

NORTH
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NORTH DAKOTA DEVELOPMENT FUND

ANNUAL REPORT 2018

SUPPORTING BUSINESS GROWTH THROUGH FINANCING AND INVESTMENT

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Doug Burgum
Governor

“The Development Fund offers the financing resources needed to help support business startups and expansion projects that create jobs while also providing taxpayers with a strong return on investment. Businesses in need of equity financing can look to the Development Fund as a possible solution. The North Dakota Development Fund is a valuable tool in developing strategies for business growth.”

– Gov. Doug Burgum

DEVELOPMENT FUND BOARD MEMBERS

The governor appoints an eight-member board of directors that oversees the North Dakota Development Fund. Each member represents a different business sector from the state.

JOHN ERICKSON - GRAND FORKS
Chairman
Finance Sector

TERRI ZIMMERMAN - FARGO
Industrial Technology &
Research Sector

GARY GOPLIN - FARGO
Vice Chairman
Finance Sector

JIM ALBRECHT - WAHPETON
Manufacturing/Rural Sector

DARCY VOLK - BISMARCK
Secretary/Treasurer
Industrial Technology &
Research Sector

SCOTT DAVIS - MANDAN
Native American Sector

PAT MURPHY - WILLISTON
Private Sector

SHAWN KESSEL
Interim Dept. of Commerce
Commissioner

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A TOOL FOR ECONOMIC DEVELOPMENT

The North Dakota Development Fund was created through legislation in 1991 as an economic development tool. It provides flexible gap financing through debt and equity investments for new or expanding North Dakota primary sector businesses.

The Development Fund makes investments of up to \$1,000,000. The board of directors may adjust the limit when deemed appropriate. In general, the following criteria apply to Development Fund investments:

- The entrepreneur must have a realistic financial commitment at stake. Usually, principals are required to have a minimum of 15 percent equity in the project.
- Refinancing of debt is not eligible.
- Principal shareholders with 20 percent or greater ownership are generally required to guarantee the debt. Other shareholders may also be required to guarantee.
- The Development Fund will not participate in more than 50 percent of a project's capitalization needs.
- Financing is available to any primary sector business project with the exception of production agriculture.
- Primary sector includes individuals and businesses which, through the employment of knowledge or labor, add value to a product, process or service which results in the creation of new wealth. Primary sector includes tourism and specific types of investor-owned agriculture, and is typically businesses such as manufacturers, food processors or export service companies. Investor-owned agriculture includes livestock feeding or milking operations, or other value-added agriculture located apart from an individual farm operation that is professionally managed and has employees.
- Tourism, specific types of value-added agriculture and investor-owned agriculture can also qualify as primary sector.

Loan and equity programs managed by the North Dakota Development Fund include:

- North Dakota Development Fund
- Regional Rural Revolving Loan Fund
- Rural Incentive Growth Loan Program
- Small Business Technology Program
- Child Care Loan Program
- New Venture Capital Program



The North Dakota Development Fund manages the Child Care Loan Program, helping expand child care opportunities throughout the state.



The Development Fund offers financing to any primary sector business project with the exception of production agriculture.



Scot Long, Interim CEO
ND Development Fund

LETTER FROM THE CEO

The Development Fund invested \$5,638,700 in 32 primary sector and Child Care businesses from July 1, 2017 to June 30, 2018. The Development Fund has provided gap financing in which the Fund's investments, since inception, have reached \$121 million.

With the Development Fund's dollars invested, there has been \$13,699,995 leveraged from other financing institutions resulting in a \$4.36 to 1 ratio – for every Development Fund dollar invested, \$4.36 was invested from other sources.

The investments made by the Development Fund in 2017 to 2018 contributed to the projected creation of 279 jobs in the primary and child care sector.

The Development Fund reported an estimated June 30, 2018 fiscal year-end operating income of \$232,582 before bad debt expense, as compared to \$201,585 for the fiscal year-end 2017. The increase in income is attributable to an increase in dividend income and other income in 2018 as compared to 2017. The Fund saw an increase in general and administrative expenses of \$14,723 from 2017 to 2018. The Development Fund continues to pay all costs of operating the Fund including salaries and benefits. The cash flow generated from principal and interest collections continues to be strong at \$3.5 million. The Development Fund continues to be a revolving loan fund as the Fund has collected \$8.1 million the past two years, which in turn can be used for future loan and equity investments.

Operating income (loss) before nonoperating revenues (expense) increased by \$1,340,913 from \$63,718 in 2017 to \$1,277,195 in 2018. The decrease in operating income was due mainly to an increase in reserves of new loans and equity investments.

Since the inception of the Fund, it has invested \$121 million in 623 companies with over \$41.7 million invested in rural communities. The investments made by the Fund have contributed to the projected creation of 11,792 primary sector jobs. The Development Fund helped 13 start-up businesses begin operations in North Dakota in 2017 to 2018. Of the 13 start-up businesses, two of the start-ups were in rural communities.

In providing flexible financing, the Development Fund helped Primary Sector and child care businesses start up or expand, which in turn created new jobs and generated new revenues. What follows are highlights of 2018 along with the accompanying financial statements.

Scot Long, Interim CEO
North Dakota Development Fund

Investments made by
the Fund have contributed
to the projected creation
of 11,792 primary
sector jobs.

NORTH DAKOTA DEVELOPMENT FUND

By the Numbers

Development Fund inception:

1991



\$4.36:\$1

return on investment

11,792 primary sector jobs created since fund inception



623

COMPANIES

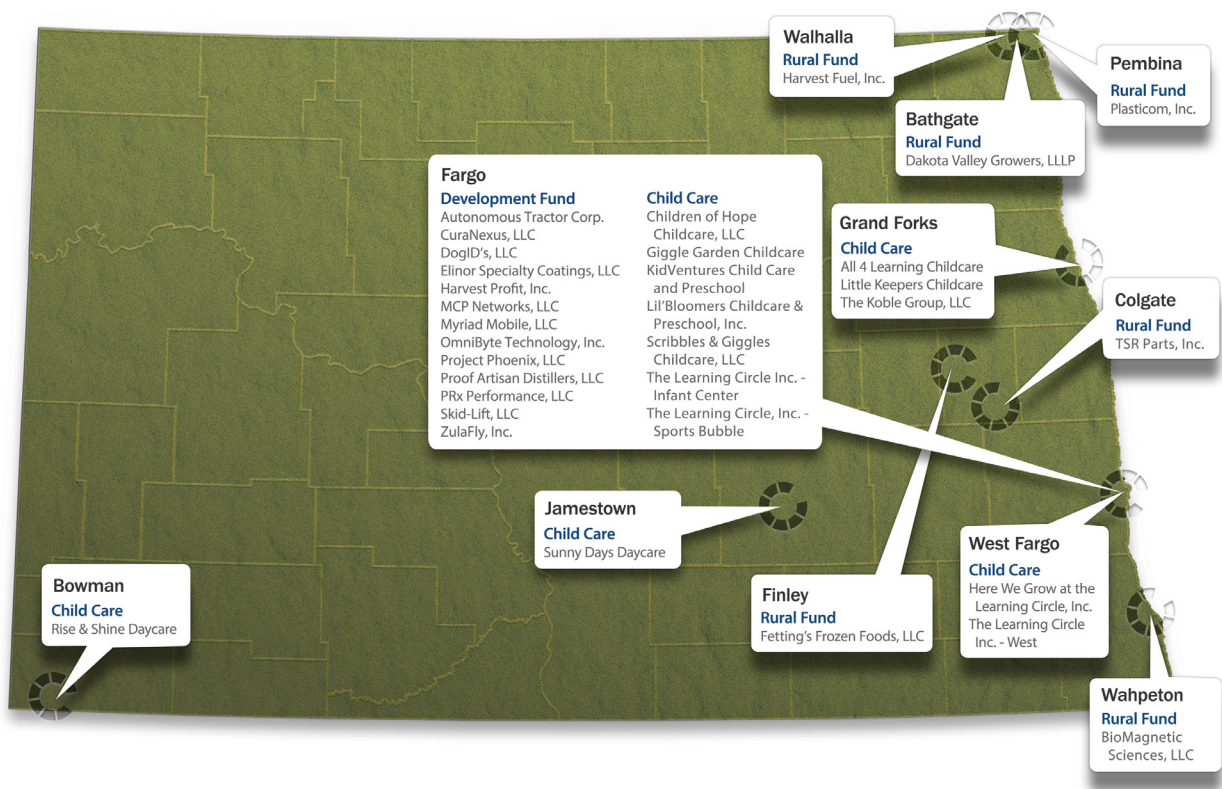
Investing in **623** North Dakota companies since inception

Business sectors include:

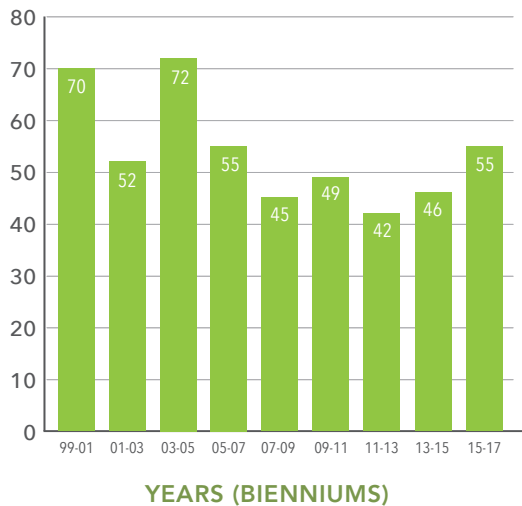


DEVELOPMENT FUND INVESTMENT LOCATIONS

July 1, 2017 to June 30, 2018

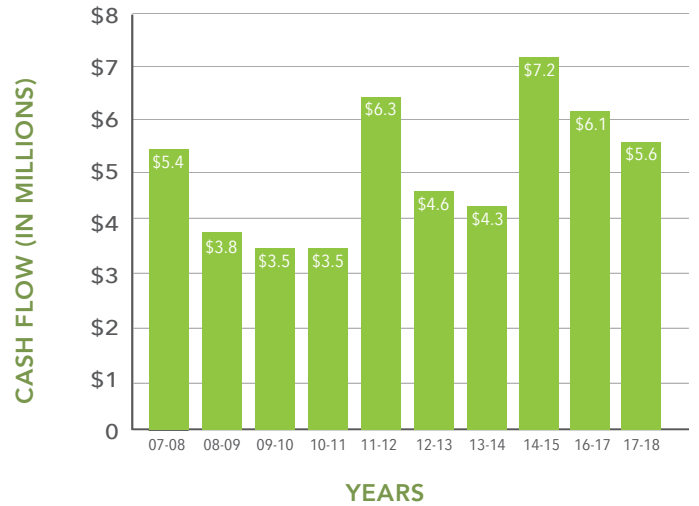


Number of Development Fund Projects



The Development Fund invested in 32 projects from 2017-2018.

Development Fund Cash Flow



The Development Fund collected \$5.6 million from 2017-2018. The fund has averaged \$5.0 million in collections in the past ten years. The Development Fund continues to revolve and the funds collected continue to be used to fund future loan and equity investments in the state.

DEVELOPMENT FUND PROJECTS

July 1, 2017 to June 30, 2018

Development Fund

Dakota Valley Growers LLLP	Bathgate	\$149,000
Shalisa Lewton dba Rise & Shine Daycare	Bowman	\$ 93,750
TSR Parts, Inc.	Colgate	\$175,550
PRX Performance, LLC	Fargo	\$115,000
Kelly Werner dba Giggle Garden Childcare	Fargo	\$ 95,000
CuraNexus, LLC	Fargo	\$125,000
MCP Networks, LLC	Fargo	\$ 72,500
Autonomous Tractor Corporation	Fargo	\$250,500
Myriad Mobile, LLC	Fargo	\$500,000
Scribbles & Giggles Childcare, LLC	Fargo	\$100,000
Proof Artisan Distillers, LLC	Fargo	\$302,200
DogID's, LLC	Fargo	\$100,000
Harvest Profit Inc.	Fargo	\$170,000
ZulaFly, Inc.	Fargo	\$ 62,500
Elinor Specialty Coating, LLC	Fargo	\$135,000
The Learning Circle, Inc. - Infant Center	Fargo	\$ 50,000
The Learning Circle, Inc. - Sports Bubble	Fargo	\$100,000
Project Phoenix, LLC	Fargo	\$ 82,500
The Koble Group, LLC	Fargo	\$200,000
Children of Hope Childcare, LLC	Fargo	\$100,000
OmniByte Technology	Fargo	\$125,000
Lil'Bloomers Childcare & Preschool @Osgood	Fargo	\$ 50,000
Skid-lift, LLC	Fargo	\$ 90,200
Fetting's Frozen Foods, LLC	Finley	\$400,000
LK Brons Little Keepers	Grand Forks	\$ 60,000
Stefanie Okroi - All 4 Learning	Grand Forks	\$600,000
KidVentures Child Care & Preschool, Inc.	Horace	\$ 10,000
Judy Sundeen dba Sunny Days Daycare	Jamestown	\$100,000
Plasticom, Inc.	Pembina	\$100,000
BioMagnetic Sciences, LLC	Wahpeton	\$175,000
Harvest Fuel, Inc.	Walhalla	\$725,000
The Learning Center, Inc. - West	West Fargo	\$100,000
Here We Grow at the Learning Circle, Inc.	West Fargo	\$ 85,000
		Total: \$5,638,700

TSR PARTS, INC. – COLGATE

Development Fund

Many family-owned businesses are based on shared values and shared visions. It's certainly the tale of Tom Erickson, who in 1975 identified an unmet need for services in his farming community of Colgate and started a company.

Initially, Erickson focused his agriculture equipment business on buying and selling farm equipment and offering in-field welding and repairs for farmers. As years went by, Erickson expanded his farm salvage equipment business, adapting and responding to customer needs.

Eventually, Erickson's three sons – Todd, Shawn and Ryan – became involved in daily operations and Erickson renamed the company after them. As business

expanded further, the Ericksons purchased equipment that allowed them to either service their customers' equipment or to make replacement parts for them. TSR Parts business flourished as it responded to the farm market and as big-name companies like Bobcat and Case Concord signed on for services. Today, TSR Parts is a nationally recognized brand in the agriculture community.

As demand increased, TSR recognized the need for more capital to adequately meet its customers' needs. After researching alternative sources, TSR Parts applied for and obtained a revolving line of credit from the North Dakota Development Fund.

"TSR Parts has added dealers around the country and in 2005 started exporting straw choppers and parts overseas," Shawn Erickson explains. "The [Development Fund] has helped TSR to finance inventory and receivables."

"[The Development Fund] has been excellent to work with," Erickson says. "TSR Parts would not be in business today in rural North Dakota without [it]."

"TSR Parts would not be in business today in rural North Dakota without the Development Fund."

– Shawn Erickson

PRX PERFORMANCE, LLC – FARGO

Development Fund

Campfires are an ideal setting for unwinding, telling stories and sharing ideas. For friends Brian Brasch and Erik Hopperstad, a campfire discussion about how to improve a piece of weight-lifting equipment called a barbell collar led to the conception of what is now a hugely successful – and multi-national – company called PRx Performance.

As CrossFit™ – a fitness regimen that incorporates high-intensity interval training, plyometrics, powerlifting and more – was gaining popularity in the United States, so was demand for home-based, commercial quality equipment. Brasch and Hopperstad took note that much of the home equipment on the market was bulky and cumbersome, so users were keeping it in their garages. This, coincidentally, was forcing homeowners to park their cars outside.

“Parking your car outside of your garage doesn’t work very well in North Dakota [winters],” laughs Brasch, who now

serves as CEO of PRx Performance. “We started asking ourselves ‘what if we could make that quality equipment, but make it so that it folds away when you’re not using it?’” Brasch and Hopperstad, now president at PRx Performance, got busy pioneering a space-saving squat rack.

The Fargo-based duo worked with local manufacturers and offered non-qualified stock options to obtain assistance with engineering, marketing, branding and design. As they looked for other ways to fund their venture, Brasch and Hopperstad obtained a Small Business Administration loan and appeared on ABC’s Shark Tank, where Kevin O’Leary (Mr. Wonderful) agreed to invest in their business. Still, the pair questioned how they could continue to grow their company while servicing their debt.

“The North Dakota Development Fund allowed us to buy more inventory to deliver to our customers faster [and] provide better customer service,” Brasch

explains. “It was a huge help at the time because we were already maxed out on our SBA loan [so] it helped us get through that weird, rough patch where we had no cash but needed more inventory.”

PRx Performance has grown at a rate of 200 to 300 percent every year for the past five years. Its products are now in several big box shops and were launched on Amazon.com in October 2018.

“We are kicking off our international program next year in Cologne, Germany, and we have already sold to countries like Russia, Qatar and New Zealand,” Brasch says. “Now, it’s time to bring on more distributors. Thanks in part to the Development Fund, we finally have the resources to have global distributors.”

“The North Dakota Development Fund allowed us to buy more inventory to deliver to our customers faster [and] provide better customer service.”

– Brian Brasch



CHILDREN OF HOPE CHILDCARE, LLC – FARGO

Development Fund

Faith Dixon started Children of Hope Childcare in 2012 in the basement of Latter Rain Ministries in Fargo. The baby business was booming and Dixon quickly realized space was going to be an issue. Within a year of opening, Children of Hope outgrew its initial site and had to relocate to a new space that wasn't spacious enough either.

"We [were] so blessed that within the first three years, we [grew so much] that we had to add two new sites," Dixon explains. "We just keep adding children to our program."

Relocating to two locations provided the space Dixon needed, but it also created geographical and operational divisions within her business. "We always wanted to be under the same roof, but

the previous buildings were just not big enough for us," Dixon says.

Fortunately, Children of Hope identified a facility that was large enough to house both toddlers and infants. A former grocery store, the complex had more than enough room at 37,000 square feet. Unfortunately, it needed a lot of tender loving care with some areas requiring a complete remodel.

"I found out about the North Dakota Development Fund while researching funding and grant options to help renovate commercial buildings," Dixon explains. "The Development Fund has assisted Children of Hope by providing funding to renovate our new 37,000-square-foot facility and has allowed us to add 10 additional

bathrooms, a new kitchen, carpet and much more."

According to Dixon, the new Children of Hope Childcare center is considered the biggest daycare facility in North Dakota.

"Children of Hope is so grateful for all the support we have received from the North Dakota Development Fund, [not to mention] our volunteers, staff, friends and Children of Hope families," Dixon says. "We are so happy to announce that we are the biggest daycare facility in North Dakota that offers dance, karate and music along with exceptional childcare."

"The Development Fund has assisted Children of Hope by providing funding to renovate our new 37,000-square-foot facility and has allowed us to add 10 additional bathrooms, a new kitchen, carpet and much more."

– Faith Dixon

PROOF ARTISAN DISTILLERS, LLC – FARGO

Development Fund

Turning a passion into a real career requires time, patience and dedication. Joel Kath, founder and distiller at Proof Artisan Distillers, is, no pun intended, proof of this. In the fall of 2014 – after several years of planning and hurdling regulations – Kath launched Proof Artisan Distillers as a Limited Liability Corporation. The full-time engineer has since spent all his spare time getting the first craft distillery in Fargo up and operational.

Proof Artisan Distillers' headquarters in historic downtown Fargo is home to both a distillery and a tasting room. Vodka, gin, whiskey, bourbon and other spirits are all produced on-site from local products, including barley, corn and potatoes. Visitors to the distillery can sample spirits and craft cocktails in the tasting room and explore the production facility located in back. A tour through the distillery, with its vast copper stills and stainless-steel tanks, gives the impression

that the process is not only an expensive endeavor, but also very time-consuming.

"The significant challenge for a craft distillery business model is the fact that the products in the greatest demand, whiskies, must age in barrels for more than two years prior to generating any significant revenue," explains John Cook, who serves as vice president on Proof's board of directors. "Proof is building significant business whiskey assets in barrels that bleed cash in the near term ... and we need operating capital to ensure the long-term viability of the business."

Conventional banks do not "value" whiskey in barrels when analyzing the viability of a company, Cook says. Proof turned to the North Dakota Development Fund, which is now providing the organization with the capital needed to build whiskey assets, increase its sales team and expand operations into other states.

"The North Dakota Development Fund had [the] flexibility to support Proof during the next couple years until bourbon and single malt whiskies [are] ready for distribution. It was the ideal entity to help Proof grow into what we hope will be North Dakota's great distillery," Cook says.

Proof brands include Minions Gin, 2Docks Vodka, Glen Fargo American Single Whiskey, Crooked Furrow Bourbon and several derivative specialty spirits. These labels are currently available at more than 600 locations across the Upper Midwest and Arizona and the company is looking to expand distribution into several additional states. With the help of the North Dakota Development Fund, Proof Artisan Distillers is creating nationally awarded handcrafted distilled spirits using North Dakota's agricultural outputs.

"The Development Fund was the ideal entity to help Proof grow into what we hope will be North Dakota's great distillery."

– John Cook



Independent Auditor's Report

Governor of North Dakota
The Legislative Assembly

Board of Directors
North Dakota Development Fund, Inc.
Bismarck, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of North Dakota Development Fund, Inc., a component unit of the state of North Dakota, as of June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Development Fund's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of North Dakota Development Fund, Inc. as of June 30, 2018 and 2017, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the North Dakota Development Fund, Inc. are intended to present the financial position and the change in financial position of only that portion that is attributable to the transactions of the North Dakota Development Fund, Inc. They do not purport to, and do not, present fairly the financial position of the State of North Dakota as of June 30, 2018 and 2017, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The combining financial statements shown on pages 21 through 24 are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated October 10, 2018 on our consideration of North Dakota Development Fund, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering North Dakota Development Fund, Inc.'s internal control over financial reporting and compliance.

Bismarck, North Dakota
October 10, 2018

North Dakota Development Fund, Inc.
Management's Discussion and Analysis
June 30, 2018 and 2017

The discussion and analysis of the financial performance of the North Dakota Development Fund, Inc. that follows is meant to provide additional insight into the Development Fund's activities for the year ended June 30, 2018. Please read it in conjunction with the Development Fund's financial statements and footnotes, which are presented within this report.

Financial Highlights

Total revenue increased by \$18,181 (2.44%) to \$763,569. Operating revenues increased by \$9,269 (1.29%) to \$727,118. Cash flow decreased by \$2,613,407 (174.34%) to \$14,758,596. The Fund collected \$3,501,481 in principal payments in 2018, which was a decrease of \$1,099,703 (23.90%) from 2017. The increase in total and in operating revenue is attributable to an increase in dividend income received from investments and an increase in other income. The decrease in total principal funds collected was attributable to the Fund receiving lower payout of loans on the books of the North Dakota Development Fund as compared to 2017.

The Fund received no dividend payments in 2018 from equity investments made, which is the same dividend payments received in 2017.

General and Administrative expense increased by \$14,723 (2.87%) from \$513,886 in 2017 to \$528,609 in 2018. The increase was attributable to overall general increased costs of operations compared to 2017.

Operating Income (loss) before non-operating revenues and expenses increased by \$1,340,913 from \$63,718 in 2017 to (\$1,277,195) in 2018. The increase in the operating income (loss) in 2018 was attributable to an increase in reserve for bad debt expense.

Interest income on deposits increased by \$8,912 (32.36%) from \$27,539 received in 2017 to \$36,451 received in 2018. The increase was the result of larger balances carried at the Bank of North Dakota along with investing the excess funds not required to be funded into projects in certificate of deposits ranging in maturity terms of 1 to 2 years, which are at a higher rate of return than a regular savings account.

The change in net position decreased by \$1,332,001 from \$91,257 in 2017 to (\$1,240,744) in 2018. The increase was attributable to the North Dakota Development Fund allocating more funds to Bad Debt Expense due to increase in the loan and investment activity funded.

Net position decreased by \$1,240,744 from \$24,767,797 in 2017 to \$23,527,053 in 2018. The decrease was attributable to the increased reserves of new loans and equity investments.

Noncurrent net assets (excluding equipment) decreased by \$140,371 from \$3,638,836 in 2017 to \$3,498,465 in 2018. The noncurrent assets consist of the Fund's loan and equity investments. The equity investments decreased by \$279,244 from \$3,093,248 in 2017 to \$2,814,004 in 2018. The equity investments that were charged off during 2017 and 2018 were \$0.

The loan investments made increased by \$1,369,070 from \$15,380,490 in 2017 to \$16,749,562 in 2018. The loan investments that were charged off during 2018 were \$272,438 as compared to \$378,375 in 2017. The increase in 2017 to 2018 was attributable to an increase in loans funded, net of the regular paydown of loans and the amount of write-offs.

North Dakota Development Fund, Inc.
Management's Discussion and Analysis
June 30, 2018

Interest receivable on loans decreased by \$11,083 to \$60,050. The decrease in the receivable in 2018 is due to the increase in loan write-offs and an increase in loans placed on non-accrual at year-end.

Current portion of loans receivable increased from \$5,205,668 in 2017 to \$5,234,348 in 2018. The increase is attributable to additional loans having been funded in fiscal year 2018.

Cash and cash equivalents decreased by \$1,114,369 (7.02%) to \$14,758,596 (cash balance is before loan and investment commitments). The decrease in Cash and Cash Equivalents was attributable to increase in loans made during the year.

The Fund does invest their excess funds into longer term deposits for a higher rate of return to coincide with the funding commitments made by the Fund to companies for loans and equity investments, which are not required to be funded in the short-term. The Fund has invested more funds in longer term certificates of deposit, which are at a higher rate of return earning more deposit interest and putting the funds to work in loan and equity investments to "Primary Sector" businesses in the State of North Dakota.

32 projects were funded totaling \$5,638,700.

Required Financial Statements

The discussion and analysis are intended to serve as an introduction to the Development Fund's financial statements. The financial statements of the Development Fund provide accounting information similar to that of many other business entities. The Balance Sheet summarizes the assets and liabilities, with the difference between the two reported as net position. It also serves as a basis for analysis of the soundness and liquidity of the Development Fund. The statement of Revenues, Expenses and Changes in Net position summarize the Development Fund's operating performance for the year. The statements of Cash Flows summarize the flow of cash through the Development Fund as it conducts its business.

North Dakota Development Fund, Inc.
Management's Discussion and Analysis
June 30, 2018

Condensed Balance Sheet
June 30, 2018 and 2017, and 2016

Assets	2018	2017	2016
Current assets	\$ 20,052,994	\$ 21,149,766	\$ 20,862,480
Capital assets, net	6,116	8,494	10,872
Noncurrent assets	3,498,465	3,638,836	3,830,579
Total noncurrent assets	3,504,581	3,647,330	3,841,451
Total assets	\$ 23,557,575	\$ 24,797,096	\$ 24,703,931
 Liabilities and Net Position			
Current liabilities	\$ 30,522	\$ 29,299	\$ 27,391
Invested in capital assets	6,116	8,494	10,872
Unrestricted	23,520,937	24,759,303	24,665,668
Total net position	23,527,053	24,767,797	24,676,540
Total liabilities and net position	\$ 23,557,575	\$ 24,797,096	\$ 24,703,931

Cash and Cash Equivalents

Cash and cash equivalents consist of cash deposits with the Bank of North Dakota and are included in the current assets section of the balance sheet. Additional discussion of cash and cash equivalents can be found in Note 2 to the financial statements.

Equity Investments

Equity investments consist of capital investments in new or expanding primary sector businesses in or relocating to North Dakota and are included in noncurrent assets. Additional discussion of equity investments can be found in Notes 4 and 5 to the financial statements.

Loans Receivable

Loans receivable consist of loans to new or expanding primary sector businesses in or relocating to North Dakota and are included in current and noncurrent assets in the balance sheet. Additional analysis of loans receivable can be found in Notes 6 and 7.

North Dakota Development Fund, Inc.
Management's Discussion and Analysis
June 30, 2018

**Condensed Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2018 and 2017, and 2016**

	2018	2017	2016
Operating Revenues			
Interest income on loans	\$ 649,646	\$ 642,799	\$ 590,110
Dividend income	-	-	170,455
Gain on sale of investment	-	863	13,781
Other	77,472	74,187	164,131
	<u>727,118</u>	<u>717,849</u>	<u>938,477</u>
Nonoperating Revenue			
Interest income on deposits and investments	36,451	27,539	19,993
	<u>36,451</u>	<u>27,539</u>	<u>19,993</u>
Total Revenue	<u>763,569</u>	<u>745,388</u>	<u>958,470</u>
Operating Expenses			
General and administrative	528,609	513,886	507,501
Depreciation expense	2,378	2,378	2,379
Bad debt expense	1,473,326	137,867	2,036,355
	<u>2,004,313</u>	<u>654,131</u>	<u>2,546,235</u>
Change in Net Position	(1,240,744)	91,257	(1,587,764)
Net Position, Beginning of Year	<u>24,767,797</u>	<u>24,676,540</u>	<u>26,264,304</u>
Net Position, End of Year	<u>\$ 23,527,053</u>	<u>\$ 24,767,797</u>	<u>\$ 24,676,540</u>

Contacting the North Dakota Development Fund's Financial Management

The information in this report is intended to provide the reader with an overview of the Development Fund's accountability for those operations. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the North Dakota Development Fund, PO Box 2057, Bismarck, ND 58502-2057.

North Dakota Development Fund, Inc.
Balance Sheets
June 30, 2018 and 2017

	2018	2017
Assets		
Current Assets		
Cash and cash equivalents	\$ 14,758,596	\$ 15,872,965
Interest receivable on loans	60,050	71,133
Current portion of loans receivable	5,234,348	5,205,668
Total Current Assets	20,052,994	21,149,766
Noncurrent Assets		
Loans receivable, net of current portion & allowance	3,348,465	3,084,592
Investments, net	150,000	554,244
Equipment, net	6,116	8,494
Total Noncurrent Assets	3,504,581	3,647,330
Total Assets	\$ 23,557,575	\$ 24,797,096
Liabilities and Net Position		
Current Liabilities		
Accrued expenses	\$ 30,522	\$ 29,299
Total Current Liabilities	30,522	29,299
Net Position		
Invested in capital assets	6,116	8,494
Unrestricted	23,520,937	24,759,303
Total Net Position	23,527,053	24,767,797
Total Liabilities and Net Position	\$ 23,557,575	\$ 24,797,096

North Dakota Development Fund, Inc.
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2018 and 2017

	2018	2017
Operating Revenues		
Interest income on loans	\$ 649,646	\$ 642,799
Gain on sale of investment	-	863
Other	77,472	74,187
	727,118	717,849
Operating Expenses		
General and administrative	528,609	513,886
Depreciation expense	2,378	2,378
Provision for losses (change in allowance)	1,473,326	137,867
	2,004,313	654,131
Operating Income (Loss)	(1,277,195)	63,718
Nonoperating Revenue		
Interest income on deposits and investments	36,451	27,539
	36,451	27,539
Change in Net Position	(1,240,744)	91,257
Net Position, Beginning of Year	24,767,797	24,676,540
Net Position, End of Year	\$ 23,527,053	\$ 24,767,797

North Dakota Development Fund, Inc.
Statements of Cash Flows
Years Ended June 30, 2018 and 2017

	2018	2017
Operating Activities		
Other receipts	\$ 78,105	\$ 75,913
Payments to suppliers	(527,386)	(511,978)
Net Cash used for Operating Activities	(449,281)	(436,065)
Investing Activities		
Interest received on cash and cash equivalents and loans	697,180	664,736
Purchase of equity investments	(1,105,836)	(1,106,699)
Proceeds from the sale of equity investments	253,639	711,457
Disbursements of business loans	(4,010,919)	(2,935,575)
Principal payments received on business loans	3,500,848	4,601,184
Net Cash provided by (used for) Investing Activities	(665,088)	1,935,103
Net Change in Cash and Cash Equivalents	(1,114,369)	1,499,038
Cash and Cash Equivalents at Beginning of Year	15,872,965	14,373,927
Cash and Cash Equivalents at End of Year	<u>\$ 14,758,596</u>	<u>\$ 15,872,965</u>
Reconciliation of Operating Income (Loss) to Net Cash		
Provided by Operating Activities		
Operating income (loss)	\$ (1,277,195)	\$ 63,718
Adjustments to reconcile operating income to net cash used for operating activities		
Gain on sale of investment	-	864
Depreciation	2,378	2,378
Provision for loan losses	217,518	(99,689)
Provision for equity investment losses	1,256,441	237,556
Reclassification of interest and dividend income	(649,645)	(642,799)
Changes in assets and liabilities		
Accrued expenses	1,222	1,907
Net Cash used for Operating Activities	\$ (449,281)	\$ (436,065)
Supplemental Schedule of Noncash Activities		
Loans receivable written off	\$ 272,440	\$ 378,375

North Dakota Development Fund, Inc.
Notes to Financial Statements
June 30, 2018 and 2017

Note 1 - Summary of Significant Accounting Policies

Organization and Nature of Activities

The North Dakota Development Fund, Inc. (the Corporation) was established pursuant to Chapter 10-30.3 of the North Dakota Century Code as amended by the passage of Senate Bill 2058 during the 1991 legislative session. The Corporation is a statewide nonprofit development corporation with the authority to take equity positions in; to provide loans to; or to use other innovative financing mechanisms to provide capital for new or expanding primary sector businesses in North Dakota or relocating to North Dakota.

The Corporation uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain corporate functions or activities.

The following activities are used by the Corporation:

Development Fund

The Development Fund is used to account for fund investments, including equity positions, loans, loan guarantees, and other innovative financing mechanisms for new or expanding primary sector businesses in North Dakota or relocating to North Dakota.

Regional Rural Development Revolving Loan Fund

The Regional Rural Development Revolving Loan Fund is used to account for fund investments including equity positions, loans, loan guarantees, or debt financing on a matching basis to new or expanding primary sector businesses in rural areas.

Small Business Technology Investment Fund

The Small Business Technology Fund is used to provide matching investments to startup technology-based businesses.

Child Care Fund

The Child Care Fund is used to account for fund investments including loans and loan guarantees for new or expanding child care facilities in North Dakota.

The Corporation may form additional corporations, partnerships or other forms of business associations in order to further its mission.

The Director of the Department of Commerce Division of the Economic Development and Finance shall appoint the Chief Executive Officer of the Corporation. All investments, contracts, partnerships, limited liability companies, and business transactions of the Corporation are the responsibility of the Chief Executive Officer and the eight-member Board of Directors, who are appointed by the Governor.

North Dakota Development Fund, Inc.
Notes to Financial Statements
June 30, 2018 and 2017

Reporting Entity

In accordance with Governmental Accounting Standards Board (GASB) Statements, the Corporation should include all component units over which the Corporation exercises such aspects as (1) appointing a voting majority of an organization's governing body and (2) has the ability to impose its will on that organization or (3) the potential for the organization to provide specific financial benefits to, or impose specific burdens on the Corporation. GASB further defined reporting units as a legally separate, tax exempt affiliated organization that meet all of the following criteria:

- The economic resources of the organization entirely or almost entirely directly benefit the Corporation or its constituents, and
- The Corporation or its component units are entitled to or can otherwise access, a majority of the economic resources of the organization, and
- The economic resources that the Corporation is entitled to, or can otherwise access, are significant to the Corporation.

Based upon criteria set forth in GASB, no organizations were determined to be part of the reporting entity. The Corporation is included as part of the primary government of the State of North Dakota's reporting entity.

Basis of Accounting

The Corporation is presented in the accompanying financial statements as a proprietary fund type – an enterprise fund.

An enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that costs of providing goods or services to the general public or other funds on a continuing basis be financed or recovered primarily through user charges. The Corporation operates primarily with appropriations from the general fund.

As a proprietary fund type, the Corporation accounts for its transactions using the accrual basis of accounting. Revenues are recognized for its transactions when they are earned, and expenses are recognized when they are incurred.

Revenue and Expense Recognition

The Corporation presents its revenues and expenses as operating or non-operating based on recognition definitions from GASB. Operating activities are those activities that are necessary and essential to the mission of the Corporation. Operating revenues include all charges to customers, research contracts and grants, dividends earned on equity investments and interest earned on loans. Revenues from non-exchange transactions and state appropriations that represent subsidies or gifts to the Corporation, as well as investment income, are considered non-operating since these are either investing, capital or noncapital financing activities. Operating expenses are all expense transactions incurred other than those related to investing, capital or noncapital financing activities. Revenues received for capital financing activities, as well as related expenses, are considered neither operating nor non-operating activities and are presented after non-operating activities on the accompanying Statement of Revenues, Expenses, and Changes in Net Position.

North Dakota Development Fund, Inc.
Notes to Financial Statements
June 30, 2018 and 2017

Concentration of Credit Risk

Loans receivable consist primarily of loans to new or expanding businesses in North Dakota or relocating businesses to North Dakota. The Corporation performs credit evaluations and maintains a security interest until related loans are collected.

Cash Equivalents

The Corporation considers all highly liquid investments purchased with maturity of three months or less to be cash equivalents.

Equity Investments

The Corporation records its equity investments at cost adjusted for other than temporary impairment as determined by the Board of Directors. The other than temporary impairment of equity investments is included in fund equity. Realization of the carrying value of these investments is subject to future developments inherent in such investments (see Note 4).

Among the factors considered in determining whether an other than temporary impairment of an investment has occurred are the cost of the investment, development since the acquisition of the investment, the financial condition and operating results of the issuer, the long-term potential of the business of the issuer, and other factors generally pertinent to the valuation of investments. The Development Fund has relied on financial data of investees and, in many instances, on estimates by the management company and of the investee company as to the potential effect of future developments.

Expense Allocation

The Development Fund pays all expenses of the Corporation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management 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. Material estimates that are particularly susceptible to significant change in the near-term relate to the determination of the allowance for loan losses and valuation of equity investments.

North Dakota Development Fund, Inc.
Notes to Financial Statements
June 30, 2018 and 2017

Fixed Assets and Depreciation

All fixed assets are recorded in the accompanying financial statements at cost. Donated fixed assets are stated at fair market value at the time of donation. Equipment with a cost greater than \$5,000 is capitalized and reported in the accompanying financial statements. The Corporation's fixed assets are being depreciated on a straight-line basis over estimated useful life of 8 years.

Loans

Loans are reported at their outstanding unpaid principal adjusted for charge-offs and the allowance for loan losses.

Interest income is accrued on the unpaid principal balance. The accrual of interest on loans is discontinued at the time the loan is 90 to 120 days delinquent unless the credit is well secured and in process of collection. Loans are placed on non-accrual or charged-off at an earlier date if collection of principal or interest is doubtful. All current year interest accrued but not collected for loans that are placed on non-accrual or charged off is reversed against interest income. All prior year interest accrued but not collected is charged-off against the allowance for loan losses. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all principal and interest amounts contractually due are brought current and future payments are reasonably assured.

The Corporation has determined that the accounting for nonrefundable fees and costs associated with originating or acquiring loans does not have a material effect on their financial statements. As such, these fees and costs have been recognized during the period they are collected and incurred, respectively.

Allowance for Loan Losses

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to a recovery account.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

A loan is considered impaired when, based on current information and events, it is probable that the Corporation will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral dependent. The Corporation separately identifies individual loans for impairment disclosures by rating them on a scale of 1 to 6.

North Dakota Development Fund, Inc.
Notes to Financial Statements
June 30, 2018 and 2017

Subsequent Events

The Development Fund has evaluated subsequent events through October 10, 2018, the date the financial statements were available to be issued.

Note 2 - Deposits

The Corporation is required to maintain its deposits at the Bank of North Dakota (a related party). As of June 30, 2018, the Corporation had the following:

	Fair Value	Less Than One Year
Cash		
Bank of North Dakota	<u>\$ 14,758,596</u>	<u>\$ 14,758,596</u>

As of June 30, 2017, the Corporation had the following:

	Fair Value	Less Than One Year
Cash		
Bank of North Dakota	<u>\$ 15,872,965</u>	<u>\$ 15,872,965</u>

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of investments will adversely affect the fair value of the investments.

Custodial and Concentration of Credit Risk

For deposits and investments, the custodial credit risk that, in the event of the failure of a depository financial institution, the Corporation will not be able to recover collateral securities that are in possession of an outside party. The Corporation's deposits are uncollateralized. All of the Corporation's deposits are with the Bank of North Dakota.

North Dakota Development Fund, Inc.
Notes to Financial Statements
June 30, 2018 and 2017

Note 3 - Interest Receivable

Interest receivable at June 30, 2018 and 2017 is as follows:

	2018	2017
Interest receivable from loans	\$ 60,050	\$ 71,133
	\$ 60,050	\$ 71,133

Note 4 - Equity Investments

Equity investments in business concerns as of June 30, 2018 and 2017 are as follows:

	2018	2017
Development Fund	\$ 2,043,962	\$ 2,448,206
Regional Rural Development Revolving Loan Fund	770,042	645,042
Valuation allowance - Other than temporary impairment	(2,664,004)	(2,539,004)
	\$ 150,000	\$ 554,244

Among the factors considered in determining whether an other than temporary impairment of an investment has occurred are the cost of the investment, development since the acquisition of the investment, the financial condition and operating results of the issuer, the long-term potential of the business of the issuer, and other factors generally pertinent to the valuation of investments. The Development Fund has relied on financial data of investees and, in many instances, on estimates by the management company and of the investee company as to the potential effect of future developments.

The Corporation acquired its investment by direct purchase from the issuer under investment representations, and the Board of Directors valued the securities on the premise that they may not be sold without registration under the Securities Act of 1933. The price of securities purchased was determined by direct negotiation between the Corporation and the seller.

North Dakota Development Fund, Inc.
Notes to Financial Statements
June 30, 2018 and 2017

Note 5 - Equity Investments – Valuation Allowance

Changes in the valuation allowance for equity investments as of June 30, 2018 and 2017 are as follows:

	2018	2017
Balance, beginning of year	\$ 2,539,004	\$ 3,112,229
Provision for equity investment losses	1,256,441	237,556
Transfers	(1,131,441)	(810,781)
	\$ 2,664,004	\$ 2,539,004

Note 6 - Loans Receivable

Loans receivable at June 30, 2018 and 2017 are as follows:

	2018	2017
Development fund	\$ 9,022,942	\$ 9,101,039
Regional rural development revolving loan fund	6,190,403	5,174,006
Small business technology fund	50,000	50,000
Child care program	1,486,217	1,055,447
	16,749,562	15,380,492
Allowance for loan losses	(8,166,749)	(7,090,232)
Loans receivable, net of allowance for loan losses	8,582,813	8,290,260
Less: current portion of loans receivable	5,234,348	5,205,668
Loans receivable, net of current portion	\$ 3,348,467	\$ 3,084,592

North Dakota Development Fund, Inc.
Notes to Financial Statements
June 30, 2018 and 2017

Note 7 - Allowance for Loan Losses

Changes in the allowance for loan losses as of June 30, 2018 and 2017 are as follows:

	2018	2017
Balance, beginning of year	\$ 7,090,232	\$ 6,757,515
Provision for loan losses	217,518	(99,689)
Transfers	1,131,439	810,781
Loans charged off	(272,440)	(378,375)
Balance, end of year	\$ 8,166,749	\$ 7,090,232

Note 8 - Equipment

A statement of changes in fixed assets for the years ended June 30, 2018 and 2017 is as follows:

	Balance 06/30/17	Additions	Deletions	Balance 06/30/18
Furniture and equipment	\$ 30,479	\$ -	\$ -	\$ 30,479
Computer software	78,188	-	-	78,188
Accumulated depreciation	(100,173)	(2,378)	-	(102,551)
	\$ 8,494	\$ (2,378)	\$ -	\$ 6,116
	Balance 06/30/16	Additions	Deletions	Balance 06/30/17
Furniture and equipment	\$ 30,479	\$ -	\$ -	\$ 30,479
Computer software	78,188	-	-	78,188
Accumulated depreciation	(97,795)	(2,378)	-	(100,173)
	\$ 10,872	\$ (2,378)	\$ -	\$ 8,494

North Dakota Development Fund, Inc.
Notes to Financial Statements
June 30, 2018 and 2017

Note 9 - Commitments and Contingencies**Development Fund**

The Board of Directors has approved equity investments, loans, grants and guaranty of collections at June 30, 2018 for which funds have not been disbursed or written agreements entered into in the approximate amount of \$6,044,717.

Regional Rural Development Revolving Loan Fund

The Board of Directors has approved equity investments, loans, and guaranty of collections at June 30, 2018 for which funds have not been disbursed or written agreements entered into in the approximate amount of \$3,487,625.

Child Care Loan Fund

The Board of Directors has approved equity investments, loans, and guaranty of collections at June 30, 2018 for which funds have not been disbursed or written agreements entered into in the approximate amount of \$249,446.

Note 10 - Related Party Transactions

The financial statements of the North Dakota Development Fund, Inc. include equity investments in entities partially owned by members of the Board of Directors. The related party investment balance was \$1,317,149 and \$1,220,492 as of June 30, 2018 and 2017, respectively. Additionally, the North Dakota Development Fund, Inc. has loans receivables from the same entities with a balance of \$540,301 and \$864,000 as of June 30, 2018 and 2017.

Note 11 - Risk Management

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

The 1995 Legislative Session established the Risk Management Fund (RMF), an internal service fund, to provide a self-insurance vehicle for funding the liability exposures of state agencies resulting from the elimination of the state's sovereign immunity. The RMF manages the tort liability of the state, its agencies' employees, and the University System. All state agencies participate in the RMF and their fund contribution was determined using a projected cost allocation approach. The statutory liability of the State is limited to a total of \$250,000 per person and \$1,000,000 per occurrence.

North Dakota Development Fund, Inc.
Notes to Financial Statements
June 30, 2018 and 2017

The Corporation participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund through the policies of the North Dakota Commerce Department. North Dakota Commerce Department pays an annual premium to the Fire and Tornado Fund to cover property damage to personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of one million dollars per occurrence during a twelve-month period. The State Bonding Fund currently provides the Agency with blanket fidelity bond coverage in the amount of \$100,000 per employee. The State Bonding Fund does not currently charge any premium for this coverage.

The Corporation participates in the North Dakota Workforce Safety and Insurance, (WSI) an Enterprise Fund of the State of North Dakota. WSI is a state insurance fund and a "no fault" insurance system covering the State's employers and employees financed by premiums assessed to employers. The premiums are available for the payment of claims to employees injured in the course of employment.

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

North Dakota Development Fund, Inc.
Combining Balance Sheets
June 30, 2018 and 2017

	Development Fund	Regional Rural Development Revolving Loan Fund	Child Care Fund	Small Business Technology	2018	2017
Assets						
Current Assets						
Cash and cash equivalents	\$ 8,179,555	\$ 5,499,938	\$ 120,511	\$ 958,592	\$ 14,758,596	\$ 15,872,965
Interest receivable on loans	35,390	22,912	1,748	-	60,050	71,133
Current portion of loans receivable	3,596,509	1,320,334	317,505	-	5,234,348	5,205,668
Total current assets	<u>11,811,454</u>	<u>6,843,184</u>	<u>439,764</u>	<u>958,592</u>	<u>20,052,994</u>	<u>21,149,766</u>
Noncurrent Assets						
Loans receivable, net of current portion and allowance	-	2,927,884	420,581	-	3,348,465	3,084,592
Investments, net	-	150,000	-	-	150,000	554,244
Equipment, net	6,116	-	-	-	6,116	8,494
Total noncurrent assets	<u>6,116</u>	<u>3,077,884</u>	<u>420,581</u>	<u>-</u>	<u>3,504,581</u>	<u>3,647,330</u>
Total assets	<u>\$ 11,817,570</u>	<u>\$ 9,921,068</u>	<u>\$ 860,345</u>	<u>\$ 958,592</u>	<u>\$ 23,557,575</u>	<u>\$ 24,797,096</u>
Liabilities and Net Position						
Current Liabilities						
Accrued expenses	\$ 30,522	\$ -	\$ -	\$ -	\$ 30,522	\$ 29,299
Total current liabilities	<u>30,522</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,522</u>	<u>29,299</u>
Net Position						
Invested in capital assets	6,116	-	-	-	6,116	8,494
Unrestricted	11,780,932	9,921,068	860,345	958,592	23,520,937	24,759,303
Total net position	<u>11,787,048</u>	<u>9,921,068</u>	<u>860,345</u>	<u>958,592</u>	<u>23,527,053</u>	<u>24,767,797</u>
Total liabilities and net position	<u>\$ 11,817,570</u>	<u>\$ 9,921,068</u>	<u>\$ 860,345</u>	<u>\$ 958,592</u>	<u>\$ 23,557,575</u>	<u>\$ 24,797,096</u>
	-	-	-	-		

North Dakota Development Fund, Inc.
Combining Statements of Revenue, Expenses and Changes in Net Position
Years Ended June 30, 2018 and 2017

	Development Fund	Regional Rural Development Revolving Loan Fund	Child Care Fund	Small Business Technology	2018	2017
Operating Revenues						
Interest income on loans	\$ 361,671	\$ 257,279	\$ 30,696	\$ -	\$ 649,646	\$ 642,799
Gain on sale of investment	-	-	-	-	-	863
Other	68,971	7,460	1,041	-	77,472	74,187
	<u>430,642</u>	<u>264,739</u>	<u>31,737</u>	<u>-</u>	<u>727,118</u>	<u>717,849</u>
Operating Expenses						
General and administrative	528,609	-	-	-	528,609	513,886
Depreciation expense	2,378	-	-	-	2,378	2,378
Provision for losses (reserve decrease)	687,419	492,990	292,917	-	1,473,326	137,867
	<u>1,218,406</u>	<u>492,990</u>	<u>292,917</u>	<u>-</u>	<u>2,004,313</u>	<u>654,131</u>
Operating Income (Loss)	<u>(787,764)</u>	<u>(228,251)</u>	<u>(261,180)</u>	<u>-</u>	<u>(1,277,195)</u>	<u>63,718</u>
Nonoperating Revenue (Expense)						
Interest income on deposits and investments	20,305	13,497	53	2,596	36,451	27,539
Transfers	(385,000)	-	385,000	-	-	-
	<u>(364,695)</u>	<u>13,497</u>	<u>385,053</u>	<u>2,596</u>	<u>36,451</u>	<u>27,539</u>
Change in Net Position	<u>(1,152,459)</u>	<u>(214,754)</u>	<u>123,873</u>	<u>2,596</u>	<u>(1,240,744)</u>	<u>91,257</u>
Net Position, Beginning of Year	<u>12,939,507</u>	<u>10,135,822</u>	<u>736,472</u>	<u>955,996</u>	<u>24,767,797</u>	<u>24,676,540</u>
Net Position, End of Year	<u>\$ 11,787,048</u>	<u>\$ 9,921,068</u>	<u>\$ 860,345</u>	<u>\$ 958,592</u>	<u>\$ 23,527,053</u>	<u>\$ 24,767,797</u>

North Dakota Development Fund, Inc.
Combining Statements of Cash Flows
Years Ended June 30, 2018 and 2017

	Development Fund	Rural Development Revolving Loan Fund	Child Care Fund	Small Business Technology	2018	2017
Operating Activities						
Other receipts	\$ 69,404	\$ 7,660	\$ 1,041	\$ -	\$ 78,105	\$ 75,913
Payments to suppliers	(527,386)	-	-	-	(527,386)	(511,978)
Net Cash (Used For) Provided by Operating Activities	(457,982)	7,660	1,041	-	(449,281)	(436,065)
Non-Capital Financing Activities						
Inter-fund transfers	(385,000)	-	385,000	-	-	-
Investing Activities						
Interest received on cash and cash equivalents and loans	376,901	287,320	30,363	2,596	697,180	664,736
Purchase of equity investments	(1,055,836)	(50,000)	-	-	(1,105,836)	(1,106,699)
Proceeds from the sale of equity investments	444,039	(190,400)	-	-	253,639	711,457
Disbursements of business loans	(1,238,000)	(1,344,865)	(1,428,054)	-	(4,010,919)	(2,935,575)
Principal received on business loans	2,059,698	443,868	997,282	-	3,500,848	4,601,184
Net Cash (Used For) Provided by Investing Activities	586,802	(854,077)	(400,409)	2,596	(665,088)	1,935,103
Net Change in Cash and Cash Equivalents	(256,180)	(846,417)	(14,368)	2,596	(1,114,369)	1,499,038
Cash and Cash Equivalents at Beginning of Year	8,435,735	6,346,355	134,879	955,996	15,872,965	14,373,927
Cash and Cash Equivalents at End of Year	<u>\$ 8,179,555</u>	<u>\$ 5,499,938</u>	<u>\$ 120,511</u>	<u>\$ 958,592</u>	<u>\$ 14,758,596</u>	<u>\$ 15,872,965</u>

North Dakota Development Fund, Inc.
Combining Statements of Cash Flows
Years Ended June 30, 2018 and 2017

	Development Fund	Regional Rural Development Revolving Loan Fund	Child Care Fund	Small Business Technology	2018	2017
Reconciliation of Operating						
Income (Loss) to Net Cash (Used In)						
Provided by Operating Activities						
Operating income (loss)	\$ (787,764)	\$ (228,251)	\$ (261,180)	\$ -	\$ (1,277,195)	\$ 63,718
Adjustments to reconcile operating						
(loss) income to net cash from						
(used for) provided by						
operating activities						
Gain on sale of investment	-	-	-	-	-	864
Depreciation	2,378	-	-	-	2,378	2,378
Provision for loan losses	(328,189)	252,790	292,917	-	217,518	(99,689)
Provision for equity						
investment losses	1,016,041	240,400	-	-	1,256,441	237,556
Reclassification of interest						
and dividend income	(361,670)	(257,279)	(30,696)	-	(649,645)	(642,799)
Changes in assets and liabilities						
Accrued expenses	1,222	-	-	-	1,222	1,907
Net Cash (used in) Provided by						
Operating Activities	<u>\$ (457,982)</u>	<u>\$ 7,660</u>	<u>\$ 1,041</u>	<u>\$ -</u>	<u>\$ (449,281)</u>	<u>\$ (436,065)</u>
Supplemental Schedule of						
Noncash Activities						
Loan receivable written off	\$ 272,440	\$ -	\$ -	\$ -	\$ 272,440	\$ 378,375

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