



**South Dakota State University**

**Annual Financial Report  
For the Year Ended June 30, 2021**

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**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**



For the year ended June 30, 2021



**SOUTH DAKOTA STATE UNIVERSITY**

Office of the President

February 23, 2022

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 2021. The report includes all financial transactions for the twelve-month period ending June 30, 2021.

Sincerely,

A handwritten signature in black 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, 2021**

**BOARD OF REGENTS**

John Bastian, President, Belle Fourche  
Jim Morgan, Vice President, Brookings  
Pam Roberts, Secretary, Pierre  
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Joan Wink, Howes (Meade)  
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**OFFICE OF THE BOARD OF REGENTS**

Dr. Brian Maher, Executive Director & CEO  
Heather Forney, System Vice President of Finance & Administration

**SOUTH DAKOTA STATE UNIVERSITY**

Dr. Barry Dunn, President of the University

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Karen Jastram, Assistant Vice President-Financial Services  
Yura Chong, Controller



**SOUTH DAKOTA STATE UNIVERSITY**

*Division of Finance and Budget*

February 23, 2022

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, 2021. 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  
Vice President of Finance and Budget

**SOUTH DAKOTA STATE UNIVERSITY  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2021**

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**SOUTH DAKOTA STATE UNIVERSITY  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2021**

**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, 2021, 2020, and 2019. 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 is 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 have 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, South Dakota Biofilm Science and Engineering Center, and the Dakota Bioproducts Innovation Institute.

**SOUTH DAKOTA STATE UNIVERSITY  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2021**

**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, 2021**

**FINANCIAL HIGHLIGHTS (CONTINUED)**

Statements of Net Position (Continued)

<i>(In thousands)</i>	<b>2021</b>	<b>2020 (As restated)</b>	<b>2019</b>
<b>Assets</b>			
Current Assets	102,100	91,207	108,518
Non-Current Assets	6,944	7,385	13,797
Capital Assets, Net	626,394	615,790	598,582
<b>Total Assets</b>	<b>735,439</b>	<b>714,381</b>	<b>720,898</b>
Deferred Outflow on Debt Refinancing	1,490	1,625	1,760
<b>Total Assets &amp; Deferred Outflows of Resources</b>	<b>736,929</b>	<b>716,006</b>	<b>722,658</b>
<b>Liabilities</b>			
Current Liabilities	31,854	32,235	34,585
Non-Current Liabilities	170,773	184,974	194,945
Deferred Inflow of Resources	744	0	0
<b>Total Liabilities</b>	<b>203,372</b>	<b>217,209</b>	<b>229,530</b>
<b>Net Position</b>			
Net Investment in Capital Assets	466,522	442,063	418,981
Restricted	9,291	13,633	14,003
Unrestricted	57,743	43,101	60,143
<b>Total Net Position</b>	<b>533,557</b>	<b>498,797</b>	<b>493,128</b>
<b>Total Liabilities &amp; Net Position</b>	<b>736,929</b>	<b>716,006</b>	<b>722,658</b>

The University's financial position improved during fiscal year 2021 as seen by the \$34.8 million increase in net position. Total assets increased \$20.9 million, or 3 percent, and total liabilities decreased \$13.8 million, or 6.4 percent, during fiscal year 2021. The University maintained its stable financial position with the current ratio of 3.21, compared to 2.70 at June 30, 2020. The strong current ratio is an indicator of good liquidity and the ability to weather short-term obligations.

<i>(In thousands)</i>	<b>2021</b>	<b>2020 (As restated)</b>	<b>2019</b>
Current Assets	102,100	91,207	108,518
Less: SDBA Receivable	0	4,115	17,830
Adjusted Current Assets	102,100	87,091	90,688
Current Liabilities	31,854	32,235	34,585
Current Ratio	3.21	2.70	2.62

Current assets increased \$10.9 million due to increases in cash and cash equivalent (\$14.7 million), due from federal sources (\$1.7 million), and inventory (\$1.1 million). Increases were offset by the elimination of the SDBA receivable (\$4.1 million).

**SOUTH DAKOTA STATE UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2021**

**FINANCIAL HIGHLIGHTS (CONTINUED)**

Statements of Net Position (Continued)

The decrease in Non-Current Assets was mainly due to the reduction of student loans, primarily Perkins, and is reflected in Notes Receivable (\$0.4 million).

The most significant change occurred within Capital Assets. Capital assets increased 1.7% driven by an increase in Construction in Progress and Buildings and Building Improvements. The Building and Building Improvements increased \$22.1 million and is offset by \$18.3 million in depreciation, resulting a net increase of \$3.7 million.

<i>(In thousands)</i>	2021	2020	2019	Increase (Decrease)	
				AMOUNT	PERCENT
<b>Capital Assets, Net</b>					
Land	15,162	15,162	14,561	0	0.00%
Museum & Art Collections	9,671	9,612	9,418	58	0.61%
Construction in Progress	55,802	45,571	35,672	10,231	22.45%
Work in Progress Intangible Assets	0	0	0	-	-
Buildings & Building Improvements	490,196	486,472	481,662	3,724	0.77%
Land Improvements	11,737	12,292	12,652	(555)	-4.51%
Infrastructure	21,699	22,501	17,922	(802)	-3.56%
Equipment & Other Property	21,917	23,834	26,261	(1,917)	-8.04%
Intangible Assets	211	346	434	(135)	-39.07%
<b>Total Capital Assets, Net</b>	<b>626,394</b>	<b>615,790</b>	<b>598,582</b>	<b>10,605</b>	<b>1.72%</b>

Construction in Progress increased \$10.2 million from continued development on the Raven Precision Agriculture Center and Lincoln Music Hall and Student Union Renovation as well as other various landscaping and improvements. Construction in Progress on June 30 includes:

<i>(In thousands)</i>	2021
Raven Precision Agriculture Center	41,705
Landscaping & Utility Improvements	4,695
Lincoln Music Hall Renovation	2,788
Student Union	1,866
Meadows North & Meadows South	1,750
Individual Projects Less Than \$1Million	2,998
	<b>55,802</b>

**SOUTH DAKOTA STATE UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2021**

**FINANCIAL HIGHLIGHTS (CONTINUED)**

Statements of Net Position (Continued)

Significant Buildings and Building Improvements placed into service during 2021 includes:

<i>(In thousands)</i>	FY21
<hr/>	
Most Significant Building Additions Included:	
North & Central Chiller Plants	7,580
American Indian Student Ctr	5,170
Meadows North Hall	3,259
Stanley J. Marshall HPER Center	1,398
Intramural Building	688
	<hr/>
	18,095
	<hr/>

Total Liabilities decreased \$14.6 million in fiscal year 2021, significant changes occurred in Accounts Payable (\$.3 million increase), Unearned Revenue (\$0.9 million decrease), Revenue Bonds Payable (\$8.9 million decrease), Obligations under Capital Leases (\$4.2 million decrease), and Federal Capital Contribution (\$1 million decrease). The reduction in revenue bonds payable is a result of bond refinancing. The University continues to monitor the cash flow and identify opportunities to demonstrate prudent stewardship of funds. The university successfully refinanced 2011 bonds to produce substantial debt service savings and was able to capture over \$10 million in saving over the term of the bond.

Accounts Payable fluctuate year over year, depending on construction projects occurring around June 30. The timing of grant receipts varies at year end depending on available funding sources.

A significant portion of the liabilities is debt related to capital assets. In fiscal year 2021, debt related to bonds made up 54.3% of the total liabilities while obligations under capital leases accounted for 23.7%. Other accrued liabilities represent an obligation to SDSU Foundation related to property acquisition.

<i>(In thousands)</i>	2021		2020		2019	
Other Accrued Liabilities	643	0.3%	668	0.3%	628	0.3%
Revenue Bonds Payable	110,358	54.3%	119,269	54.9%	126,292	55.0%
Obligations under Capital Leases	48,269	23.7%	52,449	24.1%	54,112	23.6%
Total Debt Related to Capital Assets	159,270	78.3%	172,386	79.4%	181,032	78.9%
	<hr/>					
<b>Total Liabilities</b>	<b>203,372</b>		<b>217,209</b>		<b>229,530</b>	
	<hr/>					

**SOUTH DAKOTA STATE UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2021**

**FINANCIAL HIGHLIGHTS (CONTINUED)**

Statements of Net Position (Concluded)

The University's net position increased by \$34.8 million, or 7 percent, to \$533.6 million, of which \$446.5 million is net investment in capital assets and \$9.3 million is restricted. Renewals & Replacements (for auxiliary buildings as required by bond covenants) continues to be a substantial portion of Restricted Net Position. The remaining \$57.7 million of unrestricted net position is for the University's educational/general operations or maintenance and future acquisition of plant facilities at the discretion of governance. The unrestricted net position is not subject to externally imposed restrictions. The negative net position in restricted expendable – research is due to the timing of COVID-19 expenses recognized on a federal grant prior to the University meeting all revenue recognition requirements. The University expects to meet the revenue recognition requirements in FY22 which will resolve the reported deficit.

<i>(In thousands)</i>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Net Investment in Capital Assets	\$466,522	\$442,063	\$418,981
Restricted Nonexpendable - Loans	\$1,103	\$1,193	\$1,771
Restricted Expendable:			
Scholarships and Fellowships	\$166	\$217	\$311
Research	(\$1,958)	\$2,244	\$2,467
Renewals & Replacements	\$9,980	\$9,980	\$9,455
Debt Service		\$0	\$0
Unrestricted	\$57,743	\$43,101	\$60,143
<b>Total Net Position</b>	<b>\$533,557</b>	<b>\$498,797</b>	<b>\$493,128</b>

**SOUTH DAKOTA STATE UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2021**

**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.

	<b>2021</b>	<b>2020</b> (As restated)	<b>2019</b>
Total Operating Revenues	186,548	196,895	211,261
Total Operating Expenses	278,494	287,108	297,627
Operating Loss	(91,945)	(90,213)	(86,366)
Net Non-Operating Revenues	100,007	84,189	82,468
Other Revenues, Expenses, & Other Changes	26,699	13,259	26,733
Total Increase in Net Position	34,760	7,234	22,835
Net Position, Beginning of Year	498,797	493,128	472,012
Prior Period Adjustments	-	(1,565)	(1,719)
<b>Net Position, End of Year</b>	<b>533,557</b>	<b>498,797</b>	<b>493,128</b>

*(In thousands)*

Overall, operating revenues declined 5.3% from the prior year. Decreases in Tuition & Fees (\$3.7 million), Grants and Contracts (\$6.0 million), and General Sales & Services (\$4.0 million), were offset by an increase in Auxiliaries (\$3.4 million).

<b>Operating Revenues</b>	<b>2021</b>	<b>2020</b> (As restated)	<b>2019</b>
Tuition & Fees, Net Student Financial Assistance	83,842	87,495	89,083
Auxiliaries, Net Student Financial Assistance	30,331	26,946	33,739
General Sales & Services	25,575	29,603	28,927
Federal Grants & Contracts	25,977	27,716	34,970
State Grants & Contracts	5,910	5,428	7,587
Private Grants & Contracts	14,524	19,221	16,364
Student Loan Interest & Other Operating Revenues	389	486	590
<b>Total Operating Revenues</b>	<b>186,548</b>	<b>196,895</b>	<b>211,261</b>

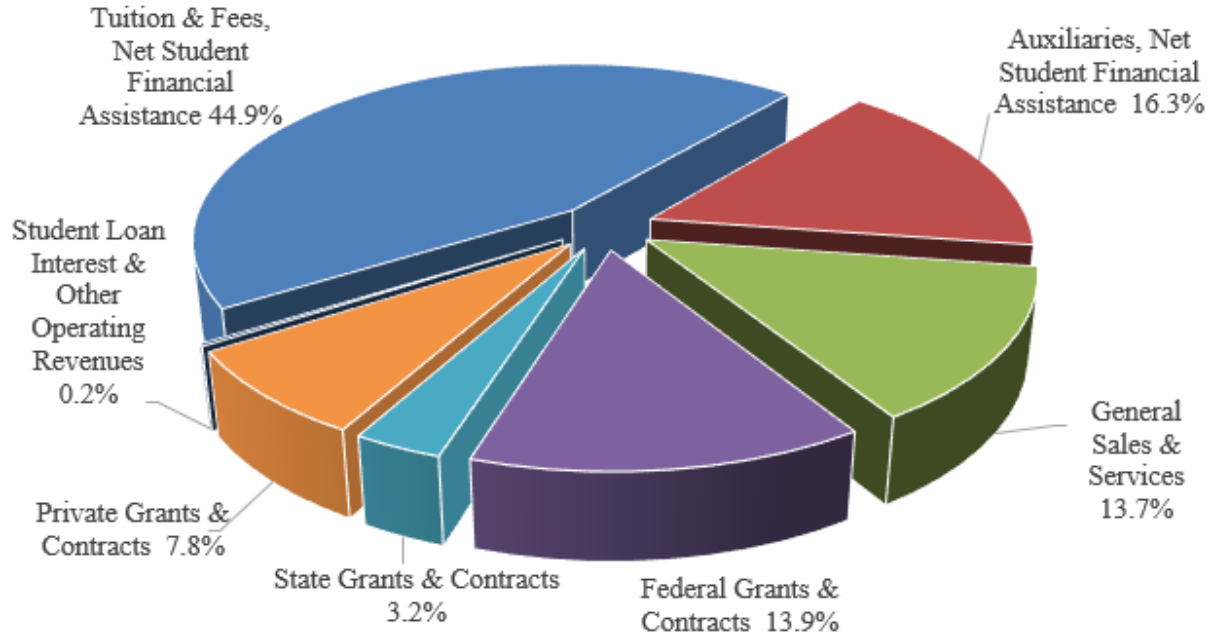
*(In thousands)*

**SOUTH DAKOTA STATE UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2021**

**FINANCIAL HIGHLIGHTS (CONTINUED)**

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

Operating revenues for fiscal year 2021:



Tuition & Fees and Auxiliaries are reported net of Student Financial Assistance on the Statements of Revenues, Expenses, and Changes in Net Position. Decreased enrollment as well as increased student financial assistance (financial aid, grants, and scholarships) contributed to the decline in revenues.

	2021	2020 (As restated)	2019
Total Tuition and Fees	98,476	100,869	103,571
Less Student Financial Assistance	(14,633)	(13,374)	(14,488)
<b>Total Tuition &amp; Fees, Net of Student Financial Assistance</b>	<b>83,842</b>	<b>87,495</b>	<b>89,083</b>
Auxiliaries	35,171	31,066	38,888
Less Student Financial Assistance	(4,840)	(4,120)	(5,149)
<b>Auxiliaries, Net of Student Financial Assistance</b>	<b>30,331</b>	<b>26,946</b>	<b>33,739</b>

*(In thousands)*



**SOUTH DAKOTA STATE UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2021**

**FINANCIAL HIGHLIGHTS (CONTINUED)**

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

Overall Operating Expenses decreased by \$8.6 million compared to the previous fiscal year. Travel decreased \$2.8 million primarily due to continuing restrictions placed on travel during the fiscal year. A decrease of \$7 million in Personal Services was partially offset by an increase in Contractual Services of \$3.6 million. Grants and Subsidies also decreased by \$2.7 million.

	<b>2021</b>	<b>2020</b> (As restated)	<b>2019</b>
Personal Services and Benefits	166,382	173,409	169,803
Travel	2,864	5,636	8,288
Contractual Services	44,665	41,107	48,799
Supplies & Materials	23,645	23,609	25,825
Grants & Subsidies	14,773	17,449	19,472
Depreciation & Amortization of Intangibles	25,601	25,386	24,904
	277,931	286,597	297,090
Other Operating Expenses:			
Interest	1	2	4
Loan Cancellation Expense	252	249	327
Bad Debts	223	168	52
Other Operating Expense	88	93	154
Total Other Operating Expenses	563	511	537
<b>Total Operating Expenses</b>	<b>278,494</b>	<b>287,108</b>	<b>297,627</b>

*(In thousands)*

Operating Expenses by University function:

	<b>2021</b>	<b>2020</b> (As restated)	<b>2019</b>
Instruction	70,580	74,815	78,336
Research	41,253	50,797	55,352
Public Service	26,196	27,236	26,350
Academic Support	20,157	19,135	18,803
Student Services	26,478	27,715	25,425
Institutional Support	17,182	16,715	18,955
Operations & Maintenance of Plant	41,426	38,721	41,172
Scholarships & Fellowships	11,881	7,426	6,208
Auxiliary Enterprises	23,341	24,637	27,027
<b>Total Operating Expenses</b>	<b>278,494</b>	<b>287,197</b>	<b>297,627</b>

*(In thousands)*

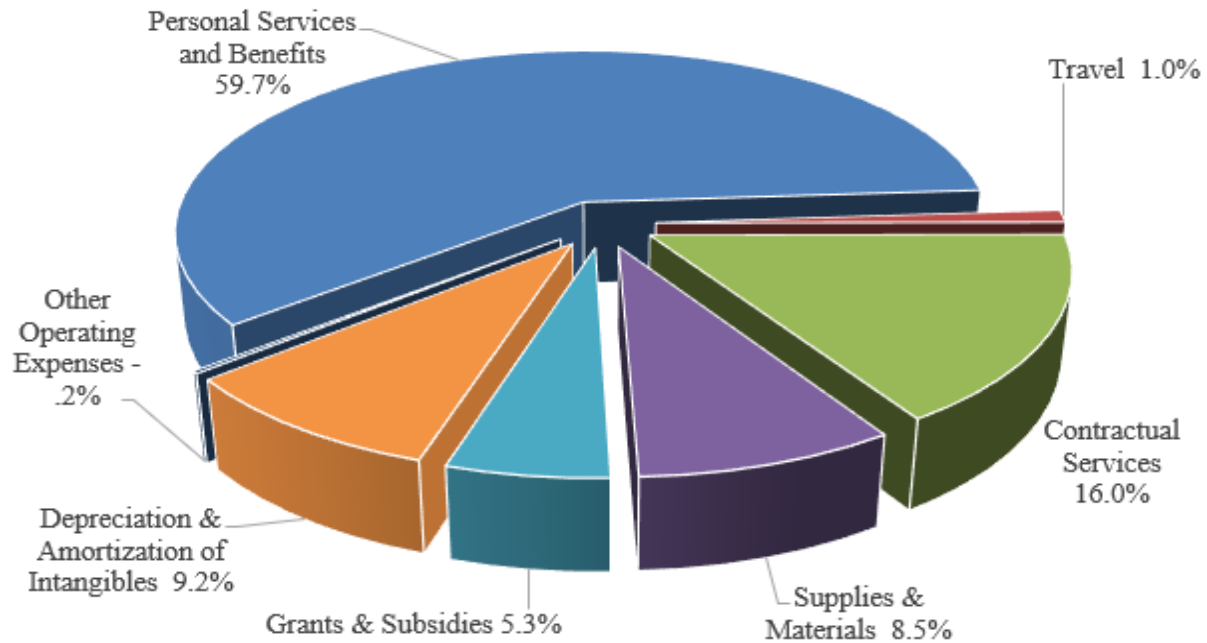
**SOUTH DAKOTA STATE UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2021**

**FINANCIAL HIGHLIGHTS (CONTINUED)**

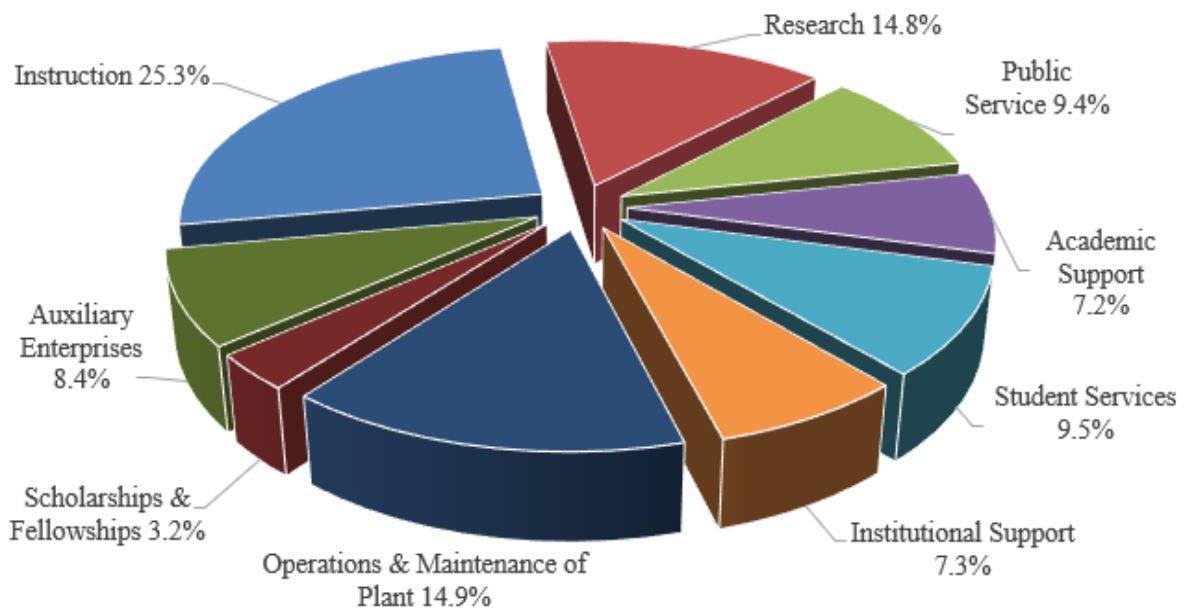
Statements of Revenues, Expenses, and Changes in Net Position (Continued)

Operating expenses for fiscal year 2021 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, 2021**

**FINANCIAL HIGHLIGHTS (CONTINUED)**

Overall Non-Operating Revenues & Other Changes increased by \$21.5 million, or 19.2%, compared to the previous fiscal year. The increase is primarily driven by HEERF and Capital Grants & Contracts. Throughout the COVID-19 pandemic, Congress has provided relief to higher education institutions through the Higher Education Emergency Relief Fund (HEERF). The HEERF allots funding to both student and institutions under each of the three relief packages, known as HEERF I, HEERF II, and HEERF III, respectively.

The University was awarded total \$33.7 million from the CARES Act for HEERF as of fiscal year ended June 30, 2021. The student portion, \$15 million, provided emergency grants to students. The institutional portion, \$18.7 million, was used to cover costs associated with significant changes to the delivery of instruction due to COVID-19, to mitigate the impact of the virus, and others direct expenses. During the fiscal year, the University recognized \$12.7 million from HEERF I and HEERF II that met the restrictions of funding based on published guidance by the U.S. Department of Education. The remaining award \$17.6 million (HEERF III) will be recognized in the following fiscal year, upon fulfilling restrictions of the federal funding.

	HEERF I	HEERF II	HEERF III	Total
Student	3,010	3,010	8,976	14,996
Institution	3,010	6,980	8,699	18,689
<b>Total Award</b>	<b>6,020</b>	<b>9,990</b>	<b>17,674</b>	<b>33,685</b>
				<i>(In thousands)</i>
Revenue Recognition	FY20 (\$3.2M) FY21 (2.7M)	FY21 (9.9M)	FY22 (17.6 M)	

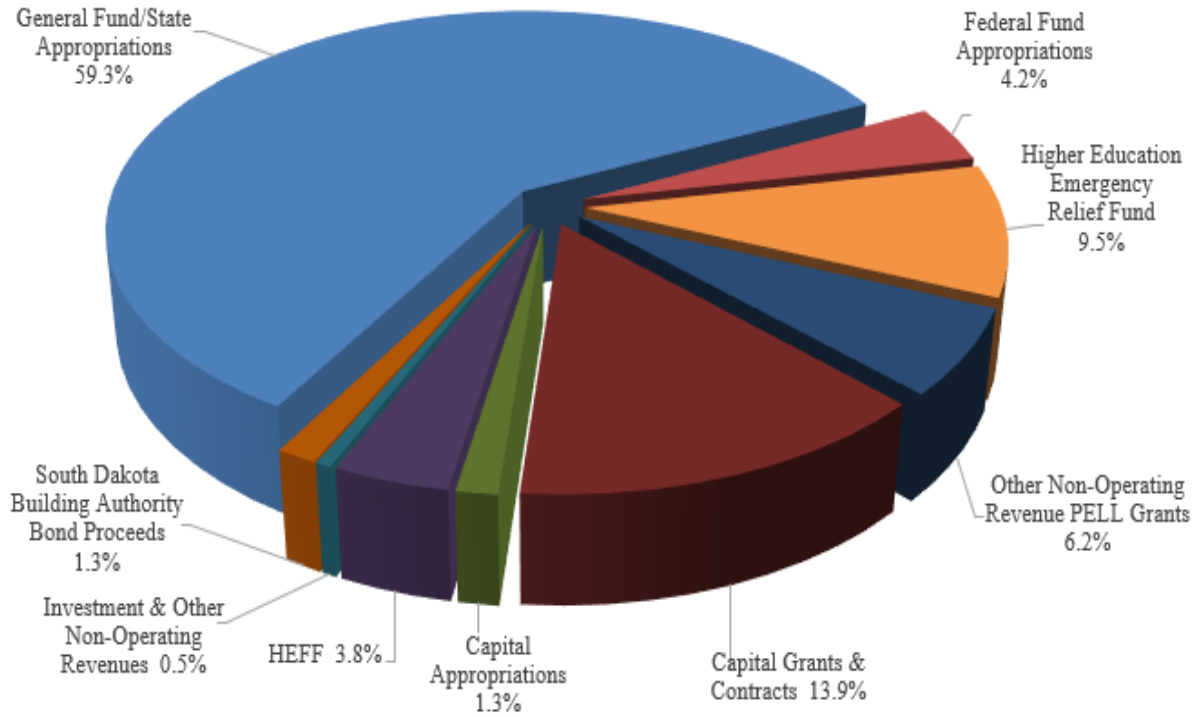
<b>Non-Operating Revenues &amp; Other Changes</b>	<b>2021</b>	<b>2020</b>	
		<b>(As restated)</b>	<b>2019</b>
General Fund Appropriations	\$75,563	\$73,439	\$69,319
School & Public Lands (State Appropriations)	1,276	1,281	905
Coronavirus Relief Fund	1,325	3,643	0
Designated State Fees	779	0	225
General Fund M&R	227	183	500
<b>Total General Fund/State Appropriations</b>	<b>\$79,171</b>	<b>\$78,546</b>	<b>\$70,949</b>
Capital Higher Education Facilities Fund	\$4,639	\$2,930	\$4,870
Higher Education Facilities Fund	399	484	1,174
<b>Total HEFF</b>	<b>\$5,038</b>	<b>\$3,414</b>	<b>\$6,044</b>
Federal Fund Appropriations	\$5,564	\$5,881	\$6,861
Higher Education Emergency Relief Fund	12,718	3,211	0
Other Non-Operating Revenue PELL Grants	8,213	9,368	10,276
Capital Grants & Contracts	18,501	5,714	19,971
South Dakota Building Authority Bond Proceeds	1,758	412	0
Capital Appropriations	1,801	4,202	1,872
Investment & Other Non-Operating Revenue	685	1,216	1,104
	\$49,239	\$30,006	\$40,085
<b>Total Non-Operating Revenues &amp; Other Chang</b>	<b>\$133,449</b>	<b>\$111,966</b>	<b>\$117,098</b>

*(In thousands)*

**SOUTH DAKOTA STATE UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2021**

**FINANCIAL HIGHLIGHTS (CONTINUED)**

Non-Operating Revenues & Other Changes for fiscal year 2021:



**SOUTH DAKOTA STATE UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2021**

**FINANCIAL HIGHLIGHTS (CONTINUED)**

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

The operating loss is primarily funded by General Fund Appropriations, Federal Fund Appropriations, and PELL Grant Revenue as seen below.

	<b>2021</b>	<b>2020 (As restated)</b>	<b>2019</b>
Total Operating Revenues	\$186,548	\$196,895	\$211,261
Total Operating Expenses	\$278,494	\$287,108	\$297,627
Operating Loss	(\$91,945)	(\$90,213)	(\$86,366)
General Fund Appropriations	\$75,563	\$73,439	\$69,319
Federal Fund Appropriations	5,564	\$5,881	\$6,861
Other Non-Operating Revenue PELL Grants	8,213	9,368	10,276
Coronavirus Relief Fund	1,325	3,643	0
Higher Education Emergency Relief Fund	12,718	3,211	0
	\$103,384	\$95,543	\$86,456

*(In thousands)*

Non-Operating Expenses decreased \$7.8 million. Interest Expense Related to Capital Assets decreased by \$1.6 million, and Loss on Disposal of Capital Assets reported a decrease of \$2.2 million. Due to the 2021 refinancing of the 2011 series bond, bond issuance costs increased by \$3 million. FY20 Other Non-Operating Expenses included the transfer of property to the Animal Industry Board in support of the Animal Disease Research and Diagnostics Lab (ADRDL) expansion project.

<b>Non-Operating Expenses</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Interest Expense Related to Capital Assets	6,416	8,023	7,863
Loss on Disposal of Capital Assets	19	2,221	34
Other Non-Operating Expenses	0	4,275	0
Bond Issuance Costs	308	0	0
<b>Total Non-Operating Expenses</b>	<b>6,744</b>	<b>14,518</b>	<b>7,897</b>

*(In thousands)*

**SOUTH DAKOTA STATE UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2021**

**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, General Fund M&R Appropriations, and Capital Grants & Contracts to fund capital assets as follows:

	Non-Operating HEFF	General Fund M&R	Capital Appropriations	Other Revenues HEFF	Total
Capital Projects					
Central Chiller & Heating Plant	\$0	\$0	\$341	\$541	\$883
Landscaping & Utility Improvements	\$0	\$0	\$374	\$2,568	\$2,942
Lincoln Music Hall	\$0	\$0	\$0	\$1,295	\$1,295
Campus Maintenance Projects	\$399	\$227	\$0	\$0	\$626
Briggs Library Project	\$0	\$0	\$109	\$0	\$109
Miscellaneous Capitalized Projects	\$0	\$0	\$976	\$235	\$1,211
	\$399	\$227	\$1,801	\$4,639	\$7,066

*(In thousands)*

	Foundation	Non-Foundation	Total
Capital Projects			
Raven Precision Ag	\$17,533	\$0	\$17,533
American Indian Student Center	\$262	\$0	\$262
Miscellaneous Capitalized Projects	\$0	\$235	\$235
Crother Hall Renovation	\$0	\$196	\$196
Kurtenbach Family Wrestling Center	\$157	\$0	\$157
Total Capital Projects	\$17,951	\$432	\$18,383
Art Museum	\$0	\$58	\$58
Equipment	\$0	\$60	\$60
Total Capital Grants	\$17,951	\$550	\$18,501

*(In thousands)*

**SOUTH DAKOTA STATE UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2021**

**FINANCIAL HIGHLIGHTS (CONCLUDED)**

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.

	<b>2021</b>	<b>2020 (As restated)</b>	<b>2019</b>
Cash Provided (Used) by			
Operating Activities	(60,008)	(62,054)	(60,641)
Non-Capital Financial Activities	100,038	97,190	90,506
Capital Related Financing Activities	(26,146)	(40,369)	(49,395)
Investing Activities	994	1,239	587
Net Change in Cash	14,879	(3,994)	(18,943)
Cash, Beginning of Year	62,172	66,348	85,291
<b>Cash, End of Year</b>	<b>77,051</b>	<b>62,354</b>	<b>66,348</b>

*(In thousands)*

Major sources of operating cash included Tuition & Fees and Auxiliaries of \$115.1 million, Grants & Contracts of \$49.9 million, and General Sales & Services of \$27.3 million. The largest use of operating cash was for Personal Services of \$165.9 million.

The most significant sources of cash for non-capital financial activities cash were General Fund Appropriations of \$75.6 million and federal corona virus relief funds of \$14 million.

Capital related financing activities were primarily funded by Capital Appropriations of \$1.8 million, Capital Grants and Contracts of \$16.8 million, and \$4.6 million from the Higher Education Facilities Fund. The most significant uses of cash included the Purchase of Capital Assets of \$32 million (predominately for Buildings & Building Improvement construction expenditures), and debt service payments of \$18 million.

University cash balances are as follows:

<b>Fund Type</b>	<b>2021</b>	<b>2020 (As restated)</b>	<b>2019</b>
Unrestricted Non-Appropriated funds	\$60,012	\$44,423	\$42,599
Renewal and Replacement funds	16,530	16,601	15,592
Loan Funds	2,633	2,994	4,458
Unexpended Plant funds	127	(5,698)	3,737
Retirement of Indebtedness funds	2,580	2,441	2,468
Unrestricted Appropriated funds	1,388	1,011	759
Restricted Non-Appropriated funds	(5,624)	786	(1,230)
Restricted Appropriated funds	(596)	(386)	(2,035)
	<b>\$77,051</b>	<b>\$62,172</b>	<b>\$66,348</b>

*(In thousands)*

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**SOUTH DAKOTA STATE UNIVERSITY  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2021**

**FINANCIAL PERFORMANCE – RATIOS ARE PRELIMINARY**

Financial ratios are used in analyzing the financial integrity of the University. These measures should not be the focus, rather help explain the University’s current financial health and provide tools for strategic planning to improve financial position and carry out its mission. The financial ratios below are used for strategic analysis which considers the entire University, including its component unit the Foundation and South Dakota Building Authority (SDBA) managed debt capital activity. This practice is consistent with other public institutions and needs to be considered due to the Foundation’s purpose of raising funds for the University’s benefit to further mission achievement.

**Primary Reserve Ratio** - This ratio is intended to address the question of sufficiency and flexibility for support of the mission. The ratio measures the financial strength by comparing expendable net position to total expenses. It identifies how long the university can function by using reserves without the generation of any new resources. A primary reserve ratio of 1.0 would imply the University would have the ability to cover expenses for one year. Key items that can impact this ratio include principal payments on debt, using net position to fund capital construction projects, endowment returns, and total operating expenses.

FY21	FY20	FY19
0.49	0.32	0.30

**Net Operating Revenue Ratio** – Serves as an indication if the University is living within its available resources. Institutions need to generate some level of surplus over long periods of time because operations are one source for reinvestment in future initiatives. Short-term deficits may occur as a result of strategic decisions. It is when deficits are unplanned or unmanaged and occurring as a result of core operations that evaluation of operations is necessitated. A positive ratio indicates a good financial condition. A ratio of 2 to 4 percent indicates the university operated within its means and should be maintained over time; however, fluctuations from year to year are normal. A large ratio identifies an operating surplus and a stronger financial position. While a negative ratio indicates an operating loss for the year, universities need to be careful about a positive ratio that is too large, indicating under spending on mission critical initiatives.

FY21	FY20	FY19
2.7%	-0.7%	-4.4%

**Return on Net Position Ratio** - This ratio is the most comprehensive measure of growth or decline in wealth over time and assesses if the asset performance and management support the strategic direction. It measures total economic return or the level of change in total net position to determine if the university is financially better off than in the previous year. There is not a specific threshold; however, 3 to 4 percent is a generally acceptable real rate of return. Key items that may impact this ratio include changes in the net operating revenue ratio, endowment returns, capital gifts and grants, capital transfers, and endowment gifts.

FY21	FY20	FY19
10.8%	8.2%	2.1%

**SOUTH DAKOTA STATE UNIVERSITY  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2021**

**FINANCIAL PERFORMANCE (CONTINUED) RATIOS ARE PRELIMINARY**

*Viability Ratio* – Addresses whether financial resources are being strategically managed to advance the mission of the institution. It measures availability of expendable net position for coverage of debt should the university be required to settle its obligations as of the date on the balance sheet. This ratio is one of the most basic determinants of clear financial health and is regarded as governing a university’s ability to assume new debt. A 1:1 ratio is desired; however, a ratio of 0.8 is acceptable for state universities, indicating adequate net assets to meet obligations. Key items that may impact this ratio include principal payments on debt, using net assets for capital construction projects, issuance of new debt, and endowment returns.

<b>FY21</b>	<b>FY20</b>	<b>FY19</b>
<b>0.64</b>	0.46	0.44

*Composite Financial Index (CFI)* – The index is built with the values of its four component ratios: the Primary Reserve, Net Operating Revenue, Return on Net Position, and Viability Ratios. Once each of these ratios is calculated, further weighting is conducted to measure the relative strength of the score and its importance in the composite score. The weighted combination allows a weakness or strength in one ratio to be offset by another ratio result. The CFI reflects a picture of the financial health of the institution at a point in time. A negative CFI is indicative of a university that may be struggling financially. A score of 1.0 indicated very little financial health; 3.0 is the low benchmark and represents a relatively stronger financial position. The CFI provides a condensed picture of the financial health of an institution at a point in time. A negative CFI is indicative of a university that may be struggling financially. The SDSU CFI trend shows steady improvement over the last 3 years.

<b>FY21</b>	<b>FY20</b>	<b>FY19</b>
<b>3.0</b>	2.0	1.0

**SOUTH DAKOTA STATE UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2021**

**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.

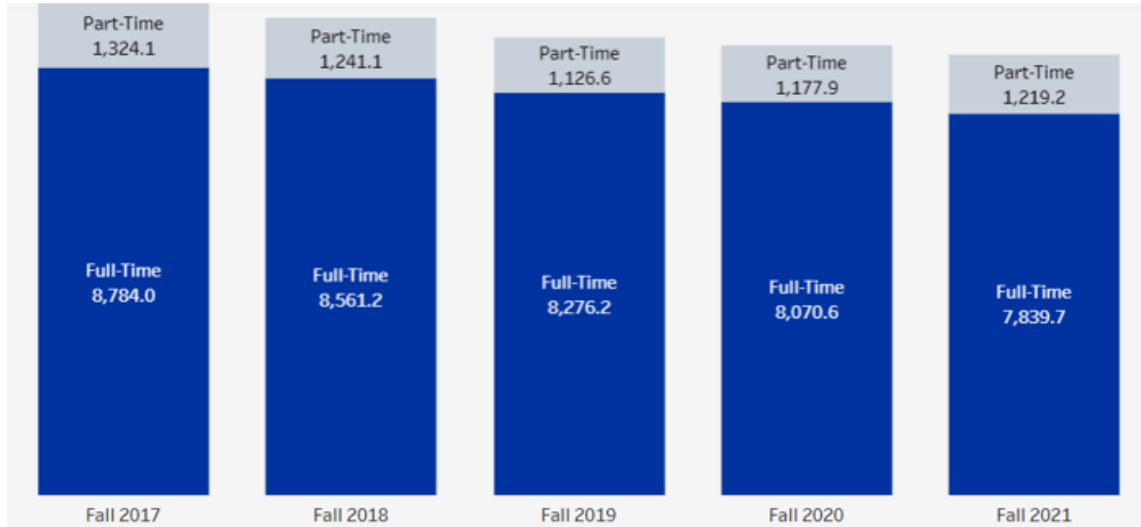
Foster innovation and increase research, scholarship, and creative activity: SDSU continues to foster innovation and research and works towards expanding the number of public-private activities located in the Research Park at SDSU. The University is also increasing partnership and sponsorship opportunities 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, 2021**

**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.



**Full-Time Equivalent by Full-Time/Part-Time (Fall)**

Comparison	Breakout	Fall 2017	Fall 2018	Fall 2019	Fall 2020	Fall 2021
Full-Time		8,784.0	8,561.2	8,276.2	8,070.6	7,839.7
Part-Time		1,324.1	1,241.1	1,126.6	1,177.9	1,219.2
<b>Grand Total</b>		<b>10,108.1</b>	<b>9,802.3</b>	<b>9,402.7</b>	<b>9,248.5</b>	<b>9,058.9</b>



**Headcount by Full-Time/Part-Time (Fall)**

Comparison	Breakout	Fall 2017	Fall 2018	Fall 2019	Fall 2020	Fall 2021
Full-Time		8,973	8,727	8,474	8,301	8,090
Part-Time		3,554	3,380	3,044	3,104	3,375
<b>Grand Total</b>		<b>12,527</b>	<b>12,107</b>	<b>11,518</b>	<b>11,405</b>	<b>11,465</b>

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**SOUTH DAKOTA STATE UNIVERSITY**  
**STATEMENTS OF NET POSITION**  
**JUNE 30, 2021 & 2020**

	<b>2021</b>	<b>2020</b>	<b>(As restated)</b>
<b>Assets</b>			
<b>Current Assets</b>			
Cash on Deposit-State Treasurer	\$ 68,766,502	\$ 62,085,946	
Cash & Cash Equivalents	8,284,747	268,228	
Accounts Receivable-Student	4,786,473	5,681,991	
(Net of Allowance of \$1,987,000.00 & \$1,764,400.00 Respectively)			
Accounts Receivable-Department Sales	2,223,397	3,449,323	
Notes Receivable	1,528,243	1,685,531	
(Net of Allowance of \$29,068.16 & \$52,841.45, Respectively)			
Interest Receivable	662,759	992,547	
Prepaid Expenses	2,557,942	2,362,365	
Inventories	5,756,563	4,677,290	
Due from Federal Sources	6,634,355	4,901,531	
Due from Primary Government	627,719	769,521	
Due from Other Component Units	271,744	4,332,371	
<b>Total Current Assets</b>	<b>\$ 102,100,443</b>	<b>\$ 91,206,644</b>	
<b>Non-Current Assets</b>			
Restricted Cash on Deposit-State Treasurer	\$ -	\$ -	
Notes Receivable	6,571,427	7,016,211	
(Net of Allowance of \$88,478.84 & \$255,004.55, Respectively)			
Investments	372,289	368,472	
Other Assets			
<b>Total Non-Current Assets</b>	<b>\$ 6,943,716</b>	<b>\$ 7,384,683</b>	
<b>Capital Assets, Net</b>			
Land	\$ 15,161,532	\$ 15,161,532	
Museum & Art Collections	9,670,544	9,612,244	
Construction in Progress	55,801,957	45,571,054	
Buildings & Building Improvements	490,196,069	486,471,612	
(Net of Accum Depr \$230,444,352.13 & \$212,118,712.09, Respectively)			
Land Improvements	11,737,283	12,292,009	
(Net of Accum Depr \$11,824,649.55 & \$10,846,175.00, Respectively)			
Infrastructure	21,699,307	22,501,417	
(Net of Accum Depr \$10,500,704.61 & \$9,698,594.38, Respectively)			
Equipment & Other Property	21,917,015	23,834,031	
(Net of Accum Depr \$100,908,293.00 & \$96,807,293.16, Respectively)			
Intangible Assets	210,671	345,775	
(Net of Accum Amort \$532,780.41 & \$468,276.04, Respectively)			
<b>Total Capital Assets, Net</b>	<b>\$ 626,394,377</b>	<b>\$ 615,789,673</b>	
<b>Deferred Outflows of Resources</b>			
Deferred Outflow on Debt Refunding	\$ 1,490,459	\$ 1,625,286	
<b>Total Assets &amp; Deferred Outflows of Resources</b>	<b>\$ 736,928,996</b>	<b>\$ 716,006,286</b>	

**SOUTH DAKOTA STATE UNIVERSITY**  
**STATEMENTS OF NET POSITION**  
**JUNE 30, 2021 & 2020**

	2021	2020 (As restated)
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 4,784,479	\$ 4,441,421
Accrued Wages & Benefits	3,873,261	3,843,243
Accrued Interest Payable	1,190,620	1,284,191
Due to Primary Government	230,565	575,642
Due to Other Component Units	137,887	54,687
Student Deposits	648,476	561,292
Agency Funds-Funds Held for Others	-	202,655
Unearned Revenue	5,737,108	6,596,738
Other Accrued Liabilities	643,385	667,500
Obligations under Capital Leases	1,733,917	1,744,397
Revenue Bonds Payable	7,516,582	7,302,906
Compensated Absences Payable	5,358,143	4,960,080
<b>Total Current Liabilities</b>	<b>\$ 31,854,421</b>	<b>\$ 32,234,752</b>
<b>Non-Current Liabilities</b>		
Obligations under Capital Leases	\$ 46,534,717	\$ 50,704,957
Revenue Bonds Payable	102,841,459	111,966,407
Compensated Absences Payable	11,874,843	11,804,199
Federal Capital Contribution	9,522,262	10,498,839
<b>Total Non-Current Liabilities</b>	<b>\$ 170,773,282</b>	<b>\$ 184,974,402</b>
<b>Deferred Inflows</b>		
Gain on Debt Refinancing	\$ 744,171	\$ -
<b>Total Liabilities and Deferred Inflows</b>	<b>\$ 203,371,874</b>	<b>\$ 217,209,153</b>
<b>Net Position</b>		
Net Investment in Capital Assets	\$ 466,522,410	\$ 442,063,343
Restricted Nonexpendable - Loans	1,103,358	1,192,553
Restricted Expendable:		
Scholarships and Fellowships	166,135	216,743
Research	(1,958,056)	2,243,796
Renewals & Replacements	9,980,011	9,980,011
Debt Service		-
Unrestricted	57,743,264	43,100,687
<b>Total Net Position</b>	<b>\$ 533,557,122</b>	<b>\$ 498,797,133</b>
<b>Total Liabilities &amp; Net Position</b>	<b>\$ 736,928,996</b>	<b>\$ 716,006,286</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, 2020 and 2019

	2020	2019
<b>Assets</b>		
Cash and Cash Equivalents	\$ 15,223,704	\$ 10,997,178
Investments (Note 4)	205,626,506	174,449,873
<b>Receivables</b>		
Promises to give, net of allowance and discount (Note 5)	16,546,973	23,018,431
Trusts held by others	10,370,850	4,522,055
Notes, contract, and other receivables (Note 6)	7,531,677	9,966,957
Operating Property, Net of Accumulated Depreciation (Note 1)	13,826,487	14,396,882
Other Property Held (Note 1)	8,944,604	8,168,494
<b>Other Assets</b>		
Prepaid expenses, inventory, and other assets	189,217	124,836
Cash surrender value of life insurance	544,771	558,245
Life estates	7,998,402	5,552,402
Beneficial interest in perpetual trust	1,156,914	1,085,309
	<u>\$ 287,960,105</u>	<u>\$ 252,840,662</u>
<b>Liabilities</b>		
Accounts Payable, Accrued Expenses, and Other Liabilities	\$ 548,964	\$ 1,037,008
Due to SDSU - Scholarships	2,993,250	2,226,097
Investments Held for Others	291,006	280,094
Gift Annuities, Life Income Agreements, and Life Estates	7,020,893	7,389,067
Notes Payable (Note 7)	4,688,175	5,295,887
Bonds Payable (Note 8)	12,560,659	15,211,253
	<u>28,102,947</u>	<u>31,439,406</u>
<b>Net Assets (Deficit)</b>		
Without Donor Restrictions (Note 9)	(11,915,870)	(11,609,263)
With Donor Restrictions (Note 10)	271,773,028	233,010,519
	<u>259,857,158</u>	<u>221,401,256</u>
	<u>\$ 287,960,105</u>	<u>\$ 252,840,662</u>



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**SOUTH DAKOTA STATE UNIVERSITY**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**FOR THE YEARS ENDING JUNE 30, 2021 & 2020**

	2021	2020 (As restated)
<b>Operating Revenues</b>		
<b>Tuition</b>		
State-Support Tuition	\$ 43,349,820	\$ 55,005,603
Self-Support Tuition	29,683,154	17,576,010
<b>Total Tuition</b>	<b>\$ 73,032,974</b>	<b>\$ 72,581,614</b>
<b>Fees</b>		
General Activity Fees	\$ 8,233,575	\$ 10,187,381
Special Discipline Fees	14,015,125	14,285,335
Vehicle Registration Fees	754,386	668,635
Delivery Fees	889,519	788,899
Other Fees	371,152	324,635
Student Charges	1,179,059	2,032,488
<b>Total Fees</b>	<b>\$ 25,442,817</b>	<b>\$ 28,287,373</b>
<b>Total Tuition and Fees</b>	<b>\$ 98,475,791</b>	<b>\$ 100,868,986</b>
Less Student Financial Assistance	(14,633,348)	(13,373,614)
<b>Total Tuition &amp; Fees, Net of Student Financial Assistance</b>	<b>\$ 83,842,442</b>	<b>\$ 87,495,372</b>
Auxiliaries	\$ 30,330,794	\$ 26,946,057
Net Student Financial Assistance \$4,081,766.53 & \$4,119,667.94, Respectively		
General Sales & Services	25,574,806	29,602,829
Federal Grants & Contracts	25,977,454	27,715,851
State Grants & Contracts	5,909,981	5,427,869
Private Grants & Contracts	14,524,286	19,220,624
Student Loan Interest	134,711	198,602
Other Revenues & Additions	253,990	287,868
<b>Total Operating Revenues</b>	<b>\$ 186,548,464</b>	<b>\$ 196,895,072</b>
<b>Operating Expenses</b>		
Personal Services and Benefits	\$ 166,382,451	\$ 173,409,079
Travel	2,864,219	5,635,905
Contractual Services	44,665,038	41,107,003
Supplies & Materials	23,644,943	23,609,091
Grants & Subsidies	14,773,115	17,449,459
Interest	518	1,576
Loan Cancellation Expense	251,533	248,709
Bad Debts	222,600	167,800
Depreciation	25,536,679	25,298,327
Amortization of Intangibles	64,504	88,037
Other Operating Expense	88,342	92,963
<b>Total Operating Expenses</b>	<b>\$ 278,493,943</b>	<b>\$ 287,107,950</b>
<b>Operating Loss</b>	<b>\$ (91,945,479)</b>	<b>\$ (90,212,878)</b>

**SOUTH DAKOTA STATE UNIVERSITY**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**FOR THE YEARS ENDING JUNE 30, 2021 & 2020**

	2021	2020 (As restated)
<b>Non-Operating Revenues (Expenses)</b>		
General Fund Appropriations	\$ 75,563,457	\$ 73,438,946
School & Public Lands	1,276,413	1,280,519
Federal Fund Appropriations	5,564,341	5,881,390
Higher Education Facilities Fund	399,070	484,476
General Fund M&R	227,185	183,140
Endo/Ecto Parasiticide Tax	779,100	-
Investment Income	664,242	1,170,419
Coronavirus Relief Fund	1,325,196	3,643,128
Higher Education Emergency Relief Fund	12,717,710	3,211,315
Other Non-Operating Revenue PELL Grants	8,213,099	9,368,420
Other Non-Operating Revenue & Additions	20,565	45,476
Interest Expense Related to Capital Assets	(6,416,434)	(8,022,607)
Loss on Disposal of Capital Assets	(18,739)	(2,221,002)
Other Non-Operating Expenses	-	(4,274,852)
Bond Issuance Costs	(308,371)	-
<b>Total Non-Operating Revenues (Expenses)</b>	<b>\$ 100,006,834</b>	<b>\$ 84,188,769</b>
<b>Other Revenues, Expenses, &amp; Other Changes</b>		
Capital Grants & Contracts	18,500,994	5,714,075
South Dakota Building Authority Bond Proceeds	1,757,855	412,145
Build America Bond Subsidy	-	-
Capital Appropriations	\$ 1,800,684	\$ 4,202,363
Higher Education Facilities Fund	4,639,102	2,929,969
<b>Total Other Revenues, Expenses, &amp; Other Changes</b>	<b>\$ 26,698,635</b>	<b>\$ 13,258,551</b>
<b>Increase in Net Position</b>	<b>\$ 34,759,989</b>	<b>\$ 7,234,443</b>
<b>Net Position, Beginning of Year</b>	<b>\$ 498,797,133</b>	<b>\$ 493,127,606</b>
Prior Period Adjustments	0	(1,564,916)
<b>Net Position, End of Year</b>	<b>\$ 533,557,122</b>	<b>\$ 498,797,133</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, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support, and Gains						
Gifts	\$ 148,424	\$ 46,243,787	\$ 46,392,211	\$ 225,644	\$ 46,597,045	\$ 46,822,689
Net investment return	539,939	22,021,966	22,561,905	434,058	18,506,478	18,940,536
Change in split interest agreements	(1,260)	763,082	761,822	(675)	1,129,649	1,128,974
PPP loan forgiveness	641,392	-	641,392	-	-	-
Other revenue						
Development services - SDSU	1,850,000	100,000	1,950,000	1,800,000	100,000	1,900,000
Other	199,012	69,613	268,625	167,584	807,192	974,776
	<u>3,377,507</u>	<u>69,198,448</u>	<u>72,575,955</u>	<u>2,626,611</u>	<u>67,140,364</u>	<u>69,766,975</u>
Net assets released from restrictions (Note 10)	30,435,939	(30,435,939)	-	25,956,536	(25,956,536)	-
Total revenue, support, and gains	<u>33,813,446</u>	<u>38,762,509</u>	<u>72,575,955</u>	<u>28,583,147</u>	<u>41,183,828</u>	<u>69,766,975</u>
Expenses						
Program Services						
SDSU scholarships	7,911,488	-	7,911,488	5,909,033	-	5,909,033
SDSU operational and program support	3,183,983	-	3,183,983	4,886,148	-	4,886,148
SDSU capital projects	15,072,764	-	15,072,764	9,748,598	-	9,748,598
Grants to others	534,316	-	534,316	151,279	-	151,279
Total program services	<u>26,702,551</u>	<u>-</u>	<u>26,702,551</u>	<u>20,695,058</u>	<u>-</u>	<u>20,695,058</u>
Support Services						
Administrative and general expenses	3,711,901	-	3,711,901	3,716,593	-	3,716,593
Fundraising expenses	3,705,602	-	3,705,602	3,588,636	-	3,588,636
Total support services	<u>7,417,502</u>	<u>-</u>	<u>7,417,502</u>	<u>7,305,229</u>	<u>-</u>	<u>7,305,229</u>
Total expenses	<u>34,120,053</u>	<u>-</u>	<u>34,120,053</u>	<u>28,000,287</u>	<u>-</u>	<u>28,000,287</u>
Change in Net Assets	(306,607)	38,762,509	38,455,902	582,860	41,183,828	41,766,688
Beginning Net Assets	(11,609,263)	233,010,519	221,401,256	(12,192,123)	191,826,691	179,634,568
Ending Net Assets	<u>\$ (11,915,870)</u>	<u>\$ 271,773,028</u>	<u>\$ 259,857,158</u>	<u>\$ (11,609,263)</u>	<u>\$ 233,010,519</u>	<u>\$ 221,401,256</u>

**SOUTH DAKOTA STATE UNIVERSITY  
FINANCIAL STATEMENT FOR FIDUCIARY FUND  
FOR THE YEARS ENDING JUNE 30, 2021 AND 2020**

**STATEMENT OF FIDUCIARY NET POSITION**

	2021	2020
<b>FIDUCIARY FUND ASSETS:</b>		
Cash and Cash Equivalents	171,881	182,275
Accounts Receivable	-	-
Other Asset	-	-
<b>TOTAL ASSETS</b>	<b>171,881</b>	<b>182,275</b>
<b>FIDUCIARY FUND LIABILITIES:</b>		
Accounts Payable & Accrued Liabilities	99	312
<b>TOTAL LIABILITIES</b>	<b>99</b>	<b>312</b>
<b>FIDUCIARY FUND NET POSITION:</b>		
Restricted for outside organization	171,782	181,963
<b>TOTAL NET POSITION</b>	<b>171,782</b>	<b>181,963</b>
<b>TOTAL FIDUCIARY FUND LIABILITIES AND NET POSITION</b>	<b>171,881</b>	<b>182,275</b>

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**

	2021	2020
<b>ADDITIONS</b>		
General Sales & Services	81,127	124,085
Other	-	100
<b>TOTAL ADDITIONS</b>	<b>81,127</b>	<b>124,185</b>
<b>DEDUCTIONS</b>		
Travel	1,429	17,749
Contractual	24,535	28,075
Other	65,344	42,895
<b>TOTAL DEDUCTIONS</b>	<b>91,308</b>	<b>88,719</b>
<b>CHANGES IN NET ASSETS FOR FIDUCIARY FUND</b>	<b>(10,182)</b>	<b>35,465</b>

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

**SOUTH DAKOTA STATE UNIVERSITY**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDING JUNE 30, 2021 AND 2020**

	2021	2020 (As restated)
<b>Cash Flows From Operating Activities</b>		
Tuition & Fees	84,602,543	87,571,125
Auxiliaries (Net of Student Financial Assistance)	30,493,357	26,832,502
General Sales & Services	27,330,545	28,911,268
Federal Grants & Contracts	28,439,369	30,139,817
State Grants & Contracts	6,495,325	6,555,419
Private Grants & Contracts	14,967,169	21,026,462
Loans Collected from Students	1,236,006	1,533,039
Loans Issued to Students	(695,169)	(587,641)
Student Loan Interest	134,711	198,602
Other Receipts	63,691	64,774
Personal Services and Benefits	(165,883,725)	(171,990,714)
Travel	(2,833,072)	(6,025,282)
Contractual Services	(44,953,708)	(43,411,386)
Supplies & Materials	(24,506,643)	(24,372,415)
Grants & Subsidies	(14,809,187)	(18,587,565)
Interest	(518)	(1,576)
Other Payments	(88,342)	(92,963)
<b>Net Cash Flows Used by Operating Activities</b>	<b>(60,007,648)</b>	<b>(62,236,532)</b>
<b>Cash Flows From Non-Capital Financial Activities</b>		
General Fund Appropriations	75,563,457	73,438,946
School & Public Lands	1,276,413	1,280,519
Federal Fund Appropriations	497,023	7,576,442
Federal Loans Disbursements (Stafford & PLUS)	(45,224,560)	(47,005,229)
Federal Loan Receipts (Stafford & PLUS)	45,224,560	47,005,229
Higher Education Facilities Fund	399,070	484,476
General Fund M&R	227,185	183,140
Designated State Fee	779,100	-
Federal Capital Contribution-Student Loans	(976,577)	(1,780,490)
Net Change in Funds Held for Others		(226,324)
Other Non-Operating Revenue PELL Grants	8,213,099	9,368,420
Other Non-Operating Revenue & Additions	16,749	10,615
Coronavirus & Higher Education Emergency Relief Funds	14,042,907	6,854,443
<b>Net Cash Flows Provided by Non-Capital Financial Activities</b>	<b>100,038,425</b>	<b>97,190,188</b>
<b>Cash Flows From Capital Related Financing Activities</b>		
Higher Education Facilities Fund	4,639,102	2,929,969
South Dakota Building Authority Bond Proceeds	1,757,855	412,145
Purchase of Capital Assets	(32,046,090)	(34,686,140)
Proceeds on Disposal of Capital Assets	-	4,064,799
Proceeds from Capital Debt (Leases)	43,908,093	-
Revenue Bond Discounts and Related Costs	(1,030,374)	(4,274,852)
Principal Payments on Capital Leases & Revenue Bonds	(54,689,835)	(7,923,018)
Interest Payments on Capital Leases & Revenue Bonds	(7,243,371)	(8,682,947)
Build America Bond Subsidy	-	-
Capital Appropriations	1,800,684	4,202,363
Capital Grants & Contracts	16,758,305	3,588,854
<b>Net Cash Flows Used by Capital Related Financing Activities</b>	<b>(26,145,631)</b>	<b>(40,368,827)</b>

**SOUTH DAKOTA STATE UNIVERSITY**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDING JUNE 30, 2021 AND 2020**

	2021	2020 (As restated)
<b>Cash Flows From Investing Activities</b>		
Investment Income	994,030	1,238,934
Net Increase (Decrease) in Cash	14,879,178	(4,176,238)
Cash, Beginning of year	62,172,071	66,348,309
<b>Cash, End of year</b>	<b>77,051,249</b>	<b>62,172,071</b>

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

<b>Operating Loss</b>	(91,945,479)	(90,394,880)
Adjustments to Reconcile Operating Loss to Net Cash Flows Used by Operating Activities		
Depreciation	25,536,679	25,298,327
Amortization of Intangibles	64,504	88,037
Bad Debts	222,600	167,800
Loan Cancellation Expense	251,533	248,709
Change in Assets and Liabilities		
Accounts Receivable-Students	672,918	75,753
Accounts Receivable-Department Sales	2,913,536	2,505,644
Notes Receivable	350,538	722,304
Prepaid Expenses	(195,577)	(83,210)
Inventories	(1,079,272)	571,076
Depreciable Assets	3,149	-
CIP	(7,955)	-
Agency Funds Held for Others	(23,775)	-
Due from Federal Sources	3,334,494	1,570,956
Due from Primary Government	141,802	32,507
Due from Other Component Units	(54,805)	346,914
Other Assets	-	-
Accounts Payable	343,058	(5,095,982)
Accrued Wages & Benefits	30,018	757,294
Due to Primary Government	(345,077)	258,080
Due to Other Component Units	83,200	(245,153)
Student Deposits	87,183	-
Compensated Absences Payable	468,707	661,071
Unearned Revenue	(859,629)	278,221
<b>Net Cash Used by Operating Activities</b>	<b>(60,007,648)</b>	<b>(62,236,532)</b>

**Supplemental Disclosure of Noncash Activities**

Construction Project Accounts Receivable	-	-
Capital Assets Financed by Capital Lease	-	-
Loss on Disposal of Capital Assets		(2,221,002)

*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, 2020 and 2019

	2020	2019
Operating Activities		
Change in net assets	\$ 38,455,902	\$ 41,766,688
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	898,437	847,598
PPP loan forgiveness	(641,392)	-
Net realized and unrealized gains	(18,888,478)	(14,970,208)
Loss on the disposal of operating property	-	146,092
Loss on the disposal of other property held	15,778	24,007
Provision for uncollectible receivables	411,656	755,622
Change in value of cash surrender value of life insurance	13,474	9,243
Change in value of beneficial interest in perpetual trust	(71,605)	(151,264)
Non-cash gifts, net of amounts restricted for long-term purposes	(9,198,916)	-
Restricted for long-term purposes		
Gifts and revenue	(9,635,339)	(12,394,314)
Gifts other than cash	-	(3,787,036)
Changes in assets and liabilities		
Promises to give	5,989,189	(652,818)
Other receivables	(374,673)	(2,167,760)
Trusts held by others	904,121	4,071,400
Prepaid expenses, inventory, and other assets	(64,381)	(3,055)
Accounts payable, accrued expenses, and other liabilities	(440,479)	(419,367)
Deposits from donors	-	(7,489,554)
Due to SDSU - scholarships	767,153	199,795
Gift annuities, life income agreements, and life estates	(368,174)	33,079
Net Cash Provided by Operating Activities	7,772,273	5,818,148
Investing Activities		
Proceeds from the sale of investments	82,786,949	29,909,760
Purchases of investments	(95,075,104)	(47,892,149)
Purchases of operating property	(364,695)	(1,823,693)
Proceeds from the sale of other property held	2,423,419	512,231
Purchases of other property held	(3,215,307)	(590,264)
Receipts on notes, contract, and other receivables	2,809,953	2,402,507
Net Cash Used for Investing Activities	(10,634,785)	(17,481,608)



## South Dakota State University Foundation

Consolidated Statements of Cash Flows  
Years Ended December 31, 2020 and 2019

	2020	2019
Financing Activities		
Payments on notes payable	\$ (607,712)	\$ (283,840)
Payments on bonds payable	(2,650,594)	(2,581,362)
Proceeds from PPP loan	641,392	-
Proceeds from contributions restricted for long-term purposes	9,705,952	11,873,980
Net Cash Provided by Financing Activities	7,089,038	9,008,778
Net Change in Cash and Cash Equivalents	4,226,526	(2,654,682)
Cash and Cash Equivalents, Beginning of Year	10,997,178	13,651,860
Cash and Cash Equivalents, End of Year	\$ 15,223,704	\$ 10,997,178
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	\$ 793,610	\$ 918,126

**SOUTH DAKOTA STATE UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**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 implemented GASB Statement No. 84, *Fiduciary Activities* for activities that meet the fiduciary activity criteria defined by GASB. Fiduciary activities are those activities that state and local governments carry out for the benefit of individuals or other agencies outside the government. The University’s fiduciary activities are presented in the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position.

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**

In order 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.

### **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 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.

**SOUTH DAKOTA STATE UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

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

**Emerging Accounting Standards (Continued)**

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–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.

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, 2021 AND 2020**

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

**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 at 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.

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.

**SOUTH DAKOTA STATE UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

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

**Capital Assets (Continued)**

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 \$46,221,076.53 and \$45,427,075.33 for Library books at June 30 2021 and 2020, respectively \$88,492.46 in Nursing films at June 30, 2021. 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 \$1,991,582.30 and \$3,632,949.61 at June 30, 2021 and 2020, respectively. Accrued Wages & Benefits represent amounts earned but not paid at June 30, 2021 and 2020.

**Accrued Interest Payable**

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

**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 agreement.

**SOUTH DAKOTA STATE UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

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

**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.

The University received \$12,717,710 in Higher Education Emergency Relief Fund (HEERF) from the Federal CARES Act. The University also received \$1,325,196 from the Coronavirus Relief Fund administered by the State.

The University disbursed \$45,224,560 and \$47,005,229 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, 2021 and 2020, 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.

**SOUTH DAKOTA STATE UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

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

**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.

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**  
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**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, 2021 consisted of the following:

	2020	Prior Period Adjustments	Additions	Deletions	2021
<b>Non-Depreciable Capital Assets</b>					
Land	\$ 15,161,532	\$ -	\$ -	\$ -	\$ 15,161,532
Museum & Art Collections	9,612,244	-	58,300	-	9,670,544
Total Non-Depreciable Capital Assets	\$ 24,773,776	\$ -	\$ 58,300	\$ -	\$ 24,832,076
Construction in Progress	\$ 45,571,054	\$ -	\$ 32,704,748	\$ (22,473,846)	\$ 55,801,957
<b>Depreciable Capital Assets</b>					
Land Improvements	\$ 23,138,184	\$ -	\$ 423,748	\$ -	\$ 23,561,932
Infrastructure	32,200,011	-	-	-	32,200,011
Buildings & Building Improvements	698,590,324	-	22,050,098	-	720,640,421
Equipment & Other Property	120,641,324	-	3,645,451	(1,461,467)	122,825,308
Total Depreciable Capital Assets	\$ 874,569,843	\$ -	\$ 26,119,297	\$ (1,461,467)	\$ 899,227,673
<b>Less Accumulated Depreciation</b>					
Land Improvements	\$ (10,846,175)	\$ -	\$ (978,475)	\$ -	\$ (11,824,650)
Infrastructure	(9,698,594)	-	(802,110)	-	(10,500,705)
Buildings & Building Improvements	(212,118,712)	-	(18,325,640)	-	(230,444,352)
Equipment & Other Property	(96,807,293)	-	(5,430,454)	1,329,455	(100,908,293)
Total Accumulated Depreciation	\$ (329,470,775)	\$ -	\$ (25,536,679)	\$ 1,329,455	\$ (353,677,999)
<b>Intangible Assets</b>					
Intangible Assets	\$ 814,051	\$ -	\$ -	\$ (70,599)	\$ 743,452
Amortization	(468,276)	-	(64,504)	-	(532,780)
Intangible Assets, Net	\$ 345,775	\$ -	\$ (64,504)	\$ (70,599)	\$ 210,671
<b>Capital Assets, Net</b>	<b>\$ 615,789,673</b>	<b>\$ -</b>	<b>\$ 33,281,161</b>	<b>\$ (22,676,457)</b>	<b>\$ 626,394,377</b>

**SOUTH DAKOTA STATE UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**III. CAPITAL ASSETS (CONTINUED)**

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	\$ 14,561,001	\$ 25,991	\$ 1,898,783	\$ (1,324,242)	\$ 15,161,532
Museum & Art Collections	9,418,166	-	194,079	-	9,612,244
Total Non-Depreciable Capital Assets	\$ 23,979,166	\$ 25,991	\$ 2,092,861	\$ (1,324,242)	\$ 24,773,776
<b>In Progress</b>					
Construction	\$ 35,672,369	\$ 189,083	\$ 42,952,351	\$ (33,242,749)	\$ 45,571,054
Intangible Assets	-	-	-	-	-
Total In Progress	\$ 35,672,369	\$ 189,083	\$ 42,952,351	\$ (33,242,749)	\$ 45,571,054
<b>Depreciable Capital Assets</b>					
Land Improvements	\$ 22,518,698	\$ -	\$ 619,486	\$ -	\$ 23,138,184
Infrastructure	26,801,084	-	5,398,927	-	32,200,011
Buildings & Building Improvements	680,482,472	-	25,499,188	(7,391,336)	698,590,324
Equipment & Other Property	119,758,417	31,205	3,545,846	(2,694,144)	120,641,324
Total Depreciable Capital Assets	\$ 849,560,672	\$ 31,205	\$ 35,063,446	\$ (10,085,480)	\$ 874,569,843
Less Accumulated Depreciation					
Land Improvements	\$ (9,866,822)	\$ -	\$ (979,353)	\$ -	\$ (10,846,175)
Infrastructure	(8,879,055)	-	(819,539)	-	(9,698,594)
Buildings & Building Improvements	(198,820,472)	-	(17,557,193)	4,258,953	(212,118,712)
Equipment & Other Property	(93,497,466)	42,297	(5,942,241)	2,590,117	(96,807,293)
Total Accumulated Depreciation	\$ (311,063,815)	\$ 42,297	\$ (25,298,327)	\$ 6,849,070	\$ (329,470,775)
<b>Intangible Assets</b>					
Intangible Assets	\$ 814,051	\$ -	\$ -	\$ -	\$ 814,051
Amortization	(380,239)	-	(88,037)	-	(468,276)
Intangible Assets, Net	\$ 433,812	\$ -	\$ (88,037)	\$ -	\$ 345,775
Capital Assets, Net	\$ 598,582,204	\$ 288,575	\$ 54,722,295	\$ (37,803,401)	\$ 615,789,673

**IV. RETIREMENT PLAN**

The South Dakota Retirement System (SDRS) is a cost sharing, multiple employer public employee retirement system (PERS) established to provide retirement benefits for 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.

SDRS is a State financial reporting entity and included in the State's financial report as a pension trust fund. 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's SDRS activity and balances are not reported in the accompanying financial statements; however are reported within the State's CAFR.

**SOUTH DAKOTA STATE UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
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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 2021 and 2020 were \$6,847,748.83 and \$7,042,306.75, 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  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**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, 2021, the University had outstanding commitments of \$9,937,250 for construction projects and coaching contracts.

	<b>Total Contract</b>	<b>Accumulated Costs</b>	<b>Remaining</b>
Construction Contracts	\$ 53,999,984	\$ 48,391,483	\$ 5,608,501
Coaching Contracts	5,685,500	1,356,750	4,328,750
	<u>\$ 59,685,484</u>	<u>\$ 49,748,233</u>	<u>\$ 9,937,251</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. Obligations under Capital Leases activity for the year ended June 30, 2021 is as follows:

	Interest Rate	Maturity	2020	Additions	Reductions	2021	Current
<b>Foundation</b>							
WRREC	4.75%	2024	\$ 2,524,910	\$ -	\$ (2,524,910)	\$ -	\$ -
President's House	4.00%	2047	944,987	-	(19,852)	925,136	20,660
Binnewies Land	9.445%	2030	684,054	-	(47,138)	636,916	51,696
New Holland							
Round Baler	0.00%	2023	22,770	-	(7,590)	15,180	7,590
<b>Total Foundation</b>			<u>\$ 4,176,721</u>	<u>\$ -</u>	<u>\$ (2,599,490)</u>	<u>\$ 1,577,232</u>	<u>\$ 79,946</u>
<b>SDBA</b>							
Stadium	4.00% - 5.00%	2039	\$ 30,365,000	\$ -	\$ (995,000)	\$ 29,370,000	\$ 1,045,000
Raven Precision							
Ag Center	4.00%	2040	16,330,000	-	(530,000)	15,800,000	550,000
Cow/Calf Unit	4.630% - 5.00%	2038	1,577,632	-	(56,230)	1,521,402	58,970
<b>Total SDBA</b>			<u>\$ 48,272,632</u>	<u>\$ -</u>	<u>\$ (1,581,230)</u>	<u>\$ 46,691,402</u>	<u>\$ 1,653,970</u>
<b>Total Capital Leases</b>			<u>\$ 52,449,354</u>	<u>\$ -</u>	<u>\$ (4,180,720)</u>	<u>\$ 48,268,634</u>	<u>\$ 1,733,917</u>

**SOUTH DAKOTA STATE UNIVERSITY**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2021 AND 2020**

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

The West River Agriculture Center was financed by the Foundation through a capital lease (identified on the previous page) and an interest only loan (recorded as Other Accrued Liabilities in the Statement of Net Position).

Obligations under Capital Leases 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	\$ -	\$ (84,105)	\$ 2,524,910	\$ 88,587
President's House	4.00%	2047	964,062	-	(19,075)	944,987	19,852
Binnewies Land New Holland	9.445%	2030	727,037	-	(42,983)	684,054	47,138
Round Baler	0.00%	2023	30,360	-	(7,590)	22,770	7,590
<b>Total Foundation</b>			\$ 4,330,473	\$ -	\$ (153,752)	\$ 4,176,721	\$ 163,167
<b>SDBA</b>							
Stadium	4.00% - 5.00%	2039	\$ 31,310,000	\$ -	\$ (945,000)	\$ 30,365,000	\$ 995,000
Raven Precision Ag Center	4.00%	2040	16,840,000	-	(510,000)	16,330,000	530,000
Cow/Calf Unit	4.630% - 5.00%	2038	1,631,111	-	(53,479)	1,577,632	56,230
<b>Total SDBA</b>			\$ 49,781,111	\$ -	\$ (1,508,479)	\$ 48,272,632	\$ 1,581,230
<b>Total Capital Leases</b>			\$ 54,111,585	\$ -	\$ (1,662,231)	\$ 52,449,354	\$ 1,744,397

The following is a schedule of future minimum lease payments as of June 30, 2021:

Fiscal Year	Principal	Interest	Total
2022	\$ 1,733,917	\$ 2,418,914	\$ 4,152,830
2023	1,817,723	2,335,875	4,153,598
2024	1,894,682	2,248,671	4,143,353
2025	1,994,784	2,151,242	4,146,026
2026	2,100,728	2,048,536	4,149,264
2027-2031	12,051,446	8,508,782	20,560,228
2032-2036	14,956,268	5,212,228	20,168,497
2037-2041	11,413,936	1,271,346	12,685,281
2042-2046	249,084	37,365	286,449
2047-2051	56,068	1,222	57,290
	\$ 48,268,634	\$ 26,234,182	\$ 74,502,816

**SOUTH DAKOTA STATE UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
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**VIII. OBLIGATIONS UNDER CAPITAL LEASES AND OTHER ACCRUED  
LIABILITIES (CONCLUDED)**

Assets financed in full or in part through capital leases have the following cost and accumulated depreciation as of June 30, 2021:

2021	Cost	Accum Depr	Net Book Value
West River Research & Ext. Center	\$ 3,065,195	\$ (183,912)	\$ 2,881,283
President's House	3,451,250	(276,100)	3,175,150
Binnewies Land	2,000,000	-	2,000,000
New Holland Round Baler	53,195	(22,165)	31,031
Stadium	61,471,261	(6,171,537)	55,299,725
Raven Precision Agriculture Center (CIP)	41,704,595	-	41,704,595
Cow/Calf Unit	2,390,890	(239,089)	2,151,801
Lincoln Music Hall Renovation	2,788,329	-	2,788,329
	<b>\$ 116,924,716</b>	<b>\$ (6,892,802)</b>	<b>\$ 110,031,914</b>

Assets financed in full or in part through capital leases have the following cost and accumulated depreciation as of June 30, 2020:

2020	Cost	Accum Depr	Net Book Value
West River Research & Ext. Center	\$ 3,065,195	\$ (122,608)	\$ 2,942,587
President's House	3,451,250	(207,075)	3,244,175
Binnewies Land	2,000,000	-	2,000,000
New Holland Round Baler	53,195	(17,329)	35,867
Stadium	61,471,261	(4,934,788)	56,536,473
Raven Precision Agriculture Center (CIP)	23,682,859	-	23,682,859
Cow/Calf Unit	2,390,890	(191,271)	2,199,619
	<b>\$ 96,114,650</b>	<b>\$ (5,473,071)</b>	<b>\$ 90,641,579</b>

**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, 2021 and 2020 were as follows:

	2021	2020
Rental Space	\$ 687,599	\$ 776,178
Land Leases	352,258	384,540
Airplane Rental	253,023	191,435
Equipment	-	2,000
<b>Total Rent Expense</b>	<b>\$ 1,292,880</b>	<b>\$ 1,354,153</b>

**SOUTH DAKOTA STATE UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
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**IX. OPERATING LEASES (CONTINUED)**

Future operating lease commitments as of June 30, 2021, for the next five years, and in subsequent five-year periods are as follows:

Fiscal Year	Land Leases	Rental Space	Total
2022	\$ 281,075	\$ 425,547	\$ 706,622
2023	275,300	268,803	544,103
2024	275,300	118,879	394,179
2025	79,672	81,219	160,891
2026	67,304	21,630	88,934
2027-2031	61,332	8,833	70,164
2032-2036	44,497	8,833	53,329
2037-2041	44,497	8,833	53,329
2042-2046	40,899	-	40,899
	<b>\$ 1,169,874</b>	<b>\$ 942,576</b>	<b>\$ 2,112,450</b>

**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 2021 and 2020 were \$19,201,060.88 and \$16,200,681.19, respectively.

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

	<b>2021</b>	<b>2020</b>
Revenue Bonds Payable	\$ 98,370,000	\$ 110,570,000
Premium	12,063,272	8,778,355
Original Issue Discount	(75,232)	(79,042)
Current	\$ 7,516,582	\$ 7,302,906
Long Term	102,841,459	111,966,407
	<b>110,358,040</b>	<b>119,269,313</b>

**SOUTH DAKOTA STATE UNIVERSITY  
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**X. REVENUE BONDS PAYABLE (CONTINUED)**

The following is a schedule of Revenue Bonds Payable as of June 30, 2021 and 2020:

	<b>2021</b>	<b>2020</b>
Housing & Auxiliary Facilities Revenue Bonds-Series 2006 Wellness Center, Food Service and Residence Hall Improvements Interest at 3.92% Annually to 2026	\$ 2,610,000	\$ 3,075,000
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- <b>Refinanced to Series 2021</b>	-	45,910,000
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	9,800,000	11,960,000
Housing & Auxiliary Facilities Revenue Bonds-Series 2015 Residence Hall Renovation/Refinance Interest at 3.00% - 5.00% Annually to 2030	1,335,000	1,450,000
Housing & Auxiliary Facilities Revenue Bonds-Series 2016 Wellness Center Expansion/Parking Facility Improvements Interest at 2.00% - 5.00% Annually to 2041	11,500,000	11,850,000
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	34,840,000	36,325,000
Housing & Auxiliary Facilities Revenue Bonds-Series 2021 New Residence Halls, Union Expansion/Dining Family Student Housing and Parking Expansion Interest at 3.00% - 4.00% Annually to 2036	38,285,000	-
<b>Total Revenue Bonds Payable</b>	<b>\$ 98,370,000</b>	<b>\$ 110,570,000</b>



**SOUTH DAKOTA STATE UNIVERSITY  
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**X. REVENUE BONDS PAYABLE (CONCLUDED)**

Annual requirements to amortize revenue bonds outstanding as of June 30, 2021 are as follows:

Fiscal Year	Principal	Interest	Total
2022	\$ 6,515,000	\$ 4,472,520	\$ 10,987,520
2023	7,080,000	3,900,000	10,980,000
2024	7,385,000	3,596,300	10,981,300
2025	7,700,000	3,275,066	10,975,066
2026-2030	26,340,000	12,377,798	38,717,798
2031-2035	28,895,000	6,151,000	35,046,000
2036-2040	11,530,000	1,701,000	13,231,000
2041-2043	2,925,000	159,600	3,084,600
	<b>\$ 98,370,000</b>	<b>\$ 35,633,284</b>	<b>\$ 134,003,284</b>

Deferred Outflows of Refunding are related to the following:

	2021	2020
Series 2014A (current refunding of Series 2004)	\$ 9,613	\$ 27,887
Series 2015 (current refunding of Series 2005A)	11,377	12,677
Series 2017 (current refunding of Series 2009)	1,469,470	1,584,722
	<b>\$ 1,490,459</b>	<b>\$ 1,625,286</b>

Gain on Refunding are related to the following:

	2021	2020
Series 2021 (current refunding of Series 2011)	\$ 744,171	\$ -
	<b>\$ 744,171</b>	<b>\$ -</b>

**SOUTH DAKOTA STATE UNIVERSITY  
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**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, 2021:

	2020	Additions	Reductions	2021	Current
Compensated Absences	\$ 16,764,279	\$ 6,367,675	\$ (5,898,968)	\$ 17,232,986	\$ 5,358,143
Federal Capital Contribution	\$ 10,498,839	\$ 102,107	\$ (1,078,684)	\$ 9,522,262	\$ -
	\$ 27,263,118	\$ 6,469,782	\$ (6,977,652)	\$ 26,755,248	\$ 5,358,143

Activity for the year ended June 30, 2020:

	2019	Additions	Reductions	2020	Current
Compensated Absences	\$ 16,103,208	\$ 6,019,099	\$ (5,358,028)	\$ 16,764,279	\$ 4,960,080
Federal Capital Contribution	\$ 12,279,329	\$ -	\$ (1,780,490)	\$ 10,498,839	\$ -
	\$ 28,382,537	\$ 6,019,099	\$ (7,138,518)	\$ 27,263,118	\$ 4,960,080

**XII. RELATED PARTIES**

The University, as a component unit of the State, received 24% of its revenues through General Fund Appropriations for both years ending June 30, 2021 and 2020.

The SDSU Foundation is a non-profit corporation founded in 1946 to receive and administer private gifts made in support of the University's programs. Consistent with GASB guidance, the Foundation is reported as a component unit of the University, with its separately audited financial statements and notes are presented subsequent to the University's information

**SOUTH DAKOTA STATE UNIVERSITY  
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**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, 2021 and 20.

	<b>2021</b>		<b>2020</b>	
State-Support Tuition	\$	43,349,820	\$	55,005,603
Self-Support Tuition	\$	29,683,154	\$	17,576,010
<b>Total Tuition</b>	<b>\$</b>	<b>73,032,974</b>	<b>\$</b>	<b>72,581,614</b>
Higher Education Facilities Fund (Non-Operating)	\$	399,070	\$	484,476
Higher Education Facilities Fund (Capital)	\$	4,639,102	\$	2,929,969
<b>Total Higher Education Facilities Fund Revenue</b>	<b>\$</b>	<b>5,038,172</b>	<b>\$</b>	<b>3,414,445</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 the amount of financial aid applied to student accounts.

**SOUTH DAKOTA STATE UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**XVI. FUNCTIONAL EXPENSES**

	Personal Services	Travel	Contractual Services	Supplies & Materials	Grants & Subsidies	Other & Bad Debt	Depreciation & Amortization	Total
Instruction	\$ 63,270,547	\$ 196,017	\$ 3,119,455	\$ 2,897,121	\$ 482,750	\$ 36	\$ 613,920	\$ 70,579,845
Research	26,332,743	541,445	4,665,970	5,550,210	2,038,645	56	2,123,685	41,252,753
Public Service	18,393,538	330,763	3,532,861	3,322,891	448,933	171	167,200	26,196,357
Academic Support	12,993,850	9,640	4,279,846	2,274,331	13,803	0	585,336	20,156,805
Student Services	15,386,060	1,645,606	6,451,909	2,534,338	244,735	23	215,090	26,477,763
Institutional Support	12,694,680	17,982	2,883,627	860,720	855	562,575	161,524	17,181,964
Operations & Maintenance of Plant	11,399,868	103,569	6,641,175	1,594,184	2,801	54	21,684,748	41,426,399
Scholarships & Fellowships	339,987	-	4,736	2,359	11,533,884	-	-	11,880,967
Auxiliary Enterprises	5,571,177	19,198	13,085,460	4,608,789	6,708	78	49,679	23,341,090
<b>Year Ending June 30, 2021</b>	<b>\$ 166,382,451</b>	<b>\$ 2,864,219</b>	<b>\$ 44,665,038</b>	<b>\$ 23,644,943</b>	<b>\$ 14,773,115</b>	<b>\$ 562,993</b>	<b>\$ 25,601,184</b>	<b>\$ 278,493,943</b>

	Personal Services	Travel	Contractual Services	Supplies & Materials	Grants & Subsidies	Other & Bad Debt	Depreciation & Amortization	Total
Instruction	\$ 65,828,251	\$ 732,018	\$ 4,301,580	\$ 2,689,975	\$ 630,933	\$ 371	\$ 631,869	\$ 74,814,998
Research	28,587,099	1,333,454	5,453,942	7,560,630	5,537,326	265	2,324,239	50,796,955
Public Service	18,300,246	858,738	3,462,891	3,574,178	886,063	64	153,341	27,235,520
Academic Support	13,953,656	138,854	3,411,135	1,003,394	14,845	-	613,432	19,135,316
Student Services	15,180,095	2,349,152	4,568,712	2,124,498	3,186,258	619	216,786	27,626,120
Institutional Support	13,321,463	75,964	2,433,603	156,436	382	509,472	217,847	16,715,168
Operations & Maintenance of Plant	12,141,116	129,389	4,015,940	1,252,599	693	55	21,181,393	38,721,186
Scholarships & Fellowships	221,248	4,819	6,588	2,504	7,190,615	-	-	7,425,773
Auxiliary Enterprises	5,875,905	13,517	13,452,614	5,244,877	2,344	203	47,455	24,636,915
<b>Year Ending June 30, 2020</b>	<b>\$ 173,409,079</b>	<b>\$ 5,635,905</b>	<b>\$ 41,107,003</b>	<b>\$ 23,609,091</b>	<b>\$ 17,449,459</b>	<b>\$ 511,048</b>	<b>\$ 25,386,364</b>	<b>\$ 287,107,950</b>

Other & Bad Debt include the following:

	2021	2020
<b>Other &amp; Bad Debt</b>		
Interest	\$ 517.67	\$ 1,575.94
Loan Cancellations	251,533.37	248,709.46
Bad Debts	222,600.00	167,800.00
Other Operating	88,341.98	92,962.93
<b>Total Other &amp; Bad Debt</b>	<b>\$ 562,993.02</b>	<b>\$ 511,048.33</b>

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## **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 \$198,366 and \$161,208 during the years ended December 31, 2020 and 2019, 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, 2020 and 2019 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, 2020 and 2019, 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 \$4,804,463 and \$3,852,987 at December 31, 2020 and 2019 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, 2020 and 2019.

#### **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, 2020 and 2019, 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 \$972,028 and \$999,562 at December 31, 2020 and 2019.

#### **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 0.40% to 8.20%, totals \$1,608,234 and \$1,797,730 at December 31, 2020 and 2019, 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 \$8,200,612 and \$8,330,542 at December 31, 2020 and 2019, respectively. The estimated present value of future investment income distributions to beneficiaries, discounted at rates ranging from 6.50% to 7.60% is \$4,147,763 and \$4,326,537 at December 31, 2020 and 2019, 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 0.40% to 6.00%, totals \$1,264,897 and \$1,264,800 at December 31, 2020 and 2019, 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.

### Note 2 - Change in Accounting Principle

As of January 1, 2020, the Foundation has adopted Accounting Standards Update (ASU) No. 2018-13 – *Fair Value Measurement (Topic 820) Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement* as required. The ASU changes certain disclosure requirements related to the fair value measurements of assets. Management adopted this ASU to simplify fair value disclosures.

### 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:

	2020	2019
Receivables		
Promises to give, net of allowance	\$ 2,233	\$ 3,040
Notes, contract, and other receivables	44,562	49,848
Anticipated endowment fees	2,959,731	2,609,219
	\$ 3,006,526	\$ 2,662,107

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, 2020 and 2019. 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 \$599,347 and \$315,409 as of December 31, 2020 and 2019, 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, 2020 and 2019. 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, 2020 and 2019

The following table presents assets and liabilities measured at fair value on a recurring basis, at December 31, 2020:

	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
Assets				
Investments				
Equity securities				
Domestic	\$ 37,964,745	\$ -	\$ -	\$ 37,964,745
International	44,616,654	-	-	44,616,654
Global	181,237	-	-	181,237
Total equity securities	<u>82,762,636</u>	<u>-</u>	<u>-</u>	<u>82,762,636</u>
Bonds				
Short-term	59,314,886	-	-	59,314,886
Intermediate-term	28,492,092	3,065,238	-	31,557,330
Total bonds	<u>87,806,978</u>	<u>3,065,238</u>	<u>-</u>	<u>90,872,216</u>
Hedge, at NAV	-	-	-	1,271,393
Private equity funds, at NAV	-	-	-	16,119,576
Preferred stock in non- public companies	-	-	1,374,669	1,374,669
Certificates of deposit and cash equivalents at cost plus accrued interest	-	-	-	11,822,366
Property held in trust, at cost	-	-	-	1,403,650
Total investments	<u>\$ 170,569,614</u>	<u>\$ 3,065,238</u>	<u>\$ 1,374,669</u>	<u>\$ 205,626,506</u>
Trusts held by others	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,370,850</u>	<u>\$ 10,370,850</u>
Beneficial interest in perpetual trust	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,156,914</u>	<u>\$ 1,156,914</u>
Liabilities				
Investments held for others	<u>\$ -</u>	<u>\$ 291,006</u>	<u>\$ -</u>	<u>\$ 291,006</u>

South Dakota State University Foundation  
Notes to Consolidated Financial Statements  
December 31, 2020 and 2019

The following table presents assets and liabilities measured at fair value on a recurring basis, at December 31, 2019:

	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
Assets				
Investments				
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>
Liabilities				
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, 2020 and 2019

Following is a reconciliation for Level 3 assets measured on a recurring basis for the years ended December 31, 2020 and 2019:

	Trusts Held by Others	Beneficial Interest in Perpetual Trust	Preferred Stock in Non-Public Companies
Balance, December 31, 2018	\$ 4,806,419	\$ 934,045	\$ 1,375,942
Total gains or losses			
Included in change in net assets, net of fees	(218,140)	151,264	(1,031)
Additions	3,787,036	-	-
Withdrawals and payments	(3,853,260)	-	-
Balance, December 31, 2019	4,522,055	1,085,309	1,374,911
Total gains or losses			
Included in change in net assets, net of fees	242,239	71,605	(242)
Additions	6,752,916	-	-
Withdrawals and payments	(1,146,360)	-	-
Balance, December 31, 2020	<u>\$ 10,370,850</u>	<u>\$ 1,156,914</u>	<u>\$ 1,374,669</u>

Additional information on investments in certain entities that calculate NAV per share at December 31, 2020 and 2019 is as follows:

	2020			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge	\$ 1,271,393	\$ -	Monthly - Illiquid (1) Illiquid	5 days - None (1) None
Private equity	16,119,576	7,463,667		
	<u>\$ 17,390,969</u>	<u>\$ 7,463,667</u>		
	2019			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge	\$ 6,883,417	\$ -	Monthly - Illiquid (1) Illiquid	5 days - None (1) None
Private equity	14,785,887	8,854,332		
	<u>\$ 21,669,304</u>	<u>\$ 8,854,332</u>		

(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:

	2020	2019
Receivable in less than one year	\$ 7,511,044	\$ 12,143,844
Receivable in one to five years	9,482,846	10,172,749
Receivable in more than five years	889,508	2,596,270
	<u>17,883,398</u>	<u>24,912,863</u>
Discount to present value (.80% to 2.38%)	(465,532)	(682,936)
	<u>17,417,866</u>	<u>24,229,927</u>
Allowance for uncollectible promises to give	(870,893)	(1,211,496)
	<u>(870,893)</u>	<u>(1,211,496)</u>
Net promises to give	<u>\$ 16,546,973</u>	<u>\$ 23,018,431</u>

Conditional promises to give as of December 31, 2020 and 2019 of approximately \$21,760,351 and \$25,262,950, 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, 2020 and 2019, promises to give from Board members accounted for approximately 4% and 7%, respectively, of total promises to give, and contributions from Board members accounted for approximately 2% and 6%, respectively, of total contributions.

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

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

	2020	2019
Notes receivable	\$ 2,400,000	\$ 2,400,000
Estates receivable	373,569	2,150,141
Contract for deed	-	416,581
Financing leases -SDSU	4,714,308	4,858,069
Other receivables	43,800	142,166
	\$ 7,531,677	\$ 9,966,957

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 4% per year on the unpaid principal balance, requires four annual principal and interest payments and is unsecured. The final payment of the outstanding principal is due June 2025.

Estates receivable are comprised of 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 2021.

The contract for deed was collected in full during 2020. 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, 2020 and 2019 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.

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, 2020 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.

## South Dakota State University Foundation

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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:

	2020	2019
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	\$ 2,223,630	\$ 2,309,400
Building note payable, 3.75% interest, payable in monthly installments of principal and interest totaling \$17,355, secured by underlying office building, balloon payment due September 2023	2,464,545	2,568,162
Land note payable, 2.67% interest, payable in annual installments of principal and interest totaling \$120,000, unsecured, paid in full during 2020	-	418,325
	\$ 4,688,175	\$ 5,295,887

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 4.00% and 4.50% at December 31, 2020 and 2019, respectively. The agreement matures September 2021 and is subject to certain non-financial covenants. There were no outstanding advances at December 31, 2020 and 2019.

### Scheduled Maturities

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

Years Ending December 31,	
2021	\$ 206,912
2022	215,821
2023	2,325,991
2024	103,840
2025	109,158
Thereafter	1,726,453
	\$ 4,688,175

**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>2020</u>	<u>2019</u>
Series 2007 Tax-Exempt	Varies with Prime	Paid in full	\$ -	\$ 138,462
Series 2017 Tax-Exempt	3.83%	December 1, 2025	6,224,378	7,469,254
Series 2017 Tax-Exempt	3.83%	December 22, 2025	6,336,281	7,603,537
			<u>\$ 12,560,659</u>	<u>\$ 15,211,253</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.

**Scheduled Maturities**

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

<u>Years Ending December 31,</u>	
2021	\$ 2,512,132
2022	2,512,132
2023	2,512,132
2024	2,512,132
2025	2,512,131
	<u>\$ 12,560,659</u>

**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 \$18,980,000 and \$17,426,000 as of December 31, 2020 and 2019, respectively. The cumulative deficiency is reported in net assets without donor restrictions, which total (\$11,915,870) and (\$11,609,263) as of December 31, 2020 and 2019, 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, 2020, the Foundation has received \$10,960,000 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 \$599,347 and \$315,409 as of December 31, 2020 and 2019.

South Dakota State University Foundation

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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

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

	2020	2019
Scholarships	\$ 17,018,420	\$ 9,566,698
SDSU operational and program support	34,847,854	11,258,502
SDSU capital projects	32,309,727	40,212,184
	\$ 84,176,001	\$ 61,037,384

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

	2020	2019
Scholarships	\$ 116,974,811	\$ 104,119,092
SDSU operational and program support	70,622,216	67,854,043
	\$ 187,597,027	\$ 171,973,135

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, 2020 and 2019:

	2020	2019
Satisfaction of purpose restrictions		
Current year expenditures		
Scholarships	\$ 7,886,956	\$ 5,873,675
SDSU operational and program support	3,169,828	4,871,517
SDSU capital projects	11,410,341	7,126,191
Other program support	903,293	593,347
Foundation administrative fee retained	4,442,804	3,796,002
Previously incurred expenditures		
Scholarships	604,980	482,599
SDSU operational and program support	11,909	6,044
SDSU capital projects	1,535,956	2,429,849
Other transfers	469,872	777,312
	\$ 30,435,939	\$ 25,956,536

**Note 11 - Endowments**

The Foundation's endowment consists of approximately 1,900 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, 2020, endowment net asset composition by type of fund is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 599,347	\$ -	\$ 599,347
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	175,938,127	175,938,127
Net accumulated investment income and other spendable amounts	-	27,175,597	27,175,597
	<u>\$ 599,347</u>	<u>\$ 203,113,724</u>	<u>\$ 203,713,071</u>

## South Dakota State University Foundation

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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 losses and other spendable amounts	-	10,216,268	10,216,268
	\$ 315,409	\$ 171,257,484	\$ 171,572,893

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, 2020, funds with deficiencies had perpetually restricted gift values of \$40,472,499, fair values of \$36,799,360, and deficiencies of \$3,673,139 and were reported in net assets with donor restrictions. 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.

Changes in Endowment net assets for the year ended December 31, 2020 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at beginning of year, January 1	\$ 315,409	\$ 171,257,484	\$ 171,572,893
Endowment net assets transferred from designation change during the year	-	(1,748)	(1,748)
Investment return			
Investment income	6,757	3,227,085	3,233,842
Net appreciation	54,449	18,571,849	18,626,298
Total investment return	61,206	21,798,934	21,860,140
Contributions including split interests	250,000	19,682,134	19,932,134
Appropriation of endowment assets for expenditure and transfers	(27,268)	(9,623,080)	(9,650,348)
Endowment net assets at end of year, December 31	\$ 599,347	\$ 203,113,724	\$ 203,713,071



## South Dakota State University Foundation

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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 (depreciation) 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

### 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, 2020 and 2019 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, 2020 and 2019. 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 \$195,750 and \$174,776 to the plan for the years ended December 31, 2020 and 2019, respectively.

South Dakota State University Foundation

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

**Note 13 - Functional Allocation of Expenses**

The following tables present the natural classification detail of expenses by function for the years ending December 31, 2020 and 2019:

	2020			
	Program Services	Administrative and General	Fundraising Expenses	Total
SDSU scholarships	\$ 7,911,488	\$ -	\$ -	\$ 7,911,488
SDSU operational and program support	3,183,983	-	-	3,183,983
SDSU capital projects	15,072,764	-	-	15,072,764
Grants to others	534,316	-	-	534,316
Salaries	-	1,670,304	1,732,082	3,402,386
Payroll taxes	-	105,700	124,865	230,565
Employee benefits	-	285,983	341,127	627,110
Alumni association expense	-	-	399,553	399,553
Contracted services	-	101,955	98,671	200,626
Depreciation	-	546,081	318,004	864,085
Insurance	-	32,165	7,755	39,920
Office supplies and postage	-	46,260	113,882	160,142
Professional fees	-	38,233	147,295	185,528
Promotion and development	-	146,910	126,303	273,213
Rent	-	60,312	-	60,312
Repairs and maintenance	-	90,084	-	90,084
SDSU program - outside vendor	-	-	-	-
Taxes and interest	-	221,655	-	221,655
Technology	-	254,350	84,021	338,371
Telephone	-	47,950	18,636	66,586
Travel and entertainment	-	14,633	155,175	169,808
Utilities	-	38,233	38,233	76,465
Miscellaneous	-	11,093	-	11,093
	\$ 26,702,551	\$ 3,711,901	\$ 3,705,602	\$ 34,120,053

## South Dakota State University Foundation

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	2019			
	Program Services	Administrative and General	Fundraising Expenses	Total
SDSU scholarships	\$ 5,909,033	\$ -	\$ -	\$ 5,909,033
SDSU operational and program support	4,886,148	-	-	4,886,148
SDSU capital projects	9,748,598	-	-	9,748,598
Grants to others	151,279	-	-	151,279
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
	\$ 20,695,058	\$ 3,716,593	\$ 3,588,636	\$ 28,000,287

### 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, 2020, these contracts require the Foundation to contribute total capital of approximately \$26,000,000, plus certain allowable expenses. As of December 31, 2020, the Foundation has contributed approximately \$18,689,000. Additional contributions related to this commitment of approximately \$7,311,000 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, 2020, the Foundation has committed to provide approximately \$28,470,000 for eleven SDSU building projects, either yet to be started or already in progress. Through December 31, 2020, the Foundation has paid costs of approximately \$16,959,000 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 2021 to 2024.

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

<u>Years Ending December 31,</u>	
2021	\$ 128,000
2022	114,000
2023	103,000
2024	<u>32,000</u>
	<u>\$ 377,000</u>

Lease expense for the years ended December 31, 2020 and 2019 totaled approximately \$133,000 and \$93,000, 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 - Paycheck Protection Program (PPP) Loan**

The Foundation was granted a \$641,392 loan under the PPP administered by a Small Business Administration (SBA) approved partner. The loan was uncollateralized and was fully guaranteed by the Federal government. The Foundation initially recorded a note payable and subsequently recorded forgiveness when the loan obligation was legally released by the SBA. The Foundation recognized \$641,392 of loan forgiveness income for the year ended December 31, 2020.

**Note 16 - Subsequent Events**

Subsequent to year end, MightyFly sold its last remaining airplane to Medary Aviation. On March 1, 2021, Articles of Dissolution were filed with the South Dakota Secretary of State's Office to dissolve MightyFly SD, Inc.

Additionally, subsequent to year end, Medary Aviation entered in to a \$1,500,000 contractual commitment for the construction of a new airplane hangar.

Subsequent events have been evaluated through July 8, 2021, the date the consolidated financial statements were available to be issued.

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