



**Dakota State University**

**Financial Report**

**For the fiscal year ended June 30, 2020**

**DAKOTA STATE UNIVERSITY  
FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2020**

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**DAKOTA STATE UNIVERSITY**

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Amy Dockendorf, Controller



March 1, 2021

Dr. Brian Maher  
Executive Director  
South Dakota Board of Regents  
306 East Capitol Ave, Suite 200  
Pierre, SD 57501

Dear Dr. Maher:

The financial report of Dakota State University for the fiscal year 2020 is presented in the following pages. This report covers all phases of the financial transactions of the University for the twelve-month period ending June 30, 2020.

Sincerely,

A handwritten signature in black ink, appearing to read "Dr. José-Marie Griffiths".

Dr. José-Marie Griffiths  
President  
Dakota State University



March 1, 2021

Dr. José-Marie Griffiths  
President  
Dakota State University

Dear Dr. Griffiths:

The financial report of Dakota State University for the year ending June 30, 2020 is presented in the following pages.

The accounts of Dakota State University are maintained, and its reports presented in accordance with the standards issued by the Governmental Accounting Standards Board (GASB). The format provides a comprehensive view of the financial operations of the University as a whole.

The Dakota State University Foundation is a legally separate non-for-profit organization dedicated to maximizing other resources for University programs. The Foundation's financial statements, audited by an independent certified public accountant, are included in the report as it has been determined to be a component unit of the University based on the provision of GASB Statement No. 39, Determining Whether Certain Organizations are Component Units.

All state fund expenditures are under the continuous pre-audit control of the State Auditor, and all accounts are under the post-audit control of the Auditor General. This report is intended to form a comprehensive and permanent record of the finances of Dakota State University for the fiscal year ending June 30, 2020.

Sincerely,

A handwritten signature in blue ink that reads "Stacy Krusemark".

Stacy Krusemark  
Vice President for Business and Administrative Services

**DAKOTA STATE UNIVERSITY**  
**FINANCIAL REPORT**  
**FOR THE YEAR ENDING JUNE 30, 2020**

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# **DAKOTA STATE UNIVERSITY**

## **Financial Statements**

### **Management's Discussion and Analysis**

This section of Dakota State University's annual financial report presents management's discussion and analysis of the University's financial operations during the fiscal year ended June 30, 2020. The discussion and analysis should be read in conjunction with the accompanying financial statements and footnotes. The accuracy of the financial statements, footnote disclosures and discussion are the responsibility of University management.

### **Reporting Entity**

Dakota State University is one of six public universities under the control of the South Dakota Board of Regents. The public universities are considered a component unit of the State of South Dakota and are reported as such in the State's comprehensive annual financial report.

The financial operations of Dakota State University are audited as a part of the State of South Dakota. An audit opinion is not issued on the individual statements of the University, but rather on the audited Comprehensive Annual Financial Report of the State of South Dakota.

### **Using the Annual Report**

The accompanying statements have been prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*.

The statements required by GASB include the Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows. The statements are prepared under the accrual basis of accounting where revenues are recognized when the service is provided and expenses are recognized when a liability is incurred regardless of when the exchange of cash takes place.

The Statement of Net Position reports the difference in assets and liabilities and is one way of measuring the University's financial position. Non-financial measurements such as enrollment and condition of the facilities serving the students should also be taken into consideration.

The Statement of Revenues, Expenses and Changes in Net Position presents revenues earned and expenses incurred during the year. Revenues and expenses are considered operating or non-operating. In accordance with GASB requirements, state appropriations have been classified as non-operating revenues resulting in a net operating loss being reported. The financial statements also include an allowance for depreciation expense, which is the amortization of the cost of a capital asset over its estimated useful life.

The Statement of Cash Flows presents information related to cash inflows and outflows. These transactions are classified as operating, non-operating, capital and investing activities.

### Financial Highlights

Current assets decreased by \$5,061,000 with the largest portion from other funds decreasing by \$6,994,000. This amount was funds held at the DSU Foundation for the DSU Rising project which includes the Madlabs building, marketing and scholarship dollars. Cash funds increased by \$585,000 and due from federal sources increased by \$629,000 to offset the decrease.

Non-current assets increased by \$13,830,000, 22.75% from FY19 to FY20. This increase was due to bond proceeds of \$12,534,637.86 received for the construction of a new residence hall on campus.

Current liabilities decreased by \$7,421,000, -27.08% as a result of a decrease in deferred revenue which is the offsetting entry of the DSU Rising Program donation. Non-current liabilities increased by \$11,437,000 with the issuing of the 2019A series bonds for the new residence hall. The net change to total liabilities was an increase of \$4,015,000, 8.59%.

### Condensed Statement of Net Position as of June 30, 2020 and 2019

	<u>FY 2020</u>	<u>FY 2019</u>
<b>Assets</b>		
Current Assets	\$ 25,277,409	\$ 30,338,462
Noncurrent Assets	\$ 74,630,600	\$ 60,800,222
Total Assets	<u>\$ 99,908,008</u>	<u>\$ 91,138,684</u>
<b>Liabilities</b>		
Current Liabilities	\$ 19,981,841	\$ 27,403,197
Noncurrent Liabilities	\$ 30,768,017	\$ 19,331,225
Total Liabilities	<u>\$ 50,749,859</u>	<u>\$ 46,734,422</u>
<b>Net Position</b>		
Invested in Capital, Net of Related Debt	\$ 45,802,662	\$ 43,711,907
Restricted	\$ 1,127,337	\$ 1,307,966
Unrestricted	\$ 2,228,150	\$ (615,612)
Total Net Assets	<u>\$ 49,158,149</u>	<u>\$ 44,404,261</u>

Investment in capital assets represents the depreciated balance of buildings, land improvements and infrastructure, and equipment. Assets restricted for loans, grants and debt service represent assets that the University may only use for allowable activities related to each of those funds. Unrestricted assets may be used for the general operations of the University.

**Condensed Statement of Revenues, Expenses and Changes in Net Position  
as of June 30, 2020 and 2019**

	<u>FY 2020</u>	<u>FY 2019</u>
Operating Revenues	\$ 39,526,338	\$ 39,727,619
Operating Expenses	<u>\$ 51,963,649</u>	<u>\$ 52,771,934</u>
Operating Loss	<u>\$ (12,437,312)</u>	<u>\$ (13,044,315)</u>
Non-Operating Revenues	\$ 15,265,956	\$ 13,850,164
Non-Operating Expenses	<u>\$ 1,604,848</u>	<u>\$ 1,176,230</u>
Non-Operating Income	<u>\$ 13,661,109</u>	<u>\$ 12,673,934</u>
Net Loss/Income	\$ 1,223,797	\$ (370,381)
Capital Contributions	<u>\$ 3,530,091</u>	<u>\$ 8,461,062</u>
Increase (Decrease) in Net Assets	\$ 4,753,888	\$ 8,090,681
Net Position, Beginning of Year	\$ 44,404,261	\$ 35,664,192
Prior period adjustment	<u>\$ -</u>	<u>\$ 649,388</u>
Net Position, End of Year	<u><u>\$ 49,158,149</u></u>	<u><u>\$ 44,404,261</u></u>

Operating revenues decreased by \$201,000 in FY20. Operating revenues are those revenues the university earns through its operation, such as tuition, fees, auxiliary services, and grants and contracts. On campus tuition and fees increased with an upward trend of enrollment. These increases were offset in part by decreases in auxiliaries and general sales & services due to the COVID pandemic. On campus classes were moved to online in the spring semester which reduced the food service commission in auxiliaries and workshops and camps were cancelled which affected the general sales and service revenue. This decrease is reflected in FY20 and will continue through the summer 2020 affecting FY21 auxiliaries, sales and service, and grants and contracts with limited on campus activities allowed.

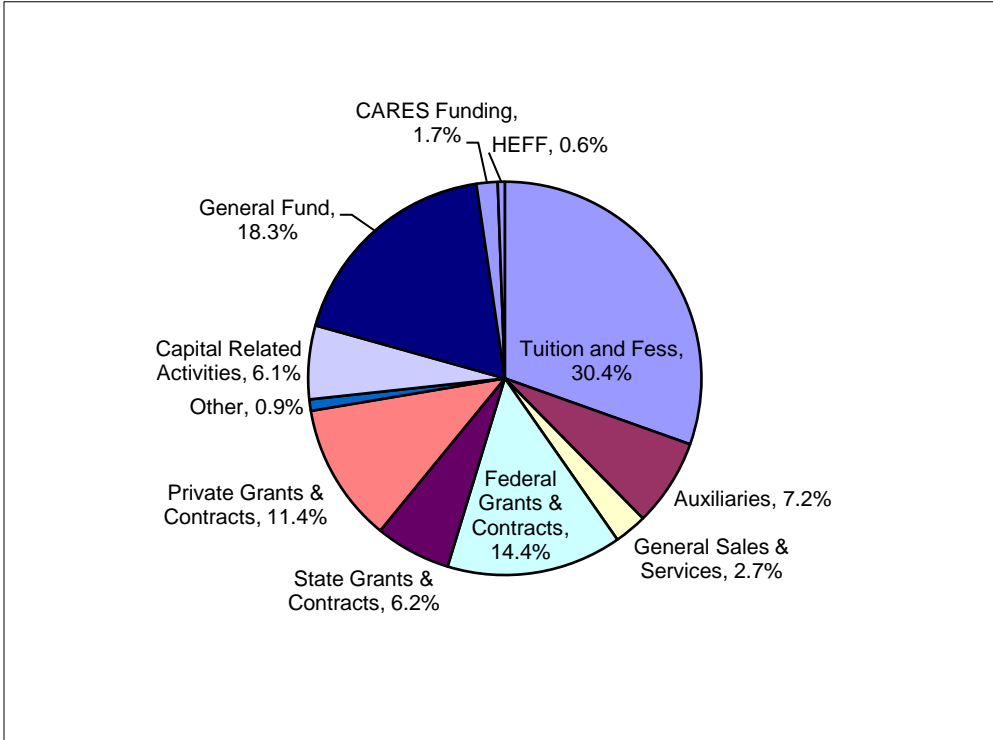
Non-operating revenues are revenues realized through appropriations or non-operating activities such as investment income and Federal PELL grant revenue. Due to the COVID pandemic, the federal government granted funds to states and Universities through the Coronavirus Aid, Relief, and Economic Security Act or, CARES Act. These funds are recorded as non-operating revenue after the allowable expense has been made. The amount recorded in FY20 was \$1,013,767.95 with \$692,600.95 from state CARES funds and \$321,167 from University CARES funds.

Operating expenses decreased by \$808,000. There was an increase in salaries and benefits of \$1,303,000 and supplies and materials of \$1,157,000. These increases were offset by decreases in travel and contractual services. Due to COVID, travel was restricted starting in March and continuing through the end the fiscal year. Contractual services decreased with the change from the University Center in Sioux Falls moving to the University of South Dakota Community College therefore decreasing DSU's contractual obligation. COVID also affected contractual services with classes moving to online instruction after spring break and



students not returning to campus. Students were credited a prorated amount for meal plans and housing costs they were charged for the spring semester.

The following is an illustration of revenues by source for the year ended June 30, 2020:

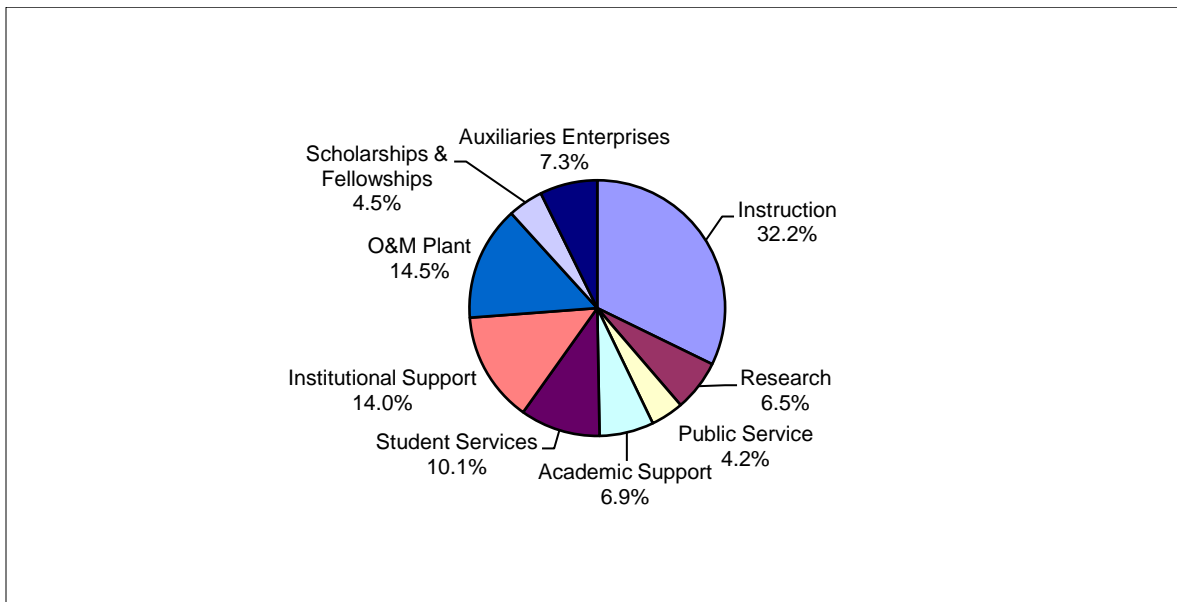


Below is a review of the expenses by the National Association of College and University Business Officers expenditure categories.

**NACUBO Expenditure**

	<b><u>FY 2020</u></b>
Instruction	\$ 16,745,201
Research	\$ 3,364,560
Public Service	\$ 2,157,909
Academic Support	\$ 3,568,272
Student Services	\$ 5,266,698
Institutional Support	\$ 7,250,561
O&M Plant	\$ 7,515,427
Scholarships & Fellowships	\$ 2,312,973
Auxiliaries Enterprises	\$ 3,782,048
<b>Total</b>	<b><u>\$ 51,963,649</u></b>

The following is an illustration of expenses for the year ended June 30, 2020:

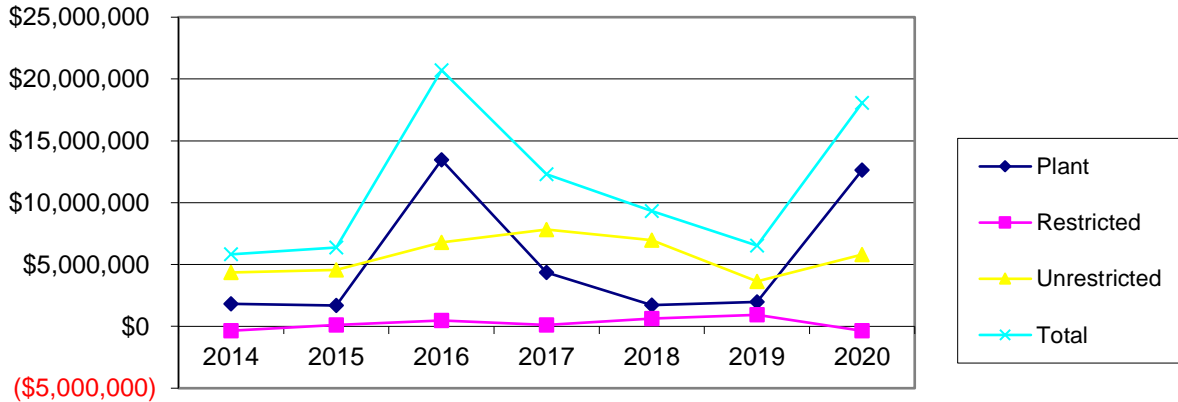


**Condensed Statement of Cash Flows  
For the year ended June 30, 2020**

	<b><u>FY 2020</u></b>
Cash Provided by (Used in):	
Operating Activities	\$ (10,637,020)
Non Capital Financing Activities	\$ 14,179,423
Capital and Related Financing Activities	\$ 7,849,951
Investing Activities	\$ 140,850
Net Increase (Decrease) in Cash	\$ 11,533,203
Cash and Cash Equivalents, Beginning of the Year	<u>\$ 6,541,759</u>
Cash and Cash Equivalents, End of the Year	<u><u>\$ 18,074,962</u></u>

The Statement of Cash Flows presents information related to cash inflows summarized by operating, non-capital financing, capital financing and related investing activities. This helps measure the ability to meet financial obligations as they mature. Major sources of cash include: 1) funds from students for tuition, fees, auxiliaries, and grants, \$38.2 million, in the operating activities category, and 2) general appropriations, \$10.7 million, in the non-capital financing activities. The largest payments were for salaries and benefits, \$30.7 million, and payments to vendors for contracted services and supplies, \$8.5 million.

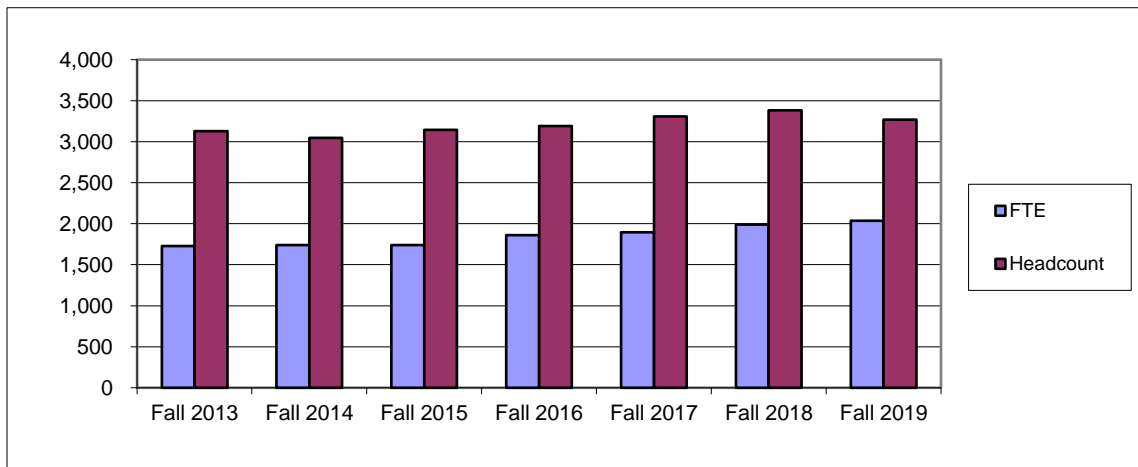
The following is an illustration of cash balances as of June 30, 2020:



Unrestricted cash on hand as of June 30 each year is used for summer salaries, benefits and monthly operating expenses. Cash receipts during the summer are relatively low so the university must maintain a sufficient cash balance to meet obligations until proceeds from tuition and fees are received in the fall. Unrestricted cash balances increased due to efforts of the University to decrease operating expenses. Restricted cash can only be used in accordance with the source of the cash and grant funds are typically received on a reimbursement basis. Plant funds are to be used for long-term maintenance of revenue buildings and not for normal day-to-day operating expenses. In FY20 plant funds increased significantly with the bond proceeds for the new residence hall.

**Enrollment Information**

Dakota State University’s Fall full-time equivalent increased by 1.28% and headcount enrollment decreased by 3.37% over the prior year. Projections for enrollment are conservative for the upcoming year due to restrictions or limitations cause by COVID. The University anticipates that students may sit out a semester or two with limited in person classes and activities. However, some people may use the current situation as an opportunity to enroll in online classes.



**DAKOTA STATE UNIVERSITY**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2020**

	FY 2020	FY 2019
<b>ASSETS</b>		
Current Assets		
Cash on Deposit - State Treasurer	6,793,567.21	6,208,162.42
Other Cash and Temporary Investments	48,632.65	48,980.68
Accounts Receivable - Students	1,647,285.36	1,522,907.91
Accounts Receivable	647,909.91	39,800.41
Notes Receivable	311,207.24	301,315.53
Interest Receivable	223,002.43	140,846.92
Prepaid Expenses and Deferred Charges	96,351.18	76,734.97
Inventory	154,142.45	138,022.04
Due From Federal Sources	2,156,366.05	1,527,118.94
Due From Primary Government	288.66	114,505.96
Due From Other Component Unit	13,198,655.63	20,220,066.31
Total Current Assets	<u>25,277,408.77</u>	<u>30,338,462.09</u>
Non-Current Assets		
Restricted Cash on Deposit - State Treasurer (Debt Service)	11,232,762.16	284,615.46
Notes Receivable	843,127.00	1,164,225.00
Land	372,183.00	372,183.00
Land Improvements, Net	429,781.14	473,690.99
Infrastructure, Net	2,173,128.52	2,331,285.41
Buildings and Building Improvements, Net	54,439,929.63	40,984,120.56
Equipment and Other Property, Net	2,235,624.39	1,770,003.49
Construction in Progress	2,896,599.18	13,410,144.95
Work in Progress-Intangible Assets	7,464.49	9,952.65
Total Non-Current Assets	<u>74,630,599.51</u>	<u>60,800,221.51</u>
Deferred Outflows	0.00	0.00
<b>TOTAL ASSETS</b>	<u><u>99,908,008.28</u></u>	<u><u>91,138,683.60</u></u>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts Payable	2,868,671.65	3,598,944.29
Accrued Wages and Benefits	641,371.39	528,461.87
Accrued Interest Payable	265,557.00	168,554.00
Compensated Absences Payable	906,072.18	862,400.54
Bonds Payable, Net of Unamortized Amount	867,966.96	789,372.00
Obligations Under Capital Leases, Non Capital	414,956.41	411,608.51
Deferred Revenue	13,801,826.98	20,805,422.21
Due to Primary Government	15,730.36	25,056.40
Due to Other Component Unit	14,752.87	9,239.51
Student Deposits	77,981.86	71,511.39
Agency Funds - Funds Held for Others	106,953.73	132,626.57
Total Current Liabilities	<u>19,981,841.39</u>	<u>27,403,197.29</u>
Non-Current Liabilities		
Compensated Absences Payable	2,007,065.67	2,040,661.97
Bonds Payable, Net of Unamortized Amount	26,632,640.42	14,845,227.97
Obligations Under Capital Leases, Non Capital	200,245.81	221,666.18
Federal Capital Contributions Advance	1,924,007.00	2,218,756.00
Total Non-Current Liabilities	<u>30,763,958.90</u>	<u>19,326,312.12</u>
<b>TOTAL LIABILITIES</b>	<u><u>50,745,800.29</u></u>	<u><u>46,729,509.41</u></u>
Deferred Inflows	4,058.53	4,913.03
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS</b>	<u><u>50,749,858.82</u></u>	<u><u>46,734,422.44</u></u>
<b>NET POSITION</b>		
Invested in Capital, Net of Related Debt	45,802,662.23	43,711,907.15
Restricted		
Expendable		
Debt service	31,201.19	284,615.46
Other	1,096,135.72	1,023,351.00
Unrestricted	2,228,150.32	(615,612.45)
<b>TOTAL NET POSITION</b>	<u><u>49,158,149.46</u></u>	<u><u>44,404,261.16</u></u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u><u>99,908,008.28</u></u>	<u><u>91,138,683.60</u></u>

**DAKOTA STATE UNIVERSITY FOUNDATION**

STATEMENT OF FINANCIAL POSITION  
 JUNE 30, 2020  
 WITH COMPARATIVE TOTALS FOR JUNE 30, 2019

	<b>Assets</b>	
	<u>2020</u>	<u>2019</u>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 2,155,490	\$ 9,095,530
Receivables: interest and dividends	225	225
Investments	<u>29,522,413</u>	<u>29,260,908</u>
Total current assets	<u>31,678,128</u>	<u>38,356,663</u>
<b>Property and Equipment</b>		
Property and equipment	2,642,318	2,297,318
Less accumulated depreciation	<u>(626,686)</u>	<u>(564,243)</u>
Total property and equipment	<u>2,015,632</u>	<u>1,733,075</u>
<b>Other Assets</b>		
Beneficial interest in perpetual trust	304,038	305,469
Cash surrender value of life insurance	<u>129,902</u>	<u>124,030</u>
Total other assets	<u>433,940</u>	<u>429,499</u>
 Total assets	 <u>\$ 34,127,700</u>	 <u>\$ 40,519,237</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ (40)	\$ -
Gift annuity agreements	36,973	38,955
Assets held for others	15,237,379	21,652,614
Note payable, current portion	<u>49,605</u>	<u>66,000</u>
Total current liabilities	<u>15,323,917</u>	<u>21,757,569</u>
 <b>Notes payable, net of current portion</b>	 <u>744,895</u>	 <u>533,500</u>
<b>Net Assets</b>		
With donor restrictions	15,263,638	14,871,886
Without donor restrictions	<u>2,795,250</u>	<u>3,356,282</u>
Total net assets	<u>18,058,888</u>	<u>18,228,168</u>
 Total liabilities and net assets	 <u>\$ 34,127,700</u>	 <u>\$ 40,519,237</u>

The accompanying notes are an integral part  
of these financial statements.

**DAKOTA STATE UNIVERSITY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION**  
**JUNE 30, 2020**

	<b>FY 2020</b>	<b>FY 2019</b>
<b>OPERATING REVENUES</b>		
Tuition & Fees		
State Support	7,435,745.15	6,982,802.40
Self Support	9,604,673.07	10,386,236.36
Total Tuition	<u>17,040,418.22</u>	<u>17,369,038.76</u>
Fees	4,413,905.87	4,127,544.54
Total Tuition and Fees	21,454,324.09	21,496,583.30
Student Financial Assistance	<u>(3,700,894.79)</u>	<u>(3,300,855.58)</u>
Tuition and Fees Net of Student Financial Assistance	<u>17,753,429.30</u>	<u>18,195,727.72</u>
Auxiliaries	4,184,372.19	4,949,565.11
General Sales & Services	1,566,221.10	3,226,704.15
Contracts & Grants - Federal	5,689,015.14	5,091,209.14
Contracts & Grants - State	3,626,205.92	6,053,832.66
Contracts & Grants - Private	6,671,970.18	2,178,512.76
Student Loan Interest	34,248.15	30,903.40
Other Revenues and Additions	875.86	1,164.11
<b>TOTAL OPERATING REVENUES</b>	<u><b>39,526,337.84</b></u>	<u><b>39,727,619.05</b></u>
<b>OPERATING EXPENSES</b>		
Personal Services	30,872,589.15	29,569,215.06
Travel	554,792.21	959,142.75
Contractual	8,519,805.39	11,998,930.52
Supplies and Materials	5,187,723.58	4,030,060.83
Grants	3,394,032.51	3,250,599.34
Loan Cancellation Expense	49,880.72	33,034.06
Badt Debt	0.00	16,928.20
Depreciation	3,384,825.82	2,914,023.68
<b>TOTAL OPERATING EXPENSES</b>	<u><b>51,963,649.38</b></u>	<u><b>52,771,934.44</b></u>
<b>TOTAL OPERATING INCOME/(LOSS)</b>	<u><b>(12,437,311.54)</b></u>	<u><b>(13,044,315.39)</b></u>
<b>NON-OPERATING REVENUES</b>		
General Fund Appropriations	10,695,087.56	9,905,638.98
CARES Funds	1,013,767.95	0.00
School & Public Lands	287,704.81	250,640.68
HEFF	337,629.77	553,308.87
Investment Income	223,005.24	140,856.41
Other Non-Operating PELL Grants	2,708,761.00	2,999,719.29
<b>TOTAL NON-OPERATING REVENUES</b>	<u><b>15,265,956.33</b></u>	<u><b>13,850,164.23</b></u>
<b>NON-OPERATING EXPENSES</b>		
Interest Expense on Bonds	759,765.72	596,076.10
Other (community center payment to BOR)	123,449.32	123,692.45
Loss on disposal of assets	6,703.75	2,840.22
Bond Issuance Expense	146,149.82	0.00
Contributed Services	568,779.07	453,620.97
<b>TOTAL NON-OPERATING EXPENSES</b>	<u><b>1,604,847.68</b></u>	<u><b>1,176,229.74</b></u>
<b>TOTAL NON-OPERATING REVENUES/(EXPENSES)</b>	<u><b>13,661,108.65</b></u>	<u><b>12,673,934.49</b></u>
<b>INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES</b>	<u><b>1,223,797.11</b></u>	<u><b>(370,380.90)</b></u>
<b>CAPITAL</b>		
HEFF	915,448.93	786,225.22
Capital Grants & Contracts	2,614,642.26	7,674,837.00
<b>NET POSITION:</b>		
NET POSITION - BEGINNING OF THE YEAR	44,404,261.16	35,664,192.20
Prior Period Adjustments	0.00	649,387.64
<b>NET POSITION - END OF THE YEAR</b>	<u><b>44,404,261.16</b></u>	<u><b>44,404,261.16</b></u>

**DAKOTA STATE UNIVERSITY FOUNDATION**

STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2020  
WITH COMPARATIVE TOTALS FOR JUNE 30, 2019

	<b>2020</b>			<b>2019 Total</b>
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>	
<b>PUBLIC SUPPORT AND REVENUE</b>				
Public Support:				
Contributions	\$ 985,392	\$ 1,561,342	\$ 2,546,734	\$ 2,547,746
Revenues:				
Investment income	931,848	14,500	946,348	1,147,706
Realized gain (loss) on investments	258,889	-	258,889	393,463
Increase (decrease) in fair value of investments	238,274	(1,077,382)	(839,108)	(678,387)
Change in split interest agreements	-	(5,430)	(5,430)	(7,316)
Rental income	295,408	-	295,408	280,640
Total Revenues	<u>1,724,419</u>	<u>(1,068,312)</u>	<u>656,107</u>	<u>1,136,106</u>
Total public support and revenues	<u>2,709,811</u>	<u>493,030</u>	<u>3,202,841</u>	<u>3,683,852</u>
<b>EXPENSES</b>				
Program service	1,593,254	-	1,593,254	1,351,006
Management & general	1,687,330	-	1,687,330	1,284,276
Fundraising	91,537	-	91,537	101,030
Total expenses	<u>3,372,121</u>	<u>-</u>	<u>3,372,121</u>	<u>2,736,312</u>
Reclassification of Net Assets				
Transfer for underwater endowments	(2,173,986)	2,173,986	-	-
Net assets released from restrictions in satisfaction of purpose restrictions	<u>2,275,264</u>	<u>(2,275,264)</u>	<u>-</u>	<u>-</u>
Change in Net Assets	(561,032)	391,752	(169,280)	947,540
Net assets - beginning of year	<u>3,356,282</u>	<u>14,871,886</u>	<u>18,228,168</u>	<u>17,280,628</u>
Net assets - end of year	<u>\$ 2,795,250</u>	<u>\$ 15,263,638</u>	<u>\$ 18,058,888</u>	<u>\$ 18,228,168</u>

The accompanying notes are an integral part  
of these financial statements.

**DAKOTA STATE UNIVERSITY  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2020**

	<b>FY 2020</b>	<b>FY 2019</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Tuition, Fees, & Auxiliaries (Net of Scholarship allowance & discounts)	21,813,424.04	22,024,041.91
General Sales & Services	938,909.23	3,234,844.64
Federal Grants & Contracts	5,059,768.03	4,901,813.60
State Grants and Contracts	3,767,669.58	6,089,512.93
Private Grants & Contracts	6,662,539.27	1,554,301.55
Other	875.86	1,164.11
Student Loan Interest	34,248.15	30,903.40
Personal Services (salaries & benefits)	(30,749,604.29)	(29,401,366.38)
Travel	(554,792.21)	(959,142.75)
Contractual	(8,514,292.03)	(11,998,930.52)
Supplies & Materials	(5,963,058.88)	(2,832,221.46)
Grants	(3,394,032.51)	(3,250,599.34)
Perkins Loans Issued/Collected from Students	261,325.57	268,282.19
Net cash provided (used) by Operating Activities	<u>(10,637,020.19)</u>	<u>(10,337,396.12)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCIAL ACTIVITIES</b>		
General Fund Appropriations	10,695,087.56	9,905,638.98
School & Public Lands	287,704.81	250,640.68
CARES Funding	1,013,767.95	
HEFF	337,629.77	553,308.87
Direct Loan Receipts	11,654,358.00	11,792,337.00
Direct Loan Disbursements	(11,654,358.00)	(11,792,337.00)
Federal Capital Contribution - Student Loan	(294,749.00)	0.00
Other Non-Operating Revenue PELL Grants	2,708,761.00	2,999,719.29
Payments for Other Expenditures	(568,779.07)	(453,620.97)
Net Cash Flows Provided by Noncapital Financing Activities	<u>14,179,423.02</u>	<u>13,255,686.85</u>
<b>CASH FLOWS FROM CAPITAL RELATED FINANCING ACTIVITIES</b>		
HEFF	915,448.93	786,225.22
Capital Grants & Contracts	2,614,642.26	7,674,837.00
Proceeds from Capital Debt & Leases	13,114,773.13	0.00
Revenue Bond Discounts and Related Costs	0.00	0.00
Community Center Payments to Board of Regents	(123,449.32)	(123,692.45)
Principal Paid on Indebtedness	(1,174,735.40)	(517,626.69)
Interest on Indebtedness	(901,869.83)	(817,258.45)
Purchase of Capital Assets	(6,594,858.87)	(12,818,468.46)
South Dakota Building Authority	0.00	0.00
Net Cash Used by Capital and Related Financing Activities	<u>7,849,950.90</u>	<u>(5,815,983.83)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
	<u>140,849.73</u>	<u>103,740.10</u>
Net cash Provided (used)	<u>11,533,203.46</u>	<u>(2,793,953.00)</u>
Cash - Beginning of the year	<u>6,541,758.56</u>	<u>9,335,711.56</u>
Cash - End of the year	<u>18,074,962.02</u>	<u>6,541,758.56</u>
<b>RECONCILIATION OF NET OPERATING REVENUES/(EXPENSES) TO NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES</b>		
OPERATING INCOME (LOSS)	(12,437,311.54)	(13,044,315.39)
Adjustments to reconcile net income (loss) to net cash used by operating activities:		
Depreciation, Bad Debt, and Loan Cancellation Expense	3,434,706.54	2,963,985.94
Change in Assets and Liabilities:		
Accounts Receivable	(978,561.04)	(1,063,533.11)
Inventory	(16,120.41)	110,118.74
Accounts Payable	(639,733.74)	696,347.70
NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES	<u>(10,637,020.19)</u>	<u>(10,337,396.12)</u>



**DAKOTA STATE UNIVERSITY FOUNDATION**

STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2020  
WITH COMPARATIVE TOTALS FOR JUNE 30, 2019

	<b>2020</b>	<b>2019</b>
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ (169,280)	\$ 947,540
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	62,443	60,287
Permanently restricted gifts	(397,181)	(483,209)
Net decrease (increase) in fair value of investments	839,108	678,387
Realized (gain) loss on investments	(258,889)	(393,463)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Beneficial interest in perpetual trust	1,431	3,216
Building escrow	-	5,000
Life insurance contracts	(5,871)	(2,589)
Increase (decrease) in:		
Accounts payable	(40)	-
Gift annuity agreements	(1,981)	(1,934)
Assets held for others	(6,415,235)	(6,999,645)
Net cash (used in) operating activities	(6,345,495)	(6,186,410)
 <b>Cash Flows From Investing Activities</b>		
Purchase of property and equipment	(345,000)	(864,912)
Proceeds from sale and maturities of investment securities	10,142,920	4,652,388
Purchase of investment securities	(10,984,646)	(6,355,244)
Net cash (used in) investing activities	(1,186,726)	(2,567,768)
 <b>Cash Flows from Financing Activities</b>		
Proceeds from notes payable	250,000	660,000
Payments on notes payable	(55,000)	(60,500)
Permanently restricted gifts	397,181	483,209
Net cash provided by financing activities	592,181	1,082,709
 Change in Cash and Cash Equivalents	(6,940,040)	(7,671,469)
Cash and Cash Equivalents, beginning of year	9,095,530	16,766,999
Cash and Cash Equivalents, end of year	\$ 2,155,490	\$ 9,095,530

The accompanying notes are an integral part  
of these financial statements.

**DAKOTA STATE UNIVERSITY**  
**NOTES TO THE FINANCIAL STATEMENTS**

**1. Summary of Significant Accounting Policies**

**A. Basis of Presentation:**

The financial statements have been prepared and are presented as required by GASB Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments* and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion & Analysis for Public Colleges and Universities*. The financial statement presentation required by GASB provides a comprehensive, entity-wide perspective of the University's assets, liabilities, net assets, revenues, expenses, changes in net assets, cash flows, and replaces the fund-group perspective previously required. Based on the provisions of GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, the Dakota State University Foundation is reported as a component unit of the university and the Foundation Statements have been presented following the statements of the University.

**B. Reporting Entity:**

Dakota State University is one of six public institutions of higher education governed by the South Dakota Board of Regents. The University is a component unit of the State of South Dakota and is included in the general-purpose financial statements of the State of South Dakota.

**C. Basis of Accounting:**

The University has adopted the accrual basis of accounting for preparing its annual financial statements as required by generally accepted accounting principles. Under the accrual basis of accounting, revenue is recognized when earned and expenditures when an obligation is incurred. For reporting purposes, the University is considered a special-purpose government engaged only in business-type activities.

**D. Fund Accounting:**

In order to insure observance of the limitations and restrictions placed on the use of the resources available to the University, the accounts of the University are maintained according to the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into fund accounts that are maintained in accordance with activities or objectives specified by donors, governmental appropriations, granting agencies, and other outside sources or regulations.

Separate accounts are maintained for each fund; however, in the accompanying statements, all funds have been combined for reporting purposes.

**E. Accounts Receivable:**

Accounts Receivable consists of funds owed to various University departments from external sources. Accounts receivable include funds owed from students for tuition & fee charges as well as expenditures made on grants for which reimbursement has not been received. The University used the direct write-off method for uncollectible receivables.

**F. Notes Receivable:**

Notes receivable consist of those receivables in connection with the Perkins Loan program.

**G. Investments:**

Investments are reported at cost. Market values are not readily determinable for funds on deposit with the State Treasurer. These funds are pooled by the State Investment Council for investment purposes and investment earnings are returned to participating funds annually.

**H. Inventories:**

Inventories of supplies are reported using the FIFO method or estimated value. Inventories are reflected as current assets on the statement of net assets.

**I. Capital Assets:**

Capital assets are reported at historical cost. The cost of a capital asset includes capitalized interest and ancillary charges necessary to place the asset into its intended location and condition for use. Capital assets includes land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, infrastructure, and all other tangible or intangible assets that are used in operations and that have an initial useful lives extending beyond a single reporting period. Capital assets are depreciated using the straight line method of depreciation over their estimated useful lives and are reported net of accumulated depreciation in the statement of net assets.

**J. Net Position:**

Net position is classified according to external donor restrictions or availability of assets for satisfaction of University obligations. Invested in capital assets net of related debt represents the net value of capital assets (property, plant and equipment) less the debt incurred to acquire or construct the assets.

**K. Scholarship allowances and student aid:**

Tuition and fee revenues are reported net of any scholarship discounts and allowances on the Statement of Revenues, Expenses, and Changes in Net Assets.

**L. Revenue recognition:**

The University uses accrual basis accounting & therefore recognizes revenues when earned.

**M. Operating and non-operating revenues:**

Operating revenues consist of transactions resulting in the sales of product or service, grants or contracts related to exchange transactions, program loans, reimbursement of operating transactions, and indirect cost recovered on grants and contracts related to exchange transactions. Non-operating activities are generally activities considered non-capital financing, capital and related financing and investing activities for purposes of the Statement of Cash Flows. General fund appropriations are reported as non-operating revenues.

## **2. Cash and cash equivalents:**

For reporting purposes, cash includes cash on hand, cash in local banks, and cash in the State Treasury. Cash equivalents are reported at fair value. Cash equivalents include short-term investments with original maturities of three months or less.

## **3. Retirement Plan**

The South Dakota Retirement System (SDRS) is a cost-sharing, multiple employer public employee retirement system (PERS) established to provide retirement benefits for employees of the state and local governments. The SDRS is considered part of the State of South Dakota financial reporting entity and is included in the state's financial report as a pension trust fund.

Covered employees are required by state statute to contribute 6 percent of their salary to the plan, while public safety and judicial employees contribute at 8 percent and 9 percent, respectively. State statute also requires the employer to contribute an amount equal to the employee's contributions.

## **4. State Appropriations**

The State General Fund appropriation for fiscal year 2020 was \$10,695,088.

## **5. Tuition and Fees**

The University collects and remits tuition and selected fees to the Board of Regents Tuition and Fee pool. The amount returned to the University as a tuition allocation from the fund is reported as revenue.

## **6. Endowment and Similar Funds**

The assets of the Endowment and similar funds administered by the Department of School and Public Lands have not been included in the financial statements because the University does not actively participate in the administration of the funds.

## **7. Related parties:**

The financial statements do not include the assets, liabilities or fund balances of affiliated organizations, whose financial statements are separately audited.

## **8. Funds held for others:**

Funds held for others consist of federal loan program balances and funds held for student organizations. Assets of the federal loan program are student loans receivable and the funds held for student organizations are principally cash.

**9. Capital Asset Activity including construction in progress for the year ended June 30, 2020 was as follows:**

	Balance	Additions	Retirements	Balance
Land	372,183	0		372,183
Land Improvements	1,341,314	0		1,341,314
Infrastructure	3,849,828	0		3,849,828
Buildings	67,311,547	15,958,010		83,269,557
Furniture, fixtures, and equip.	3,310,628	1,110,487	(31,519)	4,389,596
Library materials	3,508,005	39,908	(47,868)	3,500,045
Intangible Assets	12,441	0	0	12,441
<b>Total</b>	<b>79,705,944</b>	<b>17,108,405</b>	<b>(79,387)</b>	<b>96,734,962</b>
Construction in Progress	13,410,145	(10,513,546)		2,896,599
<b>Less accumulated depreciation:</b>				
Land Improvements	867,623	43,910		911,532
Infrastructure	1,518,542	158,157		1,676,699
Buildings	26,327,426	2,502,201		28,829,627
Furniture, fixtures, and equip.	1,891,202	598,019	(24,815)	2,464,405
Library materials	3,157,427	80,051	(47,868)	3,189,611
Accumulated Amortization	2,488	2,488	0	4,976
<b>Total</b>	<b>33,764,708</b>	<b>3,384,826</b>	<b>(72,683)</b>	<b>37,076,851</b>
<b>Capital Assets, net</b>	<b>59,351,381</b>	<b>3,210,033</b>	<b>(6,704)</b>	<b>62,554,711</b>

**10. Long-term liability activity for the year ended June 30, 2020 was as follows:**

Compensated Absences Payable:

Compensated absences include accrued annual leave, sick leave and compensatory time earned as of June 30. Annual leave is earned by State of South Dakota employees. Upon termination, employees are eligible to receive compensation for their accrued annual leave balance. Employees who have been continuously employed by the State of South Dakota for at least seven years prior to the date of their retirement, voluntary resignation or death will receive payment for one-fourth of their accumulated sick leave balance, such payment not to exceed the sum of twelve weeks of employee's annual compensation.

Capital Lease Payable:

DSU entered into a capital lease to purchase tablet PCs. These tablets are individually under the capitalization threshold but because of the \$1 buyout option at the end of the lease, they are to be considered capital leases rather than operating leases.

The schedule of capital leases remaining to be paid as of June 30 are as follows:

	<u>Tablet PC</u>
<b>Balance 6/30/19</b>	633,274.68
Additions	580,112.25
Payments	<u>(598,184.72)</u>
<b>Balance 6/30/20</b>	<u><u>615,202.21</u></u>
Due FY21 principal	414,956.40
Due FY22 principal	<u>200,245.81</u>
Total Principal	<u><u>615,202.21</u></u>
Due FY21 interest	15,620.41
Due FY22 interest	<u>3,861.00</u>
Total Interest	<u><u>19,481.41</u></u>

Long-Term Liabilities:

The South Dakota Board of Regents issued bonds in 2007 and 2008. DSU's portion was \$390,000 for the 2007 series and \$4,770,000 for the 2008 series. Both of the issues were for the housing system and mature in 2028.

In September 2014, the South Dakota Board of Regents issued series 2014B totaling \$13,760,000 of which DSU's portion was \$1,695,000. This issue was a refinancing of the previously held 2004A series. The total principal savings was \$425,000 and will be realized in the annual payments with April 2025 as the maturity date.

The South Dakota Board of Regents issued series 2015 in December 2015. DSU's portion was \$12,000,000 of which \$5,000,000 is for the renovation of the student union and \$7,000,000 is for the renovation of the former Madison hospital for student housing and a learning engagement center.

The 2019A series was issued for a new residence hall on campus set to open in the Fall of 2021 for a total of \$11,620,000 with a maturity date of April 2044.

The series 2007, 2008, 2014B, 2015, and 2019A bonds are funded from pledged revenues of the residence halls less operational costs, pledged revenues from auxiliary operations including Food Service and the Trojan Center less operational costs and a portion of the General Activity Fee.

The annual requirements to amortize all Revenue Bond debt outstanding are as follows:

<b>Year Ending June 30,</b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Debt Service</u></b>
2021	735,000.00	1,051,946.00	1,786,946.00
2022	915,000.00	1,018,276.00	1,933,276.00
2023	1,005,000.00	975,718.00	1,980,718.00
2024	1,060,000.00	928,675.00	1,988,675.00
2025	1,110,000.00	883,447.00	1,993,447.00
2026-2030	5,190,000.00	3,726,014.00	8,916,014.00
2031-2035	5,380,000.00	2,572,250.00	7,952,250.00
2036-2040	6,675,000.00	1,278,850.00	7,953,850.00
2041-2044	2,955,000.00	224,850.00	3,179,850.00
<b>Total</b>	<b><u>25,025,000.00</u></b>	<b><u>12,660,026.00</u></b>	<b><u>37,685,026.00</u></b>

### 11. Operating Leases:

The University leases a parking lot from the DSU Foundation. The agreement is through June 30, 2022.

The schedule of remaining payments as of June 30, 2020 is as follows:

	<b>Total</b>
<b>Balance 6/30/19</b>	<u>293,265</u>
Additions	12,000
Reductions	<u>(297,265)</u>
<b>Balance 6/30/20</b>	<u><u>8,000</u></u>
<b>Year</b>	<b>Total</b>
2021	<u>4,000</u>
2022	<u>4,000</u>
Total	<u><u>8,000</u></u>

### 12. Joint Ventures:

Dakota State University and the City of Madison are in joint venture of the Madison Community Center. The operations of the Madison Community Center are funded through memberships. Bonds are paid by Dakota State University from a portion of the general activity fee.

### 13. Functional Classification of Expenses and Depreciation:

	Personal Services	Travel	Contractual	Supplies & non- capitalized equipment	Grants & Subsidies	Other	Depr.	Total
Instruction	\$ 15,421,709	\$ 59,977	\$ 440,134	\$ 823,062	\$ 320			\$ 16,745,201
Research	\$ 703,131	\$ 68,589	\$ 279,919	\$ 1,092,934	\$ 1,219,987			\$ 3,364,560
Public Service	\$ 1,474,938	\$ 27,400	\$ 512,713	\$ 125,159	\$ 17,698			\$ 2,157,909
Academic Support	\$ 2,561,651	\$ 32,028	\$ 665,941	\$ 225,252	\$ 860		\$ 82,540	\$ 3,568,272
Student Services	\$ 3,582,587	\$ 300,822	\$ 688,800	\$ 638,103	\$ 56,385			\$ 5,266,698
Institutional Support	\$ 4,435,576	\$ 61,296	\$ 2,739,846	\$ (10,408)	\$ 24,250			\$ 7,250,561
O & M of Plant	\$ 1,565,378	\$ 882	\$ 833,051	\$ 1,813,830			\$ 3,302,286	\$ 7,515,427
Scholarships & Fellowships	\$ 188,560				\$ 2,074,532	\$ 49,881		\$ 2,312,973
Auxiliary Enterprises	\$ 939,059	\$ 3,797	\$ 2,359,400	\$ 479,791				\$ 3,782,048
<b>TOTAL</b>	<b>\$ 30,872,589</b>	<b>\$ 554,792</b>	<b>\$ 8,519,805</b>	<b>\$ 5,187,724</b>	<b>\$ 3,394,033</b>	<b>\$ 49,881</b>	<b>\$ 3,384,826</b>	<b>\$ 51,963,649</b>



# DAKOTA STATE UNIVERSITY FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020

### 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

#### **Investments, continued**

Certain funds have been pooled for ease of management and to achieve greater diversification in investments. Earnings on the investments are allocated to individual endowment accounts.

#### **Fair Value Measurements**

The Foundation has determined the fair value of certain assets and liabilities in accordance with the provisions of FASB ASC 820, *Fair Value Measurements*, (ASC 820) which provides a framework for measuring fair value under generally accepted accounting principles.

FASB ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. FASB ASC 820 requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. FASB ASC 820 also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels:

- |         |  |
|---------|--|
| Level 1 | Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.  |
| Level 2 | Inputs other than quoted prices included within Level 1 that are observable for the asset either directly or indirectly. Level 2 Inputs include the following: <ul style="list-style-type: none"><li>• Quoted prices for similar Assets or Liabilities in active markets;</li><li>• Quoted prices for similar Assets or Liabilities in markets that are not active;</li><li>• Inputs other than quoted prices that are observable for the asset or liability;</li><li>• Inputs that are derived principally from or corroborated by observable market data by correlation or other means (market-corroborated inputs).</li></ul> |

If the asset or liability has a specified (or contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

- |         |  |
|---------|--|
| Level 3 | Inputs are unobservable inputs for the asset or liability. |
|---------|--|

# DAKOTA STATE UNIVERSITY FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020

### 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

#### Property and Equipment

Purchased property and equipment in excess of \$1,000 are recorded at cost. Donated property and equipment are valued at estimated fair value on the date donated and are reported as unrestricted contributions when placed in service unless the donor has restricted the use for the asset to a specific purpose or time period. Contributions of cash or other assets that must be used to acquire property and equipment are reported as increases in net assets with donor restrictions until the assets are acquired and placed in service as instructed by the donor, unless the donor has also required that the acquired asset be used for a specific purpose or time period. If the donor requires property and equipment to be used for a specific purpose, restrictions on net assets are released as the asset is depreciated. If the donor requires property and equipment to be used for a specific time period, restrictions on net assets are released evenly over the period required.

Costs in excess of \$1,000 for renewals and improvements that significantly add to the productive capacity or extend the useful life of an asset are capitalized. Costs for maintenance and repairs are charged to expense currently. When depreciable properties are retired or sold, the cost and related accumulated depreciation are eliminated from the accounts and the resultant gain or loss is reflected in income.

Depreciation is provided for over the estimated useful lives of the individual assets using the straight-line method. The estimated useful lives are as follows:

	Years
Furniture and Fixtures	7
Sign	20
Building	40

#### Net Assets

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

- *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment.

## DAKOTA STATE UNIVERSITY FOUNDATION

### NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020

#### 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

##### **Net Assets, continued**

- *Net Assets With Donor Restrictions* – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires

##### **Public Support and Revenue**

The Foundation's public support and revenue is recognized when received or unconditionally pledged and is recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence and nature of any donor or grantor-imposed restrictions. Support and revenue that are restricted by the donor are reported as increases in net assets with donor restrictions in the reporting period in which the support and revenue are recognized and are reclassified as net assets without donor restrictions upon satisfaction of the time or purpose restrictions.

##### **Donated Services and In-Kind Support**

The Foundation may receive services and equipment without payment or compensation. Contributions of non-cash goods and services, such as advertising, are recorded at the estimated fair value on the date of the contribution. Contributions of services that (1) create or enhance non-financial assets or those that require specialized skills, (2) are provided by individuals possessing those skills, and (3) would typically need to be purchased if not provided by donation are recorded at their fair value in the period received.

For the year ended June 30, 2020, DSU donated staff and offices to perform certain administrative and development functions at no cost to the Foundation. The value of contributed services and facilities meeting the requirements for recognition in the financial statements was \$679,384. In addition, board members and other volunteers have contributed a significant amount of time to the activities of the Organization without compensation. The financial statements do not reflect the value of those contributed services since they do not meet the criteria for recognition.

**DAKOTA STATE UNIVERSITY FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020**

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

**Advertising Costs**

Advertising costs are expensed as incurred.

**Functional Allocation of Expenses**

The costs of program services and supporting activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program services and supporting activities benefited.

**Income Taxes**

The Foundation is a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code. The state of South Dakota has no income tax. Federal tax authorities generally have the right to examine and audit the previous three years of tax returns filed. Any interest or penalties assessed to the Foundation would be recorded as operating expenses. The accompanying financial statements do not reflect a provision for income taxes or any interest or penalties, and the Foundation has no other tax positions which must be considered for disclosure.

**Estimates**

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

2. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the financial position date, comprise the following:

Cash and cash equivalents	\$ 50,151
Receivables: interest and dividends	225
Investments	993,973
	<u>\$ 1,044,349</u>

**DAKOTA STATE UNIVERSITY FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020**

**3. DEPOSIT CREDIT RISK**

The Foundation maintains cash balances in several local financial institutions. The accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000. At times throughout the year, the Foundation's balances may exceed the FDIC limit. The Foundation has not experienced any loss in such accounts. As of June 30, 2020, the Foundation's bank balances exceeded FDIC limits by \$1,855,460. The Foundation believes it places its cash and cash equivalents with high quality credit institutions and is not exposed to any significant credit risks.

**4. INVESTMENTS**

The cost and fair value of investments at June 30, 2020 is as follows:

	<u>Cost</u>	<u>Unrealized Appreciation (Depreciation)</u>	<u>Fair Value</u>
Money market accounts	\$ 275,153	\$ -	\$ 275,153
Mutual funds	27,959,287	1,099,843	29,059,130
Other investments	<u>97,280</u>	<u>90,850</u>	<u>188,130</u>
	<u>\$ 28,331,720</u>	<u>\$ 1,190,693</u>	<u>\$ 29,522,413</u>

The Foundation has an investment in a limited liability company of \$140,849 at June 30, 2020. The investment is recorded at the original investment cost, plus or minus the Foundation's share of gains or losses to date less any distributions received in cash.

Investments include funds accepted for deposit from other organizations. These organizations' aggregate share of the asset-managed funds is recorded as a liability in the accompanying statement of financial position.

**DAKOTA STATE UNIVERSITY FOUNDATION**

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5. FAIR VALUE OF ASSETS AND LIABILITIES

The Foundation measures investments at fair value on a recurring basis. The related fair values of these assets are determined as follows:

	Quoted Prices in Active Markets (Level 1)	Other Observable (Level 2)	Unobservable Inputs (Level 3)
Money market accounts	\$ 275,153	\$ -	\$ -
Mutual funds	29,059,130	-	-
Other investments	-	-	188,130
	<u>\$ 29,334,283</u>	<u>\$ -</u>	<u>\$ 188,130</u>

The fair value of money market accounts and mutual funds are determined by reference to quoted market prices. The Foundation used Net Asset Value (NAV) or its equivalent to estimate the fair value of the other investments which do not have a readily determinable fair value. Investments valued at NAV are classified within Level 2 if the Foundation has the ability to redeem the investment at NAV per share, or its equivalent, at the measurement date or within the near term; otherwise, the investment is classified within Level 3. A reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended June 30, 2020 is as follows:

Balance, beginning of the year	\$ 237,999
Liquidation of investment	(49,869)
Balance, end of the year	<u>\$ 188,130</u>

6. BENEFICIAL INTEREST IN PERPETUAL TRUST

A donor has established a charitable perpetual trust at a local bank naming the Foundation as the trust beneficiary. Charitable perpetual trusts provide for the payment of distributions to designated beneficiaries over the trusts' terms. At the end of the trusts' terms, the beneficiary will be reevaluated and the agreement with the Foundation could possibly be changed.

**DAKOTA STATE UNIVERSITY FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS  
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6. BENEFICIAL INTEREST IN PERPETUAL TRUST, continued

The Foundation views this possibility as remote and has accordingly recognized the value of investments held by the perpetual trust as an asset with donor restrictions in the accompanying statement of financial position. Assets held in charitable perpetual trust as of June 30, 2020 were \$304,038 and are reported at fair value in the Foundation's statement of financial position. Changes in fair value of charitable remainder trusts are reflected as changes in net assets without donor restrictions in the Foundation's statement of activities.

7. PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2020, consists of the following:

Land	\$ 254,141
Sign	399,324
Furniture and fixtures	30,934
Buildings	<u>1,957,919</u>
	2,642,318
Less: accumulated depreciation	<u>(626,686)</u>
Net property and equipment	<u>\$ 2,015,632</u>

8. GIFT ANNUITY AGREEMENTS

The Foundation has entered into gift annuity agreements, which provide that the Foundation shall pay periodic amounts to designated beneficiaries until their death. Payments continue even if the assets gifted or acquired as a result of a gift have been exhausted. The Foundation records these gifts at fair value with a corresponding liability recorded for the actuarially determined present value of payments to be made to the designated beneficiaries. The residual amounts of the gifts are recorded as net assets without donor restrictions or net assets with donor restrictions based on the donors' wishes.

Upon the death of a beneficiary, the remaining assets are held or disposed in accordance with the annuity agreements. Investments and cash held under gift annuity agreements total \$78,027 as of June 30, 2020. The estimated present value of future payments to be made under these agreements, discounted at rates from 2.0% to 4.0%, totaled \$36,973 as of June 30, 2020.

**DAKOTA STATE UNIVERSITY FOUNDATION**

NOTES TO THE FINANCIAL STATEMENTS  
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9. LONG-TERM NOTES PAYABLE

Long-term notes payable at June 30, 2020 consists of the following:

- A \$660,000 loan with Heartland Consumer Power District. The loan requires monthly payments of \$5,500 with 0% interest and is due August 1, 2028. The proceeds were utilized to purchase the Heartland Technology Building and is collateralized by the Foundation's real estate, inventory, receivables, and equipment.
- A \$250,000 loan with a local financial institution. The loan requires monthly payments of \$993 with 2.50% interest and is due May 30, 2020. The proceeds were utilized to purchase the Gunderson House and is collateralized by one of the Foundation's deposit accounts.

As a result of the ongoing outbreak of the coronavirus disease 2019 (COVID-19) which was declared a pandemic by the World Health Organization in March 2020, the Foundation was given a six-month reprieve on the loan payments to Heartland Consumer Power District. The impact of that reprieve is reflected in the maturities noted below.

Maturities of long-term debt for the next five years and thereafter are as follows:

Year Ending	
<u>June 30,</u>	<u>Amount</u>
2021	\$ 49,605
2022	71,784
2023	71,932
2024	72,069
2025	72,240
Thereafter	<u>456,870</u>
	<u>\$ 794,500</u>

10. ENDOWMENT

The Foundation's endowment consists of several individual funds established for a variety of purposes. Those funds are organized in five separate funds, accumulated under the Dakota State University Composite for management and record-keeping purposes, making up the endowment assets of the Foundation. The endowment includes donor-restricted endowment funds. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.



**DAKOTA STATE UNIVERSITY FOUNDATION**

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020

10. ENDOWMENT, continued

*Interpretation of Relevant Law*

The Board of Directors of the Foundation has interpreted the South Dakota Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring a review based on a total return concept, balancing prudent spending for the purposes intended annually, while keeping in mind the need for the endowment to serve in perpetuity for the benefit of Dakota State University. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund not retained in perpetuity are subject to appropriation for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

The composition of Endowment Net Assets by fund type as of June 30, 2020, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 183,457	\$ -	\$ 183,457
Donor-restricted endowment funds	-	15,263,638	15,263,638
	\$ 183,457	\$15,263,638	\$15,447,095

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or law (underwater endowments). The Foundation has interrupted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. As a result of unfavorable market fluctuations during the year ended June 30, 2020, a transfer of \$2,173,986 was required from net assets without restriction to make all underwater endowments whole again.

**DAKOTA STATE UNIVERSITY FOUNDATION**

NOTES TO THE FINANCIAL STATEMENTS  
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10. ENDOWMENT, continued

Changes in Endowment Net Assets for the year ended June 30, 2020 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 181,426	\$14,871,886	\$15,053,312
Investment return, net	2,031	-	2,031
Change in split -interests	-	(5,430)	(5,430)
Contributions	-	397,182	397,182
Endowment net assets, end of year	<u>\$ 183,457</u>	<u>\$15,263,638</u>	<u>\$15,447,095</u>

The Investment Committee of the Board of Trustees is charged with the responsibility of managing the investment of endowment assets for the Foundation. The overall goal in management of these funds is to generate a long-term total rate of return that provides sustainable distributions to support program expenditures within a reasonable level of risk. As a result, the endowment assets are invested in a manner that is intended to produce results that, over the long-term, allow them to grow at a rate exceeding expected inflation. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity, as well as, to provide additional real growth through new gifts and investment return.

The Investment Committee of the Board of Trustees adheres to modern portfolio theory, which has, as its basis, risk reduction through diversification. Diversification is obtained through the use of multiple asset classes, as well as, multiple investments within these asset classes. Assets classes that may be used include (but are not limited to) domestic and international corporate stocks and bonds, hedge funds, and government issued debt securities.

The investment strategy is implemented through the selection of external advisors and managers with the expertise and successful histories in the management of specific assets classes.

**DAKOTA STATE UNIVERSITY FOUNDATION**

**NOTES TO THE FINANCIAL STATEMENTS  
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11. NET ASSETS WITH DONOR RESTRICTIONS

Net assets at June 30, 2020 consist of the following:

Without Donor Restrictions:	
Undesignated	\$ <u>2,795,250</u>
Total net assets without donor restrictions	<u>2,795,250</u>
With Donor Restrictions:	
Subject to expenditure for a specified purpose:	
DSU scholarships	15,163,638
DSU buildings and equipment	<u>100,000</u>
Total net assets with donor restrictions	<u>15,263,638</u>
Total net assets	<u>\$ 18,058,888</u>

12. LEASING ACTIVITIES

The Foundation has a parking lot lease agreement with DSU which required DSU to pay the Foundation \$4,000 annually for 2020. This agreement is contingent upon the Legislature of South Dakota making appropriations for such expenditures on an annual basis.

The Foundation leases two houses on an annual basis. Rent income received from these leases was \$15,588 for the year ended June 30, 2020. The Foundation leases another house to DSU for use as President's residence. The lease is from January 2009 to July 2038 and requires DSU to pay \$27,820 annually (total commitment of \$556,400).

The Foundation leases space in their Technology Center to DSU tenants under lease agreements with varying terms. During the year ended June 30, 2020, \$140,000 was received in rental income from these agreements.

The Foundation leases advertising space on a sign. Lease income received from this lease was \$112,000 for the year ended June 30, 2020.

## DAKOTA STATE UNIVERSITY FOUNDATION

### NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020

#### 13. COMMITMENTS AND CONTINGENCIES

##### **Scholarships and Awards**

The Foundation awards scholarships each spring for the following school year. These scholarships are subject to the satisfaction by intended recipients of prior conditions before payment. Accordingly, scholarships awarded in the spring of 2020 are not included as liabilities and expenses in the accompanying 2020 financial statements. The amount of scholarships to be awarded is approximately \$1,593,254 as of June 30, 2020.

#### 14. SUBSEQUENT EVENTS

Events occurring after June 30, 2020 were evaluated by management through September 25, 2020, the date which the financial statements were available to be issued, to ensure that any subsequent events that met the criteria for recognition and/or disclosure in these financial statements have been included.

The Foundation's operations may be affected by the recent and ongoing outbreak of the coronavirus disease 2019 (COVID-19) which was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption which may be caused by the outbreak is uncertain; however, it may result in a material adverse impact on the Foundation's financial position, operations and cash flows. Possible effects may include, but are not limited to, disruption to the Foundation's donors and revenue, absenteeism in the Foundation's labor workforce, unavailability of products and supplies used in operations, and a decline in value of assets held by the Foundation, including property and equipment and marketable securities.

In August 2019, the Foundation announced the Trojans Unite capital campaign for the construction of a new athletic facility. Phase I of the project is anticipated to cost \$42 million. In September 2020, the Foundation received a pledge of \$10 million towards the project. The Foundation will be responsible for investing and managing funds received in relation to this capital campaign. Construction on the new athletic facility will start once the Foundation has received funds and/or pledges of \$42 million.