

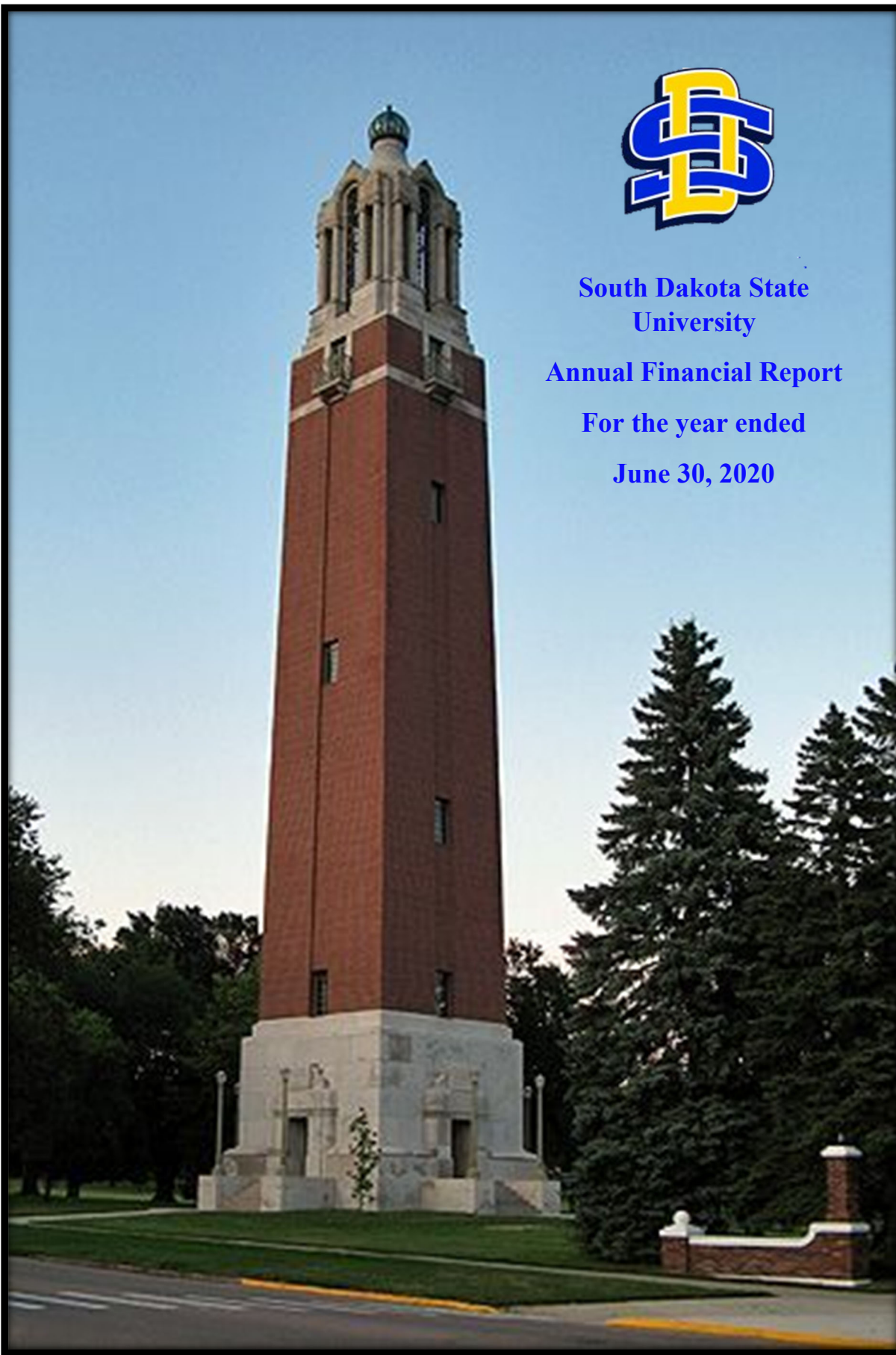


**South Dakota State  
University**

**Annual Financial Report**

**For the year ended**

**June 30, 2020**



**Annual Financial Report  
of  
South Dakota State University  
Brookings, South Dakota**

**Colleges and Agencies**

**University Proper**

College of Agriculture, Food & Environmental Sciences  
College of Arts, Humanities & Social Sciences  
College of Education & Human Sciences  
College of Natural Sciences  
College of Nursing  
College of Pharmacy & Allied Health Professions  
Jerome J. Lohr College of Engineering  
Graduate School  
Van D. & Barbara B. Fishback Honors College

**SDSU Extension**

**Agricultural Experiment Station**

**Animal Disease Research and Diagnostic Laboratory**



For the year ended June 30, 2020



# SOUTH DAKOTA STATE UNIVERSITY

Office of the President

February 1, 2021

Regent John Bastian, President  
South Dakota Board of Regents  
306 East Capitol Ave, Suite 200  
Pierre, SD 57501

Dear President Bastian:

Enclosed is South Dakota State University's Annual Financial Report for fiscal year 2020. The report includes all financial transactions for the twelve-month period ending June 30, 2020.

A handwritten signature in blue ink that reads "Barry H. Dunn".

Barry H. Dunn, PhD.  
President

Enclosure:

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

**BOARD OF REGENTS**

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**SOUTH DAKOTA STATE UNIVERSITY**

Barry Dunn, President of the University

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Karen Jastram, Assistant Vice President-Financial Services  
Sara Mooney, Associate Controller



**SOUTH DAKOTA STATE UNIVERSITY**

Division of Finance and Administration

February 1, 2021

Dr. Barry Dunn  
President  
South Dakota State University

Dear Dr. Dunn:

I am pleased to present the Annual Financial Report of South Dakota State University for the year ended June 30, 2020. These reports are presented in accordance with standards issued by the Governmental Accounting Standards Board (GASB) and provide a comprehensive view of financial operations.

Consistent with GASB principles, the South Dakota State University Foundation is reported as a component unit of the University. The Foundation's financial statements, audited by an independent certified public accountant, are included in this report and relationships between the University and the Foundation have been disclosed in the notes to the financial statements.

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.

Sincerely,

A handwritten signature in black ink that reads "Michael Holbeck".

Dr. Michael Holbeck  
Interim Vice President of Finance and Budget

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

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**SOUTH DAKOTA STATE UNIVERSITY  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2020**

**INTRODUCTION AND USING THE FINANCIAL STATEMENTS**

The following Management’s Discussion and Analysis (MD&A) provides an overview of the financial position and activities of South Dakota State University (SDSU or the University) for the fiscal years ended June 30, 2020, 2019, and 2018. The MD&A is intended to foster a greater understanding of SDSU’s financial activities. Since this presentation includes summarized formats, it should be read in conjunction with the accompanying financial statements and notes. The accuracy of the discussion and analysis, financial statements, and note disclosures are the responsibility of management.

SDSU is one of six public universities under the control of the South Dakota Board of Regents (BOR), reported as a component unit in the State of South Dakota’s (the State) Comprehensive Annual Financial Report. The University’s financial statements are prepared under the accrual basis of accounting and provide a comprehensive view of financial operations. The financial statements include the Statements of Net Position; Statements of Revenues, Expenses and Changes in Net Position; the Statements of Cash Flows; and accompanying notes; all prepared in accordance with the principles of the Governmental Accounting Standards Board (GASB).

Consistent with the GASB principles, the South Dakota State University Foundation (the Foundation) is considered a component unit of the University. The accompanying financial report includes the Foundation’s Consolidated Statements of Financial Position, Consolidated Statements of Activities, Consolidated Statements of Cash Flows, and Notes to the Consolidated Financial Statements. The Foundation’s financial statements are reported separately and are not consolidated with the University. The relationships between the Foundation and the University are described in Note XII Related Parties.

SDSU is the State's largest, most comprehensive higher-education institution. The University was founded as a land-grant institution in 1881, by the Dakota Territorial Legislature and is governed by the South Dakota Board of Regents. The land-grant heritage and mission has driven special focus on academic programs in agriculture, engineering, nursing, and pharmacy, as well as liberal arts. The South Dakota Agricultural Experiment Station was established and linked to the University in 1887 under the federal Hatch Act to conduct research that “concerns agriculture and the home.” In 1914, SDSU Extension was added by the Smith-Lever Act to “provide information to the people of the State.” Both the Agricultural Experiment Station and SDSU Extension are administered by the College of Agriculture, Food and Environmental Sciences.

SDSU continues to be a front-runner in research, with faculty providing scientific leadership in various research centers, including: North Central Regional Sun Grant Center, Geospatial Sciences Center of Excellence, Biosystems Networks and Translational Research (BioSNTR), South Dakota Center for Biologics Research and Commercialization, and the South Dakota Biofilm Science and Engineering Center.

**SOUTH DAKOTA STATE UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2020**

**INTRODUCTION AND USING THE FINANCIAL STATEMENTS (CONTINUED)**

The University offers more than 180 undergraduate programs and over 50 graduate programs, with global outreach to over 800 students from more than 80 different countries and many study abroad options. Currently our partner universities are in Sweden, France, Norway, Canada, England, and the United Kingdom.

Rich academic experience is offered in an environment of inclusion and access through inspired, student-centered education, creative activities and research, innovation, and engagement that improve the quality of life in South Dakota, the region, the nation, and the world. The University's core values include:

**People-Centered:** We recognize leadership is derived from service to others. We are committed to creating a culture where all thrive and are supported on their own personal and professional paths toward lifelong learning, growth, and leadership.

**Creativity:** Creativity is our cornerstone to expand knowledge, develop human understanding, and enrich quality of life. We believe that education and research/scholarship/creative activity reinforce one another, and the best academic programs bring innovative teaching and rigorous research together.

**Integrity:** We act with organizational and personal integrity, through honest interactions, professionalism, transparent and accountable decision-making, and respect for others.

**Diversity:** We are committed to diversity of community and ideas. We believe in a supportive, inclusive, collaborative, and cohesive environment with a focus on access. We actively seek collaboration, and we respect individuals with differing perspectives, backgrounds, and areas of expertise.

**Excellence:** Excellence is achieved through continuous improvement, assessment, and accountability. We embrace bold action and adapt to an ever-changing environment. Individually, we are experts at what we do. Collectively, our impact is even greater.

**FINANCIAL HIGHLIGHTS**

Statements of Net Position

The Statement of Net Position presents types and amounts of assets available to support operations and strategic goals, amounts owed, and the University's net position categorized by unrestricted and types of restrictions. This statement is one way of measuring the University's financial position and provides an indicator of the improvement or erosion of the financial health which should be considered along with non-financial facts such as enrollment levels and the condition of facilities.



**SOUTH DAKOTA STATE UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2020**

**FINANCIAL HIGHLIGHTS (CONTINUED)**

Statements of Net Position (Continued)

**Condensed Statements of Net Position**

	2020	2019	2018
<b>Assets</b>			
Current Assets	\$ 91,206,644	\$ 108,517,989	\$ 92,332,751
Non-Current Assets	7,384,683	13,797,315	31,345,014
Capital Assets, Net	615,789,673	598,582,205	560,854,849
<b>Total Assets</b>	<b>\$ 714,381,000</b>	<b>\$ 720,897,509</b>	<b>\$ 684,532,614</b>
Deferred Outflow on Debt Refinancing	1,625,286	1,760,113	1,894,940
<b>Total Assets &amp; Deferred Outflows of Resources</b>	<b>\$716,006,286</b>	<b>\$ 722,657,622</b>	<b>\$686,427,554</b>
<b>Liabilities</b>			
Current Liabilities	\$ 32,234,751	\$ 34,585,476	\$ 31,236,999
Non-Current Liabilities	184,974,402	194,944,540	183,178,655
<b>Total Liabilities</b>	<b>\$ 217,209,153</b>	<b>\$ 229,530,016</b>	<b>\$ 214,415,654</b>
<b>Net Position</b>			
Net Investment in Capital Assets	\$ 442,063,343	\$ 418,981,068	\$ 409,404,973
Restricted	13,633,103	14,003,373	9,715,952
Unrestricted	43,100,687	60,143,165	52,890,975
<b>Total Net Position</b>	<b>\$ 498,797,133</b>	<b>\$ 493,127,606</b>	<b>\$ 472,011,900</b>
<b>Total Liabilities &amp; Net Position</b>	<b>\$716,006,286</b>	<b>\$ 722,657,622</b>	<b>\$686,427,554</b>

The University's financial position improved during fiscal year 2020 as seen by the \$5.7 million increase in net position.

Current assets decreased \$17.3 million due to the collection of proceeds from SDBA Series 2018 bonds to fund the Raven Precision Agriculture Center (\$14 million) and a reduction in Due from Federal Sources (\$3.3 million). After taking into consideration the SDBA receivable related to a construction project (therefore not available to pay current liabilities), the current ratio continues to remain strong as seen below.

	2020	2019	2018
Current Assets	\$ 91,206,644	\$ 108,517,989	\$ 92,332,751
Less: SDBA Receivable	4,115,431	17,830,000	-
Adjusted Current Assets	\$ 87,091,213	\$ 90,687,989	\$ 92,332,751
Current Liabilities	\$ 32,234,751	\$ 34,585,476	\$ 31,236,999
Current Ratio	2.70	2.62	2.96

**SOUTH DAKOTA STATE UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2020**

**FINANCIAL HIGHLIGHTS (CONTINUED)**

Statements of Net Position (Continued)

Non-Current Assets decreased primarily from the use of restricted cash to partially funded the completion of the Southeast Neighborhood (\$5.1 million) and Parking Project (\$0.2 million).

The most significant changes occurred within Capital Assets.

	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>Capital Assets, Net</b>			
Land	\$ 15,161,532	\$ 14,561,001	\$ 13,884,195
Museum & Art Collections	9,612,244	9,418,166	8,917,596
Construction in Progress	45,571,054	35,672,369	71,390,550
Work in Progress Intangible Assets	-	-	151,823
Buildings & Building Improvements	486,471,611	481,662,000	412,193,403
Land Improvements	12,292,009	12,651,876	10,285,555
Infrastructure	22,501,417	17,922,029	17,404,241
Equipment & Other Property	23,834,031	26,260,952	26,248,839
Intangible Assets	345,775	433,812	378,647
<b>Total Capital Assets, Net</b>	<b>\$ 615,789,673</b>	<b>\$ 598,582,205</b>	<b>\$ 560,854,849</b>

Construction in Progress increased \$10.0 million from continued development on the Raven Precision Agriculture Center and American Indian Student Center (projects increased \$21.0 million and \$3.2 million, respectively). New projects in fiscal year 2020 consisted of the Chiller & Cooling Tower, Meadows North & South HVAC, renovations to SJ Marshall and Lincoln Hall, and Landscaping & Utility Improvements noted below. These construction projects were offset by the Southeast Neighborhood (\$17.2 million) and Tunnel Expansion (\$5.0 million) placed in service. Individual Projects less than \$1.0 million also declined. Construction in Progress on June 30 includes:

	<b>2020</b>
Raven Precision Agriculture Center	\$ 23,682,859
American Indian Student Center	4,936,081
Individual Projects Less Than \$1 Million	4,723,649
Chiller & Cooling Tower	3,727,257
ADR Diagnostic Lab	3,196,458
Lincoln Hall	1,492,963
Meadows North & Meadows South HVAC	1,361,804
SJ Marshall Renovation & Addition Phase 2	1,286,988
Landscaping & Utility Improvements	1,162,995
	<b>\$ 45,571,054</b>

**SOUTH DAKOTA STATE UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2020**

**FINANCIAL HIGHLIGHTS (CONTINUED)**

Statements of Net Position (Continued)

Significant Buildings and Building Improvements placed into service during 2020 includes:

Southeast Neighborhood	\$	19,606,469
Power Plant		1,146,322
Wagner		1,028,436
Wellness Center		686,419
Animal Science Complex		639,388
	<u>\$</u>	<u>23,107,034</u>

Building and Building Improvement additions were partially offset by the transfer of the Animal Disease Research & Diagnostic Lab (ADRDL) Building and depreciation. The ADRDL was transferred to the Animal Industry Board (AIB) July 1, 2020 as mandated in South Dakota Senate Bill 40. The transfer was “for the purposes of reconciling payment for reconstruction, renovation, modernization, furnishing and equipping facilities and related infrastructure...” Upon final payment of building leases, or if the building ceases to be used for purposes identified in SB40, title to the building, including any improvements, shall revert to the Board of Regents for the use and benefit of SDSU. The cost, accumulated depreciation, and net book value transferred to AIB follows:

	Cost	Accumulated Depreciation	Net Book Value
Building	\$ 6,640,758	\$ 3,700,042	\$ 2,940,716
Building Improvements	344,765	306,784	37,981
	<u>\$ 6,985,523</u>	<u>\$ 4,006,826</u>	<u>\$ 2,978,697</u>

Also transferred was \$6 million South Dakota State University had committed towards ADRDL Building Improvements:

Cash	\$	4,274,852
Construction in Progress		1,725,148
	<u>\$</u>	<u>6,000,000</u>

Other significant changes include the completion of the Tunnel Expansion which increased Infrastructure by \$5.0M (offset by depreciation) and disposals of Equipment & Other Property of \$2.4M primarily in technology.

**SOUTH DAKOTA STATE UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2020**

**FINANCIAL HIGHLIGHTS (CONTINUED)**

Statements of Net Position (Concluded)

Total Liabilities decreased \$12.3 million in fiscal year 2020. Accounts Payable fluctuate year over year, depending on construction projects occurring around June 30. Construction payables declined \$5.1 million from fiscal year 2019. Although Construction in Progress increased \$10.0 million, construction progress had slowed at year end. Significant construction payables for the years ending June 30, 2020 and 2019 are:

	<b>2020</b>	<b>2019</b>
Raven Precision Agriculture Center	\$ 3,008,552	\$ 579,517
Southeast Neighborhood	-	3,908,584
SJ Marshall Renovation & Addition Phase 2	12,917	511,600
Performing Arts Center Phase 2 Addition	-	363,488
Chiller & Cooling Tower	2,049	261,616
Tunnel Project	-	193,620
American Indian Student Center	8,384	178,936
	<b>\$ 3,031,902</b>	<b>\$ 5,997,360</b>

Other significant changes include normal repayments of Capital Leases (\$1.6 million) and Revenue Bonds (\$6.3 million). A decline in the Federal Capital Contribution of \$1.8 million was attributed to the Perkins Loans. Unearned revenue increased \$2.2 million from ticketed events; however, a prior period adjustment of \$1.8 million adjusted the prior year balance.

The University's net position increased by \$5.7 million to \$498.8 million. Renewals & Replacements (for auxiliary buildings as required by bond covenants) continues to be a substantial portion of Restricted Net Position. Unrestricted net position is for the University's educational/general operations or maintenance and future acquisition of plant facilities at the discretion of governance.

	<b>2020</b>	<b>2019</b>	<b>2018</b>
Net Investment in Capital Assets	\$ 442,063,343	\$ 418,981,068	\$ 409,404,973
Restricted Nonexpendable - Loans	1,192,553	1,770,624	1,400,725
Restricted Expendable:			
Scholarships and Fellowships	216,743	311,225	186,905
Research	2,243,796	2,466,944	1,706,757
Renewals & Replacements	9,980,011	9,454,580	6,421,465
Debt Service	-	-	100
Unrestricted	43,100,687	60,143,165	52,890,975
<b>Total Net Position</b>	<b>\$ 498,797,133</b>	<b>\$ 493,127,606</b>	<b>\$ 472,011,900</b>

**SOUTH DAKOTA STATE UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2020**

**FINANCIAL HIGHLIGHTS (CONTINUED)**

Statements of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position presents revenues earned and expenses incurred during the year. Consistent with GASB principles, revenues and expenses are reported as either operating, non-operating, or other. Operating revenues and expenses generally result from exchange transactions, such as revenues received for tuition and fees or grants and contracts. Non-operating revenues and expenses typically result from non-exchange transactions, such as state and federal appropriations and investment income. Finally, other revenues, expenses, and other changes represent capital transactions.

**Condensed Statements of Revenues, Expenses, and Changes in Net Position**

	<b>2020</b>	<b>2019</b>	<b>2018</b>
Total Operating Revenues	\$ 196,895,072	\$ 211,261,302	\$ 213,320,254
Total Operating Expenses	287,107,950	297,627,288	292,225,605
Operating Loss	\$ (90,212,878)	\$ (86,365,986)	\$ (78,905,351)
Net Non-Operating Revenues	\$ 84,188,769	\$ 82,467,541	\$ 82,462,028
Other Revenues, Expenses, & Other Changes	13,258,552	26,733,430	40,785,732
Total Increase in Net Position	\$ 7,234,443	\$ 22,834,985	\$ 44,342,409
Net Position, Beginning of Year	\$ 493,127,606	\$ 472,011,900	\$ 428,821,549
Prior Period Adjustments	(1,564,916)	(1,719,279)	(1,152,058)
<b>Net Position, End of Year</b>	<b>\$ 498,797,133</b>	<b>\$ 493,127,606</b>	<b>\$ 472,011,900</b>

Operating revenues declined \$14.4 million, mostly in Auxiliaries (\$6.8 million) and Federal Grants and Contracts (\$7.3 million). The University closed campus in the beginning of the pandemic, resulting in decreased residence hall occupancy, food service operations, and empty parking lots. Research and services related to federal grants also sharply declined or ceased during this time.

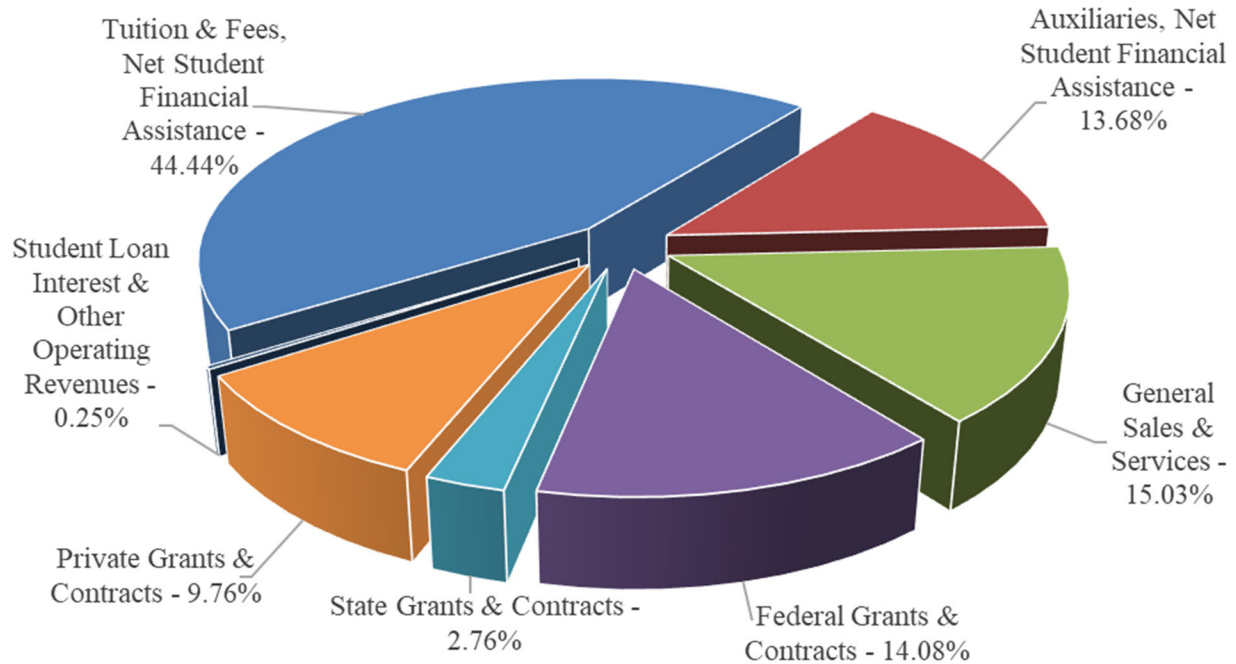
<b>Operating Revenues</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Tuition & Fees, Net Student Financial Assistance	\$ 87,495,372	\$ 89,083,172	\$ 90,713,170
Auxiliaries, Net Student Financial Assistance	26,946,057	33,739,355	34,352,192
General Sales & Services	29,602,829	28,927,296	31,164,488
Federal Grants & Contracts	27,715,851	34,970,205	32,168,217
State Grants & Contracts	5,427,869	7,587,352	6,986,033
Private Grants & Contracts	19,220,624	16,363,928	17,675,624
Student Loan Interest & Other Operating Revenues	486,470	589,994	260,530
<b>Total Operating Revenues</b>	<b>\$ 196,895,072</b>	<b>\$ 211,261,302</b>	<b>\$ 213,320,254</b>

**SOUTH DAKOTA STATE UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2020**

**FINANCIAL HIGHLIGHTS (CONTINUED)**

Statements of Revenues, Expenses, and Changes in Net Position (Continued)

Operating revenues for fiscal year 2020:



Tuition & Fees and Auxiliaries are reported net of Student Financial Assistance on the Statements of Revenues, Expenses, and Changes in Net Position. Enrollment declined slightly, and campus closed in March pivoting classes to remote learning, resulting in a decrease of \$1.6 million for Net Tuition & Fees and \$6.8M for Net Auxiliaries.

	<b>2020</b>	<b>2019</b>	<b>2018</b>
Total Tuition and Fees	\$ 100,868,986	\$ 103,571,293	\$ 103,783,451
Less Student Financial Assistance	(13,373,614)	(14,488,121)	(13,070,281)
<b>Total Tuition &amp; Fees, Net of Student Financial Assistance</b>	<b>\$ 87,495,372</b>	<b>\$ 89,083,172</b>	<b>\$ 90,713,170</b>
Auxiliaries	\$ 31,065,725	\$ 38,888,156	\$ 39,299,944
Less Student Financial Assistance	(4,119,668)	(5,148,801)	(4,947,752)
<b>Auxiliaries, Net of Student Financial Assistance</b>	<b>\$ 26,946,057</b>	<b>\$ 33,739,355</b>	<b>\$ 34,352,192</b>

**SOUTH DAKOTA STATE UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2020**

**FINANCIAL HIGHLIGHTS (CONTINUED)**

Statements of Revenues, Expenses, and Changes in Net Position (Continued)

Operating Expenses decreased by \$10.5 million compared to the previous fiscal year. A significant portion of the decline was due to the campus closure as reflected in reduced Travel (\$2.7 million), Contractual Services (\$7.7 million), and Supplies & Materials (\$2.2 million). Grants & Subsidies declined \$2.0 million, mostly in subawards to organizations which was offset slightly by an increase in grants to individuals. Personal Services & Benefits increased \$3.6 million from increased health insurance costs (\$5.9 million) offset by reduced salaries & wages (\$1.9 million).

Operating Expenses by Natural Classification:

	2020	2019	2018
Personal Services and Benefits	\$ 173,409,079	\$ 169,802,631	\$ 170,914,368
Travel	5,635,905	8,288,328	8,085,882
Contractual Services	41,107,003	48,798,885	47,454,780
Supplies & Materials	23,609,091	25,824,652	24,699,812
Grants & Subsidies	17,449,459	19,471,903	18,097,104
Depreciation & Amortization of Intangibles	25,386,364	24,904,021	22,563,042
	\$ 286,596,901	\$ 297,090,420	\$ 291,814,988
Other Operating Expenses:			
Interest	\$ 1,576	\$ 3,931	\$ 1,090
Loan Cancellation Expense	248,709	326,752	336,628
Bad Debts	167,800	51,985	4,043
Other Operating Expense	92,964	154,200	68,856
Total Other Operating Expenses	\$ 511,049	\$ 536,868	\$ 410,617
<b>Total Operating Expenses</b>	<b>\$ 287,107,950</b>	<b>\$ 297,627,288</b>	<b>\$ 292,225,605</b>

Operating Expenses by University Functional Classification:

	2020	2019	2018
Instruction	\$ 74,814,998	\$ 78,336,017	\$ 79,624,790
Research	50,796,954	55,352,348	51,931,895
Public Service	27,235,520	26,349,822	26,451,256
Academic Support	19,135,317	18,803,375	16,763,036
Student Services	27,626,120	25,424,695	23,589,515
Institutional Support	16,715,168	18,955,033	23,595,049
Operations & Maintenance of Plant	38,721,186	41,171,534	34,033,437
Scholarships & Fellowships	7,425,773	6,207,707	9,197,031
Auxiliary Enterprises	24,636,915	27,026,757	27,039,596
<b>Total Operating Expenses</b>	<b>\$ 287,107,950</b>	<b>\$ 297,627,288</b>	<b>\$ 292,225,605</b>

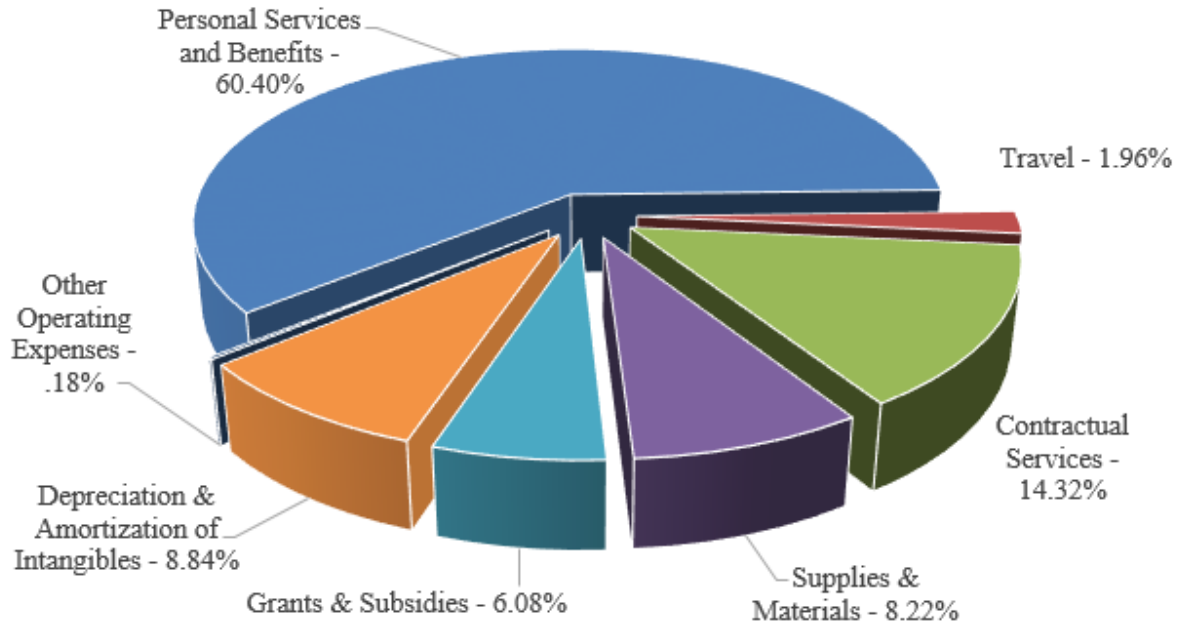
**SOUTH DAKOTA STATE UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2020**

**FINANCIAL HIGHLIGHTS (CONTINUED)**

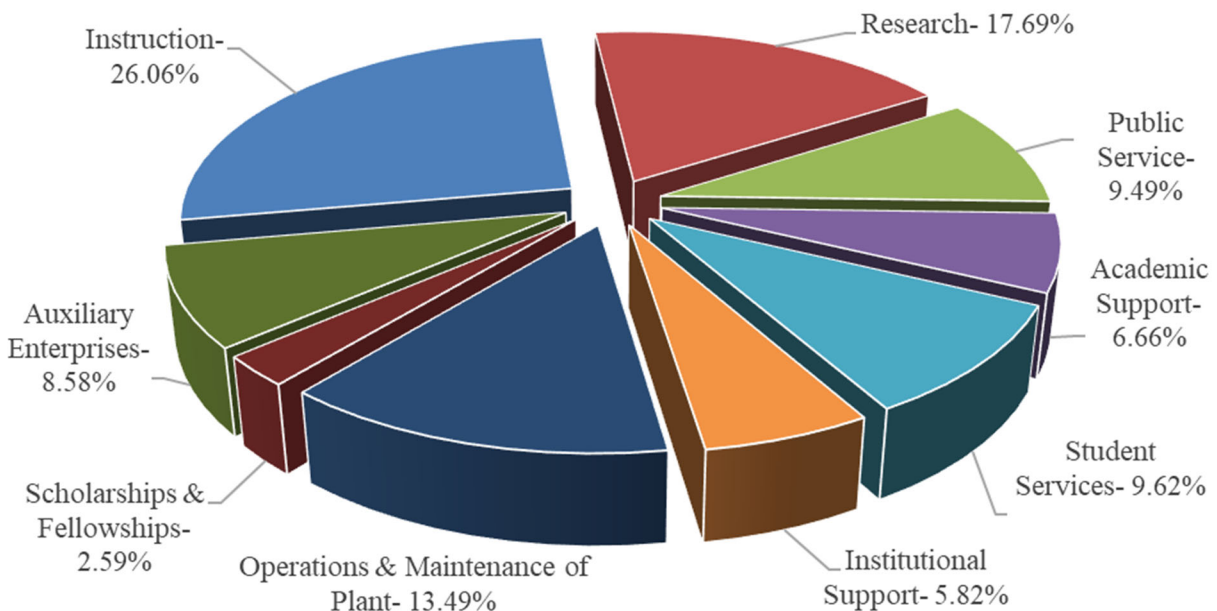
Statements of Revenues, Expenses, and Changes in Net Position (Continued)

Operating expenses for fiscal year 2020 are shown in the following graphs:

Natural Classification:



Functional Classification:





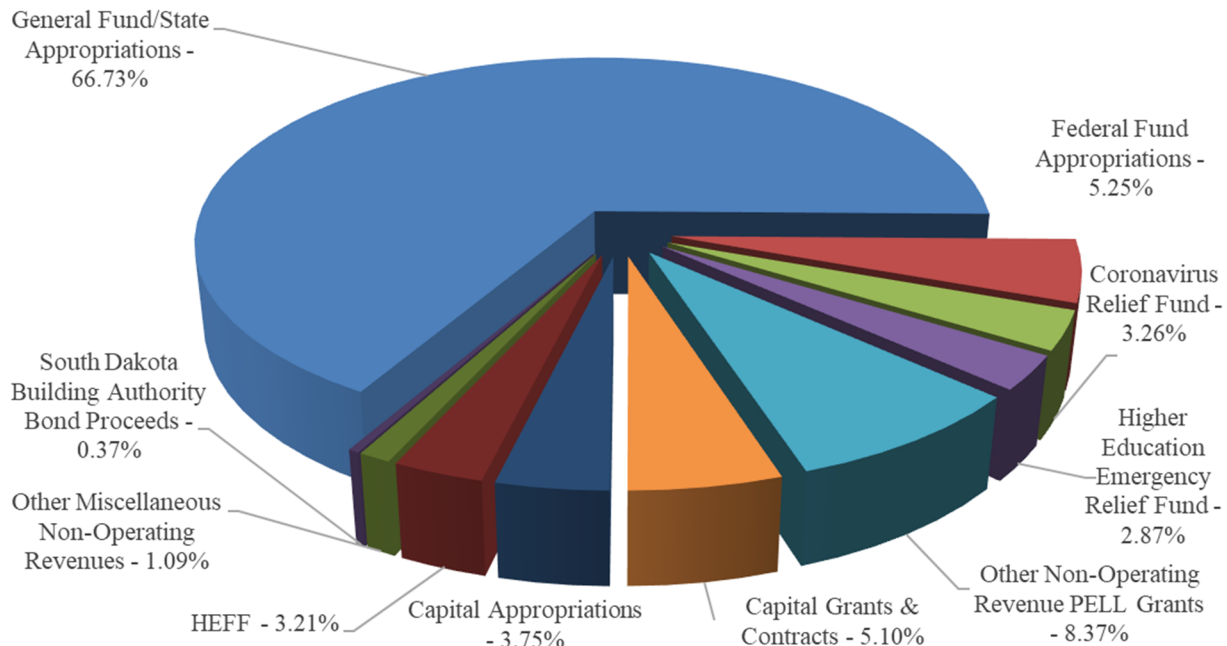
**SOUTH DAKOTA STATE UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2020**

**FINANCIAL HIGHLIGHTS (CONTINUED)**

Statements of Revenues, Expenses, and Changes in Net Position (Continued)

<b>Non-Operating Revenues &amp; Other Changes</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
General Fund Appropriations	\$ 73,438,946	\$ 69,318,992	\$ 70,375,391
School & Public Lands (State Appropriations)	1,280,519	905,273	833,807
General Fund M&R	183,140	499,933	448,660
<b>Total General Fund/State Appropriations</b>	<b>\$ 74,902,605</b>	<b>\$ 70,724,198</b>	<b>\$ 71,657,858</b>
Capital Higher Education Facilities Fund	\$ 2,929,969	\$ 4,869,791	\$ 4,827,498
Higher Education Facilities Fund	484,476	1,174,077	752,169
<b>Total HEFF</b>	<b>\$ 3,414,445</b>	<b>\$ 6,043,868</b>	<b>\$ 5,579,667</b>
Federal Fund Appropriations	\$ 5,881,390	\$ 6,861,038	\$ 6,538,690
Coronavirus Relief Fund	3,643,128	-	-
Higher Education Emergency Relief Fund	3,211,315	-	-
Other Non-Operating Revenue PELL Grants	9,368,420	10,276,083	10,386,790
Capital Grants & Contracts	5,714,075	19,971,054	21,545,518
South Dakota Building Authority Bond Proceeds	412,145	-	13,000,000
Capital Appropriations	4,202,363	1,872,375	1,139,949
	<b>\$ 32,432,836</b>	<b>\$ 38,980,551</b>	<b>\$ 52,610,947</b>
<b>Total Other Miscellaneous Non-Operating Revenues</b>	<b>1,215,895</b>	<b>1,348,959</b>	<b>1,165,415</b>
<b>Total Non-Operating Revenues &amp; Other Changes</b>	<b>\$ 111,965,781</b>	<b>\$ 117,097,576</b>	<b>\$ 131,013,888</b>

Non-Operating Revenues & Other Changes for fiscal year 2020:



**SOUTH DAKOTA STATE UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2020**

**FINANCIAL HIGHLIGHTS (CONTINUED)**

Statements of Revenues, Expenses, and Changes in Net Position (Continued)

The operating loss is primarily funded by General Fund Appropriations, Federal Fund Appropriations, and PELL Grant Revenue. The University also received aid of \$3.6 million from the Coronavirus Relief Fund and \$3.2 million from the Higher Education Emergency Relief Fund.

	<b>2020</b>	<b>2019</b>	<b>2018</b>
Total Operating Revenues	\$ 196,895,072	\$ 211,261,302	\$ 213,320,254
Total Operating Expenses	287,107,950	297,627,288	292,225,605
Operating Loss	\$ (90,212,878)	\$ (86,365,986)	\$ (78,905,351)
General Fund Appropriations	\$ 73,438,946	\$ 69,318,992	\$ 70,375,391
Federal Fund Appropriations	5,881,390	6,861,038	6,538,690
Other Non-Operating Revenue PELL Grants	9,368,420	10,276,083	10,386,790
Coronavirus Relief Fund	3,643,128	-	-
Higher Education Emergency Relief Fund	3,211,315	-	-
	\$ 95,543,199	\$ 86,456,113	\$ 87,300,871
	\$ 5,330,321	\$ 90,127	\$ 8,395,520

Non-Operating Expenses increased \$6.6 million primarily due to the transfer of ADRDL assets to AIB. Loss on Disposal of Capital Assets reported the \$4.7 loss associated with the transfer of the ADRDL building and related Construction in Progress. This loss was partially offset by a gain on the sale of land (\$ 2.7M) and includes additional smaller disposals for a total Loss on Disposal of Capital Assets of \$2.2M. Other Non-Operating Expenses reported the \$4.3M loss associated with cash transferred to honor the University's remaining commitment on the ADRDL project.

<b>Non-Operating Expenses</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Interest Expense Related to Capital Assets	\$ (8,022,607)	\$ (7,862,753)	\$ (7,280,503)
Loss on Disposal of Capital Assets	(2,221,002)	(33,852)	(170,627)
Other Non-Operating Expenses	(4,274,852)	-	-
<b>Total Non-Operating Expenses</b>	<b>\$ (14,518,461)</b>	<b>\$ (7,896,605)</b>	<b>\$ (7,451,130)</b>

**SOUTH DAKOTA STATE UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2020**

**FINANCIAL HIGHLIGHTS (CONTINUED)**

Statements of Revenues, Expenses, and Changes in Net Position (Concluded)

The University's significant funding from the Higher Education Facilities Fund (HEFF), Capital Appropriations, and General Fund M&R Appropriations funded these capital projects:

	Non-Operating HEFF	General Fund M&R	Capital Appropriations	Other Revenues HEFF	Total
Capital Projects					
Chiller & Cooling Tower	\$ -	\$ -	\$ 1,432,762	\$ 579,577	\$ 2,012,339
Miscellaneous Capitalized Projects	-	-	803,479	897,361	1,700,840
Lincoln Hall	-	-	-	1,166,112	1,166,112
Landscaping & Utility Improvements	-	-	1,013,113	-	1,013,113
Campus Maintenance Projects	484,476	183,140	-	-	667,616
The Barn Masonry Repairs	-	-	357,084	286,919	644,003
Wagner Hall HVAC	-	-	595,925	-	595,925
	\$ 484,476	\$ 183,140	\$ 4,202,363	\$ 2,929,969	\$ 7,799,948

Capital Grants & Contracts assisted in financing the following capital assets:

	Foundation	Non-Foundation	Total
Capital Projects			
American Indian Student Center	\$ 3,510,796	\$ -	\$ 3,510,796
SJ Marshall Renovation & Addition Phase 2	956,000	-	956,000
Miscellaneous Capitalized Projects	319,391	257,951	577,342
PSR Support Facility-Dust Coll	-	251,769	251,769
Mechanical Eng Class Lab Reno	-	227,818	227,818
Total Capital Projects	\$ 4,786,187	\$ 737,538	\$ 5,523,725
Art Museum	\$ -	\$ 185,250	\$ 185,250
Equipment	-	5,100	5,100
Total Capital Grants	\$ 4,786,187	\$ 927,888	\$ 5,714,075

Statements of Cash Flows

The Statement of Cash Flows presents information related to cash inflows and outflows which helps measure the University's ability to meet financial obligations as they mature. Transactions are classified as operating, non-capital, capital, and investing activities.

**SOUTH DAKOTA STATE UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2020**

**FINANCIAL HIGHLIGHTS (CONCLUDED)**

Statements of Cash Flows (Continued)

**Condensed Statements of Cash Flows**

	<b>2020</b>	<b>2019</b>	<b>2018</b>
Cash Provided (Used) by			
Operating Activities	\$ (62,054,430)	\$ (60,640,955)	\$ (57,795,363)
Non-Capital Financial Activities	97,190,188	90,506,152	90,968,450
Capital Related Financing Activities	(40,368,827)	(49,395,200)	(22,292,666)
Investing Activities	1,238,934	586,984	452,220
Net Change in Cash	\$ (3,994,135)	\$ (18,943,019)	\$ 11,332,641
Cash, Beginning of Year	66,348,309	85,291,328	73,958,687
<b>Cash, End of Year</b>	<b>\$ 62,354,174</b>	<b>\$ 66,348,309</b>	<b>\$ 85,291,328</b>

Major sources of operating cash included Tuition & Fees (\$87.6 million), Auxiliaries (\$26.8 million), Grants & Contracts of \$57.7 million, and General Sales & Services of \$29.1 million. The largest use of operating cash was for Personal Services of \$172.0 million.

The most significant source of cash for non-capital financial activities cash was General Fund Appropriations of \$73.4 million. The University also received Coronavirus & Higher Education Emergency Relief Funds of \$6.9 million.

Capital related financing activities included Purchase of Capital Assets of \$34.7 million (predominately for Buildings & Building Improvement construction expenditures), and debt service payments of \$16.6 million. Funding included Proceeds on the Disposal of Capital Assets (\$4.1 million), Capital Appropriations of \$4.2 million, Capital Grants & Contracts (\$3.6 million), and \$2.9 million from the Higher Education Facilities Fund.

University cash balances are as follows:

<b>Fund Type</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Unrestricted Non-Appropriated funds	\$ 44,396,110	\$ 42,333,404	\$ 48,196,284
Renewal and Replacement funds	16,601,387	15,591,868	12,150,905
Loan Funds	2,993,906	4,458,444	1,755,143
Unexpended Plant funds	(5,697,576)	3,737,215	23,943,978
Retirement of Indebtedness funds	2,440,787	2,467,723	2,654,058
Unrestricted Appropriated funds	1,010,549	758,909	635,508
Agency Funds	208,679	265,375	465,142
Restricted Non-Appropriated funds	785,885	(1,229,829)	(2,136,905)
Restricted Appropriated funds	(385,553)	(2,034,800)	(2,372,785)
	<b>\$ 62,354,174</b>	<b>\$ 66,348,309</b>	<b>\$ 85,291,328</b>

**SOUTH DAKOTA STATE UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2020**

**ECONOMIC OUTLOOK**

Funding for the University's activities comes from a variety of sources including tuition and fees, state and federal appropriations, HEFF, grants and contracts, auxiliaries, and general sales & services. These various revenue sources provide flexibility for the University to fulfill its educational mission and execute its Strategic Plan, which guides prioritization of resources through 2023. The vision is to be a premier land-grant university recognized for high value, innovation, and bold impact. Goals and Strategies include:

Achieve excellence through transformative education: Excellence through transformative education focuses on increasing and sustaining the number of accredited and certified programs designed to meet the needs of diverse students and market demands while incorporating cross-curricular skills into academic and co-curricular endeavors. Student success is a foundational University priority. Underrepresented populations continue to be a focus through the establishment and continuation of programming and initiatives concentrated on access. The Wokini Initiative has been a key focus, it is a collaboration between SDSU and the Lakota and Dakota people to create programming and support for citizens of the nine tribal nations in South Dakota interested in educational and advancement opportunities at SDSU. It also encourages further research and outreach partnerships with the tribes, tribal colleges, and other tribal organizations.

Cultivate and strengthen community engagement: SDSU has strong relationships with the community and wants to enhance those ties by growing engagement through extension, collaborative service, community outreach, alumni relations, and public-private partnerships that enhance the quality of life in the State and beyond. Academic and outreach programming is being realigned to optimize institutional efforts to support tribal communities and underserved populations. Engagement with K-12 schools at the local, state, and national levels are being increased while building reciprocal relationships with industry partners.

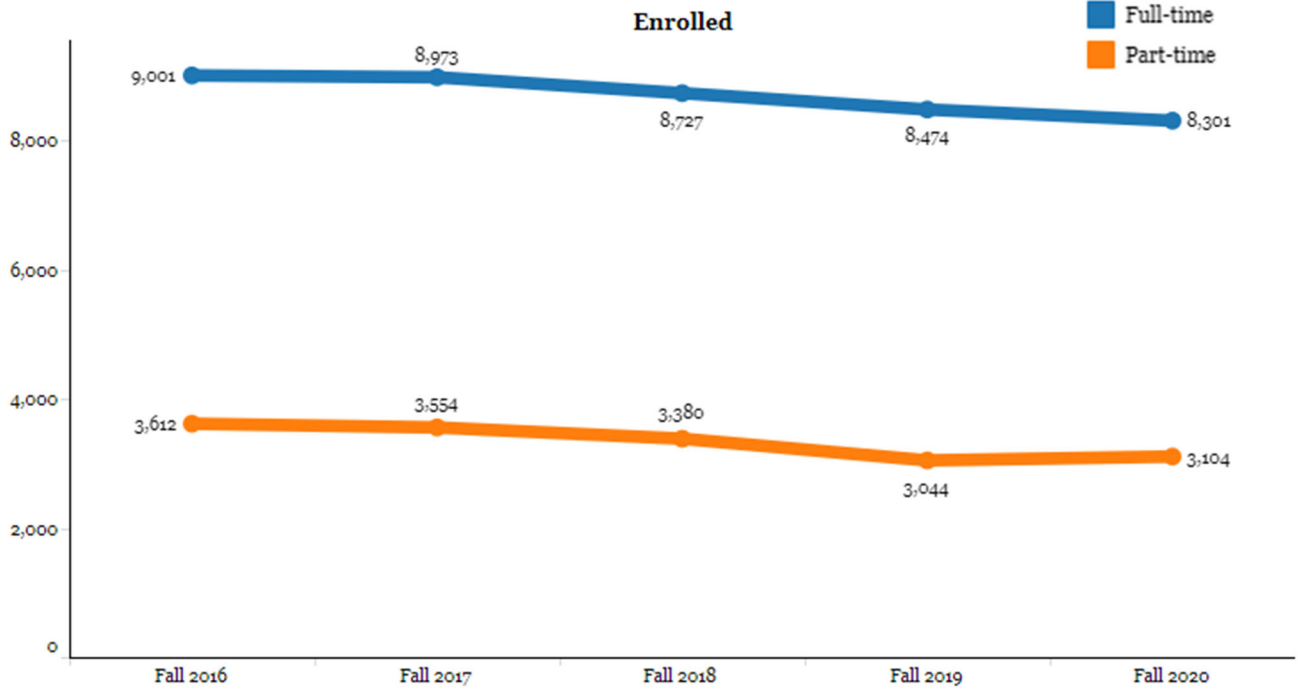
Foster innovation and increase research, scholarship, and creative activity: SDSU continues to foster innovation and research and works towards expanding the number of public-private activities located in the Research Park at SDSU. The University is also increasing partnership and sponsorship opportunities through advocacy and engagement with agencies, enterprises, non-profits, economic development venues, and other organization.

Be a growing, high-performing, and healthy university: As the Strategic Plan is realized, the core values will be infused through all levels of the University. New revenue streams are being developed through an increase of sponsored programs, fundraising efforts, and other endeavors. As systems and process are continually improved and efficiency increased, the focus will remain towards supporting collaboration, sustainability, creativity, and bold ideas.

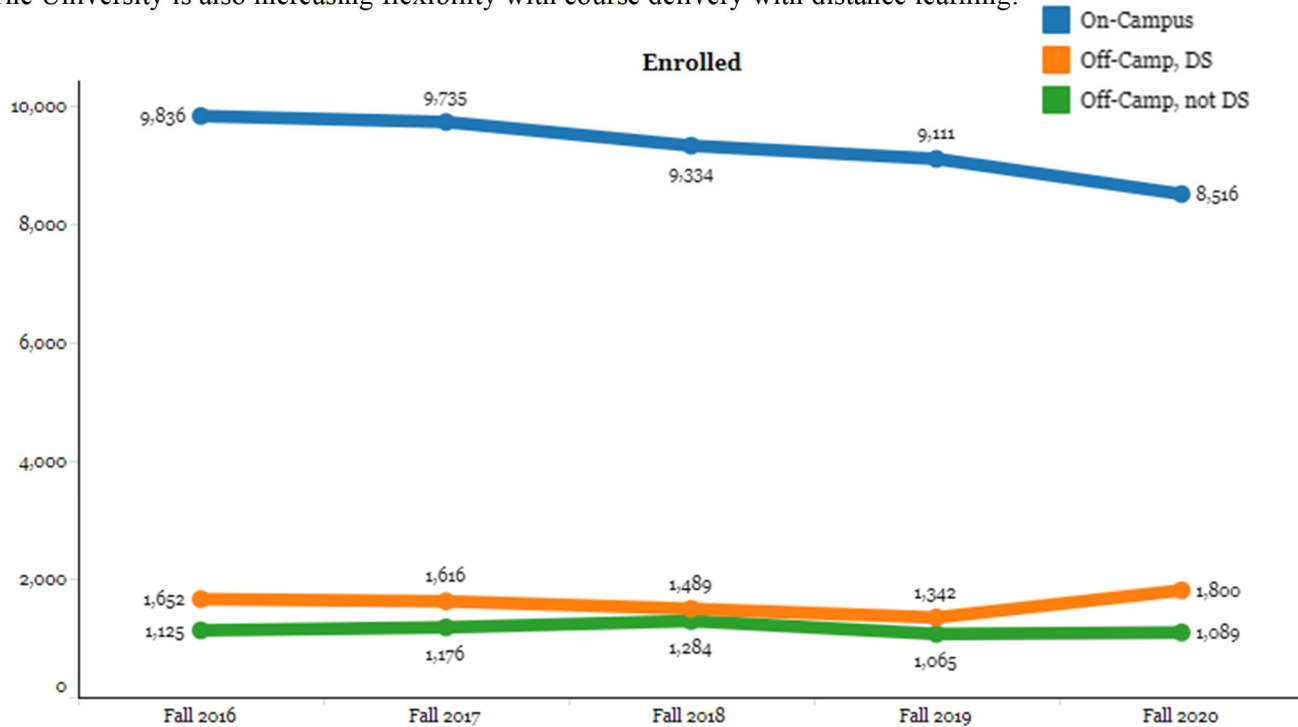
**SOUTH DAKOTA STATE UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2020**

**ECONOMIC OUTLOOK (CONCLUDED)**

Enrollment can have the greatest effect on the operating budget. The University is implementing strategies to reverse recent enrollment decline which follows national trends.



The University is also increasing flexibility with course delivery with distance learning.



**SOUTH DAKOTA STATE UNIVERSITY**  
**STATEMENTS OF NET POSITION**  
**JUNE 30, 2020 AND 2019**

	2020	2019
<b>Assets</b>		
<b>Current Assets</b>		
Cash on Deposit-State Treasurer	\$ 62,085,945.77	\$ 53,793,439.36
Cash & Cash Equivalents	268,227.79	7,207,031.49
Accounts Receivable-Student	5,681,990.79	5,919,687.45
(Net of Allowance of \$1,764,400.00 & \$1,596,600.00 Respectively)		
Accounts Receivable-Department Sales	3,449,322.58	3,671,650.68
Notes Receivable	1,685,531.02	1,918,089.60
(Net of Allowance of \$52,841.45 & \$102,146.77 Respectively)		
Interest Receivable	992,547.33	1,061,062.28
Prepaid Expenses	2,362,364.68	2,335,241.78
Inventories	4,677,290.48	5,248,366.53
Due from Federal Sources	4,901,531.33	8,167,538.79
Due from Primary Government	769,520.70	802,027.88
Due from Other Component Units	4,332,371.30	18,393,853.56
<b>Total Current Assets</b>	<b>\$ 91,206,643.77</b>	<b>\$ 108,517,989.40</b>
<b>Non-Current Assets</b>		
Restricted Cash on Deposit-State Treasurer		\$ 5,347,837.99
Notes Receivable	7,016,210.75	7,754,665.33
(Net of Allowance of \$255,004.55 & \$428,793.23 Respectively)		
Investments	368,472.35	333,611.45
Other Assets		361,200.00
<b>Total Non-Current Assets</b>	<b>\$ 7,384,683.10</b>	<b>\$ 13,797,314.77</b>
<b>Capital Assets, Net</b>		
Land	\$ 15,161,531.94	\$ 14,561,000.93
Museum & Art Collections	9,612,244.00	9,418,165.50
Construction in Progress	45,571,054.49	35,672,369.31
Work in Progress Intangible Assets		-
Buildings & Building Improvements	486,471,611.56	481,662,000.11
(Net of Accum Depr \$212,118,712.09 & \$198,820,472.32 Respectively)		
Land Improvements	12,292,009.14	12,651,875.99
(Net of Accum Depr \$10,846,175.00 & \$9,866,821.87, Respectively)		
Infrastructure	22,501,416.78	17,922,029.00
(Net of Accum Depr \$9,698,594.38 & \$8,879,055.44, Respectively)		
Equipment & Other Property	23,834,030.71	26,260,951.59
(Net of Accum Depr \$96,807,293.16 & \$93,497,465.84, Respectively)		
Intangible Assets	345,774.67	433,812.05
(Net of Accum Amort \$468,276.04 & \$380,238.66, Respectively)		
<b>Total Capital Assets, Net</b>	<b>\$ 615,789,673.29</b>	<b>\$ 598,582,204.48</b>
<b>Deferred Outflows of Resources</b>		
Deferred Outflow on Debt Refunding	\$ 1,625,286.13	\$ 1,760,112.88
<b>Total Assets &amp; Deferred Outflows of Resources</b>	<b>\$ 716,006,286.29</b>	<b>\$ 722,657,621.53</b>

**SOUTH DAKOTA STATE UNIVERSITY**  
**STATEMENTS OF NET POSITION**  
**JUNE 30, 2020 AND 2019**

	2020	2019
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 4,441,420.81	\$ 9,536,892.84
Accrued Wages & Benefits	3,843,242.77	3,085,949.00
Accrued Interest Payable	1,284,191.27	1,356,451.28
Due to Primary Government	575,641.58	317,561.33
Due to Other Component Units	54,687.12	299,840.05
Student Deposits	561,292.36	648,801.76
Agency Funds-Funds Held for Others	202,655.06	433,353.32
Unearned Revenue	6,596,737.73	4,436,538.43
Other Accrued Liabilities	667,500.00	628,287.20
Obligations under Capital Leases	1,744,396.83	1,662,230.86
Revenue Bonds Payable	7,302,905.98	7,022,905.98
Compensated Absences Payable	4,960,080.04	5,156,664.13
<b>Total Current Liabilities</b>	<b>\$ 32,234,751.55</b>	<b>\$ 34,585,476.18</b>
<b>Non-Current Liabilities</b>		
Obligations under Capital Leases	\$ 50,704,957.03	\$ 52,449,353.85
Revenue Bonds Payable	111,966,406.61	119,269,312.59
Compensated Absences Payable	11,804,198.83	10,946,543.58
Federal Capital Contribution	10,498,839.42	12,279,329.42
<b>Total Non-Current Liabilities</b>	<b>\$ 184,974,401.89</b>	<b>\$ 194,944,539.44</b>
<b>Total Liabilities</b>	<b>\$ 217,209,153.44</b>	<b>\$ 229,530,015.62</b>
<b>Net Position</b>		
Net Investment in Capital Assets	\$ 442,063,343.36	\$ 418,981,067.69
Restricted Nonexpendable - Loans	1,192,553.06	1,770,623.89
Restricted Expendable:		
Scholarships and Fellowships	216,742.62	311,224.79
Research	2,243,795.94	2,466,944.28
Renewals & Replacements	9,980,011.27	9,454,579.79
Debt Service	-	0.03
Unrestricted	43,100,686.60	60,143,165.44
<b>Total Net Position</b>	<b>\$ 498,797,132.85</b>	<b>\$ 493,127,605.91</b>
<b>Total Liabilities &amp; Net Position</b>	<b>\$ 716,006,286.29</b>	<b>\$ 722,657,621.53</b>

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



South Dakota State University Foundation  
Consolidated Statements of Financial Position  
December 31, 2019 and 2018

	2019	2018
<b>Assets</b>		
Cash and Cash Equivalents	\$ 10,997,178	\$ 13,651,860
Investments (Note 4)	174,449,873	141,497,276
<b>Receivables</b>		
Promises to give, net of allowance and discount (Note 5)	23,018,431	22,600,901
Trusts held by others	4,522,055	4,806,419
Notes, contract, and other receivables (Note 6)	9,966,957	10,201,704
Operating Property, Net of Accumulated Depreciation (Note 1)	14,396,882	13,514,884
Other Property Held (Note 1)	8,168,494	8,114,468
<b>Other Assets</b>		
Prepaid expenses, inventory, and other assets	124,836	121,781
Cash surrender value of life insurance	558,245	567,488
Life estates	5,552,402	5,968,280
Beneficial interest in perpetual trust	1,085,309	934,045
	\$ 252,840,662	\$ 221,979,106
<b>Liabilities</b>		
Accounts Payable, Accrued Expenses, and Other Liabilities	\$ 1,037,008	\$ 1,445,727
Deposits from Donors and Others	-	7,489,554
Due to SDSU - Scholarships	2,226,097	2,026,302
Investments Held for Others	280,094	238,747
Gift Annuities, Life Income Agreements, and Life Estates	7,389,067	7,771,866
Notes Payable (Note 7)	5,295,887	5,579,727
Bonds Payable (Note 8)	15,211,253	17,792,615
Total liabilities	31,439,406	42,344,538
<b>Net Assets (Deficit)</b>		
Without Donor Restrictions (Note 9)	(11,609,263)	(12,192,123)
With Donor Restrictions (Note 10)	233,010,519	191,826,691
Total net assets	221,401,256	179,634,568
	\$ 252,840,662	\$ 221,979,106

**SOUTH DAKOTA STATE UNIVERSITY**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**FOR THE YEARS ENDING JUNE 30, 2020 AND 2019**

	2020	2019
<b>Operating Revenues</b>		
<b>Tuition</b>		
State-Support Tuition	\$ 55,005,603.17	\$ 56,712,600.11
Self-Support Tuition	17,576,010.43	17,821,980.18
<b>Total Tuition</b>	<b>\$ 72,581,613.60</b>	<b>\$ 74,534,580.29</b>
<b>Fees</b>		
General Activity Fees	\$ 10,187,380.89	\$ 9,967,926.97
Special Discipline Fees	14,285,335.00	14,831,209.09
Vehicle Registration Fees	668,634.78	870,902.26
Delivery Fees	788,898.77	835,225.54
Other Fees	324,635.09	361,889.70
Student Charges	2,032,488.24	2,169,559.49
<b>Total Fees</b>	<b>\$ 28,287,372.77</b>	<b>\$ 29,036,713.05</b>
<b>Total Tuition and Fees</b>	<b>\$ 100,868,986.37</b>	<b>\$ 103,571,293.34</b>
Less Student Financial Assistance	(13,373,614.20)	(14,488,121.25)
<b>Total Tuition &amp; Fees, Net of Student Financial Assistance</b>	<b>\$ 87,495,372.17</b>	<b>\$ 89,083,172.09</b>
<b>Auxiliaries</b>	<b>\$ 26,946,057.07</b>	<b>\$ 33,739,354.84</b>
Net Student Financial Assistance \$4,119,667.94 & \$5,148,800.98, Respectively		
General Sales & Services	29,602,828.86	28,927,296.15
Federal Grants & Contracts	27,715,850.69	34,970,205.33
State Grants & Contracts	5,427,869.26	7,587,351.50
Private Grants & Contracts	19,220,623.98	16,363,928.05
Student Loan Interest	198,601.74	224,586.17
Other Revenues & Additions	287,868.46	365,408.29
<b>Total Operating Revenues</b>	<b>\$ 196,895,072.23</b>	<b>\$ 211,261,302.42</b>
<b>Operating Expenses</b>		
Personal Services and Benefits	\$ 173,409,079.27	\$ 169,802,631.28
Travel	5,635,905.01	8,288,328.34
Contractual Services	41,107,002.87	48,798,884.77
Supplies & Materials	23,609,091.28	25,824,651.64
Grants & Subsidies	17,449,459.23	19,471,902.73
Interest	1,575.94	3,931.30
Loan Cancellation Expense	248,709.46	326,751.71
Bad Debts	167,800.00	51,985.00
Depreciation	25,298,326.61	24,807,363.29
Amortization of Intangibles	88,037.38	96,657.65
Other Operating Expense	92,962.93	154,200.46
<b>Total Operating Expenses</b>	<b>\$ 287,107,949.98</b>	<b>\$ 297,627,288.17</b>
<b>Operating Loss</b>	<b>\$ (90,212,877.75)</b>	<b>\$ (86,365,985.75)</b>

**SOUTH DAKOTA STATE UNIVERSITY**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**FOR THE YEARS ENDING JUNE 30, 2020 AND 2019**

	2020	2019
<b>Non-Operating Revenues (Expenses)</b>		
General Fund Appropriations	\$ 73,438,946.15	\$ 69,318,992.00
School & Public Lands	1,280,519.45	905,273.10
Federal Fund Appropriations	5,881,390.32	6,861,037.99
Higher Education Facilities Fund	484,476.20	1,174,077.01
General Fund M&R	183,139.62	499,932.52
Endo/Ecto Parasiticide Tax	-	224,635.47
Investment Income	1,170,418.88	1,061,096.99
Coronavirus Relief Fund	3,643,127.94	-
Higher Education Emergency Relief Fund	3,211,315.48	-
Other Non-Operating Revenue PELL Grants	9,368,419.61	10,276,083.02
Other Non-Operating Revenue & Additions	45,476.31	43,017.50
Interest Expense Related to Capital Assets	(8,022,607.30)	(7,862,752.88)
Loss on Disposal of Capital Assets	(2,221,001.78)	(33,851.84)
Other Non-Operating Expenses	(4,274,851.76)	-
<b>Total Non-Operating Revenues (Expenses)</b>	<b>\$ 84,188,769.12</b>	<b>\$ 82,467,540.88</b>
<b>Other Revenues, Expenses, &amp; Other Changes</b>		
Capital Grants & Contracts	5,714,075.04	\$ 19,971,054.39
South Dakota Building Authority Bond Proceeds	412,144.83	-
Build America Bond Subsidy	-	20,208.81
Capital Appropriations	\$ 4,202,362.64	1,872,375.43
Higher Education Facilities Fund	2,929,968.84	4,869,791.35
<b>Total Other Revenues, Expenses, &amp; Other Changes</b>	<b>\$ 13,258,551.35</b>	<b>\$ 26,733,429.98</b>
<b>Increase in Net Position</b>	<b>\$ 7,234,442.72</b>	<b>\$ 22,834,985.11</b>
<b>Net Position, Beginning of Year</b>	<b>\$ 493,127,605.91</b>	<b>\$ 472,011,900.29</b>
Prior Period Adjustments	(1,564,915.78)	(1,719,279.49)
<b>Net Position, End of Year</b>	<b>\$ 498,797,132.85</b>	<b>\$ 493,127,605.91</b>

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

**South Dakota State University Foundation**  
 Consolidated Statements of Activities  
 Years Ended December 31, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support, and Gains						
Gifts	\$ 225,644	\$ 46,597,045	\$ 46,822,689	\$ 369,709	\$ 40,732,137	\$ 41,101,846
Net investment return (loss)	434,058	18,506,478	18,940,536	(130,106)	(5,882,259)	(6,012,365)
Change in split interest agreements	(675)	1,129,649	1,128,974	-	(605,203)	(605,203)
Other revenue						
Development services - SDSU	1,800,000	100,000	1,900,000	1,672,500	50,000	1,722,500
Other	167,584	807,192	974,776	135,159	177,168	312,327
	<u>2,626,611</u>	<u>67,140,364</u>	<u>69,766,975</u>	<u>2,047,262</u>	<u>34,471,843</u>	<u>36,519,105</u>
Net assets released from restrictions (Note 10)	25,956,536	(25,956,536)	-	32,987,551	(32,987,551)	-
Total revenue, support, and gains	<u>28,583,147</u>	<u>41,183,828</u>	<u>69,766,975</u>	<u>35,034,813</u>	<u>1,484,292</u>	<u>36,519,105</u>
Expenses						
Program Services						
SDSU scholarships	5,909,033	-	5,909,033	6,205,390	-	6,205,390
SDSU operational and program support	4,886,148	-	4,886,148	4,391,185	-	4,391,185
SDSU capital projects	9,748,598	-	9,748,598	29,198,970	-	29,198,970
Grants to others	151,279	-	151,279	194,285	-	194,285
Total program services	<u>20,695,058</u>	<u>-</u>	<u>20,695,058</u>	<u>39,989,830</u>	<u>-</u>	<u>39,989,830</u>
Support Services						
Administrative and general expenses	3,716,593	-	3,716,593	3,249,492	-	3,249,492
Fundraising expenses	3,588,636	-	3,588,636	3,329,168	-	3,329,168
Total support services	<u>7,305,229</u>	<u>-</u>	<u>7,305,229</u>	<u>6,578,660</u>	<u>-</u>	<u>6,578,660</u>
Total expenses	<u>28,000,287</u>	<u>-</u>	<u>28,000,287</u>	<u>46,568,490</u>	<u>-</u>	<u>46,568,490</u>
Change in Net Assets	582,860	41,183,828	41,766,688	(11,533,677)	1,484,292	(10,049,385)
Beginning Net Assets	(12,192,123)	191,826,691	179,634,568	(658,446)	190,342,399	189,683,953
Ending Net Assets	<u>\$ (11,609,263)</u>	<u>\$ 233,010,519</u>	<u>\$ 221,401,256</u>	<u>\$ (12,192,123)</u>	<u>\$ 191,826,691</u>	<u>\$ 179,634,568</u>

**SOUTH DAKOTA STATE UNIVERSITY**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDING JUNE 30, 2020 AND 2019**

	2020	2019
<b>Cash Flows From Operating Activities</b>		
Tuition, Fees, & Auxiliaries (Net of Student Financial Assistance)	\$ 87,571,124.89	\$ 87,617,681.16
Auxiliaries (Net of Student Financial Assistance)	26,832,502.31	33,749,832.72
General Sales & Services	29,093,370.26	28,712,017.34
Federal Grants & Contracts	30,139,817.47	33,498,419.98
State Grants & Contracts	6,555,418.95	8,126,827.73
Private Grants & Contracts	21,026,462.24	17,344,740.94
Loans Collected from Students	1,533,038.51	2,014,811.98
Loans Issued to Students	(587,640.81)	(685,181.00)
Student Loan Interest	198,601.74	224,586.17
Other Receipts	64,774.46	65,327.29
Personal Services and Benefits	(171,990,714.34)	(169,793,507.43)
Travel	(6,025,281.62)	(8,168,987.69)
Contractual Services	(43,411,385.65)	(48,512,752.28)
Supplies & Materials	(24,372,414.62)	(25,553,954.12)
Grants & Subsidies	(18,587,564.80)	(19,122,685.99)
Interest	(1,575.94)	(3,931.30)
Other Payments	(92,962.93)	(154,200.46)
<b>Net Cash Flows Used by Operating Activities</b>	<b>\$ (62,054,429.88)</b>	<b>\$ (60,640,954.96)</b>
<b>Cash Flows From Non-Capital Financial Activities</b>		
General Fund Appropriations	\$ 73,438,946.15	\$ 69,318,992.00
School & Public Lands	1,280,519.45	905,273.10
Federal Fund Appropriations	7,576,441.86	7,199,892.14
Federal Loans Disbursements (Stafford & PLUS)	(47,005,229.00)	(50,671,156.00)
Federal Loan Receipts (Stafford & PLUS)	47,005,229.00	50,671,156.00
Higher Education Facilities Fund	484,476.20	1,174,077.01
General Fund M&R	183,139.62	499,932.52
Endo/Ecto Parasiticide Tax	-	224,635.47
Federal Capital Contribution-Student Loans	(1,780,490.00)	891,051.00
Net Change in Funds Held for Others	(226,323.79)	1,903.69
Other Non-Operating Revenue PELL Grants	9,368,419.61	10,276,083.02
Other Non-Operating Revenue & Additions	10,615.41	14,312.33
Coronavirus & Higher Education Emergency Relief Funds	6,854,443.42	-
<b>Net Cash Flows Provided by Non-Capital Financial Activities</b>	<b>\$ 97,190,187.93</b>	<b>\$ 90,506,152.28</b>
<b>Cash Flows From Capital Related Financing Activities</b>		
Higher Education Facilities Fund	\$ 2,929,968.84	\$ 4,869,791.35
South Dakota Building Authority Bond Proceeds	412,144.83	-
Purchase of Capital Assets	(34,686,140.27)	(62,295,584.51)
Proceeds on Disposal of Capital Assets	4,064,799.41	20,280.00
Revenue Bond Discounts and Related Costs	(4,274,851.76)	-
Principal Payments on Capital Leases & Revenue Bonds	(7,923,018.05)	(4,983,764.76)
Interest Payments on Capital Leases & Revenue Bonds	(8,682,946.54)	(8,519,592.96)
Build America Bond Subsidy	-	20,208.81
Capital Appropriations	4,202,362.64	1,872,375.43
Capital Grants & Contracts	3,588,853.74	19,621,087.12
<b>Net Cash Flows Used by Capital Related Financing Activities</b>	<b>\$ (40,368,827.16)</b>	<b>\$ (49,395,199.52)</b>

**SOUTH DAKOTA STATE UNIVERSITY**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDING JUNE 30, 2020 AND 2019**

	2020	2019
<b>Cash Flows From Investing Activities</b>		
Investment Income	\$ 1,238,933.83	\$ 586,983.50
Net Increase (Decrease) in Cash	\$ (3,994,135.28)	\$ (18,943,018.70)
Cash, Beginning of year	66,348,308.84	85,291,327.54
<b>Cash, End of year</b>	<b>\$ 62,354,173.56</b>	<b>\$ 66,348,308.84</b>

**Reconciliation of Net Operating Loss to Net Cash Used  
by Operating Activities**

<b>Operating Loss</b>	<b>\$ (90,212,877.75)</b>	<b>\$ (86,365,985.75)</b>
Adjustments to Reconcile Operating Loss to Net Cash Flows Used by Operating Activities		
Depreciation	25,298,326.61	24,807,363.29
Amortization of Intangibles	88,037.38	96,657.65
Bad Debts	167,800.00	51,985.00
Loan Cancellation Expense	248,709.46	326,751.71
Change in Assets and Liabilities		
Accounts Receivable-Students	75,752.72	(1,458,220.59)
Accounts Receivable-Department Sales	2,505,743.74	187,136.76
Notes Receivable	722,303.70	(214,238.45)
Prepaid Expenses	(83,210.08)	1,029,549.98
Inventories	571,076.05	(1,398,923.43)
Due from Federal Sources	1,570,955.92	(14,629.43)
Due from Primary Government	32,507.18	417,693.23
Due from Other Component Units	346,913.69	61,424.22
Other Assets	-	(167,500.00)
Accounts Payable	(5,095,981.59)	1,205,523.42
Accrued Wages & Benefits	757,293.77	(430,947.66)
Due to Primary Government	258,080.25	47,425.76
Due to Other Component Units	(245,152.93)	92,752.45
Compensated Absences Payable	661,071.16	440,071.51
Unearned Revenue	278,220.84	645,155.37
<b>Net Cash Used by Operating Activities</b>	<b>\$ (62,054,429.88)</b>	<b>\$ (60,640,954.96)</b>

**Supplemental Disclosure of Noncash Activities**

Construction Project Accounts Receivable	\$ -	\$ 17,830,000.00
Capital Assets Financed by Capital Lease	-	3,300,826.66
Loss on Disposal of Capital Assets	(2,221,001.78)	(33,851.84)

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

## South Dakota State University Foundation

Consolidated Statements of Cash Flows  
Years Ended December 31, 2019 and 2018

	2019	2018
<b>Operating Activities</b>		
Change in net assets	\$ 41,766,688	\$ (10,049,385)
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities		
Depreciation	847,598	765,879
Net realized and unrealized (gains) losses	(14,970,208)	8,185,317
Loss on the disposal of operating property	146,092	-
Loss on the disposal of other property held	24,007	107,017
Provision for uncollectible receivables	755,622	332,430
Change in value of cash surrender value of life insurance	9,243	(28,227)
Change in value of beneficial interest in perpetual trust Restricted for long-term purposes	(151,264)	126,522
Gifts and revenue	(12,394,314)	(9,852,605)
Gifts other than cash	(3,787,036)	(5,725,086)
Changes in assets and liabilities		
Promises to give	(652,818)	1,387,188
Other receivables	(2,167,760)	-
Trusts held by others	4,071,400	(3,214,825)
Prepaid expenses, inventory, and other assets	(3,055)	(4,227)
Accounts payable, accrued expenses, and other liabilities	(419,367)	548,484
Deposits from donors	(7,489,554)	2,980,461
Due to SDSU - scholarships	199,795	93,495
Gift annuities, life income agreements, and life estates	33,079	(888,214)
<b>Net Cash Provided by (Used for) Operating Activities</b>	<b>5,818,148</b>	<b>(15,235,776)</b>
<b>Investing Activities</b>		
Proceeds from the sale of investments	29,909,760	45,299,451
Purchases of investments	(47,892,149)	(45,878,694)
Purchases of operating property	(1,823,693)	(1,405,487)
Proceeds from the sale of other property held	512,231	1,999,505
Purchases of other property held	(590,264)	(2,525,278)
Advances on notes, contracts and other receivables	-	(4,915,724)
Receipts on notes, contract, and other receivables	2,402,507	161,049
<b>Net Cash Used for Investing Activities</b>	<b>(17,481,608)</b>	<b>(7,265,178)</b>

## South Dakota State University Foundation

Consolidated Statements of Cash Flows

December 31, 2019 and 2018

	2019	2018
<b>Financing Activities</b>		
Proceeds from notes payable	\$ -	\$ 3,328,325
Payments on notes payable	(283,840)	(548,142)
Proceeds from bonds payable	-	18,680,000
Payments on bonds payable	(2,581,362)	(2,115,077)
Proceeds from contributions restricted for long-term purposes	11,873,980	7,994,762
	<u>9,008,778</u>	<u>27,339,868</u>
<b>Net Cash Provided by Financing Activities</b>		
Net Change in Cash and Cash Equivalents	(2,654,682)	4,838,914
Cash and Cash Equivalents, Beginning of Year	13,651,860	8,812,946
	<u>\$ 10,997,178</u>	<u>\$ 13,651,860</u>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Cash paid during the year for interest	\$ 918,126	\$ 426,478
<b>Supplemental Disclosure of Non-Cash Transactions</b>		
Accounts payable for operating property	\$ 60,462	\$ 8,466



**SOUTH DAKOTA STATE UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation, Accounting, and Reporting Entity**

The financial statements for South Dakota State University (the University/SDSU) include University Proper, SDSU Extension, and Agricultural Experiment Station agencies and are reported in accordance with Governmental Accounting Standards Board (GASB) Statements No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis for State and Local Governments*, and No 35, *Basic Financial Statements – and Management’s Discussion and Analysis – for Public Colleges and Universities – an amendment of GASB Statement No. 34*.

The University is reported as a special-purpose government entity engaged in business-type activities. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services. Accordingly, these financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized as they are incurred. All significant internal activity transactions have been eliminated.

South Dakota State University is one of six public universities and two special schools under the control of the South Dakota Board of Regents (BOR), reported as a component unit (Higher Education) in the State of South Dakota’s Comprehensive Annual Financial Report. The State of South Dakota’s audit encompasses BOR, as such an audit opinion is not issued on the University’s financial statements, but rather is included in the State’s financial report.

Based on the provisions of GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, it was determined that South Dakota State University Foundation (the Foundation) is a component unit of the University. Consistent with the GASB principles, the Foundation’s Consolidated Statements of Financial Position, Consolidated Statements of Activities, Consolidated Statements of Changes in Net Assets, Consolidated Statements of Cash Flows, and Notes to the Consolidated Financial Statements are presented on separate pages of the financial statements. The Foundation’s financial statements are audited by independent auditors engaged by the Foundation’s Board of Directors.

**Fund Accounting**

To ensure observance of the limitations and restrictions placed on the use of the resources available, the University’s accounts 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 funds that are maintained in accordance with activities or objectives specified by donors, governmental appropriations, granting agencies, and other outside sources or regulations. Separate funds are maintained for each activity; however, in the financial statements, all funds have been combined to present the University from a comprehensive entity-wide perspective.

**SOUTH DAKOTA STATE UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Use of Estimates**

Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates. The most significant estimates relate to Allowances for Student Accounts Receivable and Notes Receivable, Inventories, Capital Assets, Compensated Absences, and Student Financial Assistance.

**Emerging Accounting Standards**

SDSU is analyzing the effects of adopting of the following GASB statements and is currently uncertain of the impact on the financial statements and related reporting requirements.

January 2020, GASB issued Statement No. 92, *Omnibus 2020*. This statement improves consistency by addressing practice issues identified during implementation and application of certain GASB Statements. This statement is effective for the University's year ending June 30, 2022.

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships (PPP) and Availability Payment Arrangements (APA)*. This Statement improves financial reporting by addressing issues related to PPP's and provides guidance for accounting and financial reporting for APA's. GASB 94 refers to a PPP as an agreement in which the University (the transferor) contracts with an operator to provide public services by conveying control of the right to operate and use a nonfinancial asset, such as infrastructure or other capital assets, for a period in an exchange transaction. An APA is an arrangement in which the University would compensate an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period in an exchange transaction. This statement is effective for the University's year ending June 30, 2023.

In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postponed the effective dates of the following pronouncements by one year.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This Statement improves guidance regarding the identification of fiduciary activities of all state and local governments, and for accounting and financial reporting of those activities. This statement is effective for the University's year ending June 30, 2021.

**SOUTH DAKOTA STATE UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Emerging Accounting Standards (Continued)**

In June 2017, GASB issued Statement No. 87, *Leases*. The Statement requires the recognition of certain lease assets and liabilities for leases previously classified as operating to be recognized on the Statement of Net Position based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This statement is effective for the University's year ending June 30, 2022.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. This statement is effective for the University's year ending June 30, 2023.

**Cash & Cash Equivalents**

Cash & Cash Equivalents includes cash on hand and cash in local banks.

**Cash and Restricted Cash on Deposit-State Treasurer**

Cash on Deposit–State Treasurer are funds pooled by the State Investment Council for investment purposes and Restricted Cash on Deposit–State Treasurer are held for construction projects. The State Investment Officer is responsible for the investment of state public funds and uses a pooled approach. This preserves the integrity of fund cash balances while simultaneously allowing investment of idle monies. Investment income is allocated to participating funds per South Dakota law. Participating funds are determined by the Bureau of Finance and Management and approved by the Joint Interim Appropriations Committee of the Legislature. Investment Income from the participating funds is deposited into their respective funds and investment income from non-participating funds are credited to the State's General Fund.

**Accounts Receivable and Notes Receivable**

Accounts Receivable-Student consists of amounts owed from students for tuition & fee charges and Notes Receivable consists of amounts associated with student loan programs. The allowance method is used in calculating an estimate of uncollectible accounts, then a reserve is established based on collection rate history and current default rates.

**SOUTH DAKOTA STATE UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Accounts Receivable and Notes Receivable (Continued)**

Accounts Receivable—Department Sales consists of funds owed to University departments from external sources for various sales & services as well as for funds owed to the University for unreimbursed grant expenditures. The University uses the direct write-off method for uncollectible department sales receivables.

**Prepaid Expenses**

Prepaid expenses consist primarily of computer expenditures (services, software contracts, and maintenance), subscriptions, dues and membership fees, and insurance premiums.

**Inventories**

Inventories are reported on June 30 using the original cost or last invoice price, lower of cost or market (Foundation Seed Stock), estimated cost of production (Dairy Plant), or market price (Livestock).

**Due to/Due from**

Due from Federal Sources represent grant expenditures or Federal Appropriations for which reimbursement has not yet been received. Due to/Due from Primary Government represents balances owed to or from various South Dakota state agencies outside of Higher Education. Due to/Due from Other Component Units represent funds owed to or from other South Dakota public universities, the South Dakota Board of Regents, or South Dakota Building Authority (SDBA).

**Capital Assets**

Museum & Art Collections are non-depreciable assets and include items with individual costs less than \$5,000. Additions to the art collections are based on the actual purchase price of the item or on the estimated fair market value of the item on the date of the gift. Items are disposed of at the carrying cost of the item on the date of disposal.

Major additions and renovation projects are recorded as Construction in Progress until the earliest occurrence of substantial completion of the project, occupancy, or when the asset is placed in service. The project is then transferred to Buildings & Building Improvements, Land Improvements, or Infrastructure.

**SOUTH DAKOTA STATE UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Capital Assets (Continued)**

Land, Buildings & Building Improvements, Land Improvements, and Infrastructure are capitalized at cost at the time of purchase or at the appraised value on the contribution date. Major additions and renovation projects are capitalized when the value equals or exceeds \$100,000 for Buildings & Building Improvements and \$50,000 for Land Improvements and Infrastructure. Buildings are depreciated over 50 years for a major structure, 25 years for pole and storage buildings, and 10 years for minor structures. Building Improvements and Land Improvements are depreciated over 20 years. Infrastructure is depreciated over a range of 20 to 50 years.

Equipment & Other Property is capitalized when the unit cost equals or exceeds \$5,000 and the useful life is one year or longer, then depreciated over various useful lives based on asset classes. Equipment & Other Property included \$45,427,075.33 and \$44,380,346.66 for Library books and \$88,492.46 and \$87,875.71 in Nursing films on June 30, 2020 and 2019, respectively. Books and films are capitalized at cost during the year of their purchase and depreciated based on a ten-year average. Upon disposal, books and films are valued and removed at the previous year's average cost at year end. Nursing films are removed at actual cost if available, otherwise a reasonable cost is used for disposition.

Intangible Assets are capitalized when the unit cost equals or exceeds \$100,000 and the useful life is longer than one year. The University's Intangible Assets include purchased licensed software (Facilities AIM software system, StarRez Software for Residential Life, Parking Management System, SdState Website – CMS, and LogRythm) which are amortized over 5 to 10 years.

**Deferred Outflows of Resources**

Deferred Outflows of Resources is a consumption of net position applicable to a future reporting period. The Deferred Outflow on Debt Refunding is the difference between the reacquisition price and the net carrying amount of the refunded debt and is amortized over the life of the refunded debt.

**Accounts Payable and Accrued Wages & Benefits**

Accounts Payable represent amounts due for goods received and services performed prior to the end of the fiscal year. The balances include payables on construction projects of \$3,632,949.61 and \$6,305,284.35 on June 30, 2020 and 2019, respectively. Accrued Wages & Benefits represent amounts earned but not paid on June 30, 2020 and 2019.

**Accrued Interest Payable**

Accrued Interest Payable is associated with the Housing & Auxiliary Facilities Revenue Bonds.

**SOUTH DAKOTA STATE UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Unearned Revenue**

Unearned revenue consists of department sales deposits, residence hall deposits, and grant funds received which have not yet been earned under the terms of the agreements.

**Compensated Absences**

Annual and sick leave is accrued as it is earned by 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 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, not to exceed the sum of twelve weeks of the employees' annual compensation.

**Federal Capital Contribution**

Federal Capital Contribution represents the funds that would be owed to the federal government if the federal loan programs were eliminated.

**Income Taxes**

The University is treated as a governmental entity for tax purposes. As such, SDSU is only subject to unrelated business income tax on income derived from a trade or business (regularly carried on) and not in furtherance of the educational purpose for which it was granted an exemption.

**Revenue Recognition and Operating Activities**

Operating activities as reported in the statements of revenues, expenses, and changes in net position generally result from exchange transactions (receipts for providing goods and services and payments for services or goods received). Tuition and Fees are recorded Net of Student Financial Assistance (Note XIII).

Other significant revenue streams relied upon for operations are recorded as non-operating or other revenues. General Fund Appropriations, Capital Appropriations, and Capital Grants & Contracts are recognized in the period received. Federal Appropriations are recognized as the related expenditures are incurred.

Federal Appropriations are recognized as the related expenditures are incurred. The University received \$3,211,315.48 in Higher Education Emergency Relief Fund (HEERF) from the Federal CARES Act. Fifty percent of the amount granted was provided directly to students as emergency aid. The University also received \$3,643,127.94 from the Coronavirus Relief Fund administered by the State.

**SOUTH DAKOTA STATE UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)**

The University disbursed \$47,005,229.00 and \$50,671,156.00 for student loans through the U.S. Department of Education federal direct lending and federal guaranteed student loan programs, in the years ending June 30, 2020 and 2019, respectively. These disbursements and the related receipts are not included as revenue or expenditures in the accompanying statement of revenues, expenses, and changes in net position; however, are reflected in the noncapital financing activities section of the statement of cash flows.

**Net Position**

Net Position is reported in the following components:

Net Investment in Capital Assets represents the net carrying value of capital assets less the outstanding debt and other borrowings incurred to acquire or construct the assets.

Restricted Nonexpendable Net Position are funds in which outside sources have stipulated, as a condition of the gift, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may be either expended or added to principal. The University maintained Loan Funds issued to students for fiscal years 2020 and 2019.

Restricted Expendable Net Position is restricted for specific purposes by grantors, donors, or law. Restrictions are released when the University complies with the stipulations required by the grantor, donor, or legislative act. For fiscal years 2020 and 2019, the University maintained scholarships and fellowships for future awards, research funds for Grants & Contracts and Federal Appropriations, and debt service and renewal and replacement funds stipulated by bond covenants.

Unrestricted Net Position are resources that have no external restrictions. Resources are used for the University's educational/general operations or maintenance and future acquisition of plant facilities at the discretion of governance.

As expenses are incurred which can be paid from either restricted or unrestricted funds, the University's policy is to allow the department who incurred the expense to determine the appropriate funding source. Factors used to determine which resources to use include priorities of the department in accordance with the University's strategic initiatives, externally imposed matching requirements of restricted funds, and any pertinent lapsing provisions of the available restricted or unrestricted funding sources. Major capital purchases are generally funded from multiple restricted and unrestricted funding sources.

**SOUTH DAKOTA STATE UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**II. ENDOWMENT AND SIMILAR FUNDS**

Endowment assets and similar funds administered by the Department of School and Public Lands have not been included in the financial statements as the University does not actively participate in the administration of the funds. Information can be found on the Department of School & Public Lands' web site at [www.sdpubliclands.com](http://www.sdpubliclands.com).

**III. CAPITAL ASSETS**

Capital Assets as of June 30, 2020 consisted of the following:

	2019	Prior Period Adjustments	Additions	Deletions	2020
<b>Non-Depreciable Capital Assets</b>					
Land	\$ 14,561,000.93	25,990.74	\$ 1,898,782.72	\$ (1,324,242.45)	\$ 15,161,531.94
Museum & Art Collections	9,418,165.50	-	194,078.50	-	9,612,244.00
Total Non-Depreciable Capital Assets	\$ 23,979,166.43	\$ 25,990.74	\$ 2,092,861.22	\$ (1,324,242.45)	\$ 24,773,775.94
Construction in Progress	\$ 35,672,369.31	\$ 189,082.65	\$ 42,952,351.43	\$ (33,242,748.90)	\$ 45,571,054.49
<b>Depreciable Capital Assets</b>					
Land Improvements	\$ 22,518,697.86	\$ -	\$ 619,486.28	\$ -	\$ 23,138,184.14
Infrastructure	26,801,084.44	-	5,398,926.72	-	32,200,011.16
Buildings & Building Improvements	680,482,472.43	-	25,499,187.66	(7,391,336.44)	698,590,323.65
Equipment & Other Property	119,758,417.43	31,204.69	3,545,845.70	(2,694,143.95)	120,641,323.87
Total Depreciable Capital Assets	\$ 849,560,672.16	\$ 31,204.69	\$ 35,063,446.36	\$ (10,085,480.39)	\$ 874,569,842.82
<b>Less Accumulated Depreciation</b>					
Land Improvements	\$ (9,866,821.87)	\$ -	\$ (979,353.13)	\$ -	\$ (10,846,175.00)
Infrastructure	(8,879,055.44)	-	(819,538.94)	-	(9,698,594.38)
Buildings & Building Improvements	(198,820,472.32)	-	(17,557,193.24)	4,258,953.47	(212,118,712.09)
Equipment & Other Property	(93,497,465.84)	42,297.07	(5,942,241.30)	2,590,116.91	(96,807,293.16)
Total Accumulated Depreciation	\$ (311,063,815.47)	\$ 42,297.07	\$ (25,298,326.61)	\$ 6,849,070.38	\$ (329,470,774.63)
<b>Intangible Assets</b>					
Intangible Assets	\$ 814,050.71	\$ -	\$ -	\$ -	\$ 814,050.71
Amortization	(380,238.66)	-	(88,037.38)	-	(468,276.04)
Intangible Assets, Net	\$ 433,812.05	\$ -	\$ (88,037.38)	\$ -	\$ 345,774.67
<b>Capital Assets, Net</b>	<b>\$ 598,582,204.48</b>	<b>\$ 288,575.15</b>	<b>\$ 54,722,295.02</b>	<b>\$ (37,803,401.36)</b>	<b>\$ 615,789,673.29</b>



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**III. CAPITAL ASSETS (CONTINUED)**

Capital Assets as of June 30, 2019 consisted of the following:

	2018	Prior Period Adjustments	Additions	Deletions	2019
<b>Non-Depreciable Capital Assets</b>					
Land	\$ 13,884,195.28	\$ 441.00	\$ 676,364.65	\$ -	\$ 14,561,000.93
Museum & Art Collections	8,917,595.50	-	500,570.00	-	9,418,165.50
Total Non-Depreciable Capital Assets	\$ 22,801,790.78	\$ 441.00	\$ 1,176,934.65	\$ -	\$ 23,979,166.43
<b>In Progress</b>					
Construction	\$ 71,390,550.41	\$ (91,773.65)	\$ 52,403,755.73	\$ (88,030,163.18)	\$ 35,672,369.31
Intangible Assets	151,823.00	-	-	(151,823.00)	-
Total In Progress	\$ 71,542,373.41	\$ (91,773.65)	\$ 52,403,755.73	\$ (88,181,986.18)	\$ 35,672,369.31
<b>Depreciable Capital Assets</b>					
Land Improvements	\$ 19,244,896.77	\$ -	\$ 3,334,969.09	\$ (61,168.00)	\$ 22,518,697.86
Infrastructure	25,571,632.84	-	1,229,451.60	-	26,801,084.44
Buildings & Building Improvements	594,791,770.74	(82,441.00)	86,809,169.69	(1,036,027.00)	680,482,472.43
Equipment & Other Property	114,974,099.52	135,182.07	5,777,274.71	(1,128,138.87)	119,758,417.43
Total Depreciable Capital Assets	\$ 754,582,399.87	\$ 52,741.07	\$ 97,150,865.09	\$ (2,225,333.87)	\$ 849,560,672.16
<b>Less Accumulated Depreciation</b>					
Land Improvements	\$ (8,959,341.41)	\$ -	\$ (968,648.46)	\$ 61,168.00	\$ (9,866,821.87)
Infrastructure	(8,167,391.89)	-	(711,663.55)	-	(8,879,055.44)
Buildings & Building Improvements	(182,598,367.35)	(60,679.76)	(17,197,452.21)	1,036,027.00	(198,820,472.32)
Equipment & Other Property	(88,725,260.70)	(11,375.32)	(5,929,599.07)	1,168,769.25	(93,497,465.84)
Total Accumulated Depreciation	\$ (288,450,361.35)	\$ (72,055.08)	\$ (24,807,363.29)	\$ 2,265,964.25	\$ (311,063,815.47)
<b>Intangible Assets</b>					
Intangible Assets	\$ 662,227.71	\$ -	\$ 151,823.00	\$ -	\$ 814,050.71
Amortization	(283,581.01)	-	(96,657.65)	-	(380,238.66)
Intangible Assets, Net	\$ 378,646.70	\$ -	\$ 55,165.35	\$ -	\$ 433,812.05
<b>Capital Assets, Net</b>	<b>\$ 560,854,849.41</b>	<b>\$ (110,646.66)</b>	<b>\$ 125,979,357.53</b>	<b>\$ (88,141,355.80)</b>	<b>\$ 598,582,204.48</b>

**IV. RETIREMENT PLAN**

The South Dakota Retirement System (SDRS) is a State financial reporting entity and included in the State's financial report as a pension trust fund. SDRS is a cost sharing, multiple employer public employee retirement system (PERS) established to provide retirement benefits for State employees and its political subdivisions. Members of SDRS include full time employees of public schools, the State, the BOR, city and county governments, and other public entities. Public schools, cities, and counties may choose not to include certain full-time employees in SDRS. Authority for establishing, administering, and amending plan provisions is found in South Dakota Codified Law (SDCL) 3-12. Copies of the audited SDRS financial statements are available at <http://www.sdrs.sd.gov/>. The University participates in the State of South Dakota's pension and other postemployment benefit (OPEB) plans for which the State is responsible for making employer contributions. As such, SDSU does not carry any pension or OPEB liabilities. As of June 30, 2020, the State had no unfunded pension obligations with respect to its OPEB.

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**IV. RETIREMENT PLAN (CONTINUED)**

The right to receive retirement benefits vests after three years of credited service. 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 contribution. The University's share of contributions for fiscal years 2020, 2019, and 2018 were \$7,042,306.75, \$7,065,684.13, and \$7,105,401.61, respectively.

**V. DEFERRED COMPENSATION PLAN**

Through the State, the University maintains the Supplemental Retirement Plan (SRP, a deferred compensation plan), created in accordance with Internal Revenue Code Section 457. The SRP is available to all public employees and permits them to defer a portion of their salary for future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

Within the SRP, all amounts of deferred compensation, property and rights purchased with those amounts, and all income attributable to those amounts, are held in trust for the exclusive benefit of the participants until made available to a participant or the participant's beneficiary. The University has no liability for losses under the plan.

Assets of the deferred compensation plan are not included in the accompanying financial statements because the assets are remitted to a third party administrator. A copy of the South Dakota Retirement System financial statements is available to the public at [www.sdrs.sd.gov](http://www.sdrs.sd.gov).

**VI. RISK MANAGEMENT**

The Bureau of Administration's Office of Risk Management is the insurance, loss control, and safety resource for all South Dakota state agencies. Their responsibilities include protecting the State's assets; providing a safe environment for State employees and for the general public who come in contact with State employees or property as services are provided; minimizing the possible interruptions of vital public services; ensuring exposures to financial loss are discovered and handled appropriately; and reducing costs and consequences of accidents, including insurance premiums, through effective safety management.

Tort liability coverage is provided to state employees under the Public Entity Pool for Liability (PEPL). State law provides that sovereign immunity is waived to the extent that coverage is provided either through the purchase of insurance or an arrangement such as the State has with PEPL. Therefore, the "Agreement" and "Memorandum of Coverage" between the State and PEPL carve out the instances where the State waives sovereign immunity and agrees to cover damages for which an employee becomes liable. Coverage under PEPL includes general liability, law enforcement liability, public official's errors and omissions liability, automotive liability and some medical malpractice liability. The coverage limit under PEPL is \$1,000,000 per occurrence.

**SOUTH DAKOTA STATE UNIVERSITY  
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**VII. LITIGATION, COMMITMENTS, AND CONTINGENT LIABILITIES**

The University is involved in various lawsuits arising out of the normal conduct of its operations. No determination can be made at this time regarding the potential outcome of these lawsuits. As discussed in Note VI, the University has liability coverage for itself and its employees. In the opinion of University management, the resolution of these lawsuits will not have a material effect upon the University's financial position.

At June 30, 2020, the University had outstanding commitments for construction projects and coaching contracts.

	<b>Accumulated Costs</b>	<b>Total Contract</b>	<b>Remaining</b>
Construction Contracts	\$ 41,763,790.85	\$ 69,377,258.25	\$ 27,613,467.40
Coaching Contracts	1,321,750.00	5,458,750.00	4,137,000.00
	<u>\$ 43,085,540.85</u>	<u>\$ 74,836,008.25</u>	<u>\$ 31,750,467.40</u>

Revenue from grants and contracts includes amounts for the recovery of overhead and other costs allocated to those projects. The University may be required to refund amounts received as overhead or reimbursed costs as a result of the granting agency audits. The University considers any such potential refunds to be immaterial.

**VIII. OBLIGATIONS UNDER CAPITAL LEASES AND OTHER ACCRUED LIABILITIES**

Obligations under Capital Leases include agreements with the South Dakota Building Authority (SDBA) and the Foundation. These agreements financed partially, or in full, the purchase or cost of construction assets identified in the table below. The West River Research & Extension Center (WRREC) was financed by the Foundation through a capital lease and an interest only loan (recorded as Other Accrued Liabilities in the Statement of Net Position). The interest only loan is expected to be repaid in fiscal year 2021.

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**VIII. OBLIGATIONS UNDER CAPITAL LEASES AND OTHER ACCRUED  
LIABILITIES (CONTINUED)**

Obligations under Capital Leases activity for the year ended June 30, 2020 is as follows:

	Interest Rate	Maturity	2019	Additions	Reductions	2020	Current
<b>Foundation</b>							
WRREC	4.75%	2024	\$ 2,609,014.35	\$ -	\$ (84,104.58)	\$ 2,524,909.77	\$ 88,586.71
President's House	4.00%	2047	964,061.81	-	(19,074.55)	944,987.26	19,851.68
Binnewies Land	9.445%	2030	727,037.21	-	(42,982.86)	684,054.35	47,138.44
New Holland							
Round Baler	0.00%	2023	30,360.02	-	(7,590.00)	22,770.02	7,590.00
<b>Total Foundation</b>			\$ 4,330,473.39	\$ -	\$ (153,751.99)	\$ 4,176,721.40	\$ 163,166.83
<b>SDBA</b>							
Stadium	4.00% - 5.00%	2039	\$ 31,310,000.00	\$ -	\$ (945,000.00)	\$ 30,365,000.00	\$ 995,000.00
Raven Precision							
Ag Center	4.00%	2040	16,840,000.00	-	(510,000.00)	16,330,000.00	530,000.00
Cow/Calf Unit	4.630% - 5.00%	2038	1,631,111.32	-	(53,478.86)	1,577,632.46	56,230.00
<b>Total SDBA</b>			\$ 49,781,111.32	\$ -	\$ (1,508,478.86)	\$ 48,272,632.46	\$ 1,581,230.00
<b>Total Capital Leases</b>			\$ 54,111,584.71	\$ -	\$ (1,662,230.85)	\$ 52,449,353.86	\$ 1,744,396.83

Obligations under Capital Leases for the year ended June 30, 2019 is as follows:

	Interest Rate	Maturity	2018	Additions	Reductions	2019	Current
<b>Foundation</b>							
WRREC	4.75%	2024	\$ -	\$ 2,670,000.00	\$ (60,985.65)	\$ 2,609,014.35	\$ 84,104.58
President's House	4.00%	2047	982,389.64	-	(18,327.83)	964,061.81	19,074.56
Binnewies Land	9.445%	2030	766,230.82	-	(39,193.61)	727,037.21	42,982.86
New Holland							
Round Baler	0.00%	2023	37,950.02	-	(7,590.00)	30,360.02	7,590.00
<b>Total Foundation</b>			\$ 1,786,570.48	\$ 2,670,000.00	\$ (126,097.09)	\$ 4,330,473.39	\$ 153,752.00
<b>SDBA</b>							
Stadium	4.00% - 5.00%	2039	\$ 32,210,000.00	\$ -	\$ (900,000.00)	\$ 31,310,000.00	\$ 945,000.00
Raven Precision							
Ag Center	4.00%	2040	-	17,830,000	(990,000)	16,840,000	510,000
Cow/Calf Unit	4.630% - 5.00%	2038	1,682,066.19	-	(50,954.87)	1,631,111.32	53,478.86
<b>Total SDBA</b>			\$ 33,892,066.19	\$ 17,830,000.00	\$ (1,940,954.87)	\$ 49,781,111.32	\$ 1,508,478.86
<b>Total Capital Leases</b>			\$ 35,678,636.67	\$ 20,500,000.00	\$ (2,067,051.96)	\$ 54,111,584.71	\$ 1,662,230.86

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**VIII. OBLIGATIONS UNDER CAPITAL LEASES AND OTHER ACCRUED  
LIABILITIES (CONCLUDED)**

The following is a schedule of future minimum lease payments as of June 30, 2020:

Fiscal Year	Principal	Interest	Total
2021	\$ 1,744,396.83	\$ 2,617,709.68	\$ 4,362,106.51
2022	1,826,864.96	2,534,220.27	4,361,085.23
2023	1,915,247.51	2,446,605.57	4,361,853.08
2024	4,140,531.18	2,275,830.76	6,416,361.94
2025	1,994,783.58	2,151,242.23	4,146,025.81
2026-2030	11,570,985.24	9,102,087.45	20,673,072.69
2031-2035	14,250,135.34	5,923,248.83	20,173,384.17
2036-2040	14,657,135.62	2,002,387.52	16,659,523.14
2041-2045	239,333.22	47,115.78	286,449.00
2046-2050	109,940.38	4,639.22	114,579.60
	<u>\$ 52,449,353.86</u>	<u>\$ 29,105,087.31</u>	<u>\$ 81,554,441.17</u>

Assets financed in full or in part through capital leases have the following cost and accumulated depreciation as of June 30:

2020	Cost	Accum Depr	Net Book Value
West River Research & Ext. Center	\$ 3,065,194.78	\$ (122,607.80)	\$ 2,942,586.98
President's House	3,451,250.14	(207,075.00)	3,244,175.14
Binnewies Land	2,000,000.00	-	2,000,000.00
New Holland Round Baler	53,195.29	(17,328.75)	35,866.54
Stadium	61,471,261.29	(4,934,788.27)	56,536,473.02
Raven Precision Agriculture Center (CIP)	23,682,859.00	-	23,682,859.00
Cow/Calf Unit	2,390,889.99	(191,271.20)	2,199,618.79
	<u>\$ 96,114,650.49</u>	<u>\$ (5,473,071.02)</u>	<u>\$ 90,641,579.47</u>

2019	Cost	Accum Depr	Net Book Value
West River Research & Ext. Center	\$ 3,065,194.78	\$ (61,303.90)	\$ 3,003,890.88
President's House	3,451,250.14	(138,050.00)	3,313,200.14
Binnewies Land	2,000,000.00	-	2,000,000.00
New Holland Round Baler	53,195.29	(12,492.82)	40,702.47
Raven Precision Agriculture Center (CIP)	2,645,083.00	-	2,645,083.00
Stadium	61,471,261.29	(3,698,039.89)	57,773,221.40
Cow/Calf Unit	2,390,889.99	(143,453.40)	2,247,436.59
	<u>\$ 75,076,874.49</u>	<u>\$ (4,053,340.01)</u>	<u>\$ 71,023,534.48</u>

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**IX. OPERATING LEASES**

The University is obligated under various operating leases for the use of real property and equipment. Total operating lease expenditures for the years ended June 30, 2020 and 2019 were as follows:

	2020	2019
Rental Space	\$ 384,539.83	\$ 624,759.92
Land Leases	191,435.00	379,160.86
Airplane Rental	776,178.03	302,687.04
Equipment	2,000.00	5,999.99
<b>Total Rent Expense</b>	<b>\$ 1,354,152.86</b>	<b>\$ 1,312,607.81</b>

Future operating lease commitments as of June 30, 2020, for the next five years, and in subsequent five-year periods are shown below. No future operating lease commitments exist for airplane rentals or equipment on June 30, 2020.

Fiscal Year	Land Leases	Rental Space	Total
2021	\$ 204,171.96	\$ 656,077.92	\$ 860,249.88
2022	162,603.46	215,092.31	377,695.77
2023	156,828.46	171,602.57	328,431.03
2024	156,828.46	118,878.57	275,707.03
2025	70,078.46	81,218.57	151,297.03
2026-2030	113,446.01	28,697.74	142,143.75
2031-2035	44,496.50	8,832.85	53,329.35
2036-2040	44,496.50	8,832.85	53,329.35
2041-2045	42,097.90	1,766.57	43,864.47
	<b>\$ 995,047.71</b>	<b>\$ 1,290,999.95</b>	<b>\$ 2,286,047.66</b>

**SOUTH DAKOTA STATE UNIVERSITY  
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**X. REVENUE BONDS PAYABLE**

Revenue Bonds Payable are uncollateralized bonds authorized by the BOR to finance construction or renovation of residence halls, food service facilities, Wellness Center, Student Union, and parking lots. Pledged net revenues from these facility operations fulfill the principal and interest payments. Pledged net revenues for 2020 and 2019 were \$16,200,681.19 and \$17,793,953.78 respectively.

Revenue Bonds Payable are reported on the Statement of Net Position net of bond premiums and bond discounts as shown below:

	<b>2020</b>	<b>2019</b>	
Revenue Bonds Payable	\$ 110,570,000.00	\$ 116,870,000.00	
Premium	8,778,354.76	9,505,071.34	
Original Issue Discount	(79,042.17)	(82,852.77)	
	\$ 119,269,312.59	\$ 126,292,218.57	
Current	\$ 7,302,905.98	\$ 7,022,905.98	
Long Term	111,966,406.61	119,269,312.59	
	\$ 119,269,312.59	\$ 126,292,218.57	

Deferred Outflows of Refunding are related to the following:

	<b>2020</b>	<b>2019</b>	
Series 2014A (current refunding of Series 2004)	\$ 27,886.70	\$ 46,160.77	
Series 2015 (current refunding of Series 2005A)	12,677.37	13,977.49	
Series 2017 (current refunding of Series 2009)	1,584,722.06	1,699,974.62	
	\$ 1,625,286.13	\$ 1,760,112.88	

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**X. REVENUE BONDS PAYABLE (CONTINUED)**

The following is a schedule of Revenue Bonds Payable as of June 30, 2020 and 2019:

	<b>2020</b>	<b>2019</b>
Housing & Auxiliary Facilities Revenue Bonds-Series 2006 Wellness Center, Food Service and Residence Hall Improvements Interest at 3.92% Annually to 2026	\$ 3,075,000.00	\$ 3,525,000.00
Housing & Auxiliary Facilities Revenue Bonds-Series 2011 New Residence Halls, Union Expansion/Dining Family Student Housing and Parking Expansion Interest at 3.00% - 5.00% Annually to 2036	45,910,000.00	47,820,000.00
Housing & Auxiliary Facilities Revenue Bonds-Series 2014A Suite Style Residence Hall/Union Expansion/Residence Hall Renovation Interest at 3.00% - 5.00% Annually to 2025	11,960,000.00	14,020,000.00
Housing & Auxiliary Facilities Revenue Bonds-Series 2015 Residence Hall Renovation/Refinance Interest at 3.00% - 5.00% Annually to 2030	1,450,000.00	1,560,000.00
Housing & Auxiliary Facilities Revenue Bonds-Series 2016 Wellness Center Expansion/Parking Facility Improvements Interest at 2.00% - 5.00% Annually to 2041	11,850,000.00	12,190,000.00
Housing & Auxiliary Facilities Revenue Bonds-Series 2017 New Residence Halls Refinance Residence Halls, Dining Expansion, and Parking Interest at 3.00% - 5.00% Annually to 2042	36,325,000.00	37,755,000.00
<b>Total Revenue Bonds Payable</b>	<b>\$ 110,570,000.00</b>	<b>\$ 116,870,000.00</b>



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**X. REVENUE BONDS PAYABLE (CONCLUDED)**

Annual requirements to amortize revenue bonds outstanding as of June 30, 2020 are as follows:

Fiscal Year	Principal	Interest	Total
2021	6,580,000.00	5,136,765.00	11,716,765.00
2022	6,885,000.00	4,836,337.00	11,721,337.00
2023	7,215,000.00	4,500,975.00	11,715,975.00
2024	7,565,000.00	4,149,425.00	11,714,425.00
2025	7,935,000.00	3,776,791.00	11,711,791.00
2026-2030	27,865,000.00	14,530,504.30	42,395,504.30
2031-2035	31,410,000.00	7,317,262.54	38,727,262.54
2036-2040	12,190,000.00	1,774,700.00	13,964,700.00
2039-2043	2,925,000.00	159,600.00	3,084,600.00
	<u>\$ 110,570,000.00</u>	<u>\$ 46,182,359.84</u>	<u>\$ 156,752,359.84</u>

**XI. OTHER NON-CURRENT LIABILITIES**

Other Non-Current Liabilities include Compensated Absences, and Federal Capital Contributions to the federal loan programs (Perkins Loan Program, Health Profession Loan Program, and Nursing Loan Program).

Activity for the year ended June 30, 2020:

	2019	Additions	Reductions	2020	Current
Compensated Absences	\$ 16,103,207.71	\$ 6,019,099.41	\$ (5,358,028.25)	\$ 16,764,278.87	\$ 4,960,080.04
Federal Capital Contribution	12,279,329.42	-	(1,780,490.00)	10,498,839.42	-
	<u>\$ 28,382,537.13</u>	<u>\$ 6,019,099.41</u>	<u>\$ (7,138,518.25)</u>	<u>\$ 27,263,118.29</u>	<u>\$ 4,960,080.04</u>

Activity for the year ended June 30, 2019:

	2018	Additions	Reductions	2019	Current
Compensated Absences	\$15,609,603.37	\$7,032,191.20	\$(6,538,586.86)	\$16,103,207.71	\$5,156,664.13
Federal Capital Contribution	11,388,278.42	891,051.00	-	12,279,329.42	-
	<u>\$26,997,881.79</u>	<u>\$7,923,242.20</u>	<u>\$(6,538,586.86)</u>	<u>\$28,382,537.13</u>	<u>\$5,156,664.13</u>

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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**XIII. TUITION & FEES, NET OF STUDENT FINANCIAL ASSISTANCE**

State-Support tuition and fees are collected and remitted to the BOR where interest is earned on participating funds. The University can withdraw 88.5% State-Support tuition for operations at its discretion throughout the year. The remaining 11.5% is deposited into the Higher Education Facilities Funds (HEFF, 11.5% of Self-Support tuition is also deposited) to finance capital and repair/maintenance projects system wide. The public universities submit project requests to the BOR, and funds are allocated to campuses as projects are approved. Fees remitted to the BOR are for the System Technology Fund, Science Lab Facility Bond, and Electronic University Consortium (EUC). State-Support tuition, Self-Support tuition, and HEFF revenue was reported as follows for the years ending June 30, 2020 and 2019.

	<b>2020</b>	<b>2019</b>
State-Support Tuition	\$ 55,005,603.17	\$ 56,712,600.11
Self-Support Tuition	17,576,010.43	17,821,980.18
<b>Total Tuition</b>	<b>\$ 72,581,613.60</b>	<b>\$ 74,534,580.29</b>
Higher Education Facilities Fund (Non-Operating)	\$ 484,476.20	\$ 1,174,077.01
Higher Education Facilities Fund (Capital)	2,929,968.84	4,869,791.35
<b>Total Higher Education Facilities Fund Revenue</b>	<b>\$ 3,414,445.04</b>	<b>\$ 6,043,868.36</b>

Tuition & Fees and Auxiliaries revenue are reported net of Student Financial Assistance in accordance with the alternative method prescribed by the National Association of College and University Business Officers (NACUBO). Under the alternative method, Tuition & Fees and Auxiliaries revenue are reduced for the amount paid by certain types of financial aid (PELL grants, scholarships, and other governmental grants, etc.). This eliminates the double reporting of revenue, first as financial aid revenue and then as Tuition & Fees and Auxiliaries revenue. Using the alternative method, revenue is recognized for the financial aid grants, scholarships, etc. while the financial aid expense and Tuition & Fees and Auxiliaries revenue is eliminated for financial aid applied to student accounts.

**SOUTH DAKOTA STATE UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**XIV. PRIOR PERIOD ADJUSTMENTS**

Increases (decreases) to beginning Net Position were as follows:

	<b>2020</b>	<b>2019</b>
Accounts Receivable-Student	\$ (5,856.06)	\$ (1,555,100.00)
Land	(25,990.74)	441.00
Construction In Progress	(189,082.65)	(91,773.65)
Buildings & Building Improvements	-	(143,120.76)
Equipment & Other Property	(73,501.76)	123,806.75
Leave Liability	-	(53,532.83)
Unearned Revenue	1,859,866.98	-
Agency Funds-Funds Held for Others	(519.99)	-
<b>Net Change to Beginning Net Position</b>	<b>\$ 1,564,915.78</b>	<b>\$ (1,719,279.49)</b>

**XVI. SUBSEQUENT EVENTS**

On December 8, 2020, the BOR issued \$38,285,000 in Housing and Auxiliary Facilities System Revenue Bonds, Series 2021 to advance refund the Series 2011 Revenue Bonds. The Series 2021 Revenue Bonds were issued at a Premium of \$5,931,464, which will be amortized over the life of the old bond. The Series 2021 bonds have an average coupon rate of 3.539% and an average life of 8.949 years. The refunded Series 2011 bonds had an average coupon rate of 4.521% with an average life of 9.051. Both the old and the new debt mature in 2036.

The BOR advance refunded the 2011 Series bonds to reduce its total debt service over the next 16 years by just over \$11 million and to obtain an economic gain (difference between the present values of the debt service on the old and new debt) of \$9.9 million.

The net refunding of the Series 2021 bonds of \$44,909,712 was deposited in trust with an escrow agent to provide for the advance refunding of the Series 2011 bonds. As a result, the Series 2011 bonds are considered defeased at the time of the bond issue and therefore the associated liability will be removed from the University financial statements in FY21.

SOUTH DAKOTA STATE UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019

XVI. FUNCTIONAL EXPENSES

	Personal Services	Travel	Contractual Services	Supplies & Materials	Grants & Subsidies	Other & Bad Debt	Depreciation & Amortization	Total
Instruction	\$ 65,828,251.42	\$ 732,017.65	\$ 4,301,579.59	\$ 2,689,975.38	\$ 630,933.46	\$ 370.99	\$ 631,869.40	\$ 74,814,997.89
Research	28,587,099.01	1,333,454.04	5,453,941.54	7,560,629.53	5,537,326.45	264.79	2,324,239.29	50,796,954.65
Public Service	18,300,245.59	858,738.19	3,462,891.06	3,574,178.15	886,062.52	63.51	153,340.99	27,235,520.01
Academic Support	13,953,655.95	138,854.14	3,411,135.16	1,003,394.01	14,844.52		613,432.47	19,135,316.25
Student Services	15,180,094.57	2,349,151.80	4,568,711.82	2,124,498.29	3,186,258.10	619.13	216,786.29	27,626,120.00
Institutional Support	13,321,463.35	75,964.42	2,433,602.54	156,436.26	381.87	509,472.39	217,847.19	16,715,168.02
Operations & Maintenance of Plant	12,141,116.24	129,389.33	4,015,939.93	1,252,599.05	693.00	54.82	21,181,393.13	38,721,185.50
Scholarships & Fellowships	221,247.67	4,818.70	6,587.51	2,503.58	7,190,615.45		47,455.23	7,425,772.91
Auxiliary Enterprises	5,875,905.47	13,516.74	13,452,613.72	5,244,877.03	2,343.86	202.70		24,636,914.75
<b>Year Ending June 30, 2020</b>	<b>\$ 173,409,079.27</b>	<b>\$ 5,635,905.01</b>	<b>\$ 41,107,002.87</b>	<b>\$ 23,609,091.28</b>	<b>\$ 17,449,459.23</b>	<b>\$ 511,048.33</b>	<b>\$ 25,386,363.99</b>	<b>\$ 287,107,949.98</b>

	Personal Services	Travel	Contractual Services	Supplies & Materials	Grants & Subsidies	Other & Bad Debt	Depreciation & Amortization	Total
Instruction	\$ 65,410,533.81	\$ 1,749,098.51	\$ 6,258,684.88	\$ 3,390,559.50	\$ 828,243.03	\$ 60,747.47	\$ 638,150.14	\$ 78,336,017.34
Research	28,189,169.22	1,491,005.31	5,547,797.02	7,131,599.17	10,611,373.76	193.74	2,381,210.07	55,352,348.29
Public Service	16,777,621.32	1,118,691.63	3,947,510.09	3,289,028.75	1,012,409.08	49,694.25	154,866.55	26,349,821.67
Academic Support	13,162,321.92	401,557.40	3,179,253.66	1,252,240.77	329,285.88	140.47	478,574.52	18,803,374.62
Student Services	14,324,616.72	3,197,254.91	4,533,219.03	2,711,131.08	458,693.18	465.93	199,314.76	25,424,695.61
Institutional Support	13,855,598.53	144,857.83	4,037,076.73	256,108.74	3,376.75	425,442.61	232,571.73	18,955,032.92
Operations & Maintenance of Plant	12,129,424.96	145,814.34	6,316,383.54	1,592,622.69	219,260.75	80.11	20,767,947.65	41,171,534.04
Scholarships & Fellowships	305,571.54	3,249.96	16,599.74	2,579.22	5,879,706.33			6,207,706.79
Auxiliary Enterprises	5,647,773.26	36,798.45	14,962,360.08	6,198,781.72	129,553.97	103.89	51,385.52	27,026,756.89
<b>Year Ending June 30, 2019</b>	<b>\$ 169,802,631.28</b>	<b>\$ 8,288,328.34</b>	<b>\$ 48,798,884.77</b>	<b>\$ 25,824,651.64</b>	<b>\$ 19,471,902.73</b>	<b>\$ 536,868.47</b>	<b>\$ 24,904,020.94</b>	<b>\$ 297,627,288.17</b>

Other & Bad Debt include the following:

	2020	2019
<b>Other &amp; Bad Debt</b>		
Interest	\$ 1,575.94	\$ 3,931.30
Loan Cancellations	248,709.46	326,751.71
Bad Debts	167,800.00	51,985.00
Other Operating	92,962.93	154,200.46
<b>Total Other &amp; Bad Debt</b>	<b>\$ 511,048.33</b>	<b>\$ 536,868.47</b>

## **Note 1 - Principal Activities and Significant Accounting Policies**

### **Principles of Consolidation**

The consolidated financial statements include the accounts of South Dakota State University Foundation (the Foundation); MightyFly SD, Inc. (MightyFly); and Medary Aviation LLC (Medary Aviation); (collectively, the Organization). All material intercompany balances and transactions have been eliminated.

### **Principal Business Activities**

The Foundation is an independent organization established for the purpose of raising, holding, and administering funds for the benefit of South Dakota State University (SDSU).

MightyFly and Medary Aviation's (the Companies) principal assets are airplanes. The Companies lease the airplanes to SDSU under agreements that provided payments of approximately \$161,208 and \$128,819 during the years ended December 31, 2019 and 2018, respectively. SDSU is responsible for all expenses related to the operations and maintenance of the airplanes. The Companies pay annual dividends to the Foundation approximately equal to the lease payments received from SDSU. The Foundation is the sole shareholder of the Companies.

### **Tax Status**

The Foundation is exempt from federal income tax as a non-profit corporation under Section 501(c)(3) of the Internal Revenue Code. The Foundation is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS and is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes. The Foundation files an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS to report its unrelated business taxable income. MightyFly is a C Corporation subject to federal income tax and is annually required to file a U.S. Corporation Income Tax Return (Form 1120). Medary Aviation is an entity disregarded for federal income tax purposes with no filing requirement. Medary Aviation activities are reported as part of the Foundation's annual filings.

Each entity 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 at December 31, 2019 and 2018 that are material to the consolidated financial statements. Future accrued interest and penalties related to unrecognized tax benefits and liabilities will be recognized in income tax expense if such interest and penalties are incurred.

### **Use of Estimates**

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could vary from the estimates that were used.

### **Consolidated Statements of Cash Flows**

All cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for investment nor restricted by donors for long-term purposes of the Organization, are considered to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to capital expenditures of the Organization, endowments that are perpetual in nature, or other long-term purposes of the Organization are excluded from this definition.

### **Financial Instruments and Credit Risks**

The Organization manages deposit concentration risk by placing cash and cash equivalents with financial institutions believed by management to be credit worthy. At times, amounts on deposit may exceed insured limits or include uninsured investments. Credit risk associated with promises to give and notes, contracts, and other receivables is considered to be limited due to high historical collection rates and because outstanding balances are primarily from donors and others that are supportive of the Organization's mission. Investments are managed by a professional investment manager whose performance is monitored by management and the Foundation's Investment Committee of the Board of Governors. Although the fair value of investments is subject to fluctuation on a year-to-year basis, management and the Investment Committee believe that the investment policies and guidelines are prudent for the long-term welfare of the Organization.

### **Investments**

Investment purchases are recorded at cost, or if donated, at fair value on the date of the donation. Thereafter, investments are reported at their fair values in the consolidated statements of financial position. Net investment return/(loss) is reported in the consolidated statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Property held in trust, which is not readily marketable, is recorded at cost or, if donated, the fair value of the property as of the date of the donation. The property held in trust is periodically reviewed for impairment. For the years ended December 31, 2019 and 2018, no impairment charge has been recorded. Certificates of deposit are recorded at cost plus accrued interest.

To achieve its investment objectives, the Foundation has acquired interests in certain investments that are not readily marketable. The fair values of these investments have been determined by management using the net asset value (NAV) provided by each fund. NAV is a practical expedient used to determine the fair value of investments that do not have readily determinable fair value and to prepare financial statements consistent with the measurement principles of an investment company or consistent with the attributes of an investment company. Investment income, including interest, dividends, realized gains and losses, and unrealized gains and losses are allocated to participants based upon their pro rata share of their investment. Distributions from and liquidation of these investments is restricted based on specific terms of the fund agreements. The estimated values may differ materially from the values that would have been used had readily available markets for the investments existed.

Certain funds have been pooled for ease of management and to provide greater diversification of investments. Investments in equity and bond funds consist of direct ownership of investments or participation in mutual funds. Additionally, to achieve its investment objectives, the portfolio manager has the ability to invest in derivative and hedge instruments as a part of their investment strategies. While the Foundation does not have discretionary control over the asset guidelines of mutual funds, it believes these instruments allow the portfolio manager to take advantage of varying market forces in order to assist the Foundation in achieving its return objectives.

### **Promises to Give**

The Organization records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in gifts in the accompanying consolidated statements of activities. At times, an individual donor's promise to give may represent a substantial portion of the total outstanding promises.

Management determines the allowance for uncollectible promises to give based on management's assessment of potential bad debts and historical experience. Promises to give are written off against the allowance when they are deemed uncollectible.

### **Trusts Held by Others**

Donors have established various split-interest agreements where the Foundation is not the trustee but is the irrevocable beneficiary of the underlying assets. The Foundation has neither possession nor control over the assets of these trusts. At the date that the Foundation receives notice of a beneficial interest in a trust held by others, a contribution with donor restriction is recorded in the consolidated statements of activities, and the Foundation's beneficial interest in the trust held by others is recorded in the consolidated statements of financial position at fair value using present value techniques and risk-adjusted discount rates designed to reflect the assumptions that market participants would use in pricing the expected distributions to be received under the agreement. Thereafter, beneficial interests in trusts held by others are reported at fair value in the consolidated statements of financial position, with trust distributions and changes in fair value recognized in the consolidated statements of activities.

Upon receipt of trust distributions or expenditures, or both, in satisfaction of the donor-restricted purpose, if any, net assets with donor-imposed time or purpose restrictions are released to net assets without donor restrictions, and trust distributions with donor-imposed restrictions that are perpetual in nature are transferred to the endowment.

### **Operating Property**

The Organization's operating property consists of land, buildings, and equipment. Property received as support is recorded at its fair value at the time of the gift and property purchased is recorded at cost. Property is presented in the accompanying consolidated financial statements net of accumulated depreciation of \$3,852,987 and \$3,314,956 at December 31, 2019 and 2018 respectively. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, ranging from 5-40 years.

The Organization reviews the carrying value of property 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 disposal. 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 years ended December 31, 2019 and 2018.

#### **Other Property Held**

Other property held consists of land, buildings, and equipment. Other property held is recorded at cost or, if donated, the fair value of the property as of the date of the donation. Other property held is periodically reviewed for impairment. For the years ended December 31, 2019 and 2018, no impairment charge has been recorded. All of the assets included in other property held will eventually be used to support SDSU.

#### **Cash Surrender Value of Life Insurance**

The Foundation is the owner or assignee and beneficiary of certain whole life insurance policies. These policies have aggregate face values totaling \$999,562 at December 31, 2019 and 2018.

#### **Beneficial Interest Trusts**

The Foundation is a beneficiary in several revocable trusts administered by others. The assets of these trusts are not included in the accompanying consolidated statements of financial position because the beneficiaries may be changed in accordance with provisions of the trust agreements.

The Foundation has been named as an irrevocable beneficiary of a perpetual trust held and administered by an independent trustee. The trust provides for the distribution of the net income of the trust to the Foundation; however, the Foundation will never receive the principal of the trust. At the date the Foundation receives notice of a beneficial interest, a contribution with donor restriction is recorded in the consolidated statements of activities, and a beneficial interest in perpetual trust is recorded in the consolidated statements of financial position at the fair value of the Foundation's share of the underlying trust assets. Thereafter, the beneficial interest in the trust is reported at the fair value of trust's assets in the consolidated statements of financial position, with trust distributions and changes in fair value recognized in the consolidated statements of activities.



**Gift Annuity, Life Income Agreements, and Life Estates**

Under charitable gift annuity contracts, the Foundation receives immediate and unrestricted title to contributed assets and agrees to make fixed recurring payments over the period stipulated in the annuity contract.

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 discount rates 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 a gift with or without donor restrictions based on the donor's wishes. 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. The estimated present value of future payments, to be made under these agreements, discounted at rates ranging from 1.20% to 8.20%, totals \$1,797,730 and \$1,638,668 at December 31, 2019 and 2018, respectively.

The Foundation's life income agreements consist of various irrevocable charitable remainder unitrusts and pooled income funds over which the Foundation acts as trustee. These trusts are governed by the respective trust agreements, which generally provide for either an income stream or a future distribution of cash or other assets to the Foundation, in whole or in part, for a specified period or upon the occurrence of a specific event. The trust assets are recorded at fair value, and a related liability for future payments to be made to the specified beneficiaries is recorded at fair value using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the liability. The excess of contributed assets over the trust liability is recorded as a gift with donor restrictions until such amount is received via trust distribution or is expended in satisfaction of the restricted purpose stipulated by the trust agreement, if any. The liability for future trust payments to the donor is reduced by payments made to the donor and is adjusted to reflect amortization of the discount and changes in actuarial assumptions at the end of the year. Upon termination of the trust, the remaining liability is removed and recognized as income. Investments held under life income agreements total \$8,330,542 and \$9,171,844 at December 31, 2019 and 2018, respectively. The estimated present value of future investment income distributions to beneficiaries, discounted at rates ranging from 6.50% to 7.60% is \$4,326,537 and \$4,771,806 at December 31, 2019 and 2018, respectively.

The Foundation's life estates consist of various contributions of real estate in which the donor has retained the right to use the real estate for the remainder of their life, or the life of a specified beneficiary. The life estate assets are recorded at fair value on the date of receipt. The related liability for the right to use the real estate is recorded at fair value using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the liability. The excess contributed assets over the life estate liability is recorded as a gift with donor restrictions based on the donor's wishes. In subsequent years, the liability for future use is adjusted to reflect amortization of the discount and changes in actuarial assumptions at the end of the year. Upon termination of the life estate, the remaining liability is removed and recognized as income. The estimated present value of the Foundation's liability to the donor for future use under these agreements, discounted at rates ranging from 1.20% to 6.20%, totals \$1,264,800 and \$1,361,392 at December 31, 2019 and 2018, respectively.

### **Net Assets**

Net assets, revenue, support, and gains are classified based on the existence or absence of donor- or grantor-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.

*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, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

### **Support to University**

The Organization funds various construction projects and provides operational support for the benefit of SDSU. Contracts for construction projects are between SDSU and the contractors, and liabilities for expenditures incurred by departments are the responsibility of SDSU. The Organization records expense for payment of 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.

### **Investments Held for Others**

Investments held for others is primarily that portion of charitable remainder unitrusts for which the Foundation holds the asset but either the Foundation is not the beneficiary or the beneficiary designation may be changed in accordance with trust documents.

### **Gifts**

Gifts are recognized when cash, securities, unconditional promises to give, or other assets or forgiveness of liabilities are received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met and the promises become unconditional.

Gifts received are recorded as with or without donor restrictions depending on the existence or nature of any donor-imposed restrictions. When donor-imposed restrictions expire, net assets with donor-imposed time or purpose restrictions are released to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

### **Donated Services and Assets**

Many individuals, particularly board members, contribute significant amounts of time to the Organization's program services, administration, and fundraising and development activities; however, the consolidated financial statements do not reflect the value of these contributions because they do not meet recognition criteria prescribed by generally accepted accounting principles. Donated property, marketable securities, and other non-cash donations are recorded as gifts at their estimated fair value at the date of the donation.

### **Functional Allocation of Expenses**

The consolidated 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 depreciation, salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, utilities, and miscellaneous, which are allocated on the basis of estimates of time and effort. The costs of program and supporting services activities have been summarized on a functional basis in the consolidated statements of activities. Note 13 presents the natural classification detail of expenses by function.

### **Reclassifications**

Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

### **Note 2 - Change in Accounting Principle**

As of January 1, 2019, the Foundation has adopted Accounting Standards Update (ASU) No. 2018-08 *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* as management believes the standard improves the usefulness and understandability of the Foundation's financial reporting. The standard assists the Foundation in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Foundation has implemented the provisions of ASU 2018-08 applicable to contributions received in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on prior year net assets with the implementation of ASU 2018-08. The presentation and disclosures of revenue have been enhanced in accordance with the standards. No financial statement line items in the accompanying 2019 financial statements were affected by this change.

**Note 3 - Liquidity and Availability**

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

	<u>2019</u>	<u>2018</u>
Receivables		
Promises to give, net of allowance	\$ 3,040	\$ 172,973
Notes, contract, and other receivables	49,848	46,436
Anticipated endowment fees	<u>2,609,219</u>	<u>2,237,414</u>
	<u>\$ 2,662,107</u>	<u>\$ 2,456,823</u>

Endowment funds consist of donor-restricted endowment and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure. The Foundation assesses an annual administrative fee on each endowment fund. This fee was 1.7% as of December 31, 2019 and 2018. The proceeds from the fee are a significant component of the Foundation's operating budget. Anticipated fees to be assessed one year from the consolidated statement of financial position date are presented as a source of liquidity above.

The Foundation holds a board-designated endowment of \$315,409 and \$478,016 as of December 31, 2019 and 2018, respectively. Although the Foundation does not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of our Board's annual budget approval and appropriation), these amounts could be made available if necessary.

As discussed in Note 7, the Foundation maintained a \$2,000,000 line of credit during the years ended December 31, 2019 and 2018. Although the Foundation does not intend to spend from this line of credit, these amounts could be made available if necessary.

**Note 4 - Fair Value of Assets and Liabilities****Fair Value Measurements**

Certain assets and liabilities are reported at fair value in the accompanying consolidated 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 is 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 inputs consist of quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the related asset or liability. 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 and liability, and market-corroborated inputs.

Level 3 inputs are unobservable inputs related to the asset or liability. In these situations, the Organization develops inputs using the best information available in the circumstances.

A significant portion of the Organization's investments are classified within Level 1 because they are comprised of investments with readily determinable fair values based on daily redemption values. This includes investments in equity securities and bonds that are held in mutual funds. Bonds that are not held in mutual funds 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; the fair value of investments held for others is determined by reference to value of the underlying assets that are directly or indirectly observable in the marketplace. These are classified within Level 2. Management estimates the fair value of the preferred stock in a non-public company by applying market rate assumptions based on preferred stock yields, trusts held by others are valued by applying present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the underlying assets and the fair values of trust investments as reported by the trustees, and the fair value of the beneficial interest in perpetual trust is estimated based on the present value of the expected future cash flows. These are considered to be Level 3 measurements.

The Organization uses Net Asset Value (NAV) per share, or its equivalent, such as member units or an ownership interest in partners' capital, to estimate the fair value of its investments in equity security hedge funds and various private equity funds.

## South Dakota State University Foundation

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

The following table presents assets and liabilities measured at fair value on a recurring basis, except those measured at cost or by using NAV per share as a practical expedient as identified below, at December 31, 2019:

	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
<b>Assets</b>				
<b>Investments</b>				
Equity securities				
Domestic	\$ 22,538,040	\$ -	\$ -	\$ 22,538,040
International	37,674,301	-	-	37,674,301
Global	21,806	-	-	21,806
Total equity securities	<u>60,234,147</u>	<u>-</u>	<u>-</u>	<u>60,234,147</u>
Bonds				
Short-term	45,907,059	-	-	45,907,059
Intermediate-term	21,181,893	2,556,489	-	23,738,382
Total bonds	<u>67,088,952</u>	<u>2,556,489</u>	<u>-</u>	<u>69,645,441</u>
Hedge, at NAV	-	-	-	6,883,417
Private equity funds, at NAV	-	-	-	14,785,887
Preferred stock in non- public companies	-	-	1,374,911	1,374,911
Certificates of deposit and cash equivalents at cost plus accrued interest	-	-	-	20,122,420
Property held in trust, at cost	-	-	-	1,403,650
Total investments	<u>\$ 127,323,099</u>	<u>\$ 2,556,489</u>	<u>\$ 1,374,911</u>	<u>\$ 174,449,873</u>
Trusts held by others	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,522,055</u>	<u>\$ 4,522,055</u>
Beneficial interest in perpetual trust	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,085,309</u>	<u>\$ 1,085,309</u>
<b>Liabilities</b>				
Investments held for others	<u>\$ -</u>	<u>\$ 280,094</u>	<u>\$ -</u>	<u>\$ 280,094</u>

# South Dakota State University Foundation

## Notes to Consolidated Financial Statements

December 31, 2019 and 2018

The following table presents assets and liabilities measured at fair value on a recurring basis, except those measured at cost or by using NAV per share as a practical expedient as identified below, at December 31, 2018:

	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
<b>Assets</b>				
<b>Investments</b>				
Equity securities				
Domestic	\$ 12,241,971	\$ -	\$ -	\$ 12,241,971
International	26,158,151	-	-	26,158,151
Global	4,058,087	-	-	4,058,087
Total equity securities	<u>42,458,209</u>	<u>-</u>	<u>-</u>	<u>42,458,209</u>
Bonds				
Short-term	20,000,000	-	-	20,000,000
Intermediate-term	18,122,050	2,635,006	-	20,757,056
Total bonds	<u>38,122,050</u>	<u>2,635,006</u>	<u>-</u>	<u>40,757,056</u>
Hedge, at NAV	-	-	-	28,006,161
Private equity funds, at NAV	-	-	-	12,391,041
Preferred stock in non- public companies	-	-	1,375,942	1,375,942
Certificates of deposit and cash equivalents at cost plus accrued interest	-	-	-	15,105,217
Property held in trust, at cost	-	-	-	1,403,650
Total investments	<u>\$ 80,580,259</u>	<u>\$ 2,635,006</u>	<u>\$ 1,375,942</u>	<u>\$ 141,497,276</u>
Trusts held by others	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,806,419</u>	<u>\$ 4,806,419</u>
Beneficial interest in perpetual trust	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 934,045</u>	<u>\$ 934,045</u>
<b>Liabilities</b>				
Investments held for others	<u>\$ -</u>	<u>\$ 238,747</u>	<u>\$ -</u>	<u>\$ 238,747</u>

## South Dakota State University Foundation

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

The following table presents a reconciliation of activity for assets measured at fair value based upon significant unobservable (non-market) information for 2019:

	Trusts Held by Others	Beneficial Interest in Perpetual Trust	Preferred Stock in Non-Public Companies
Balance at January 1, 2019	\$ 4,806,419	\$ 934,045	\$ 1,375,942
Adjustments to fair value	(218,140)	151,264	(1,031)
Additions	3,787,036	-	-
Withdrawals and payments	(3,853,260)	-	-
Balance at December 31, 2019	<u>\$ 4,522,055</u>	<u>\$ 1,085,309</u>	<u>\$ 1,374,911</u>

Unrealized gains and losses for assets still held at December 31, 2019 are included in the consolidated statement of activities as follows:

	Trusts Held by Others	Beneficial Interest in Perpetual Trust	Preferred Stock in Non-Public Companies
Unrealized gains and losses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,031)</u>
Change in split interest agreements	<u>\$ (218,140)</u>	<u>\$ 151,264</u>	<u>\$ -</u>

The following table presents a reconciliation of activity for assets measured at fair value based upon significant unobservable (non-market) information for 2018:

	Trusts Held by Others	Beneficial Interest in Perpetual Trust	Preferred Stock in Non-Public Companies
Balance at January 1, 2018	\$ 1,591,594	\$ 1,060,567	\$ 1,373,545
Adjustments to fair value	(537,450)	(126,522)	2,397
Additions	3,752,275	-	-
Balance at December 31, 2018	<u>\$ 4,806,419</u>	<u>\$ 934,045</u>	<u>\$ 1,375,942</u>

Unrealized gains and losses for assets still held at December 31, 2018 are included in the consolidated statement of activities as follows:

	Trusts Held by Others	Beneficial Interest in Perpetual Trust	Preferred Stock in Non-Public Companies
Unrealized gains and losses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,397</u>
Change in split interest agreements	<u>\$ (537,450)</u>	<u>\$ (126,522)</u>	<u>\$ -</u>



## South Dakota State University Foundation

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

Additional information on investments in certain entities that calculate NAV per share at December 31, 2019 and 2018 is as follows:

	2019			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge	\$ 6,883,417	\$ -	Monthly - Illiquid (1) Illiquid	5 days - None (1)
Private equity	14,785,887	8,854,332		None
	\$ 21,669,304	\$ 8,854,332		
	2018			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge	\$ 28,006,161	\$ -	Monthly - Illiquid (1) Illiquid	5 days - None (1)
Private equity	12,391,041	11,469,238		None
	\$ 40,397,202	\$ 11,469,238		

(1) For liquid funds, redemption requests can be made as of each calendar month, quarter, or year end. Redemption requests require 5 to 100 days prior written notice and are based on a redemption schedule that "passes through" the underlying private investment funds.

Hedge funds focuses on growth in global private investments funds operated by various portfolio managers. The investments are redeemable, subject to certain restrictions. Fair value has been estimated using the practical expedient provided by the underlying fund manager or general partner.

Private equity funds focus on growth in equity of United States and global securities and derivatives. These investments are not readily redeemable; however, a secondary market does exist for some of the funds. Distributions are normally made through the liquidation of the underlying assets in the funds. The terms of these investments range from 7 to 20 years. Fair values have been estimated using the practical expedient provided by the underlying fund manager or the general partner.

**Note 5 - Promises to Give**

Promises to give represent unconditional promises restricted for various purposes and estimated to be collected as follows:

	<u>2019</u>	<u>2018</u>
Receivable in less than one year	\$ 12,143,844	\$ 9,177,980
Receivable in one to five years	10,172,749	12,536,158
Receivable in more than five years	2,596,270	2,788,410
	<u>24,912,863</u>	<u>24,502,548</u>
Discount to present value (.80% to 3.50%)	<u>(682,936)</u>	<u>(712,125)</u>
	<u>24,229,927</u>	<u>23,790,423</u>
Allowance for uncollectible promises to give	<u>(1,211,496)</u>	<u>(1,189,522)</u>
Net promises to give	<u>\$ 23,018,431</u>	<u>\$ 22,600,901</u>

Conditional promises to give as of December 31, 2019 and 2018 of approximately \$25,262,950 and \$25,274,500, respectively, consist of promises to fund various SDSU capital projects and are restricted by specific criteria designated by the donor. However, these conditional promises do not meet the criteria for being recognized as contributions revenue under accounting principles generally accepted in the United States of America and, accordingly, have not been recognized. Recognition will occur when donor conditions have been met.

As of December 31, 2019 and 2018, promises to give from Board members accounted for approximately 7% and 8%, respectively, of total promises to give, and contributions from Board members accounted for approximately 6% and 4%, respectively, of total contributions.

**Note 6 - Notes, Contract, and Other Receivables**

Notes, contract, and other receivables consist of the following:

	<u>2019</u>	<u>2018</u>
Notes receivable	\$ 2,400,000	\$ 4,146,593
Estates receivable	2,150,141	-
Contract for deed	416,581	465,309
Financing leases -SDSU	4,858,069	5,005,357
Other receivables	142,166	671,774
Allowance for uncollectible notes receivable	-	(87,329)
	<u>\$ 9,966,957</u>	<u>\$ 10,201,704</u>

Notes receivable are comprised of two notes. The first note from South Dakota Science and Technology Authority was issued to fund research by the borrower and is secured by the underlying Xenon gas purchased with the funds. Interest is payable quarterly at an annual rate of 2.5% with remaining principal and interest due December 2026. The second note was issued to pay a portion of the renovation for a sorority house. The note bears interest at 5.7% per year on the unpaid principal balance, requires annual interest payments and is unsecured. The final payment of the outstanding principal is due June 2020.

Estates receivable are comprised of four estates that were gifted to the Foundation as part of the settlement of a donor's estate. Proceeds from the estates are expected to be collected by the Foundation in 2020.

The contract for deed represents amounts due from a collateralized obligation under payment terms exceeding one year. The interest rate on the contract for deed may change from time to time; however, the contract provides for a minimum interest rate of 4.00% and a maximum interest rate of 5.00%. Payments are applied first to unpaid interest with any remainder applied to the outstanding principal balance. Other receivables consist of various operating receivables originating through the normal course of business and bear no interest.

Financing leases are comprised of three lease-purchase agreements. The first lease is related to a farm lease-purchase agreement with SDSU, in which the Foundation will lease property to SDSU with ownership to transfer to SDSU at the end of the lease term. The payments received by the Foundation from SDSU will be used to pay the remaining payment of the charitable remainder annuity trust relating to the property. Income will be recognized over the life of the lease. The second lease is related to the President's House. Per the lease agreement the Foundation agreed to pay SDSU \$1 for land for each year of occupancy and SDSU will lease the house from the Foundation over a term of 30 years. The receivable represents the present value of the lease at December 31, 2019 and 2018 amortized over the life of the lease at an interest rate of 4.00%, which will be paid in annual equal installments of principal and interest of approximately \$58,000. Income will be recognized over the life of the lease.

## South Dakota State University Foundation

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

The third lease is related to a building in Pennington County for use and benefit of the SDSU West River Agriculture Center. The Foundation will lease property to SDSU over a term of 20 years with the option to purchase the property for \$1 at the end of the term or at any time prior upon payment of remaining principal and accrued interest. The receivable represents the present value of the lease at December 31, 2019 amortized over the life of the lease at an interest rate of 4.75%, which will be paid in monthly installments of principal and interest of approximately \$20,000. Income will be recognized over the life of the lease.

Management determines the allowance for uncollectible notes, contract, and other receivables based on its assessment of potential bad debts, the specific circumstances of the underlying receivable, and historical experience. Management has determined that the contract for deed and other receivables are fully collectible and has not established a related allowance. Notes receivable are written off against the allowance when they are deemed uncollectible.

### Note 7 - Notes Payable

Notes payable consist of the following:

	2019	2018
Building note payable, 4.70% interest, payable in monthly installments of principal and interest totaling \$16,188, secured by underlying office building, subordinate to building note payable above, due July 2037	\$ 2,309,400	\$ 2,391,483
Building note payable, 4.75% interest, payable in monthly installments of principal and interest totaling \$17,355, secured by underlying office building, balloon payment due September 2023	2,568,162	2,649,919
Land note payable, 2.67% interest, payable in annual installments of principal and interest totaling \$120,000, unsecured, matures the earlier of January 2023 or 90 days notice in the event of the seller's death*	418,325	538,325
	\$ 5,295,887	\$ 5,579,727

\*The seller passed away prior to December 31, 2019. See discussion of payment in full subsequent to year-end in Note 15.

The Organization maintained a \$2,000,000 unsecured revolving line of credit with a bank. The loan agreement provides for borrowing amounts on a short-term basis at a fixed interest rate of 4.50% and 4.75% at December 31, 2019 and 2018, respectively. The agreement matures August 2020 and is subject to certain non-financial covenants. There were no outstanding advances at December 31, 2019 and 2018.

South Dakota State University Foundation

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

**Scheduled Maturities**

The estimated principal maturities by year of notes payable are summarized as follows:

	<u>Years Ending December 31,</u>	
2020		\$ 590,251
2021		181,006
2022		189,870
2023		2,395,309
2024		103,840
Thereafter		<u>1,835,611</u>
		<u><u>\$ 5,295,887</u></u>

**Note 8 - Bonds Payable**

The Organization has outstanding bond issues used to finance certain projects' construction and renovation and re-finance certain existing obligations. A summary of bond terms is as follows:

<u>Type</u>		<u>Interest Rate</u>	<u>Due Date</u>	<u>2019</u>	<u>2018</u>
Series 2007	Tax-Exempt	Varies with Prime	June 28, 2020	\$ 138,462	\$ 207,692
Series 2017	Tax-Exempt	3.83%	December 1, 2025	7,469,254	8,714,130
Series 2017	Tax-Exempt	3.83%	December 22, 2025	<u>7,603,537</u>	<u>8,870,793</u>
				<u><u>\$ 15,211,253</u></u>	<u><u>\$ 17,792,615</u></u>

All of the bonds are secured by the pledges for the related construction and renovation projects. The Series 2017 bonds are subject to certain non-financial covenants, and the related financing agreements for the Series 2017 bonds allow for a total borrowing capacity of \$19,700,000. The Organization met the maximum borrowing capacity during 2018.

**Scheduled Maturities**

The scheduled principal maturities by year for the bonds payable are summarized as follows:

Years Ending December 31,	
2020	\$ 2,650,594
2021	2,512,132
2022	2,512,132
2023	2,512,132
2024	2,512,132
Thereafter	2,512,131
	\$ 15,211,253

**Note 9 - Net Assets Without Donor Restrictions**

Support for various SDSU scholarships as well as programs and capital projects in excess of gifts, including promises to give, totaled approximately \$17,426,000 and \$17,672,000 as of December 31, 2019 and 2018, respectively. The cumulative deficiency is reported in net assets without donor restrictions, which total \$(11,609,263) and \$(12,192,123) as of December 31, 2019 and 2018, respectively. As discussed in Note 5, there are certain promises to fund various SDSU capital projects and are restricted by specific criteria designated by the donor which have not yet been recognized. As of December 31, 2019, the Foundation has received \$13,940,000 in conditional promises to give related to deficient projects. The Foundation plans to recover the remaining net assets without donor restrictions deficit with future gifts.

Net assets without donor restrictions also include a board-designated endowment of \$315,409 and \$478,016 as of December 31, 2019 and 2018.

**Note 10 - Net Assets With Donor Restrictions**

Restricted net assets are available for expenditure for the following purposes:

	2019	2018
Scholarships	\$ 9,566,698	\$ 4,052,227
SDSU operational and program support	11,258,502	21,318,228
SDSU capital projects	40,212,184	11,530,304
	\$ 61,037,384	\$ 36,900,759

## South Dakota State University Foundation

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

Perpetually restricted net assets with expendable earnings are dedicated to support the following purposes:

	2019	2018
Scholarships	\$ 104,119,092	\$ 89,780,911
SDSU operational and program support	67,854,043	65,145,021
	\$ 171,973,135	\$ 154,925,932

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended December 31, 2019 and 2018:

	2019	2018
Satisfaction of purpose restrictions		
Current year expenditures		
Scholarships	\$ 5,873,675	\$ 6,140,323
SDSU operational and program support	4,871,517	4,351,773
SDSU capital projects	7,126,191	14,591,921
Other program support and direct investment expenses	593,347	1,166,754
Foundation administrative fee retained	3,796,002	3,741,806
Previously incurred expenditures		
Scholarships	482,599	480,300
SDSU operational and program support	6,044	45,358
SDSU capital projects	2,429,849	2,200,799
Other transfers	777,312	268,517
	\$ 25,956,536	\$ 32,987,551

### Note 11 - Endowments

The Foundation's endowment consists of approximately 1,800 individual funds established for a variety of purposes. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

**Interpretation of Relevant Law**

The Foundation’s Board of Governors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds 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 net of allowance and discount) 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 December 31, 2019, endowment net asset composition by type of fund is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 315,409	\$ -	\$ 315,409
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	161,041,216	161,041,216
Net accumulated investment income and other spendable amounts	-	10,216,268	10,216,268
	\$ 315,409	\$ 171,257,484	\$ 171,572,893



## South Dakota State University Foundation

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

As of December 31, 2018, endowment net asset composition by type of fund is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 478,016	\$ -	\$ 478,016
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	140,585,300	140,585,300
Net accumulated investment losses and other spendable amounts	-	(2,053,374)	(2,053,374)
	\$ 478,016	\$ 138,531,926	\$ 139,009,942

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 December 31, 2019, funds with deficiencies had perpetually restricted gift values of \$52,552,228, fair values of \$45,747,128, and deficiencies of \$6,805,100 and were reported in net assets with donor restrictions. At December 31, 2018, funds with deficiencies had perpetually restricted gift values of \$81,269,650, fair values of \$70,342,416, and deficiencies of \$10,927,234 and were reported in net assets with donor restrictions.

Changes in Endowment net assets for the year ended December 31, 2019 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at beginning of year, January 1	\$ 478,016	\$ 138,531,926	\$ 139,009,942
Endowment net assets transferred from designation change during the year	-	3,432,446	3,432,446
Investment return			
Investment income	9,504	3,096,381	3,105,885
Net appreciation	-	14,464,987	14,464,987
Total investment return	9,504	17,561,368	17,570,872
Contributions including split interests	2,390	19,286,708	19,289,098
Appropriation of endowment assets for expenditure and transfers	(174,501)	(7,554,964)	(7,729,465)
Endowment net assets at end of year, December 31	\$ 315,409	\$ 171,257,484	\$ 171,572,893

## South Dakota State University Foundation

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

Changes in Endowment net assets for the year ended December 31, 2018 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at beginning of year, January 1	\$ -	\$ 139,774,800	\$ 139,774,800
Endowment net assets transferred from designation change during the year	185,384	110,847	296,231
Investment return			
Investment income	-	2,019,533	2,019,533
Net (depreciation) appreciation	-	(7,696,781)	(7,696,781)
Total investment return	-	(5,677,248)	(5,677,248)
Contributions including split interests	292,632	12,029,393	12,322,025
Appropriation of endowment assets for expenditure and transfers	-	(7,705,866)	(7,705,866)
Endowment net assets at end of year, December 31	\$ 478,016	\$ 138,531,926	\$ 139,009,942

### Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for investment assets that attempt to provide a predictable stream of income for the funding of programs supported by its endowment. Investment assets include those assets of donor-specific funds that the Foundation will designate for a specific purpose. Under this policy, as approved by the Board of Governors, the endowment assets are invested in a manner that seeks both preservation of capital and growth of capital on a real return basis. Assets allocation guidelines have been established for the endowment based on liquidity needs, risk tolerance and time horizon. The rebalancing of assets will occur as needed to stay within ranges set forth in the Foundation's Investment Policy Statement. The overall investment is to maximize the long-term investment return within a reasonable and acceptable level of risk. The primary specific investment objective is to achieve and exceed, over the long-term, the return of the benchmark asset allocation. A long-term contrarian approach will be pursued. This is expected to enhance results over the long-term but will likely result in periodic shorter-term under-performance versus benchmarks.

### Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

**Spending Policy and How the Investment Objectives Relate to Spending Policy**

The Foundation's policy of appropriating for distribution each year is determined on an as-needed basis subject to the approval of the Board of Governors. The Foundation's endowment pool is maintained primarily to provide for current and future distributions. To smooth the annual distributions, the Foundation applies a spending rate to the total endowment pool's average market value of the most recent twenty quarters. The spending rate applied to the average market value over the twenty quarters ended during December 31, 2019 and 2018 was 4.00%. In addition to the annual spending in support of endowed programs, the Foundation may assess an administrative fee not to exceed 1.70% of the current market value of the endowment for each of the years ended December 31, 2019 and 2018. The annual spending calculation takes into consideration the program needs of SDSU, the administrative costs of the Foundation, current market conditions, and inter-generational equity.

**Note 12 - Retirement Plan**

The Organization provides retirement benefits for all full-time and permanent part-time employees. There is no time of service requirement, and employees enter the plan immediately upon their hire date. The Organization is required to contribute an amount equal to each employee's contribution, up to six percent, and made contributions of \$174,776 and \$160,281 to the plan for the years ended December 31, 2019 and 2018, respectively.

South Dakota State University Foundation

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

**Note 13 - Functional Allocation of Expenses**

The following tables present the natural classification detail of expenses by function for the years ending December 31, 2019 and 2018:

	2019			
	Program Services	Administrative and General	Fundraising Expenses	Total
SDSU scholarships	\$ 5,909,033	\$ -	\$ -	\$ 5,909,033
SDSU operational and program support	4,933,471	-	-	4,933,471
SDSU capital projects	9,700,975	-	-	9,700,975
Grants to others	151,579	-	-	151,579
Salaries	-	1,546,888	1,421,837	2,968,725
Payroll taxes	-	102,861	101,390	204,251
Employee benefits	-	280,911	261,652	542,563
Alumni association expense	-	-	361,063	361,063
Contracted services	-	86,978	344,798	431,776
Depreciation	-	516,144	297,102	813,246
Insurance	-	30,894	23,411	54,305
Office supplies and postage	-	43,393	130,649	174,042
Professional fees	-	37,037	63,418	100,455
Promotion and development	-	271,437	118,707	390,144
Rent	-	60,943	35,261	96,204
Repairs and maintenance	-	95,547	-	95,547
SDSU program - outside vendor	-	-	8,948	8,948
Taxes and interest	-	260,494	296	260,790
Technology	-	267,054	35,080	302,134
Telephone	-	47,733	22,395	70,128
Travel and entertainment	-	17,883	323,924	341,807
Utilities	-	38,705	38,705	77,410
Miscellaneous	-	11,691	-	11,691
	<u>\$ 20,695,058</u>	<u>\$ 3,716,593</u>	<u>\$ 3,588,636</u>	<u>\$ 28,000,287</u>

South Dakota State University Foundation

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

	2018			
	Program Services	Administrative and General	Fundraising Expenses	Total
SDSU scholarships	\$ 6,205,390	\$ -	\$ -	\$ 6,205,390
SDSU operational and program support	4,421,685	-	7,184	4,428,869
SDSU capital projects	29,168,470	-	-	29,168,470
Grants to others	194,285	-	-	194,285
Salaries	-	1,422,201	1,275,907	2,698,108
Payroll taxes	-	96,272	91,663	187,935
Employee benefits	-	227,566	220,933	448,499
Alumni association expense	-	-	350,959	350,959
Contracted services	-	179,927	150,258	330,185
Depreciation	-	365,764	365,763	731,527
Insurance	-	28,333	7,278	35,611
Office supplies and postage	-	36,292	137,251	173,543
Professional fees	-	38,311	160,437	198,748
Promotion and development	-	288,240	86,473	374,713
Rent	-	63,986	2,973	66,959
Repairs and maintenance	-	76,481	-	76,481
SDSU program - outside vendor	-	600	13,879	14,479
Taxes and interest	-	180,981	7	180,988
Technology	-	137,419	94,591	232,010
Telephone	-	46,581	17,859	64,440
Travel and entertainment	-	17,960	304,875	322,835
Utilities	-	39,078	39,078	78,156
Miscellaneous	-	3,500	1,800	5,300
	\$ 39,989,830	\$ 3,249,492	\$ 3,329,168	\$ 46,568,490

**Note 14 - Commitments**

**Capital Contributions**

The Foundation has entered into contracts to invest in various professionally managed private equity funds. Selection of these funds is based on several factors, including evaluation by the Foundation's Investment Committee and professional investment consulting firm, and occurs only upon performance of due diligence procedures that help to ensure the quality of the investments. As of December 31, 2019, these contracts require the Foundation to contribute total capital of approximately \$26,000,000, plus certain allowable expenses. As of December 31, 2019, the Foundation has contributed approximately \$17,169,000. Additional contributions related to this commitment of approximately \$8,831,000 will be paid when requested by the fund managers. The contributions are included in investments on the accompanying consolidated statements of financial position.

**Campus Building Projects**

The Foundation has committed to fund selected construction projects on the SDSU campus. The Foundation’s policy is to make such commitments only after 90% of the related fundraising goal has been met. As of December 31, 2019, the Foundation has committed to provide approximately \$60,261,000 for nine SDSU building projects, either yet to be started or already in progress. Through December 31, 2019, the Foundation has paid costs of approximately \$40,093,000 towards these projects.

**Leases**

The Organization leases certain office space and vehicles under long-term operating lease agreements. The agreements expire at varying times from 2020 to 2024.

The estimated future minimum lease payments by year are summarized as follows:

<u>Years Ending December 31,</u>	
2020	\$ 125,000
2021	115,000
2022	102,000
2023	103,000
2024	<u>32,000</u>
	<u>\$ 477,000</u>

Lease expense for the years ended December 31, 2019 and 2018 totaled approximately \$93,000 and \$106,000, respectively.

**Athletic Coaches**

The Foundation has committed to guarantee financial commitments from private sources up to \$1,435,000 for costs associated with retention contracts extended to athletic coaches at SDSU.

**Note 15 - Subsequent Events**

In 2018, the Foundation entered into a land purchase agreement for two parcels of land – Parcel A and Parcel B. The death of the seller prompted the debt balance on Parcel A (Note 7) and the agreed upon price for Parcel B to be payable upon 90 days written notice. Subsequent to year-end, the Foundation made a payment of \$808,571 to satisfy the debt balance for Parcel A and the agreed upon price for Parcel B.

Subsequent to year-end, the Foundation entered a change of terms agreement relative a building note payable (balance of \$2,568,162 at December 31, 2019, see also Note 7). The interest rate was reduced from 4.75% to 3.75%. There were no other changes in the terms of the note.

Subsequent to year-end, the Foundation has been negatively impacted by the effects of the world-wide coronavirus pandemic. The Foundation is closely monitoring its operations, investment portfolio, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these consolidated financial statements, the full impact to the Foundation's financial position is not known.

As part of the effort to minimize the pandemic's impact, the Foundation applied for and was granted a \$641,392 loan under the Paycheck Protection Program administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. The loan accrues interest, but payments are not required to begin for six months to one year after the funding of the loans. The Foundation may be eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The Foundation intends to take measures to maximize the loan forgiveness but cannot reasonably determine the portion of the loan that will ultimately be forgiven.

Subsequent events have been evaluated through July 13, 2020, the date the consolidated financial statements were available to be issued.