> <p>2) configure the PTT prototype to support initial USAF operational training needs.</p>	<p>There are six (6) interface screens required to conduct the selected SO training mission. Two of the interfaces are complete, the third and fourth will be complete by the end of August 2014, and the remaining two will be developed during September and October. In addition, the interface to a third party flight model and Instructor Operation Station (IOS) is underway. Acquisition and integration of the PTT hardware was successfully completed during the period</p>
<p>Completion of the joint UND-NGC Business Capture plan for offering a fee-for-service training capability.</p>	<p>Northrop Grumman intends to put together a business development plan to address USAF needs in a phased approach: (1) initial training needs that may be able to be met using the PTT demonstrator capabilities at the end of this project; (2) an expanded scope of training needs that could be addressed with further operational capability investments in the PTT; and (3) related sensor operator training that could be addressed through modifications of the PTT for other Global Hawk variants, such as the Block 30.</p> <p>Rather than produce a separate plan for just the USAF, at this time Northrop Grumman anticipates producing a single business development plan to address in a combined manner the various potential customers that could leverage capabilities of the PTT.</p>
<p>Submit an unsolicited proposal to the US Air Force.</p>	<p>We continue to believe there is compelling need by the USAF to use a simulator-based approach for Global Hawk sensor operator training, as it would result in considerable cost savings over using aircraft in flight as a training environment. However, recently it has become that rather than development of an unsolicited proposal, a more appropriate approach in the current budgetary climate will be a more traditional BD approach.</p>

Notes

AUP	No findings
Audit	NA

Conclusions	Remaining funds will be used to engage Rockwell Collins during final PTT software integration this fall. NGC expects to continue to build on the capabilities of the PTT and the companion Business Development well beyond the end of the current North Dakota CORE program.
Commission Assessment	No assessment needed until after June 30, 2015

UND Center for Innovation - Joint Distributed Common Ground System

Launch Date: December 2011

Years in Operation:	2	Anticipated Leverage:	<u>\$41,511</u>	Predicted Jobs	0
Amount Awarded:	\$125,706	Matching Funds:	NA	Center	0
Amount Disbursed:	\$125,706	Leveraged Funds:	<u>\$46,191</u>	Private Sector	0
Amount Spent:	\$125,706	Total Funds Received:	\$46,191	Total	0

Expected Major Results

Consensus building with stakeholders and field research.	Completed.
Refinement of intelligence strategy.	Completed.
Evaluation and refinement of the maintenance strategy.	Completed.
Deliver technical memorandum to reflect findings.	Completed.
Develop facility concept drawings.	Completed.
Conduct one-on-one end-user meetings to determine specific facility end-user needs.	Completed.
Attend one or more end-user symposiums or other trade shows to further refine concept for concept design.	Completed.
Develop outline and plan for submittal of Enhanced Use Lease proposal to the U.S. Air Force.	Completed.

Notes

AUP	No findings
Audit	NA
Conclusions	A direct outcome of this base realignment grant is the determination that Grand Forks County will pursue an enhanced use lease (EUL) with the US Air Force. A EUL would allow the County to begin development of Grand Sky Park on approximately 200 acres of underutilized land at the Grand Forks AFB.
Commission Assessment	No assessment needed until after June 30, 2015

UND – Airspace Integration Team-UAS National Test Site (Phases I, II, and III)

Launch Dates: June 2011
 December 2011
 November 2012

Years in Operation:	3	Anticipated Leverage:	<u>\$579,702</u>	Predicted Jobs	0
Amount Awarded:	\$855,440	Matching Funds:	NA	Center	0
Amount Disbursed:	\$855,440	Leveraged Funds:	<u>\$280,371</u>	Private Sector	0
Amount Spent:	\$848,802	Total Funds Received:	\$280,371	Total	0

Expected Major Results

Phase I	
Recruit task force members.	Completed
Complete interviews and group discussions on airspace access priorities.	Completed
Complete coordination of white paper and action with stakeholders.	Completed
Publish white paper and action plan.	
Phase II	
Review and update white paper and action plan.	Completed
Formulate and recommend membership, responsibilities and authorities for a permanent Integration Team (steering committee) for the initiative.	Completed
Scope and coordinate strategy for an unsolicited FAA proposal on a ND UAS NTC	NA
Prepare content for unsolicited proposal to the FAA and prepare for final sign-off and submittal by State officials.	NA
Create detailed 5-year ND UAS NTS plan.	Completed
Design the ND UAS NTC program management concept and other protocols.	Completed
Prepare ND to launch the ND UAS NTC.	Completed
SeaTec is to provide participation by internationally recognized subject matter expert in the AIT during October 2011 through September 2012.	Completed
Phase III	
Submit public comment to the FAA.	Completed
Plan proposal development.	Completed

Finalize and submit the proposal to the FAA.	Completed
Marketing efforts.	Key influencers at the FAA, DOD, NASA, and DHS have been identified. Marketing to these individuals and entities has been ongoing since the initial airspace grant. SeaTec, BRIC and the Duetto Group (associated with UAll) conduct a bulk of the marketing efforts.
Establish North Dakota's best and final offer if chosen as a finalist in the National Test Site competition.	Completed
Negotiate statement of work with the FAA if North Dakota is chosen as a National Test Site.	Completed
Achieve designation as one of the six FAA UAS Test Sites	Completed

Notes

AUP	<p>Finding 1: The Functional Review submitted for the fiscal year ended June 30, 2014 indicated that the timeline of the grant has not deviated from the initial timeline provided with the application. However, an extension of the project to December 31, 2013 was applied for and approved by The North Dakota Department of Commerce.</p> <p>Center Response: We concur with the finding concerning the response to the timeline question in the submitted Functional Review. UND will correct this section of the Functional Review and resubmit the full report to the North Dakota Department of Commerce.</p> <p>Commerce Response: Corrected Functional Review was submitted.</p>
Audit	No findings
Conclusions	North Dakota was designated as a National Test Site by the FAA
Commission Assessment	On Track

UND CFI – Enhanced Use Lease (EUL) for Grand Forks Air Force Base III

Launch Date: July 2012

Years in Operation: 1	Anticipated Leverage: <u>\$35,435</u>	Predicted Jobs 450
Amount Awarded: \$921,250	Matching Funds: NA	Center 0
Amount Disbursed: \$921,250	Leveraged Funds: <u>\$127,295</u>	Private Sector 0
Amount Spent: \$882,528	Total Funds Received: \$127,295	Total 0

Expected Major Results

Task 1 - Development of an Enhanced Use Lease (EUL) Application to the Air Force	Originally envisioned to require as much as 90 days to complete, the draft application was submitted to the Air Force within 35 days after receipt of an authorization to proceed.
Task 2 - Development of Necessary Environmental Documentation	A subcontractor was selected to develop an environmental assessment and environmental baseline survey for the property. The presence of significant wetlands, coupled with the very wet Spring in Grand Forks County, slowed progress (expected 6/2013).
Task 3 – Additional Development Support	The JDA team developed strategies and marketing materials for the project, including branding the development as Grand Sky. A supporting website was developed to initiate contact with potential tenants and users. The Team participated in the UAS Action Summit in Grand Forks in May, including sponsoring a reception that was well attended by attendees and exhibitors at the Summit. Specific collateral materials were developed, in order to familiarize potential tenants and users with the projected development strategies and plans for the site. In addition, the Team met separately with several potential tenants, such as Northrop Grumman, General Atomics and others.
Task 4 – Permitting	The Team has provided support to the County regarding potential permitting issues, and has also worked extensively with the Air Force regarding issues relating to construction, approvals and development of facilities on the site.
Task 5 – CBP Outreach and Tenant Planning	The Team met with representatives of Customs and Border Protection at CBP headquarters in Washington, DC, to discuss the possibility of consolidating their existing manned and unmanned aircraft missions, currently split between Grand Forks International Airport and Grand Forks Air Force Base, into a single new facility at the EUL property (Grand Sky).

Notes

AUP	No findings
Audit	NA
Conclusions	Northrop Grumman signed a lease to become the first anchor tenant of the facility.
Commission Assessment	Assessment not needed until after June 30, 2016

UND CFI – Enhanced Use Lease (EUL) for Grand Forks Air Force Base IV

Launch Date: July 2013

Years in Operation:	>1	Anticipated Leverage:	<u>\$0</u>	Predicted Jobs	0
Amount Awarded:	\$160,000	Matching Funds:	NA	Center	0
Amount Disbursed:	\$160,000	Leveraged Funds:	<u>\$0</u>	Private Sector	0
Amount Spent:	\$151,398	Total Funds Received:	<u>\$0</u>	Total	0

Expected Major Results

This project focused on the development of supporting information necessary to support the Enhanced Use Lease between Grand Forks County and the Air Force.	Specific projects completed included a traffic study, boundary survey and utility plan.
Marketing and outreach	Attendance at UAS-related conferences and marketing outreach directly to potential tenants. Remaining marketing for the project is expected to be completed by year-end 2014.

Notes

AUP	<p>Finding: Expenditures listed on the Economic Impact Data Form were made to entities outside of North Dakota. Reimbursed expenditures for employee travel outside of North Dakota were misinterpreted and included on the Functional Review.</p> <p>Center Response: We concur with the finding concerning the expenditures listed in the Economic Impact Data section of the submitted Functional Review. The Center for Innovation Foundation will correct this section of the Functional Review and resubmit the full report to the North Dakota Department of Commerce.</p> <p>Commerce Response: Corrected Functional Review was submitted.</p>
Audit	NA
Conclusions	The facility is open and actively recruiting tenants. Marketing and outreach will be ongoing.
Commission Assessment	Assessment not needed until after June 30, 2017

North Dakota
LEGENDARY



Centers of **excellence &**
research excellence

annual report 2014



— State of —
North Dakota
Office of the Governor

Jack Dalrymple
Governor



North Dakota's Centers of Excellence and Centers of Research Excellence programs partner our state's research universities with private sector companies to generate jobs and new business opportunities.

The Centers program was designed to harness the intellectual resources, high-tech equipment and training capabilities of our colleges and universities to solve "real world" problems in partnership with the private sector. Currently, 73 companies are actively partnering with the established Centers of Excellence and Centers of Research Excellence. These partnerships have leveraged \$255 million of matching funds for the state's investment of \$57.8 million.

Overall, the Centers program has had an economic impact of \$751.1 million since its creation in 2005. As of June 30, 2014, the Centers program has produced \$13 in economic impact for every \$1 of state funds invested according to a 2014 North Dakota State University study.

The Centers program and its partners generate results, having created over 264 direct jobs this year with an estimated payroll of just under \$15.2 million. Salaries and benefits for these jobs averaged approximately \$57,563 per job.

North Dakota must continue to aggressively pursue research in our state's targeted industries. The Centers of Excellence and Centers of Research Excellence are key factors in helping private sector businesses discover and develop new technologies that will continue to drive North Dakota's economic success.

Sincerely,


Jack Dalrymple
Governor

PROGRAM SUMMARY

The Centers of Excellence & Research Excellence are hubs of research and development on the campuses of North Dakota's colleges and universities, partnering with private companies to commercialize new products and services. The Centers explore research in the fields of energy, agriculture, life sciences, aerospace, manufacturing and electronics.

ECONOMIC IMPACT

The Centers of Excellence program has had \$751 million in estimated total economic impact to North Dakota's economy. This includes a direct impact of \$255 million generated by the Centers, grant recipients and their partners.

ECONOMIC IMPACT

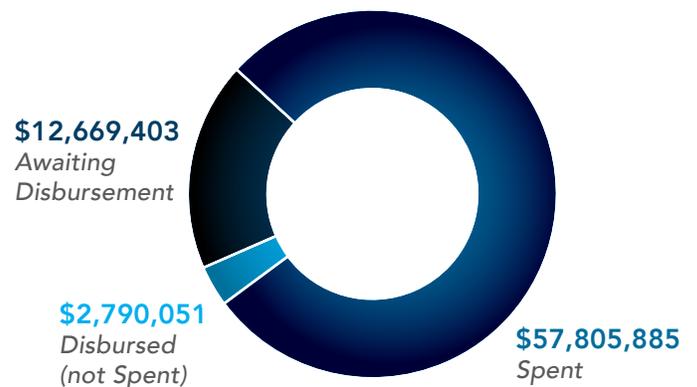


FUNDS INVESTED TO DATE

Since the first Centers of Excellence were approved by the State Legislature in 2003, a total of \$73.5 million in state funds have been awarded in 28 Centers of Excellence & Research Excellence and an additional 16 research, infrastructure and economic development projects. Of these funds, \$57.8 million has been spent by the Centers and grant recipients as of June 30, 2014.

CENTERS OF EXCELLENCE INVESTMENT

\$73.5 million awarded through June 30, 2014

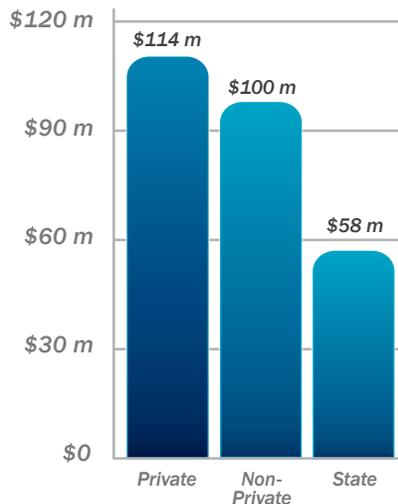


The Centers of Excellence Program has contributed to the creation or expansion of 23 businesses. This includes ten new spinoff companies, three companies that expanded to North Dakota, and ten North Dakota companies that have expanded within the state.

MATCHING FUNDS

As of June 30, 2014 the Centers and grant recipients have obtained over **\$214.2 million of matching and leveraged funds**. When comparing matching and leveraged funds received across all programs to award funds spent, a ratio of 4:1 is realized

MATCHING & LEVERAGED FUNDS RECEIVED



JOBS IMPACTED

Centers report job creation information annually. Only jobs existing as of June 30, 2014, with written verification of creation due to Center activities are included in this report. As of June 30, 2014, the Centers and their private sector partners have created or contributed to the creation of 264.5 jobs with an estimated payroll of \$15.2 million. These numbers do not include jobs that were reported in 2013 from Centers that are no longer required to report to the Centers of Excellence Commission.

During the 2013 fiscal year three Centers requested to have their post-award monitoring discontinued as they had met the minimum reporting requirement and had been sustainable without state funding for several years: the University of North Dakota (UND) Energy and Environmental Research Center's National Hydrogen Technology Center, the Bismarck State College National Energy Center of Excellence and the Williston State College Petroleum Safety and Technology Center. These Centers reported a total of 363 jobs as part of their last functional review in 2012.

Three Centers were approved by the Legislature prior to 2005 and have been voluntarily reporting to the Centers of Excellence Commission for over six years: the UND Center for Innovation, the North Dakota State University (NDSU) Technology Incubator and the NDSU Beef Systems Center. These Centers reported a total of 369 jobs in 2012.

CENTERS OF EXCELLENCE COMMISSION MEMBERS

The Centers of Excellence Commission oversees the administration of Centers of Excellence, Centers of Excellence Enhancement Grants, Centers of Research Excellence, Research ND, Base Realignment Grants, and Limited Deployment Cooperative Airspace Projects (LDCAP).

The Centers of Excellence Commission, with assistance from the North Dakota Department of Commerce, oversees the post-award monitoring of all Centers and grant recipients. The process includes quarterly updates, site visits, third-party audits and an in-depth annual review of each award. All grant recipients are required to complete at least six years of post-award monitoring. One objective of the post-award monitoring activities is to measure the progress of an award against the results proposed in its respective application for funding. Another objective of the post-award monitoring activities is to ensure grant recipients are spending award funds in compliance within the scope of their project and in accordance with program requirements. Centers and grant recipients that demonstrate progress and compliance with program requirements are funded in stages according to their respective Centers of Excellence Commission-approved budget.



North Dakota Economic Development Foundation Members

A. Mark Nisbet, Chairman
North Dakota Principal Manager
Xcel Energy, Fargo

B. Tim Hennessy, Vice Chairman
Regional President
US Bank, Bismarck

C. Jim Traynor
Director of Client/Channel Management
Intelligent InSites, Fargo



State Board of Higher Education Members

D. Kathy Neset
President
Neset Consulting, Tioga

E. Terry Hjelmstad
Retired School Administrator
Minot Public Schools, Grand Forks

F. Kevin Melicher, O.D.
Optometrist
Eyecare Associates, PC, Fargo

For details on previously approved Centers of Excellence and Centers of Excellence Enhancement Grants, visit www.NDCentersOfExcellence.com.

PROGRAM PARTNERS

AAG Aqua Advisory Group Inc.	Flight Safety International	Presco LLC
Access Energy LLC	General Electric	RapidEngines
Ag Leader Technology	General Steel & Supply Co	Riverbound Farm
Agri ImaGIS Technologies	GeoOptics, Inc.	Rockwell Collins
American Bank Center	Global Agricultural Solutions	Sanford Health/Sanford Research
Amity Technology LLC	Hess Corporation	Schiltz Goose Farms North
Appareo Systems	InnerGeo LLC	Space Age Synthetics LTD
Archer Daniels Midland Company	Intraglobal Biologics	Starkey Hearing Technologies
Arkema	INVISTA	StatOil
Avianax LLC	Jeffrey Donohoe Associates	Steffes Corporation
Bayer Crop Science LP	Kuraray America	T & T Solutions
BenchMark Energy Corporation	L3 Com	Technology Applications Group (TAG)
Bobcat	LM Wind Power Group	Tiorco
Bold Method	Medora Environmental Inc	TMI Systems Design Corp
Charles Stark Draper Laboratory, Inc	Menon and Associates	Triton Systems Inc
Chemera	Mid-America Aviation Inc	Wholesale Supply Company
Cogi, Inc.	MITRE	
Computer Modeling Group	Monsanto	
ConocoPhillips	Nalco Champion	
Continental Resources, Inc.	Next Healthcare Inc	
CorsiTech	Noble Energy	
CryoDesalination LLC	North Dakota Farmers' Market & Growers Association	
Cutbank Creek Produce	North Dakota Soybean Council	
Deep Earth Energy Production	North Star Farms	
DPS Technology	Northrop Grumman Corp	
Draganfly Innovation, Inc.	NovaDigm Therapeutics Inc	
Elder and Haas	Pedigree Technologies LLC	
FARRMS	Phone Halo	
	PPG Industries, Inc	

The companies in bold lettering have a presence in North Dakota.

	University, College or Related Foundation	Launch Date	Awards	Match & Leveraged Funds Received
Centers of Excellence				
Beef Systems Center of Excellence	NDSU	Oct 2007	\$800,000	\$2,000,000
Center for Advanced Electronics Design and Manufacturing	NDSU	Feb 2006	\$3,000,000	\$15,080,474
Center for Advanced Technology Development and Commercialization	NDSU	Nov 2012	\$3,900,000	\$68,573
Center for Agbiotechnology: Oilseed Development	NDSU	Aug 2009	\$3,500,000	\$12,000,000
Center for Biopharmaceutical Research and Production	NDSU	May 2012	\$5,015,000	\$6,262,266
Center for Innovation	UND	Jan 2005	\$800,000	\$3,565,000
Center for Integrated Electronic Systems	NDSU	June 2009	\$2,050,000	\$4,237,867
Center for Sensors, Communications and Control	NDSU	Jan 2011	\$2,800,000	\$2,524,132
Center for Surface Protection	NDSU	May 2006	\$4,000,000	\$9,680,723
Center of Excellence in Life Sciences and Advanced Technologies	UND	March 2007	\$3,500,000	\$4,347,172
Center of Excellence for Passive Therapeutics	UND	June 2009	\$2,650,000	\$6,554,467
Center of Excellence in Space Technology and Operations	UND	June 2009	\$1,000,000	\$235,200
Dakota Center for Technology Optimized Agriculture	LRSC	June 2010	\$850,000	\$3,138,723
Enterprise University*	VCSU	May 2006	\$1,000,000	\$5,140,039
Entrepreneurial Center for Horticulture	DCB	June 2011	\$400,000	\$1,099,010
Institute for Technology and Business	DSU Strom Center	Oct 2006	\$1,150,000	\$5,265,972
National Center for Hydrogen Technology	UND	Feb 2006	\$2,500,000	\$58,606,463
National Energy Center of Excellence	BSC	Feb 2006	\$3,000,000	\$7,292,000
NDSU Research Technology Incubator	NDSU	March 2007	\$1,250,000	\$5,307,600
Petroleum Research, Education, & Entrepreneurship Center	UND	June 2009	\$3,000,000	\$8,267,233
Petroleum Safety and Technology Center	WSC	May 2006	\$400,000	\$1,183,044
SUNRISE BioProducts	UND	June 2009	\$2,950,000	\$4,141,543
Unmanned Aircraft Systems Center of Excellence	UND	May 2008	\$2,500,000	\$17,187,052

Enhancement Grants

Certificate Programs for Full Motion Video and Activity Based Intelligence Analysis	UND	June 2011	\$746,000	\$0
Grand Forks Air Force Base Realignment Business Transition Enhancement Grant	UND	June 2011	\$200,000	\$299,548
Law Enforcement Small UAS Training	UND	May 2012	\$230,000	\$74,970
Materials & Nanotechnology Centre Enhancement Grant	NDSU	Sept 2011	\$1,000,000	\$0
North Dakota UAS Airspace Initiative Enhancement Grant	UND	March 2011	\$100,000	\$6,516
Research 1 Expansion Enhancement Grant	NDSU	Jan 2011	\$4,000,000	\$5,000,000
UAS Research, Education & Training Enhancement Grant	UND	June 2010	\$2,754,000	\$1,357,961
UAS Software & Curriculum Development Enhancement Grant	UND	March 2011	\$600,000	\$192,803
V2 Aerospace	UND	Sept 2011	\$370,000	\$43,820

Centers of Research Excellence

Center for Avian Therapeutics for Infectious Diseases	UND	June 2013	\$700,000	\$1,429,051
Center for Biobased Materials Science and Technology	NDSU	June 2014	\$1,132,500	\$0
Center of Gas Utilization	UND		\$300,000	\$0
Center for Life Sciences Research & Applications	NDSU	Nov 2012	\$1,350,000	\$0
Center for Technologically Innovative Processes & Products	NDSU	Aug 2012	\$1,331,250	\$307,363

Base Realignment

Airspace Integration Team – UAS National Test Site	UND	Nov 2012	\$500,000	\$123,753
Enhanced Use Lease (EUL) for Grand Forks Air Force Base III	UND	Nov 2012	\$921,050	\$127,295
Enhanced Use Lease Phase IV	UND	July 2013	\$160,000	\$0
Global Hawk Sensor Operator Part Task Trainer	UND	Dec 2011	\$878,204	\$11,745,375
Integrating UAS into the National Airspace, Phase II	UND	Dec 2011	\$255,440	\$150,102
Joint Distributed Common Ground System	UND	Dec 2011	\$125,706	\$46,191

Limited Deployment Cooperative Airspace Project

Automatic Dependent Surveillance-Broadcast Miniaturization Program	NDSU	Nov 2011	\$1,300,000	\$5,531,276
Limited Deployment Cooperative Airspace Project	UND	Oct 2011	\$2,700,000	\$4,609,649

GRAND TOTALS

\$73,669,150

\$214,230,225

*Enterprise University concluded its operations and returned \$200,545.51 of its original \$1 million Centers of Excellence Award to the North Dakota general fund.

The Centers of Excellence program is a key component of North Dakota's technology-based economic development strategy. It has generated significant economic benefits by leveraging the research and intellectual capabilities of the state's universities and colleges with the resources of private sector companies.

Total economic impact:
\$751 million

Nearly **\$4 raised**
for every **\$1 of**
awarded funds spent

23 businesses
created or
expanded

73 private sector
partners

www.NDCentersofExcellence.com



Independent Accountant's Report on
Applying Agreed Upon Procedures
June 30, 2014

**North Dakota State University
Centers of Excellence**

Independent Accountant’s Report on Applying Agreed Upon Procedures 1
Procedures and Findings 2



Independent Accountant's Report on Applying Agreed Upon Procedures

North Dakota State University - Centers of Excellence
Fargo, North Dakota

Specified Users of this Report:

North Dakota State University - Centers of Excellence
State Board of Higher Education
ND Economic Development Foundation
ND Legislative Council

We have performed the procedures detailed on the following pages which were agreed to by the specific users of the report, as identified above, to assist the North Dakota State University Centers of Excellence ("COE") in meeting its financial accountability requirements as prescribed by ND Century Code 15-69-05.2 for the fiscal year ended June 30, 2014. This agreed-upon procedure engagement was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described on the following pages either for the purpose for which this report has been requested or for any other purpose.

We were not engaged to, and did not conduct an audit, the objective of which would be the expression of an opinion on the accounting records. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified users, as identified above, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Fargo, North Dakota
September 26, 2014

Procedures and Findings

These procedures and findings are reported on the following Centers of Excellence (“COE”):

- Surface Protection
- Advanced Electronics Design and Manufacturing
- AgBiotechnology
- Biopharmaceutical Research & Production
- Integrated Electronic Systems
- R1 Expansion
- Advanced Technology Development and Commercialization
- Sensors, Communications and Control
- Limited Deployment Cooperative Airspace Project
- Technologically Innovative Products and Processes
- Life Sciences Research & Applications
- Biobased Materials Science & Technology
- Materials and Nanotechnology

As of and for the fiscal year ended June 30, 2014:

1. Verify disbursed award funds were received by the center or grant recipient.

Procedures Performed – From the annual Functional Review, we reviewed the amount of award disbursed to the center and traced the amounts received to supporting documentation.

Findings – *None noted*

2. Determine that interest earned on award proceeds was retained by the center or grant recipient.

Procedures Performed – From the Center’s accounting records, we reviewed supporting documentation to determine that interest earned on the award proceeds was retained by the center.

Findings – *None noted*

3. Review the Matching Cash Contributions, Matching Contributions in Lieu of Cash (Cash Reserved) and Matching In-Kind Contributions reported in the functional review and trace them to supporting documentation and / or accounting records.

Procedures Performed – From the annual Functional Review, we reviewed the Matching Cash Contributions, Contributions in Lieu of Cash and Matching In-Kind Contributions declared in the application for COE funding and traced them to documents supporting the value.

Findings – *None noted*

4. Verification of compliance with the centers of excellence program matching fund requirements.

Procedures Performed – From the annual Functional Review, we reviewed the Cash Match declared in application for COE funding and traced them to supporting documentation and to the accounting records.

Findings – *None noted*

5. Review the Leveraged Cash Contributions, Leveraged Contributions in Lieu of Cash (Cash Reserved) and Leveraged In-Kind Contributions reported in the functional review and trace them to supporting documentation and / or accounting records.

Procedures Performed – From the annual Functional Review, we reviewed the Leveraged Cash Contributions, Leveraged Contributions in Lieu of Cash and Leveraged In-Kind Contributions declared in the application for COE funding and traced them to documents supporting the value.

Findings – *None noted*

6. Review the private-sector and private-sector equivalent job creation reported in the Functional Review and trace each position to supporting documentation. Verify that each job meets the qualifying criteria identified in the Functional Review.

Procedures Performed – From the annual Functional Review, we reviewed the private sector jobs created and traced them to supporting documentation

Findings – *None noted*

7. Review a sample of expenditures to verify compliance with the NDCC 15-69-05.1 (use of funds) and NDCC 54-65-03.1 (use of funds)

Procedures Performed – From the COE's accounting records, we reviewed a selection of expenditures to report any noted instances of non-compliance with NDCC 15-69-05.1 and NDCC 54-65-03.1 (use of funds) and to ensure funds were approved, supported with documentation and spent according to the purposes identified in the application. For each COE grant we reviewed 40 expenditures with the exception of Materials and Nanotechnology and Biopharmaceutical Research & Production, which had total expenditures of less than 40 for the year, and all expenditures were tested in their entirety. The center for Biobased Materials Science & Technology had no expenditures in fiscal year 2014, therefore no expenditures were tested for this center. The selection of the expenditures reviewed included both payroll and non-payroll expenditures.

Findings – *None noted*

8. Review of a sample of center expenditures to verify the expenses were approved, supported with documentation, and made in accordance with the scope identified in the center's application.

Procedures Performed – From the COE's accounting records, we reviewed a selection of expenditures to report any noted instances of non-compliance with NDCC 15-69-05.1 (use of funds) and to ensure funds were approved, supported with documentation and spent according to the purposes identified in the application. For each COE grant we reviewed 40 expenditures with the exception of Materials and Nanotechnology and Biopharmaceutical Research & Production, which had total expenditures of less than 40 for the year, and all expenditures were tested in their entirety. The center for Biobased Materials Science & Technology had no expenditures in fiscal year 2014, therefore no expenditures were tested for this center. The selection of the expenditures reviewed included both payroll and non-payroll expenditures.

Findings – *None noted*

9. Verification of a sample of labor charged to the grant and trace it to supporting effort – reporting documentation.

Procedures Performed – From the COE's accounting records, we reviewed a selection of labor charged to the grant and traced it to supporting effort-reporting documentation. As indicated in #7 and #8 for each COE grant we reviewed 40 expenditures with the exception of Materials and Nanotechnology and Biopharmaceutical Research & Production, which had total expenditures of less than 40 for the year, and all expenditures were tested in their entirety. The center for Biobased Materials Science & Technology had no expenditures in fiscal year 2014, therefore no expenditures were tested for this center. The selection of the expenditures reviewed included both payroll and non-payroll expenditures.

Findings – *None noted*

10. Review the center or grant recipient's actual expenditures of award funds and compare them to the center's or grant recipient's application budget, including documentation explaining any material differences.

Procedures Performed – We reviewed the budget from the center and compared the budgeted figures to actual expenditures incurred by the center, and obtained documentation explaining any material differences.

Findings – *None noted*

11. Review a sample of the center or grant recipients expenditures reported on the Economic Impact Study Data Form (included in the functional review) to verify that reported expenditures were made to North Dakota entities and occurred within the specified time period.

Procedures Performed – From the COE’s accounting records, we reviewed a selection of expenditures to report any noted instances of non-compliance with NDCC 15-69-05.1 (use of funds) and to ensure funds were approved, supported with documentation, spent within the specified time period and spent according to the purposes identified in the application. For each COE grant we reviewed 40 expenditures with the exception of Materials and Nanotechnology and Biopharmaceutical Research & Production, which had total expenditures of less than 40 for the year, and all expenditures were tested in their entirety. The center for Biobased Materials Science & Technology had no expenditures in fiscal year 2014, therefore no expenditures were tested for this center. The selection of the expenditures reviewed included both payroll and non-payroll expenditures.

Findings – *None noted*

12. Verify the center or grant recipient complied with the timeline as provided under the center’s or grant recipient’s application and any authorized revisions.

Procedures Performed – From the annual Functional Review we reviewed the timeline of the grants that was provided with the application and discussed the actual timeline with management to ensure the center has properly disclosed material timeline changes.

Findings – *None noted*

13. Verify the center or grant recipient complied with the scope of activities as provided under the center’s or grant recipient’s application and any authorized revisions.

Procedures Performed – From the annual Functional Review we reviewed the scope of the grant that was provided with the application and discussed the actual scope with management to ensure the center has properly disclosed material scope changes.

Findings – *None noted*

**LAKE REGION STATE COLLEGE
DAKOTA PRECISION AGRICULTURE
CENTER OF EXCELLENCE**

INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES

June 30, 2014



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Specified Users of the Report:
Lake Region State College Dakota Center for Technology Optimized Agriculture Center of Excellence
SBHE
ND Economic Development Foundation
ND Legislative Council

We have performed the procedures enumerated below which were agreed to by the specified users of the report, as identified above, to assist the Lake Region State College Dakota Center for Technology Optimized Agriculture Center of Excellence in meeting its financial accountability requirements as prescribed by ND Century Code 15-69-05 and 54-65-03 for the fiscal year ended June 30, 2014. Management of the Lake Region State College Dakota Center for Technology Optimized Agriculture Center of Excellence is responsible for the Center's financial accountability and its compliance with those legal and contractual requirements. This agreed-upon procedures engagement was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants and the fieldwork and reporting standards applicable to attestation engagements as contained in *Government Auditing Standards* of the Comptroller General of the United States of America. The sufficiency of the procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Procedures and Findings

As of and for the fiscal year ended June 30, 2014:

1. **Procedures performed:** From the disbursement letter the Centers received from OMB and the ND Department of Commerce, we traced the amount of funding to the receipt of funds in the Center's accounting records.

Findings: No funds were disbursed to the Center during the fiscal year ended June 30, 2014

2. **Procedures performed:** From the Center's accounting records, we reviewed supporting documentation to determine that interest earned on the award proceeds was retained by the Center.

Findings: All award proceeds were expended in the prior reporting periods. No findings noted.

- 3. Procedures performed:** From the annual Functional Review, reviewed the Matching Cash Contributions, Matching Contributions in Lieu of Cash, and Matching In-Kind contributions reported and traced them to supporting documentation.

Findings: No Matching or Leveraged Contributions were received by the Center for the fiscal year ended June 30, 2014. No findings noted.

- 4. Procedures performed:** From the Center's accounting records, verified compliance with the matching funds requirements for the Centers. This included verifying that the Center is accountable to the requirements specified in NDCC 15-69-05 and 54-63-03 during the biennium in which they were approved.

Findings: No Matching or Leveraged Contributions were received by the Center for the fiscal year ended June 30, 2014. No findings noted.

- 5. Procedures performed:** From the annual Functional Review, reviewed the Leveraged Cash Contributions, Leveraged Contributions in Lieu of Cash, and Leveraged In-Kind contributions reported and traced them to supporting documentation.

Findings: No Matching or Leveraged Contributions were received by the Center for the fiscal year ended June 30, 2014. No findings noted.

- 6. Procedures performed:** From the annual Functional Review, we reviewed the private sector jobs created and traced them to supporting documentation. We verified that the private sector jobs are defined as positions at the Center and University that are not paid by state general funds as identified in the Functional Review.

Findings: The Functional Review noted that no private sector jobs were created in the current year. No findings noted.

- 7. Procedures performed:** From the Center's accounting records, we reviewed a sample of expenditures (10% of items or 15 items, whichever was less) to report any noted instances of noncompliance with NDCC 15-69-05 and NDCC 54-65-03 (use of funds) and to ensure funds were approved, supported with documentation, and spent according to the purposes identified in the application for funding.

Findings: No expenditures were reported in the fiscal year 2014 Functional Review.

- 8. Procedures performed:** From the Center's accounting records, we reviewed a sample of expenditures (10% of items or 15 items, whichever was less), as mentioned in procedure 7, to verify expenditures were approved, supported with documentation, and spent according to the purposes identified in the application for funding.

Findings: No expenditures were reported in the fiscal year 2014 Functional Review.

- 9. Procedures performed:** From the Center's accounting records, we reviewed a sample of labor expenditures (10% of items or 15 items, whichever was less) charged to the grant and traced the expenditures to supporting effort-reporting documentation.

Findings: No labor charged to the grant, and thus, not applicable.

10. **Procedures performed:** We reviewed the Center's actual expenditures of award funds and compared them to the application budget of expenditures, and reviewed documentation explaining any material differences.

Findings: No findings noted.

11. **Procedures performed:** We reviewed a sample of 5 of the Center's expenditures reported on the Economic Impact Study Data Form included in the Functional Review to verify that reported expenditures were made to North Dakota entities and occurred within the specified time period.

Findings: No expenditures were reported in the fiscal year 2014 Functional Review.

12. **Procedures performed:** We reviewed the timeline of the grants that were provided with the applications and discussed the actual timeline with management to ensure the Center has properly disclosed material timeline changes.

Findings: No findings noted.

13. **Procedures performed:** We reviewed the scope of the grants that were provided with the applications and discussed the actual scope for each grant with management to ensure the centers have properly disclosed material scope changes.

Findings: No findings noted.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the accounting records. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified users, as identified above, and is not intended to be and should not be used by anyone other than these specified parties.



BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA

August 24, 2015

**INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES FOR THE
UNIVERSITY OF NORTH DAKOTA RESEARCH FOUNDATION
CENTER OF EXCELLENCE IN PASSIVE THERAPEUTICS**

June 30, 2014

Independent Accountant's Report on
Applying Agreed-Upon Procedures

To the Specified Users of the Report:
University of North Dakota Research Foundation
State Board of Higher Education
North Dakota Economic Development Foundation
North Dakota Legislative Council – Budget Section

We have performed the procedures enumerated below, which were agreed to by the specified users of the report, as identified above, to assist the University of North Dakota Research Foundation Center of Excellence in Passive Therapeutics in meeting its financial accountability requirements as prescribed by North Dakota Century Code (NDCC) 15-69-05 for the fiscal year ended June 30, 2014. Management of the University of North Dakota Research Foundation ("Foundation") is responsible for the Foundation's financial accountability and its compliance with those legal and contractual requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the fieldwork and reporting standards applicable to attestation engagements as contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America. The sufficiency of the procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Procedures and Findings

As of and for the fiscal year ended June 30, 2014:

1. **Procedures Performed:** From the disbursement letter the Foundation received from the North Dakota Department of Commerce, we traced the amount of funding to the receipt of funds in the Foundation's accounting records.

Findings: Not applicable. All funds were received in prior years.

2. **Procedures Performed:** From the Foundation's accounting records, we reviewed supporting documentation to determine that interest earned on the award proceeds was retained by the Foundation.

Findings: Not applicable. All proceeds were spent in prior years so there is no current year interest earned.

3. **Procedures Performed:** From the annual Functional Review, we reviewed the Matching Cash Contributions, Matching Contributions in Lieu of Cash (Cash Reserved), and Matching In-Kind Contributions reported and traced them to supporting documentation and accounting records.

Findings: No findings noted. No matching contributions are reported for this period.

4. **Procedures Performed:** From the annual Functional Review, we reviewed current year match contributions to verify their compliance with NDCC 15-69-05 requirements (during the biennium in which the COE was approved).

Findings: No findings noted. No matching contributions are reported for this period.

5. **Procedures Performed:** From the annual Functional Review, we reviewed the Leveraged Cash Contributions, Leveraged Contributions in Lieu of Cash (Cash Reserved), and Leveraged In-Kind Contributions reported and traced them to supporting documentation.

Findings: No findings noted. No leveraged contributions are reported for this period.

6. **Procedures Performed:** From the annual Functional Review, we reviewed the private sector jobs created and traced them to supporting documentation and verified that each job meets the qualifying criteria identified in the functional review.

Findings: No findings noted.

7. **Procedures Performed:** From the Foundation's accounting records, we reviewed a sample of expenditures to verify compliance with NDCC 15-69-05.1 (use of funds).

Findings: Not applicable. All proceeds were spent in prior years.

8. **Procedures Performed:** From the Foundation's accounting records, we reviewed a sample of expenditures to verify they were approved, supported with documentation, and spent according to the scope identified in the application for funding.

Findings: Not applicable. All proceeds were spent in prior years.

9. **Procedures Performed:** We reviewed a sample of labor charged to the grant and traced charges to supporting effort-reporting documentation.

Findings: Not applicable. All proceeds were spent in prior years.

10. **Procedures Performed:** We reviewed the Foundation's actual expenditures of award funds and compared them to the COE application budget, including documentation explaining any material differences.

Findings: Not applicable. All proceeds were spent in prior years.

11. **Procedures Performed:** We reviewed a sample of the Foundation's expenditures reported on the Economic Impact Study Data Form to verify they were made to North Dakota entities and occurred within the specified time period.

Findings: No findings noted. The job creation dollars reported for the Economic Impact Data Form agrees to the total wages and benefits reported for job creation in point #3.

12. **Procedures Performed:** We reviewed the timelines that were provided with the application and authorized revisions and discussed the actual timeline with management to ensure the Foundation has properly disclosed material timeline changes in the Functional Review.

Findings: No findings noted.

13. **Procedures Performed:** We reviewed the scope of activities provided with the application and authorized changes to ensure the Foundation has properly disclosed material scope changes in the functional review.

Findings: No findings noted.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified users, as identified above, and is not intended to be and should not be used by anyone other than these specified parties.

Baker Tilly Vichow Krause, LLP

Minneapolis, Minnesota
October 14, 2014

**THE UNIVERSITY OF NORTH DAKOTA
UASs AND SIMULATION APPLICATION
CENTER OF EXCELLENCE**

**INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES**

JUNE 30, 2014



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Specified Users of the Report:
University of North Dakota UASs and Simulation Applications Center of Excellence
SBHE
ND Economic Development Foundation
ND Legislative Council

We have performed the procedures enumerated below which were agreed to by the specified users of the report, as identified above, to assist the University of North Dakota UASs and Simulation Application Center of Excellence in meeting its financial accountability requirements as prescribed by ND Century Code 15-69-05 for the fiscal year ended June 30, 2014. Management of the University of North Dakota UASs and Simulation Application Center of Excellence is responsible for the Center's financial accountability and its compliance with those legal and contractual requirements. This agreed-upon procedures engagement was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants and fieldwork and reporting standards applicable to attestation engagements as contained in *Government Auditing Standards* of the Comptroller General of the United States of America. The sufficiency of the procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Procedures and Findings

As of and for the fiscal year ended June 30, 2014:

1. **Procedures performed:** From the disbursement letter the Center received from OMB, we traced the amount of funding to the receipt of funds in the Center's accounting records.

Findings: Noted no receipts during the fiscal year ended June 30, 2014. All receipts were reviewed in prior years.

2. **Procedures performed:** From the Center's accounting records, we reviewed supporting documentation to determine that interest earned on the award proceeds was retained by the Center.

Findings: No findings noted.

3. **Procedures performed:** From the annual Functional Review, we reviewed the Cash Match, Match in Lieu of Cash, and Matching In-Kind in applications reported in the Functional Review and traced them to supporting documentation.

Findings: Noted a current year In-Kind match received of \$15,175.25 reported on the Functional Review for the fiscal year ended June 30, 2014. We traced the amount to supporting documentation noting no exceptions.

4. **Procedures performed:** From the Center's accounting records, we verified compliance with the matching funds requirements for the Center. This included verifying that the Center is accountable to the requirements specified in NDCC 15-69-05 during the biennium in which they were approved.

Findings: No findings noted.

5. **Procedures performed:** From the annual Functional Review, we reviewed the Leveraged Cash Contributions, Leveraged Contributions in Lieu of Cash, and Leveraged In-Kind contributions reported and traced them to supporting documentation.

Findings: Noted Leveraged Cash Contributions of \$1,260,616.18 reported on the Functional Review for the fiscal year ended June 30, 2014. We traced the amount to supporting documentation noting no exceptions.

6. **Procedures performed:** From the annual Functional Review, we reviewed the private sector jobs created and traced them to supporting documentation. We verified that the private sector jobs are defined as positions at the Center and University that are not paid by state general funds as identified in the Functional Review.

Findings: No findings noted.

7. **Procedures performed:** From the Center's accounting records, we reviewed a sample of expenditures (10% of items or 15 items, whichever was less) to report any noted instances of noncompliance with NDCC 15-69-05 (use of funds) and to ensure funds were approved, supported with documentation, and spent according to the purposes identified in the application for funding.

Findings: No expenditures charged to this project, and thus, not applicable.

8. **Procedures performed:** From the Center's accounting records, we reviewed a sample of expenditures (10% of items or 15 items, whichever was less), as mentioned in procedure number 7, to verify expenditures were approved, supported with documentation, and spent according to the purposes identified in the application for funding.

Findings: No expenditures charged to this project, and thus, not applicable.

9. **Procedures performed:** From the Center's accounting records, we reviewed a sample of labor expenditures (10% of items or 15 items, whichever was less) charged to the grant and traced the expenditures to supporting effort-reporting documentation.

Findings: No labor charged to this project, and thus, not applicable.

10. **Procedures performed:** We reviewed the Center's actual expenditures of award funds and compared them to the application budget of expenditures, and reviewed documentation explaining any material differences. Materiality is the greater of 10% or \$10,000.

Findings: No findings noted.

11. **Procedures performed:** We reviewed a sample of 5 of the Center's expenditures reported on the Economic Impact Study Data Form included in the Functional Review to verify that reported expenditures were made to North Dakota entities and occurred within the specified time period.

Findings: No expenditures reported on the Economic Impact Study Data Form for the fiscal year ended June 30, 2014. Not applicable.

12. **Procedures performed:** We reviewed the timeline of the grants that were provided with the applications and discussed the actual timeline with management to ensure the Center has properly disclosed material timeline changes.

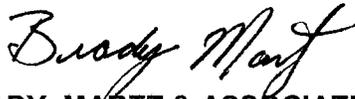
Findings: No findings noted.

13. **Procedures performed:** We reviewed the scope of the grants that were provided with the applications and discussed the actual scope for each grant with management to ensure the Center has properly disclosed material scope changes.

Findings: No findings noted.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the accounting records. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified users, as identified above, and is not intended to be and should not be used by anyone other than these specified parties.



**BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA**

September 5, 2014

**THE UNIVERSITY OF NORTH DAKOTA
SPACE TECHNOLOGY AND OPERATIONS
CENTER OF EXCELLENCE**

INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES

JUNE 30, 2014



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Specified Users of the Report:
University of North Dakota Space Technology and Operations Center of Excellence
SBHE
ND Economic Development Foundation
ND Legislative Council

We have performed the procedures enumerated below which were agreed to by the specified users of the report, as identified above, to assist the University of North Dakota Space Technology and Operations Center of Excellence in meeting its financial accountability requirements as prescribed by ND Century Code 15-69-05 for the fiscal year ended June 30, 2014. Management of the University of North Dakota Space Technology and Operations Center of Excellence is responsible for the Center's financial accountability and its compliance with those legal and contractual requirements. This agreed-upon procedures engagement was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants and fieldwork and reporting standards applicable to attestation engagements as contained in *Government Auditing Standards* of the Comptroller General of the United States of America. The sufficiency of the procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Procedures and Findings

As of and for the fiscal year ended June 30, 2014:

1. **Procedures performed:** From the disbursement letter the Center received from OMB, we traced the amount of funding to the receipt of funds in the Center's accounting records.

Findings: Noted no current year receipts. All funds reported on the Functional Review as Disbursed to the Center were reviewed in prior years.

2. **Procedures performed:** From the Center's accounting records, we reviewed supporting documentation to determine that interest earned on the award proceeds was retained by the Center.

Findings: No findings noted.

3. **Procedures performed:** From the annual Functional Review, we reviewed the Cash Match, Match in Lieu of Cash, and Matching In-Kind in applications reported in the Functional Review and traced them to supporting documentation.

Findings: No findings noted.

4. **Procedures performed:** From the Center's accounting records, we verified compliance with the matching funds requirements for the Center. This included verifying that the Center is accountable to the requirements specified in NDCC 15-69-05 during the biennium in which they were approved.

Findings: No findings noted.

5. **Procedures performed:** From the annual Functional Review, we reviewed the Leveraged Cash Contributions, Leveraged Contributions in Lieu of Cash, and Leveraged In-Kind contributions reported and traced them to supporting documentation.

Findings: No findings noted.

6. **Procedures performed:** From the annual Functional Review, we reviewed the private sector jobs created and traced them to supporting documentation. We verified that the private sector jobs are defined as positions at the Center and University that are not paid by state general funds as identified in the Functional Review.

Findings: No findings noted.

7. **Procedures performed:** From the Center's accounting records, we reviewed a sample of expenditures (10% of items or 15 items, whichever was less) to report any noted instances of noncompliance with NDCC 15-69-05 (use of funds) and to ensure funds were approved, supported with documentation, and spent according to the purposes identified in the application for funding.

Findings: No findings noted.

8. **Procedures performed:** From the Center's accounting records, we reviewed a sample of expenditures (10% of items or 15 items, whichever was less), as mentioned in procedure number 7, to verify expenditures were approved, supported with documentation, and spent according to the purposes identified in the application for funding.

Findings: No findings noted.

9. **Procedures performed:** From the Center's accounting records, we reviewed a sample of labor expenditures (10% of items or 15 items, whichever was less) charged to the grant and traced the expenditures to supporting effort-reporting documentation.

Findings: No findings noted.

10. **Procedures performed:** We reviewed the Center's actual expenditures of award funds and compared them to the application budget of expenditures, and reviewed documentation explaining any material differences. Materiality is the greater of 10% or \$10,000.

Findings: No findings noted.

11. **Procedures performed:** We reviewed a sample of 5 of the Center's expenditures reported on the Economic Impact Study Data Form included in the Functional Review to verify that reported expenditures were made to North Dakota entities and occurred within the specified time period.

Findings: No findings noted.

12. **Procedures performed:** We reviewed the timeline of the grants that were provided with the applications and discussed the actual timeline with management to ensure the Center has properly disclosed material timeline changes.

Findings: No findings noted.

13. **Procedures performed:** We reviewed the scope of the grants that were provided with the applications and discussed the actual scope for each grant with management to ensure the Center has properly disclosed material scope changes.

Findings: No findings noted.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the accounting records. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified users, as identified above, and is not intended to be and should not be used by anyone other than these specified parties.



**BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA**

September 5, 2014

**INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES FOR THE
UNIVERSITY OF NORTH DAKOTA RESEARCH FOUNDATION
CENTER OF EXCELLENCE IN PASSIVE THERAPEUTICS**

June 30, 2014

Independent Accountant's Report on
Applying Agreed-Upon Procedures

To the Specified Users of the Report:
University of North Dakota Research Foundation
State Board of Higher Education
North Dakota Economic Development Foundation
North Dakota Legislative Council – Budget Section

We have performed the procedures enumerated below, which were agreed to by the specified users of the report, as identified above, to assist the University of North Dakota Research Foundation Center of Excellence in Passive Therapeutics in meeting its financial accountability requirements as prescribed by North Dakota Century Code (NDCC) 15-69-05 for the fiscal year ended June 30, 2014. Management of the University of North Dakota Research Foundation ("Foundation") is responsible for the Foundation's financial accountability and its compliance with those legal and contractual requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the fieldwork and reporting standards applicable to attestation engagements as contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America. The sufficiency of the procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Procedures and Findings

As of and for the fiscal year ended June 30, 2014:

1. **Procedures Performed:** From the disbursement letter the Foundation received from the North Dakota Department of Commerce, we traced the amount of funding to the receipt of funds in the Foundation's accounting records.

Findings: Not applicable. All funds were received in prior years.

2. **Procedures Performed:** From the Foundation's accounting records, we reviewed supporting documentation to determine that interest earned on the award proceeds was retained by the Foundation.

Findings: Not applicable. All proceeds were spent in prior years so there is no current year interest earned.

3. **Procedures Performed:** From the annual Functional Review, we reviewed the Matching Cash Contributions, Matching Contributions in Lieu of Cash (Cash Reserved), and Matching In-Kind Contributions reported and traced them to supporting documentation and accounting records.

Findings: No findings noted. No matching contributions are reported for this period.

4. **Procedures Performed:** From the annual Functional Review, we reviewed current year match contributions to verify their compliance with NDCC 15-69-05 requirements (during the biennium in which the COE was approved).

Findings: No findings noted. No matching contributions are reported for this period.

5. **Procedures Performed:** From the annual Functional Review, we reviewed the Leveraged Cash Contributions, Leveraged Contributions in Lieu of Cash (Cash Reserved), and Leveraged In-Kind Contributions reported and traced them to supporting documentation.

Findings: No findings noted. No leveraged contributions are reported for this period.

6. **Procedures Performed:** From the annual Functional Review, we reviewed the private sector jobs created and traced them to supporting documentation and verified that each job meets the qualifying criteria identified in the functional review.

Findings: No findings noted.

7. **Procedures Performed:** From the Foundation's accounting records, we reviewed a sample of expenditures to verify compliance with NDCC 15-69-05.1 (use of funds).

Findings: Not applicable. All proceeds were spent in prior years.

8. **Procedures Performed:** From the Foundation's accounting records, we reviewed a sample of expenditures to verify they were approved, supported with documentation, and spent according to the scope identified in the application for funding.

Findings: Not applicable. All proceeds were spent in prior years.

9. **Procedures Performed:** We reviewed a sample of labor charged to the grant and traced charges to supporting effort-reporting documentation.

Findings: Not applicable. All proceeds were spent in prior years.

10. **Procedures Performed:** We reviewed the Foundation's actual expenditures of award funds and compared them to the COE application budget, including documentation explaining any material differences.

Findings: Not applicable. All proceeds were spent in prior years.

11. **Procedures Performed:** We reviewed a sample of the Foundation's expenditures reported on the Economic Impact Study Data Form to verify they were made to North Dakota entities and occurred within the specified time period.

Findings: No findings noted. The job creation dollars reported for the Economic Impact Data Form agrees to the total wages and benefits reported for job creation in point #3.

12. **Procedures Performed:** We reviewed the timelines that were provided with the application and authorized revisions and discussed the actual timeline with management to ensure the Foundation has properly disclosed material timeline changes in the Functional Review.

Findings: No findings noted.

13. **Procedures Performed:** We reviewed the scope of activities provided with the application and authorized changes to ensure the Foundation has properly disclosed material scope changes in the functional review.

Findings: No findings noted.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified users, as identified above, and is not intended to be and should not be used by anyone other than these specified parties.

Baker Tilly Vichow Krause, LLP

Minneapolis, Minnesota
October 14, 2014

**THE UNIVERSITY OF NORTH DAKOTA
PETROLEUM RESEARCH, EDUCATION, AND ENTREPRENEURIAL
CENTER OF EXCELLENCE**

**INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES**

JUNE 30, 2014



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

**INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING
AGREED-UPON PROCEDURES**

To the Specified Users of the Report:
University of North Dakota
Petroleum Research, Education, and Entrepreneurial Center of Excellence
SBHE
ND Economic Development Foundation
ND Legislative Council

We have performed the procedures enumerated below which were agreed to by the specified users of the report, as identified above, to assist the University of North Dakota Petroleum Research, Education, and Entrepreneurial Center of Excellence in meeting its financial accountability requirements as prescribed by ND Century Code 15-69-05 for the fiscal year ended June 30, 2014. Management of the University of North Dakota Petroleum Research, Education, and Entrepreneurial Center of Excellence is responsible for the Center's financial accountability and its compliance with those legal and contractual requirements. This agreed-upon procedures engagement was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants and fieldwork and reporting standards applicable to attestation engagements as contained in *Government Auditing Standards* of the Comptroller General of the United States of America. The sufficiency of the procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Procedures and Findings

As of and for the fiscal year ended June 30, 2014:

1. **Procedures performed:** From the disbursement letter the Center received from OMB, we traced the amount of funding to the receipt of funds in the Center's accounting records.

Finding

Criteria: The Functional Review should report receipt transactions occurring during fiscal year ended June 30, 2014.

Condition: We noted that the Center reported cumulative amounts disbursed to the Center of \$3,002,289 on the Functional Review for fiscal year ended June 30, 2014.

Cause: The Functional Review reported the amount of award disbursed to the Center of \$3,002,289 but should have only been \$3,000,000.

Effect: The Functional Review reported a higher amount of award disbursed to the Center, than actually received.

Recommendation: We recommend that the correct amount of award disbursed to the Center be reported on the Functional Review.

Management's View and Corrective Action: We concur with the finding concerning the amount of award disbursed to the Center in the Functional Review. UND will correct this section of the Functional Review and resubmit the full report to the North Dakota Department of Commerce.

2. **Procedures performed:** From the Center's accounting records, we reviewed supporting documentation to determine that interest earned on the award proceeds was retained by the Center.

Findings: No findings noted.

3. **Procedures performed:** From the annual Functional Review, we reviewed the Cash Match, Match in Lieu of Cash, and Matching In-Kind in applications reported in the Functional Review and traced them to supporting documentation.

Findings: Noted on the functional review during fiscal year ended June 30, 2014, a cash match of \$804,786 was received, which agreed to supporting documentation.

4. **Procedures performed:** From the Center's accounting records, we verified compliance with the matching funds requirements for the Center. This included verifying that the Center is accountable to the requirements specified in NDCC 15-69-05 during the biennium in which they were approved.

Findings: No findings noted.

5. **Procedures performed:** From the annual Functional Review, we reviewed the Leveraged Cash Contributions, Leveraged Contributions in Lieu of Cash, and Leveraged In-Kind contributions reported and traced them to supporting documentation.

Findings: Noted on the Functional Review during fiscal year ended June 30, 2014, that Leveraged Cash Contributions of \$264,534 were received which agreed to supporting documentation.

6. **Procedures performed:** From the annual Functional Review, we reviewed the private sector jobs created and traced them to supporting documentation. We verified that the private sector jobs are defined as positions at the Center and University that are not paid by state general funds as identified in the Functional Review.

Findings: No findings noted.

7. **Procedures performed:** From the Center's accounting records, we reviewed a sample of expenditures (10% of items or 15 items, whichever was less) to report any noted instances of noncompliance with NDCC 15-69-05 and to ensure funds were approved, supported with

documentation, and spent according to the purposes identified in the application for funding.

Findings: No findings noted.

8. **Procedures performed:** From the Center's accounting records, we reviewed a sample of expenditures (10% of items or 15 items, whichever was less), as mentioned in procedure 7, to verify expenditures were approved, supported with documentation, and spent according to the purposes identified in the application for funding.

Findings: No findings noted.

9. **Procedures performed:** From the Center's accounting records, we reviewed a sample of labor expenditures (10% of items or 15 items, whichever was less) charged to the grant and traced the expenditures to supporting effort-reporting documentation.

Findings: No findings noted.

10. **Procedures performed:** We reviewed the Center's actual expenditures of award funds and compared them to the application budget of expenditures, and reviewed documentation explaining any material differences. Materiality is the greater of 10% or \$10,000.

Finding

Criteria: The Functional Review should plan, publish, and follow a budget for each fiscal year.

Condition: The Center had a budget, but the Center's expenditures did not follow the budget. Furthermore, the Project Investigator implied that the Center used budgets very generally and in the end used funds as it saw fit.

Cause: The Center did not follow its budgeting process.

Effect: The budgeted and actual expenditures were markedly different from each other during the fiscal year ended June 30, 2014.

Recommendation: We recommend that going forward the Center adopt well planned budgets on an annual basis and follow them to its best ability.

Management's View and Corrective Action: We concur with the finding concerning the budget to actual expenditure difference during the fiscal year ending June 30, 2014. While we believe the Center's expenditures were appropriately allocated to PREEC State funds, we will continue to work with the Center in order to implement the process stated in the above recommendation.

11. **Procedures performed:** We reviewed a sample of 5 of the Center's expenditures reported on the Economic Impact Study Data Form included in the Functional Review to verify that reported expenditures were made to North Dakota entities and occurred within the specified time period.

Finding

Criteria: The Functional Review information should accurately report amounts on the EISDF from supporting information.

Condition: Noted during fiscal year ended June 30, 2014, the Center reported \$1,444 of professional and social services to North Dakota entities. This amount should have been \$3,744.

Cause: The wrong amount was reported on the EISDF page of the submitted Functional Review.

Effect: The EISDF page of the Functional Review was understated by \$2,300.

Recommendation: We recommend management correct the amount and submit a revised Functional Review.

Management's View and Corrective Action: We concur with the finding concerning the amounts reported on the EISDF page of the submitted Functional Review. UND will correct this section of the Functional Review and resubmit the full report to the North Dakota Department of Commerce.

12. **Procedures performed:** We reviewed the timeline of the grants that were provided with the applications and discussed the actual timeline with management to ensure the Center has properly disclosed material timeline changes.

Findings: No findings noted.

13. **Procedures performed:** We reviewed the scope of the grants that were provided with the applications and discussed the actual scope for each grant with management to ensure the Center has properly disclosed material scope changes.

Findings: No findings noted.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the accounting records. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified users, as identified above, and is not intended to be and should not be used by anyone other than these specified parties.



**BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA**

September 12, 2014

**THE UNIVERSITY OF NORTH DAKOTA
SUNRISE BIOPRODUCTS
CENTER OF EXCELLENCE**

**INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES**

JUNE 30, 2014



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Specified Users of the Report:
SUNRISE BioProducts Center of Excellence
SBHE
ND Economic Development Foundation
ND Legislative Council

We have performed the procedures enumerated below which were agreed to by the specified users of the report, as identified above, to assist the University of North Dakota SUNRISE BioProducts Center of Excellence in meeting its financial accountability requirements as prescribed by ND Century Code 15-69-05 for the fiscal year ended June 30, 2014. Management of the University of North Dakota SUNRISE BioProducts Center of Excellence is responsible for the Center's financial accountability and its compliance with those legal and contractual requirements. This agreed-upon procedures engagement was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants and fieldwork and reporting standards applicable to attestation engagements as contained in *Government Auditing Standards* of the Comptroller General of the United States of America. The sufficiency of the procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Procedures and Findings

As of and for the fiscal year ended June 30, 2014:

1. **Procedures performed:** From the disbursement letter the Center received from OMB, we traced the amount of funding to the receipt of funds in the Center's accounting records.

Findings: There were no disbursements during the fiscal year ended June 30, 2014. All disbursements from inception through June 30, 2014 have been reviewed during prior years' engagements.

2. **Procedures performed:** From the Center's accounting records, we reviewed supporting documentation to determine that interest earned on the award proceeds was retained by the Center.

Findings: No findings noted.

3. **Procedures performed:** From the annual Functional Review, we reviewed the Cash Match, Match in Lieu of Cash, and Matching In-Kind in applications reported in the Functional Review and traced them to supporting documentation.

Findings: Noted on the Functional Review during fiscal year ended June 30, 2014, a Cash Match of \$62,335 was received, which agreed to supporting documentation.

4. **Procedures performed:** From the Center's accounting records, we verified compliance with the matching funds requirements for the Center. This included verifying that the Center is accountable to the requirements specified in NDCC 15-69-05 during the biennium in which they were approved.

Findings: No findings noted.

5. **Procedures performed:** From the annual Functional Review, we reviewed the Leveraged Cash Contributions, Leveraged Contributions in Lieu of Cash, and Leveraged In-Kind contributions reported and traced them to supporting documentation.

Findings: Noted on the Functional Review during fiscal year ended June 30, 2014, that Leveraged Cash contributions of \$124,265 were received which agreed to supporting documentation.

6. **Procedures performed:** From the annual Functional Review, we reviewed the private sector jobs created and traced them to supporting documentation. We verified that the private sector jobs are positions at the Center and University that are not paid by state general funds as identified in the Functional Review.

Findings: No findings noted per revised Functional Review.

7. **Procedures performed:** From the Center's accounting records, we reviewed a sample of expenditures (10% of items or 15 items, whichever was less) to report any noted instances of noncompliance with NDCC 15-69-05 (use of funds) and to ensure funds were approved, supported with documentation, and spent according to the purposes identified in the application for funding.

Findings: No findings noted.

8. **Procedures performed:** From the Center's accounting records, we reviewed a sample of expenditures (10% of items or 15 items, whichever was less), as mentioned in procedure 7, to verify expenditures were approved, supported with documentation, and spent according to the purposes identified in the application for funding.

Findings: No findings noted.

9. **Procedures performed:** From the Center's accounting records, we reviewed a sample of labor expenditures (10% of items or 15 items, whichever was less) charged to the grant and traced the expenditures to supporting effort-reporting documentation.

Findings: No findings noted.

10. **Procedures performed:** We reviewed the Center's actual expenditures of award funds and compared them to the application budget of expenditures, and reviewed documentation explaining any material differences. Materiality is the greater of 10% or \$10,000.

Findings: No findings noted.

11. **Procedures performed:** We reviewed a sample of 5 of the Center's expenditures reported on the Economic Impact Study Data Form included in the Functional Review to verify that reported expenditures were made to North Dakota entities and occurred within the specified time period.

Findings: Although outside the scope of this procedure, we noted certain expenditures to North Dakota entities that were not included on the North Dakota Economic Impact Form.

12. **Procedures performed:** We reviewed the timeline of the grant that was provided with the application and discussed the actual timeline with management to ensure the Center has properly disclosed material timeline changes.

Findings: No findings noted.

13. **Procedures performed:** We reviewed the scope of the grant that was provided with the application and discussed the actual scope for the grant with management to ensure the Center has properly disclosed material scope changes.

Findings: No findings noted.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the accounting records. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified users, as identified above, and is not intended to be and should not be used by anyone other than these specified parties.



BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA

September 5, 2014

**THE UNIVERSITY OF NORTH DAKOTA
SUNRISE BIOPRODUCTS
CENTER OF EXCELLENCE**

**INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES**

JUNE 30, 2014



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Specified Users of the Report:
SUNRISE BioProducts Center of Excellence
SBHE
ND Economic Development Foundation
ND Legislative Council

We have performed the procedures enumerated below which were agreed to by the specified users of the report, as identified above, to assist the University of North Dakota SUNRISE BioProducts Center of Excellence in meeting its financial accountability requirements as prescribed by ND Century Code 15-69-05 for the fiscal year ended June 30, 2014. Management of the University of North Dakota SUNRISE BioProducts Center of Excellence is responsible for the Center's financial accountability and its compliance with those legal and contractual requirements. This agreed-upon procedures engagement was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants and fieldwork and reporting standards applicable to attestation engagements as contained in *Government Auditing Standards* of the Comptroller General of the United States of America. The sufficiency of the procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Procedures and Findings

As of and for the fiscal year ended June 30, 2014:

1. **Procedures performed:** From the disbursement letter the Center received from OMB, we traced the amount of funding to the receipt of funds in the Center's accounting records.

Findings: There were no disbursements during the fiscal year ended June 30, 2014. All disbursements from inception through June 30, 2014 have been reviewed during prior years' engagements.

2. **Procedures performed:** From the Center's accounting records, we reviewed supporting documentation to determine that interest earned on the award proceeds was retained by the Center.

Findings: No findings noted.

3. **Procedures performed:** From the annual Functional Review, we reviewed the Cash Match, Match in Lieu of Cash, and Matching In-Kind in applications reported in the Functional Review and traced them to supporting documentation.

Findings: Noted on the Functional Review during fiscal year ended June 30, 2014, a Cash Match of \$62,335 was received, which agreed to supporting documentation.

4. **Procedures performed:** From the Center's accounting records, we verified compliance with the matching funds requirements for the Center. This included verifying that the Center is accountable to the requirements specified in NDCC 15-69-05 during the biennium in which they were approved.

Findings: No findings noted.

5. **Procedures performed:** From the annual Functional Review, we reviewed the Leveraged Cash Contributions, Leveraged Contributions in Lieu of Cash, and Leveraged In-Kind contributions reported and traced them to supporting documentation.

Findings: Noted on the Functional Review during fiscal year ended June 30, 2014, that Leveraged Cash contributions of \$124,265 were received which agreed to supporting documentation.

6. **Procedures performed:** From the annual Functional Review, we reviewed the private sector jobs created and traced them to supporting documentation. We verified that the private sector jobs are positions at the Center and University that are not paid by state general funds as identified in the Functional Review.

Findings: No findings noted per revised Functional Review.

7. **Procedures performed:** From the Center's accounting records, we reviewed a sample of expenditures (10% of items or 15 items, whichever was less) to report any noted instances of noncompliance with NDCC 15-69-05 (use of funds) and to ensure funds were approved, supported with documentation, and spent according to the purposes identified in the application for funding.

Findings: No findings noted.

8. **Procedures performed:** From the Center's accounting records, we reviewed a sample of expenditures (10% of items or 15 items, whichever was less), as mentioned in procedure 7, to verify expenditures were approved, supported with documentation, and spent according to the purposes identified in the application for funding.

Findings: No findings noted.

9. **Procedures performed:** From the Center's accounting records, we reviewed a sample of labor expenditures (10% of items or 15 items, whichever was less) charged to the grant and traced the expenditures to supporting effort-reporting documentation.

Findings: No findings noted.

10. **Procedures performed:** We reviewed the Center's actual expenditures of award funds and compared them to the application budget of expenditures, and reviewed documentation explaining any material differences. Materiality is the greater of 10% or \$10,000.

Findings: No findings noted.

11. **Procedures performed:** We reviewed a sample of 5 of the Center's expenditures reported on the Economic Impact Study Data Form included in the Functional Review to verify that reported expenditures were made to North Dakota entities and occurred within the specified time period.

Findings: Although outside the scope of this procedure, we noted certain expenditures to North Dakota entities that were not included on the North Dakota Economic Impact Form.

12. **Procedures performed:** We reviewed the timeline of the grant that was provided with the application and discussed the actual timeline with management to ensure the Center has properly disclosed material timeline changes.

Findings: No findings noted.

13. **Procedures performed:** We reviewed the scope of the grant that was provided with the application and discussed the actual scope for the grant with management to ensure the Center has properly disclosed material scope changes.

Findings: No findings noted.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the accounting records. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified users, as identified above, and is not intended to be and should not be used by anyone other than these specified parties.



BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA

September 5, 2014



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Specified Users of the Report:

Dakota College at Bottineau Center of Excellence
The Centers of Excellence Commission
ND Department of Commerce
ND Economic Development Foundation
State Board of Higher Education

We have performed the procedures enumerated below, which were agreed to by the specified users of the report, as identified above, to assist the Dakota College at Bottineau Center of Excellence in meeting its financial accountability requirements as prescribed by ND Century Code 15-69-05 for the fiscal year ended June 30, 2014. Management of the Dakota College at Bottineau Center of Excellence is responsible for the Center's financial accountability and its compliance with those legal and contractual requirements. This agreed-upon procedures engagement was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants and the fieldwork and reporting standards applicable to attestation engagements as contained in *Government Auditing Standards* of the Comptroller General of the United States of America. The sufficiency of the procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Procedures and Findings

As of and for the fiscal year ended June 30, 2014, our procedures and findings are as follows:

1. **Procedures Performed:** We verified that award funds disbursed were received by the Center.

Findings: There were no additional funds disbursed in the current year.

2. **Procedures Performed:** We determined that interest earned on award proceeds was retained by the Center.

Findings: Interest earned was retained by the center with the grant funds in account 518520 at the Bank of North Dakota.

3. **Procedures Performed:** We reviewed the Matching Cash Contributions, Matching Contributions in Lieu of Cash, and Matching In-Kind Contributions reported in the Functional Review and traced them to supporting documentation and/or accounting records.

Findings: The required match over the course of the Center of Excellence grant is \$800,000. As of June 30, 2013, the Organization had received \$838,990 in matching contributions. Further testing was not performed on the matching contributions in the current year.

4. **Procedures Performed:** We verified compliance with the Center of Excellence program matching funds requirements noting that the Center is accountable to the requirements specified in NDCC 15-69 during the biennium in which they are approved.

Findings: Dakota College at Bottineau met the matching requirements set forth under ND Century Code 15-69 as of June 20, 2013. Further testing was not performed on the matching requirements in the current year.

5. **Procedures Performed:** We reviewed the Leveraged Cash Contributions, Leveraged Contributions in Lieu of Cash and Leveraged In-Kind Contributions reported in the Functional Review and traced them to supporting documentation and/or accounting records.

Findings: Currently, \$579,338 of the pledged \$876,950 of leveraged funds has been received. Supporting documentation in the form of letters from donors was present for all leveraged funds. We also traced all receipts to the accounting records without exception.

6. **Procedures Performed:** We reviewed the private-sector and private-sector equivalent job creation reported in the Functional Review and traced each position to supporting documentation. We verified that each job meets the qualifying criteria identified in the Functional Review.

Findings: The functional review indicates a full time seasonal job created at North Star Farm in the amount of \$19,200. Based on the supporting documentation in the form of a letter from North Star Farms, this figure would be arrived at by multiplying the \$13.44 per hour for a 28 hour work week for 51 weeks. The 28 hours is the average number of hours worked per week throughout the year. The job was created; however, from October of 2013 it was on a part time basis and then turned to a full time basis in July of 2014. The full time work will continue through October 2013 and switch back to part time once again. The part time portion was verified properly with the supporting documentation. We had also confirmed with North Star Farms that wages paid are not funded by state general fund dollars.

7. **Procedures Performed:** We reviewed a sample of expenditures to verify compliance with NDCC 15-69-05.1 and NDCC 54-65-03.1 as appropriate.

Findings: There was \$26,676 in expenditures during the year. Through systematic sampling, BMA selected 18 expenditures, representing 25% of the number of expenditures and 37% of the cost total, and reviewed the invoices, vouchers and expense reports for expenditures charged to the grant during the current fiscal year. Through analysis of supporting documents no instances of noncompliance were noted and the expenditures have been spent in accordance with grant stipulations.

8. **Procedures Performed:** We reviewed a sample of expenditures to verify expenses were approved, supported with documentation, and spent according to the scope identified in the application for funding.

Findings: There was \$26,676 in expenditures during the year, not including payroll. Through systematic sampling, BMA selected 18 expenditures and reviewed the invoices, vouchers and expense reports for expenditures charged to the grant during the current fiscal year. Expenditures were appropriately approved by Holly Mawby at the Entrepreneurial Center for Horticulture and spent according to the scope identified in the grant application.

9. **Procedures Performed:** We verified a sample of labor charged to the grant and traced it to supporting effort-reporting documentation.

Findings: There was \$29,654.62 in payroll expenditures during the year. Through random sampling, BMA selected six payrolls, representing 25% of the number of payrolls and reviewed the payroll reports and hour reports for payroll charged to the grant during the current fiscal year. In review of the labor records for those individuals charged to the program, approximately 30% of their wages for the year were covered by the Center of Excellence grant. We reviewed the quarterly hour totals for the four employees who have time charged to the Center of Excellence grant, based on this effort-reporting documentation, the proper number of hours were charged to the grant. One employee had their wages covered by a Rural Business Enterprise Grant until the funds were fully expended, which occurred in April 2014.

10. **Procedure Performed:** We reviewed the Center's actual expenditures of award funds and compared them to the Center's application budget, including documentation explaining any material differences.

Findings: We reviewed current year actual expenditures compared to application budgets noting the budgeted amounts exceed actual expenditures by \$49,421.93 after the third year of the grant. Line items included in budgeted expenditures include Marketing, Demonstration, Distribution, Tech Transfer and Salaries and Benefits. Actual expenditures for salaries and benefits and distribution agreed to account ledger for the program. However, within the categories, the actual expenses for marketing differed from the general ledger by (\$784.58), the expenses for demonstration differed from the general ledger by (\$2,579.70), and the expenses for tech transfer differed from the general ledger by \$3,388.27. In total, the difference from the expense reclassification is \$23.99. This was an expenditure in June of 2011 that has not been included by management in the total expenditures to date in the functional review report. We also noted that the amount of \$3,018.00 which was recorded as an other expense in the prior fiscal year, was not included in the current year total expenses in the functional review report. Through review of supporting documentation, no actual expenditures exceed budgeted amounts, therefore additional explanation is not considered necessary.

11. **Procedure Performed:** We reviewed a sample of the Center's actual expenditures reported on the Economic Impact Study Data Form (included in the Functional Review) to verify that reported expenditures were made to North Dakota entities and occurred within the specified time period.

Findings: A sample of expenditures presented in the "Center Expenditures" column was tested and it was verified that they were made to North Dakota entities. The sample consisted of 18 items representing 25% of the number of expenditures and over 37% of the cost. These actual expenditures tested agree with the Center of Excellence and were expended in proper timeframe within accordance of NDACC 15-69. The job creation, payroll, and benefits expenditures did not contain any values in the current year functional review report. The functional review report should have included the amount of expenditures reported in the prior period as well as the expenditure amount from the current year general ledger.

12. **Procedure Performed:** We verified that the Center complied with the timeline as provided under the Center's application and any authorized revisions.

Findings: The timeline and changes appear properly presented in the Functional Review report.

13. **Procedures Performed:** We verified the Center complied with the scope of activities as provided under the Center's application and any authorized revisions.

Findings: In the current year no testing was performed as there were no changes to the scope of activities.

We were not engaged to and did not conduct an examination, the objectives of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of specified users, as identified above, and is not intended to be and should not be used by anyone other than those specified parties.



BRADY, MARTZ & ASSOCIATES, P.C.

Minot, North Dakota

September 5, 2014

**THE UNIVERSITY OF NORTH DAKOTA
UAS SOFTWARE AND CURRICULUM DEVELOPMENT
CENTER OF EXCELLENCE**

**INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES**

JUNE 30, 2014



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Specified Users of the Report:
University of North Dakota UAS Software and Curriculum Development Center of Excellence
SBHE
ND Economic Development Foundation
ND Legislative Council

We have performed the procedures enumerated below which were agreed to by the specified users of the report, as identified above, to assist the University of North Dakota UAS Software and Curriculum Development Center of Excellence in meeting its financial accountability requirements as prescribed by ND Century Code 15-69-05 for the fiscal year ended June 30, 2014. Management of the University of North Dakota UAS Software and Curriculum Development Center of Excellence is responsible for the Center's financial accountability and its compliance with those legal and contractual requirements. This agreed-upon procedures engagement was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants and fieldwork and reporting standards applicable to attestation engagements as contained in *Government Auditing Standards* of the Comptroller General of the United States of America. The sufficiency of the procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Procedures and Findings

As of and for the fiscal year ended June 30, 2014:

1. **Procedures performed:** From the disbursement letter the Center received from OMB, we traced the amount of funding to the receipt of funds in the Center's accounting records.

Findings: Noted no receipts during the fiscal year ended June 30, 2014. All receipts were reviewed in prior years.

2. **Procedures performed:** From the Center's accounting records, we reviewed supporting documentation to determine that interest earned on the award proceeds was retained by the Center.

Findings: No findings noted.

3. **Procedures performed:** From the annual Functional Review, we reviewed the Cash Match, Match in Lieu of Cash, and Matching In-Kind in applications reported in the Functional Review and traced them to supporting documentation.

Findings: No matching funds were reported on the Functional Review for the fiscal year ended June 30, 2014.

4. **Procedures performed:** From the Center's accounting records, we verified compliance with the matching funds requirements for the Center. This included verifying that the Center is accountable to the requirements specified in NDCC 15-69-05 during the biennium in which they were approved.

Findings: No matching funds were reported on the Functional Review for the fiscal year ended June 30, 2014.

5. **Procedures performed:** From the annual Functional Review, we reviewed the Leveraged Cash Contributions, Leveraged Contributions in Lieu of Cash, and Leveraged In-Kind contributions reported and traced them to supporting documentation.

Findings: No Leveraged Cash Contributions, Leveraged Contributions in Lieu of Cash, or Leveraged In-Kind contributions were reported on the Functional Review for the fiscal year ended June 30, 2014.

6. **Procedures performed:** From the annual Functional Review, we reviewed the private sector jobs created and traced them to supporting documentation. We verified that the private sector jobs are defined as positions at the Center and University that are not paid by state general funds as identified in the Functional Review.

Findings: No private sector jobs were reported on the Functional Review for the fiscal year ended June 30, 2014.

7. **Procedures performed:** From the Center's accounting records, we reviewed a sample of expenditures (10% of items or 15 items, whichever was less) to report any noted instances of noncompliance with NDCC 15-69-05 (use of funds) and to ensure funds were approved, supported with documentation, and spent according to the purposes identified in the application for funding.

Findings: No findings noted.

8. **Procedures performed:** From the Center's accounting records, we reviewed a sample of expenditures (10% of items or 15 items, whichever was less), as mentioned in procedure number 7, to verify expenditures were approved, supported with documentation, and spent according to the purposes identified in the application for funding.

Findings: No findings noted.

9. **Procedures performed:** From the Center's accounting records, we reviewed a sample of labor expenditures (10% of items or 15 items, whichever was less) charged to the grant and traced the expenditures to supporting effort-reporting documentation.

Findings: No findings noted.

10. **Procedures performed:** We reviewed the Center's actual expenditures of award funds and compared them to the application budget of expenditures, and reviewed documentation explaining any material differences. Materiality is the greater of 10% or \$10,000.

Findings: No findings noted.

11. **Procedures performed:** We reviewed a sample of 5 of the Center's expenditures reported on the Economic Impact Study Data Form included in the Functional Review to verify that reported expenditures were made to North Dakota entities and occurred within the specified time period.

Finding

Criteria: The Functional Review should report expenditures to North Dakota entities for the fiscal year ended June 30, 2014.

Condition: Two expenditures tested that were listed on the Economic Impact Data Form were made to entities outside of North Dakota. The amounts of the expenditures were for \$303.97 and \$959.52.

Cause: Expenditures for employee travel outside of North Dakota were included on the Functional Review.

Effect: The amount of expenditures to North Dakota entities reported on the Functional Review is incorrect.

Recommendation: We recommend that the correct amount of expenditures to North Dakota entities be reported on a revised Functional Review.

Management's View and Corrective Action: We concur with the finding concerning the expenditures listed in the Economic Impact Data section of the submitted Functional Review. UND will correct this section of the Functional Review and resubmit the full report to the North Dakota Department of Commerce.

12. **Procedures performed:** We reviewed the timeline of the grants that were provided with the applications and discussed the actual timeline with management to ensure the Center has properly disclosed material timeline changes.

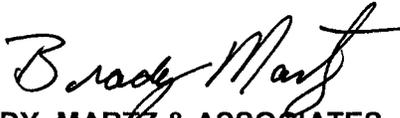
Findings: No findings noted.

13. **Procedures performed:** We reviewed the scope of the grants that were provided with the applications and discussed the actual scope for each grant with management to ensure the Center has properly disclosed material scope changes.

Findings: No findings noted.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the accounting records. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified users, as identified above, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Brady Martz". The signature is written in a cursive, flowing style.

**BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA**

September 5, 2014

**THE UNIVERSITY OF NORTH DAKOTA
UAS RESEARCH, EDUCATION, AND TRAINING ENHANCEMENT
CENTER OF EXCELLENCE**

**INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES**

JUNE 30, 2014



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Specified Users of the Report:
University of North Dakota UAS Research, Education, and Training Enhancement Center of Excellence
SBHE
ND Economic Development Foundation
ND Legislative Council

We have performed the procedures enumerated below which were agreed to by the specified users of the report, as identified above, to assist the University of North Dakota UAS Research, Education, and Training Enhancement Center of Excellence in meeting its financial accountability requirements as prescribed by ND Century Code 15-69-05 for the fiscal year ended June 30, 2014. Management of the University of North Dakota UAS Research, Education, and Training Enhancement's Center of Excellence is responsible for the Center's financial accountability and its compliance with those legal and contractual requirements. This agreed-upon procedures engagement was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants and fieldwork and reporting standards applicable to attestation engagements as contained in *Government Auditing Standards* of the Comptroller General of the United States of America. The sufficiency of the procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Procedures and Findings

As of and for the fiscal year ended June 30, 2014:

1. **Procedures performed:** From the disbursement letter the Center received from OMB, we traced the amount of funding to the receipt of funds in the Center's accounting records.

Finding

Criteria: The Functional Review should report receipt transactions occurring during the fiscal year ending June 30, 2014.

Condition: The Center reported cumulative receipts disbursed to the Center of \$2,254,000 while the amount reported should be \$2,754,000.

Cause: The Functional Review failed to report a \$500,000 receipt.

Effect: The Functional Review reported a lower amount of award disbursed to the Center, than actually received.

Recommendation: We recommend that the Center submit a revised Functional Review that reports a corrected amount of award disbursed.

Management's View and Corrective Action: We concur with the finding concerning the cumulative receipt transactions reported in the Functional Review. UND will correct the first page of the Functional Review and resubmit the full report to the North Dakota Department of Commerce.

2. **Procedures performed:** From the Center's accounting records, we reviewed supporting documentation to determine that interest earned on the award proceeds was retained by the Center.

Findings: No findings noted.

3. **Procedures performed:** From the annual Functional Review, we reviewed the Cash Match, Match in Lieu of Cash, and Matching In-Kind in applications reported in the Functional Review and traced them to supporting documentation.

Findings: No matching funds were reported on the Functional Review for the fiscal year ended June 30, 2014.

4. **Procedures performed:** From the Center's accounting records, we verified compliance with the matching funds requirements for the Center. This included verifying that the Center is accountable to the requirements specified in NDCC 15-69-05 during the biennium in which they were approved.

Findings: No matching funds were reported on the Functional Review for the fiscal year ended June 30, 2014.

5. **Procedures performed:** From the annual Functional Review, we reviewed the Leveraged Cash Contributions, Leveraged Contributions in Lieu of Cash, and Leveraged In-Kind contributions reported and traced them to supporting documentation.

Findings: No leveraged funds were reported on the Functional Review for the fiscal year ended June 30, 2014.

6. **Procedures performed:** From the annual Functional Review, we reviewed the private sector jobs created and traced them to supporting documentation. We verified that the private sector jobs are defined as positions at the Center and University that are not paid by state general funds as identified in the Functional Review.

Findings: No findings noted.

7. **Procedures performed:** From the Center's accounting records, we reviewed a sample of expenditures (10% of items or 15 items, whichever was less) to report any noted instances of noncompliance with NDCC 15-69-05 (use of funds) and to ensure funds

were approved, supported with documentation, and spent according to the purposes identified in the application for funding.

Findings: No findings noted.

8. **Procedures performed:** From the Center's accounting records, we reviewed a sample of expenditures (10% of items or 15 items, whichever was less), as mentioned in procedure 7, to verify expenditures were approved, supported with documentation, and spent according to the purposes identified in the application for funding.

Findings: No findings noted.

9. **Procedures performed:** From the Center's accounting records, we reviewed a sample of labor expenditures (10% of items or 15 items, whichever was less) charged to the grant and traced the expenditures to supporting effort-reporting documentation.

Findings: No findings noted.

10. **Procedures performed:** We reviewed the Center's actual expenditures of award funds and compared them to the application budget of expenditures, and reviewed documentation explaining any material differences. Materiality is the greater of 10% or \$10,000.

Findings: No findings noted.

11. **Procedures performed:** We reviewed a sample of 5 of the Center's expenditures reported on the Economic Impact Study Data Form included in the Functional Review to verify that reported expenditures were made to North Dakota entities and occurred within the specified time period.

Findings: No findings noted.

12. **Procedures performed:** We reviewed the timeline of the grants that was provided with the applications and discussed the actual timeline with management to ensure the Center has properly disclosed material timeline changes.

Findings: No findings noted.

13. **Procedures performed:** We reviewed the scope of the grants that were provided with the applications and discussed the actual scope for the grant with management to ensure the Center has properly disclosed material scope changes.

Findings: No findings noted.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the accounting records. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified users, as identified above, and is not intended to be and should not be used by anyone other than these specified parties.



**BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA**

September 5, 2014

**THE UNIVERSITY OF NORTH DAKOTA
LAW ENFORCEMENT AND PSA SMALL UAS COURSE
CENTER OF EXCELLENCE**

**INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES**

JUNE 30, 2014



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Specified Users of the Report:

University of North Dakota Law Enforcement and PSA Small UAS Course Center of Excellence
SBHE
ND Economic Development Foundation
ND Legislative Council

We have performed the procedures enumerated below which were agreed to by the specified users of the report, as identified above, to assist the University of North Dakota Law Enforcement and PSA Small UAS Course Center of Excellence in meeting its financial accountability requirements as prescribed by ND Century Code 15-69-05 and 54-65-03 for the fiscal year ended June 30, 2014. Management of the University of North Dakota Law Enforcement and PSA Small UAS Course Center of Excellence is responsible for the Center's financial accountability and its compliance with those legal and contractual requirements. This agreed-upon procedures engagement was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants and fieldwork and reporting standards applicable to attestation engagements as contained in *Government Auditing Standards* of the Comptroller General of the United States of America. The sufficiency of the procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Procedures and Findings

As of and for the fiscal year ended June 30, 2014:

1. **Procedures performed:** From the disbursement letter the Center received from OMB, we traced the amount of funding to the receipt of funds in the Center's accounting records.

Findings: All disbursements occurred prior to the fiscal year ended June 30, 2014 and have been reviewed as part of agreed-upon procedures engagements conducted in prior years.

2. **Procedures performed:** From the Center's accounting records, we reviewed supporting documentation to determine that interest earned on the award proceeds was retained by the Center.

Findings: No findings noted.

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3. **Procedures performed:** From the annual Functional Review, we reviewed the Cash Match, Match in Lieu of Cash, and Matching In-Kind in applications reported in the Functional Review and traced them to supporting documentation.

Findings: No matching requirement for this grant.

4. **Procedures performed:** From the Center's accounting records, we verified compliance with the matching funds requirements for the Center. This included verifying that the Center is accountable to the requirements specified in NDCC 15-69-05 during the biennium in which they were approved.

Findings: No matching requirement for this grant.

5. **Procedures performed:** From the annual Functional Review, we reviewed the Leveraged Cash Contributions, Leveraged Contributions in Lieu of Cash, and Leveraged In-Kind contributions reported and traced them to supporting documentation.

Findings: Noted no Leveraged In-Kind Contributions on the Functional Review for the fiscal year ended June 30, 2014.

6. **Procedures performed:** From the annual Functional Review, we reviewed the private sector jobs created and traced them to supporting documentation. We verified that the private sector jobs are defined as positions at the Center and University that are not paid by state general funds as identified in the Functional Review.

Findings: No jobs were reported on the fiscal year ended June 30, 2014 Functional Review.

7. **Procedures performed:** From the Center's accounting records, we reviewed a sample of expenditures (10% of items or 15 items, whichever was less) to report any noted instances of noncompliance with NDCC 15-69-05 and NDCC 54-65-01 (use of funds) and to ensure funds were approved, supported with documentation, and spent according to the purposes identified in the application for funding.

Findings: No findings noted.

8. **Procedures performed:** From the Center's accounting records, we reviewed a sample of expenditures (10% of items or 15 items, whichever was less), as mentioned in procedure number 7, to verify expenditures were approved, supported with documentation, and spent according to the purposes identified in the application for funding.

Findings: No findings noted.

9. **Procedures performed:** From the Center's accounting records, we reviewed a sample of labor expenditures (10% of items or 15 items, whichever was less) charged to the grant and traced the expenditures to supporting effort-reporting documentation.

Findings: Noted no labor during the fiscal year ended 2013-2014. No findings noted.

10. **Procedures performed:** We reviewed the Center's actual expenditures of award funds and compared them to the application budget of expenditures, and reviewed documentation explaining any material differences. Materiality is the greater of 10% or \$10,000.

Findings: No findings noted.

11. **Procedures performed:** We reviewed a sample of 5 of the Center's expenditures reported on the Economic Impact Study Data Form included in the Functional Review to verify that reported expenditures were made to North Dakota entities and occurred within the specified time period.

Findings: No findings noted.

12. **Procedures performed:** We reviewed the timeline of the grants that were provided with the applications and discussed the actual timeline with management to ensure the center has properly disclosed material timeline changes.

Findings

Criteria: The Functional Review should report an accurate status of the Center's timeline for the fiscal year ended June 30, 2014.

Condition: The Functional Review submitted for the fiscal year ended June 30, 2014 indicated that the timeline of the grant has not deviated from the initial timeline provided with the application. However, an extension of the project to June 30, 2015 was applied for and approved by The North Dakota Department of Commerce.

Cause: An incorrect answer to a question in submitted Functional Review.

Effect: The Functional Review reported an incorrect timeline.

Recommendation: We recommend that a change in the project's timeline be indicated on a revised Functional Review.

Management's View and Corrective Action: We concur with the finding concerning the response to the timeline question in the submitted Functional Review. UND will correct this section of the Functional Review and resubmit the full report to the North Dakota Department of Commerce.

13. **Procedures performed:** We reviewed the scope of the grants that were provided with the applications and discussed the actual scope for each grant with management to ensure the Center has properly disclosed material scope changes.

Findings: No findings noted.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the accounting records. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified users, as identified above, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Brady Martz". The signature is written in a cursive, flowing style with a large initial "B".

BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA

September 5, 2014

**THE UNIVERSITY OF NORTH DAKOTA
GRAND FORKS AIR FORCE BASE REALIGNMENT
CENTER OF EXCELLENCE**

**INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES**

JUNE 30, 2014



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Specified Users of the Report:
University of North Dakota Grand Forks Air Force Base Realignment Center of Excellence
SBHE
ND Economic Development Foundation
ND Legislative Council

We have performed the procedures enumerated below which were agreed to by the specified users of the report, as identified above, to assist the University of North Dakota Grand Forks Air Force Base Realignment Center of Excellence in meeting its financial accountability requirements as prescribed by ND Century Code 15-69-05 for the fiscal year ended June 30, 2014. Management of the University of North Dakota Grand Forks Air Force Base Realignment Center of Excellence is responsible for the Center's financial accountability and its compliance with those legal and contractual requirements. This agreed-upon procedures engagement was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants and fieldwork and reporting standards applicable to attestation engagements as contained in *Government Auditing Standards* of the Comptroller General of the United States of America. The sufficiency of the procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Procedures and Findings

As of and for the fiscal year ended June 30, 2014:

1. **Procedures performed:** From the disbursement letter the Center received from OMB, we traced the amount of funding to the receipt of funds in the Center's accounting records.

Findings: We noted deposits during the fiscal year ended June 30, 2014 of \$40,000, as reported on the Functional Review.

2. **Procedures performed:** From the Center's accounting records, we reviewed supporting documentation to determine that interest earned on the award proceeds was retained by the Center.

Findings: No findings noted.

3. **Procedures performed:** From the annual Functional Review, we reviewed the Cash Match, Match in Lieu of Cash, and Matching In-Kind in applications reported in the Functional Review and traced them to supporting documentation.

Findings: No matching funds reported on the Functional Review for fiscal year ended June 30, 2014.

4. **Procedures performed:** From the Center's accounting records, we verified compliance with the matching funds requirements for the Center. This included verifying that the Center is accountable to the requirements specified in NDCC 15-69-05 during the biennium in which they were approved.

Findings: No matching funds reported on the Functional Review for fiscal year ended June 30, 2014.

5. **Procedures performed:** From the annual Functional Review, we reviewed the Leveraged Cash Contributions, Leveraged Contributions in Lieu of Cash, and Leveraged In-Kind contributions reported and traced them to supporting documentation.

Finding

Criteria: The Functional Review should accurately report and provide adequate supporting documentation for all leveraged funds received during the fiscal year ending June 30, 2014.

Condition: The Center was unable to produce supporting documentation for \$65,784 of Leveraged DETA funds received during the fiscal year ended June 30, 2014.

Cause: The Center transferred cash between two different projects (UND0017886 and UND 00118152) without properly documenting receipts and transfers.

Effect: The Center was unable to support the receipts of \$65,784 in Leveraged DETA funds during the fiscal year ended June 30, 2014.

Recommendation: We recommend that the Center implement a process to record and keep track of all cash transfers and receipts.

Management's View and Corrective Action: We concur with the finding concerning the leveraged funds supporting documentation included in the Functional Review. UND was able to provide supporting documentation in excess of \$65,784. We were unable to provide specific detail of cash movement due to multiple projects set up under one award and the obligation of drawing funds through a Letter of Credit. A Letter of Credit is a request for reimbursement to one agency for multiple awards funded by said agency. This issue has since been resolved as any new funding from this agency is set up as a separate award rather than multiple projects under one award. UND will correct the leveraged funds section of the Functional Review and resubmit the full report to the North Dakota Department of Commerce.

6. **Procedures performed:** From the annual Functional Review, we reviewed the private sector jobs created and traced them to supporting documentation. We verified that the private sector jobs are defined as positions at the Center and University that are not paid by state general funds as identified in the Functional Review.

Findings: No private sector jobs were reported on the Functional Review for the fiscal year ended June 30, 2014.

7. **Procedures performed:** From the Center's accounting records, we reviewed a sample of expenditures (10% of items or 15 items, whichever was less) to report any noted instances of noncompliance with NDCC 15-69-05 and to ensure funds were approved, supported with documentation, and spent according to the purposes identified in the application for funding.

Findings: No findings noted.

8. **Procedures performed:** From the Center's accounting records, we reviewed a sample of expenditures (10% of items or 15 items, whichever was less), as mentioned in procedure 7, to verify expenditures were approved, supported with documentation, and spent according to the purposes identified in the application for funding.

Findings: No findings noted.

9. **Procedures performed:** From the Center's accounting records, we reviewed a sample of labor expenditures (10% of items or 15 items, whichever was less) charged to the grant and traced the expenditures to supporting effort-reporting documentation.

Findings: No findings noted.

10. **Procedures performed:** We reviewed the Center's actual expenditures of award funds and compared them to the application budget of expenditures, and reviewed documentation explaining any material differences. Materiality is the greater of 10% or \$10,000.

Findings: No findings noted.

11. **Procedures performed:** We reviewed a sample of 5 of the Center's expenditures reported on the Economic Impact Study Data Form included in the Functional Review to verify that reported expenditures were made to North Dakota entities and occurred within the specified time period.

Findings: No findings noted.

12. **Procedures performed:** We reviewed the timeline of the grants that were provided with the applications and discussed the actual timeline with management to ensure the Center has properly disclosed material timeline changes.

Findings: No findings noted.

13. **Procedures performed:** We reviewed the scope of the grants that were provided with the applications and discussed the actual scope for each grant with management to ensure the Centers has properly disclosed material scope changes.

Findings: No findings noted.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the accounting records. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified users, as identified above, and is not intended to be and should not be used by anyone other than these specified parties.



BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA

September 5, 2014

**THE UNIVERSITY OF NORTH DAKOTA
CENTER FOR INNOVATION FOUNDATION
CERTIFICATE PROGRAMS FOR FULL MOTION VIDEO
AND ACTIVITY BASED INTELLIGENCE ANALYSIS
CENTER OF EXCELLENCE**

INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES

JUNE 30, 2014



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Specified Users of the Report:

UND Center for Innovation Foundation Certificate Programs for Full Motion Video and Activity Based Intelligence Analysis Center of Excellence
SBHE
ND Economic Development Foundation
ND Legislative Council

We have performed the procedures enumerated below which were agreed to by the specified users of the report, as identified above, to assist the UND Center for Innovation Foundation Certificate Programs for Full Motion Video and Activity Based Intelligence Analysis Center of Excellence in meeting its financial accountability requirements as prescribed by ND Century Code 15-69-05 and Chapter 46 § 23 of the 2009 Session Laws for the fiscal year ended June 30, 2014. Management of the UND Center for Innovation Foundation Certificate Programs for Full Motion Video and Activity Based Intelligence Analysis Center of Excellence is responsible for the Center's financial accountability and its compliance with those legal and contractual requirements. This agreed-upon procedures engagement was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants and fieldwork and reporting standards applicable to attestation engagements as contained in *Government Auditing Standards* of the Comptroller General of the United States of America. The sufficiency of the procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Procedures and Findings

As of and for the fiscal year ended June 30, 2014:

1. **Procedures performed:** From the disbursement letter the Center received from the ND Department of Commerce, we traced the amount of funding to the receipt of funds in the Center's accounting records.

Findings: No funds were disbursed to the Center during the fiscal year ended June 30, 2014.

2. **Procedures performed:** From the Center's accounting records, we reviewed supporting documentation to determine that interest earned on the award proceeds was retained by the Center.

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Findings: All award proceeds were expended in the prior reporting periods.

3. **Procedures performed:** From the annual Functional Review, we reviewed the Matching Cash Contributions, Cash Reserved, and Matching In-Kind Contributions reported in the Functional Review and traced them to supporting documentation and/or the accounting records.

Findings: Center of Excellence Enhancement Grants do not have a matching funds requirement.

4. **Procedures performed:** From the Center's accounting records, we verified compliance with the matching funds requirements for the Center. This included verifying that the Center is accountable to the requirements specified in NDCC 15-69-05 during the biennium in which the grant was approved.

Findings: Center of Excellence Enhancement Grants do not have a matching funds requirement.

5. **Procedures performed:** From the annual Functional Review, we reviewed the Leveraged Cash Contributions, Cash Reserved, and Leveraged In-Kind contributions reported and traced them to supporting documentation and/or the accounting records.

Findings: No Leveraged Funds were reported in the fiscal year 2014 Functional Review.

6. **Procedures performed:** From the annual Functional Review, we reviewed the private sector jobs created and traced them to supporting documentation. We verified that the private sector jobs are positions at the Center and University that are not paid by state general funds as identified in the Functional Review.

Findings: No private sector jobs were reported in the fiscal year 2014 Functional Review.

7. **Procedures performed:** From the Center's accounting records, we reviewed a sample of expenditures (10% of items or 15 items, whichever was less with a minimum of 5) to report any noted instances of noncompliance with NDCC 15-69-05.1 and Chapter 46 § 23 of the 2009 Session Laws.

Findings: No expenditures were reported in the fiscal year 2014 Functional Review.

8. **Procedures performed:** From the Center's accounting records, we reviewed a sample of expenditures (10% of items or 15 items, whichever was less with a minimum of 5), as mentioned in procedure number 7, to verify expenditures were approved, supported with documentation, and spent according to the purposes identified in the application for funding.

Findings: No expenditures were reported in the fiscal year 2014 Functional Review.

9. **Procedures performed:** From the Center's accounting records, we reviewed a sample of labor expenditures (10% of items or 15 items, whichever was less with a minimum of 5) charged to the grant and traced the expenditures to supporting effort-reporting documentation.

Findings: No labor charged to this project, and thus, not applicable.

10. **Procedures performed:** We reviewed the Center's actual expenditures of award funds and compared them to the application budget of expenditures, and reviewed documentation explaining any material differences. Materiality is the greater of 10% or \$10,000 of the original budget item.

Findings: No findings noted.

11. **Procedures performed:** We reviewed a sample of 5 of the Center's expenditures reported on the Economic Impact Study Data Form included in the Functional Review to verify that reported expenditures were made to North Dakota entities and occurred within the specified time period.

Findings: No expenditures were reported in the fiscal year 2014 Functional Review.

12. **Procedures performed:** We reviewed the original timeline of the Grant that was provided with the application and discussed the actual timeline with management to ensure the Center has properly disclosed material timeline changes in the Functional Review.

Findings: No findings noted.

13. **Procedures performed:** We reviewed the original scope of the Grant that was provided with the application and discussed the actual scope for the Grant with management to ensure the Center has properly disclosed material scope changes in the Functional Review.

Findings: No findings noted.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the accounting records. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified users, as identified above, and is not intended to be and should not be used by anyone other than these specified parties.



**BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA**

September 11, 2014

**THE UNIVERSITY OF NORTH DAKOTA
AVIAN THERAPEUTICS FOR INFECTIOUS DISEASES
CENTER OF EXCELLENCE**

INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES

JUNE 30, 2014



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Specified Users of the Report:
University of North Dakota Avian Therapeutics for Infectious Diseases
Center of Excellence
SBHE
ND Economic Development Foundation
ND Legislative Council

We have performed the procedures enumerated below which were agreed to by the specified users of the report, as identified above, to assist the University of North Dakota Avian Therapeutics for Infectious Diseases Center of Excellence in meeting its financial accountability requirements as prescribed by ND Century Code 15-69-05 and 54-65-03 for the fiscal year ended June 30, 2014. Management of the University of North Dakota Avian Therapeutics for Infectious Diseases Center of Excellence is responsible for the Center's financial accountability and its compliance with those legal and contractual requirements. This agreed-upon procedures engagement was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants and fieldwork and reporting standards applicable to attestation engagements as contained in *Government Auditing Standards* of the Comptroller General of the United States of America. The sufficiency of the procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Procedures and Findings

As of and for the fiscal year ended June 30, 2014:

1. **Procedures performed:** From the disbursement letter the Center received from OMB, we traced the amount of funding to the receipt of funds in the Center's accounting records.

Findings: Noted deposits during fiscal year ended June 30, 2014 of \$700,000 as reported on the Functional Review.

2. **Procedures performed:** From the Center's accounting records, we reviewed supporting documentation to determine that interest earned on the award proceeds was retained by the Center.

Findings: No funds were received until the end of the fiscal year. This procedure does not apply for the fiscal year ended June 30, 2014.

3. **Procedures performed:** From the annual Functional Review, we reviewed the Cash Match, Match in Lieu of Cash, and Matching In-Kind in applications reported in the Functional Review and traced them to supporting documentation.

Findings: We noted a current year In-Kind Match received of \$127,500 reported on the revised Functional Review for the fiscal year ended June 30, 2014. We traced the amount to supporting documentation noting no exceptions.

4. **Procedures performed:** From the Center's accounting records, we verified compliance with the matching funds requirements for the Center. This included verifying that the Center is accountable to the requirements specified in NDCC 15-69-05 and 54-65-03 during the biennium in which they were approved.

Findings: No findings noted.

5. **Procedures performed:** From the annual Functional Review, we reviewed the Leveraged Cash Contributions, Leveraged Contributions in Lieu of Cash, and Leveraged In-Kind Contributions reported and traced them to supporting documentation.

Findings: No Leveraged Contributions were reported in the Functional Review for the fiscal year ended June 30, 2014.

6. **Procedures performed:** From the annual Functional Review, we reviewed the private sector jobs created and traced them to supporting documentation. We verified that the private sector jobs are positions at the Center and University that are not paid by state general funds as identified in the Functional Review.

Findings: No findings noted per revised Functional Review.

7. **Procedures performed:** From the Center's accounting records, we reviewed a sample of expenditures (10% of items or 15 items, whichever was less) to report any noted instances of noncompliance with NDCC 15-69-05 and NDCC 54-65-03 (use of funds) and to ensure funds were approved, supported with documentation, and spent according to the purposes identified in the application for funding.

Findings: No findings noted.

8. **Procedures performed:** From the Center's accounting records, we reviewed a sample of expenditures (10% of items or 15 items, whichever was less), as mentioned in procedure 7, to verify expenditures were approved, supported with documentation, and spent according to the purposes identified in the application for funding.

Findings: No findings noted.

9. **Procedures performed:** From the Center's accounting records, we reviewed a sample of labor expenditures (10% of items or 15 items, whichever was less) charged to the grant and traced the expenditures to supporting effort-reporting documentation.

Findings: No findings noted.

10. **Procedures performed:** We reviewed the Center's actual expenditures of award funds and compared them to the application budget of expenditures, and reviewed documentation explaining any material differences. Materiality is the greater of 10% or \$10,000.

Findings: No findings noted.

11. **Procedures performed:** We reviewed a sample of 5 of the Center's expenditures reported on the Economic Impact Study Data Form included in the Functional Review to verify that reported expenditures were made to North Dakota entities and occurred within the specified time period.

Findings: No findings noted per revised Functional Review.

12. **Procedures performed:** We reviewed the timeline of the grant that was provided with the application and discussed the actual timeline with management to ensure the Center has properly disclosed material timeline changes.

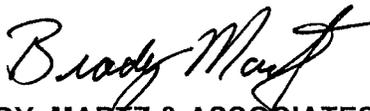
Findings: No findings noted.

13. **Procedures performed:** We reviewed the scope of the grant that was provided with the application and discussed the actual scope for the grant with management to ensure the Center has properly disclosed material scope changes.

Findings: No findings noted.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the accounting records. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified users, as identified above, and is not intended to be and should not be used by anyone other than these specified parties.



**BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA**

September 5, 2014

**THE UNIVERSITY OF NORTH DAKOTA
LIMITED DEPLOYMENT COOPERATIVE AIRSPACE
CENTER OF EXCELLENCE**

**INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES**

JUNE 30, 2014



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Specified Users of the Report:
University of North Dakota Limited Deployment Cooperative Airspace Center of Excellence
SBHE
ND Economic Development Foundation
ND Legislative Council

We have performed the procedures enumerated below which were agreed to by the specified users of the report, as identified above, to assist the University of North Dakota Limited Deployment Cooperative Airspace Center of Excellence in meeting its financial accountability requirements as prescribed by ND Century Code 15-69-05 and 54-65-03 for the fiscal year ended June 30, 2014. Management of the University of North Dakota Limited Deployment Cooperative Airspace Center of Excellence is responsible for the Center's financial accountability and its compliance with those legal and contractual requirements. This agreed-upon procedures engagement was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants and fieldwork and reporting standards applicable to attestation engagements as contained in *Government Auditing Standards* of the Comptroller General of the United States of America. The sufficiency of the procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Procedures and Findings

As of and for the fiscal year ended June 30, 2014:

1. **Procedures performed:** From the disbursement letter the Center received from OMB, we traced the amount of funding to the receipt of funds in the Center's accounting records.

Findings: All disbursements occurred prior to the fiscal year ended June 30, 2014 and have been reviewed as part of agreed-upon procedures engagements conducted in prior years.

2. **Procedures performed:** From the Center's accounting records, we reviewed supporting documentation to determine that interest earned on the award proceeds was retained by the Center.

Findings: No findings noted.

3. **Procedures performed:** From the annual Functional Review, we reviewed the Cash Match, Match in Lieu of Cash, and Matching In-Kind in applications reported in the Functional Review and traced them to supporting documentation.

Findings: No Matching requirement for this grant.

4. **Procedures performed:** From the Center's accounting records, we verified compliance with the matching funds requirements for the Center. This included verifying that the Center is accountable to the requirements specified in NDCC 15-69-05 and 54-65-03 during the biennium in which they were approved.

Findings: No Matching requirement for this grant.

5. **Procedures performed:** From the annual Functional Review, we reviewed the Leveraged Cash Contributions, Leveraged Contributions in Lieu of Cash, and Leveraged In-Kind contributions reported and traced them to supporting documentation.

Findings: Noted Leveraged In-Kind contributions of \$150,982 and \$60,000 on the Functional Review for the fiscal year ended June 30, 2014, and traced them to supporting documentation.

6. **Procedures performed:** From the annual Functional Review, we reviewed the private sector jobs created and traced them to supporting documentation. We verified that the private sector jobs are positions at the Center and University that are not paid by state general funds as identified in the Functional Review.

Findings: No findings noted.

7. **Procedures performed:** From the Center's accounting records, we reviewed a sample of expenditures (10% of items or 15 items, whichever was less) to report any noted instances of noncompliance with NDCC 15-69-05 and NDCC 54-65-03 (use of funds) and to ensure funds were approved, supported with documentation, and spent according to the purposes identified in the application for funding.

Findings: No findings noted.

8. **Procedures performed:** From the Center's accounting records, we reviewed a sample of expenditures (10% of items or 15 items, whichever was less), as mentioned in procedure 7, to verify expenditures were approved, supported with documentation, and spent according to the purposes identified in the application for funding.

Findings: No findings noted.

9. **Procedures performed:** From the Center's accounting records, we reviewed a sample of labor expenditures (10% of items or 15 items, whichever was less) charged to the grant and traced the expenditures to supporting effort-reporting documentation.

Findings: No findings noted.

10. **Procedures performed:** We reviewed the Center's actual expenditures of award funds and compared them to the application budget of expenditures, and reviewed documentation explaining any material differences. Materiality is the greater of 10% or \$10,000.

Findings: No findings noted.

11. **Procedures performed:** We reviewed a sample of 5 of the Center's expenditures reported on the Economic Impact Study Data Form included in the Functional Review to verify that reported expenditures were made to North Dakota entities and occurred within the specified time period.

Findings: No findings noted.

12. **Procedures performed:** We reviewed the timeline of the grants that were provided with the applications and discussed the actual timeline with management to ensure the Center has properly disclosed material timeline changes.

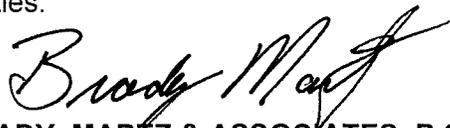
Findings: No findings noted.

13. **Procedures performed:** We reviewed the scope of the grants that were provided with the applications and discussed the actual scope for the grant with management to ensure the Center has properly disclosed material scope changes.

Findings: No findings noted.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the accounting records. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified users, as identified above, and is not intended to be and should not be used by anyone other than these specified parties.



**BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA**

September 5, 2014

**THE UNIVERSITY OF NORTH DAKOTA
GLOBAL HAWK SENSOR OPERATOR
CENTER OF EXCELLENCE**

**INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES**

JUNE 30, 2014



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Specified Users of the Report:
University of North Dakota Global Hawk Sensor Operator Center of Excellence
SBHE
ND Economic Development Foundation
ND Legislative Council

We have performed the procedures enumerated below which were agreed to by the specified users of the report, as identified above, to assist the University of North Dakota Global Hawk Sensor Operator Center of Excellence in meeting its financial accountability requirements as prescribed by ND Century Code 15-69-05 and 54-65-03 for the fiscal year ended June 30, 2014. Management of the University of North Dakota Global Hawk Sensor Operator Center of Excellence is responsible for the Center's financial accountability and its compliance with those legal and contractual requirements. This agreed-upon procedures engagement was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants and fieldwork and reporting standards applicable to attestation engagements as contained in *Government Auditing Standards* of the Comptroller General of the United States of America. The sufficiency of the procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Procedures and Findings

As of and for the fiscal year ended June 30, 2014:

1. **Procedures performed:** From the disbursement letter the Center received from OMB, we traced the amount of funding to the receipt of funds in the Center's accounting records.

Findings: Noted findings noted after revised Functional Review submitted.

2. **Procedures performed:** From the Center's accounting records, we reviewed supporting documentation to determine that interest earned on the award proceeds was retained by the Center.

Findings: No findings noted.

3. **Procedures performed:** From the annual Functional Review, we reviewed the Cash Match, Match in Lieu of Cash, and Matching In-Kind in applications reported in the Functional Review and traced them to supporting documentation.

Findings: No Matching contributions requirement for this grant.

4. **Procedures performed:** From the Center's accounting records, we verified compliance with the matching funds requirements for the Center. This included verifying that the Center is accountable to the requirements specified in NDCC 15-69-05 and 54-65-03 during the biennium in which they were approved.

Findings: No Matching contributions requirement for this grant.

5. **Procedures performed:** From the annual Functional Review, we reviewed the Leveraged Cash Contributions, Leveraged Contributions in Lieu of Cash, and Leveraged In-Kind contributions reported and traced them to supporting documentation.

Findings: Noted Leveraged In-Kind contributions of \$338,387 reported on the Functional Review during the fiscal year ended June 30, 2014, which were traced to supporting documentation.

6. **Procedures performed:** From the annual Functional Review, we reviewed the private sector jobs created and traced them to supporting documentation. We verified that the private sector jobs are positions at the Center and University that are not paid by state general funds as identified in the Functional Review.

Findings: No findings noted.

7. **Procedures performed:** From the Center's accounting records, we reviewed a sample of expenditures (10% of items or 15 items, whichever was less) to report any noted instances of noncompliance with NDCC 15-69-05 and NDCC 54-65-03 (use of funds) and to ensure funds were approved, supported with documentation, and spent according to the purposes identified in the application for funding.

Findings: No findings noted.

8. **Procedures performed:** From the Center's accounting records, we reviewed a sample of expenditures (10% of items or 15 items, whichever was less), as mentioned in procedure 7, to verify expenditures were approved, supported with documentation, and spent according to the purposes identified in the application for funding.

Findings: No findings noted.

9. **Procedures performed:** From the Center's accounting records, we reviewed a sample of labor expenditures (10% of items or 15 items, whichever was less) charged to the grant and traced the expenditures to supporting effort-reporting documentation.

Findings: No findings noted.

10. **Procedures performed:** We reviewed the Center's actual expenditures of award funds and compared them to the application budget of expenditures, and reviewed documentation explaining any material differences. Materiality is the greater of 10% or \$10,000.

Findings: No findings noted.

11. **Procedures performed:** We reviewed a sample of 5 of the Center's expenditures reported on the Economic Impact Study Data Form included in the Functional Review to verify that reported expenditures were made to North Dakota entities and occurred within the specified time period.

Findings: No findings noted.

12. **Procedures performed:** We reviewed the timeline of the grants that were provided with the applications and discussed the actual timeline with management to ensure the Center has properly disclosed material timeline changes.

Findings: No findings noted.

13. **Procedures performed:** We reviewed the scope of the grants that were provided with the applications and discussed the actual scope for the grant with management to ensure the Center has properly disclosed material scope changes.

Findings: No findings noted.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the accounting records. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified users, as identified above, and is not intended to be and should not be used by anyone other than these specified parties.



BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA

September 5, 2014

**THE UNIVERSITY OF NORTH DAKOTA
CENTER FOR INNOVATION FOUNDATION
JOINT DISTRIBUTED COMMON GROUND SYSTEM
CENTER OF EXCELLENCE**

**INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES**

JUNE 30, 2014



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Specified Users of the Report:

UND Center for Innovation Foundation Joint Distributed Common Ground System
Center of Excellence
SBHE
ND Economic Development Foundation
ND Legislative Council

We have performed the procedures enumerated below which were agreed to by the specified users of the report, as identified above, to assist the UND Center for Innovation Foundation Joint Distributed Common Ground System Center of Excellence in meeting its financial accountability requirements as prescribed by ND Century Code 15-69-05 for the fiscal year ended June 30, 2014. Management of the UND Center for Innovation Foundation Joint Distributed Common Ground System Center of Excellence is responsible for the Center's financial accountability and its compliance with those legal and contractual requirements. This agreed-upon procedures engagement was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants and fieldwork and reporting standards applicable to attestation engagements as contained in *Government Auditing Standards* of the Comptroller General of the United States of America. The sufficiency of the procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Procedures and Findings

As of and for the fiscal year ended June 30, 2014:

1. **Procedures performed:** From the disbursement letter the Center received from the ND Department of Commerce, we traced the amount of funding to the receipt of funds in the Center's accounting records.

Findings: No funds were disbursed to the Center during the fiscal year ended June 30, 2014.

2. **Procedures performed:** From the Center's accounting records, we reviewed supporting documentation to determine that interest earned on the award proceeds was retained by the Center.

Findings: All award proceeds were expended in prior reporting periods.

3. **Procedures performed:** From the annual Functional Review, we reviewed the Matching Cash Contributions, Cash Reserved, and Matching In-Kind Contributions reported in the Functional Review and traced them to supporting documentation and/or the accounting records.

Findings: Center of Excellence Base Realignment Grants do not have a matching funds requirement.

4. **Procedures performed:** From the Center's accounting records, we verified compliance with the matching funds requirements for the Center. This included verifying that the Center is accountable to the requirements specified in NDCC 15-69-05 during the biennium in which the grant was approved.

Findings: Center of Excellence Base Realignment Grants do not have a matching funds requirement.

5. **Procedures performed:** From the annual Functional Review, we reviewed the Leveraged Cash Contributions, Cash Reserved, and Leveraged In-Kind contributions reported and traced them to supporting documentation and/or the accounting records.

Findings: No Leveraged Funds were reported in the fiscal year 2014 Functional Review.

6. **Procedures performed:** From the annual Functional Review, we reviewed the private sector jobs created and traced them to supporting documentation. We verified that the private sector jobs are positions at the Center and University that are not paid by state general funds as identified in the Functional Review.

Findings: No private sector jobs were reported in the fiscal year 2014 Functional Review.

7. **Procedures performed:** From the Center's accounting records, we reviewed a sample of expenditures (10% of items or 15 items, whichever was less with a minimum of 5) to report any noted instances of noncompliance with NDCC 15-69-05.1.

Findings: No expenditures were reported in the fiscal year 2014 Functional Review.

8. **Procedures performed:** From the Center's accounting records, we reviewed a sample of expenditures (10% of items or 15 items, whichever was less with a minimum of 5), as mentioned in procedure 7, to verify expenditures were approved, supported with documentation, and spent according to the scope identified in the application for funding.

Findings: No expenditures were reported in the fiscal year 2014 Functional Review.

9. **Procedures performed:** From the Center's accounting records, we reviewed a sample of labor expenditures (10% of items or 15 items, whichever was less with a minimum of 5) charged to the grant and traced the expenditures to supporting effort-reporting documentation.

Findings: No expenditures were reported in the fiscal year 2014 Functional Review.

10. **Procedures performed:** We reviewed the Center's actual expenditures of award funds and compared them to the application budget of expenditures, and reviewed documentation explaining any material differences. Materiality is the greater of 10% or \$10,000 of the original budget item.

Findings: No findings noted.

11. **Procedures performed:** We reviewed a sample of 5 of the Center's expenditures reported on the Economic Impact Study Data Form included in the Functional Review to verify that reported expenditures were made to North Dakota entities and occurred within the specified time period.

Findings: No expenditures were reported in the fiscal year 2014 Functional Review.

12. **Procedures performed:** We reviewed the original timeline of the Grant that was provided with the application and discussed the actual timeline with management to ensure the Center has properly disclosed material timeline changes in the Functional Review.

Findings: No findings noted.

13. **Procedures performed:** We reviewed the original scope of the Grant that was provided with the application and discussed the actual scope for the Grant with management to ensure the Center has properly disclosed material scope changes in the Functional Review.

Findings: No findings noted.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the accounting records. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified users, as identified above, and is not intended to be and should not be used by anyone other than these specified parties.



**BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA**

September 11, 2014

**THE UNIVERSITY OF NORTH DAKOTA
UAS AIRSPACE INITIATIVE
CENTER OF EXCELLENCE**

INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES

JUNE 30, 2014



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Specified Users of the Report:
University of North Dakota UAS Airspace Initiative Center of Excellence
SBHE
ND Economic Development Foundation
ND Legislative Council

We have performed the procedures enumerated below which were agreed to by the specified users of the report, as identified above, to assist the University of North Dakota UAS Airspace Initiative Center of Excellence in meeting its financial accountability requirements as prescribed by ND Century Code 15-69-05 for the fiscal year ended June 30, 2014. Management of the University of North Dakota UAS Airspace Initiative Center of Excellence is responsible for the Center's financial accountability and its compliance with those legal and contractual requirements. This agreed-upon procedures engagement was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants and fieldwork and reporting standards applicable to attestation engagements as contained in *Government Auditing Standards* of the Comptroller General of the United States of America. The sufficiency of the procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Procedures and Findings

As of and for the fiscal year ended June 30, 2014:

1. **Procedures performed:** From the disbursement letter the Center received from OMB, we traced the amount of funding to the receipt of funds in the Center's accounting records.

Findings: There were no disbursements reported on the Functional Review for the fiscal year ended June 30, 2014.

2. **Procedures performed:** From the Center's accounting records, we reviewed supporting documentation to determine that interest earned on the award proceeds was retained by the Center.

Findings: No findings noted.

3. **Procedures performed:** From the annual Functional Review, we reviewed the Cash Match, Match in Lieu of Cash, and Matching In-Kind in applications reported in the Functional Review and traced them to supporting documentation.

Findings: This is an Enhancement Grant and thus matching is not applicable.

4. **Procedures performed:** From the Center's accounting records, we verified compliance with the matching funds requirements for the Center. This included verifying that the Center is accountable to the requirements specified in NDCC 15-69-05 during the biennium in which they were approved.

Findings: This is an Enhancement Grant and thus matching is not applicable.

5. **Procedures performed:** From the annual Functional Review, we reviewed the Leveraged Cash Contributions, Leveraged Contributions in Lieu of Cash, and Leveraged In-Kind contributions reported and traced them to supporting documentation.

Findings: No findings noted.

6. **Procedures performed:** From the annual Functional Review, we reviewed the private sector jobs created and traced them to supporting documentation. We verified that the private sector jobs are defined as positions at the Center and University that are not paid by state general funds as identified in the Functional Review.

Findings: No findings noted.

7. **Procedures performed:** From the Center's accounting records, we reviewed a sample of expenditures (10% of items or 15 items, whichever was less) to report any noted instances of noncompliance with NDCC 15-69-05 and to ensure funds were approved, supported with documentation, and spent according to the purposes identified in the application for funding.

Findings: No findings noted.

8. **Procedures performed:** From the Center's accounting records, we reviewed a sample of expenditures (10% of items or 15 items, whichever was less), as mentioned in procedure 7, to verify expenditures were approved, supported with documentation, and spent according to the purposes identified in the application for funding.

Findings: No findings noted.

9. **Procedures performed:** From the Center's accounting records, we reviewed a sample of labor expenditures (10% of items or 15 items, whichever was less) charged to the grant and traced the expenditures to supporting effort-reporting documentation.

Findings: No labor charged to this project, and thus, not applicable.

10. **Procedures performed:** We reviewed the Center's actual expenditures of award funds and compared them to the application budget of expenditures, and reviewed documentation explaining any material differences. Materiality is the greater of 10% or \$10,000.

Findings: No findings noted.

11. **Procedures performed:** We reviewed a sample of 5 of the Center's expenditures reported on the Economic Impact Study Data Form included in the Functional Review to verify that

reported expenditures were made to North Dakota entities and occurred within the specified time period.

Findings: No expenditures reported on the Economic Impact Study Data Form and thus not applicable.

12. **Procedures performed:** We reviewed the timeline of the grants that were provided with the applications and discussed the actual timeline with management to ensure the Center has properly disclosed material timeline changes.

Finding

Criteria: The Functional Review should report an accurate status of the Center's timeline for the fiscal year ended June 30, 2014.

Condition: The Functional Review submitted for the fiscal year ended June 30, 2014 indicated that the timeline of the grant has not deviated from the initial timeline provided with the application. However, an extension of the project to December 31, 2013 was applied for and approved by The North Dakota Department of Commerce.

Cause: An incorrect answer to a question in submitted Functional Review.

Effect: The Functional Review reported an incorrect timeline.

Recommendation: We recommend that a change in the project's timeline be indicated on a revised Functional Review.

Management's View and Corrective Action: We concur with the finding concerning the response to the timeline question in the submitted Functional Review. UND will correct this section of the Functional Review and resubmit the full report to the North Dakota Department of Commerce.

13. **Procedures performed:** We reviewed the scope of the grants that were provided with the applications and discussed the actual scope for each grant with management to ensure the Center has properly disclosed material scope changes.

Findings: No findings noted.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the accounting records. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified users, as identified above, and is not intended to be and should not be used by anyone other than these specified parties.



**BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA**

September 5, 2014

**THE UNIVERSITY OF NORTH DAKOTA
AIRSPACE INTEGRATION TEAM – UAS NATIONAL TEST SITE
CENTER OF EXCELLENCE**

**INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES**

JUNE 30, 2014



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Specified Users of the Report:
University of North Dakota Airspace Integration Team – UAS National Test Site Center of Excellence
SBHE
ND Economic Development Foundation
ND Legislative Council

We have performed the procedures enumerated below which were agreed to by the specified users of the report, as identified above, to assist the University of North Dakota Airspace Integration Team – UAS National Test Site Center of Excellence in meeting its financial accountability requirements as prescribed by ND Century Code 15-69-05 for the fiscal year ended June 30, 2014. Management of the University of North Dakota Airspace Integration Team – UAS National Test Site Center of Excellence is responsible for the Center's financial accountability and its compliance with those legal and contractual requirements. This agreed-upon procedures engagement was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants and fieldwork and reporting standards applicable to attestation engagements as contained in *Government Auditing Standards* of the Comptroller General of the United States of America. The sufficiency of the procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Procedures and Findings

As of and for the fiscal year ended June 30, 2014:

1. **Procedures performed:** From the disbursement letter the Center received from OMB, we traced the amount of funding to the receipt of funds in the Center's accounting records.

Findings: There were no disbursements reported on the Functional Review for the fiscal year ended June 30, 2014.

2. **Procedures performed:** From the Center's accounting records, we reviewed supporting documentation to determine that interest earned on the award proceeds was retained by the Center.

Findings: No findings noted.

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www.bradyartz.com

3. **Procedures performed:** From the annual Functional Review, we reviewed the Cash Match, Match in Lieu of Cash, and Matching In-Kind in applications reported in the Functional Review and traced them to supporting documentation.

Findings: This is an Enhancement Grant and thus matching is not applicable.

4. **Procedures performed:** From the Center's accounting records, we verified compliance with the matching funds requirements for the Center. This included verifying that the Center is accountable to the requirements specified in NDCC 15-69-05 during the biennium in which they were approved.

Findings: This is an Enhancement Grant and thus matching is not applicable.

5. **Procedures performed:** From the annual Functional Review, we reviewed the Leveraged Cash Contributions, Leveraged Contributions in Lieu of Cash, and Leveraged In-Kind contributions reported and traced them to supporting documentation.

Findings: No findings noted.

6. **Procedures performed:** From the annual Functional Review, we reviewed the private sector jobs created and traced them to supporting documentation. We verified that the private sector jobs are defined as positions at the Center and University that are not paid by state general funds as identified in the Functional Review.

Findings: No findings noted.

7. **Procedures performed:** From the Center's accounting records, we reviewed a sample of expenditures (10% of items or 15 items, whichever was less) to report any noted instances of noncompliance with NDCC 15-69-05 and to ensure funds were approved, supported with documentation, and spent according to the purposes identified in the application for funding.

Findings: No findings noted.

8. **Procedures performed:** From the Center's accounting records, we reviewed a sample of expenditures (10% of items or 15 items, whichever was less), as mentioned in procedure 7, to verify expenditures were approved, supported with documentation, and spent according to the purposes identified in the application for funding.

Findings: No findings noted.

9. **Procedures performed:** From the Center's accounting records, we reviewed a sample of labor expenditures (10% of items or 15 items, whichever was less) charged to the grant and traced the expenditures to supporting effort-reporting documentation.

Findings: No labor charged to this project, and thus, not applicable.

10. **Procedures performed:** We reviewed the Center's actual expenditures of award funds and compared them to the application budget of expenditures, and reviewed documentation explaining any material differences. Materiality is the greater of 10% or \$10,000.

Findings: No findings noted.

11. **Procedures performed:** We reviewed a sample of 5 of the Center's expenditures reported on the Economic Impact Study Data Form included in the Functional Review to verify that reported expenditures were made to North Dakota entities and occurred within the specified time period.

Findings: No expenditures reported on the Economic Impact Study Data Form and thus not applicable.

12. **Procedures performed:** We reviewed the timeline of the grants that were provided with the applications and discussed the actual timeline with management to ensure the Center has properly disclosed material timeline changes.

Finding:

Criteria: The Functional Review should report an accurate status of the Center's timeline for the fiscal year ended June 30, 2014.

Condition: The Functional Review submitted for the fiscal year ended June 30, 2014 indicated that the timeline of the grant has not deviated from the initial timeline provided with the application. However, an extension of the project to December 31, 2013 was applied for and approved by The North Dakota Department of Commerce.

Cause: An incorrect answer to a question in submitted Functional Review.

Effect: The Functional Review reported an incorrect timeline.

Recommendation: We recommend that a change in the project's timeline be indicated on a revised Functional Review.

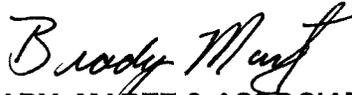
Management's View and Corrective Action: We concur with the finding concerning the response to the timeline question in the submitted Functional Review. UND will correct this section of the Functional Review and resubmit the full report to the North Dakota Department of Commerce.

13. **Procedures performed:** We reviewed the scope of the grants that were provided with the applications and discussed the actual scope for each grant with management to ensure the Center has properly disclosed material scope changes.

Findings: No findings noted.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the accounting records. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified users, as identified above, and is not intended to be and should not be used by anyone other than these specified parties.



BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA

September 5, 2014

**THE UNIVERSITY OF NORTH DAKOTA
CENTER FOR INNOVATION FOUNDATION
ENHANCED USE LEASE PHASE III FOR GRAND FORKS AIR FORCE BASE
CENTER OF EXCELLENCE**

**INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES**

JUNE 30, 2014



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Specified Users of the Report:

UND Center for Innovation Foundation Enhanced Use Lease Phase III for Grand Forks Air Force Base Center of Excellence
SBHE
ND Economic Development Foundation
ND Legislative Council

We have performed the procedures enumerated below which were agreed to by the specified users of the report, as identified above, to assist the UND Center for Innovation Foundation Enhanced Use Lease Phase III for Grand Forks Air Force Base Center of Excellence in meeting its financial accountability requirements as prescribed by ND Century Code 15-69-05 for the fiscal year ended June 30, 2014. Management of the UND Center for Innovation Foundation Enhanced Use Lease Phase III for Grand Forks Air Force Base Center of Excellence is responsible for the Center's financial accountability and its compliance with those legal and contractual requirements. This agreed-upon procedures engagement was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants and fieldwork and reporting standards applicable to attestation engagements as contained in *Government Auditing Standards* of the Comptroller General of the United States of America. The sufficiency of the procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Procedures and Findings

As of and for the fiscal year ended June 30, 2014:

1. **Procedures performed:** From the disbursement letter the Center received from the ND Department of Commerce, we traced the amount of funding to the receipt of funds in the Center's accounting records.

Findings: No funds were disbursed to the Center during the fiscal year ended June 30, 2014.

2. **Procedures performed:** From the Center's accounting records, we reviewed supporting documentation to determine that interest earned on the award proceeds was retained by the Center.

Findings: Award proceeds are deposited in non-interest bearing accounts. No findings noted.

3. **Procedures performed:** From the annual Functional Review, we reviewed the Matching Cash Contributions, Cash Reserved, and Matching In-Kind Contributions reported in the Functional Review and traced them to supporting documentation and/or the accounting records.

Findings: Center of Excellence Base Realignment Grants do not have a matching funds requirement.

4. **Procedures performed:** From the Center's accounting records, we verified compliance with the matching funds requirements for the Center. This included verifying that the Center is accountable to the requirements specified in NDCC 15-69-05 during the biennium in which the grant was approved.

Findings: Center of Excellence Base Realignment Grants do not have a matching funds requirement.

5. **Procedures performed:** From the annual Functional Review, we reviewed the Leveraged Cash Contributions, Cash Reserved, and Leveraged In-Kind Contributions reported and traced them to supporting documentation and/or the accounting records.

Findings: No Leveraged Funds were reported in the fiscal year 2014 per the revised Functional Review.

6. **Procedures performed:** From the annual Functional Review, we reviewed the private sector jobs created and traced them to supporting documentation. We verified that the private sector jobs are positions at the Center and University that are not paid by state general funds as identified in the Functional Review.

Findings: No private sector jobs were reported in the fiscal year 2014 per the revised Functional Review.

7. **Procedures performed:** From the Center's accounting records, we reviewed a sample of expenditures (10% of items or 15 items, whichever was less with a minimum of 5) to report any noted instances of noncompliance with NDCC 54-65.

Findings: No findings noted.

8. **Procedures performed:** From the Center's accounting records, we reviewed a sample of expenditures (10% of items or 15 items, whichever was less with a minimum of 5), as mentioned in procedure 7, to verify expenditures were approved, supported with documentation, and spent according to the scope identified in the application for funding.

Findings: No findings noted.

9. **Procedures performed:** From the Center's accounting records, we reviewed a sample of labor expenditures (10% of items or 15 items, whichever was less with a minimum of 5) charged to the grant and traced the expenditures to supporting effort-reporting documentation.

Findings: No labor charged to this project, and thus, not applicable.

10. **Procedures performed:** We reviewed the Center's actual expenditures of award funds and compared them to the application budget of expenditures, and reviewed documentation explaining any material differences. Materiality is the greater of 10% or \$10,000 of the original budget item.

Findings: No findings noted.

11. **Procedures performed:** We reviewed a sample of 5 of the Center's expenditures reported on the Economic Impact Study Data Form included in the Functional Review to verify that reported expenditures were made to North Dakota entities and occurred within the specified time period.

Findings: No findings noted per the revised Functional Review.

12. **Procedures performed:** We reviewed the original timeline of the Grant that was provided with the application and discussed the actual timeline with management to ensure the Center has properly disclosed material timeline changes in the Functional Review.

Findings: No findings noted per the revised Functional Review.

13. **Procedures performed:** We reviewed the original scope of the Grant that was provided with the application and discussed the actual scope for the Grant with management to ensure the Center has properly disclosed material scope changes in the Functional Review.

Findings: No findings noted per the revised Functional Review.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the accounting records. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified users, as identified above, and is not intended to be and should not be used by anyone other than these specified parties.



**BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA**

September 11, 2014

**THE UNIVERSITY OF NORTH DAKOTA
CENTER FOR INNOVATION FOUNDATION
ENHANCED USE LEASE PHASE IV FOR GRAND FORKS AIR FORCE BASE
CENTER OF EXCELLENCE**

**INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES**

JUNE 30, 2014



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Specified Users of the Report:

UND Center for Innovation Foundation Enhanced Use Lease Phase IV for Grand Forks Air Force Base Center of Excellence
SBHE
ND Economic Development Foundation
ND Legislative Council

We have performed the procedures enumerated below which were agreed to by the specified users of the report, as identified above, to assist the UND Center for Innovation Foundation Enhanced Use Lease Phase IV for Grand Forks Air Force Base Center of Excellence in meeting its financial accountability requirements as prescribed by ND Century Code 15-69-05 for the fiscal year ended June 30, 2014. Management of the UND Center for Innovation Foundation Enhanced Use Lease Phase IV for Grand Forks Air Force Base Center of Excellence is responsible for the Center's financial accountability and its compliance with those legal and contractual requirements. This agreed-upon procedures engagement was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants and fieldwork and reporting standards applicable to attestation engagements as contained in *Government Auditing Standards* of the Comptroller General of the United States of America. The sufficiency of the procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Procedures and Findings

As of and for the fiscal year ended June 30, 2014:

1. **Procedures performed:** From the disbursement letter the Center received from the ND Department of Commerce, we traced the amount of funding to the receipt of funds in the Center's accounting records.

Findings: We traced the \$160,000 of funds received during fiscal year 2014 to receipts in the Center's accounting records. No findings noted.

2. **Procedures performed:** From the Center's accounting records, we reviewed supporting documentation to determine that interest earned on the award proceeds was retained by the Center.

Findings: Award proceeds are deposited in non-interest bearing accounts. No findings noted.

3. **Procedures performed:** From the annual Functional Review, we reviewed the Matching Cash Contributions, Cash Reserved, and Matching In-Kind Contributions reported in the Functional Review and traced them to supporting documentation and/or the accounting records.

Findings: Center of Excellence Base Realignment Grants do not have a matching funds requirement.

4. **Procedures performed:** From the Center's accounting records, we verified compliance with the matching funds requirements for the Center. This included verifying that the Center is accountable to the requirements specified in NDCC 15-69-05 during the biennium in which the grant was approved.

Findings: Center of Excellence Base Realignment Grants do not have a matching funds requirement.

5. **Procedures performed:** From the annual Functional Review, we reviewed the Leveraged Cash Contributions, Cash Reserved, and Leveraged In-Kind Contributions reported and traced them to supporting documentation and/or the accounting records.

Findings: No Leveraged Funds were reported in the fiscal year 2014 per the revised Functional Review.

6. **Procedures performed:** From the annual Functional Review, we reviewed the private sector jobs created and traced them to supporting documentation. We verified that the private sector jobs are positions at the Center and University that are not paid by state general funds as identified in the Functional Review.

Findings: No private sector jobs were reported in the fiscal year 2014 per the revised Functional Review.

7. **Procedures performed:** From the Center's accounting records, we reviewed a sample of expenditures (10% of items or 15 items, whichever was less with a minimum of 5) to report any noted instances of noncompliance with NDCC 54-65.

Findings: No findings noted.

8. **Procedures performed:** From the Center's accounting records, we reviewed a sample of expenditures (10% of items or 15 items, whichever was less with a minimum of 5), as mentioned in procedure 7, to verify expenditures were approved, supported with documentation, and spent according to the scope identified in the application for funding.

Findings: No findings noted.

9. **Procedures performed:** From the Center's accounting records, we reviewed a sample of labor expenditures (10% of items or 15 items, whichever was less with a minimum of 5) charged to the grant and traced the expenditures to supporting effort-reporting documentation.

Findings: No labor charged to this project, and thus, not applicable.

10. **Procedures performed:** We reviewed the Center's actual expenditures of award funds and compared them to the application budget of expenditures, and reviewed documentation explaining any material differences. Materiality is the greater of 10% or \$10,000 of the original budget item.

Findings: No findings noted.

11. **Procedures performed:** We reviewed a sample of 5 of the Center's expenditures reported on the Economic Impact Study Data Form included in the Functional Review to verify that reported expenditures were made to North Dakota entities and occurred within the specified time period.

Finding

Criteria: The Functional Review should report expenditures to North Dakota entities for the fiscal year ended June 30, 2014.

Condition: Of the \$36,243.31 of cumulative expenses tested, \$10,017.30 of those expenditures listed on the Economic Impact Data Form were made to entities outside of North Dakota.

Cause: Reimbursed expenditures for employee travel outside of North Dakota were misinterpreted and included on the Functional Review.

Effect: The amount of expenditures to North Dakota entities reported on the Functional Review is incorrect.

Recommendation: We recommend a second revision of the Functional Review to correct the amount of expenditures to North Dakota entities.

Management's View and Corrective Action: We concur with the finding concerning the expenditures listed in the Economic Impact Data section of the submitted Functional Review. The Center for Innovation Foundation will correct this section of the Functional Review and resubmit the full report to the North Dakota Department of Commerce.

12. **Procedures performed:** We reviewed the original timeline of the Grant that was provided with the application and discussed the actual timeline with management to ensure the Center has properly disclosed material timeline changes in the Functional Review.

Findings: No findings noted per the revised Functional Review.

13. **Procedures performed:** We reviewed the original scope of the Grant that was provided with the application and discussed the actual scope for the Grant with management to ensure the Center has properly disclosed material scope changes in the Functional Review.

Findings: No findings noted per the revised Functional Review.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the accounting records. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified users, as identified above, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Brady Martz". The signature is written in a cursive style with a large initial 'B' and 'M'.

**BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA**

September 11, 2014



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

September 12, 2014

To the University of North Dakota Avian Therapeutics
Center of Excellence Project #UND0018211
Grand Forks, North Dakota

We have audited the balance sheet-modified cash and the related statements of revenues, expenditures and fund balance-modified cash basis, and budgeted, incurred and questioned costs-modified cash basis of the University of North Dakota Avian Therapeutics Center of Excellence Projects #UND0018211 and #UND0018211 for the cumulative grant period ended June 30, 2014, and have issued our report thereon dated September 12, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 30, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by University of North Dakota Avian Therapeutics Center of Excellence are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the period under audit. We noted no transactions entered into by the Center during this time period for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. No significant estimates were noted during our audit.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. No misstatements were identified.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

**UNIVERSITY OF NORTH DAKOTA
AVIAN THERAPEUTICS CENTER OF EXCELLENCE
GRAND FORKS, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2014

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CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

University of North Dakota
Avian Therapeutics Center of Excellence

Report on the Financial Statements

We have audited the accompanying balance sheet-modified cash basis of the University of North Dakota Avian Therapeutics Center of Excellence (Project #UND0018211) as of June 30, 2014, and the related statements of revenues, expenditures and fund balance-modified cash basis, and budgeted, incurred and questioned costs-modified cash basis from October 1, 2012 (inception) of the grant through June 30, 2014, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

BRADY, MARTZ & ASSOCIATES, P.C.
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Grand Forks, ND 58208-4296 (701) 775-4685 Fax (701) 795-7498

www.bradyartz.com

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position – modified cash basis of the University of North Dakota Avian Therapeutics Center of Excellence (Project #UND0018211) as of June 30, 2014, the respective changes in financial position, and budgeted, incurred and questioned costs for the cumulative grant period then ended in conformity with the modified cash basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2014, on our consideration of the University of North Dakota Avian Therapeutics Center of Excellence's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered the Center's internal control over financial reporting and compliance.



**BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA**

September 12, 2014

UNIVERSITY OF NORTH DAKOTA
AVIAN THERAPEUTICS CENTER OF EXCELLENCE
PROJECT #UND0018211
BALANCE SHEET – MODIFIED CASH BASIS
AS OF JUNE 30, 2014

ASSETS

Cash	<u>\$ 2,235</u>
------	-----------------

LIABILITIES

Unearned Revenue	<u>\$ 2,235</u>
------------------	-----------------

Total Liabilities	<u>\$ 2,235</u>
-------------------	-----------------

FUND BALANCE

 -

Total Liabilities and Fund Balance	<u>\$ 2,235</u>
------------------------------------	-----------------

See Accompanying Notes to Financial Statements

**UNIVERSITY OF NORTH DAKOTA
 AVIAN THERAPEUTICS CENTER OF EXCELLENCE
 PROJECT #UND0018211**

**STATEMENT OF REVENUES, EXPENDITURES, AND FUND BALANCE – MODIFIED CASH BASIS
 FOR THE GRANT PERIOD OCTOBER 1, 2012 (INCEPTION) TO JUNE 30, 2014**

REVENUES	Total
Grant Revenues	\$ 697,765
Interest Income	<u>2</u>
Total Revenues	<u>697,767</u>
EXPENDITURES	
Salaries	336,126
Fringe Benefits and Payroll Taxes	77,278
Lab	99,809
Chemical Supplies	9,138
Professional Fees and Services	449
Operating Fees & Services	42,261
Postage	103
Repairs	14
Lease	124,690
Equipment	1,684
Travel	3,147
Custodial	109
Laundry	897
Food and Clothing	<u>2,062</u>
Total Expenditures	<u>697,767</u>
REVENUES OVER EXPENDITURES	-
Fund Balance, Beginning of Period	<u>-</u>
FUND BALANCE, END OF PERIOD	<u><u>\$ -</u></u>

See Accompanying Notes to Financial Statements

**UNIVERSITY OF NORTH DAKOTA
 AVIAN THERAPEUTICS CENTER OF EXCELLENCE
 PROJECT #UND0018211**

STATEMENT OF BUDGETED, INCURRED AND QUESTIONED COSTS – MODIFIED CASH BASIS
 FOR THE GRANT PERIOD OCTOBER 1, 2012 (INCEPTION) TO JUNE 30, 2014

	<u>Budgeted Cost</u>	<u>Incurred Cost</u>	<u>Questioned Cost</u>	<u>Over (Under)</u>
Research Staff	\$ 350,002	\$ 412,297	\$ -	\$ 62,295
Research Expenses	341,000	282,352	-	(58,648)
Fees	<u>9,000</u>	<u>3,118</u>	-	<u>(5,882)</u>
Total Expenditures	<u>\$ 700,002</u>	<u>\$ 697,767</u>	<u>\$ -</u>	<u>\$ (2,235)</u>

See Accompanying Notes to Financial Statements

UNIVERSITY OF NORTH DAKOTA
AVIAN THERAPEUTICS INITIATIVE CENTER OF EXCELLENCE
PROJECT #UND0018211
NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Center for Research Excellence for Avian Therapeutics for Infectious Diseases (COREATID) is a public/private partnership between the University of North Dakota and private partners, Avianax, Intraglobal Biologics, and Schiltz Farms – North. This collaboration has built a successful and productive research team that has demonstrated the therapeutic value of goose antibodies in both mammals and birds; developed the ability to produce high titer disease specific goose antibodies for several infectious diseases; developed the ability to obtain high purity goose antibodies for goose eggs; constructed a pilot Specific Pathogen Free (SPF) facility to hold the geese immunized to produce disease specific antibodies, and developed relationships with internationally recognized infectious disease experts. The research in this proposal are the final preclinical studies necessary to move goose antibodies specific for avian influenza to licensing in the case of antibodies for animal health targets. The completion of the proposed studies, and successful partnering agreements would then lead to manufacturing and commercialization of goose antibodies and an antibody production facility for the purification, packaging, and finishing of the antibody product, purposed to utilize space in the REAC1 building in Grand Forks, ND.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The grant is accounted for using the modified cash basis method of accounting. Revenues are recognized when all the eligibility criteria have been met.

Expenditures are generally recognized using the modified cash basis of accounting when the expenses are paid.

Unearned Revenue

Unearned revenue arises when assets are recognized in the financial statements before the revenue recognition criteria have been satisfied. Grants received before the eligibility requirements are met are recorded as unearned revenue.

Cash Deposits

Cash balances for the Center of Excellence are pooled with cash funds of the University of North Dakota and deposited in the Bank of North Dakota. All deposits of the Bank of North Dakota are backed by the State of North Dakota.

NOTE 2 GRANT

The total grant to the University of North Dakota Avian Therapeutics Center of Excellence (Project #UND0018211) was \$700,000. As of June 30, 2014, \$697,767 had been spent and \$700,000 had been received from the North Dakota Department of Commerce. In addition, a total of \$2 in interest income had been earned as of June 30, 2014 and was available for expenditures.

UNIVERSITY OF NORTH DAKOTA
AVIAN THERAPEUTICS INITIATIVE CENTER OF EXCELLENCE
PROJECT #UND0018211
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2014

NOTE 3 CONTINGENCIES

The disbursement of funds received under this program generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by grantor agencies. Any disallowed claims resulting from such audits could become an additional liability requiring funding from an alternative source. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time.



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

University of North Dakota
Avian Therapeutics Center of Excellence

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying modified cash basis financial statements of the fund information of the University of North Dakota Avian Therapeutics Center of Excellence for the cumulative grant period ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements, and have issued our report thereon dated September 12, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University of North Dakota Avian Therapeutics Center of Excellence's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University of North Dakota Avian Therapeutics Center of Excellence's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA

September 12, 2014

**UNIVERSITY OF NORTH DAKOTA
AVIAN THERAPEUTICS CENTER OF EXCELLENCE
PROJECT #UND0018211
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE GRANT PERIOD OCTOBER 1, 2012 (INCEPTION) TO JUNE 30, 2014**

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of Auditor's report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

yes no

Significant deficiency(ies) identified that are
not considered to be material weaknesses

yes none reported

Non-compliance material to financial
statements noted?

yes no

SECTION II – FINDINGS, RECOMMENDATIONS, AND CENTER RESPONSES

There were no findings to be reported in this section

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 12, 2014.

Management Consultations with Other Independent Accountants

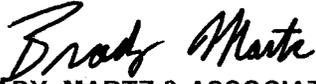
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Center's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Center's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of UND Centers of Excellence and for filing with the State Board of Higher Education, the Budget Section of the legislative management and the North Dakota Department of Commerce and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



**BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA**



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

September 12, 2014

To the University of North Dakota Grand Forks Air Force Base Realignment
Center of Excellence Projects #UND0016665; 17276; 17895
Grand Forks, North Dakota

We have audited the balance sheet-modified cash and the related statements of revenues, expenditures and fund balance-modified cash basis, and budgeted, incurred and questioned costs-modified cash basis of the University of North Dakota Grand Forks Air Force Base Realignment Center of Excellence Projects #UND0016665; 17276; 17895 for the cumulative grant period ended June 30, 2014, and have issued our report thereon dated September 12, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 30, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by University of North Dakota Grand Forks Air Force Base Realignment Center of Excellence are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the period under audit. We noted no transactions entered into by the Center during this time period for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. No significant estimates were noted during our audit.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The adjustments consisted of recording grant receivable for grant expenditures that have not been received yet from the Center.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 12, 2014.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Center's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Center's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of UND Centers of Excellence and for filing with the State Board of Higher Education, the Budget Section of the legislative management and the North Dakota Department of Commerce and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



**BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA**

**UNIVERSITY OF NORTH DAKOTA GRAND FORKS AIR FORCE BASE
REALIGNMENT CENTER OF EXCELLENCE
GRAND FORKS, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2014

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CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

University of North Dakota
Grand Forks Air Force Base Realignment Center of Excellence

Report on the Financial Statements

We have audited the accompanying balance sheet – modified cash basis of the University of North Dakota Grand Forks Air Force Base Realignment Center of Excellence (Projects #UND0016665; 17276; 17895) as of June 30, 2014, and the related statements of revenues, expenditures, and fund balance – modified cash basis, and budgeted, incurred, and questioned costs – modified cash basis from February 1, 2011 (inception of the grant) through June 30, 2014, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position – modified cash basis of the University of North Dakota Grand Forks Air Force Base Realignment Center of Excellence (Projects #UND0016665; 17276; 17895) as of June 30, 2014, the respective changes in financial position, and budgeted, incurred and questioned costs for the cumulative grant period then ended in conformity with the modified cash basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2014, on our consideration of the University of North Dakota Grand Forks Air Force Base Realignment Center of Excellence's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.



BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA

September 12, 2014

**UNIVERSITY OF NORTH DAKOTA
GRAND FORKS AIR FORCE BASE REALIGNMENT CENTER OF EXCELLENCE
PROJECTS #UND0016665; 17276; 17895
BALANCE SHEET – MODIFIED CASH BASIS
AS OF JUNE 30, 2014**

ASSETS

Total assets	\$ <u> -</u>
--------------	-----------------------

LIABILITIES

Total liabilities	<u> -</u>
-------------------	--------------------

FUND BALANCE

Total liabilities and fund balance	\$ <u> -</u>
------------------------------------	-----------------------

See Notes to Financial Statements

UNIVERSITY OF NORTH DAKOTA
GRAND FORKS AIR FORCE BASE REALIGNMENT CENTER OF EXCELLENCE
PROJECTS #UND0016665; 17276; 17895
STATEMENT OF REVENUES, EXPENDITURES, AND FUND BALANCE
- MODIFIED CASH BASIS
FOR THE GRANT PERIOD FEBRUARY 1, 2011 (INCEPTION) TO JUNE 30, 2014

REVENUES

Grant revenues		\$ 199,998
Interest income		<u>52</u>
 Total revenues		 <u>200,050</u>

EXPENDITURES

Salaries		112,736
Fringe benefits and payroll taxes		36,821
Professional fees and services		18,433
Office		2,143
Postage		67
Printing		1,323
Lease		8,000
Equipment		3,840
Travel		16,466
Food and clothing		<u>221</u>
 Total expenditures		 <u>200,050</u>

REVENUES OVER EXPENDITURES		-
 Fund balance, beginning of period		 <u>-</u>
 FUND BALANCE, END OF PERIOD		 <u><u>\$ -</u></u>

See Notes to Financial Statements

UNIVERSITY OF NORTH DAKOTA
GRAND FORKS AIR FORCE BASE REALIGNMENT CENTER OF EXCELLENCE
PROJECTS #UND0016665; 17276; 17895
STATEMENT OF BUDGETED, INCURRED, AND QUESTIONED COSTS
- MODIFIED CASH BASIS
FOR THE GRANT PERIOD FEBRUARY 1, 2011 (INCEPTION) TO JUNE 30, 2014

	<u>Budgeted</u> Cost	<u>Incurred</u> Cost	<u>Questioned</u> Cost	<u>Over</u> (Under)
Salaries	\$ 103,182	\$ 112,736	\$ -	\$ 9,554
Fringe benefits and payroll taxes	33,018	36,821	-	3,803
Professional development	2,500	-	-	(2,500)
Professional fees and services	17,000	18,433	-	1,433
Office	3,340	2,143	-	(1,197)
Postage	-	67	-	67
Printing	-	1,323	-	1,323
Rent	-	8,000	-	8,000
Supplies	12,460	3,840	-	(8,620)
Travel	28,500	16,466	-	(12,034)
Food and clothing	-	221	-	221
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenditures	<u>\$ 200,000</u>	<u>\$ 200,050</u>	<u>\$ -</u>	<u>\$ 50</u>

See Notes to Financial Statements

**UNIVERSITY OF NORTH DAKOTA
GRAND FORKS AIR FORCE BASE REALIGNMENT CENTER OF EXCELLENCE
PROJECTS #UND0016665; 17276; 17895
NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The purpose of the University of North Dakota GFafb Realignment Center of Excellence grant is to provide technical assistance services to businesses in the greater Grand Forks area affected by military base realignment or closure. The focus of this program is to assist businesses in securing new or expanded procurement opportunities by providing consultation focused on federal, state and local procurement opportunities, federal set aside program requirements and registration, bid/proposal submission techniques, etc.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The grant is accounted for using the modified cash basis method of accounting. Revenues are recognized when all the eligibility criteria have been met.

Expenditures are generally recognized using the modified cash basis of accounting when the expenses are paid.

Grant Receivable

Grant receivable arises when assets are used in the financial statements before the grant funds have been received. Expended funds that have met the eligibility requirements but not reimbursed have been recorded as grants receivable.

Cash Deposits

Cash balances for the Center of Excellence are pooled with cash funds of the University of North Dakota and deposited in the Bank of North Dakota. All deposits of the Bank of North Dakota are backed by the State of North Dakota.

NOTE 2 GRANT

The total grant to the University of North Dakota GFafb Realignment Center of Excellence (Projects #UND0016665; 17276; 17895) was \$200,000. As of June 30, 2014, \$200,050 had been spent and \$199,998 had been received from the North Dakota Department of Commerce. In addition, a total of \$52 in interest income had been earned as of June 30, 2014 and was available for expenditures.

NOTE 3 CONTINGENCIES

The disbursement of funds received under this program generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by grantor agencies. Any disallowed claims resulting from such audits could become an additional liability requiring funding from an alternative source. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time.



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

University of North Dakota
Grand Forks Air Force Base Center of Excellence

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying modified cash basis financial statements of the fund information of the University of North Dakota Grand Forks Air Force Base Realignment Center of Excellence for the cumulative grant period ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements, and have issued our report thereon dated September 12, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University of North Dakota Grand Forks Air Force Base Realignment Center of Excellence's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

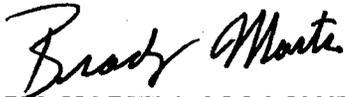
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University of North Dakota Grand Forks Air Force Base Realignment Center of Excellence's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA

September 12, 2014

**UNIVERSITY OF NORTH DAKOTA
GRAND FORKS AIR FORCE BASE REALIGNMENT CENTER OF EXCELLENCE
PROJECTS #UND0016665; 17276; 17895
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE GRANT PERIOD FEBRUARY 1, 2011 (INCEPTION) TO JUNE 30, 2014**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of Auditor’s report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

yes no

Significant deficiency(ies) identified that are

Not considered to be material weaknesses

yes none reported

Non-compliance material to financial
statements noted?

yes no

SECTION II – FINDINGS, RECOMMENDATIONS, AND CENTER RESPONSES

There were no findings to be reported in this section



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

September 12, 2014

To the University of North Dakota UAS Airspace Initiative
Center of Excellence Projects #UND0017508 and #UND0016776
Grand Forks, North Dakota

We have audited the balance sheet-modified cash and the related statements of revenues, expenditures and fund balance-modified cash basis, and budgeted, incurred and questioned costs-modified cash basis of the University of North Dakota UAS Airspace Initiative Center of Excellence Projects #UND0017508 and #UND0016776 for the cumulative grant period ended June 30, 2014, and have issued our report thereon dated September 12, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 30, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by University of North Dakota UAS Airspace Initiative Center of Excellence are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the period under audit. We noted no transactions entered into by the Center during this time period for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. No significant estimates were noted during our audit.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. No misstatements were identified.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 12, 2014.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Center's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Center's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of UND Centers of Excellence and for filing with the State Board of Higher Education, the Budget Section of the legislative management and the North Dakota Department of Commerce and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



**BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA**

**UNIVERSITY OF NORTH DAKOTA
AIRSPACE INTEGRATION TEAM – UAS NATIONAL TEST SITE
CENTER OF EXCELLENCE
GRAND FORKS, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2014

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CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

University of North Dakota
Airspace Integration Team – UAS National Test Site Center of Excellence

Report on the Financial Statements

We have audited the accompanying balance sheet - modified cash basis of the University of North Dakota Airspace Integration Team – UAS National Test Site Center of Excellence (Project #UND0017962) as of June 30, 2014, and the related statements of revenues, expenditures and fund balance - modified cash basis, and budgeted, incurred and questioned costs - modified cash basis from June 1, 2012 (inception) of the grant through June 30, 2014, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position - modified cash basis of the University of North Dakota Airspace Integration Team – UAS National Test Site Center of Excellence as of June 30, 2014, the respective changes in financial position, and budgeted, incurred and questioned costs for the cumulative grant period then ended in conformity with the modified cash basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2014, on our consideration of the University of North Dakota Airspace Integration Team – UAS National Test Site Center of Excellence’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered the Center’s internal control over financial reporting and compliance.



**BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA**

September 12, 2014

UNIVERSITY OF NORTH DAKOTA
AIRSPACE INTEGRATION TEAM – UAS NATIONAL TEST SITE CENTER OF EXCELLENCE
PROJECT #UND0017962
BALANCE SHEET – MODIFIED CASH BASIS
AS OF JUNE 30, 2014

ASSETS

Total Assets \$ -

LIABILITIES

Total Liabilities \$ -

FUND BALANCE

Total Liabilities and Fund Balance \$ -

See Accompanying Notes to Financial Statements

UNIVERSITY OF NORTH DAKOTA
AIRSPACE INTEGRATION TEAM – UAS NATIONAL TEST SITE CENTER OF EXCELLENCE
PROJECT #UND0017962
 STATEMENT OF REVENUES, EXPENDITURES, AND FUND BALANCE – MODIFIED CASH BASIS
 FOR THE GRANT PERIOD JUNE 1, 2012 (INCEPTION) TO JUNE 30, 2014

REVENUES	Total
Grant Revenues	\$ 500,000
Interest Income	<u>28</u>
Total Revenues	<u>500,028</u>
EXPENDITURES	
Professional Fees and Services	289
Subcontracts	<u>499,739</u>
Total Expenditures	<u>500,028</u>
REVENUES OVER EXPENDITURES	-
Fund Balance, Beginning of Period	<u>-</u>
FUND BALANCE, END OF PERIOD	<u><u>\$ -</u></u>

See Accompanying Notes to Financial Statements

UNIVERSITY OF NORTH DAKOTA
AIRSPACE INTEGRATION TEAM – UAS NATIONAL TEST SITE CENTER OF EXCELLENCE
PROJECT #UND0017962
 STATEMENT OF BUDGETED, INCURRED AND QUESTIONED COSTS – MODIFIED CASH BASIS
 FOR THE GRANT PERIOD JUNE 1, 2012 (INCEPTION) TO JUNE 30, 2014

	<u>Budgeted Cost</u>	<u>Incurred Cost</u>	<u>Questioned Cost</u>	<u>Over (Under)</u>
Professional Fees and Services	\$ 28	\$ 289	\$ -	\$ 261
Subcontracts	<u>500,000</u>	<u>499,739</u>	<u>-</u>	<u>(261)</u>
Total Expenditures	<u>\$ 500,028</u>	<u>\$ 500,028</u>	<u>\$ -</u>	<u>\$ -</u>

See Accompanying Notes to Financial Statements

UNIVERSITY OF NORTH DAKOTA
AIRSPACE INTEGRATION TEAM – UAS NATIONAL TEST SITE CENTER OF EXCELLENCE
PROJECT #UND0017962
NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The purpose of the University of North Dakota Airspace Integration Team – UAS National Test Site Center of Excellence grant is to position the state of North Dakota as the leading choice to be named one of the six FAA designated UAS Test Sites. This included a Phase 1 in which the state of North Dakota developed a 'One-Voice' UAS strategy for all the aviation entities and a Phase 2 which was the development of the proposal itself. In order to ensure success and with the changes in scope of work due to the FAA solicitation, Phase 3 was developed. This phase provided additional resources to finalize the proposal and negotiate a successful selection by the FAA.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The grant is accounted for using the modified cash basis method of accounting. Revenues are recognized when all the eligibility criteria have been met.

Expenditures are generally recognized using the modified cash basis of accounting when the expenses are paid.

Deferred Revenue

Deferred revenue arises when assets are recognized in the financial statements before the revenue recognition criteria have been satisfied. Grants received before the eligibility requirements are met are recorded as deferred revenue.

Cash Deposits

Cash balances for the Center of Excellence are pooled with cash funds of the University of North Dakota and deposited in the Bank of North Dakota. All deposits of the Bank of North Dakota are backed by the State of North Dakota.

NOTE 2 GRANT

The total grant to the University of North Dakota Airspace Integration Team – UAS National Test Site Center of Excellence (Project #UND0017962) was \$500,000. As of June 30, 2014, \$500,028 had been spent and \$500,000 had been received from the North Dakota Department of Commerce. In addition, a total of \$28 in interest income had been earned as of June 30, 2014 and was available for expenditures.

NOTE 3 CONTINGENCIES

The disbursement of funds received under this program generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by grantor agencies. Any disallowed claims resulting from such audits could become an additional liability requiring funding from an alternative source. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time.



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

University of North Dakota
Airspace Integration Team – UAS National Test Site Center of Excellence

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying modified cash basis financial statements of the fund information of the University of North Dakota Airspace Integration Team – UAS National Test Site Center of Excellence (Project #UND0017962) for the cumulative grant period ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements, and have issued our report thereon dated September 12, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University of North Dakota Airspace Integration Team – UAS National Test Site Center of Excellence's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University of North Dakota Airspace Integration Team – UAS National Test Site Center of Excellence's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA**

September 12, 2014

**UNIVERSITY OF NORTH DAKOTA
AIRSPACE INTEGRATION TEAM – UAS NATIONAL TEST SITE CENTER OF EXCELLENCE
PROJECT #UND0017962
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE GRANT PERIOD JUNE 1, 2012 (INCEPTION) TO JUNE 30, 2014**

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of Auditor's report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

yes no

Significant deficiency(ies) identified that are
not considered to be material weaknesses

yes none reported

Non-compliance material to financial
statements noted?

yes no

SECTION II – FINDINGS, RECOMMENDATIONS, AND CENTER RESPONSES

There were no findings to be reported in this section

**UNIVERSITY OF NORTH DAKOTA
CENTER FOR INNOVATION FOUNDATION
V2 AEROSPACE, INC. TECHNICAL ASSISTANCE
CENTER OF EXCELLENCE
GRAND FORKS, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2014

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CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

University of North Dakota
Center for Innovation Foundation
V2 Aerospace, Inc. Technical Assistance
Center of Excellence

Report on the Financial Statements

We have audited the accompanying balance sheet-modified cash basis of the University of North Dakota Center for Innovation Foundation V2 Aerospace, Inc. Technical Assistance Center of Excellence as of June 30, 2014, and the related statements of revenues, expenditures and fund balance-modified cash basis, and budgeted, incurred and questioned costs-modified cash basis from July 1, 2011 (inception) of the grant through June 30, 2014, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

BRADY, MARTZ & ASSOCIATES, P.C.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

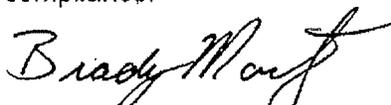
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position – modified cash basis of the University of North Dakota Center for Innovation Foundation V2 Aerospace, Inc. Technical Assistance Center of Excellence as of June 30, 2014, the respective changes in financial position, and budgeted, incurred and questioned costs for the cumulative grant period then ended in conformity with the modified cash basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2014, on our consideration of the University of North Dakota Center for Innovation Foundation V2 Aerospace, Inc. Technical Assistance Center of Excellence's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered the Center's internal control over financial reporting and compliance.



**BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA**

September 11, 2014

UNIVERSITY OF NORTH DAKOTA
CENTER FOR INNOVATION FOUNDATION
V2 AEROSPACE, INC. TECHNICAL ASSISTANCE
CENTER OF EXCELLENCE
BALANCE SHEET – MODIFIED CASH BASIS
AS OF JUNE 30, 2014

ASSETS

Cash \$ -

LIABILITIES

Unearned Revenue \$ -

FUND BALANCE -

Total Liabilities and Fund Balance \$ -

See Accompanying Notes to Financial Statements

UNIVERSITY OF NORTH DAKOTA
CENTER FOR INNOVATION FOUNDATION
V2 AEROSPACE, INC. TECHNICAL ASSISTANCE
CENTER OF EXCELLENCE

STATEMENT OF REVENUES, EXPENDITURES, AND FUND BALANCE – MODIFIED CASH BASIS
FOR THE GRANT PERIOD JULY 1, 2011 (INCEPTION) TO JUNE 30, 2014

REVENUES	Total
Grant Revenues	<u>\$ 370,000</u>
EXPENDITURES	
Consultant Fees	326,503
Travel	15,246
Supplies	2,637
Contractual Fees	23,600
Miscellaneous Fees	<u>2,014</u>
Total Expenditures	<u>370,000</u>
REVENUES OVER EXPENDITURES	-
Fund Balance, Beginning of Period	<u>-</u>
FUND BALANCE, END OF PERIOD	<u><u>\$ -</u></u>

See Accompanying Notes to Financial Statements

UNIVERSITY OF NORTH DAKOTA
 CENTER FOR INNOVATION FOUNDATION
 V2 AEROSPACE, INC. TECHNICAL ASSISTANCE
 CENTER OF EXCELLENCE

STATEMENT OF BUDGETED, INCURRED AND QUESTIONED COSTS – MODIFIED CASH BASIS
 FOR THE GRANT PERIOD JULY 1, 2011 (INCEPTION) TO JUNE 30, 2014

	<u>Budgeted</u> Cost	<u>Incurred</u> Cost	<u>Questioned</u> Cost	<u>Over</u> <u>(Under)</u>
Consultant Fees	\$ 313,168	\$ 326,503	\$ -	\$ 13,335
Travel	19,125	15,246	-	(3,879)
Supplies	8,000	2,637	-	(5,363)
Contractual Fees	8,400	23,600	-	15,200
Miscellaneous Fees	<u>21,307</u>	<u>2,014</u>	<u>-</u>	<u>(19,293)</u>
Total Expenditures	<u>\$ 370,000</u>	<u>\$ 370,000</u>	<u>\$ -</u>	<u>\$ -</u>

See Accompanying Notes to Financial Statements

**UNIVERSITY OF NORTH DAKOTA
CENTER FOR INNOVATION FOUNDATION
V2 AEROSPACE, INC. TECHNICAL ASSISTANCE
CENTER OF EXCELLENCE
NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The purpose of the University of North Dakota Center for Innovation Foundation V2 Aerospace, Inc. Technical Assistance Center of Excellence is to help Center for Innovation to develop the Unmanned Aircraft Systems (UAS) industry in the region. Supporting UAS startup companies will enhance economic development, mitigate job loss resulting from the realignment of the Grand Forks Air Force Base and offer a solution to population loss. In addition, UAS companies locating in the region will provide opportunities for the University of North Dakota to collaborate with the private industry on research, development, demonstration, and commercialization of technology. This grant will specifically enable the Center for Innovation Foundation to provide technical assistance services to one of the UAS industry startups, V2 Aerospace, Inc. The grant will help facilitate the next stage in V2 Aerospace, Inc.'s development that will provide UAS maintenance services for public and private sector clients.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The grant is accounted for using the modified cash basis method of accounting. Revenues are recognized when all the eligibility criteria have been met.

Expenditures are generally recognized using the modified cash basis of accounting when the expenses are paid.

Cash Deposits

Cash balances for the Center of Excellence are pooled with cash funds of the Center for Innovation Foundation.

NOTE 2 GRANT

The total grant to the University of North Dakota Center for Innovation Foundation V2 Aerospace, Inc. Technical Assistance Center of Excellence was \$370,000. As of June 30, 2014, \$370,000 had been spent and received from the North Dakota Department of Commerce.

NOTE 3 CONTINGENCIES

The disbursement of funds received under this program generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by grantor agencies. Any disallowed claims resulting from such audits could become an additional liability requiring funding from an alternative source. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time.



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

University of North Dakota
Center for Innovation Foundation
V2 Aerospace, Inc. Technical Assistance
Center of Excellence

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying modified cash basis financial statements of the fund information of the University of North Dakota Center for Innovation Foundation V2 Aerospace, Inc. Technical Assistance Center of Excellence for the cumulative grant period ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements, and have issued our report thereon dated September 11, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University of North Dakota Center for Innovation Foundation V2 Aerospace, Inc. Technical Assistance Center of Excellence's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

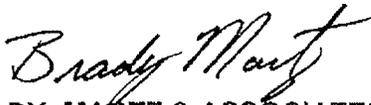
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University of North Dakota Center for Innovation Foundation V2 Aerospace, Inc. Technical Assistance Center of Excellence's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA

September 11, 2014

UNIVERSITY OF NORTH DAKOTA
CENTER FOR INNOVATION FOUNDATION
V2 AEROSPACE, INC. TECHNICAL ASSISTANCE
CENTER OF EXCELLENCE
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE GRANT PERIOD JULY 1, 2011 (INCEPTION) TO JUNE 30, 2014

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of Auditor’s report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	___ yes <u>X</u> no
Significant deficiency(ies) identified that are not considered to be material weaknesses	___ yes <u>X</u> none reported
Non-compliance material to financial statements noted?	___ yes <u>X</u> no

SECTION II – FINDINGS, RECOMMENDATIONS, AND CENTER RESPONSES

There were no findings to be reported in this section

**UNIVERSITY OF NORTH DAKOTA
CENTER FOR INNOVATION FOUNDATION
JOINT DISTRIBUTED COMMON GROUND SYSTEM
CENTER OF EXCELLENCE
GRAND FORKS, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2014

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CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

University of North Dakota
Center for Innovation Foundation
Joint Distributed Common Ground System
Center of Excellence

Report on the Financial Statements

We have audited the accompanying balance sheet-modified cash basis of the University of North Dakota Center for Innovation Foundation Joint Distributed Common Ground System Center of Excellence as of June 30, 2014, and the related statements of revenues, expenditures and fund balance-modified cash basis, and budgeted, incurred and questioned costs-modified cash basis from November 1, 2011 (inception) of the grant through June 30, 2014, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

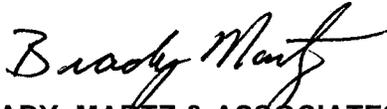
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position – modified cash basis of the University of North Dakota Center for Innovation Foundation Joint Distributed Common Ground System Center of Excellence as of June 30, 2014, the respective changes in financial position, and budgeted, incurred and questioned costs for the cumulative grant period then ended in conformity with the modified cash basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2014, on our consideration of the University of North Dakota Center for Innovation Foundation Joint Distributed Common Ground System Center of Excellence's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered the Center's internal control over financial reporting and compliance.



**BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA**

September 11, 2014

**UNIVERSITY OF NORTH DAKOTA
CENTER FOR INNOVATION FOUNDATION
JOINT DISTRIBUTED COMMON GROUND SYSTEM
CENTER OF EXCELLENCE
BALANCE SHEET – MODIFIED CASH BASIS
AS OF JUNE 30, 2014**

ASSETS

Cash	\$ <u> -</u>
------	-----------------------

LIABILITIES

Unearned Revenue	\$ <u> -</u>
------------------	-----------------------

FUND BALANCE

<u> -</u>

Total Liabilities and Fund Balance	\$ <u> -</u>
------------------------------------	-----------------------

See Accompanying Notes to Financial Statements

**UNIVERSITY OF NORTH DAKOTA
CENTER FOR INNOVATION FOUNDATION
JOINT DISTRIBUTED COMMON GROUND SYSTEM
CENTER OF EXCELLENCE**

STATEMENT OF REVENUES, EXPENDITURES, AND FUND BALANCE – MODIFIED CASH BASIS
FOR THE GRANT PERIOD NOVEMBER 1, 2011 (INCEPTION) TO JUNE 30, 2014

REVENUES	Total
Grant Revenues	\$ <u>125,706</u>
EXPENDITURES	
Phase II & III	93,902
Administration Fees	4,257
Travel	<u>27,547</u>
Total Expenditures	<u>125,706</u>
REVENUES OVER EXPENDITURES	-
Fund Balance, Beginning of Period	<u>-</u>
FUND BALANCE, END OF PERIOD	<u><u>\$ -</u></u>

See Accompanying Notes to Financial Statements

UNIVERSITY OF NORTH DAKOTA
CENTER FOR INNOVATION FOUNDATION
JOINT DISTRIBUTED COMMON GROUND SYSTEM
CENTER OF EXCELLENCE

STATEMENT OF BUDGETED, INCURRED AND QUESTIONED COSTS – MODIFIED CASH BASIS
 FOR THE GRANT PERIOD NOVEMBER 1, 2011 (INCEPTION) TO JUNE 30, 2014

	<u>Budgeted Cost</u>	<u>Incurred Cost</u>	<u>Questioned Cost</u>	<u>Over (Under)</u>
Phase II & III	\$ 105,900	\$ 93,902	\$ -	\$ (11,998)
Administration Fees	6,574	4,257	-	(2,317)
Travel	<u>13,232</u>	<u>27,547</u>	<u>-</u>	<u>14,315</u>
Total Expenditures	<u>\$ 125,706</u>	<u>\$ 125,706</u>	<u>\$ -</u>	<u>\$ -</u>

See Accompanying Notes to Financial Statements

**UNIVERSITY OF NORTH DAKOTA
CENTER FOR INNOVATION FOUNDATION
JOINT DISTRIBUTED COMMON GROUND SYSTEM
CENTER OF EXCELLENCE
NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The purpose of the University of North Dakota Center for Innovation Foundation Joint Distributed Common Ground System Center of Excellence grant is to strengthen and diversify the Grand Forks Air Force Base and bring significant economic development to the state. In the Unmanned Aircraft Industry (UAS), there is a need for additional centers for intelligence analysis called Distributed Common Ground Systems. The grant will allow for a joint Distributed Common Ground System at the Grand Forks Air Force Base. This will offer opportunities that include a joint operations center, joint training facility and a maintenance, repair, overhaul, and upgrade operation for the Global Hawk Program.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The grant is accounted for using the modified cash basis method of accounting. Revenues are recognized when all the eligibility criteria have been met.

Expenditures are generally recognized using the modified cash basis of accounting when the expenses are paid.

Cash Deposits

Cash balances for the Center of Excellence are pooled with cash funds of the Center for Innovation Foundation.

NOTE 2 GRANT

The total grant to the University of North Dakota Center for Innovation Foundation Joint Distributed Common Ground System Center of Excellence was \$125,706. As of June 30, 2014, \$125,706 had been spent and received from the North Dakota Department of Commerce.

NOTE 3 CONTINGENCIES

The disbursement of funds received under this program generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by grantor agencies. Any disallowed claims resulting from such audits could become an additional liability requiring funding from an alternative source. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time.



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

University of North Dakota
Center for Innovation Foundation
Joint Distributed Common Ground
Center of Excellence

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying modified cash basis financial statements of the fund information of the University of North Dakota Center for Innovation Foundation Joint Distributed Common Ground System Center of Excellence for the cumulative grant period ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements, and have issued our report thereon dated September 11, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University of North Dakota Center for Innovation Foundation Joint Distributed Common Ground System Center of Excellence's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University of North Dakota Center for Innovation Foundation Joint Distributed Common Ground System Center of Excellence's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA**

September 11, 2014

**UNIVERSITY OF NORTH DAKOTA
CENTER FOR INNOVATION FOUNDATION
JOINT DISTRIBUTED COMMON GROUND SYSTEM
CENTER OF EXCELLENCE
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE GRANT PERIOD NOVEMBER 1, 2011 (INCEPTION) TO JUNE 30, 2014**

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of Auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	___ yes <u>X</u> no
Significant deficiency(ies) identified that are not considered to be material weaknesses	___ yes <u>X</u> none reported
Non-compliance material to financial statements noted?	___ yes <u>X</u> no

SECTION II – FINDINGS, RECOMMENDATIONS, AND CENTER RESPONSES

There were no findings to be reported in this section



Schedule of Centers of Excellence Awards
June 30, 2014

North Dakota State University - Centers of Excellence

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Independent Auditor's Report

North Dakota State University
Fargo, North Dakota

Report on Compliance

We have audited North Dakota State University's compliance with the types of compliance requirements described in the North Dakota Century Code 15-69-05 that could have a direct and material effect on each of the University's Centers of Excellence awards for center that have, as of June 30, 2014, completed two or more full fiscal years of its post award monitoring. The University's Centers of Excellence subject to testing are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its Centers of Excellence awards.

Auditor's Responsibility

Our responsibility is to express an opinion on the compliance for the University's Centers of Excellence awards based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and North Dakota Century Code 15-69-05. Those standards and the North Dakota Century Code 15-69-05 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the Centers of Excellence awards occurred. An audit includes examining, on a test basis, evidence about the Company's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the Centers of Excellence. However, our audit does not provide a legal determination of the University's compliance.

Opinion

In our opinion, the University complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on Centers of Excellence awards for centers that have as of June 30, 2014, completed two or more full fiscal years of post-award monitoring.

Internal Control over Compliance

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered the University's internal control over compliance with the requirements that could have a direct and material effect on a Centers of Excellence award to determine the auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Centers of Excellence award on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Centers of Excellence award that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of North Dakota Century Code 15-69-05. Accordingly, this report is not suitable for any other purpose.

Other Matter

The budget to actual comparisons is presented for purposes of additional analysis and is not a required part of the schedule of Centers of Excellence awards. The budget to actual comparison is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the schedule of Centers of Excellence awards. The information has been subjected to the auditing procedures applied in the audit of the schedule of Centers of Excellence awards and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement of to the schedule of Centers of Excellence awards itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the schedule of Centers of Excellence awards as a whole.

Report on Schedule of Centers of Excellence Awards

We have audited the Schedule of Centers of Excellence awards of North Dakota State University that have as of June 30, 2014 completed two or more full fiscal years of post-award monitoring, and have issued our report thereon dated September 26, 2014, which contained an unmodified opinion on those Centers of Excellence awards. Our audit was conducted for the purpose of forming an opinion on the Schedule of Centers of Excellence awards as a whole. The accompanying Schedule of Centers of Excellence awards is presented for purposes of additional analysis as required by North Dakota Century Code 15-69-05 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the Schedule of Centers of Excellence awards is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Fargo, North Dakota
September 26, 2014

North Dakota State University
Schedule of Centers of Excellence Awards
June 30, 2014

<u>Centers of Excellence Title</u>	<u>Period Range</u>	<u>Identifying Number</u>	<u>Expenditures</u>
Center for Technologically Innovative Processes and Products	7/1/12 to 6/30/14	FAR0019497	\$ 94,674
Center for Life Science Research and Applications	7/1/12 to 6/30/14	FAR0019496	196,753

Notes to Schedule of Centers of Excellence Awards

Note 1 - General

The accompanying schedule of Centers of Excellence awards is presented on the accrual basis of accounting.

There were no audit findings in the prior audit period.

A. Summary of Audit Results

North Dakota Centers of Excellence Awards

Internal control over COE awards:

Material weakness(es) identified?

No

Significant deficiency(ies) identified?

None reported

Type of auditor's report issued on compliance for COE awards:

Unmodified

Any audit findings disclosed that are required to be reported:

No

B. Findings and Responses – None

North Dakota State University
 Budget to Actual Comparison
 Center for Technologically Innovative Processes and Products
 June 30, 2014

For the period 7/1/12 to 6/30/14:

CTIPP (FAR0019497)				
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Expenditures				
Personnel	\$ 641,308	\$ 641,308	\$ 78,993	\$ 562,315
Operating	<u>689,942</u>	<u>689,942</u>	<u>15,681</u>	<u>674,261</u>
Total expenditures	<u><u>\$ 1,331,250</u></u>	<u><u>\$ 1,331,250</u></u>	<u><u>\$ 94,674</u></u>	<u><u>\$ 1,236,576</u></u>

North Dakota State University
 Budget to Actual Comparison
 Center for Life Science Research and Applications
 June 30, 2014

For the period 7/1/12 to 6/30/14:

CLS (FAR0019496)				
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Expenditures				
Personnel	\$ 693,537	\$ 693,537	\$ 192,202	\$ 501,335
Operating Expenditures and Travel	186,500	186,500	1,112	185,388
Equipment, Chemicals Reagents, etc	419,963	419,963	3,422	416,541
Business Development and Related Activities	<u>50,000</u>	<u>50,000</u>	<u>17</u>	<u>49,983</u>
Total expenditures	<u><u>\$ 1,350,000</u></u>	<u><u>\$ 1,350,000</u></u>	<u><u>\$ 196,753</u></u>	<u><u>\$ 1,153,247</u></u>