Financial Statements
June 30, 2018

University of North Dakota Alumni Association and Foundation

Independent Auditor's Report 1
Management's Discussion and Analysis 3
Financial Statements
Statement of Financial Position 6
Statements of Activities 8
Statement of Cash Flows 9
Notes to Financial Statements 10

Independent Auditor's Report

Board of Directors
University of North Dakota Alumni Association and Foundation
Grand Forks, North Dakota

We have audited the accompanying financial statements of University of North Dakota Alumni Association and Foundation (Organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and cash flows for the year 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.

Auditors' 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. 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 auditors' 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 the University of North Dakota Alumni Association and Foundation as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The Management's Discussion and Analysis, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Report on Summarized Comparative Information

The 2017 financial statements of University of North Dakota Alumni Association and Foundation were audited by other auditors, whose report dated October 5, 2017, expressed an unmodified audit opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Eide Bailly LLP

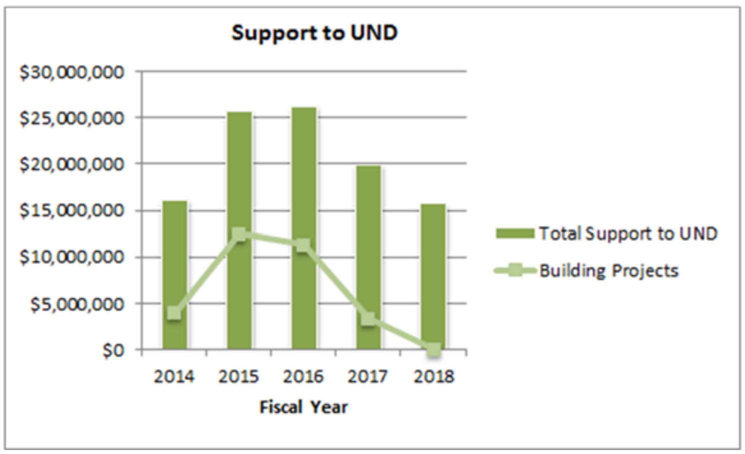
Fargo, North Dakota
September 21, 2018

Management's Discussion and Analysis
Recap of Fiscal Year 2018

The following discussion and analysis presents an overview of the financial performance of the UND Alumni Association and Foundation (Foundation) for the five years ended June 30, 2018. It should be read in conjunction with the related financial statements and footnotes. The financial statements, footnotes, and this discussion and analysis were prepared by management and are the responsibility of management. The UND Alumni Association and Foundation supports University of North Dakota students, faculty, alumni and the greater community by providing resources for growth and development.

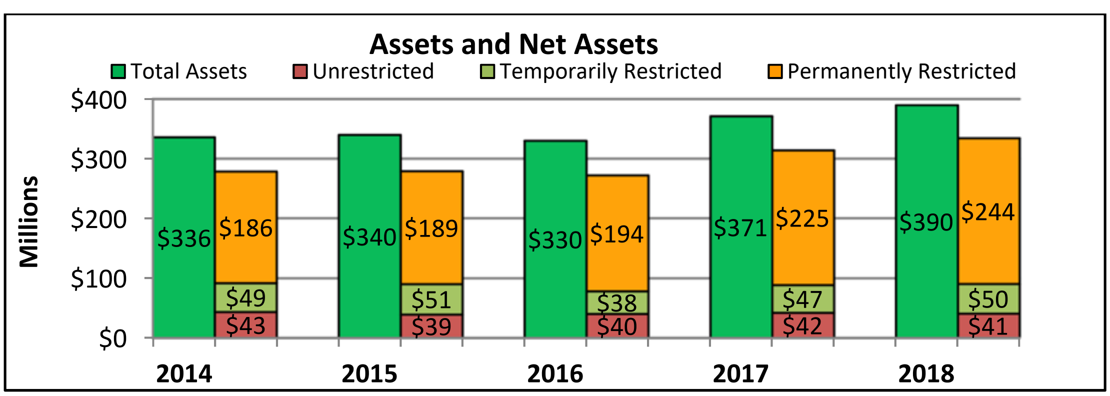
University Support

The Foundation provides funding for students, faculty and programs at the University. In fiscal year 2018, the Foundation provided $16 million in support to the University; down from last year's support of $20 million. Support includes student scholarships, faculty salaries, and equipment purchases, as well other expenditures that intend to further the mission of the University. Capital support was under a million in Fiscal year 2018 down from $4.1 million in 2017; this can vary significantly from year to year, as building projects on campus can fluctuate. Scholarship support increased 15%; $7.4 million in 2018, from $6.4 million in 2017.



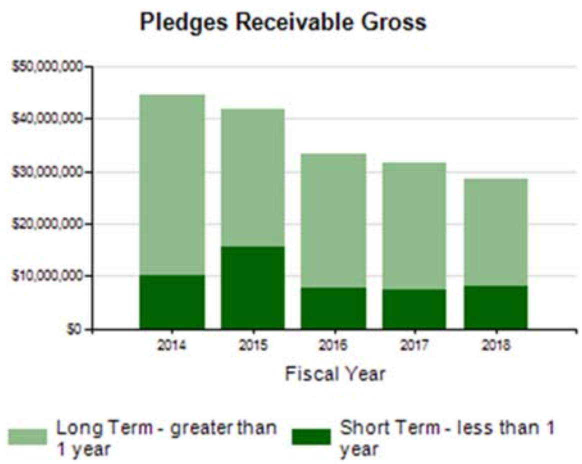
Assets and Net Assets

At June 30, 2018, the Foundation's assets total $390 million, up from $371 million last year. Foundation assets consist primarily of investments and contributions receivable. Investments make up approximately 86% of total assets. The Foundation classifies net assets as unrestricted, temporarily restricted, or permanently restricted in accordance with donor stipulations and time restrictions. Unrestricted net assets are available for internal Foundation operations. Temporarily restricted net assets represent assets received with a donor restriction that will be satisfied in the future by the University. Permanently restricted assets are restricted by donors and are invested by the Foundation in perpetuity. Goals for the upcoming year FY19 includes growth of the permanently restricted endowment through campaigns for increased Student and Faculty support.



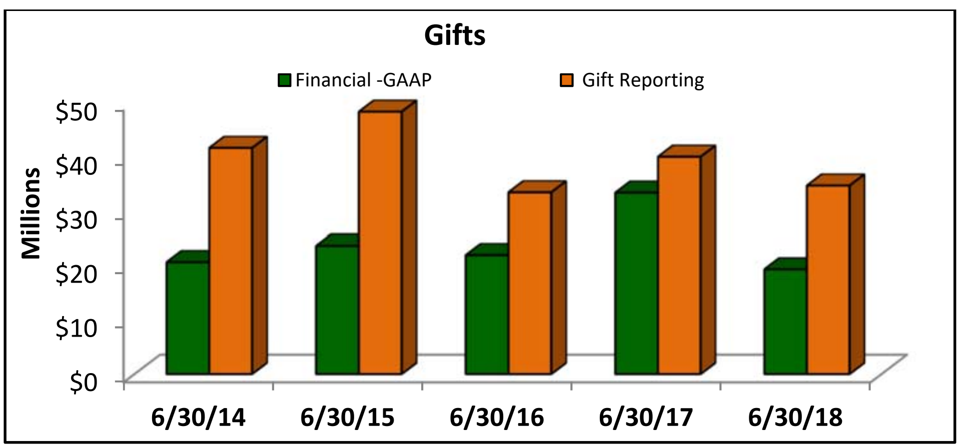
Contributions (Pledges) Receivable

Contributions receivable at June 30, 2018 amounted to approximately $30 million, $24 million in net present value, down from $32 million gross and $26 million in net present value last year. Our peak receivables were $48 million at the end of FY13.



Fundraising

The Foundation reports on fundraising in two ways. The financial statements reflect contributions according to generally accepted accounting principles (GAAP). GAAP does not recognize bequest contributions as revenue until the bequest is realized. In fiscal year 2018, the Foundation recognized $19.3 million in contributions based on GAAP, including $200 thousand from the North Dakota Challenge grant program. The overall contribution income is down from $33.3 million in the prior fiscal year.



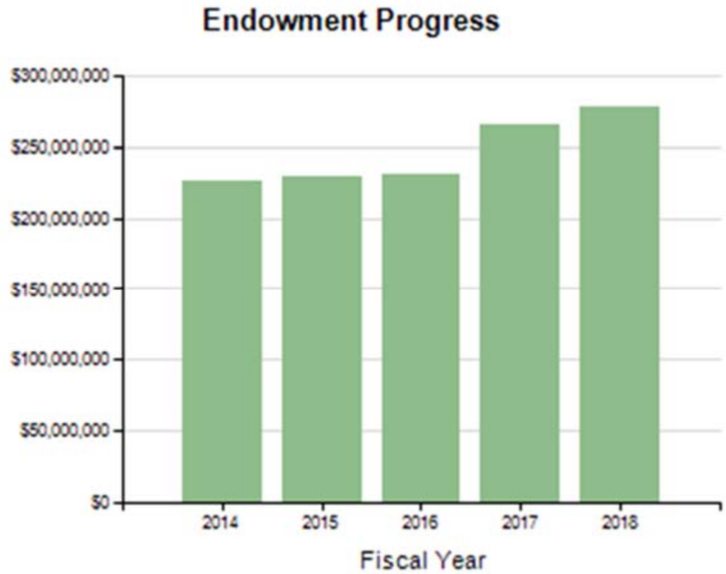
The Foundation also reports its annual fundraising totals by using guidelines published by the Council for Advancement and Support of Education (CASE). CASE allows conditional and bequest contributions to be counted in fundraising totals. The organization varies from CASE as it reports North Dakota Matching grants in its gift reporting totals.

Gift reporting from all of the UND campus showed fundraising at $35 million, which includes $12.3 million in deferred gifts and $1.7 million of gifts to other component units outside of the UND Foundation. Grants included in the totals from the North Dakota Match program total $200 thousand which adds to endowment.

In fiscal year 2018, approximately 52% of the fundraising total was directed towards scholarships, 22% for academic programs and faculty, 22% for priority needs, and 4% directed towards capital projects.

Endowments

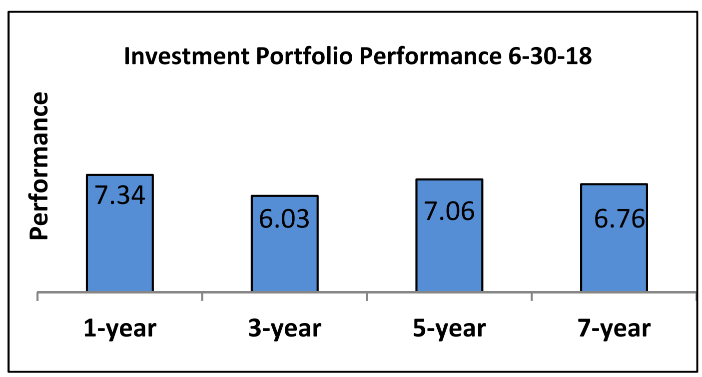
The Foundation manages over fifteen hundred endowed funds, valued at approximately $279 million at June 30, 2018.



Investment Portfolio Returns

Endowments managed by the Foundation are invested within a long-term investment portfolio and are net of fees. The following chart depicts the one, three, five, and seven-year return on this portfolio. The portfolio is well-diversified and expected to outperform the policy benchmark with less volatility (risk) over long-term market cycles. There is a focus on diversification and risk management in order to provide more consistent streams of investment performance through market cycles. The portfolio outperformed its policy; target weighted (diversified) benchmark for the seven-year period.

	Annualized Return			
	1-year	3-year	5-year	7-year
Long-Term Investment Portfolio	7.34	6.03	7.06	6.76
Traditional Index (75%E/25%F)	8.15	6.78	7.80	6.82
Policy Benchmark	7.75	6.57	7.08	6.06



Liabilities

Total liabilities are $55 million, down from $57 million in FY18; this includes the endowment portfolios we manage for the University and Center for Innovation Foundation which are included in the total assets.

University of North Dakota Alumni Association and Foundation

Statement of Financial Position
June 30, 2018
(with Summarized Financial Information for June 30, 2017)

	2018	2017
Assets		
Current Assets		
Cash and cash equivalents	$ 11,775,379	$ 10,941,168
Other receivables	706,332	3,181,090
Contributions receivable, net	3,799,472	5,313,307
Prepaid expenses	235,515	106,107
Total current assets	16,516,698	19,541,672
Noncurrent Assets		
Receivables		
Other receivables	5,865,434	4,231,870
Contributions receivable, net	19,309,829	19,602,376
Total receivables	25,175,263	23,834,246
Investments		
Investments	254,455,271	241,519,537
Investments - held for others	3,479,688	3,222,062
Investments - held for University of North Dakota	23,840,825	23,633,161
Beneficial interest in trusts held by others	15,053,917	15,009,638
Charitable remainder trust account investments	19,073,715	18,516,368
Charitable gift annuity investments	6,321,673	6,350,911
Other investments	13,770,066	7,428,093
Total investments	335,995,155	315,679,770
Property and equipment		
Building, less accumulated depreciation	9,554,970	9,833,855
Furniture and equipment, less accumulated depreciation	333,957	521,403
Antiques and fine arts	1,638,698	1,635,534
Total property and equipment	11,527,625	11,990,792
Total noncurrent assets	372,698,043	351,504,808
Total assets	$ 389,214,741	$ 371,046,480

	2018	2017
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 204,258	$ 198,993
Accrued expenses - salary and benefits	358,914	353,735
Deferred revenue	1,688,359	-
Liabilities under charitable trusts and annuities	1,719,819	1,684,410
Current maturities of bonds and note payable	1,034,285	5,064,191
Total current liabilities	5,005,635	7,301,329
Noncurrent Liabilities		
Liabilities under charitable trusts and annuities	16,381,958	16,551,781
Bonds and note payable	6,242,779	6,520,261
Deposits held in custody for others	27,321,519	26,855,223
Total noncurrent liabilities	49,946,256	49,927,265
Total liabilities	54,951,891	57,228,594
Net Assets		
Unrestricted	40,763,475	42,006,196
Temporarily restricted	49,612,948	46,665,532
Permanently restricted	243,886,427	225,146,158
Total net assets	334,262,850	313,817,886
Total liabilities and net assets	$ 389,214,741	$ 371,046,480

	2018				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2017 Total
Revenue, Gains and Other Support					
Gifts and bequests, including gifts under charitable remainder unitrusts	$ 37,306	$ 7,881,633	$ 11,403,973	$ 19,322,912	$ 33,349,714
Operations, fees and miscellaneous	6,948,386	388,150	215,509	7,552,045	7,548,347
Investment income, net	2,018,314	7,359,177	4,850,818	14,228,309	23,601,571
Change in split-interest agreements	(16,826)	184,221	555,021	722,416	2,651,576
Sub-totals	8,987,180	15,813,181	17,025,321	41,825,682	67,151,208
Reclassification of donor restrictions	-	(2,088,334)	2,088,334	-	-
Net assets released from restrictions	11,150,817	(10,777,431)	(373,386)	-	-
Total revenue, gains and other support	20,137,997	2,947,416	18,740,269	41,825,682	67,151,208
Expenses					
Program support					
Direct support to University of North Dakota	13,364,250	-	-	13,364,250	17,447,810
Other support to benefit University of North Dakota	2,407,115	-	-	2,407,115	2,553,413
Operations	2,526,789	-	-	2,526,789	2,498,200
Fundraising	3,082,563	-	-	3,082,563	2,621,597
Total expenses	21,380,718	-	-	21,380,718	25,121,020
Change in Net Assets	(1,242,721)	2,947,416	18,740,269	20,444,964	42,030,188
Net Assets, Beginning of Year	42,006,196	46,665,532	225,146,158	313,817,886	271,787,698
Net Assets, End of Year	$ 40,763,475	$ 49,612,948	$ 243,886,427	$ 334,262,850	$ 313,817,886

University of North Dakota Alumni Association and Foundation

Statement of Cash Flows
For the Year Ended June 30, 2018
(with Summarized Financial Information for the Year Ended June 30, 2017)

	2018	2017
Cash Flows from Operating Activities		
Change in net assets	$ 20,444,964	$ 42,030,188
Adjustments to reconcile changes in net assets to net cash flows from operating activities		
Depreciation	466,332	469,672
Loss on write off of annuities and fine arts	-	39,070
Net (gain) loss on investments - realized and unrealized	(19,764,036)	(26,632,951)
(Increase) decrease in beneficial interest in funds held in trust	(1,555,401)	(3,892,310)
(Increase) decrease in life insurance cash value	115,560	(21,278)
Actuarial adjustment on annuities payable	(134,414)	(2,315,182)
Gifts of non-cash assets received	(1,103,079)	(148,300)
Contributions restricted for long-term purposes	-	(23,734,800)
Effects on cash flows due to changes in		
Notes receivable	4,839	84,664
Other receivables	836,355	2,203,806
Prepaid expenses	(129,408)	114,897
Contributions receivable for operations	938,415	2,543,640
Accounts payable	5,265	(3,057,711)
Deferred revenue	1,688,359	-
Accrued expenses - salary and benefits	5,179	26,978
Net Cash from (used for) Operating Activities	1,818,930	(12,289,617)
Cash flows from investing activities		
Sales of investments	15,507,762	21,976,663
Purchase of investments	(13,548,594)	(30,203,296)
Change in investments - annuities	29,238	(283,412)
Change in deposits held for UND and others	466,296	1,749,907
Net Cash from (used for) Operating Activities	2,454,702	(6,760,138)
Cash flows from financing activities		
Contributions restricted for long-term purposes	867,967	22,379,565
Proceeds from issuance of split-interest agreements, net of payments	-	1,046,267
Proceeds from issuance of bonds and notes payable	2,235,000	3,000,000
Principal payments on bonds and notes payable	(6,542,388)	(1,369,808)
Net Cash from (used for) Operating Activities	(3,439,421)	25,056,024
Net Change in Cash and Cash Equivalents	834,211	6,006,269
Cash and Cash Equivalents at Beginning of Year	10,941,168	4,934,899
Cash and Cash Equivalents at End of Year	$ 11,775,379	$ 10,941,168
Supplemental Disclosures of Cash Flow Information		
Cash paid during the year for interest	$ 317,526	$ 381,072

Note 1 - Principal Activity and Significant Accounting Policies

Organization

The UND Alumni Association and Foundation (the "Organization") is a nonprofit organization organized exclusively for the benefit of the University of North Dakota ("UND"). The administrative office for the Organization is located on the University of North Dakota Campus.

The UND Alumni Association and Foundation fosters connections, inspires generosity, and advances the University of North Dakota. The organization receives, holds and manages contributions from alumni and private sources and engages in development activities on behalf of the University of North Dakota. The Organization is supported primarily through donor contributions and earnings on investments. The accounting policies of the Organization reflect practices common to nonprofit organizations and conform to accounting principles generally accepted in the United States of America.

Comparative Financial Information

The accompanying financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with the Organization's audited financial statements for the year ended June 30, 2017, from which the summarized information was derived.

Cash and Cash Equivalents

The Organization considers all highly liquid investments, except for those held for long- term investment, with a maturity of three months or less when purchased to be cash equivalents

Investment Pool

The cash balances from various funds are directly invested or pooled and invested. Earnings and market value adjustments from pooled investments have been allocated to the participating funds.

Contributions Receivable and Other Receivables

Unconditional promises to give are recognized as revenue or gains in the period received and as assets, decreases of liabilities or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Contributions receivable restricted for endowment or the Organization's capital projects are considered to be noncurrent assets. Unconditional promises to give expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected in future years 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. Changes in present value discounts on long-term receivables are included in contribution revenues.

An allowance for doubtful accounts is recorded annually based on historical experience and management's evaluation of receivables at the end of each year. Bad debts are written-off when deemed uncollectible. The Organization determines a receivable is past due if there is a balance due greater than 90 days. Receivables are generally unsecured. No allowance for other receivables was deemed necessary at June 30, 2018. See Note 6 for information regarding an allowance for uncollectible contributions receivable.

Property and Equipment

Property and equipment additions over $5,000 are recorded at cost, or if donated, at fair value on the date of the donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 7 years. The cost of the furniture and equipment less accumulated depreciation of $1,146,294 is $333,957. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The Organization constructed an Alumni Center on the UND campus, which houses their staff and the University admissions offices. The cost for the building less accumulated depreciation of $1,600,471 is $9,554,970 and is being depreciated over 40 years.

The carrying values of property and equipment are reviewed 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. There were no indicators of asset impairment during the year ended June 30, 2018.

Antiques and Fine Arts

The Organization has elected to recognize contributions of antiques and fine arts in the financial statements although they are held for public exhibition in furtherance of educational and public service purposes rather than for financial gain. Antiques and fine arts collections are valued at the appraised value at the date of the gift.

Assets Held and Liabilities Under Split-Interest Agreements

Charitable Trusts

The Organization acts as trustee for various revocable and irrevocable 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, in whole or in part, for a specified period or upon the occurrence of a specific event, respectively. If the trust is irrevocable, 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.

Charitable Gift Annuities

Under charitable gift annuity contracts, the Organization receives immediate and unrestricted title to contributed assets and agrees to make fixed recurring payments over the stipulated period. Contributed assets are recorded at fair value on the date of receipt. The related liability for future payments to be made to the specified beneficiaries is recorded at fair value using present value techniques and risk-adjusted discounts rate designed to reflect the assumptions market participants would use in pricing the liability. The excess of contributed assets over the annuity liability is recorded as an unrestricted, temporarily restricted, or permanently restricted contribution based on the donor's intent. 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.

Beneficial Interests in Charitable Trusts Held by Others

The Organization has been named as an irrevocable beneficiary of several 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 Organization has neither possession nor control over the assets of the trusts. When the notice of a beneficial interest is received, a temporarily or permanently restricted contribution is recorded in the statements of activities, and a beneficial interest in charitable trusts held by others is recorded in the statements of financial position at fair value using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the expected distributions to be received under the agreement. Thereafter, beneficial interests in the trusts are reported at fair value in the statements of financial position, with changes in fair value recognized in the statements 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.

Beneficial Interests in Perpetual Trusts

The Organization has been named as an irrevocable beneficiary of perpetual trusts held and administered by independent trustees. Perpetual trusts provide for the distribution of the net income of the trusts; however, the Organization will never receive the assets of the trusts. At the date a notice of a beneficial interest is received, a temporary or permanently restricted contribution is recorded in the statements of activities, and a beneficial interest in perpetual trust is recorded in the statements of financial position at the fair value of the underlying trust assets. Thereafter, beneficial interests in the trusts are reported at the fair value of the trusts' assets in the statements of financial position, with trust distributions and changes in fair value recognized in the statements of activities.

The Organization acts as trustee for funds transferred from various organizations for investment management and administrative purposes. The funds are to be distributed back to these organizations as they request them. The Organization recognizes the funds as a liability in the statement of financial position.

Deferred Revenue

Deferred revenue consists of advance payments for Champions Club memberships related to the next year.

Investments

The Organization records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at fair value in the statement of financial position. Net investment income is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment management and custodial fees.

Net Asset Classifications

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.

Temporarily Restricted Net Assets – Net assets subject to donor restrictions that may or will be met by expenditures or actions 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 Board of Directors.

The Organization 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 statements 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 the Organization’s actions. The restrictions stipulate that resources be maintained permanently but permit expending 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.

Advertising Costs

Advertising costs are expensed when incurred. For the year ended June 30, 2018, advertising costs were $37,443.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Certain expenses have been allocated among the programs and supporting services benefited.

Program Support to University of North Dakota - Includes grants and scholarships, fellowships, facilities and programs; as well as Alumni Association support to UND through publications, mailings and events.

Scholarships	$ 7,444,632
Other distributions on contributions to UND	5,919,618
Total direct support to UND	13,364,250
Engagement support to UND	1,027,671
Other support to benefit UND	1,379,444
Total other support to benefit UND	2,407,115
Total program support	$ 15,771,366

Operations - Includes salaries and expenses categorized as administrative including human resources, financial department and advancement services functions.

Fundraising - Includes salaries and expenses for the fundraising efforts including campaign, development personnel, direct mail and phone-a-thon expenses.

Estimates

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

Income Taxes

The Internal Revenue Service has determined that the Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization is also exempt from state income taxes. However, any unrelated business income may be subject to taxation.

The Organization follows the accounting standards for contingencies in evaluating uncertain tax positions. This guidance prescribes recognition threshold principles for the financial statement recognition of tax positions taken or expected to be taken on a tax return that are not certain to be realized. No liability has been recognized by the Organization for uncertain tax positions as of June 30, 2018. The Organization’s tax returns are subject to review and examination by federal and state authorities. There are no audits of the Organization’s tax returns currently in progress.

New Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers*. This new accounting guidance outlines a single comprehensive model for entities to use in accounting for revenue from contracts with customers. For public business entities, including not-for-profit organizations that have issued, or are a conduit bond obligor for, securities that are traded, listed or quoted on an exchange or an over-the-counter market, ASU No. 2014-09 is effective for fiscal years beginning after December 15, 2017 (fiscal year 2019). Early application is permitted for fiscal years beginning after December 15, 2016. The Organization is assessing the impact this new standard will have on its financial statements.

In February 2016, FASB issued ASU No. 2016-02, *Leases*. ASU No. 2016-02 was issued to increase transparency and comparability among entities. Lessees will need to recognize nearly all lease transactions (other than leases that meet the definition of a short-term lease) on the statement of financial position as a lease liability and a right-of-use asset (as defined). Lessor accounting under the new guidance will be similar to the current model. For public business entities, including not-for-profit organizations that have issued, or are a conduit bond obligor for, securities that are traded, listed or quoted on an exchange or an over-the-counter market, ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2018 (fiscal year 2020). Early application is permitted. Upon adoption, lessees and lessors will be required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach, which includes a number of optional practical expedients that entities may elect to apply. The Organization is assessing the impact this standard will have on its financial statements.

In August 2016, FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The new guidance improves and simplifies the current net asset classification requirements and information presented in financial statements and notes that is useful in assessing a not-for-profit's liquidity, financial performance and cash flows. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017 (fiscal year 2019), with early adoption permitted. ASU 2016-14 is to be applied retroactively with transition provisions. The Organization is assessing the impact this standard will have on its financial statements.

Subsequent Events

The Organization has evaluated subsequent events through September 21, 2018, the date the financial statements were available to be issued.

Note 2 - Investments

The following investments were held as of June 30, 2018:

Endowment investments and funds held for others	
Cash equivalents	$ 643,745
Equity securities	950,625
Equity mutual funds	136,507,553
Fixed income securities	582,831
Fixed income mutual funds	78,740,456
Hedge funds	24,511,955
Natural resource funds	2,262,473
Realty funds	16,217,408
Distressed debt funds	10,519,847
Private equity funds	10,838,891
Total endowment investments and funds held for others	281,775,784
Beneficial interest in trusts held by others	15,053,917
Charitable remainder trust accounts	
Cash equivalents	$ 371,174
Equity securities	-
Equity mutual funds	9,586,499
Fixed income mutual funds	6,498,068
Realty funds	2,617,974
Total trust accounts	19,073,715
Charitable gift annuity investments	
Cash equivalents	$ 166,703
Equity mutual funds	2,719,725
Fixed income securities	-
Fixed income mutual funds	2,617,768
Land and buildings	817,477
Total charitable gift annuity investments	6,321,673
Certificates of Deposit	$ 6,000,000
Land	6,394,227
Buildings	530,001
Mineral interests	495,407
Life insurance, cash value	350,431
Total other investments	13,770,066
Total investments	$ 335,995,155

The Organization's investment strategy incorporates a diversified asset allocation approach and maintains, within defined limits, exposure to the equity, international equity, emerging markets, hedge funds, fixed-income, commodities, real estate venture funds, natural resources, global distressed funds and private equity markets. This strategy provides the Organization with a long-term asset mix that is most likely to meet the Organization's long-term return goals with the appropriate level of risk.

Investments, in general, are subject to various risks, including credit, interest and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the financial statements.

Alternative investments include private equity funds, hedged funds, natural resource funds, realty funds, and distressed debt funds. The underlying assets of alternative investments range from marketable securities to complex and/or illiquid investments. The alternative investments were entered into to diversify the Organization's portfolio, to provide predictability in overall earnings and to provide market neutral holdings.

Through the Organization's alternative investments, the Organization is indirectly involved in investment activities that may include securities lending, trading in futures and forward contracts and other derivative products. Derivatives are used to adjust portfolio risk exposure or enhance returns. While these instruments may contain varying degrees of risk, the Organization's risk with respect to such transactions is limited to its capital balance in each investment. These interests have varying degrees of liquidity.

Note 3 - Fair Value Measurements

Certain assets are reported at fair value in the 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 can be accessed 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, inputs are developed using the best information available in the circumstances.

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

A significant portion of investment assets are classified within Level 1 because they comprise open-end mutual funds with readily determinable fair values based on daily redemption values. The U.S. government obligations are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market-rate assumptions and are classified within Level 2. Investments in land are classified as Level 2 based on recent appraisals which included analysis of market data on sales of comparable properties. The fair value of beneficial interest in trusts held by others is based on the fair value of the trusts' assets. These are considered to be Level 3 measurements.

The Organization uses net asset value (NAV) per share, or its equivalent, such as member units or an ownership interest in partners' capital, as a practical expedient to estimate the fair values of certain hedge funds, private equity funds, funds of funds, and limited partnerships, which do not have readily determinable fair values. Investments that are measured at fair value using NAV per share as a practical expedient are not classified in the fair value hierarchy.

The following table summarizes assets measured at fair value on a recurring basis by classification within the fair value hierarchy:

	Total	Level 1	Level 2	Level 3
Assets				
Investments, at fair value				
Cash equivalents	$ 1,181,622	$ 1,181,622	$ -	$ -
Fixed income mutual funds	87,856,292	87,856,292	-	-
Equity mutual funds	148,813,777	148,813,777	-	-
Fixed income securities	582,831	-	582,831	-
Equity securities	950,625	950,625	-	-
Beneficial interests	15,053,917	-	-	15,053,917
Land	6,394,227	-	6,394,227	-
	$ 260,833,291	$ 238,802,316	$ 6,977,058	$ 15,053,917
Investments measured at net asset value				
Hedged funds	24,511,955			
Natural resource funds	2,262,473			
Private equity funds	10,838,891			
Realty funds	19,652,859			
Distressed debt funds	10,519,847			
Subtotal investments measured at net asset value	67,786,025			
Total assets at fair value	328,619,316			
Investments, at cost				
Certificates of Deposit	6,000,000			
Mineral interests	495,407			
Buildings	530,001			
Life insurance, cash value	350,431			
Total investments	$ 335,995,155			

The following table presents a reconciliation of the statement of financial position for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) (in thousands):

	Balances, June 30, 2017	Net Realized and Unrealized Gains Included in Net Assets	Purchases	(Sales)	Balances, June 30, 2018
Assets					
Beneficial interest in trusts held by others	$ 15,010	$ 1,318	$ 478	$ (1,752)	$ 15,054
Totals	$ 15,010	$ 1,318	$ 478	$ (1,752)	$ 15,054
The amount of total gain for the period included in change in net assets attributable to the change in unrealized losses relating to financial instruments still held at June 30, 2018.					$ 1,318

The amount of total gain for the period included in change in net assets attributable to the change in unrealized losses relating to financial instruments still held at June 30, 2018.

The Organization uses the net asset value ("NAV") as a practical expedient to determine fair value of all underlying investments which do not have a readily determinable fair value and are in investment companies or similar entities that report their investment assets at fair values.

The following tables list alternative investments in which NAV was utilized as the practical expedient for estimating fair value by major category:

	Commonfund Private Equity Funds	Commonfund Distressed Debt Funds	Commonfund Natural Resources Funds	SEI Private Equity Funds
Fair value June 30, 2018	$ 3,481,415	$ 979,509	$ 2,262,473	$ 7,357,476
Significant investment strategy	Venture and buyout in the U.S. and international	Distressed asset funds and credit strategies, global	Oil, gas and other natural resource related	Venture and buyout in the U.S. and international
Remaining life	1 to 5 years	1 year	3 to 5 years	7 to 10 years
Dollar amount of unfuded commitments	$ 361,750	$ 764,600	$ 159,250	$ 18,480,223
Timing to draw down commitments	1 to 5 years	1 year	1 to 5 years	3 to 5 years
Redemption terms	NA	NA	NA	NA
Redemption restrictions	NA	NA	NA	NA
Redemption restrictions in place at year end	NA	NA	NA	NA

	Hedged Funds SEI Special Situations	Hedge Funds SEI Offshore Opportunities II	Distressed Debt SEI Structured Credit Fund	Realty Funds
Fair value June 30, 2018	$ 14,718,564	$ 9,793,390	$ 9,540,339	$ 19,652,859
Significant investment strategy	Hedge FOF with concentrated directional exposure	Hedge FOF with limited betas to equity, duration and credit	Collateralized debt obligations and other structured credit	Private Real Estate Fund of Funds
Remaining life	NA	NA	NA	NA
Dollar amount of unfunded commitments	$ -	$ -	$ -	$ -
Timing to draw down commitments	NA	NA	NA	NA
Redemption terms	Semi-annual with 10% holdback	Quarterly with 10% holdback	Quarterly with 10% holdback	Quarterly with 10% holdback
Redemption restrictions	2 year Lock up	1 year Lock up	2 year Lock up	NA
Redemption restrictions in place at year end	Semi-Annual Tender	Quarterly Tender	Quarterly Tender	Quarterly Tender

Note 4 - Net Investment Return

Net investment return consists of the following for the years ended June 30, 2018 (in thousands):

	2018
Operating investments	
Interest and dividends	$ 521
Net realized and unrealized gain (loss)	(212)
Less investment management fees	(108)
	201
Endowment investments	
Interest and dividends	12,028
Net realized and unrealized gain (loss)	6,879
Less investment management fees	(4,880)
	14,027
	$ 14,228

Note 5 - Restrictions and Limitations on Net Assets Balances

At June 30, 2018, the Organization's restricted net assets were allocated as follows:

Temporarily restricted net assets consist of the following at June 30:

Gifts and other unexpected revenues and gains available for:	
Capital improvement/facilities	$ 7,576,856
Scholarships and student loans	13,282,875
Lectureships, professorships, chairs and faculty support	5,122,535
Research	2,587,008
College program support	21,043,674
Total temporarily restricted net assets	$ 49,612,948

Permanently restricted net assets are to support the following at June 30:

Capital improvements/facilities	$ 886,777
Scholarships and student loans	115,403,277
Lectureships, professorships, chairs, and faculty support	39,130,189
Research	6,891,725
College program support	81,574,459
Total permanently restricted net assets	$ 243,886,427

Net assets released from temporary or permanent donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors during the year ended June 30, 2018 were $11,150,817 related to program support. The statement of activities also includes a reclassification of $2,088,334 from temporarily restricted to permanently restricted net assets based on donor restrictions.

Note 6 - Contributions Receivable

Contributions receivable include the following unconditional promises to be collected as follows at June 30, 2018:

Within one year	$ 6,524,193
In one to five years	13,639,183
Over five years	9,475,347
Gross unconditional promises to give	29,638,723
Less discount to net present value	(5,314,909)
Less allowance for uncollectible promises to give	(1,214,513)
Net contribution receivable	$ 23,109,301

As of June 30, 2018, $5,796,257 of contributions receivable have been matched by the State of North Dakota. The Organization is liable for any shortfall in the collection of those pledges.

At June 30, 2018, promises due in one year or more were discounted using historical interest rates ranging between 2.32% and 4.57%. Promises due in less than one year were not discounted.

Approximately $16.6 million of the total gross contribution receivable at June 30, 2018, represents amounts due from five donors.

In addition, the Organization has additional intentions to give not recorded in the financial statements which consist of remembrances under wills of approximately $114,300,000.

Note 7 - Other Receivables

The following summarizes the other receivables as of June 30, 2018:

UND lease receivable - EERC	$ 4,180,000
UND lease receivable - Minot Family Practice	2,235,000
Other accounts receivable	39,226
Interest receivable	65,669
Note receivable	51,871
Total other receivables	$ 6,571,766

The Organization has entered into direct-financing lease agreements with the University of North Dakota.

On July 24, 2002, the Foundation issued $8,595,000 of tax-exempt bonds to finance the construction of an office building and the renovation of an existing building for the Energy and Environmental Research Center (EERC) of the University of North Dakota. The Organization recorded a receivable from UND of $8,595,000 due under the direct-financing lease arrangement. The EERC bonds were refinanced as taxable bonds on October 18, 2012. The balance as of June 30, 2018 was $4,180,000. The terms for the repayment are the same as the payment terms of the related bonds. See Note 10 for additional information. During fiscal year ended June 30, 2018, the Organization recorded payment of principal and interest of $395,000 and $167,028 respectively. The income is included in operations, fees and miscellaneous income on the statement of activities.

On October 24, 2003, the Foundation issued $4,400,000 of tax-exempt lease revenue bonds to finance the purchase of land and the construction of a facility for the Minot Center for Family Practice in Minot, ND. The Organization recorded a receivable from UND of $4,400,000 due under the direct-financing lease agreement. The balance as of June 30, 2018 is $2,235,000. The terms for the repayment are the same as the payment terms of the related bonds. The Foundation refinanced the bond as of April 2018. The bond matures as of April 1, 2028. See Note 10 for additional information. The income is included in interest and dividends income on the statement of activities.

At June 30, 2018, lease receivables represented 2% of total assets. The Organization would consider payments not received by the date established in the lease agreement to be past due. At June 30, 2018, no payments on the lease receivables were past due. An allowance for doubtful accounts is not considered necessary based on prior collection experience with UND and underlying collateral security.

Following is a summary of the components of the Organization's net investment in direct financing leases at June 30, 2018:

Total minimum lease payments to be received	$ 7,716,401
Less: unearned income	(1,301,401)
Net investment in direct financing leases	$ 6,415,000

Minimum future lease payments and unearned income to be received as of June 30, 2018 are as follows:

Years Ending June 30,	Minimum Lease Payments	Unearned Income	Total
2019	$ 828,820	$ (231,876)	$ 596,944
2020	827,176	(215,308)	611,868
2021	829,103	(195,285)	633,818
2022	824,268	(173,254)	651,014
2023	828,208	(149,743)	678,465
Thereafter	3,578,827	(335,936)	3,242,891
	$ 7,716,402	$ (1,301,402)	$ 6,415,000

Note 8 - Endowment

The Organization's endowment consists of over 1,500 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Organization 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 unless there are explicit donor stipulations to the contrary. At June 30, 2018, there were no such donor stipulations. As a result of this interpretation, permanently restricted net assets are classified at (a) the original value of gifts donated to the Endowment, (b) the original value of subsequent gifts donated to the Endowment (including promises to give net of discount and allowance for doubtful accounts), and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. The remaining portion of the donor-restricted endowment is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by in a manner consistent with the standard of prudence prescribed by UPMIFA.

The following table summarizes endowment net asset composition by type of fund as of June 30, 2018 (in thousands).

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ -	$ 209,672	$ 209,672
Board-designated endowment	-	-	-	-
Established with donor-restricted purpose contributions	-	13,139	-	13,139
Designated quasi endowment funds	26,444	-	-	26,444
Operating funds acting as endowment	5,144	-	-	5,144
	$ 31,588	$ 13,139	$ 209,672	$ 254,399

Change in endowment net assets for June 30, 2018 is as follows (in thousands):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 44,060	$ 12,171	$ 185,602	$ 241,833
Investment return:				
Investment income	1,707	653	9,668	12,028
Investment management fees	(726)	(286)	(3,868)	(4,880)
Net appreciation/(depreciation) (realized and unrealized)	986	376	5,517	6,879
Total investment return	1,967	743	11,317	14,027
Contributions and collection of deferred gifts	1,939	752	19,108	21,799
Contributions from ND matching grant	-	-	200	200
Appropriation of endowment assets for expenditures	(16,478)	(519)	(6,463)	(23,460)
Other changes:				
Reduction of operating endowment	-	-	-	
Reclassification of donor restrictions	100	(8)	(92)	-
Endowment net assets, end of year	$ 31,588	$ 13,139	$ 209,672	$ 254,399

Funds with Deficiencies – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the original contribution value. The long-term goal is to achieve a rate of growth sufficient to meet the Organization’s spending needs, while maintaining the inflation-adjusted principal of the endowment funds. As language of this nature has been incorporated into each of the donor agreements, the net earnings after endowment distributions on the endowment funds have been added or deducted from the permanently restricted net assets. Funds with deficiencies resulted from unfavorable market fluctuations and continued appropriation deemed prudent by the Board of Directors. As of June 30, 2018, there were 488 donor restricted endowment funds with balances below the original contribution value amounting to $7,177,194. In accordance with donor agreements, these amounts are deducted from the permanently restricted net assets. The Organization has evaluated these funds and reduced appropriations where deemed prudent.

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs 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 Organization must hold in perpetuity or for a donor- specified period(s) as well as board-designated funds. Under this policy, as approved by the Board, the endowment assets are expected to outperform a custom benchmark (the Allocation Index) consisting of the appropriate indices of each asset class and their proportional weighting in the portfolio. The Allocation Index is constructed by selecting appropriate indices (e.g., S&P 500, Russell 2000, MSCI EAFE, 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 Allocation Index.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization 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 Organization targets a diversified asset allocation that places a greater emphasis on equity-based investment to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

In accordance with UPMIFA, the Organization 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 Organization 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 Organization
7. The investment policies of the Organization

The Organization has an endowment distribution policy that determines a spending rate annually, currently set at four percent applied to the average of the fair value of endowment investments for the 12 quarters then ended, respectively. In establishing this policy, the Organization considered the long-term expected return on its endowment.

Note 9 - Retirement Plans

The Organization operates a Tax-Deferred Group Retirement defined contribution plan for all full-time employees. The cost of the retirement plan is paid currently and approximated $286,000 for the year ended June 30, 2018.

Note 10 - Long-Term Debt

Long-term debt at June 30, 2018 consisted of the following:

Bonds - EERC	$ 4,180,000
Bonds - Minot Family Practice	2,235,000
Bond - High Performance Center	421,363
Notes - property purchase	440,701
	$ 7,277,064

Long-term debt principal payment requirements are as follows:

Year Ending June 30,	Amount
2019	$ 1,034,285
2020	629,086
2021	651,801
2022	669,796
2023	698,079
Thereafter	3,594,017
	$ 7,277,064

On July 24, 2002, the University of North Dakota Foundation issued $8,595,000 of tax-exempt lease revenue bonds to finance construction of an office building and the renovation of an existing building for the Energy and Environmental Research Center (EERC) of the University of North Dakota. On October 18, 2012, the University of North Dakota Foundation issued Taxable Refunding Lease Revenue Bonds, Series 2012 in the amount of $6,405,000 to refund its outstanding Lease Revenue Bonds, Series 2002. The Organization also amended the related lease agreement with the University of North Dakota. Interest accrues on the bonds at rates from .75% to 4.20% depending upon the maturity. Annual principal and semiannual interest payments are due through 2027. The bonds are secured by a lease with the University of North Dakota. See Note 7 for related receivable from the University of North Dakota.

On October 24, 2003, the University of North Dakota Foundation issued $4,400,000 of tax-exempt lease revenue bonds to finance the purchase of land and construction of a facility for occupancy by the Minot Center for Family Practice in Minot, ND. The center is a component of the School of Medicine & Health Sciences at UND. In June 2008, the $3,680,000 remaining balance of the 2003 bonds was refinanced with Lease Revenue Refunding Bonds, Series 2008. In April 2018, the $2,218,000 remaining balance of the 2008 bonds was refinanced with Lease Revenue Refunding Bonds, Series 2018. The interest rate is fixed at 3.50% until 2028. Payments of $133,333 are required semi-annually through 2028. The bonds are secured by a lease with the University of North Dakota. See Note 7 for related receivable from the University of North Dakota.

The University of North Dakota Foundation issued tax exempt bonds, Series 2013A in the amount of $4,000,000 on September 30, 2013 to monetize a portion of the pledges for the Athletic Complex to facilitate construction. The interest rate is fixed at 3.15%. Payments are required semi-annually through 2018. The bonds are unsecured.

The University of North Dakota Foundation purchased property through a contract for deed in the amount of $500,000 on June 5, 2014. The interest rate is fixed at 4.35%. Monthly payments are required through 2036.

The University of North Dakota Foundation financed pledges for the Collaborative Energy Complex through a note payable of $3,000,000 issued on January 30, 2017. The interest rate is variable based on the one-month LIBOR rate, with an initial rate of 2.48%. In September 2017, the balance of the remaining note of $1,843,790 was paid off.

Interest expense incurred totaled $317,526 for the year ending June 30, 2018. On the statement of activities, interest expense is included in program support for University of North Dakota.

Note 11 - Short-Term Credit Arrangement

The Organization has an unsecured $1 million line of credit which expires on November 1, 2018. Borrowings under this line of credit bear interest at the Wall Street Journal prime rate. Principal and interest payments are payable on the first day of the month following an advance. In addition, the agreement requires the Organization to comply with certain financial covenants. At June 30, 2018, there were no outstanding borrowings under this arrangement.

Note 12 - Split Interest Agreements

The Organization has arrangements with donors classified as charitable lead trusts, charitable remainder trusts and charitable gift annuities. In general, under these arrangements the Organization receives a gift from a donor in which it has a remainder interest and agrees to pay the donor stipulated amounts over the life of the donor. The arrangement may cover one or more lives. For donors residing in California and Florida, state law specifies and limits the types of investments of required gift annuity reserves. These guidelines are followed and a separate reserve for California and Florida annuity monies is maintained.

The Organization invests and administers the related assets and make distributions to the beneficiaries as required. When the agreement reaches the end of its term, remaining assets are retained by the Organization as unrestricted, temporarily restricted or permanently restricted net assets, or in some instances, distributed to third-party beneficiaries.

When a gift is received under one of these arrangements, it is split into the amount representing the actuarial present value of future distributions back to the donor and the remaining gift value to be retained for the benefit of the Organization or third-party beneficiaries. The actuarial liability is adjusted annually using actuarial tables appropriate for the type of arrangement, number of lives covered and age and sex characteristics of the donor. The Organization used interest rates ranging from 1.2% to 10.2% for the year ended June 30, 2018 in making the calculations. The amount designated to third party beneficiaries is recorded as an other liability and is calculated based on the net value of the asset.

Information pertaining to the Organization's deferred gift agreements for the year ended June 30, 2018 is as follows:

Deferred gift contribution revenue	$ 256,540
Annuities and charitable remainder trust payable related to new gifts	148,142
Total funds received	$ 404,682
Total deferred gift assets at fair value	$ 30,200,326
Total deferred gift liabilities	$ 18,101,777

Beneficial Interest in Trusts Held by Others – The assets of agreements for which the Organization is not the trustee are disclosed separately on the statement of financial position as beneficial interest in trusts held by others. During the year ended June 30, 2018, the Organization received gift income of $348,244 relating to funds held in trust by others.

Note 13 - Development Reinvestment and Investment Fee

The Organization provides much of the development functions for the University of North Dakota. To support the cost of raising funds, the Organization assesses a development reinvestment fee at the inception of non- endowed donations (with some exceptions) which is reported as operations, fees and miscellaneous revenue in the statement of activities.

Endowed deposits are invested and a per annum management fee is assessed on a quarterly basis based upon the quarter-end market value of that endowment within the investment portfolio. This rate is established by the UND Alumni Association and Foundation Board of Directors and was 1.65% for the year ended June 30, 2018. The fees are reflected on the statement of activities as a fee charged to investment earnings within the temporarily and permanently restricted net assets and as unrestricted operations revenue. For the fiscal year ending in 2019, the investment management fee will be 1.65%. Endowments managed for the University are charged a similar fee.

Note 14 - Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents, short-term investments, marketable securities and other investments, accounts receivable and notes. Approximately 75% of total investments are managed by SEI. The Organization places substantially all of their cash and liquid investments with high-quality financial institutions and limits the amount of credit exposure to any one financial institution. Cash and cash equivalents in excess of FDIC and similar coverage is subject to the usual risks of balances in excess of these limits. Investments, consisting of both debt and equity instruments, are generally placed in a variety of managed funds administered by different investment managers in order to reduce credit risk. Concentration of credit risk with respect to the notes receivable and lease receivables is limited due to the Organization holding a secured position in these agreements.

Note 15 - Other Related Party Transactions

The Organization, a component unit of the University of North Dakota, reported the following other receivables due from UND and accounts payable due to UND as of June 30, 2018:

Due from UND:	
Lease receivable (Note 6)	$ 6,415,000
Miscellaneous services	2,000
	$ 6,417,000
Due to UND:	
Building projects	$ -
Miscellaneous services and payments	62,235
	$ 62,235

The University of North Dakota is leasing space in the Gorecki Alumni Center in the amount of $75,000 per year. Additionally, rental payments consisting of the University's share of the operating and maintenance costs for space used in the Gorecki Alumni Center are calculated annually.

During the year ended June 30, 2018, the University of North Dakota provided approximately $1,113,000 of institutional support for event and database support, annual giving campaign and shared positions. The Organization manages UND's endowment investments and charged them $400,715 in investment management fees during the year ended June 30, 2018. These fees and support are reported as operations, fees and miscellaneous revenue on the statement of activities.

As of June 30, 2018, one member of the Organization's board of directors was also a director of a financial institution the Organization conducts business with. As of June 30, 2018, accounts at the financial institution consist of; a line of credit as disclosed in Note 10, $12,637,115 of deposit and investment accounts and $8,486,042 of 403(b) plan assets. Transactions involving the financial institution are handled in accordance with the Organization's conflict of interest policy.

Pledges receivable from board members and officers at June 30, 2018 were $902,166. Total gifts received from board members and officers during the year ended June 30, 2018 were $1,798,200.

The Organization has other receivables from the University of North Dakota related to construction of EERC and Minot Center for Family Practice. See Note 6 for additional information.

The Organization is leasing 45,000 square feet of land for the Gorecki Alumni Center from the University of North Dakota. Starting in 2016 the rate is $0.10 per square foot per year. The cost in 2018 was $4,500.