Financial Statements
December 31, 2016 and 2015

North Dakota State University Foundation and Alumni Association

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Independent Auditor's Report

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

Report on the Financial Statements
We have audited the accompanying financial statements of North Dakota State University Foundation and Alumni Association, which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of North Dakota State University Foundation and Alumni Association as of December 31, 2016 and 2015 and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter – Change in Accounting Principle

As discussed in Note 15 to the financial statements, management has elected to early adopt the guidance contained in Accounting Standards Update 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)* in 2016, which requires that investments for which fair value is measured using the net asset value practical expedient be removed from the fair value hierarchy. Our opinion is not modified with respect to that matter.

Eide Bailly LLP

Fargo, North Dakota
April 21, 2017

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	2016	2015
Assets		
Current Assets		
Cash and cash equivalents	$ 5,361,167	$ 16,915,264
Current portion of investments	12,532,572	10,084,803
Receivables		
Current portion of unconditional promises to give	8,282,969	8,414,881
Interest	8,563	14,539
Current portion of contracts for deed and notes receivable	61,248	59,745
Grant	-	866,814
Bequest	205,076	2,507,726
Other	538,488	178,029
Prepaid expenses	152,420	136,871
Total current assets	27,142,503	39,178,672
Property and Equipment		
Property and equipment, net of accumulated depreciation	3,411,163	3,386,638
Real estate and equipment held for University purposes, net of accumulated depreciation	35,525,131	38,024,360
	38,936,294	41,410,998
Other Assets		
Investments, net of current portion	173,923,747	138,002,139
Contracts for deed and notes receivable, net of current portion	900,289	962,250
Cash restricted for capital projects	3,280,233	5,376,399
Split-interest trusts held by others, net	59,841	69,305
Beneficial interest in charitable trust held by others	467,820	468,239
Unconditional promises to give, net of current portion	23,411,613	20,641,713
	202,043,543	165,520,045
Total assets	$ 268,122,340	$ 246,109,715

See Notes to Financial Statements

	2016	2015
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued liabilities	$ 462,890	$ 440,185
Cash and cash equivalents held for others	158,067	170,929
Investments held for others	119,623	131,561
Current portion of split-interest agreements	971,677	896,159
Current portion of notes and bonds payable	3,130,974	1,260,652
Deferred revenue	8,394	16,137
Total current liabilities	4,851,625	2,915,623
Split-interest agreements, net of current portion	6,455,668	5,520,953
Notes and bonds payable, net of current portion	27,836,073	22,044,368
Total liabilities	39,143,366	30,480,944
Net Assets		
Unrestricted	32,217,741	31,675,190
Temporarily restricted	30,343,273	37,574,402
Permanently restricted	166,417,960	146,379,179
Total net assets	228,978,974	215,628,771
Total liabilities and net assets	$ 268,122,340	$ 246,109,715

	2016			
	Restricted Net Assets			
	Temporarily	Permanently	Unrestricted Net Assets	Total
Revenue and Other Support				
Gifts and grants	$ 10,443,399	$ 17,396,388	$ 879,025	$ 28,718,812
Liabilities to income beneficiaries	-	(518,969)	-	(518,969)
	10,443,399	16,877,419	879,025	28,199,843
Investment income	3,237,424	370,561	2,784,588	6,392,573
Net realized and unrealized gain on investments	6,687,324	45,382	1,137,283	7,869,989
Change in value of split-interest agreements	(31,557)	(712,074)	(543,516)	(1,287,147)
Other income	(139,494)	-	1,119,130	979,636
	20,197,096	16,581,288	5,376,510	42,154,894
Change in donor restrictions	(4,060,206)	4,060,206	-	-
Net assets released from restrictions	(23,368,019)	(602,713)	23,970,732	-
	(7,231,129)	20,038,781	29,347,242	42,154,894
Expenses				
Program service				
Gifts, grants, scholarships	-	-	3,882,322	3,882,322
NDSU departmental expenses, building and equipment purchases	-	-	16,315,749	16,315,749
Support service				
Administrative and general expenses	-	-	5,627,960	5,627,960
Direct investment expenses	-	-	948,923	948,923
Depreciation and depletion	-	-	2,029,737	2,029,737
	-	-	28,804,691	28,804,691
Change in Net Assets	(7,231,129)	20,038,781	542,551	13,350,203
Net Assets, Beginning of Year	37,574,402	146,379,179	31,675,190	215,628,771
Net Assets, End of Year	$ 30,343,273	$ 166,417,960	$ 32,217,741	$ 228,978,974

	2015			
	Restricted Net Assets			
	Temporarily	Permanently	Unrestricted Net Assets	Total
Revenue and Other Support				
Gifts and grants	$ 5,048,716	$ 15,709,970	$ 970,625	$ 21,729,311
Liabilities to income beneficiaries	-	(101,228)	-	(101,228)
	5,048,716	15,608,742	970,625	21,628,083
Investment income	1,948,695	394,188	2,493,678	4,836,561
Net realized and unrealized loss on investments	(973,082)	(618,681)	(2,854,344)	(4,446,107)
Change in value of split-interest agreements	(7,119)	64,210	(182,539)	(125,448)
Other income	(20,170)	-	1,131,237	1,111,067
	5,997,040	15,448,459	1,558,657	23,004,156
Net assets released from restrictions	(20,258,072)	(313,426)	20,571,498	-
	(14,261,032)	15,135,033	22,130,155	23,004,156
Expenses				
Program service				
Gifts, grants, scholarships	-	-	3,725,098	3,725,098
NDSU departmental expenses, building and equipment purchases	-	-	15,306,586	15,306,586
Support service				
Administrative and general expenses	-	-	5,303,180	5,303,180
Direct investment expenses	-	-	754,578	754,578
Depreciation and depletion	-	-	1,938,497	1,938,497
	-	-	27,027,939	27,027,939
Change in Net Assets	(14,261,032)	15,135,033	(4,897,784)	(4,023,783)
Net Assets, Beginning of Year	51,835,434	131,244,146	36,572,974	219,652,554
Net Assets, End of Year	$ 37,574,402	$ 146,379,179	$ 31,675,190	$ 215,628,771

	2016	2015
Operating Activities		
Change in net assets	$ 13,350,203	$ (4,023,783)
Charges and credits to change in assets not affecting cash		
Depreciation and depletion	2,029,737	1,938,497
Net realized and unrealized gains and losses on investments	(7,869,989)	4,446,107
Change in beneficial interest in charitable trust held by others	419	27,971
Contributed securities and real estate	(1,677,731)	(2,315,453)
Change in cash surrender value of life insurance	(16,092)	(10,032)
Permanently restricted gifts and investment income	(16,877,838)	(15,636,713)
Change in value of split-interest agreements	330,824	(235,066)
Gifts restricted for capital projects	(4,421,543)	(3,905,671)
Transfer from donor restricted fund to restricted for capital projects	71,776	(4,021)
Payments for capital projects	14,082,138	13,552,789
Loss on disposal of property and equipment	1,590	-
Changes in operating assets and liabilities		
Unconditional promises to give	(2,637,988)	2,799,897
Receivables - interest, grant, bequest, and other	2,814,981	4,928,493
Inventory	-	47,881
Prepaid expenses	(15,549)	(51,639)
Accounts payable and accrued liabilities	22,705	(549,617)
Scholarships and grants payable	-	(1,806,537)
Cash and cash equivalents held for others	(12,862)	(90,142)
Investments held for others	(11,938)	(7,109)
Deferred revenue	(7,743)	(27,326)
Net Cash used for Operating Activities	(844,900)	(921,474)
Investing Activities		
Proceeds from the sale of investments and gifts	151,352,898	18,880,289
Proceeds from the sale of property and equipment	774,809	-
Purchases of investments, including real estate and equipment held for investments	(180,316,159)	(31,870,714)
Sale of assets restricted to capital projects	2,096,166	2,904,127
Payments for capital projects	(14,082,138)	(13,552,789)
Receipts on notes and contracts receivable	60,458	76,302
Property and equipment purchases	(173,736)	(67,499)
Change in value of split-interest trusts held by others	9,464	4,357
Net Cash used for Investing Activities	(40,278,238)	(23,625,927)

	2016	2015
Financing Activities		
Permanently restricted gifts and investment income	$ 16,877,838	$ 15,636,713
Gifts restricted for capital projects	4,421,543	3,905,671
Transfer from donor restricted fund to restricted for capital projects	(71,776)	4,021
Payments to beneficiaries of split-interest agreements	(49,742)	(391,531)
Proceeds from establishment of split-interest agreements	729,151	59,528
Proceeds from issuance of bonds and notes payable	8,838,047	9,064,658
Principal payments on bonds and notes payable	(1,176,020)	(4,374,407)
Net Cash from Financing Activities	29,569,041	23,904,653
Net Change in Cash and Cash Equivalents	(11,554,097)	(642,748)
Cash and Cash Equivalents at Beginning of Year	16,915,264	17,558,012
Cash and Cash Equivalents at End of Year	$ 5,361,167	$ 16,915,264
Supplemental Disclosures of Cash Flow Information		
Cash paid during the year for interest	$ 578,533	$ 655,581
Supplemental Schedule of Noncash Investing and Financing Activities		
Securities received as gifts	$ 1,677,731	$ 1,540,644
Real estate received as gifts	$ -	$ 774,809

Note 1 - Principal Activity and Significant Accounting Policies

Organization

On January 1, 2016 the North Dakota State University Development Foundation (Foundation) and the North Dakota State University Alumni Association officially merged. The name of the new entity is the North Dakota State University Foundation and Alumni Association. This merger has a limited impact on the operations or financial statements of the combined entities as all revenues, expenses, assets, and liabilities had previously been reported on the financial statements of the Foundation exclusively.

The Foundation is a North Dakota nonprofit corporation established for the purpose of providing financial and other assistance to North Dakota State University (University) and management of related assets.

Cash and Cash Equivalents

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

Bequest Receivables

Bequest receivables as of December 31, 2016 and 2015, of $205,076 and $2,507,726 are receivable from the trusts of various estates.

Grant Receivables

Grant receivables as of December 31, 2016 and 2015, of $0 and $866,814 are receivable from the State of North Dakota.

Promises to Give

Unconditional promises to give are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in gifts and grant revenue in the statement of activities. Management determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. As of December 31, 2016 and 2015, the allowance was $876,142 and $731,195.

Conditional promises to give are only receivable upon the occurrence of uncertain future events and therefore are not recorded in the accompanying financial statements.

Property and Equipment

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

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

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

The Foundation reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended December 31, 2016 and 2015.

Real Estate Held for University Purposes

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

Investments

The Foundation carries investments at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities. Certain funds have been pooled for ease of management and to achieve greater diversification in investments. Earnings on investments are allocated to individual accounts based on a unitization process.

Cash Restricted for Capital Projects

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

Net Assets

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

Unrestricted Net Assets – Net assets available for use in general operations. Unrestricted board-designated net assets consist of net assets designated by the Executive Governing Board for operating reserve and board-designated endowment.

Temporarily Restricted Net Assets – Net assets subject to donor restrictions that may or will be met by expenditures or actions of the Foundation and/or the passage of time, and certain income earned on permanently restricted net assets that has not yet been appropriated for expenditure by the Foundation's Executive Governing Board.

The Foundation reports contributions as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets – Net assets whose use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by action of the Foundation. The restrictions stipulate that resources be maintained permanently but permit the Foundation to expend the income generated in accordance with the provisions of the agreements.

Revenue and Revenue Recognition

Revenue is recognized when earned. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Donated Services

Many individuals, including board members, have contributed significant amounts of time to activities of the Foundation without compensation. Volunteers also donate services for periodic fundraising drives, such as the Bison Bidder's Bowl. During the years ended December 31, 2016 and 2015, the value of contributed services meeting the requirement for recognition in the financial statements was not material and has not been recorded.

Donated Assets

Donated property, marketable securities and other non-cash donations are recorded as contributions at their estimated market value at the date of the donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. The Foundation reclassifies temporarily restricted net assets to unrestricted net assets when the restriction has been fulfilled.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

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

The Foundation believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Foundation would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred. The Foundation's Form 990-T and other income tax filings required by the state of North Dakota are no longer subject to tax examination for years before 2013.

Cash and Cash Equivalents Held for Others

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

Investments Held For Others

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

Estimates

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

Financial Instruments and Credit Risk

The Foundation manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Foundation has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from committed supporters of North Dakota State University and the Foundation. Investments are made by diversified investment managers whose performance is monitored by management and the Investment Committee of the Executive Governing Board. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management and the Investment Committee believe that the investment policies and guidelines are prudent for the long-term welfare of the Foundation.

Beneficial Interests in Charitable Trusts Held by Others

The Foundation has been named as an irrevocable beneficiary of perpetual charitable trusts held and administered by independent trustees. These trusts were created independently by donors and are administered by outside agents designated by the donors. Therefore, the Foundation has neither possession nor control over the assets of the trusts. At the date the Foundation receives notice of a beneficial interest, a temporarily or permanently restricted contribution is recorded in the statement of activities, and a beneficial interest in charitable trusts held by others is recorded in the statement of financial position at fair value of the assets contributed to the trust. Thereafter, beneficial interests in the trusts are reported at fair value in the statement of financial position, with trust distributions and changes in fair value recognized in the statement of activities. Upon receipt of trust distributions and/or expenditures in satisfaction of the restricted purpose stipulated by the donor, if any, temporarily restricted net assets are released to unrestricted net assets; permanently restricted net assets are transferred to the endowment.

Change in Accounting Principle

Management has elected to early adopt the guidance contained in ASU 2015-07, Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent) in 2016, which requires that investments for which fair value is measured using the net asset value practical expedient be removed from the fair value hierarchy. ASU 2015-07 was applied retrospectively to disclosures presented in 2015 (Note 3).

Reclassifications

Reclassifications have been made to the December 31, 2015 financial information to make it conform to the current year presentation. The reclassifications had no effect on previously reported operating results or changes in assets.

Subsequent Events

The Foundation has evaluated subsequent events through April 21, 2017, the date the financial statements were available to be issued.

Note 2 - Promises to Give

Unconditional promises to give are estimated to be collected as follows at December 31, 2016 and 2015:

	2016	2015
Within one year	$ 8,491,375	$ 8,657,256
In one to five years	20,154,630	19,859,365
Over five years	5,271,805	2,461,526
	33,917,810	30,978,147
Less allowance for uncollectible	(876,142)	(731,195)
Less discount to net present value, .95%-5%	(1,347,086)	(1,190,358)
	$ 31,694,582	$ 29,056,594

Unconditional promises to give are presented as follows at December 31, 2016 and 2015 in the statement of financial position:

	2016	2015
Current portion of unconditional promises to give	$ 8,282,969	$ 8,414,881
Unconditional promises to give, net of current portion	23,411,613	20,641,713
	$ 31,694,582	$ 29,056,594

As of December 31, 2016, $15,294,448 in promises to give have been matched by the state of North Dakota. The Foundation is liable for any shortfall in the collection of those pledges.

Note 3 - Investments

The composition of investments at December 31, 2016 and 2015 is detailed in the table below:

	2016	2015
Fixed income	$ 53,178,418	$ 11,361,451
Global equity	85,841,388	82,446,216
Global hedge funds	23,888,573	24,066,036
Government securities	49,772	10,674
Commodity funds	1,401,166	7,768,760
Private stock	22,500	22,500
Mineral interests	31,052	42,285
Private equity	16,972,865	12,840,190
Real estate funds	4,643,344	4,098,408
Cash surrender value of life insurance	427,241	411,149
Cash awaiting transfer	-	3,265,595
Certificate of deposit	-	1,753,678
	$ 186,456,319	$148,086,942
Current portion of investments	$ 12,532,572	$ 10,084,803
Investments, net of current portion	173,923,747	138,002,139
	$ 186,456,319	$ 148,086,942

Fair Value Measurements and Disclosures

Certain assets and liabilities are reported at fair value in the consolidated financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Foundation can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, the Foundation develops inputs using the best information available in the circumstances.

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

December 31, 2016	Total	Level 1	Level 2	Level 3
Assets				
Investments				
Fixed income	$ 53,178,418	$ -	$ 53,178,418	$ -
Global equity	85,841,388	-	85,841,388	-
Government securities	49,772	-	49,772	-
Commodity funds	1,401,166	-	1,401,166	-
Private stock	22,500	-	22,500	-
Mineral interests	31,052	-	-	31,052
Cash surrender value of life insurance	427,241	-	427,241	-
Split-interest trusts held by others, net	59,841	-	-	59,841
Beneficial interest in trust/assets held by others	467,820	-	-	467,820
	141,479,198	$ -	$ 140,920,485	$ 558,713
Global hedge funds (at NAV)	23,888,573			
Private equity (at NAV)	16,972,865			
Real estate funds (at NAV)	4,643,344			
	$ 186,983,980			
Liabilities				
Obligations under split interest agreements	$ 7,427,345	$ -	$ -	$ 7,427,345

December 31, 2015	Total	Level 1	Level 2	Level 3
Assets				
Investments				
Cash awaiting transfer	$ 3,265,595	$ 3,265,595	$ -	$ -
Certificate of deposit	1,753,678	-	1,753,678	-
Fixed income	3,229,412	-	3,229,412	-
Global equity	9,503,592	629,693	8,873,899	-
Government securities	10,674	-	10,674	-
Commodity funds	1,195,664	-	1,195,664	-
Private stock	22,500	-	22,500	-
Mineral interests	42,285	-	-	42,285
Cash surrender value of life insurance	411,149	-	411,149	-
Split-interest trusts held by others, net	69,305	-	-	69,305
Beneficial interest in trust/assets held by other	468,239	-	-	468,239
	19,972,093	$ 3,895,288	$ 15,496,976	$ 579,829
Fixed income (at NAV)	8,132,039			
Global equity (at NAV)	72,942,624			
Global hedge funds (at NAV)	24,066,036			
Commodity funds (at NAV)	6,573,096			
Private equity (at NAV)	12,840,190			
Real estate funds (at NAV)	4,098,408			
	$ 148,624,486			
Liabilities				
Obligations under split-interest agreements	$ 6,417,112	$ -	$ -	$ 6,417,112

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

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

Securities that are not marketable and for which custodians cannot obtain pricing are carried at values estimated by the manager responsible for such securities under procedures reviewed by CommonFund and SEI investment management staff. Management of the Foundation has reviewed the valuation estimates as determined by CommonFund and SEI and determined the values assigned to be reasonable. Valuations take into consideration the financial condition and operating results of the issuer, meaningful third-party transactions in the private market, and other factors deemed relevant. Investments in limited partnership or other investment funds are valued at the latest NAV made available by the fund manager prior to the valuation date. This value may not reflect the amount that could be realized in the short term upon sale of the interest owned by the fund.

Following is a reconciliation of activity for the years ended December 31, 2016 and 2015 for assets measured at fair value based upon significant unobservable inputs (Level 3):

	Mineral Interests	Split Interest	Beneficial Interest	Total
Balance at December 31, 2014	$ 53,516	$ 73,662	$ 494,095	$ 621,273
Changes in value of split-interest agreement	-	(4,357)	-	(4,357)
Change in beneficial interest	-	-	(25,856)	(25,856)
Depletion	(11,231)	-	-	(11,231)
Balance at December 31, 2015	42,285	69,305	468,239	579,829
Changes in value of split-interest agreement	-	(9,464)	-	(9,464)
Change in beneficial interest	-	-	(419)	(419)
Depletion	(11,233)	-	-	(11,233)
Balance at December 31, 2016	$ 31,052	$ 59,841	$ 467,820	$ 558,713

Following is a reconciliation of activity for the years ended December 31, 2016 and 2015 for liabilities measured at fair value based upon significant unobservable inputs (Level 3):

Liabilities under split-interest agreements	Amount
Balance at December 31, 2014	$ 6,984,181
Payments to beneficiaries of split-interest agreements	(391,531)
Proceeds from establishment of split-interest agreements	59,528
Changes in value of split-interest agreement	(235,066)
Balance at December 31, 2015	6,417,112
Payments to beneficiaries of split-interest agreements	(49,742)
Proceeds from establishment of split-interest agreements	729,151
Changes in value of split-interest agreement	330,824
Balance at December 31, 2016	$ 7,427,345

The following table sets forth additional disclosures for the fair value measurement of investments (Levels 2 and 3) in certain entities that calculate net asset value per share (or its equivalent) for the years ended December 31, 2016 and 2015:

	December 31, 2016			
Investment Type	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Global hedge funds (1)	$ 23,888,573	$ -	Quarterly	95 Days
Private equity (2)	16,972,865	24,933,937	Ineligible	n/a
Real estate funds (2)	4,643,344	1,303,454	Ineligible	n/a

	December 31, 2015			
Investment Type	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Fixed income (3)	$ 8,132,039	$ -	Weekly/Monthly	5 Days
Global equity (4)	72,942,624	-	Daily/Monthly	5/30 Days
Global hedge funds (1)	24,066,036	-	Quarterly	95 Days
Commodity funds (5)	6,573,096	-	Daily/Monthly	30 Days
Private equity (2)	12,840,190	29,876,961	Ineligible	n/a
Real estate funds (2)	4,098,408	3,393,500	Ineligible	n/a

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

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

(3) Fixed Income – this category includes investments in funds that invest in corporate debt securities. The manager of the fund has the flexibility to change their exposure based on their view of particular securities and the overall market.

(4) Global Equity – this category includes investments in funds that invest in common stock securities. The managers of the funds have the flexibility to change their exposure based on their view of particular securities and the overall market.

(5) Commodity Funds – this category includes investments in swaps, futures, options on futures and forward contracts on exchange traded agriculture goods, metals, minerals, and energy products. The managers of these funds have the flexibility to allocate across a broad spectrum of commodity-oriented asset categories.

Note 4 - Contracts for Deed and Notes Receivable

Contracts for deed and notes receivable consist of the following at December 31, 2016 and 2015:

	2016	2015
1.25% note receivable, due in annual installments of $72,879, including interest, to April 2030, secured by land	$ 930,487	$ 990,945
8% note receivable, unsecured	31,050	31,050
	961,537	1,021,995
Less current portion	(61,248)	(59,745)
	$ 900,289	$ 962,250

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

Years Ending December 31,	Amount
2017	$ 61,248
2018	62,013
2019	62,788
2020	63,548
2021	64,368
Thereafter	647,572
	$ 961,537

Note 5 - Real Estate Held for University Purposes

Real estate held for university purposes consists of the following at December 31, 2016 and 2015:

	2016	2015
Land	$ 3,035,020	$ 3,780,059
Buildings and improvements	50,408,069	50,291,376
	53,443,089	54,071,435
Less accumulated depreciation	(17,917,958)	(16,047,075)
	$ 35,525,131	$ 38,024,360

Note 6 - Property and Equipment

Property and equipment consists of the following as of December 31, 2016 and 2015:

	2016	2015
Land	$ 890,602	$ 883,187
Buildings and improvements	3,710,358	3,699,427
Furniture and equipment	1,104,338	1,089,654
Computer software	132,538	134,011
	5,837,836	5,806,279
Less accumulated depreciation	(2,426,673)	(2,419,641)
	$ 3,411,163	$ 3,386,638

Note 7 - Liabilities for Split-Interest Agreements

Gift Annuity Agreements

The Foundation has entered into gift annuity agreements, which provide that the Foundation shall pay periodic amounts to designated beneficiaries until their death. Payments continue even if the assets gifted or acquired as a result of a gift have been exhausted. The Foundation records these gifts at market value with a corresponding liability recorded for the actuarially determined present value of payments to be made to the designated beneficiaries. The residual amounts of the gifts are recorded as unrestricted or permanently restricted net assets based on the donors' wishes. In subsequent years, the liability for future payments to the donor is reduced by payments made to the donor and is adjusted to reflect changes in the fair value of the liability at the end of the year. Upon termination of the annuity contract, the remaining liability is removed and recognized as income. The estimated present value of future payments to be made under these agreements, discounted at 5% for 2016 and 2015, totals $3,253,554 and $2,806,558 at December 31, 2016 and 2015.

Charitable Remainder Trusts

Charitable remainder trusts consist of charitable remainder unitrusts and annuity trusts. These trusts are governed by the respective trust agreements, which generally provide for either an income stream or a future distribution of cash or other assets to the Foundation, in whole or in part, for a specified period or upon the occurrence of a specific event, respectively. The trust assets are recorded at fair value, and a related liability for future payments to be made to the specified beneficiaries is recorded at fair value using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the liability. The excess of contributed assets over the trust liability is recorded as a temporarily or permanently restricted contribution until such amount is received via trust distribution and/or is expended in satisfaction of the restricted purpose stipulated by the trust agreement, if any, at which time temporarily restricted net assets are released to unrestricted net assets and permanently restricted net assets are transferred to the endowment. In subsequent years, the liability for future trust payments to the donor is reduced by payments made to the donor and is adjusted to reflect changes in the fair value of the liability at the end of the year. Upon termination of the trust, the remaining liability is removed and recognized as income. The estimated present value of future investment income distributions to beneficiaries, discounted at 5% for 2016 and 2015, totals $4,173,791 and $3,610,554 at December 31, 2016 and 2015.

Note 8 - Notes and Bonds Payable

	2016	2015
Variable rate note payable, 1.25% at December 31, 2016, interest payments due quarterly, due December 2023, secured by pledges receivable for the construction of the Sanford Health Athletic Complex (SHAC), total available of $20,000,000 (1)	$ 15,576,706	$ 6,738,658
4.89% bonds payable due in semi-annual installments of $165,998, including interest, to December 2020, secured by equipment (2)	1,193,024	1,456,961
3.98% bond payable, due in semi-annual installments of varying amounts, to October 2030, secured by Renaissance Hall building and land (3)	4,450,000	4,680,000
University Facilities Revenue Refunding Bonds, Series 2012 secured by Barry and Klai Hall land and building (4)		
2% to 3% serial bonds, due in varying annual installments through December 2023	3,235,000	3,700,000
3% to 4% term bonds, with varying sinking fund requirements beginning December 2024 through December 2036	6,365,000	6,365,000
Note payable to NDSU, due in annual, varying installments, bears no interest, secured by pledges designated for Barry and Klai Hall	62,637	299,085
Other debt	84,680	65,316
	30,967,047	23,305,020
Less current maturities	(3,130,974)	(1,260,652)
	$ 27,836,073	$ 22,044,368

(1) The line of credit was issued to provide temporary financing for the construction of the Sanford Health Athletic Complex (SHAC). On January 1, 2017, this line of credit converted to a note payable. Covenants for the line of credit include the following provisions: 1) Total net assets of $100,000,000 or more at the end of each fiscal year, 2) Total unrestricted net assets of no less than the outstanding balance of the line at the end of each fiscal year, and 3) the Foundation must have pledges for the construction of the SHAC outstanding of no less than 85% of the line balance at the end of each fiscal year.

(2) The Foundation financed the construction and equipping of office space, locker rooms, meeting rooms, and related facilities in the Fargodome for use by NDSU through the sale of 15-year University Facilities Revenue Bonds issued by Cass County, North Dakota. The Foundation has leased the space in the Fargodome from the City of Fargo and has financed the leasehold improvements and furniture, fixtures and equipment with proceeds of the bonds. The leasehold improvements and furniture, fixtures and equipment have been included with property in the financial statements and the bonds have been recorded as a direct obligation of the Foundation. The space, the leasehold improvements, and the furniture, fixtures and equipment have been subleased to NDSU for rental equal to the sum of the annual Fargodome space rent plus the semi-annual principal and interest payments on the bonds plus all the costs incurred by the Foundation incident to the lease. NDSU's payments and/or bond principal will be reduced by contributions received by the Foundation for this project.

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

(4) The Foundation refinanced the outstanding debt associated with the Barry Hall business building project and Klai Hall architecture building project, through the sale of 25-year University Facility Revenue Bonds issued by the City of Fargo, North Dakota. The City has loaned the bond proceeds to the Foundation for payments equal to the sum of the semi-annual interest payments and installment of varying principal amounts on the variable rate bonds. Under the terms of the loan, the Foundation is responsible for the real estate taxes, insurance, repairs and maintenance, and other costs incident to ownership of the property. The property is included with property in the financial statements and the bonds have been recorded as a direct obligation of the Foundation. Ownership of the property will transfer to NDSU when the bonds are repaid in full. The bonds are guaranteed by the Foundation. This property is leased to NDSU for rental equal to the sum of the semi-annual interest and principal payments on the fixed-rate bonds for the term of the bonds, plus all costs incurred by the Foundation incident to ownership of the property.

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

Year Ending December 31,	Amount
2017	$ 3,130,974
2018	2,025,573
2019	2,065,208
2020	2,095,179
2021	1,805,194
Thereafter	19,844,919
	$ 30,967,047

Note 9 - Net Assets

Temporarily restricted net assets will be appropriated for the following purposes as of December 31, 2016 and 2015:

	2016	2015
Scholarships	$ 11,203,764	$ 11,205,094
NDSU departmental expenses	14,948,170	11,698,253
NDSU buildings and equipment	3,874,837	14,295,871
Foundation operations - time restriction	316,502	375,184
	$ 30,343,273	$ 37,574,402

Permanently restricted net assets are dedicated to support the following purposes as of December 31, 2016 and 2015:

	2016	2015
Scholarships	$ 91,826,678	$ 79,832,782
NDSU departmental expenses	68,050,996	60,713,098
NDSU buildings and equipment	3,803,783	2,991,957
Foundation operations	2,736,503	2,841,342
	$ 166,417,960	$ 146,379,179

The Foundation's Executive Governing Board has chosen to place approximately $2,824,000 and $2,779,000 as of December 31, 2016 and 2015 in board designated endowments for Foundation operations. Additionally, excess funds from operations are transferred to an operating reserve fund during the year to be used to support operations in subsequent years when income does not meet budgeted expenses. This account is shown as unrestricted for reporting purposes. The operating reserve had approximately a $3,783,000 and $3,464,000 balance at December 31, 2016 and 2015.

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. Amounts released are as follows for the years ended December 31, 2016 and 2015:

	2016	2015
Purpose restrictions accomplished		
Scholarships and grants paid	$ 3,657,527	$ 3,334,659
NDSU departmental expenses	1,432,552	1,579,907
NDSU building and equipment	14,827,057	13,659,621
Foundation operations	166,030	100,845
Endowment management fees	2,122,015	1,888,920
Gift fees	1,207,511	1,134,534
Direct investment expenses on real estate held for University purposes	507,322	453,810
Transfers	39,485	(1,592,031)
Depreciation on real estate held for University purposes	11,233	11,233
Total net assets released from restrictions	$ 23,970,732	$ 20,571,498

Note 10 - Employee Benefit Plans

Tax Deferred Annuity

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

Pension Plan

The Foundation has a defined contribution pension plan covering all eligible employees. The Foundation contributes 9.5% of the eligible salary of each employee with six months to ten years of service, and 10% of the eligible salary of each employee with ten or more years of service. Total pension plan expense for the years ended December 31, 2016 and 2015 was $150,900 and $131,725.

Note 11 - Fundraising Costs

The Foundation incurred fundraising costs of $1,448,445 and $1,457,628 for the years ended December 31, 2016 and 2015. These costs are included in administrative and general expenses on the accompanying statements of activities.

Note 12 - Endowment

The Foundation's endowment consists of approximately 1,200 individual funds established for a variety of purposes. The endowment includes donor-restricted endowment funds and funds designated by the Board to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Executive Governing Board of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, NDSU Foundation and Alumni Association classifies as permanently restricted net assets (a) the original value of gifts, net of gift fees, donated to the permanent endowment, (b) the original value of subsequent gifts, net of gift fees, to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

Permanently restricted net assets are the portion of perpetual endowment funds that are required to be retained permanently either by explicit donor stipulation or by UPMIFA.

	At December 31, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (1,298,828)	$ 17,218,584	$ 148,457,607	$ 164,377,363
Board-designated endowment funds	2,823,750	-	-	2,823,750
	$ 1,524,922	$ 17,218,584	$ 148,457,607	$ 167,201,113

	At December 31, 2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (2,264,919)	$ 16,728,487	$ 125,431,411	$ 139,894,979
Board-designated endowment funds	2,779,165	-	-	2,779,165
	$ 514,246	$ 16,728,487	$ 125,431,411	$ 142,674,144

Changes in endowment net assets are as follows:

	For the Year Ending December 31, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 514,246	$ 16,728,487	$ 125,431,411	$ 142,674,144
Investment return:				
Investment income	-	2,635,009	-	2,635,009
Net appreciation/(depreciation) (realized and unrealized)	1,141,815	6,677,431	-	7,819,246
Contributions	1,900	914,677	23,026,196	23,942,773
Appropriation of endowment assets for expenditure	(133,039)	(9,737,020)	-	(9,870,059)
Endowment net assets, end of year	$ 1,524,922	$ 17,218,584	$ 148,457,607	$ 167,201,113

	For the Year Ending December 31, 2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 13,454,758	$ 19,364,271	$ 105,191,208	$ 138,010,237
Investment return:				
Investment income	-	1,468,970	-	1,468,970
Net appreciation/(depreciation) (realized and unrealized)	(2,405,823)	(819,496)	-	(3,225,319)
Contributions	(254)	1,628,479	20,240,203	21,868,428
Appropriation of endowment assets for expenditure		(4,913,737)	-	(4,913,737)
Other changes:				
Transfer to general unrestricted net assets	(10,534,435)	-	-	(10,534,435)
Endowment net assets, end of year	$ 514,246	$ 16,728,487	$ 125,431,411	$ 142,674,144

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature are reported in unrestricted net assets and totaled $1,298,828 and $2,264,919 as of December 31, 2016 and 2015. These deficiencies resulted from unfavorable market fluctuations and continued appropriation deemed prudent by the Executive Governing Board. The reporting of such deficiencies as a reduction of Foundation-controlled unrestricted net assets does not legally create an affirmative obligation of the Foundation to restore the fair value of those funds from unrestricted assets.

Return Objectives and Risk Parameters

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

Strategies Employed for Achieving Objectives

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

Distribution Policy and How the Investment Objectives Relate to Distribution Policy

The Foundation has a policy of appropriating for distribution each year an amount determined by a hybrid formula including 70% based on the prior year's distributions, increased (decreased) by an inflation (deflation) factor of CPI + 0.5%, and 30% based on 4.5% of the prior year's average quarterly market value (AQMV). The distribution allocation is determined by applying the rate thus determined (distribution amount / AQMV) to the AQMV of each individual endowed fund. The distribution rate, net of endowment management fees, was 3.73% and 3.70% for the years ended December 31, 2016 and 2015. In establishing this policy, the Foundation considered the long-term expected return on its endowment. The Foundation's distribution policy is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets in perpetuity as well as to provide additional growth through new gifts and investment return. The Board designates a portion of the Foundation's cumulative investment return for support of current operations. The remainder is retained to support future Foundation programs and to offset potential market declines.

Note 13 - Related Party

Reimbursement of Expenses

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

As of December 31, 2016 and 2015, the Foundation had the following accrued liabilities owed to NDSU:

	2016	2015
Building projects	$ 26,689	$ 55,000
Pledges for completed building projects	62,637	299,085
Miscellaneous services	10,968	14,560
	$ 100,294	$ 368,645

These amounts are recorded within accounts payable and accrued liabilities on the balance sheet. The expenses related to building projects are included within NDSU departmental expenses, building and equipment purchases on the statement of activities.

Miscellaneous Income

The Foundation provides meeting space rental and database support services to the University for an annually negotiated fee. These revenues for the years ended December 31, 2016 and 2015 totaled $673,193 and $617,957, which is recorded in other income on the statement of activities. As of December 31, 2016, the Foundation had receivables related to these support services of $336,597, which is recorded within other receivables on the balance sheet.

Lease Income

NDSU leases certain properties that are owned and financed by the Foundation. The revenues related to these arrangements are recorded within investment income on the statement of activities. The revenues for the years ended December 31, 2016 and 2015 are as follows:

	2016	2015
Barry and Klai Hall	$ 785,168	$ 779,182
Fargodome improvements	331,642	331,659
Renaissance Hall	411,769	410,832
	$ 1,528,579	$ 1,521,673

Note 14 - Commitments and Contingencies

North Dakota Higher Education Challenge Fund Grant

In 2013, the Foundation began receiving matching funds from the North Dakota Higher Education Challenge Fund Grant (Challenge Grant) program. The program provides for a 50% match to qualified donations, subject to the approval of a specially appointed committee. According to the Challenge Grant legislation, any matched donations that are not ultimately realized, such as an unpaid pledge, the organization receiving the match must substitute the unrealized funds with unrestricted funds.

Line of Credit Covenants

This line of credit was issued to provide temporary financing for the construction of the Sanford Health Athletic Complex (SHAC). Covenants for the line of credit agreement including the following provisions: 1) Total net assets of $100,000,000 or more at the end of each fiscal year, 2) Total unrestricted net assets of no less than the outstanding balance of the line of credit at the end of each fiscal year, and 3) the Foundation must have pledges for the construction of the SHAC outstanding of no less than 85% of the line of credit balance at the end of each fiscal year.

Note 15 - Change in Accounting Principle

Management has elected to early adopt the guidance contained in Accounting Standards Updated 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent)* in 2016, which requires that investments for which fair value is measured using the net asset value practical expedient be removed from the fair value hierarchy.