

2013 North Dakota Development Fund
Annual Report



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“The North Dakota Development Fund is a valuable financing tool for North Dakota businesses, providing a strong return on investment for taxpayers and contributing significantly to job creation. As we continue to grow our economy and create opportunities for our citizens, it is important that we provide the financing resources needed to help support start-up or expansion projects in our state.”

– Jack Dalrymple, Governor



Jack Dalrymple
Governor



Al Anderson
Commissioner
ND Department of Commerce

North Dakota 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.

Richard McKennett, Chairman | Williston
Member-at-Large

Bob McNeill, Vice-Chairman | Dickinson
Private Sector

John Erickson | Grand Forks
Industrial Technology and Research Sector

Rob Gayton | Mandan
Native American Sector

Gary Goplen | Carrington
Rural Sector

Darcy Volk | Bismarck
Exported Services Sector

Terri Zimmerman | Fargo
Finance Sector

Al Anderson | Bismarck
Commissioner of ND Department of Commerce
Agency Sector

The Following Development Fund Staff Facilitates This Process

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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.

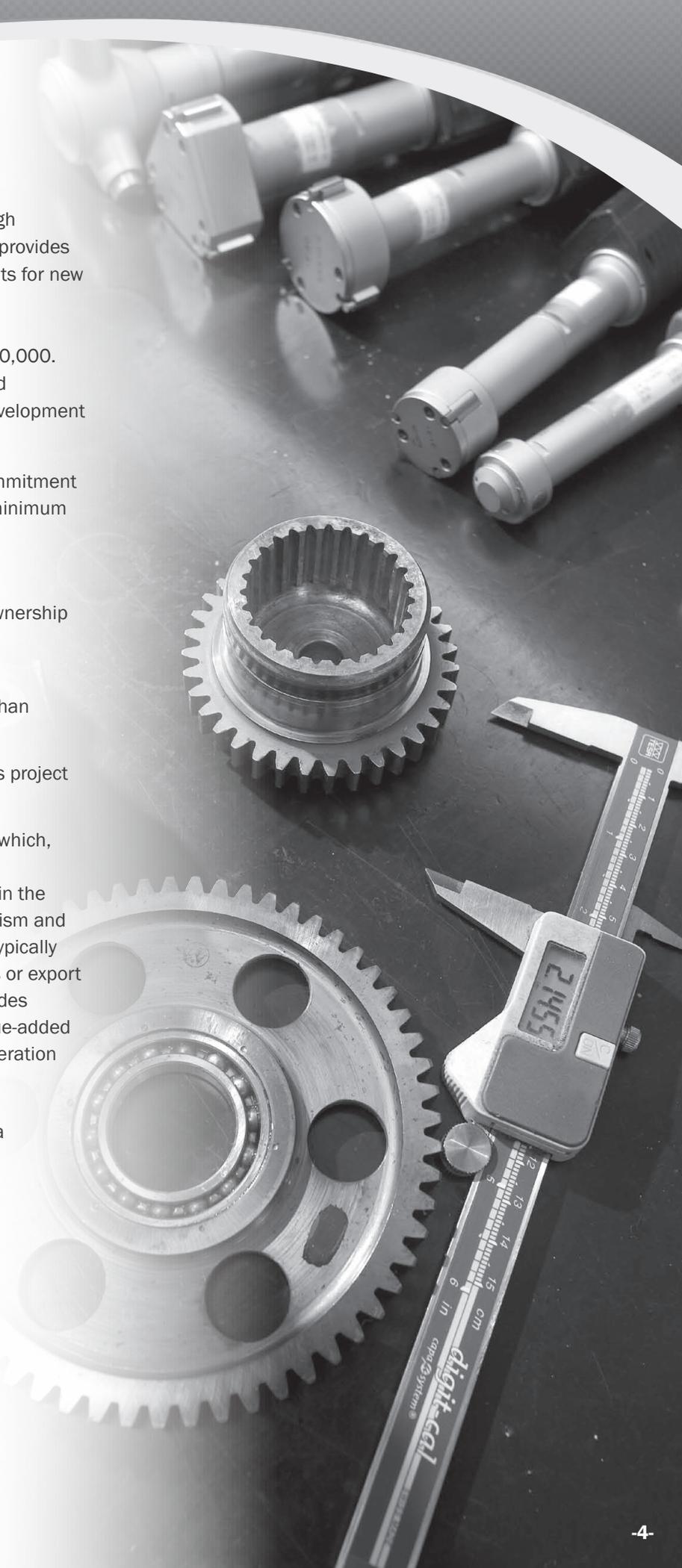
The Development Fund makes investments of up to \$300,000. The board of directors may adjust the limit when deemed appropriate. In general, the following criteria apply to Development Fund investments:

- 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.

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
- Entrepreneur Loan Program
- Entrepreneurial Center Loan Program

Please contact the North Dakota Development Fund or visit www.NDDevelopmentFund.com for additional information on the programs listed above.



Letter from the CEO



Dean Reese, CEO
ND Development Fund

Investments made by the Fund have contributed to the projected creation of 10,515 primary sector jobs.

The Development Fund invested \$2,854,500 in 14 primary sector and child care businesses from July 1, 2012 to June 30, 2013. The Development Fund has provided gap financing in which the Fund's investments, since inception, have reached \$99 million.

With the Development Fund's dollars invested, there has been \$7,339,920 leveraged from other financing institutions resulting in a \$2.57 to 1 ratio - meaning for every Development Fund dollar invested \$2.57 was invested from other sources.

The investments made by the Development Fund in 2012 to 2013 contributed to the projected creation of 126 jobs in the primary sector.

The Development Fund reported an estimated June 30, 2013 fiscal year-end operating income of \$311,678 before bad debt expense, as compared to \$414,225 for the fiscal year-end 2012. The decrease in income is attributable to a decrease in dividend income. It saw a decrease in general and administrative expenses of (\$204) from 2012 to 2013. The Development Fund continues to pay costs of all operating expenses, including salaries and benefits. The cash flow generated from principal and interest collections continues to be strong at \$4.6 million. The Development Fund continues to be a revolving loan fund as it has collected \$10.9 million in the past two years, which in turn can be used for future loan and equity investments.

Operating income (loss) before nonoperating revenues and expenses increased by \$411,488 from (\$234,625) in 2012 to \$176,863 in 2013. The increase in operating income was due mainly to the decrease in the allocation to bad debt expense for the year.

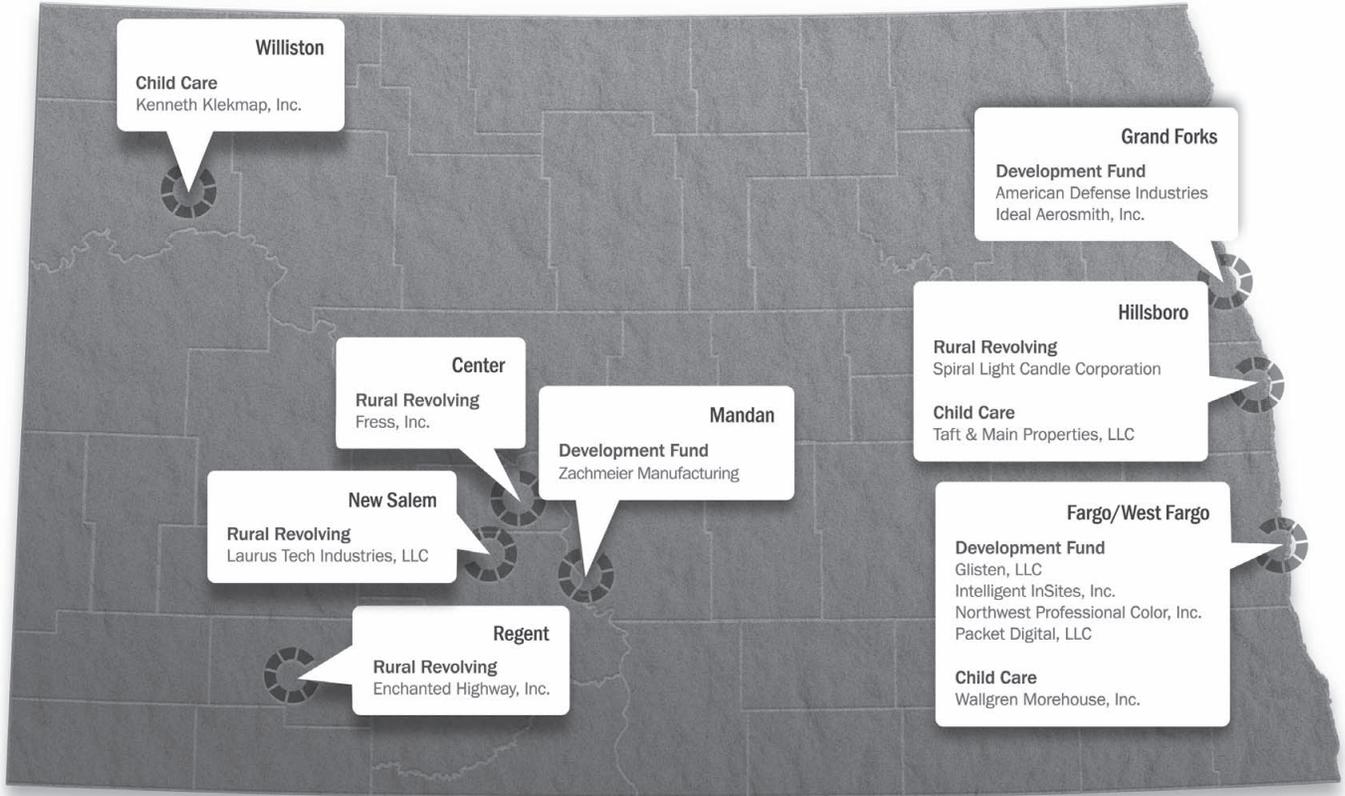
Since the inception of the Development Fund, it has **invested \$99 million in 533 companies** with over \$31 million invested in rural communities. The investments made have contributed to the projected creation of **10,515 primary sector jobs**. The Development Fund helped nine start-up businesses, three in rural communities, begin operations in North Dakota in 2012 to 2013.

In providing flexible financing, the Development Fund continues to help primary sector businesses start-up or expand, which in turn creates new jobs and generates new revenues.

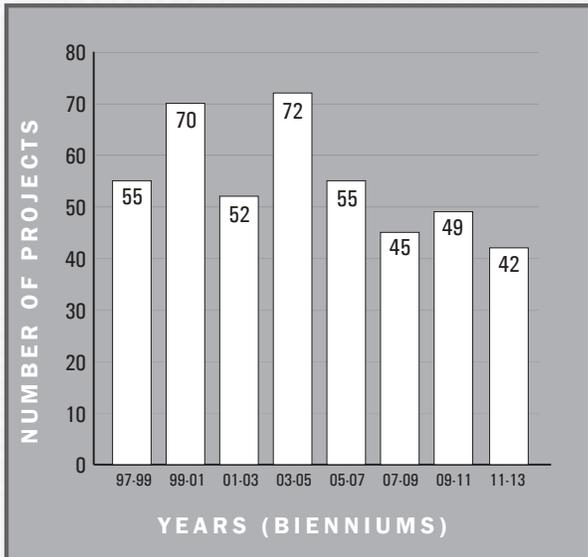
Dean Reese, CEO
North Dakota Development Fund

Development Fund Investment Locations

July 1, 2012 to June 30, 2013

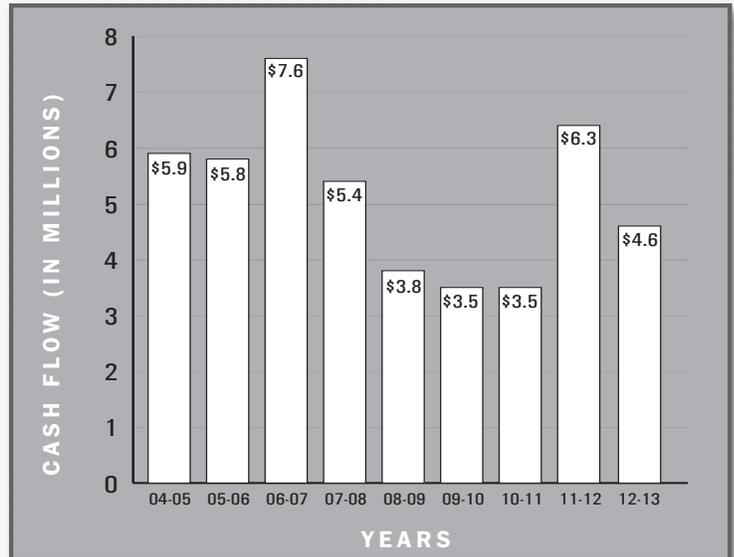


Growth in Development Fund Projects



The Development Fund invested in 14 projects from 2012-13, a total of 42 projects in the biennium.

Development Fund Cash Flow (Millions)



The Development Fund collected \$4.6 million in 2012-13, averaging \$5.15 million in collections in the past nine 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.

**14 Businesses Benefited from North Dakota Development Fund
Investments from July 1, 2012 to June 30, 2013**

DEVELOPMENT FUND

Glisten, LLC	Fargo	\$ 75,000
Intelligent InSites, Inc.	Fargo	\$ 250,000
Packet Digital, LLC	Fargo	\$ 750,000
American Defense Industries	Grand Forks	\$ 250,000
Ideal Aerosmith, Inc.	Grand Forks	\$ 150,000
Zachmeier Manufacturing	Mandan	\$ 100,000
Northwest Professional Color, Inc.	West Fargo	\$ 300,000
Northwest Professional Color, Inc.	West Fargo	\$ 175,000

REGIONAL RURAL REVOLVING LOAN

Fress, Inc.	Center	\$ 300,000
Spiral Light Candle Corporation	Hillsboro	\$ 150,000
Laurus Tech Industries, LLC	New Salem	\$ 37,500
Enchanted Highway, Inc.	Regent	\$ 69,000

CHILD CARE LOAN

Wallgren Morehouse, Inc.	Fargo	\$ 50,000
Taft & Main Properties, LLC	Hillsboro	\$ 73,000
Taft & Main Properties, LLC	Hillsboro	\$ 25,000
Kenneth Klekmap, Inc.	Williston	\$ 100,000

TOTAL \$ 2,854,500

Spiral Light Candle Corporation – Hillsboro

REGIONAL RURAL REVOLVING LOAN

Aaron McWilliams watched excess candle wax drip down a makeshift wine-bottle candelabra one February evening and pondered different ways to control the flow of wax. His musings led him to combine two candles into one with the wax burning towards the center first. Within a month he filed a patent application, and in June 2011 McWilliam's vision culminated in the Spiral Light Candle Corporation.

In just three years the company's products are now sold in over 1,100 stores in the United States and Canada. Spiral Light has simultaneously tripled its staff and increased sales by 350 percent. The Development Fund supported these accomplishments by providing working capital for major trade shows, travel expenses and staffing.

"Spiral Light can sustain itself and support overhead," McWilliams says. "But when looking at growing and expanding the business, we really need additional support. The North Dakota Development Fund will allow us to grow to over \$1 million in sales by 2014 as we increase our marketing efforts. We plan to double or triple our growth by 2016."

Spiral Light Candle is housed in a renovated potato warehouse in Hillsboro but is looking to use Development Fund dollars to assist in a move to a larger facility. The company will seek further business development opportunities. "There are other product lines to get into beyond just the candle," explains McWilliams.

Intelligent InSites, Inc. – Fargo

DEVELOPMENT FUND

Intelligent InSites packages wireless technologies with software as part of a total solution. The software, together with the real-time location sensing equipment, allows hospitals, clinics and long-term care facilities to easily locate patients, staff, residents, equipment and inventory as they move through the facility.

The company, which began in 2004, has been offering this particular product since 2006. The North Dakota Development Fund financing was part of a capital raising round to fund sales growth.

James Burgum, member of company's board of directors, says Intelligent InSites would not have had the opportunity to become the company it is today without the steadfast support of the North Dakota Development Fund.

"The North Dakota Development fund is not only an investment partner but has been a true business partner in every step of this company's growth. The Development Fund team has taken the time to understand this business and the impact it can have on jobs in North Dakota as well as the impact we can have on improving efficiency and effectiveness of our healthcare delivery system," says Burgum.

Clients include hospitals, skilled nursing facilities and assisted-living communities across the United States and Canada. A new contract will also put their product in all Veteran's Administration hospitals.

Zachmeier Manufacturing – Mandan

DEVELOPMENT FUND

When Mike Peluso took ownership of Zachmeier Manufacturing in 2011, he knew that he was inheriting a legendary product – the Zack Shack®, a portable fish house with a unique, patented wheel assembly. He also realized that he was the third owner of a company that had wandered from its original mission – i.e. there was work to be done to get the organization back on track and out of the red. “Really, our goal was to improve the business back to what it once was,” says Peluso.

Peluso says the Development Fund has played a key part in getting Zack Shack® back on track by providing a revenue source.

“The sales for the Zack Shack® are there,” stresses Peluso. “There’s just no inventory.”

When an order comes in for the shack, which is manufactured locally in Mandan, there is an approximate three to five week lag-time. Peluso wants to change that, so that when people call there’s product on hand available for immediate sale. The Development Fund provided loan funds to help pay for materials, labor and operating expenses while the company dedicates current sales revenue to building an inventory.

Peluso believes that stable supply and diversified uses will escalate demand for these structures. Oil companies placing orders plan to use them as warming sheds on the oil fields in western North Dakota. Peluso has already named these “Frack Shacks.” Eventually, the goal is to manufacture the shacks year round, all the while seeking other uses for the Zack Shack®.

Laurus Tech Industries (StopSensor) - New Salem

REGIONAL RURAL REVOLVING LOAN

Larry Mosbrucker spent a lifetime working in various power and agricultural industries and then recognized a common nuisance that most had just grown accustomed to – the amount of time wasted aligning trailers for loading and unloading freight. The idea for StopSensor was born. Today, this device that notifies drivers when they are on the mark is receiving national and international praise as an innovative tool that saves time and improves safety. This summer StopSensor was awarded the Sterling Standard Award at the 2013 Canadas Farm Progress Show in Regina, Saskatchewan.

“StopSensor is a product that can stand on its own,” says Mosbrucker. “But it needs funding to get the word out there.”

The North Dakota Development Fund has provided support for travel to farm shows, and for social, digital and print media promotion. Mosbrucker explains that the Development Fund has “really helped him to reach other farmers, who use the Internet as an information source.”

Its founder believes that StopSensor has potential in a wide realm of industries. As the company expands into markets outside farming, both domestically and overseas, the Development Fund will support the increasing demands of a growing business.





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, 2013 and 2012, 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 the North Dakota Development Fund, Inc. as of June 30, 2013 and 2012, 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, 2013, and the changes in its financial position for the year 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 14 through 17 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 accompanying supplementary information shown on pages 18 through 33 are presented for purposes of additional analysis and are not a required part of the financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. 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 November 1, 2013 on our consideration of the 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the North Dakota Development Fund, Inc.'s internal control over financial reporting and compliance.

Eide Sallee LLP

Bismarck, North Dakota
November 1, 2013

The discussion and analysis of the financial performance of the North Dakota Development Fund that follows is meant to provide additional insight into the Development Fund's activities for the year ended June 30, 2013. Please read it in conjunction with the Development Fund's financial statements and footnotes, which are presented within this report.

Financial Highlights

Total revenue decreased by \$142,994 (16.1%) to \$744,402. Operating revenues decreased by \$100,373 (13.70%) to \$734,719. Cash flow decreased by \$1,772,652 (27.97%) to \$4,564,081. The Development Fund collected \$3,809,744 in principal payments in 2013, which was a decrease of \$1,022,375 (21.25%) from 2012.

The decrease in total and operating revenue is attributable to a decrease in interest earned on deposits at the Bank of North Dakota along with a decrease in the dividend income received on the equity investments of the Development Fund. The decrease in total principal funds collected was attributable to reduced payouts of loans on the books of the North Dakota Development Fund as compared to 2012.

The Development Fund received \$40,624 in dividend payments in 2013 from equity investments made, a decrease from the \$162,738 received in dividend payments in 2012. The decrease was attributable to requests received from companies to extend their dividend payment due in 2013 to 2014.

General and administrative expense decreased by \$204 (.000485%) from \$420,867 in 2012 to \$420,663 in 2013. Administrative expense stayed stable from 2012 to 2013.

Operating Income (loss) before non-operating revenues and expenses increased by \$411,488 from (\$234,625) in 2012 to \$176,863 in 2013. The increase in the operating income (loss) in 2013 was attributable to a decrease in reserve for bad debt expense and a decrease in general and administrative expense in 2013 as compared to 2012.

Interest income on deposits decreased by \$42,621 (81.50%) from \$52,304 received in 2012 to \$9,683 received in 2013. The decrease was the result of decreased interest rates received on investments being made at the Bank of North Dakota.

The change in net assets decreased by \$631,133 from \$817,679 in 2012 to \$186,546 in 2013. The decrease was attributable to the North Dakota Development Fund receiving an appropriation from the North Dakota Legislature in the amount of \$1 million dollars for a new funding program called the Small Business Technology Program in July of 2011 and also from reduced deposit income received from the Bank of North Dakota on funds invested in their investment portfolio.

Net assets increased by \$186,546 from \$23,959,773 in 2012 to \$24,146,319 in 2013. The increase was attributable to the reduced amount that was reserved to bad debt expense in 2013.

Noncurrent net assets (excluding equipment) decreased by \$2,808,251 from \$9,382,144 in 2012 to \$6,573,893 in 2013. The noncurrent assets consist of the Development Fund's loan and equity investments. The equity investments made decreased by \$1,298,448 from 2012 to 2013. The equity investments that were charged off during 2013 were \$250,000 as compared to \$662,324 in 2012. The loan investments made decreased by \$736,637 from \$17,978,611 in 2012 to \$17,241,974 in 2013. The loan investments that were charged off during 2013 were \$195,157 as compared to \$280,547 in 2012. The decrease was attributable to the decline in loan and equity requests the Development Fund received in 2013 along with payouts being made on the equity investments along with the regular pay down of loans.

Interest receivable on deposits and loans decreased by (\$12,791) to \$57,216. The receivable remained stable in 2013 due to the continued monitoring of past due accounts and not having to put additional accounts on non-accrual.

Current portion of loans receivable increased from \$3,067,149 in 2012 to \$4,150,406 in 2013. The increase was attributable to additional loans having payments due in the upcoming year along with loans maturing and lines of credit coming due.

Cash and cash equivalents increased by \$2,907,291 (25%) to \$14,610,451 (cash balance is before loan and investment commitments). The increase in cash and cash equivalents was attributable to less dollars being invested in certificate of deposits due to the reduction in CD rates and wanting to put the funds to work in primary sector businesses in the State of North Dakota. The investment account (which includes certificate of deposit investments) decreased by \$1,000,966 from \$1,000,966 in 2012 to \$0.00 in 2013. Due to the lower rates of interest that could be earned, all certificates of deposit that matured were deposited into the Development Fund's saving accounts at the Bank of North Dakota.

The Development Fund invests their excess funds into longer term deposits for a higher rate of return to coincide with the funding commitments made by the Development Fund to companies for loans and equity investments, which are not required to be funded in the short-term. But, due to the low rate of interest being offered on certificate of deposits on a longer term, the North Dakota Development Fund has kept the excess funding liquid in saving accounts and putting the funds to work in loan and equity investments to primary sector businesses in the State of North Dakota.

Fourteen projects were funded totaling \$2,854,500.

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 Assets 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.

**Condensed Balance Sheet
June 30, 2013 and 2012**

Assets	2013	2012	2011
Current assets	\$ 18,818,073	\$ 15,841,282	\$ 17,207,305
Noncurrent assets	6,591,899	9,382,144	7,234,496
Total assets	\$ 25,409,972	\$ 25,223,426	\$ 24,441,801
Net Assets			
Current liabilities	\$ 1,263,653	\$ 1,263,653	\$ 1,363,100
Unrestricted	24,146,319	23,959,773	23,078,701
Total net assets	24,146,319	23,959,773	23,078,701
Total liabilities and net assets	\$ 25,409,972	\$ 25,223,426	\$ 24,441,801

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.

**Condensed Statement of Revenues, Expenses and Changes in Net Assets
for the Year Ended June 30, 2013 and 2012**

	2013	2012	2011
Operating Revenues			
Interest income on loans	\$ 630,443	\$ 584,339	\$ 660,760
Dividend income	40,624	162,738	149,679
Gain on sale of investment	10,330	8,214	-
Other	53,322	79,801	55,118
	<u>734,719</u>	<u>835,092</u>	<u>865,557</u>
Nonoperating Revenue			
State appropriations	-	1,000,000	-
Interest income on deposits	9,683	52,304	91,968
	<u>9,683</u>	<u>1,052,304</u>	<u>91,968</u>
Total Revenue	<u>744,402</u>	<u>1,887,396</u>	<u>957,525</u>
Operating Expenses			
General and administrative	420,663	420,867	386,615
Depreciation expense	2,378	-	766
Bad debt expense	134,815	648,850	1,121,985
	<u>557,856</u>	<u>1,069,717</u>	<u>1,509,366</u>
Change in Net Assets	186,546	817,679	(551,841)
Net Assets, Beginning of Year	<u>23,959,773</u>	<u>23,142,094</u>	<u>23,630,542</u>
Net Assets, End of Year	<u>\$ 24,146,319</u>	<u>\$ 23,959,773</u>	<u>\$ 23,078,701</u>

North Dakota Development Fund, Inc.
Balance Sheets
June 30, 2013 and 2012

	2013	2012
Assets		
Current Assets		
Cash and cash equivalents	\$ 14,610,451	\$ 11,703,160
Interest receivable on deposits and loans	57,216	70,007
Investments	-	1,000,966
Current portion of loans receivable	4,150,406	3,067,149
Total current assets	18,818,073	15,841,282
Noncurrent Assets		
Loans receivable, net of current portion	6,573,893	9,382,144
Equipment, net	18,006	-
Total noncurrent assets	6,591,899	9,382,144
Total assets	\$ 25,409,972	\$ 25,223,426
Liabilities and Net Assets		
Current Liabilities		
Accrued expenses	\$ 13,653	\$ 13,653
Due to state	1,250,000	1,250,000
Total current liabilities	1,263,653	1,263,653
Net Assets		
Invested in capital assets	18,006	-
Unrestricted	24,128,313	23,959,773
Total net assets	24,146,319	23,959,773
Total liabilities and net assets	\$ 25,409,972	\$ 25,223,426

See Notes to Financial Statements

North Dakota Development Fund, Inc.
 Statements of Revenues, Expenses and Changes in Net position
 Years Ended June 30, 2013 and 2012

	2013	2012
Operating Revenues		
Interest income on loans	\$ 630,443	\$ 584,339
Dividend income	40,624	162,738
Gain on sale of investment	10,330	8,214
Other	53,322	79,801
	734,719	835,092
Operating Expenses		
General and administrative	420,663	420,867
Depreciation expense	2,378	-
Bad debt expense	134,815	648,850
	557,856	1,069,717
Operating Income (Loss)	176,863	(234,625)
Nonoperating Revenue		
State appropriations	-	1,000,000
Interest income on deposits and investments	9,683	52,304
	9,683	1,052,304
Change in Net Assets	186,546	817,679
Net Position, Beginning of Year	23,959,773	23,142,094
Net Position, End of Year	\$ 24,146,319	\$ 23,959,773

See Notes to Financial Statements

North Dakota Development Fund, Inc.
 Statements of Cash Flows
 Years Ended June 30, 2013 and 2012

	2013	2012
Operating Activities		
Other receipts	\$ 77,008	\$ 226,504
Payments to suppliers	(420,663)	(420,867)
Net Cash used for Operating Activities	(343,655)	(194,363)
Investing Activities		
Interest received on cash and cash equivalents	690,516	672,985
Purchase of equipment	(20,385)	-
Purchase of equity investments	(210,330)	(991,668)
Proceeds from the sale of equity investments	9,935	617,218
Purchase of investments	-	(1,000,966)
Sale of investments	1,000,966	9,228,286
Disbursements of business loans	(2,029,500)	(7,110,816)
Principal payments received on business loans	3,809,744	4,832,119
Net Cash provided by Investing Activities	3,250,946	6,247,158
Non-Capital and Related Financing Activities		
Proceeds from state appropriations	-	1,000,000
Net Cash provided by Financing Activities	-	1,000,000
Net Change in Cash and Cash Equivalents	2,907,291	7,052,795
Cash and Cash Equivalents at Beginning of Year	11,703,160	4,650,365
Cash and Cash Equivalents at End of Year	\$ 14,610,451	\$ 11,703,160

See Notes to Financial Statements

North Dakota Development Fund, Inc.
 Statements of Cash Flows
 Years Ended June 30, 2013 and 2012

	2013	2012
Reconciliation of Operating Income (Loss) to Net Cash		
Operating income (loss)	\$ 176,863	\$ (234,625)
Adjustments to reconcile operating loss to net cash from operating activities		
Gain on sale of investment	10,330	-
Depreciation	2,378	-
Gain on sale of investment	-	8,214
Allowance for doubtful loan receivables	(55,249)	274,400
Allowance for realized loss on investments	190,065	374,450
Reclassification of interest and dividend income	(668,042)	(616,802)
Net Cash Used for Operating Activities	\$ (343,655)	\$ (194,363)
Supplemental Schedule of Noncash Activities		
Loans receivable written off	\$ 195,157	\$ 280,547
Equity investments written off	\$ 250,000	\$ 662,324

See Notes to Financial Statements

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 Program

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

Child Care Loan Program

The Child Care Loan Program 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 North Dakota Commerce Department of 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.

Reporting Entity

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity, 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 Statement No. 39, Determining Whether Certain Organizations are Component Units, an Amendment of GASB Statement 14, 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. 14 and No. 39, 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 Statement No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting. Operating activities are those activities that are necessary and essential to the mission of the 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 Assets.

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.

Investments

Investments are reported at fair value. All investment income, including changes in the fair value of investments, is recognized in the statement of revenue, expenses, and changes in fund net position.

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.

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 three 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.

Subsequent Events

The Development Fund has evaluated subsequent events through November 1, 2013, 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, 2013, the Corporation had the following:

	Fair Value	Less Than One Year
Cash		
Bank of North Dakota	\$ 14,610,451	\$ 14,610,451

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.

Note 3 - Interest Receivable

Interest receivable at June 30, 2013 and 2012 is as follows:

	2013	2012
Interest receivable from loans	\$ 57,216	\$ 70,007

Note 4 - Equity Investments

Equity investments in business concerns as of June 30, 2013 and 2012 are as follows:

	2013	2012
Development Fund	\$ 1,851,100	\$ 3,114,165
Regional Rural Development Revolving Loan Fund	1,129,270	1,164,653
	2,980,370	4,278,818
Valuation allowance - Other than temporary impairment	(2,980,370)	(4,278,818)
	\$ -	\$ -

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.

Note 5 - Equity Investments – Valuation Allowance

Changes in the valuation allowance for equity investments as of June 30, 2013 and 2012 are as follows:

	2013	2012
Balance, beginning of year	\$ 4,278,818	\$ 5,094,320
Provision for equity investment losses	188,972	374,450
Transfers	(1,237,420)	(527,628)
Equity investments charged off	(250,000)	(662,324)
Balance, end of year	\$ 2,980,370	\$ 4,278,818

Note 6 - Loans Receivable

Loans receivable at June 30, 2013 and 2012 are as follows:

	2013	2012
Development Fund	\$ 11,655,642	\$ 11,755,681
Regional Rural Development Revolving Loan Fund	4,659,860	5,428,604
Small Business Technology Program	50,000	-
Child Care Loan Program	876,472	794,326
Allowance for loan losses	17,241,974 (6,517,677)	17,978,611 (5,529,318)
Loans receivable, net of allowance for loan losses	10,724,297	12,449,293
Less: current portion of loans receivable	4,150,406	3,067,149
Loans receivable, net of current portion	\$ 6,573,893	\$ 9,382,144

Note 7 - Allowance for Loan Losses

Changes in the allowance for loan losses as of June 30, 2013 and 2012 are as follows:

	2013	2012
Balance, beginning of year	\$ 5,529,318	\$ 5,007,837
Provision for loan losses	(53,904)	274,400
Transfers	1,237,420	527,628
Loans charged off	(195,157)	(280,547)
	\$ 6,517,677	\$ 5,529,318

Note 8 - Equipment

A statement of changes in fixed assets for the years ended June 30, 2013 and 2012 is as follows:

	Balance 06/30/12	Additions	Deletions	Balance 06/30/13
Furniture and equipment	\$ 10,095	\$ 20,384	\$ -	\$ 30,479
Computer software	78,188	-	-	78,188
Accumulated depreciation	(88,283)	(2,378)	-	(90,661)
	\$ -	\$ 18,006	\$ -	\$ 18,006
	Balance 06/30/11	Additions	Deletions	Balance 06/30/12
Furniture and equipment	\$ 10,095	\$ -	\$ -	\$ 10,095
Computer software	77,345	843	-	78,188
Accumulated depreciation	(87,440)	(843)	-	(88,283)
	\$ -	\$ -	\$ -	\$ -

Note 9 - Due to State

In 2011, the State of North Dakota appropriated funds to the North Dakota Development Fund to develop a child care loan program for the purpose of providing loans to new and expanding child care facilities within the state of North Dakota. The program was extended in the last legislative session through June 30, 2013, at which time it expires. On that date, the appropriation amount is set to be returned to the state. As of June 30, 2013 and 2012, \$1,250,000 is due back to the state. On July 1, 2013 the State of North Dakota removed the due date and appropriated the \$1,250,000 to the Development Fund.

Note 10 - State Appropriation

During the year ended June 30, 2012 the North Dakota Development Fund received \$1,000,000 for a new funding program called the Small Business Technology Program.

Note 11 - Commitments and Contingencies

Development Fund

The Board of Directors has approved equity investments, loans, grants and guaranty of collections at June 30, 2013 for which funds have not been disbursed or written agreements entered into in the approximate amount of \$1,386,703.

Regional Rural Development Revolving Loan Fund

The Board of Directors has approved equity investments, loans, and guaranty of collections at June 30, 2013 for which funds have not been disbursed or written agreements entered into in the approximate amount of \$1,327,931.

Note 12 - 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.

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. The 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 Commerce Department 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, 2013 and 2012

	Development Fund	Regional Rural Development Revolving Loan Fund	Child Care Loan Program	Small Business Technology Program	2013	2012
Assets						
Current Assets						
Cash and cash equivalents	\$ 7,389,057	\$ 5,909,587	\$ 360,126	\$ 951,681	\$ 14,610,451	\$ 11,703,160
Interest receivable on deposits and loans	40,874	16,342	-	-	57,216	70,007
Investments	-	-	-	-	-	1,000,966
Current portion of loans receivable	3,333,066	686,290	131,050	-	4,150,406	3,067,149
Intercompany receivable (payable)	(12,119)	12,119	-	-	-	-
Total current assets	<u>10,750,878</u>	<u>6,624,338</u>	<u>491,176</u>	<u>951,681</u>	<u>18,818,073</u>	<u>15,841,282</u>
Noncurrent Assets						
Loans receivable, net of current portion	4,413,055	1,872,605	288,233	-	6,573,893	9,382,144
Equipment, net	18,006	-	-	-	18,006	-
Total noncurrent assets	<u>4,431,061</u>	<u>1,872,605</u>	<u>288,233</u>	<u>-</u>	<u>6,591,899</u>	<u>9,382,144</u>
Total assets	<u>\$ 15,181,939</u>	<u>\$ 8,496,943</u>	<u>\$ 779,409</u>	<u>\$ 951,681</u>	<u>\$ 25,409,972</u>	<u>\$ 25,223,426</u>
Liabilities and Net Position						
Current Liabilities						
Accrued expenses	\$ 13,653	\$ -	\$ -	\$ -	\$ 13,653	\$ 13,653
Due to state	-	-	1,250,000	-	1,250,000	1,250,000
Total liabilities	<u>13,653</u>	<u>-</u>	<u>1,250,000</u>	<u>-</u>	<u>1,263,653</u>	<u>1,263,653</u>
Net Assets						
Invested in capital assets, net of related debt	18,006	-	-	-	18,006	-
Unrestricted	15,150,280	8,496,943	(470,591)	951,681	24,128,313	23,959,773
Total net assets	<u>15,168,286</u>	<u>8,496,943</u>	<u>(470,591)</u>	<u>951,681</u>	<u>24,146,319</u>	<u>23,959,773</u>
Total liabilities and net assets	<u>\$ 15,181,939</u>	<u>\$ 8,496,943</u>	<u>\$ 779,409</u>	<u>\$ 951,681</u>	<u>\$ 25,409,972</u>	<u>\$ 25,223,426</u>

North Dakota Development Fund, Inc.
Combining Statements of Revenue, Expenses and Changes in Net position
Years Ended June 30, 2013 and 2012

	Development Fund	Regional Rural Development Revolving Loan Fund	Child Care Loan Program	Small Business Technology Program	2013	2012
Operating Revenues						
Interest income on loans	\$ 523,072	\$ 92,015	\$ 15,356	\$ -	\$ 630,443	\$ 584,339
Dividend income	3,025	37,599	-	-	40,624	162,738
Gain on sale of investment	10,330	-	-	-	10,330	8,214
Other	46,539	5,368	1,415	-	53,322	79,801
	<u>582,966</u>	<u>134,982</u>	<u>16,771</u>	<u>-</u>	<u>734,719</u>	<u>835,092</u>
Operating Expenses						
General and administrative	420,663	-	-	-	420,663	420,867
Depreciation expense	2,378	-	-	-	2,378	-
Bad debt expense	219,076	(215,117)	80,856	50,000	134,815	648,850
	<u>642,117</u>	<u>(215,117)</u>	<u>80,856</u>	<u>50,000</u>	<u>557,856</u>	<u>1,069,717</u>
Operating (Loss) Income	<u>(59,151)</u>	<u>350,099</u>	<u>(64,085)</u>	<u>(50,000)</u>	<u>176,863</u>	<u>(234,625)</u>
Nonoperating Revenue (Expense)						
Interest income on deposits and investments	4,678	3,922	368	715	9,683	52,304
State appropriations	-	-	-	-	-	1,000,000
	<u>4,678</u>	<u>3,922</u>	<u>368</u>	<u>715</u>	<u>9,683</u>	<u>1,052,304</u>
Change in Net Assets	(54,473)	354,021	(63,717)	(49,285)	186,546	817,679
Net Assets, Beginning of Year	<u>15,222,759</u>	<u>8,142,922</u>	<u>(406,874)</u>	<u>1,000,966</u>	<u>23,959,773</u>	<u>23,142,094</u>
Net Assets, End of Year	<u>\$ 15,168,286</u>	<u>\$ 8,496,943</u>	<u>\$ (470,591)</u>	<u>\$ 951,681</u>	<u>\$ 24,146,319</u>	<u>\$ 23,959,773</u>

North Dakota Development Fund, Inc.
Combining Statements of Cash Flows
Years Ended June 30, 2013 and 2012

	Development Fund	Regional Rural Development Revolving Loan Fund	Child Care Loan Program	Small Business Technology Program	2013	2012
Operating Activities						
Other receipts (payments)	\$ 77,114	\$ (1,522)	\$ 1,416	\$ -	\$ 77,008	\$ 226,504
Payments to suppliers	(420,663)	-	-	-	(420,663)	(420,867)
Net Cash (used for) Provided by Operating Activities	(343,549)	(1,522)	1,416	-	(343,655)	(194,363)
Non-Capital Financing Activities						
Proceeds from state appropriations	-	-	-	-	-	1,000,000
Net Cash (used for) Provided by Non-capital financing Activities	-	-	-	-	-	1,000,000
Investing Activities						
Interest and dividends received	524,499	149,578	15,724	715	690,516	672,985
Purchase of equipment	(20,384)	-	-	-	(20,384)	-
Purchase of equity investments	(210,330)	-	-	-	(210,330)	(991,668)
Proceeds from the sale of equity investments	(25,449)	35,384	-	-	9,935	617,218
Purchase of investments	-	-	-	-	-	(1,000,966)
Sale of investments	-	-	-	1,000,966	1,000,966	9,228,286
Disbursements of business loans	(1,475,000)	(256,500)	(248,000)	(50,000)	(2,029,500)	(7,110,816)
Principal received on business loans	2,691,975	1,020,201	97,568	-	3,809,744	4,832,119
Net Cash (used for) Provided by Investing Activities	1,485,311	948,663	(134,708)	951,681	3,250,947	6,247,158
Net Change in Cash and Cash Equivalents	1,141,762	947,141	(133,292)	951,681	2,907,292	7,052,795
Cash and Cash Equivalents at Beginning of Year	6,247,295	4,962,446	493,418	-	11,703,159	4,650,365
Cash and Cash Equivalents at End of Year	<u>\$ 7,389,057</u>	<u>\$ 5,909,587</u>	<u>\$ 360,126</u>	<u>\$ 951,681</u>	<u>\$ 14,610,451</u>	<u>\$ 11,703,160</u>

North Dakota Development Fund, Inc.
Combining Statements of Cash Flows
Years Ended June 30, 2013 and 2012

	Development Fund	Regional Rural Development Revolving Loan Fund	Child Care Loan Program	Small Business Technology Program	2013	2012
Reconciliation of Operating						
Gain (Loss) to Net Cash used in						
Operating Activities						
Operating gain (loss)	\$ (59,151)	\$ 350,099	\$ (64,085)	\$ (50,000)	\$ 176,863	\$ (234,625)
Adjustments to reconcile operating						
(loss) gain to net cash from						
operating activities						
Gain on sale of investment	10,330	-	-	-	10,330	-
Depreciation	2,378	-	-	-	2,378	-
Change in intercompany						
receivable (payable)	6,890	(6,890)	-	-	-	-
Gain on sale of investment	-	-	-	-	-	8,214
Allowance for doubtful						
loan receivables	(6,373)	(179,733)	80,857	50,000	(55,249)	274,400
Allowance for realized						
loss on investments	225,449	(35,384)	-	-	190,065	374,450
Reclassification of interest						
and dividend income	(523,072)	(129,614)	(15,356)	-	(668,042)	(616,802)
Net Cash (used in) Provided by						
Operating Activities						
	<u>\$ (343,549)</u>	<u>\$ (1,522)</u>	<u>\$ 1,416</u>	<u>\$ -</u>	<u>\$ (343,655)</u>	<u>\$ (194,363)</u>
Supplemental Schedule of						
Noncash Activities						
Loan receivable written off	\$ 121,829	\$ 5,043	\$ 68,285	\$ -	\$ 195,157	\$ 280,547
Equity investments written off	250,000		-	-	250,000	662,324

NORTH DAKOTA DEVELOPMENT FUND

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