



**Dakota State University**

# **Financial Report**

**For the fiscal year ended June 30, 2024**

**DAKOTA STATE UNIVERSITY  
FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2024**

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**DAKOTA STATE UNIVERSITY**

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Stacy Krusemark, Vice President for Business and Administrative Services

Amy Dockendorf, Controller



April 1, 2025

Nathan Lukkes  
Executive Director  
South Dakota Board of Regents  
306 East Capitol Ave, Suite 200  
Pierre, SD 57501

Dear Mr. Lukkes:

The financial report of Dakota State University for the fiscal year 2024 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, 2024.

Sincerely,

Dr. José-Marie Griffiths  
President  
Dakota State University



April 1, 2025

Dr. José-Marie Griffiths  
President  
Dakota State University

Dear Dr. Griffiths:

The financial report of Dakota State University for the year ending June 30, 2024 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, 2024.

Sincerely,

Stacy Krusemark  
Vice President for Business and Administrative Services

**DAKOTA STATE UNIVERSITY**  
**FINANCIAL REPORT**  
**FOR THE YEAR ENDING JUNE 30, 2024**

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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, 2024. 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 increased by \$13,572,000. The DSU Rising project which includes funds for the construction and operation of an Applied Research Lab (ARL) Facility in Sioux Falls, South Dakota, received an additional \$10,000,000 that is held at the DSU Foundation. The university received \$7,000,000 for planning and construction of an indoor facility where the funds are also held at the DSU Foundation.

Non-Current assets increased by \$27,395,000 due to the Athletic Complex and ARL Sioux Falls facility. The Athletic Complex completed \$8,155,000 of the project in fiscal year 2024 with \$28,726,000 in construction in progress. The ARL Sioux Falls facility had \$5,905,000 of construction in progress out of an estimated \$60,000,000 project.

Total liabilities increased by \$12,336,000. The additional \$10,000,000 and \$7,000,000 received that is held by the DSU Foundation and recorded as deferred revenue was offset by expenses for those projects.

### Condensed Statement of Net Position as of June 30, 2024 and 2023

	<u>FY 2024</u>	<u>FY 2023</u>
<b>Assets</b>		
Current Assets	\$ 79,163,649	\$ 65,591,649
Noncurrent Assets	\$ 111,407,830	\$ 84,012,935
Total Assets	<u>\$ 190,571,479</u>	<u>\$ 149,604,584</u>
<b>Liabilities</b>		
Current Liabilities	\$ 71,920,881	\$ 58,366,494
Noncurrent Liabilities	\$ 25,789,335	\$ 27,007,298
Total Liabilities	<u>\$ 97,710,216</u>	<u>\$ 85,373,792</u>
<b>Net Position</b>		
Invested in Capital, Net of Related Debt	\$ 85,202,872	\$ 56,580,694
Restricted	\$ 175,957	\$ 1,200,220
Unrestricted	\$ 7,482,433	\$ 6,449,878
Total Net Assets	<u>\$ 92,861,263</u>	<u>\$ 64,230,792</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, 2024 and 2023**

	<b><u>FY 2024</u></b>	<b><u>FY 2023</u></b>
Operating Revenues	\$ 42,025,812	\$ 41,070,008
Operating Expenses	<u>\$ 65,668,029</u>	<u>\$ 58,701,820</u>
Operating Loss	<u>\$ (23,642,217)</u>	<u>\$ (17,631,812)</u>
Non-Operating Revenues	\$ 24,538,006	\$ 18,436,860
Non-Operating Expenses	<u>\$ 772,466</u>	<u>\$ 1,603,454</u>
Non-Operating Income	<u>\$ 23,765,540</u>	<u>\$ 16,833,406</u>
Net Loss/Income	\$ 123,323	\$ (798,406)
Capital Contributions	<u>\$ 28,507,148</u>	<u>\$ 11,417,201</u>
Increase (Decrease) in Net Assets	\$ 28,630,471	\$ 10,618,795
Net Position, Beginning of Year	<u>\$ 64,230,792</u>	<u>\$ 53,611,997</u>
Net Position, End of Year	<u><u>\$ 92,861,263</u></u>	<u><u>\$ 64,230,792</u></u>

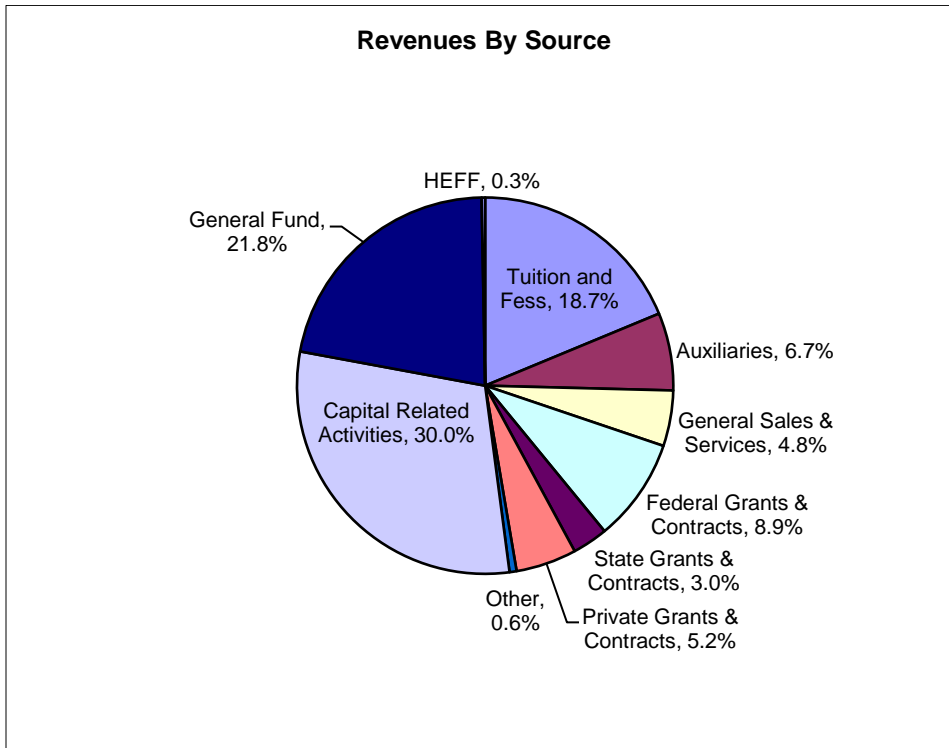
Operating revenues increased by \$956,000 in FY24. The increases in tuition, fees, auxiliaries, and general sales & services primarily due to enrollment and fee increases were offset by decreases in contracts and grants.

Non-operating revenues are revenues realized through appropriations or non-operating activities such as investment income and Federal PELL grant revenue. Non-operating revenues increased by \$6,101,000 which included special appropriations of \$5,902,000. The majority of the special appropriation is part of the \$30,000,000 cyber program expansion appropriated in the fiscal year 2022 legislative session.

Operating expenses increased by \$6,966,000. The special appropriation of \$5,902,000 was the main contributor to the increase. The special appropriation includes personal services and contractual expenses for adding faculty, marketing, and recruiting and retaining students to expand cyber programs.



The following is an illustration of revenues by source for the year ended June 30, 2024:

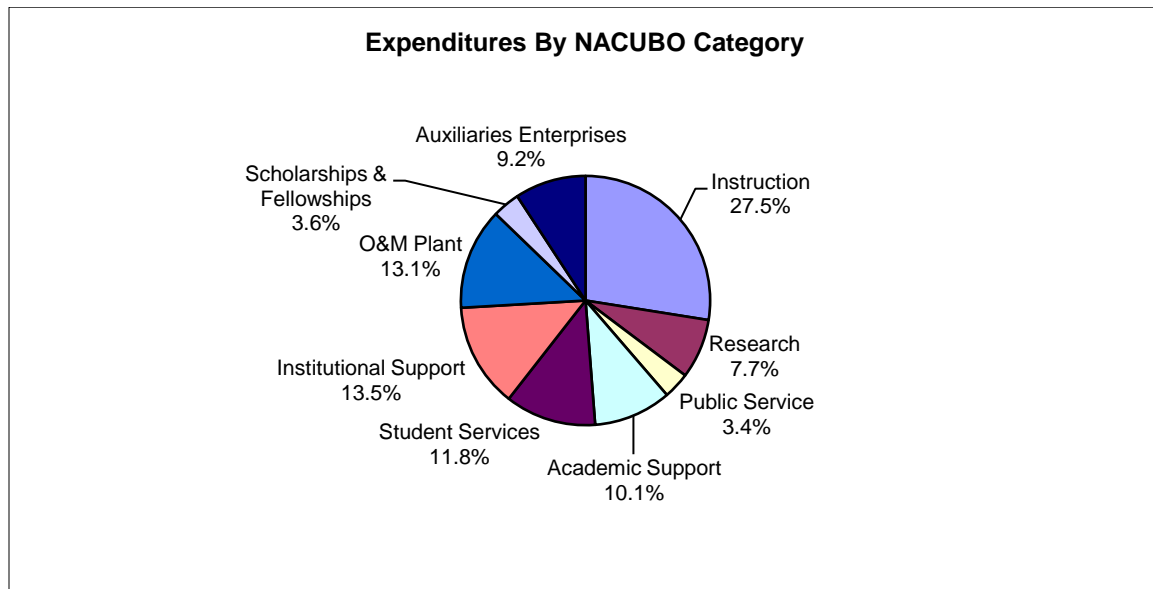


Below is a review of the expenses by the National Association of College and University Business Officers expenditure categories.

#### **NACUBO Expenditure**

	<b><u>FY 2024</u></b>
Instruction	\$ 18,064,052
Research	\$ 5,086,684
Public Service	\$ 2,249,684
Academic Support	\$ 6,622,699
Student Services	\$ 7,743,503
Institutional Support	\$ 8,876,458
O&M Plant	\$ 8,631,574
Scholarships & Fellowships	\$ 2,334,545
Auxiliaries Enterprises	\$ 6,058,830
Total	<u>\$ 65,668,029</u>

The following is an illustration of expenses for the year ended June 30, 2024:

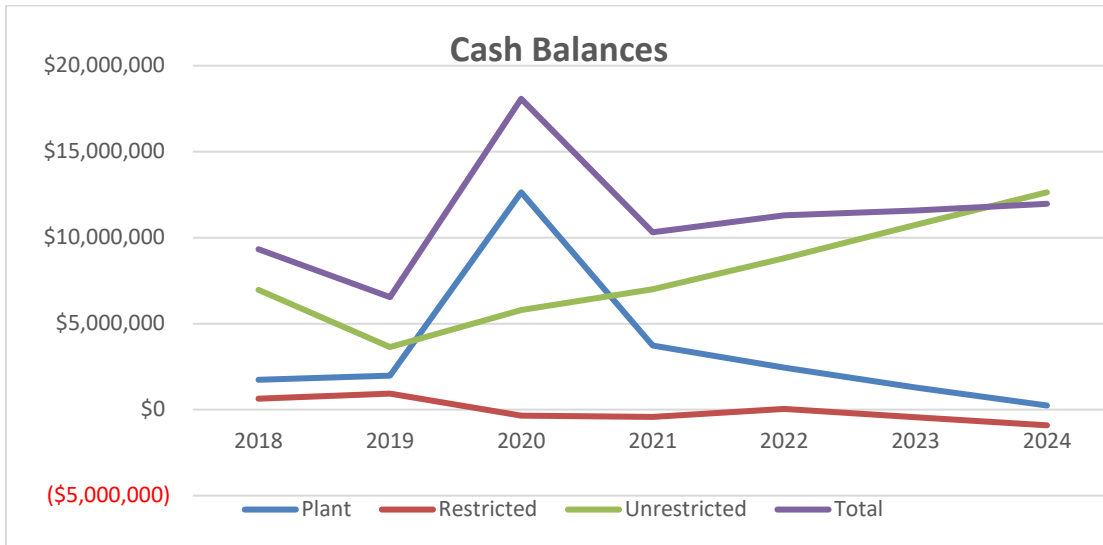


**Condensed Statement of Cash Flows**  
**For the year ended June 30, 2024**

	<u><b>FY 2024</b></u>	<u><b>FY 2023</b></u>
Cash Provided by (Used in):		
Operating Activities	\$ 4,814,255	\$ (609,911)
Non Capital Financing Activities	\$ 24,130,202	\$ 17,379,007
Capital and Related Financing Activities	\$ (28,729,643)	\$ (16,553,703)
Investing Activities	\$ 170,237	\$ 66,687
Net Increase (Decrease) in Cash	\$ 385,051	\$ 282,079
Cash and Cash Equivalents, Beginning of the Year	\$ 11,576,964	\$ 11,294,885
Cash and Cash Equivalents, End of the Year	<u>\$ 11,962,015</u>	<u>\$ 11,576,964</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 and auxiliaries, \$24.4 million, in the operating activities category, and 2) general fund appropriations, \$20.7 million, in the non-capital financing activities. The largest payments were for salaries and benefits, \$38.5 million, and payments to vendors for contracted services and supplies, \$18.9 million.

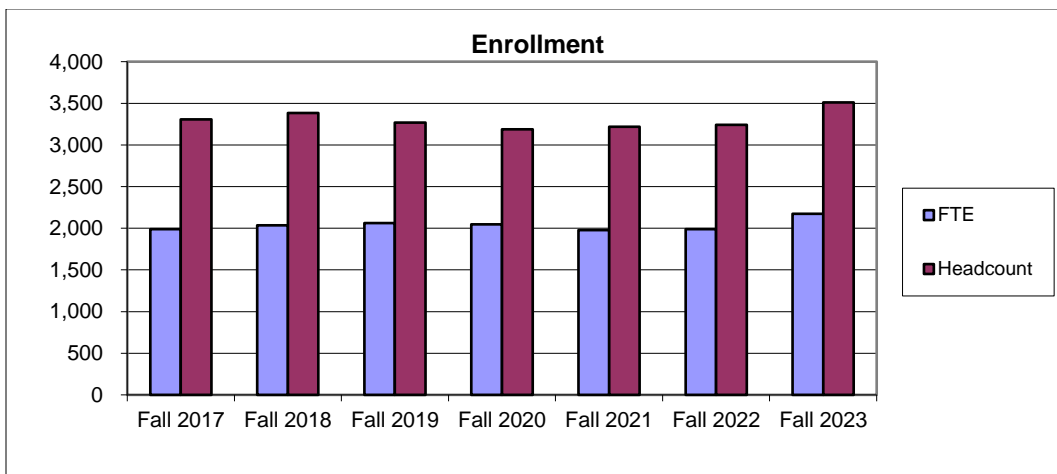
The following is an illustration of cash balances as of June 30, 2024:



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. 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.

### Enrollment Information

Dakota State University's Fall full-time equivalent increased by 9.2% and headcount enrollment increased by 8.3% over the prior year. Increases were attributed to growth in new freshmen, transfers, and graduate students. Projections for enrollment continue to be conservative while the university focuses on strategic marketing and support for students through their college career.



**DAKOTA STATE UNIVERSITY**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2024**

	FY 2024	FY 2023
<b>ASSETS</b>		
Current Assets		
Cash on Deposit - State Treasurer	11,877,162	11,487,507
Other Cash and Temporary Investments	56,554	61,959
Accounts Receivable - Students	2,217,805	2,483,951
Accounts Receivable	167,650	213,965
Notes Receivable	117,700	119,121
Interest Receivable	297,554	170,221
Prepaid Expenses and Deferred Charges	14,346	16,506
Inventory	116,285	154,783
Due From Federal Sources	1,010,226	1,735,551
Due From Primary Government	100,372	107,311
Due From Other Component Unit	63,187,996	49,040,775
Total Current Assets	79,163,649	65,591,649
Non-Current Assets		
Restricted Cash on Deposit - State Treasurer (Debt Service)	28,300	27,499
Notes Receivable	154,927	270,556
Land	372,184	372,184
Land Improvements, Net	6,888,636	235,559
Infrastructure, Net	2,606,182	1,698,658
Buildings and Building Improvements, Net	64,201,436	63,973,763
Equipment and Other Property, Net	2,221,779	1,450,075
Construction in Progress	34,934,387	15,984,642
Work in Progress-Intangible Assets	0	0
Total Non-Current Assets	111,407,830	84,012,935
<b>TOTAL ASSETS</b>	<b>190,571,479</b>	<b>149,604,584</b>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts Payable	4,286,235	5,337,987
Accrued Wages and Benefits	680,179	812,259
Accrued Interest Payable	223,869	235,055
Compensated Absences Payable	1,120,595	1,032,996
Bonds Payable, Net of Unamortized Amount	1,242,968	1,192,968
Obligations Under Capital Leases, Non Capital	457,673	449,899
Deferred Revenue	63,756,649	49,220,531
Due to Primary Government	20,306	20,627
Due to Other Component Unit	69,900	0
Student Deposits	62,508	64,172
Total Current Liabilities	71,920,881	58,366,494
Non-Current Liabilities		
Compensated Absences Payable	2,447,626	2,311,570
Bonds Payable, Net of Unamortized Amount	22,010,768	23,253,736
Obligations Under Capital Leases, Non Capital	234,250	234,213
Federal Capital Contributions Advance	1,096,051	1,206,284
Total Non-Current Liabilities	25,788,695	27,005,803
<b>TOTAL LIABILITIES</b>	<b>97,709,576</b>	<b>85,372,297</b>
Deferred Inflows	641	1,495
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS</b>	<b>97,710,216</b>	<b>85,373,792</b>
<b>NET POSITION</b>		
Invested in Capital, Net of Related Debt	85,202,872	56,580,694
Restricted		
Expendable		
Debt service	28,300	27,499
Other	147,658	1,172,721
Unrestricted	7,482,433	6,449,878
<b>TOTAL NET POSITION</b>	<b>92,861,263</b>	<b>64,230,792</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>190,571,479</b>	<b>149,604,584</b>

Dakota State University Foundation  
Statement of Financial Position – Assets  
Year Ended June 30, 2024

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Assets

Current Assets

Cash and cash equivalents	\$ 1,376,909
Lease receivable from DSU	69,900
Current portion of promises to give	<u>2,415,429</u>

Total current assets	<u>3,862,238</u>
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Property and Equipment, net	<u>2,936,717</u>
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Other Long-Term Assets

Cash surrender value of life insurance	163,165
Beneficial interest in perpetual trust	301,510
Investments	19,623,949
Promises to give, less current portion	5,451,505
Assets limited as to use - funds invested and held for the University	<u>69,812,188</u>

Total other assets	<u>95,352,317</u>
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Total assets	<u><u>\$ 102,151,272</u></u>
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Dakota State University Foundation  
Statement of Financial Position – Liabilities and Net Assets  
Year Ended June 30, 2024

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Liabilities and Net Assets

Current Liabilities

Current portion of long-term debt	\$ 69,769
Accounts payable	103,633
Annuity payable	25,652
Accrued interest payable	44,929
Deposits held for others	16,657

Total current liabilities	260,640
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Long-Term Liabilities

Long-term debt, net of current portion	461,621
Line of credit	6,313,960
Funds invested and held for the University	69,812,188

Total long-term liabilities	76,587,769
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Total liabilities	76,848,409
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Net Assets

Without donor restriction	1,396,713
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With donor restriction

Purpose restriction	3,632,788
Perpetual in nature	20,273,362

	23,906,150
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Total net assets	25,302,863
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Total liabilities and net assets	\$ 102,151,272
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**DAKOTA STATE UNIVERSITY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION**  
**JUNE 30, 2024**

	FY 2024	FY 2023
OPERATING REVENUES		
Tuition & Fees		
State Support	7,121,161	6,838,692
Self Support	10,963,465	10,391,654
Total Tuition	18,084,625	17,230,346
Fees	4,135,773	3,965,566
Total Tuition and Fees	22,220,398	21,195,912
Student Financial Assistance	(4,395,195)	(3,873,179)
Tuition and Fees Net of Student Financial Assistance	17,825,203	17,322,733
Auxiliaries	6,331,711	5,807,119
General Sales & Services	4,542,408	2,794,823
Contracts & Grants - Federal	5,455,426	5,703,458
Contracts & Grants - State	2,892,926	2,938,652
Contracts & Grants - Private	4,959,013	6,485,814
Student Loan Interest	18,841	16,914
Other Revenues and Additions	284	496
TOTAL OPERATING REVENUES	42,025,812	41,070,008
OPERATING EXPENSES		
Personal Services	38,622,292	33,641,560
Travel	1,020,702	983,069
Contractual	12,862,545	11,588,875
Supplies and Materials	5,263,801	4,979,410
Grants	3,443,786	3,486,587
Loan Cancellation Expense	7,751	195,676
Depreciation	4,447,151	3,826,643
TOTAL OPERATING EXPENSES	65,668,029	58,701,820
TOTAL OPERATING INCOME/(LOSS)	(23,642,217)	(17,631,812)
NON-OPERATING REVENUES		
General Fund Appropriations	20,711,295	14,896,806
CARES Funds	0	599,994
School & Public Lands	256,970	213,960
HEFF	286,380	294,255
Investment Income	297,571	170,236
Other Non-Operating PELL Grants	2,985,790	2,261,609
TOTAL NON-OPERATING REVENUES	24,538,006	18,436,860
NON-OPERATING EXPENSES		
Interest Expense on Bonds	783,667	830,256
Loss on disposal of assets	(11,201)	80,631
Contributed Services	0	692,567
TOTAL NON-OPERATING EXPENSES	772,466	1,603,454
TOTAL NON-OPERATING REVENUES/(EXPENSES)	23,765,540	16,833,406
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES	123,323	(798,406)
CAPITAL		
HEFF	345,547	141,324
Capital Grants & Contracts	28,161,601	11,275,877
NET POSITION:		
NET POSITION - BEGINNING OF THE YEAR	64,230,792	53,611,997
NET POSITION - END OF THE YEAR	92,861,263	64,230,792

Dakota State University Foundation

Statement of Activities

Year Ended June 30, 2024

	2024		
	Without Donor Restriction	With Donor Restriction	Total
Support and Revenue			
Contributions	\$ 35,629	\$ 6,770,102	\$ 6,805,731
Contributions from DSU of non-financial assets	932,142	-	932,142
Other in-kind contributions	73,606	-	73,606
Gross special event revenue	-	224,553	224,553
Less cost of direct benefits to donors	-	(102,657)	(102,657)
Net special events revenue	-	121,896	121,896
Rental revenue	199,442	90,650	290,092
Less property management fees	(78,920)	(56,328)	(135,248)
Net rental revenue	120,522	34,322	154,844
Net investment income	106,955	2,463,084	2,570,039
Management fee income	51,958	-	51,958
Change in split-interest agreements	-	8,094	8,094
Gain on sale of property held as investment	100,150	279,511	379,661
Other income	863	-	863
Net assets released from restrictions			
Released for scholarships	1,498,154	(1,498,154)	-
Released for endowment fee	277,730	(277,730)	-
Released for capital projects	24,569,407	(24,569,407)	-
Total support and revenue	27,767,116	(16,668,282)	11,098,834
Expenses			
Program services expense			
Scholarships and University support	26,549,348	-	26,549,348
Supporting services expense			
Management and general	2,157,433	-	2,157,433
Fundraising and development	138,151	-	138,151
Total expenses	28,844,932	-	28,844,932
Change in Net Assets	(1,077,816)	(16,668,282)	(17,746,098)
Net Assets, Beginning of Year	2,474,529	40,574,432	43,048,961
Net Assets, End of Year	\$ 1,396,713	\$ 23,906,150	\$ 25,302,863



**DAKOTA STATE UNIVERSITY**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2024**

	FY 2024	FY 2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Tuition, Fees, & Auxiliaries (Net of Scholarship allowance & discounts)	24,423,060	23,010,233
General Sales & Services	2,990,520	2,376,004
Federal Grants & Contracts	6,180,751	5,232,957
State Grants and Contracts	2,853,786	2,923,492
Private Grants & Contracts	30,213,680	16,011,122
Other	284	496
Student Loan Interest	18,841	16,914
Personal Services (salaries & benefits)	(38,530,718)	(33,095,380)
Travel	(1,020,702)	(983,069)
Contractual	(12,705,545)	(11,360,710)
Supplies & Materials	(6,275,215)	(1,346,925)
Grants	(3,443,786)	(3,486,587)
Perkins Loans Issued/Collected from Students	109,299	91,542
Net cash provided (used) by Operating Activities	4,814,255	(609,911)
<b>CASH FLOWS FROM NONCAPITAL FINANCIAL ACTIVITIES</b>		
General Fund Appropriations	20,711,295	14,896,806
School & Public Lands	256,970	213,960
HEFF	286,380	294,255
Direct Loan Receipts	(9,069,219)	(8,884,563)
Direct Loan Disbursements	9,069,219	8,884,563
Federal Capital Contribution - Student Loan	(110,233)	(195,050)
Other Non-Operating Revenue including PELL Grants	2,985,790	2,861,602
Payments for Other Expenditures	0	(692,567)
Net Cash Flows Provided by Noncapital Financing Activities	24,130,202	17,379,007
<b>CASH FLOWS FROM CAPITAL RELATED FINANCING ACTIVITIES</b>		
HEFF	345,547	141,324
Capital Grants & Contracts	4,228,048	1,256,951
Proceeds from Capital Debt & Leases	686,700	693,900
Principal Paid on Indebtedness	(1,738,890)	(1,657,046)
Interest on Indebtedness	(928,675)	(975,718)
Purchase of Capital Assets	(31,322,373)	(16,013,114)
Net Cash Used by Capital and Related Financing Activities	(28,729,643)	(16,553,703)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	170,237	66,687
Net cash Provided (used)	385,051	282,079
Cash - Beginning of the year	11,576,964	11,294,885
Cash - End of the year	11,962,015	11,576,964
<b>RECONCILIATION OF NET OPERATING REVENUES/(EXPENSES) TO NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES</b>		
OPERATING INCOME (LOSS)	(22,138,895)	(14,969,875)
Adjustments to reconcile net income (loss) to net cash used by operating activities:		
Depreciation, Bad Debt, and Loan Cancellation Expense	4,527,639	4,094,928
Change in Assets and Liabilities:		
Accounts Receivable	1,110,105	(494,020)
Inventory	38,498	(41,294)
Accounts Payable	21,276,908	10,800,351
NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES	4,814,255	(609,911)

## Dakota State University Foundation

## Statement of Cash Flows

Year Ended June 30, 2024

Operating Activities	
Change in net assets	\$ (17,746,098)
Adjustments to reconcile changes in net assets to cash flow used for operating activities	
Depreciation	61,737
Realized and unrealized (gains) losses on investments	(1,558,096)
Contributions restricted to endowment	(948,196)
Gain on disposal of property and equipment	(379,661)
Loss on uncollectible promises to give receivables	11,000
Change in split-interest agreements	(8,094)
Changes in assets and liabilities	
Promises to give	2,265,313
Lease receivable	(69,900)
Accounts payable	32,850
Accrued expenses	44,929
Net Cash used for Operating Activities	<u>(18,294,216)</u>
Investing Activities	
Purchase of property and equipment	(1,009,732)
Proceeds from the sale of property and equipment	647,053
Purchases of investments	(33,816,162)
Proceeds from sale of investments	45,934,131
Net Cash from Investing Activities	<u>11,755,290</u>
Financing Activities	
Collections of contributions restricted to endowment	948,196
Principal payments on annuities	(36,205)
Proceeds from line of credit	6,313,960
Principal payments on long-term debt	(69,799)
Net Cash from Financing Activities	<u>7,156,152</u>
Net Change in Cash and Cash Equivalents	617,226
Cash and Cash Equivalents at Beginning of Year	<u>759,683</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,376,909</u>
Supplemental Disclosure of Cash Flow Information	
Cash paid during the year for interest	<u>\$ 15,509</u>
Supplemental Disclosure of Non-Cash Operating Activities	
Non-cash contributions	<u>\$ 1,005,748</u>

**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 2024 was \$20,711,295.

## **5. Tuition and Fees**

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

## **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, 2024 was as follows:**

	Beginning Balance	Additions	Retirements	Ending Balance
Land	\$372,184			\$372,184
Land Improvements	\$803,640	\$7,033,014	\$0	\$7,836,655
Infrastructure	\$3,849,828	\$1,121,770	\$0	\$4,971,597
Buildings	\$56,202,857	\$0	\$0	\$56,202,857
Building Improvements	\$44,924,965	\$3,352,066	\$0	\$48,277,031
Furniture, fixtures, and equip.	\$5,201,261	\$1,460,123	(\$117,856)	\$6,543,528
Library materials	\$3,552,133	\$28,956	(\$659,498)	\$2,921,591
Intangible Assets	\$12,441	\$0	\$0	\$12,441
Total	\$114,919,309	\$12,995,928	(\$777,354)	\$127,137,883
Construction in Progress	\$15,984,642	\$30,316,567	(\$11,366,822)	\$57,668,031
Less accumulated depreciation:				
Land Improvements	\$568,082	\$379,937	\$0	\$948,019
Infrastructure	\$2,151,170	\$214,245	\$0	\$2,365,415
Buildings	\$15,537,456	\$975,627	\$0	\$16,513,083
Building Improvements	\$21,616,604	\$2,148,766	\$0	\$23,765,369
Furniture, fixtures, and equip.	\$3,967,547	\$656,648	(\$113,434)	\$4,510,761
Library materials	\$3,335,772	\$56,305	(\$659,498)	\$2,732,579
Accumulated Amortization	\$12,441	\$0	\$0	\$12,441
Total	\$47,189,071	\$4,431,528	(\$772,932)	\$50,847,667
Capital Assets, net	\$83,714,880	\$38,880,967	(\$11,371,245)	\$133,958,248

**10. Long-term liability activity for the year ended June 30, 2024 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.

Debt Financing:

DSU entered into a lease to purchase tablet PCs for wireless mobile computing. The schedule of the debt financing to be paid as of June 30 is as follows:

	<u>Tablet PC</u>
<b>Balance 6/30/23</b>	\$684,113
Additions	\$686,700
Payments	<u>(\$678,890)</u>
<b>Balance 6/30/24</b>	<u><u>\$691,923</u></u>
Due FY25 principal	\$457,673
Due FY26 principal	<u>\$234,250</u>
Total Principal	<u><u>\$691,923</u></u>
Due FY25 interest	\$23,341
Due FY26 interest	<u>\$8,417</u>
Total Interest	<u><u>\$31,758</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 that opened 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>
2025	\$1,110,000	\$883,447	\$1,993,447
2026	\$950,000	\$835,987	\$1,785,987
2027	\$1,165,000	\$796,739	\$1,961,739
2028	\$1,220,000	\$746,453	\$1,966,453
2029	\$920,000	\$693,785	\$1,613,785
2030-2034	\$5,145,000	\$2,808,750	\$7,953,750
2035-2039	\$6,405,000	\$1,548,450	\$7,953,450
2040-2044	\$4,395,000	\$371,800	\$4,766,800
<b>Total</b>	<b>\$21,310,000</b>	<b>\$8,685,411</b>	<b>\$29,995,411</b>

#### 11. 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.

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

	Personal Services	Travel	Contractual	Supplies & non- capitalized equipment	Grants & Subsidies	Other	Depr.	Total
Instruction	\$16,248,872	\$71,232	\$603,057	\$1,130,369	\$10,522	\$0	\$0	\$18,064,052
Research	\$3,011,033	\$179,514	\$483,758	\$164,863	\$1,247,517	\$0	\$0	\$5,086,684
Public Service	\$1,513,464	\$30,115	\$501,141	\$204,964	\$0	\$0	\$0	\$2,249,684
Academic Support	\$4,514,995	\$104,037	\$1,513,605	\$433,756	\$0	\$0	\$56,305	\$6,622,699
Student Services	\$4,806,081	\$435,186	\$1,615,069	\$887,166	\$0	\$0	\$0	\$7,743,503
Institutional Support	\$5,304,344	\$194,436	\$2,736,185	\$624,593	\$16,900	\$0	\$0	\$8,876,458
O & M of Plant	\$2,131,613	\$2,259	\$1,048,128	\$1,058,727	\$0	\$0	\$3,727,133	\$7,967,860
Scholarships & Aid	\$157,946	\$0	\$0	\$0	\$2,168,847	\$7,751	\$0	\$2,334,545
Auxiliary Enterprises	\$933,942	\$3,923	\$4,361,602	\$759,363	\$0	\$0	\$0	\$6,058,830
Unallocated Depr.	\$0	\$0	\$0	\$0	\$0	\$0	\$663,714	\$663,714
<b>TOTAL</b>	<b>\$38,622,292</b>	<b>\$1,020,702</b>	<b>\$12,862,545</b>	<b>\$5,263,801</b>	<b>\$3,443,786</b>	<b>\$7,751</b>	<b>\$4,447,151</b>	<b>\$65,668,029</b>



**Note 1 - Principal Activity and Significant Accounting Policies****Nature of Operations**

Dakota State University Foundation (the Foundation) is a nonprofit organization established to aid in the advancement of Dakota State University (the University). This is accomplished by the awarding of scholarships and by promoting the University. The Foundation is supported primarily by charitable contributions and earnings of investments. The Foundation offers a variety of benefits, programs and services for alumni and students.

**Cash and Cash Equivalents**

The Foundation considers all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither invested and held for others nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and short-term investments held in money market accounts in the endowment pool are reported as investments instead of cash and cash equivalents because the Foundation holds those amounts as endowments.

**Property and Equipment**

Property and equipment additions over \$1,000 are recorded at cost or, if donated, at fair value on the date of donation. Depreciation and amortization is provided using the straight-line method over the following estimated useful lives:

Furniture and equipment	7 years
Buildings	40 years

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

The Foundation reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended June 30, 2024.

**Investments**

The Foundation carries investments at their fair values in the statement of financial position. Net investment return (loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment management and custodial fees.

### **Promises to Give**

The Foundation initially records unconditional promises to give which are subsequently carried at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset.

### **Assets Limited as to Use - Funds Invested and Held for the University**

Assets limited as to use represents the fair value of the investments. Realized and unrealized gains and losses are not included in the statement of activities. Funds invested and held for the University include the funds invested for the University for specific projects for which the donor allows for money to be held and invested by the Foundation. The Foundation was not a party on the donation contract and, as such, reports amounts as held for others.

### **Beneficial Interest in Perpetual Trust**

The Foundation has been named as an irrevocable beneficiary of a perpetual trust held and administered by an independent trustee. Perpetual trusts provide for the distribution of the net income of the trusts to the Foundation; however, they will never receive the assets of the trust. At the date they receive notice of a beneficial interest, a donor-restricted contribution is recorded in the statement of activities, and a beneficial interest in perpetual trust is recorded in the statement of financial position at the fair value of the underlying trust assets. Thereafter, the beneficial interest in the trust is reported at the fair value of the trust assets in the statement of financial position, with trust distributions and changes in fair value recognized in the statement of activities.

### **Cash Value of Insurance Policies**

Life insurance policies given to the Foundation are carried at their current cash surrender values, net of any outstanding loans. The annual increase in cash value is included in investment returns.

### **Charitable Gift Annuities**

Under charitable gift annuity contracts, the Foundation receives immediate and unrestricted title to contributed assets and agrees to make fixed recurring payments over the stipulated period. Contributed assets are recorded at fair value on the date of receipt. The related liability for future payments to be made to the specified beneficiaries is recorded at fair value using present value techniques and risk-adjusted discounts rate designed to reflect the assumptions market participants would use in pricing the liability. The excess of contributed assets over the annuity liability is recorded as without donor restricted contribution or with donor restricted contribution based on the donor's intent. In subsequent years, the liability for future annuity payments is reduced by payments made to the specified beneficiaries and is adjusted to reflect amortization of the discount and changes in actuarial assumptions at the end of the year. Upon termination of the annuity contract, the remaining liability is removed and recognized as income.

**Net Assets**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor 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.

*Net Assets With Donor Restrictions* – Net assets subject to donor (or certain grantor) restrictions. Some donor-imposed (or grantor-) 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 restrictions are perpetual in nature, where the donor stipulates that resources are to be maintained in perpetuity. The Foundation reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

**Revenue and Revenue Recognition**

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. At June 30, 2024, conditional contributions approximating \$10.7 million, for which no amounts have been received in advance, have not been recognized in the accompanying financial statements.

**Donated Services and In-Kind Contributions**

Many individuals, particularly Board members, have contributed significant amounts of time to the activities of the Foundation without compensation. However, these services do not meet the criteria for being recorded as contributions under accounting principles generally accepted in the United States of America and, accordingly, have not been recorded. The Foundation records donated professional services at the respective fair values of the services received. Contributed goods are recorded at fair value at the date of donation (Note 8).

The Foundation's policy is to sell contributed assets immediately upon receipt unless the asset is restricted for use in a specific program by the donor.

**University Support**

The Foundation funds various construction projects and provides operational support for the benefit of the University. Contracts for construction projects are between the University and the contractors, and liabilities for expenditures incurred by departments are the responsibility of the University. The Foundation records expense for payment of the projects and operational support expenditures when such payments are made, in accordance with accounting guidance for financially interrelated entities. Scholarships are deemed to be support to the individuals receiving the scholarship; accordingly, scholarships are recognized as expense when the commitment to provide such support becomes unconditional.

**Functional Allocation of Expense**

The costs of program and supporting service activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy and depreciation, which are allocated on a square footage basis, as well as salaries and benefits, professional services, office expenses, interest, insurance, and other, which are allocated on the basis of estimates of time and effort.

**Income Taxes**

The Foundation is organized as a South Dakota nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal revenue Code as an organization described in Section 501(c)(3), qualifies for the charitable contributions deduction under Sections 170 (b)(1)(A)(vi) and (viii), and has been determined not to be a private foundation under Sections 509(a)(1) and (3), respectively. The Foundation is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. The Foundation has determined it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

The Foundation believes that it has appropriate support for any tax positions taken affecting its annual filing requirements and, as such, does not have any uncertain tax positions that are material to the financial statements. The Foundation would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense, if such interest and penalties are incurred.

**Estimates**

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

**Financial Instruments and Credit Risk**

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

The Foundation maintains its cash accounts in various deposit accounts, the balances of which are periodically in excess of federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor, per insured bank, for each account ownership category. As of June 30, 2024, the Foundation had approximately \$1,900,000 in excess of FDIC-insured limits which is included in the cash and cash equivalents and the assets limited to use lines on the statement of net position.

### Lessor Leasing Arrangements

The Foundation leases rental properties to the Board of Regents for use by the University for various purposes. The property is accounted for as an operating lease (See Note 13). Some of the properties are held by the endowment pool as investments and net earnings from those leases are considered donor-restricted.

### Note 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 statement of financial position date, comprise the following at June 30, 2024:

Cash, Cash Equivalents and Investments	\$ 144,706
Lease Receivable from DSU	69,900
Promises to Give	97,481
	<u>312,087</u>
	<u>\$ 312,087</u>

Endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes and appropriated. Donor-restricted endowment funds are not available for general expenditure.

### Note 3 - Promises to Give

Unconditional promises to give are estimated to be collected as follows at June 30, 2024:

Within One Year	\$ 2,415,429
In One to Five Years	7,388,473
Over Five Years	1,058,978
	<u>10,862,880</u>
Adjustment to fair value	(2,995,946)
	<u>\$ 7,866,934</u>

**Note 4 - Fair Value Measurements**

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

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Foundation can access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.
- Level 3: Unobservable inputs for the asset or liability. In these situations, the Foundation develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to assessment of the quality, risk or liquidity profile of the asset or liability.

A significant portion of the investment assets are classified within Level 1 because they comprise mutual bond funds and mutual equity funds with readily determinable fair values based on daily redemption values. The U.S. government obligations are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates and market-rate assumptions, and are classified within Level 2. The fair values of promises to give and beneficial interest in perpetual trust are determined using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the underlying assets and are considered to be Level 3 measurements.



# Dakota State University Foundation

Notes to Financial Statements

Year Ended June 30, 2024

The following table presents assets at fair value on a recurring basis at June 30, 2024:

	Total	Fair Value Measurements at Report Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Cash and Money Market				
Mutual Funds (at cost)	\$ 118,380	\$ -	\$ -	\$ -
Mutual Equity Funds				
Fixed income	7,243,942	7,243,942	-	-
Equity	12,022,541	12,022,541	-	-
Private Equity				
Other investments	239,086	-	-	239,086
Asset held for limited use				
Cash and Money Market				
Mutual funds (at cost)	48,497,589	-	-	-
Mutual Equity Funds				
Fixed income	19,424,056	19,424,056	-	-
Equity	1,890,543	1,890,543	-	-
Beneficial Interest in Perpetual Trust	301,510	-	-	301,510
Promises to Give	7,866,934	-	-	7,866,934
	<u>\$ 97,604,581</u>	<u>\$ 40,581,082</u>	<u>\$ -</u>	<u>\$ 8,407,530</u>

The following is a reconciliation of 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, 2024:

	July 1, 2023	Investment Income (Expense)	Net Realized and Unrealized Gains (Losses)	Gifts/ Purchases	Settlements/ Sales	June 30, 2024
Assets						
Investments:						
Private equity investments	\$ 153,342	\$ 32	\$ 10,209	\$ 75,503	\$ -	\$ 239,086
Promises to give	10,143,247	-	-	5,316,333	(7,592,646)	7,866,934
Beneficial interest in perpetual trust	293,415	-	8,095	-	-	301,510
	<u>\$ 10,590,004</u>	<u>\$ 32</u>	<u>\$ 18,304</u>	<u>\$ 5,391,836</u>	<u>\$ (7,592,646)</u>	<u>\$ 8,407,530</u>

**Note 5 - Property and Equipment**

The Foundation's property and equipment consists of the following at June 30, 2024:

Land	\$ 110,430
Furniture and Fixtures	30,934
Buildings	<u>3,245,042</u>
	3,386,406
Less accumulated depreciation	<u>(449,689)</u>
	<u>\$ 2,936,717</u>

**Note 6 - Endowment**

The Foundation's endowment consists of approximately 387 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

**Interpretation of Relevant Law**

The Board of Trustees of the Foundation has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation retains in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give at fair value) donated to the endowment, and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA. The following factors are considered in making a determination to appropriate or accumulate donor-restricted endowment funds:

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



As of June 30, 2024, endowment net asset composition by type of fund is as follows:

	<u>2024</u>
Board-Designated Endowments	\$ 213,248
Donor-Restricted Endowment Funds	
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	19,971,852
Accumulated investment gain (deficit)	<u>1,473,509</u>
	<u>\$ 21,658,609</u>

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Foundation has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At June 30, 2024, funds with original gift values of \$5,551,688, fair values of \$4,653,844, and deficiencies of \$897,843 were reported in net assets with donor restrictions.

#### Investment Spending Policies

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and for scholarships supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Over time, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of the endowment assets, to provide the necessary capital to fund the spending policy, and to cover the costs of managing the endowment investments. The target minimum rate of return is intended to grow at a rate exceeding expected inflation on an annual basis. Actual returns in any given year may vary from this amount. To satisfy this long-term rate-of-return objective, the investment portfolio is structured on a total-return approach through which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield. A significant portion of the funds are invested to seek growth principal over time.

The Foundation uses an endowment spending-rate formula to determine the maximum amount to spend from the endowment each year. The rate, determined and adjusted from time to time by the Board of Trustees, is applied to the average fair value of the endowment investments for the prior 12 quarters at December 31 of each year to determine the spending amount for the upcoming year. In establishing this policy, the Foundation considered the long-term expected return on the endowment and set the rate with the objective of maintaining the purchasing power of the endowment over time.

# Dakota State University Foundation

Notes to Financial Statements

Year Ended June 30, 2024

Changes in endowment with donor restriction net assets for the year ended June 30, 2024, are as follows:

	Without Donor Restriction	With Donor Restricted Earnings	With Donor Restricted Perpetual
Endowment Net Assets, Beginning of Year	\$ 190,710	\$ (75,748)	\$ 19,015,561
Investment return, net	22,538	2,458,087	-
Contributions	-	-	948,196
Change in split-interest agreement	-	-	8,095
Appropriation of endowment assets	-	(908,830)	-
Endowment Net Assets, End of Year	<u>\$ 213,248</u>	<u>\$ 1,473,509</u>	<u>\$ 19,971,852</u>

## Note 7 - Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods:

	2024
Subject to Expenditure for Specified Purpose	
Scholarships and capital campaign, including promises to give	<u>\$ 2,159,279</u>
Subject to Appropriation and Expenditure when	
A Specified Event Occurs	
Restricted by donors for scholarships	<u>1,473,509</u>
Perpetual in Nature, Not Subject to Spending Policy or Appropriation	
Beneficial interests in perpetual trusts	<u>301,510</u>
Endowments	
Perpetual in nature, earnings from which are subject to	
endowment spending policy appropriation	
Restricted by donors for scholarships	18,665,625
Restricted for other items	135,549
Promises to give, the proceeds from which have	
been restricted by donors for scholarships	<u>1,170,678</u>
Total endowments	<u>19,971,852</u>
Total assets with donor restrictions	<u>\$ 23,906,150</u>

**Note 8 - Donated Professional Services and Materials**

Donated professional services and materials are as follows during the year ended June 30, 2024:

Non-Financial Contributions Category	Type of Contributions for Beneficiaries	Valuation	Monetized or Utilized	2024
Silent Auction Items	Various products, services, and experiences	Prices of identical or similar products, services and experiences	Monetized	\$ 73,606
In-Kind Other	Software Cost	Actual cost of software	Monetized	42,865
In-Kind Salaries	Salaries for employees working for the Foundation	Actual salaries of the employees	Utilized	889,277
				<u>\$ 1,005,748</u>

**Note 9 - Related Party and Funds Invested and Held for University**

The Foundation Director and all other Foundation personnel are employees of the University and are subject to oversight by the President of the University. The Foundation annually donates to the University in-kind salaries, wages and fringe benefits of the Foundation employees, as mutually agreed. See Note 8.

The University is in the process of building a new athletic facility. Phase I of the project is expected to cost approximately \$42 million. The Foundation is currently conducting the Trojans Unite capital campaign to assist in funding this capital project. For the year ended June 30, 2024, the Foundation contributed gifts in the amount of \$24,569,407 to the University for capital projects. This has been included in the scholarship and University support expense.

During 2024, the Foundation contributed gifts for scholarships in the amount of \$1,935,012 and reimbursed the University for costs incurred for operating expenses, excluding the in-kind salaries donation, totaling \$337,385. Scholarship payments are included in the scholarship and University support expense and reimbursed costs and in-kind expenses are included management and general expense.

The Foundation holds cash and investments for the University, which is reported as assets limited to use and funds invested and held for the University, on the statement of financial position. The Foundation invests the assets but does not have any administrative involvement with the funds as they were not a party to the agreement. All decisions related to the use of the funds is determined by the University based on agreements between the University and the donors. The funds invested and held for others were specific to three projects: the MadLabs project, the Applied Research Lab (ARL) project and capital projects. The amount held for MadLabs was \$7,311,071; the amount held for ARL was \$55,346,406; and the amount held for other capital projects was \$7,154,711 at June 30, 2024.

Members of the Board of Trustees of the Foundation and employees have made contributions and made promises to give. A summary of Foundation activity is as follows:

	2024
Contributions	\$ 34,350
Promises to Give, Outstanding Balance	313,876

**Note 10 - Notes Payable**

Notes payable consist of the following:

- A loan with Heartland Consumer Power District. The loan requires a monthly loan payment of \$5,500 with 0% interest and is due January 2029. The proceeds of the loan were used to purchase the Heartland Technology Building and is collateralized by the Foundation property and equipment and receivables. The outstanding balance at June 30, 2024, was \$302,500.
- A loan with a local financial institution which requires monthly payments of \$993 with variable interest rate which is 6.04% at June 30, 2024, and is due on May 30, 2050. The proceeds were used to purchase property and is collateralized by one of the Foundation's deposit accounts. The outstanding balance at June 30, 2024, was \$228,890.

The future minimum payments as of June 30, 2024, is as follows:

Year Ending June 30,	Amount
2025	\$ 69,769
2026	70,006
2027	70,259
2028	70,490
2029	43,310
Thereafter	207,556
	\$ 531,390

**Note 11 - Line of Credit**

During 2024, the Foundation entered into a long-term line of credit note for a maximum of \$11,000,000. The line of credit has a variable interest rate of 7.75% with June 30, 2024, with all principal and interest due on June 30, 2027. The line of credit is secured by contributions received for the Trojans Unite Capital Campaign. As of June 30, 2024, the total amount drawn on the line of credit was \$6,313,960.

**Note 12 - Annuities Payable**

Annuities payable represents gift annuity contracts for which future payments have been discounted to present value based on the life expectancy of the beneficiary and the rate specified in the annuity contract.

The Foundation is the beneficiary of these annuity contracts whereby assets are made available on the condition that income is paid periodically to designated individuals. Payments of such amounts terminate at a time specified in the agreements, typically the death of the donors. At June 30, 2024, the annuity interests include \$72,975 of investments for which the College serves as trustee, which are comprised of mutual fund investments. The College has reported in the accompanying financial statements an actuarial liability of \$25,652 at June 30, 2024, which represents the present value of estimated future payments to beneficiaries of the charitable remainder trusts, taking into consideration their life expectancy and discounted at applicable interest rates.

**Note 13 - Leases**

The Foundation leases property to the University. The properties subject to lease include buildings. Lease payments are generally fixed ranging from \$30,900 per year to \$115,000 per year.

Leased property subject to operating leases of buildings at a cost of \$2,044,732 net of accumulated depreciation of \$141,925. Depreciation expense for leased property subject to operating leases is provided on the straight-line method over the estimated useful life of the property in amounts necessary to reduce the assets to their estimated residual values. Estimated and actual residual values are reviewed on a regular basis to determine that depreciation amounts are appropriate. Depreciation expense relating to leased property subject to operating leases was \$27,768 for the year ended June 30, 2024.

For the year ended June 30, 2024, lease income was \$255,142. There was no lease income relating to variable lease payments for the year ended June 30, 2024. Revenue from operating leases is included in rental revenue on the statement of activities.

The following is a maturity analysis of the annual undiscounted cash flows of the operating lease payments which includes payments for maintenance and other expenses along with insurance to be received as of:

<u>Year Ending June 30,</u>	<u>Amount</u>
2025	\$ 215,800
2026	215,800
2027	215,800
2028	215,800
2029	215,800
Thereafter	2,180,100
	<u>\$ 3,259,100</u>

**Note 14 - Subsequent Events**

Subsequent to year-end, the Foundation entered into a commitment to sell their office building for approximately \$725,000. The closing date has not been determined.

The Foundation has evaluated subsequent events through December 12, 2024, the date the financial statements were available to be issued.