



**FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2023**

**BLACK HILLS STATE UNIVERSITY  
FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2023**

**TABLE OF CONTENTS**

Management's Discussion and Analysis	1
Financial Statements:	
Statement of Net Position	10
Foundation Statement of Financial Position	12
Statement of Revenues, Expenses, and Changes in Net Position	13
Foundation Statement of Activities	15
Foundation Statement of Functional Expenses	16
Statement of Cash Flows	18
Foundation Statement of Cash Flows	20
Notes to the Financial Statements	22
Foundation Notes to the Financial Statements	35

**BLACK HILLS STATE UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2023**

**Reporting Entity**

This discussion and analysis provides an overview of the financial position and performance of Black Hills State University (the University/BHSU) for the fiscal year ended June 30, 2023. This discussion has been prepared by management and should be read in conjunction with the accompanying financial statements and notes. The accuracy of the financial statements, note disclosures, and discussion are the responsibility of University management.

The University is one of six public universities and two special schools under the control of the South Dakota Board of Regents. As a constitutionally established entity, the Board of Regents is responsible for the governance policy for each institution within the South Dakota Public System (the System).

Based on the Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations are Component Units*, it has been determined the Board of Regents is a component unit of the State of South Dakota (the State). The University's financial operations are audited as part of the State through the Board of Regents; therefore, an individual audit opinion is not issued but is included in the audit opinion of the State's Annual Comprehensive Financial Report (ACFR).

The University is a comprehensive, regional university located in Spearfish, SD, in the heart of the scenic northern Black Hills. The location provides the ideal environment for combining outdoor recreational and collegiate educational opportunities in a small-town setting. BHSU offers academic programs at the associate's, bachelor's and master's degree levels.

The Black Hills State University Foundation (the Foundation) is a component unit of the University. The University does not control the timing or amounts of receipts from the Foundation. However, most resources or income the Foundation holds and invests are restricted by the donors for the University's activities. Independent auditors, engaged by the Foundation's Board of Directors, audit the Foundation's financial statements and related notes, which are included in this report.

**Mission Statement**

Black Hills State University is a regional, comprehensive, public institution that provides access to a higher education for aspiring students. BHSU offers a generous number of baccalaureate and select master's degrees, generates new knowledge, promotes excellence in teaching and public engagement, and serves as a regional economic leader. Graduates make significant contributions to the workforce and the betterment of their community.

The Board of Regents implemented SDCL 13-59-1 by authorizing undergraduate and graduate programs in the liberal arts and sciences and in professional education, to promote excellence in teaching and learning, to support research, scholarly and creative activities, and to provide service to the State of South Dakota and the region.

**Vision Statement**

Black Hills State University will innovate to provide cutting-edge education, promote student success, be a sustainable campus, and serve as an economic engine for western South Dakota.

**Values**

The values identified by Black Hills State University create a culture that guide our actions and decision making. Values become intrinsic guidelines for making strategic choices that shape longer-term outcomes. Over time, living one's values will typically signal what can be expected from our institution. Our values include collaboration, integrity, excellence, adaptable, and student-centered.

**BLACK HILLS STATE UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2023**

**Strategic Goals**

Goal 1 – Nurturing Student Experience

Enhance the student experience through innovative engagement, holistic support, and a vibrant student-centered spirit.

- Living and learning communities are expanded in our residence halls.
- Revitalized the Student Union with new furniture, carpet, paint, and access.
- Hired Counseling Center Director.

Goal 2 – Evaluating & Developing Academic Programs

Prepare students for lifelong success through academic experiences that provide the knowledge and skills to make a difference in their communities and add value to the world.

- Received reaffirmation of accreditation from the Higher Learning Commission with an exceptional report meeting all criteria.
- The Center for Faculty Innovation was established, providing additional teaching resources to faculty.
- Identified additional certificate programs to help the region.

Goal 3 – Building on a Supportive Work Environment

Promote a culture of excellence that will ensure pride in the institution and retain employees

- All position descriptions were updated and aligned with current job duties and salary ranges.
- The faculty/staff picnic was reinstated after the pandemic.
- A new employee awards program was established increasing the award amount and the recognition.

Goal 4 – Evaluating & Developing a Revised Brand Identity

Extend the reach and reputation of the University by employing effective marketing and communication strategies.

- A new website is being developed.
- Our first full marketing plan was developed.
- A new logo was adopted.

**Using the Annual Report**

The financial statements have been prepared in accordance with GASB No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* and GASB No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. Statements required include the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when an obligation has been incurred.

The University provided analysis of major variances that occurred between fiscal years 2023 and 2022, as well as information regarding capital assets, debt administration, and an economic outlook. The management's discussion and analysis focus on the University's operations, excluding the Foundation.

**BLACK HILLS STATE UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2023**

**Financial Highlights**

Statement of Net Position

The Statement of Net Position presents the University's financial position at the end of the fiscal year, including all assets and liabilities. Net position, the result of total assets minus total liabilities, is one indicator of the current financial condition of the system. Assets, deferred outflows, and liabilities are reported at cost or fair market value, less accumulated depreciation or amortization.

**Condensed Statements of Net Position**

<b>Assets</b>	<b>2023</b>	<b>2022</b>
Current Assets	\$ 18,900,461.58	\$ 18,834,244.58
Non-Current Assets	83,658,275.31	84,365,689.97
<b>Total Assets</b>	<b>\$ 102,558,736.89</b>	<b>\$ 103,199,934.55</b>
<b>Deferred Outflows of Resources</b>	<b>\$ 49,884.51</b>	<b>\$ 54,761.64</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 102,608,621.40</b>	<b>\$ 103,254,696.19</b>
<b>Liabilities</b>		
Current Liabilities	\$ 4,960,880.86	\$ 4,574,980.29
Non-Current Liabilities	14,873,435.53	16,227,538.07
<b>Total Liabilities</b>	<b>\$ 19,834,316.39</b>	<b>\$ 20,802,518.36</b>
<b>Net Position</b>		
Net Investment in Capital Assets	\$ 70,456,386.39	\$ 69,531,998.20
Restricted	1,923,193.66	1,923,193.66
Unrestricted	10,394,724.96	10,996,985.97
<b>Total Net Position</b>	<b>\$ 82,774,305.01</b>	<b>\$ 82,452,177.83</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 102,608,621.40</b>	<b>\$ 103,254,696.19</b>

**BLACK HILLS STATE UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2023**

**Financial Highlights (Continued)**

Statements of Net Position (Continued)

The University's largest asset is its net investment in Buildings & Building Improvements which represents approximately \$67 million of non-current assets.

**Construction in Progress**

	<b>2023</b>	<b>2022</b>
Apartments Upgrade	\$ 300,959.80	\$ 276,572.67
BHRC Parking Lot Lighting	-	65,611.06
EY Berry Renovations	-	6,869,980.14
BHSU Nursing Addition	220,146.22	
Sodexo Capital Improvements	609,224.35	
Hydronics Upgrade	220,646.44	
Campus Solar Lighting	121,141.82	
<b>Total Construction in Progress</b>	<b>\$ 1,472,118.63</b>	<b>\$ 7,212,163.87</b>

**Capital Assets, Net Accumulated Depreciation**

	<b>2023</b>	<b>2022</b>
Land	\$ 234,350.00	\$ 234,350.00
Building & Building Improvements, Net	67,443,400.21	61,488,998.31
Land Improvements, Net	2,342,622.59	2,704,088.52
Infrastructure, Net	9,899,827.19	10,337,932.71
Equipment & Other Property, Net	1,623,838.55	1,600,886.22
<b>Total Capital Assets, Net</b>	<b>\$ 81,544,038.54</b>	<b>\$ 76,366,255.76</b>

**BLACK HILLS STATE UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2023**

**Financial Highlights (Continued)**

Statements of Net Position (Continued)

Non-Current Liabilities decreased \$1.6 million in FY23. The decreases were related to payments on bonds and long-term leases.

**Non-Current Liabilities**

	<b>2023</b>	<b>2022</b>
2014B Revenue Bond	\$ 601,659.48	\$ 791,841.48
2014A Revenue Bond	6,305,410.17	6,879,468.90
2007 Revenue Bond	3,135,000.00	3,590,000.00
2006 Revenue Bond	265,000.00	345,000.00
Total Bonds Payable	10,307,069.65	11,606,310.38
Lease Obligations	2,302,585.64	2,508,885.05
Total Long-Term Debt	12,609,655.29	14,115,195.43
Compensated Absences Payable	2,715,581.16	2,664,260.99
Federal Capital Contribution Refundable Advance	1,717,559.00	1,861,802.00
<b>Total Non-Current Liabilities</b>	<b>\$ 17,042,795.45</b>	<b>\$ 18,641,258.42</b>
<b>Due Within One Year</b>	<b>\$ 2,169,359.92</b>	<b>\$ 2,413,720.35</b>

Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position presents the results of the University's operations. Revenues and expenses are classified as either operating or non-operating, with state appropriations classified as non-operating revenues. The financial statements for 2022 and 2021 also include over \$4.4 million in depreciation expense, which is the amortization of the cost of capital assets over their estimated useful life.

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

	<b>2023</b>	<b>2022</b>
Total Operating Revenues	\$ 30,855,935.83	\$ 28,456,020.35
Total Operating Expenses	(49,195,099.11)	(48,728,056.45)
<b>Operating Loss</b>	<b>\$ (18,339,163.28)</b>	<b>\$ (20,272,036.10)</b>
Non-Operating Revenues and Expenses	\$ 15,489,637.71	\$ 18,278,065.42
Other Revenues	3,171,652.75	6,070,985.59
<b>Total Increase in Net Position</b>	<b>\$ 322,127.18</b>	<b>\$ 4,077,014.91</b>
Net Position - Beginning of the year	\$ 82,452,177.83	\$ 78,483,302.45
Prior Period Adjustments	-	(108,139.53)
<b>Net Position - End of the year</b>	<b>\$ 82,774,305.01</b>	<b>\$ 82,452,177.83</b>

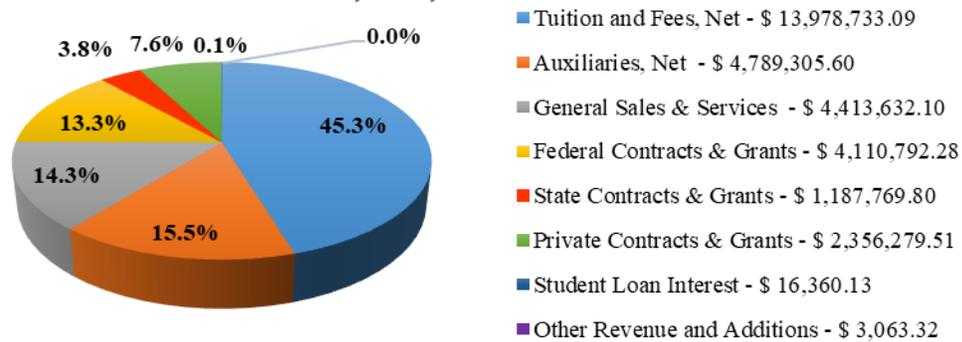
**BLACK HILLS STATE UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2023**

**Financial Highlights (Continued)**

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

Total Operating Revenues increased by \$2.4 million. The increase in revenues is attributed to an increase in auxiliary sales and in general sales and services. It should be noted that \$986 thousand dollars of Yellow Jacket Foundation scholarship support was reported as general sales and service in FY22 and in Private Grants and Contracts in FY23.

**FY23 Operating Revenues  
\$30,855,935.83**



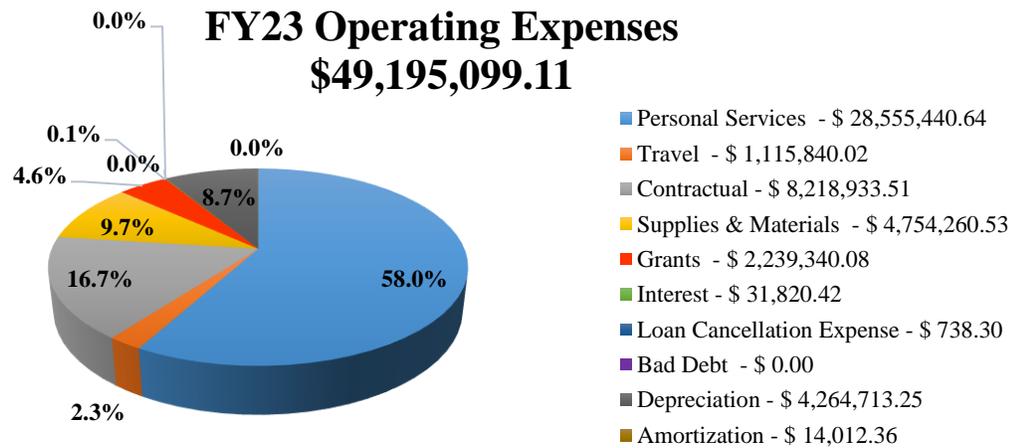
<b>Operating Revenues</b>	<b>2023</b>	<b>2022</b>	<b>Increase (Decrease)</b>
Tuition and Fees, Net	\$ 13,978,733.09	\$ 14,358,085.12	\$ (379,352.03)
Auxiliaries, Net	4,789,305.60	3,738,399.06	1,050,906.54
General Sales & Services	4,413,632.10	4,601,296.77	(187,664.67)
Federal Contracts & Grants	4,110,792.28	3,538,130.95	572,661.33
State Contracts & Grants	1,187,769.80	1,288,604.35	(100,834.55)
Private Contracts & Grants	2,356,279.51	898,221.47	1,458,058.04
Student Loan Interest	16,360.13	30,598.82	(14,238.69)
Other Revenue and Additions	3,063.32	2,683.81	379.51
<b>Total Operating Revenues</b>	<b>\$ 30,855,935.83</b>	<b>\$ 28,456,020.35</b>	<b>\$ 2,399,915.48</b>

**BLACK HILLS STATE UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2023**

**Financial Highlights (Continued)**

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

Total Operating Expenses increased approximately \$467,000 dollars. The main areas of change were an increase in Personal Services offset by a decrease in Grant expenses. The decrease in Grant expenses was primarily due to reduced Cares Act related activity.



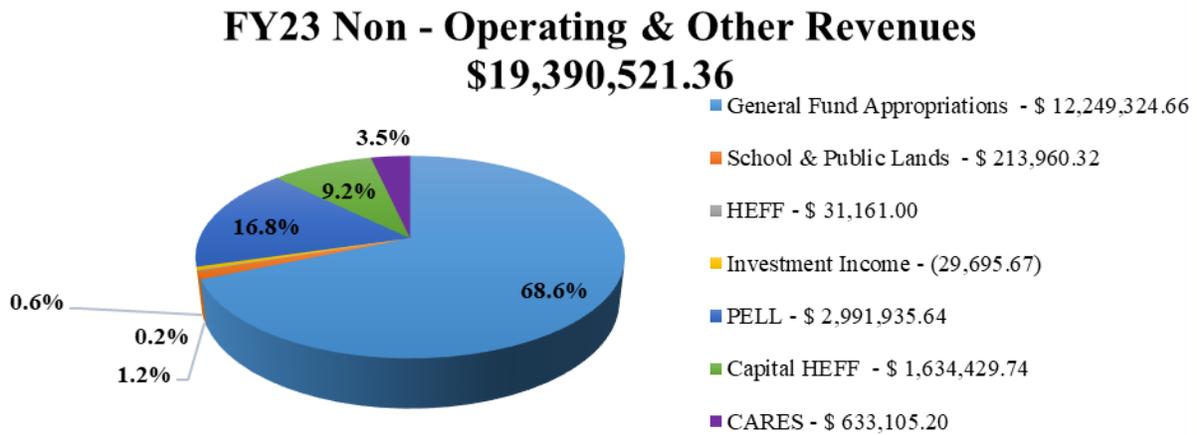
<b>Operating Expenses</b>	<b>2023</b>	<b>2022</b>	<b>Increase (Decrease)</b>
Personal Services	\$ 28,555,440.64	\$ 27,316,859.82	\$ 1,238,580.82
Travel	1,115,840.02	872,319.53	243,520.49
Contractual	8,218,933.51	7,935,788.45	283,145.06
Supplies & Materials	4,754,260.53	4,148,893.27	605,367.26
Grants	2,239,340.08	3,678,440.06	(1,439,099.98)
Interest	31,820.42	40,316.51	(8,496.09)
Loan Cancellation Expense	738.30	1,955.05	(1,216.75)
Bad Debt	-	241,957.41	(241,957.41)
Depreciation	4,264,713.25	4,476,240.13	(211,526.88)
Amortization	14,012.36	15,286.22	(1,273.86)
<b>Total Operating Expenses</b>	<b>\$ 49,195,099.11</b>	<b>\$ 48,728,056.45</b>	<b>\$ 467,042.66</b>

**BLACK HILLS STATE UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2023**

**Financial Highlights (Continued)**

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

Other Revenues decreased approximately \$5.7 million related to the funding for the Library renovation project and Cares Act activity.



<b>Non-Operating &amp; Other Revenues</b>	<b>2023</b>	<b>2022</b>	<b>Increase (Decrease)</b>
General Fund Appropriations	\$ 12,249,324.66	\$ 10,925,144.48	\$ 1,324,180.18
School & Public Lands	213,960.32	227,736.45	(13,776.13)
HEFF	31,161.00	31,161.00	-
Investment Income	99,381.79	(29,695.67)	129,077.46
PELL	2,991,935.64	3,228,303.37	(236,367.73)
Capital HEFF	1,634,429.74	2,946,957.88	(1,312,528.14)
CARES	633,105.20	4,678,681.80	(4,045,576.60)
Capital Contracts & Grants	1,537,223.01	3,124,027.71	(1,586,804.70)
<b>Total Non-Operating &amp; Other Revenues</b>	<b>\$ 19,390,521.36</b>	<b>\$ 25,132,317.02</b>	<b>\$ (5,741,795.66)</b>

**BLACK HILLS STATE UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONCLUDED)  
FOR THE YEAR ENDED JUNE 30, 2023**

**Financial Highlights (Concluded)**

Statements of Cash Flows

The Statements of Cash Flows presents information related to cash inflows and outflows. These transactions are classified as operating, non-operating, capital, and investing activities. These statements help measure the ability of the University to meet financial obligations as they mature.

**Condensed Statements of Cash Flows**

<b>Net Cash Provided/(Used) by</b>	<b>2023</b>	<b>2022</b>
Operating Activities	\$ (13,889,916.30)	\$ (16,475,191.68)
Non-Operating Activities	15,676,465.82	18,629,340.10
Capital Related Activities	(1,867,219.68)	(1,470,243.88)
Investing Activities	31,810.47	35,034.48
Net Decrease in Cash	(48,859.69)	718,939.02
Cash - Beginning of the year	14,359,721.64	13,640,782.62
Cash - End of the year	\$ 14,310,861.95	\$ 14,359,721.64

The University's cash decreased approximately \$48 thousand from 2022.

**Outlook for FY23 and Beyond**

Overall, the University budgets available resources according to the strategic plan in a manner that keeps the priority on the instructional programs to maintain and improve the high quality degrees offered and on stabilizing enrollment through recruiting and retention efforts. In response to declining enrollment, the university made strategic budget cuts in FY21 and FY22 to help position the University for FY23 and beyond with a balanced budget. Budgets are adjusted each year and mid-year, if necessary, to reflect the projected revenues and ensure available revenues are adequate to cover expenses. The strategic enrollment plan along with the Title III grant are in full implementation and are expected to help stabilize enrollment in the near future.

**Black Hills State University**  
**Statements of Net Position**  
**June 30, 2023 and 2022**

<b>Assets</b>	<b>2023</b>	<b>2022</b>
<b><u>Current Assets</u></b>		
Cash & Cash Equivalents on Deposit - State Treasurer	\$ 14,294,358.02	\$ 14,342,528.23
Cash	16,503.93	17,193.41
Accounts Receivable - Students	2,478,843.65	2,349,346.62
Allowance for Doubtful Accounts - Students	(514,595.77)	(514,595.77)
Accounts Receivable - Department Sales	8,351.68	34,678.77
Notes Receivable	139,289.48	147,439.12
Interest Receivable	78,101.36	10,530.04
Inventory	569,522.51	576,099.02
Due from Federal Sources	1,603,525.19	1,632,793.06
Due from Other Component Units	226,561.53	238,232.08
<b>Total Current Assets</b>	<b>\$ 18,900,461.58</b>	<b>\$ 18,834,244.58</b>
<b><u>Non-Current Assets</u></b>		
Restricted Cash & Cash Equivalents on Deposit - State Treasurer	\$ -	\$ -
Notes Receivable	642,118.14	773,257.98
Capital Assets:		
Land	234,350.00	234,350.00
Construction in Progress	1,472,118.63	7,212,163.87
Building & Building Improvements	117,579,838.59	108,664,164.67
Accumulated Depreciation - Building & Building Improvements	(50,136,438.38)	(47,175,166.36)
Land Improvements	7,779,276.08	7,779,276.08
Accumulated Depreciation - Land Improvements	(5,436,653.49)	(5,075,187.56)
Infrastructure	17,821,771.66	17,756,160.60
Accumulated Depreciation - Infrastructure	(7,921,944.47)	(7,418,227.89)
Equipment & Other Property	15,759,671.82	15,298,460.77
Accumulated Depreciation - Equipment & Other Property	(14,135,833.27)	(13,697,574.55)
Intangible Assets	-	29,298.58
Accumulated Depreciation - Intangible Assets	-	(15,286.22)
<b>Total Non-Current Assets</b>	<b>\$ 83,658,275.31</b>	<b>\$ 84,365,689.97</b>
<b><u>Deferred Outflows</u></b>		
Loss on Debt Refinancing	\$49,884.51	\$54,761.64
<b>Total Assets and Deferred Outflows</b>	<b>\$ 102,608,621.40</b>	<b>\$ 103,254,696.19</b>

**Black Hills State University**  
**Statements of Net Position**  
**June 30, 2023 and 2022**

<b>Liabilities</b>	<b>2023</b>	<b>2022</b>
<b><u>Current Liabilities</u></b>		
Accounts Payable	\$ 863,510.95	\$ 978,827.16
Accrued Wages & Benefits	695,292.35	632,682.60
Accrued Interest Payable	109,012.75	123,210.25
Student Deposits	198,899.29	176,453.00
Agency Funds - Funds Held For Others	-	-
Unearned Revenue	897,426.60	228,886.68
Due to Primary Government	27,379.00	21,200.25
Due to Other Component Units	-	-
Other Accrued Liabilities	-	-
Compensated Absences Payable - Current Portion	935,421.31	908,180.19
Bonds Payable, Net Premium - Current Portion	1,039,240.73	1,299,240.73
Obligations Under Capital Leases - Current Portion	194,697.88	189,116.20
Obligations Under Cap Leases Non Cap - Current	-	17,183.23
<b>Total Current Liabilities</b>	<b>\$ 4,960,880.86</b>	<b>\$ 4,574,980.29</b>
<b><u>Non-Current Liabilities</u></b>		
Compensated Absences Payable - Non-Current	\$ 1,780,159.85	\$ 1,756,080.80
Bonds Payable, Net Premium - Non-Current	9,267,828.92	10,307,069.65
Obligations Under Capital Leases - Non-Current	2,107,887.76	2,302,585.62
Federal Capital Contribution Refundable Advance	1,717,559.00	1,861,802.00
<b>Total Non-Current Liabilities</b>	<b>\$ 14,873,435.53</b>	<b>\$ 16,227,538.07</b>
<b>Total Liabilities</b>	<b>\$ 19,834,316.39</b>	<b>\$ 20,802,518.36</b>
<b><u>Net Position</u></b>		
Net Investment in Capital Assets	\$ 70,456,386.39	\$ 69,531,998.20
Restricted		
Expendable		
Debt Service	-	-
Other	1,923,193.66	1,923,193.66
Unrestricted	10,394,724.96	10,996,985.97
<b>Total Net Position</b>	<b>\$ 82,774,305.01</b>	<b>\$ 82,452,177.83</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 102,608,621.40</b>	<b>\$ 103,254,696.19</b>

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

**BLACK HILLS STATE UNIVERSITY FOUNDATION****STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2022 AND 2021**

<b>ASSETS</b>	<b>2022</b>	<b>2021</b>
Cash and Cash Equivalents	\$ 1,132,162	\$ 2,000,805
Investments	23,971,601	27,031,502
Unconditional Promises to Give, Net	2,424,885	789,793
Rental Real Estate, Net	1,742,236	1,523,981
Prepaid Expenses	12,226	12,226
Property and Equipment, Net	1,480,899	1,524,746
Cash Surrender Value of Life Insurance	1,938,174	1,837,426
Collections	226,317	226,317
Other Receivables	4,169	11,809
<b>TOTAL ASSETS</b>	<b>\$ 32,932,669</b>	<b>\$ 34,958,605</b>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts Payable	\$ 48,543	\$ 37,247
Assets Held for Others	3,784,048	4,146,993
Unearned Rent Revenue	23,980	21,000
Liability under Charitable Gift Annuity	94,455	95,315
Long-Term Debt	547,076	562,080
<b>Total Liabilities</b>	<b>4,498,102</b>	<b>4,862,635</b>
<b>Net Assets</b>		
Without Donor Restrictions	933,879	1,088,608
Without Donor Restrictions, Net Investment in Property	2,676,059	2,486,647
<b>Total Net Assets Without Donor Restrictions</b>	<b>3,609,938</b>	<b>3,575,255</b>
With Donor Restrictions - Purpose	6,888,233	9,480,793
With Donor Restrictions - Perpetual	17,936,396	17,039,922
<b>Total Net Assets With Donor Restrictions</b>	<b>24,824,629</b>	<b>26,520,715</b>
<b>Total Net Assets</b>	<b>28,434,567</b>	<b>30,095,970</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 32,932,669</b>	<b>\$ 34,958,605</b>

The accompanying notes are an integral part of these statements.

**Black Hills State University**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**For the Years Ending June 30, 2023 and 2022**

<b>Operating Revenues</b>	<b>2023</b>	<b>2022</b>
<b><u>Tuition</u></b>		
State support	\$ 8,489,005.25	\$ 7,072,000.65
Self support	7,735,762.63	10,327,979.55
<b>Total Tuition</b>	<b>\$ 16,224,767.88</b>	<b>\$ 17,399,980.20</b>
<b><u>Fees</u></b>		
University Support Fee	\$ 82,179.40	\$ -
General Activity Fee	1,170,069.46	1,171,408.83
Special Discipline Fees	504,665.33	404,130.04
Lab Fees	4,046.86	-
Vehicle Registration	99,645.81	114,719.65
Delivery Fees	155,257.67	2,325.61
Other Fees	83,503.40	44,658.14
Charges	96,054.34	78,344.87
<b>Total Fees</b>	<b>\$ 2,195,422.27</b>	<b>\$ 1,815,587.14</b>
Total Tuition and Fees	\$ 18,420,190.15	\$ 19,215,567.34
Student Financial Assistance	(4,441,457.06)	(4,857,482.22)
<b>Total Tuition and Fees, Net of Student Financial Assistance</b>	<b>\$ 13,978,733.09</b>	<b>\$ 14,358,085.12</b>
Auxiliaries	\$ 6,159,065.57	\$ 5,236,462.54
Scholarship Allowance	(1,369,759.97)	(1,498,063.48)
Auxiliaries, Net Scholarship Allowance	4,789,305.60	3,738,399.06
General Sales & Services	4,413,632.10	4,601,296.77
Contracts & Grants		
Federal	4,110,792.28	3,538,130.95
State	1,187,769.80	1,288,604.35
Private	2,356,279.51	898,221.47
Student Loan Interest	16,360.13	30,598.82
Other Revenue & Additions	3,063.32	2,683.81
<b>Total Operating Revenues</b>	<b>\$ 30,855,935.83</b>	<b>\$ 28,456,020.35</b>
<b><u>Operating Expenses</u></b>		
Personal Services	\$ (28,555,440.64)	\$ (27,316,859.82)
Travel	(1,115,840.02)	(872,319.53)
Contractual	(8,218,933.51)	(7,935,788.45)
Supplies & Materials	(4,754,260.53)	(4,148,893.27)
Grants	(2,239,340.08)	(3,678,440.06)
Interest	(31,820.42)	(40,316.51)
Loan Cancellation Expense	(738.30)	(1,955.05)
Bad Debt	-	(241,957.41)
Depreciation	(4,264,713.25)	(4,476,240.13)
Amortization	(14,012.36)	(15,286.22)
<b>Total Operating Expenses</b>	<b>\$ (49,195,099.11)</b>	<b>\$ (48,728,056.45)</b>

**Black Hills State University**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**For the Years Ending June 30, 2023 and 2022**

	2023	2022
<b>Operating Loss</b>	<b>\$ (18,339,163.28)</b>	<b>\$ (20,272,036.10)</b>
<b><u>Non-Operating Revenues (Expenses)</u></b>		
General Fund Appropriations	\$ 12,249,324.66	\$ 10,925,144.48
CARES	633,105.20	4,678,681.80
School & Public Lands	213,960.32	227,736.45
HEFF	31,161.00	31,161.00
Investment Income	99,381.79	(29,695.67)
Interest on Capital Assets	(430,452.90)	(539,446.01)
Loss on Disposal of Asset	-	-
PELL	2,991,935.64	3,228,303.37
Contributed Services	(298,778.00)	(243,820.00)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>\$ 15,489,637.71</b>	<b>\$ 18,278,065.42</b>
<b>Loss Before Capital Contributions</b>	<b>\$ (2,849,525.57)</b>	<b>\$ (1,993,970.68)</b>
<b><u>Capital Contributions</u></b>		
Capital Contracts & Grants	\$ -	\$ -
HEFF	1,634,429.74	2,946,957.88
South Dakota Building Authority Capital Financing	1,537,223.01	3,124,027.71
<b>Total Capital Contributions</b>	<b>\$ 3,171,652.75</b>	<b>\$ 6,070,985.59</b>
<b>Increase in Net Position</b>	<b>\$ 322,127.18</b>	<b>\$ 4,077,014.91</b>
<b>Net Position, Beginning of Year</b>	<b>\$ 82,452,177.83</b>	<b>\$ 78,483,302.45</b>
Prior Period Adjustments	\$ -	\$ (108,139.53)
<b>Net Position, End of Year</b>	<b>\$ 82,774,305.01</b>	<b>\$ 82,452,177.83</b>

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

BLACK HILLS STATE UNIVERSITY FOUNDATION

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2022, WITH COMPARATIVE TOTALS FOR 2021

	2022			Total	2021 Total
	Without Donor Restrictions	With Donor Restrictions			
		Purpose	Perpetual		
<b>Support, Gains, and Revenues</b>					
Contributions	\$ 106,742	\$ 2,307,844	\$ 896,474	\$ 3,311,060	\$ 2,758,139
In-Kind Contributions	328,228	2,000	-	330,228	290,052
Net Investment Return, Including Net Realized and Unrealized Gain (Loss) and Rental Real Estate (Net of Fees and Expenses of \$63,968 and \$77,934 for the Years Ended December 31, 2022 and 2021, Respectively)	101,780	(3,495,843)	-	(3,394,063)	2,584,195
Grants	-	361,809	-	361,809	199,503
Increase in Cash Surrender Value of Life Insurance	-	99,321	-	99,321	95,889
Net Assets Released from Restrictions	1,867,691	(1,867,691)	-	-	-
<b>Total Support, Gains, and Revenues</b>	<b>2,404,441</b>	<b>(2,592,560)</b>	<b>896,474</b>	<b>708,355</b>	<b>5,927,778</b>
<b>Expenses</b>					
<i>Program Services:</i>					
Scholarships and Awards	1,002,126	-	-	1,002,126	1,101,414
University Support	647,324	-	-	647,324	318,577
Presidential Support	31,958	-	-	31,958	32,101
Alumni Support	87,684	-	-	87,684	63,984
<b>Total Program Services</b>	<b>1,769,092</b>	<b>-</b>	<b>-</b>	<b>1,769,092</b>	<b>1,516,076</b>
<i>Supporting Services:</i>					
Administrative	537,059	-	-	537,059	547,428
Fundraising	63,607	-	-	63,607	60,084
<b>Total Supporting Services</b>	<b>600,666</b>	<b>-</b>	<b>-</b>	<b>600,666</b>	<b>607,512</b>
<b>Total Expenses</b>	<b>2,369,758</b>	<b>-</b>	<b>-</b>	<b>2,369,758</b>	<b>2,123,588</b>
<b>Change in Net Assets</b>	<b>34,683</b>	<b>(2,592,560)</b>	<b>896,474</b>	<b>(1,661,403)</b>	<b>3,804,190</b>
<b>Net Assets -- Beginning of Year</b>	<b>3,575,255</b>	<b>9,480,793</b>	<b>17,039,922</b>	<b>30,095,970</b>	<b>26,291,780</b>
<b>Net Assets -- End of Year</b>	<b>\$ 3,609,938</b>	<b>\$ 6,888,233</b>	<b>\$ 17,936,396</b>	<b>\$ 28,434,567</b>	<b>\$ 30,095,970</b>

The accompanying notes are an integral part of this statement.

**BLACK HILLS STATE UNIVERSITY FOUNDATION**

**STATEMENT OF FUNCTIONAL EXPENSES**

**FOR THE YEAR ENDED DECEMBER 31, 2022, WITH COMPARATIVE TOTALS FOR 2021**

	----- 2022 -----			
	<b>Program</b>			
	Scholarships and Awards	University Support	Presidential Support	Alumni
Scholarships	\$ 1,002,126	\$ 2,100	\$ -	\$ 2,420
Awards	-	453,733	-	-
Salary Reimbursements	-	-	-	-
Professional Fees	-	11,330	-	11,211
Supplies	-	77,951	43	8,105
Depreciation	-	40,664	-	-
Meals and Entertainment	-	3,520	594	22,109
Miscellaneous	-	32,316	-	-
Gifts and Memorials	-	2,116	-	28,481
Interest	-	-	26,231	-
Insurance	-	4,649	-	-
Travel	-	7,821	-	3,192
Property Expense	-	7,435	-	-
Dues and Fees	-	924	-	1,257
Taxes and Penalties	-	183	-	-
Postage	-	-	-	7,266
Presidential Support	-	-	4,894	-
Printing	-	613	-	3,643
Advertising	-	1,350	-	-
Repairs and Maintenance	-	174	196	-
Speakers	-	380	-	-
Promotional	-	-	-	-
Special Projects	-	65	-	-
Bad Debt Expense	-	-	-	-
	<b>\$ 1,002,126</b>	<b>\$ 647,324</b>	<b>\$ 31,958</b>	<b>\$ 87,684</b>

The accompanying notes are an integral part of this statement.

----- 2022 -----

Administrative	Fundraising	Total	2021 Total
\$ -	\$ -	\$ 1,006,646	\$ 1,103,880
-	-	453,733	202,260
312,973	-	312,973	257,285
89,788	25,330	137,659	95,883
11,791	10,505	108,395	40,972
46,473	-	87,137	85,804
15,638	16,537	58,398	45,753
22,481	-	54,797	49,114
1,044	100	31,741	31,133
-	-	26,231	27,339
15,631	-	20,280	13,870
2,945	3,123	17,081	2,008
4,536	240	12,211	12,192
957	7,393	10,531	7,791
9,814	193	10,190	12,415
-	-	7,266	137
-	-	4,894	4,717
76	163	4,495	1,456
2,695	23	4,068	2,603
97	-	467	3,989
-	-	380	401
120	-	120	-
-	-	65	82
-	-	-	122,504
<b>\$ 537,059</b>	<b>\$ 63,607</b>	<b>\$ 2,369,758</b>	<b>\$ 2,123,588</b>

**Black Hills State University**  
**Statements of Cash Flows**  
**For the Years Ended June 30, 2023 and 2022**

<b>Cash Flows from Operating Activities</b>	<b>2023</b>	<b>2022</b>
Tuition and Fees, Net of Student Financial Assistance	\$ 14,498,545.55	\$ 13,962,628.19
Auxiliaries, Net Scholarship Allowance	4,789,305.60	4,210,158.54
General Sales & Services	3,065,352.60	3,229,666.33
Federal Contracts & Grants	4,357,840.51	2,428,432.58
State Contracts & Grants	1,199,440.35	1,191,443.65
Private Contracts & Grants	2,356,279.51	898,221.47
Other Revenue and Additions	3,063.32	2,683.81
Loans Issued to Students	-	-
Loans Collected from Students	138,551.18	130,781.17
Student Loan Interest	16,360.13	30,598.82
Payments for Personal Services	(28,441,510.72)	(27,238,394.06)
Payments for Travel	(1,350,094.51)	(698,526.26)
Payments for Contractual	(8,166,817.75)	(7,076,278.04)
Payments for Supplies & Materials	(5,045,197.57)	(4,806,262.09)
Payments for Grants	(1,279,214.08)	(2,700,029.28)
Payments for Other Expenditures	(31,820.42)	(40,316.51)
<b>Net Cash Flows from Operating Activities</b>	<b>\$ (13,889,916.30)</b>	<b>\$ (16,475,191.68)</b>
<b>Cash Flows from Non-Operating Activities</b>		
General Fund Appropriations	\$ 12,249,324.66	\$ 10,925,144.48
School & Public Lands	213,960.32	227,736.45
HEFF	31,161.00	31,161.00
Federal Loan Disbursements	(7,400,000.00)	(8,377,863.00)
Federal Loan Receipts	7,400,000.00	8,377,863.00
Federal Capital Contribution - Student Loan	(144,243.00)	(217,867.00)
Net Change in Funds Held for Others	-	-
PELL	2,991,935.64	3,228,303.37
CARES	633,105.20	4,678,681.80
Payments for Other Expenditures	(298,778.00)	(243,820.00)
<b>Net Cash Flows from Non-Operating Activities</b>	<b>\$ 15,676,465.82</b>	<b>\$ 18,629,340.10</b>
<b>Cash Flows from Capital Related Activities</b>		
HEFF	\$ 1,634,429.74	\$ 2,946,957.88
Revenue Bond Discounts and Related Costs	-	-
Principal Paid on Capital Debt	(1,461,299.41)	(1,314,630.49)
Interest Paid on Capital Debt	(484,014.00)	(592,486.61)
SDBA Funding	1,537,223.01	3,124,027.71
Proceeds from Capital Debt (Leases)	-	-
Purchase of Capital Assets	(3,093,559.02)	(5,634,112.37)
<b>Net Cash Flows from Capital Related Activities</b>	<b>\$ (1,867,219.68)</b>	<b>\$ (1,470,243.88)</b>
<b>Cash Flows from Investing Activities</b>		
Investment Income	\$ 31,810.47	\$ 35,034.48
<b>Net Decrease in Cash</b>	<b>\$ (48,859.69)</b>	<b>\$ 718,939.02</b>
<b>Cash - Beginning of the year</b>	<b>14,359,721.64</b>	<b>13,640,782.62</b>
<b>Cash - End of the year</b>	<b>\$ 14,310,861.95</b>	<b>\$ 14,359,721.64</b>

**Black Hills State University**  
**Statements of Cash Flows**  
**For the Years Ended June 30, 2023 and 2022**

	2023	2022
<b>Reconciliation of Net Operating Revenues (Expenses)</b>		
<b>to Net Cash from Operating Activities</b>		
<b>Operating Loss</b>	\$ (18,339,163.28)	\$ (20,515,856.10)
<b>Adjustments to Reconcile Operating Loss to Net Cash</b>		
<b><u>from Operating Activities:</u></b>		
Depreciation Expense	4,278,725.61	4,476,240.13
Bad Debt Expense	-	241,957.41
Loan Cancellation Expense	-	1,955.05
<b><u>Changes in Assets and Liabilities</u></b>		
Accounts Receivable - Students	(129,497.03)	170,037.76
Accounts Receivable - Department Sales	26,327.09	(11,182.03)
Notes Receivables	139,289.48	(11,856.69)
Due From Federal Sources	29,267.87	(45,807.01)
Due From Primary Government	-	-
Due From Other Component Units	11,670.55	(97,159.76)
Inventory	6,576.51	2,624.44
Accounts Payable	(115,316.21)	98,352.16
Accrued Wages & Benefits	62,609.75	238,887.75
Due to Primary Government	6,178.75	(18,412.07)
Student Deposits	22,446.29	(2,662.00)
Compensated Absences Payable	51,320.17	61,580.64
Other Accrued Liabilities	-	-
Unearned Revenue	59,648.15	(1,063,891.36)
<b>Net Cash Used by Operating Activities</b>	<b>\$ (13,889,916.30)</b>	<b>\$ (16,475,191.68)</b>
<b>Noncash Activities</b>		
Loss on Accounts Written Off	\$ -	\$ -
Loss on Disposal of Asset	\$ -	\$ -

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

**BLACK HILLS STATE UNIVERSITY FOUNDATION**

**STATEMENTS OF CASH FLOWS**

**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
<b>Cash Flows from Operating Activities</b>		
Receipts from Donors	\$ 581,736	\$ 1,196,697
Rent Receipts	101,780	115,355
Other Operating Cash Receipts	361,809	199,503
Interest Receipts	50,274	64,237
Interest Paid	(26,231)	(27,339)
Cash Payments to Suppliers for Goods and Services	(1,955,894)	(1,729,918)
<b>Net Cash Flows Used in Operating Activities</b>	<b>(886,526)</b>	<b>(181,465)</b>
<b>Cash Flows from Investing Activities</b>		
Net Change in Amounts Held for Others	(364,372)	1,371,836
Purchase of Investments	(1,568,664)	(2,293,049)
Proceeds from Sale of Investments	1,331,854	577,458
Purchase of Rental Real Estate	(261,545)	-
Purchase of Property and Equipment	-	(1,469)
<b>Net Cash Flows Used in Investing Activities</b>	<b>(862,727)</b>	<b>(345,224)</b>
<b>Cash Flows from Financing Activities</b>		
Contributions Restricted for Endowment Purposes	896,474	1,181,919
Principal Paid on Long-term Debt	(15,004)	(14,181)
Payments on Annuity Liability	(860)	(575)
<b>Net Cash Flows Provided by Financing Activities</b>	<b>880,610</b>	<b>1,167,163</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>(868,643)</b>	<b>640,474</b>
<b>Cash and Cash Equivalents -- Beginning of Year</b>	<b>2,000,805</b>	<b>1,360,331</b>
<b>Cash and Cash Equivalents -- End of Year</b>	<b>\$ 1,132,162</b>	<b>\$ 2,000,805</b>

The accompanying notes are an integral part of these statements.

**BLACK HILLS STATE UNIVERSITY FOUNDATION**

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
<b>Reconciliation of Change in Net Assets to Net Cash</b>		
<b>Flows Used in Operating Activities</b>		
Increase (Decrease) in Net Assets	\$ (1,661,403)	\$ 3,804,190
<i>Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Flows Used in Operating Activities:</i>		
Depreciation Expense	87,137	85,804
Net Realized and Unrealized (Gain) Loss on Investments and Annuity Interests	3,546,117	(2,404,603)
Contributions Restricted for Endowment Purposes	(896,474)	(1,181,919)
Increase in Cash Surrender Value of Life Insurance Policy	(99,321)	(95,889)
Donations of Investments for Endowment Purposes	(249,406)	(90,887)
Amortization of Pledge Discount	101,583	10,975
Change in Provision for Bad Debts	(41,028)	49,364
<i>Change in Assets and Liabilities:</i>		
Other Receivables	7,640	12,606
Prepaid Expenses	-	(3,003)
Promises to Give	(1,695,647)	(312,217)
Accounts Payable	11,296	(55,886)
Unearned Rent Revenue	2,980	-
<b>Net Cash Flows Used in Operating Activities</b>	<b>\$ (886,526)</b>	<b>\$ (181,465)</b>

**BLACK HILLS STATE UNIVERSITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**(1) Summary of Significant Accounting Policies**

Reporting Entity

Black Hills State University (the University/BHSU) is a public institution of higher education under the governance of South Dakota Board of Regents. The Board of Regents combines the financial statements of six public universities and two special schools to be presented as a component unit (Higher Education) in the State's Annual Comprehensive Financial Report (ACFR).

The Black Hills State University Foundation (the Foundation) is a legally separate, tax exempt component unit of the University. The Foundation acts primarily as a fundraising organization to supplement resources for University programs. Although the University does not control the timing or amount of receipts from the Foundation, most resources or income the Foundation holds and invests are restricted for activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by or for the benefit of the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements. During the year ended June 30, 2022, the University received \$978,410.78 from the Foundation for both restricted and unrestricted purposes.

Basis of Presentation

The University's financial statements include the following: Statements of Net Position, Statements of Revenues, Expenses, and Changes in Net Position, and Statements of Cash Flows. These statements have been prepared in accordance with the generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* and Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis of Public College and Universities* issued in June and November of 1999, respectively. In accordance with Statement No. 39, *Determining Whether Certain Organizations are Component Units*, the Foundation's financial statements are discretely presented in their original format following the University's financial statements. The Foundation is reported under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*. The Foundation early adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)* on January 1, 2020. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features.

Basis of Accounting

The University is considered a special purpose government entity engaged in business type activities. The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Interdepartmental charges are treated as a transfer of expense.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts at the date of the financial statements. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash includes cash in local banks, and cash on hand. Cash and Cash Equivalents on Deposit – State Treasurer include cash and investments with original maturities of three months or less which are reported at fair market value.

Restricted Cash

Restricted Cash on Deposit - State Treasurer is a bond sinking fund for the 2014B, 2014A, 2007, and 2006 revenue bonds. As no bond requirement exists, management did not maintain the sinking fund in 2023.

**BLACK HILLS STATE UNIVERSITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2023**

**(1) Summary of Significant Accounting Policies (Continued)**

Accounts Receivable

Accounts Receivable includes funds owed from students for outstanding tuition and fee charges as well as funds owed to University departments from external sources for various sales and services. The University uses the allowance method for calculating uncollectible accounts receivable. Under this method, a reserve is established for the projected amount that will become uncollectible and has been computed based on the following aging schedule:

<u>Age</u>	<u>Allowance Percentage</u>
1 year	5
2 years	20
3 years	25
4 years	30
5 years	40
Over 5 years	100

Notes Receivable

Notes Receivable consists of receivables associated with the Perkins Loan Program. When Perkins loans are deemed uncollectible, they are assigned to the Department of Education. The University uses the direct write-off method for any uncollectible accounts.

Interest Receivable

Interest Receivable consists of interest earned through the State Investment Council through June 30, 2023.

Inventory

Inventory consists of supplies and materials purchased for resale and are priced at cost using the first-in-first-out method.

Due from Federal Sources

Due from Federal Sources represents expenditures made on federal grants for which reimbursement has not been received.

Due from/to Primary Government

Due from/to Primary Government represents receivables or payables to various South Dakota state agencies not governed by the Board of Regents.

Due from/to Other Component Units

Due from/to Other Component Units represents receivables or payables to other South Dakota public universities or the Board of Regents.

**BLACK HILLS STATE UNIVERSITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2023**

**(1) Summary of Significant Accounting Policies (Continued)**

Capital Assets

Capital assets are recorded at cost, or for donated assets, at fair value at the date of acquisition. Capital assets are depreciated on a straight-line basis over the useful life of the asset based on tables established by the State of South Dakota Bureau of Finance and Management. Capitalization thresholds and useful lives are as follows:

Asset Type	Capitalization Threshold	Useful Life
Building	100,000	40 years
Building Improvements	100,000	20 years
Land Improvements	50,000	10 years
Infrastructure	50,000	20-50 years
Equipment & Other Property	5,000	5-15 years

Major additions to capital assets, which are not substantially complete at year-end, are included in the financial statements as Construction in Progress. Major additions placed into service are transferred to Buildings & Building Improvements, Land Improvements, or Infrastructure at the earliest occurrence of occupancy or substantial completion of the project.

Deferred Outflows of Resources

Deferred outflows of resources represent consumption of net position that applies to a future period or periods. These items will not be recognized as an outflow of resources until the applicable future period.

Student Deposits

Student deposits represent dormitory room deposits, security deposits for possible room damage and key loss, and other deposits. Student deposits are recognized as revenue during the semester for which the fee is applicable and earned when the deposit is nonrefundable to the student under the forfeit terms of the agreement.

Agency Funds – Funds Held for Others

Current balances in Agency Funds – Funds Held for Others result from the University acting as an agent, or fiduciary, for student organizations.

Compensated Absences

All full-time and permanent part-time employees earn annual leave and sick leave. Employees earn fifteen days annual leave per year that can be accumulated to thirty days, except for employees with more than fifteen years of employment, who earn twenty days annual leave per year that can be accumulated to forty days. Upon termination, employees receive payment for their accumulated annual leave. Employees earn fourteen days sick leave per year. Unless dismissed for cause, employees who terminate after seven years of continuous employment receive payment for one-fourth of their accumulated sick leave balance, not to exceed 480 hours.

Bonds Payable

Bonds Payable consists of revenue bonds financing buildings, building improvements, and land improvements. Bonds Payable is reported net of the applicable premiums, and the premiums are deferred and amortized over the life of the bonds.

Federal Capital Contribution Refundable Advance

The Federal Capital Contribution Refundable Advance are funds owed to the federal government if federal loan programs were eliminated.

**BLACK HILLS STATE UNIVERSITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2023**

**(1) Summary of Significant Accounting Policies (Continued)**

Net Position

The University's net position is classified as follows:

Net Investment in Capital Assets: Capital assets, net of accumulated depreciation, and reduced by outstanding balances for payables and bonds that are attributed to the acquisition, construction, or improvement of those assets.

Restricted Net Position – Expendable: Assets that are legally obligated to spend in accordance with externally imposed restrictions.

Unrestricted Net Position: Assets that do not meet the definition of the two preceding categories.

Revenue Recognition and Unearned Revenue

Revenue is recognized when earned. Restricted grant revenue is recognized only to the extent expended. Unearned revenue is recorded for amounts received from contract and grant sponsors that have not yet been earned and performance by the University has not been completed.

Scholarship Allowance and Student Financial Assistance

Tuition and fee revenue and auxiliary revenue have been reported net of student financial assistance and scholarship allowance in accordance with the alternative method prescribed by the National Association of College and University Business Officers (NACUBO). Under the alternative method, tuition and fee revenue and auxiliary revenue are reduced by the amount paid for by certain types of financial assistance such as PELL grants, other governmental and private grants, and scholarships. The alternative method eliminates the double reporting of revenue, first as financial aid and grant revenue and then as tuition and fee revenue or auxiliary revenue. Using the alternative method, the revenue is recognized for financial aid and grants while the financial assistance expense and tuition and fee revenue or auxiliary revenue is eliminated for the amount of financial assistance applied to students' accounts.

Operating and Non-Operating Revenues

Operating revenues consist of tuition and fees, auxiliary enterprises, general sales and services, contracts and grants, and loan funds. Non-operating revenues include state appropriations, capital and non-capital financing activities, capital grants, and investment income.

Endowment and Similar Funds

The asset of the endowment 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 these funds. Information may be found on the Department of School and Public Lands website at [www.sdpubliclands.com](http://www.sdpubliclands.com).

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to current year presentation with no effect on net position.

Emerging Accounting Standards

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*, which improves the guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported in the financial statements. In response to the COVID-19 pandemic, GASB issued Statement 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which extended the effective date of GASB Statement No. 84 by one year to fiscal years beginning after December 15, 2020. All BHSU fiduciary funds are classified as custodial funds. Nearly all the custodial funds are held for external organizations, such as student or private organizations.

**BLACK HILLS STATE UNIVERSITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2023**

**(1) Summary of Significant Accounting Policies (Continued)**

Emerging Accounting Standards (continued)

In June 2017, GASB issued Statement No. 87, *Leases*, which requires the recognition of certain lease assets and liabilities for leases previously classified as operating leases to be recognized as inflows or outflows of resources (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. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

**(2) Capital Assets**

A summary of changes in Capital Assets follows:

	2022	Prior Period Adjustments	2022 Restated	Additions	Disposals	2023
Land	\$ 234,350.00	\$ -	\$ 234,350.00	\$ -	\$ -	\$ 234,350.00
Building & Building Improvements	108,664,164.67	-	108,664,164.67	8,915,673.92	-	117,579,838.59
Land Improvements	7,779,276.08	-	7,779,276.08	-	-	7,779,276.08
Infrastructure	17,756,160.60	-	17,756,160.60	65,611.06	-	17,821,771.66
Equipment & Other Property						
Equipment	11,111,556.20	-	11,111,556.20	461,211.05	-	11,572,767.25
Library Books**	4,186,904.57	-	4,186,904.57	-	-	4,186,904.57
<b>Total Assets</b>	<b>\$ 149,732,412.12</b>	<b>\$ -</b>	<b>\$ 149,732,412.12</b>	<b>\$ 9,442,496.03</b>	<b>\$ -</b>	<b>\$ 159,174,908.15</b>
Less Accumulated Depreciation:						
Building & Building Improvements	\$ 47,175,166.36	\$ -	\$ 47,175,166.36	\$ 2,961,272.02	\$ -	\$ 50,136,438.38
Land Improvements	5,075,187.56	-	5,075,187.56	361,465.93	-	5,436,653.49
Infrastructure	7,418,227.89	-	7,418,227.89	503,716.58	-	7,921,944.47
Equipment & Other Property						
Equipment	9,602,584.50	-	9,602,584.50	438,258.72	-	10,040,843.22
Library Books**	4,094,990.05	-	4,094,990.05	-	-	4,094,990.05
<b>Total Depreciation</b>	<b>\$ 77,355,156.41</b>	<b>\$ -</b>	<b>\$ 73,366,156.36</b>	<b>\$ 4,264,713.25</b>	<b>\$ -</b>	<b>\$ 77,630,869.61</b>
<b>Net Capital Assets</b>	<b>\$ 72,377,255.71</b>	<b>\$ -</b>	<b>\$ 76,366,255.76</b>	<b>\$ 5,177,782.78</b>	<b>\$ -</b>	<b>\$ 81,544,038.54</b>

\*\*Library books and films are added at cost the year of their purchase. As books and films are disposed, they are removed at an average cost per book or film.

The State of South Dakota Bureau of Finance and Management’s policy concerning Special Collections and Historical Treasures states, “Works of art, historical treasures, and similar assets must be capitalized and reported at their historical cost or fair value at date of donation if they are held as individual items, but not if they are in a collection. Collections (and all additions to that collection) are not to be capitalized and reported, whether donated or purchased, that meets all of the following conditions. The collection is:

Held for public exhibition, education, or research in furtherance of public service, rather than financial gain.

Protected, kept unencumbered, cared for, and preserved.

Subject to an organizational policy that requires the proceeds from sale of collection items to be used to acquire other items for collections. This does not have to be a formal policy; however, there should be some evidence to

support the existence of the policy.

For non-capitalized collections, a disclosure in the notes to the financial statements must be made for the description of the collection and the reasons these assets are not capitalized.”

The followings collections qualify under the State of South Dakota Bureau of Finance and Management’s policy as non-capitalized collections and are not included in our capital assets above. They are held for public exhibition and education and any proceeds from the sale of the items within these collections are to be returned to the collection. A Collection of Historical Treasures and Works of Art located in the E.Y. Berry Library Learning Center includes the Termisphere “Portrait of a College” by Dick Termes, the Collection of Lyndle Dunn Paintings, the A.D. Humbert Collection of Clay Tablets and the Rachetts Doll Collection.

### (3) Construction in Progress & Commitments

A summary of changes in Construction in Progress follows:

	2022	Prior Period Adjustment	2022 Restated	Additions	Disposals	2023
Apartments Upgrade	\$ 276,572.67	\$ -	\$ 276,572.67	\$ 24,387.13	\$ -	\$ 300,959.80
BHRC Parking Lot Lighting	65,611.06	-	65,611.06		(65,611.06)	-
EY Berry Renovations	6,869,980.14	-	6,869,980.14	-	(6,869,980.14)	-
BHSU Nursing Addition	-	-	-	220,146.22	-	220,146.22
Sodexo Capital Improvements	-	-	-	609,224.35	-	609,224.35
Hydronics Upgrade	-	-	-	220,646.44	-	220,646.44
Campus Solar Lighting	-	-	-	121,141.82	-	121,141.82
<b>Total Construction in Progress</b>	<b>\$ 7,212,163.87</b>	<b>\$ -</b>	<b>\$ 7,212,163.87</b>	<b>\$ 1,195,545.96</b>	<b>\$ (6,935,591.20)</b>	<b>\$ 1,472,118.63</b>

Construction projects listed above will be funded by HEFF, general funds and local funds.

### (4) Compensated Absences

A summary of changes in Compensated Absences follows:

	2022	Accrued	Used	2023	Current Portion
Annual Leave	\$ 994,988.01	\$ 884,477.54	\$ 816,545.28	\$ 1,062,920.27	\$ 626,614.02
Sick Leave	1,669,273.04	301,271.27	317,883.29	\$ 1,652,661.02	308,807.36
<b>Total Compensated Absences</b>	<b>\$ 2,664,261.05</b>	<b>\$ 1,185,748.81</b>	<b>\$ 1,134,428.57</b>	<b>\$ 2,715,581.29</b>	<b>\$ 935,421.38</b>

**BLACK HILLS STATE UNIVERSITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2023**

**(5) Long Term Debt and Restricted Net Position**

Bonds Payable, Net of Premiums at June 30, 2023:

	Bond	Premium	Net	Current Portion
2014B Revenue Bond (originally the 2004A Student Union and Thomas Hall Renovations); matures in 2026; semi-annual payments bearing interest between 3.00% - 5.00%; paid with General Activity Fees	\$ 545,000.00	\$ 56,659.48	\$ 601,659.48	\$ 200,182.00
2014A Revenue Bond (originally the Crow Peak Hall and Thomas Hall Renovations); matures in 2039; semi-annual payments bearing interest between 3.00% - 5.00%; paid with Residence Halls auxiliary revenues	6,010,000.00	295,410.17	6,305,410.17	279,058.73
2007 Revenue Bond; matures in 2029; semi-annual payments bearing interest at 3.88%; paid with Bookstore and Dining auxiliary revenues and General Activity Fees	3,135,000.00	-	3,135,000.00	475,000.00
2006 Revenue Bond; matures in 2026; semi-annual payments bearing interest at 3.92%; paid with Parking auxiliary revenues	265,000.00	-	265,000.00	85,000.00
<b>Total Bonds Payable, Net Premium</b>	<b>\$ 9,955,000.00</b>	<b>\$ 352,069.65</b>	<b>\$ 10,307,069.65</b>	<b>\$ 1,039,240.73</b>

The Board of Regents authorized revenue bonds to finance the Student Union expansion, residence hall renovations, Lionel Bordeaux residence hall (previously Crow Peak Residence Hall), and parking lot improvements. Principal and interest payments are paid from auxiliary operating revenues and general activity fees. Net revenues pledged to bonds payable for the year ending June 30, 2023, were **\$2,478,757.70**. Restricted Net Position – Expendable Other of **\$1,923,193.66** was for the repair and replacement reserve bond requirements. Assets are held to be used for unusual or extraordinary maintenance or repairs, renewals, renovations and replacements, and renovating or replacement of the furniture and equipment not paid as part of the ordinary maintenance and operation of the facilities.

Deferred Outflows of Resources represents the Loss on Debt Refinancing from the 2014B and 2014A revenue bonds. The Loss on Debt Refinancing is the difference between the reacquisition price and the net carrying amount of the refinanced debt. This amount is to be amortized over the life of the refinanced bonds.

**BLACK HILLS STATE UNIVERSITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2023**

**(5) Long Term Debt and Restricted Net Position (Continued)**

The changes in Bonds Payable for the year ended June 30, 2023, follows:

	2022	Proceeds	Payments	2023
2014B Bond	\$ 710,000.00	\$ -	\$ (165,000.00)	\$ <b>545,000.00</b>
2014B Premium	81,841.48	-	(25,182.00)	<b>56,659.48</b>
2014A Bond	6,565,000.00	-	(555,000.00)	<b>6,010,000.00</b>
2014A Premium	314,468.90	-	(19,058.73)	<b>295,410.17</b>
2007 Bond	3,590,000.00	-	(455,000.00)	<b>3,135,000.00</b>
2006 Bond	345,000.00	-	(80,000.00)	<b>265,000.00</b>
	<b>\$ 11,606,310.38</b>	<b>\$ -</b>	<b>\$ (1,299,240.73)</b>	<b>\$ 10,307,069.65</b>

Debt service requirements follows:

	Principal	Interest	Total
2024	995,000.00	426,836.00	1,421,836.00
2025	1,035,000.00	383,033.00	1,418,033.00
2026	1,080,000.00	337,355.00	1,417,355.00
2027	835,000.00	289,651.00	1,124,651.00
2028-2032	2,855,000.00	1,018,657.00	3,873,657.00
2033-2037	2,150,000.00	333,527.05	2,483,527.05
2038-2039	1,005,000.00	72,200.00	1,077,200.00
	<b>\$ 9,955,000.00</b>	<b>\$ 2,861,259.05</b>	<b>\$ 12,816,259.05</b>

Capital lease agreements were entered into in FY20 with (US Bancorp) for the campus-wide energy conservation project.

Ending Balance at 6-30-2022	2,491,701.82
Additions in FY23	-
Principal Paid in FY23	189,116.15
Ending Balance at 6-30-2023	<u>2,302,585.67</u>

**(5) Long Term Debt and Restricted Net Position (Continued)**

The annual requirements to amortize these long-term leases, as of June 30, 2023, are as follows:

FY23 Financial Statement amounts:

Year	Principal	Interest	Total
2024	194,697.88	75,365.42	\$ 270,063.30
2025	200,444.32	69,618.98	\$ 270,063.30
2026	206,360.35	63,702.95	\$ 270,063.30
2027	212,451.00	57,612.30	\$ 270,063.30
2028	218,721.41	51,341.89	\$ 270,063.30
2029-2033	843,823.80	306,488.46	\$ 1,150,312.26
2034-2035	264,242.50	5,820.80	\$ 270,063.30
	<b>\$ 2,302,585.67</b>	<b>\$ 566,155.65</b>	<b>\$ 3,057,857.47</b>

**BLACK HILLS STATE UNIVERSITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2023**

**(6) Retirement Plan**

The South Dakota Retirement System (SDRS or the System) is a cost sharing, multiple employer public employee retirement system (PERS) established to provide retirement benefits for employees of the State and its political subdivisions. Members of SDRS include full time employees of public schools, the State, the Board of Regents, city and county governments, and other public entities. Public schools, cities, and counties may choose not to include certain full-time employees in the System.

SDRS is considered a part of the State financial reporting entity and is 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/>.

As the University is a component unit of the State, the University's proportionate share of SDRS activity and balances are calculated and reported in the State's CAFR. The University's share of contributions to SDRS for the fiscal years ended June 30, 2023, 2022, and 2021 were \$1,197,437, \$1,150,172.24, and \$1,132,462.44, respectively, equal to the required contributions each year.

**(7) Deferred Compensation Plan**

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

All amounts of compensation deferred under the SRP, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are at all times 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.

The assets of the deferred compensation plan are not included in the accompanying financial statements because the assets are remitted to a third party who administers and markets the plan for the participants. A copy of the South Dakota Retirement System financial statements is available to the public at <http://www.sdrs.sd.gov/>.

**(8) Risk Management**

The Risk Management Program was created to protect the assets and resources of the State through efficient control and financing of risks inherent in government operations by ensuring a safe environment for State employees and the general public. Responsibilities include ensuring that exposures to financial loss are discovered and handled appropriately, minimizing the possible interruption of vital public services, and reducing the costs and consequences of accidents through effective loss control management.

Housed with the Risk Management Program is the Public Entity Pool for Liability (PEPL), a self-insurance program created to cover risks associated with automobile liability and general tort liability (including public officials' errors and omissions liability; medical malpractice liability; law enforcement liability; and products liability).

The South Dakota Property and Casualty Insurance Company, LLC, a discretely presented component unit of the State, provides property, including content, business income, and extra expense coverage on the State's buildings.

**(9) Litigation**

At June 30, 2023, the University was not involved in any lawsuits.

**BLACK HILLS STATE UNIVERSITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2023**

**(10) Tuition and Fees**

For the year ending June 30, 2023, the University collected and remitted state support tuition and system fees to the Board of Regents as follows:

State Support Tuition & Fees	\$ 4,804,946.61
HEFF Dollars from State Support Tuition & Fees	1,826,835.22
HEFF Dollars from Self Support Tuition	1,148,345.13
<b>Tuition Remittance to BOR</b>	<b>\$ 7,780,126.96</b>

The Higher Education Facilities Fund (HEFF) allocates 11.5% of tuition and fees from all state support universities to building improvements.

The University's allocation from the Board of Regents' Tuition and Fees Fund is as follows:

State Support Tuition & Fees	\$ 8,489,005.25
HEFF (Capital Contribution)	1,634,429.74
HEFF (Non-Operating Revenue)	31,161.00
<b>University's Allocation from Board's Tuition and Fees Fund</b>	<b>\$ 10,154,595.99</b>

**(11) State Appropriations**

The General Fund Appropriation of **\$12,249,324.66** reported on the Statement of Revenues, Expenses, and Changes in Net Position is reflective of the amount spent during the year ending June 30, 2023.

**(12) Prior Period Adjustments**

There were no prior period adjustments in FY23 beginning Net Assets.

**BLACK HILLS STATE UNIVERSITY**  
**NOTES TO THE FINANCIAL STATEMENTS (CONCLUDED)**  
**JUNE 30, 2023**

**(13) Functional Expenses**

	Personal Services	Travel	Contractual Services	Supplies & Materials	Grants & Subsidies	Other & Bad Debt Expense	Depreciation	Total
Instruction	\$ 11,352,289.03	\$ 135,658.11	\$ 240,926.25	\$ 379,571.36	\$ 39,499.80	\$ -	\$ 1,502,175.99	\$ 13,650,120.54
Research	\$ 1,501,801.72	\$ 60,878.62	\$ 357,173.41	\$ 281,469.88	\$ 71,543.00	\$ -	\$ 85,280.21	2,358,146.84
Public Service	\$ 1,056,513.90	\$ 38,806.66	\$ 52,816.71	\$ 558,613.57	\$ 20,690.00	\$ -	\$ 138.56	1,727,579.40
Academic Support	\$ 2,547,344.10	\$ 75,742.80	\$ 669,565.43	\$ 20,770.55	\$ 100.00	\$ -	\$ 250,202.00	3,563,724.88
Student Services	\$ 4,029,046.00	\$ 685,740.14	\$ 553,714.18	\$ 405,875.64	\$ 196,363.77	\$ -	\$ 470,935.45	6,341,675.18
Institutional Support	\$ 4,174,711.63	\$ 82,144.63	\$ 1,396,110.61	\$ 113,903.60	\$ -	\$ 21,280.43	\$ 197,655.08	5,985,805.98
O&M of Plant	\$ 2,683,480.06	\$ 32,117.47	\$ 2,061,539.15	\$ 1,449,938.71	\$ 272.43	\$ 10,477.84	\$ 1,078,240.98	7,316,066.64
Scholarships	\$ -	\$ -	\$ 642.23	\$ -	\$ 1,910,871.08	\$ 738.30	\$ -	1,912,251.61
Auxiliaries	\$ 1,210,254.20	\$ 4,751.59	\$ 2,886,445.54	\$ 1,544,117.22	\$ -	\$ 62.15	\$ 680,084.98	6,325,715.68
<b>Total</b>	<b>\$ 28,555,440.64</b>	<b>\$ 1,115,840.02</b>	<b>\$ 8,218,933.51</b>	<b>\$ 4,754,260.53</b>	<b>\$ 2,239,340.08</b>	<b>\$ 32,558.72</b>	<b>\$ 4,264,713.25</b>	<b>\$ 49,181,086.75</b>

**Other & Bad Debt Expense:**

Bad Debt Expense	\$ -
Loan Cancellation Expense	(738.30)
Interest	(31,820.42)
<b>Total &amp; Bad Debt Expense</b>	<b>\$ (32,558.72)</b>

# BLACK HILLS STATE UNIVERSITY FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

### (1) Nature of Operations and Significant Accounting Policies

#### Nature of Operations

The Black Hills State University Foundation (the Foundation) is organized as a South Dakota nonprofit corporation and operates exclusively for charitable and educational purposes. Its activities are to solicit and manage gifts, money, and property exclusively for educational, scientific, and cultural purposes, and to promote and support education, management, students, alumni and special projects of Black Hills State University (BHSU). The Foundation also develops and maintains relations with the alumni of BHSU.

#### Significant Accounting Policies

##### *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates. Significant estimates include the present value of Liability under Charitable Remainder Trusts, present value of Unconditional Promises to Give, and allowance for uncollectible Unconditional Promises to Give. It is at least reasonably possible these estimates will change in the near term.

##### *Basis of Presentation*

The financial statements of the Foundation are prepared using the accrual basis of accounting. The classification of net assets, revenues and expenses, and gains and losses is based on the existence or absence of donor-imposed restrictions. Amounts of each of the two classes of net assets (without donor restrictions and with donor restrictions) are displayed in the Statements of Financial Position and the Statement of Activities and Changes in Net Assets.

*Net Assets without Donor Restrictions* – Net assets of the Foundation that are not subject to donor-imposed restrictions and are available for general operations. In addition, the Board of Directors may designate net assets without donor restrictions for specific purposes.

*Net Assets with Donor Restrictions* – Net assets of the Foundation that are subject to donor-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.

##### *Investments*

The Foundation accounts for its investment securities at fair market value with changes in fair market value accounted for in the Statement of Activities and Changes in Net Assets. Net investment return includes realized and unrealized gains and losses on investment securities, dividends and interest income, trust and annuity interests and rental income and expenses derived from rental real estate, and investment expenses. Realized gains and losses from sales of securities are determined on a specific identity basis. Unrealized gains and losses are recognized in the Statement of Activities and Changes in Net Assets to the extent of the change in aggregate market value of investments at the end of each accounting period.

Donated investments (which may include stocks, bonds, and real estate) are recorded as revenues at estimated fair market value on the date of contribution.

# BLACK HILLS STATE UNIVERSITY FOUNDATION

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

### (1) Summary of Significant Accounting Policies

#### *Investments*

In general, investments are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the investment balances and the amounts reported in the statement of financial position.

#### *Contributions, Grants and Promises to Give*

Contributions of cash and other assets are recognized as support in the period received at their values. Unconditional promises to give are recognized as revenues in the period pledged. Amounts due after more than one year are recorded at their present value using a discount rate of primarily 3.25 percent, per annum. The estimate for uncollectible promises is based on management's judgment, experience with donors, and historical losses. Conditional promises to give – that is those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

The Foundation receives reimbursable grants from various sources. Each grant is analyzed to determine whether it is deemed an exchange transaction (where both the grantee and grantor receive commensurate benefits) or a contribution. Grants received during the years ended December 31, 2022 and 2021 are considered contributions. Most grants are deemed to be conditional contributions and are recognized as revenue when allowable costs are incurred.

Beneficial interests in trust gifts and charitable gift annuities are recorded as contributions (whether the Foundation acts as trustee or not) as net assets with donor restriction at the fair market value of the trusts' assets.

On an annual basis, the Foundation revalues the "Liability under Charitable Gift Annuities" based on actuarial assumptions and present value calculations. For charitable gift annuities, this liability consists of the present value of a stream of fixed-annuity payments. The present value of the estimated future payments is calculated using a discount rate and applicable mortality tables. Generally, the Foundation uses a discount rate of 2 percent.

#### *In-Kind Contributions*

The Foundation records various types of in-kind support, including products and services, at fair market value at the time of the gift. Professional services received are recognized as revenue if those services (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The Foundation typically does not sell in-kind contributions; however, any contributions received that are deemed impractical for use in the program activities are sold, with any resulting proceeds used in program services.

#### *Leases and Rental Income*

The Foundation determines if an arrangement is or contains a lease at inception or modification of the agreement and classifies such leases as operating, direct financing, or sales-type leases. Direct financing and sales-type leases meet certain criteria that have the economic characteristics of transferring ownership of the underlying asset and are accounted for similar to financing arrangements. A lease is classified as an operating lease if it does not qualify as a sales-type or direct financing lease. All of the Foundation's leases are classified as operating.

Rental revenue is recognized over the lease term. The Foundation leases properties under short-term and cancelable operating leases. Amounts received in advance are presented as unearned rent revenue on the accompanying statements of financial position.

# BLACK HILLS STATE UNIVERSITY FOUNDATION

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

### (1) Summary of Significant Accounting Policies

#### *Grants Made*

Grants, including scholarships and awards, made to BHSU or students of BHSU, are recorded in the period they are made and reported as decreases in assets. Unconditional promises to give cash or other assets are recognized as liabilities and expenses. Conditional promises to give cash or other assets are recognized at the time when conditions on which they depend are met. All grants awarded have been paid and there were no conditional grants as of December 31, 2022 or 2021.

#### *Depreciation*

Equipment and building purchases exceeding \$5,000 are recorded at cost. Depreciation is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Office Equipment and Furnishings	7
Buildings and Improvements	40

#### *Federal Income Tax*

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Foundation has been determined by the Internal Revenue Service to be a "public foundation" (rather than a "private foundation" within the meaning of Section 509(a) of the Code). No federal income tax is paid unless net income is derived from activities that are unrelated to exempt activities. No such activities are conducted.

At December 31, 2022 and 2021, the Foundation believes no significant uncertain tax positions or liabilities exist.

#### *Assets Held for Others*

The Foundation holds, invests, and manages certain assets for another nonprofit organization and student clubs associated with BHSU. These funds are reported as a liability on the accompanying statement of financial position. Increases and decreases in these funds, including appreciation (depreciation) of investments, are not included in revenue and expenses of the Foundation.

#### *Functional Allocation of Expenses*

The costs of providing various programs and activities have been summarized on a functional basis in the Statement of Functional Expenses based on the purpose achieved by each expenditure. Most expenses can be directly allocated to program or supporting functions. Certain categories of expenses that are attributable to more than one supporting function require allocation on a reasonable basis that is consistently applied. These expenses are allocated based on specific determination of the function or program to which they relate.

#### *Cash and Cash Equivalents*

The Foundation defines cash and cash equivalents to include money market funds. The Foundation excludes certificates of deposit (CDs), and investments in stocks, bonds, and government securities, as these are intended to be long-term investments. Throughout the fiscal year, cash balances have exceeded federally insured limits; however, the Foundation has not experienced losses in these accounts and believes there is no significant credit risk.

# BLACK HILLS STATE UNIVERSITY FOUNDATION

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

### (1) Summary of Significant Accounting Policies

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

Life insurance policies are initially recorded at the cash surrender value, which approximates fair value at the date of donation. Policies are only reported if the Foundation has control over the designation of the policy beneficiary. Policies are reported at the cash surrender value (cash value reduced by any policy loans or surrender charges) plus any additional amounts included in the contractual terms of the policy.

#### *Collections*

The Foundation houses artwork and a vast array of materials relating to the Black Hills. The Foundation records collections and artwork as long-lived assets and at acquisition cost. Contributed collection items are recognized as assets and revenue in the period received and are measured at fair value. Collections are not depreciated. All artwork is preserved and cared for on a continuous basis.

#### *Rental Real Estate*

Rental real estate investments are presented at historical cost less depreciation. Depreciation is computed using the straight-line method over useful lives of 27 years.

The Foundation evaluates its rental real estate for potential impairment losses when indicators of impairment are present and the carrying amount of long-lived assets exceeds its fair value. In addition, useful lives of long-lived assets are reviewed annually. The Foundation evaluated rental real estate at December 31, 2022, based on anticipated proceeds. Management anticipates no impairment losses.

#### *Adopted Accounting Standards*

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) Topic 842, Leases, which provides principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. The new standard requires lessors to classify leases as sales-type, direct financing, or operating leases based on whether the lessee, in effect, obtains control of the underlying asset as a result of the lease. The classification determines the timing and presentation of income recognition.

The Foundation adopted this standard as of January 1, 2022, the beginning of the adoption period. As part of implementation, the Foundation elected the permitted package of practical expedients. Accordingly, existing and expired leases have been accounted for under the new guidance without reassessing (a) whether the contract contains a lease, (b) whether lease classification needs revised, or (c) whether previously capitalized initial direct costs qualify as such. In addition, the Foundation has elected to use hindsight in determining the likelihood that options (including lease extension, lease termination, or asset purchase) will be exercised or that right-of-use assets are impaired. Adoption did not materially impact the Foundation's financial statements. See above for lease accounting policies.

In September 2020, the Financial Accounting Standards Board issued Accounting Standards Update 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets, which requires that contributions of nonfinancial assets be reported in a separate line item within the Statement of Activities. Additional disclosures are also required, to include whether the contributions are monetized or utilized by the entity, the existence of any donor restrictions related to the assets, and how fair value was determined. The Foundation adopted this standard during the year ended December 31, 2022, on a retroactive basis. Required note disclosures are included in Note 13.

# BLACK HILLS STATE UNIVERSITY FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

### (1) Summary of Significant Accounting Policies

#### *Subsequent Events*

The Foundation has evaluated significant subsequent events through October 10, 2023, the date which the financial statements were available to be issued.

### (2) Investments

Fair value is defined as the price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The three-level fair value hierarchy is defined as follows:

- **Level One:** Observable inputs such as quoted market prices for identical assets or liabilities in active markets. The types of assets and liabilities included in Level One are highly liquid and actively traded investments with quoted market prices.
- **Level Two:** Inputs include quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability. The types of assets and liabilities included in Level Two are typically either comparable to actively traded securities or priced with models using observable inputs.
- **Level Three:** Inputs are based on prices or valuation techniques that are unobservable. The types of assets and liabilities included in Level Three require significant management judgment or estimation.

The following tables present the assets carried at fair value as of December 31, 2022 and 2021, on the accompanying Statements of Financial Position by fair value hierarchy, as described above. All are measured on a recurring basis. The Foundation carried no other assets or liabilities measured at fair value on a recurring or non-recurring basis.

Level two securities are priced by an investment manager or custodian with reference to observable data such as ongoing withdrawal and contribution activity.

<b>December 31, 2022</b>	<b>Level One</b>	<b>Level Two</b>	<b>Level Three</b>	<b>Total</b>
Money Market Funds included in Cash				
Cash Equivalents	\$ 1,058,781	\$ -	\$ -	\$ 1,058,781
Mutual Funds	9,066,737	123,035	-	9,189,772
Stocks	8,234,765	843,642	-	9,078,407
Fixed Income	1,665,834	808,249	-	2,474,083
Corporate Bonds	519,845	383,708	-	903,553
Structured Debt	-	1,003,799	-	1,003,799
Municipal Bonds	-	453,217	-	453,217
Exchange Traded Funds	18,557	-	-	18,557
Money Market Funds	569,397	-	-	569,397
Alternatives	280,816	-	-	280,816
	<b>\$ 21,414,732</b>	<b>\$ 3,615,650</b>	<b>\$ -</b>	<b>\$ 25,030,382</b>

**BLACK HILLS STATE UNIVERSITY FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

**(2) Investments**

December 31, 2021	Level One	Level Two	Level Three	Total
Money Market Funds included in Cash				
Cash Equivalents	\$ 1,464,915	\$ -	\$ -	\$ 1,464,915
Mutual Funds	10,499,927	-	-	10,499,927
Stocks	9,048,230	1,185,530	-	10,233,760
Fixed Income	1,519,844	629,956	-	2,149,800
Corporate Bonds	909,884	552,182	-	1,462,066
Structured Debt	-	1,282,152	-	1,282,152
Municipal Bonds	-	492,449	-	492,449
Exchange Traded Funds	25,665	-	-	25,665
Money Market Funds	659,993	-	-	659,993
Alternatives	225,690	-	-	225,690
	\$ 24,354,148	\$ 4,142,269	\$ -	\$ 28,496,417

**(3) Unconditional Promises to Give**

The Foundation receives promises to give through capital and annual campaigns, as well as through corporate and personal spontaneous gifts. Unconditional promises to give are as follows at December 31:

	2022	2021
Receivable in less than one year	\$ 785,100	\$ 222,524
Receivable in one to five years	1,806,482	663,411
Receivable in six years	1,468	11,468
	2,593,050	897,403
Less discounts to net present value	147,465	45,882
Less allowance for uncollectible promises	20,700	61,728
Net Promises to Give	\$ 2,424,885	\$ 789,793

At December 31, 2022, \$2,330,000 is receivable from two donors.

**(4) Rental Real Estate**

The Foundation, as lessor, leases property to BHSU used as a residential home for the President of BHSU. The lease requires monthly rental payments not to exceed \$3,500. The lease agreement is cancelable by either party with 30 days notice.

Rental real estate consists of the following at December 31:

	2022	2021
Land, at cost	\$ 493,811	\$ 432,561
Buildings and Improvements, at cost	1,506,556	1,306,261
	2,000,367	1,738,822
Accumulated depreciation	(258,131)	(214,841)
Net Book Value	\$ 1,742,236	\$ 1,523,981

# BLACK HILLS STATE UNIVERSITY FOUNDATION

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

### (5) Property and Equipment

Property and equipment consists of the following at December 31:

	2022	2021
Land	\$ 175,685	\$ 175,685
Building and Improvements	1,627,209	1,627,209
Equipment and Furnishings	262,605	262,605
	2,065,499	2,065,499
Accumulated Depreciation	(584,600)	(540,753)
	\$ 1,480,899	\$ 1,524,746

### (6) Charitable Gift Annuity Liability

During the year ended December 31, 2015, the Foundation was named beneficiary of a \$1,000,000 charitable gift annuity. Under the terms of the agreement, the Foundation established an annuity liability to the donor with the remaining proceeds to be restricted by time or purpose. The annuity liability was originally established based on the donor's life expectancy and the use of a 2.00 percent discount rate. The fair value of the assets is included in the Foundation's pooled investments. The remaining liability under the charitable gift annuity as of December 31, 2022 and 2021 is approximately \$84,000 for both years.

During the year ending December 31, 2017, the Foundation was named beneficiary of a \$20,000 charitable gift annuity. Under the terms of the agreement, the Foundation established an annuity liability to the donor with the remaining proceeds to be restricted by time or purpose. The annuity liability was originally established based on the donor's life expectancy and the use of a 2.40 percent discount rate. The fair value of the assets is included in the Foundation's pooled investments. The remaining liability under the charitable gift annuity as of December 31, 2022 and 2021 is approximately \$11,000 for both years.

### (7) Assets Held for Others

Assets held for others consist of investments and other assets held on behalf of the Yellow Jacket Foundation (YJF) and assets for certain clubs and student groups associated with BHSU. YJF assets have been pooled with the Foundation's assets to generate more investment income and lower fees on investment accounts. Income is allocated based on contributions and withdrawals of each respective Organization. Included in assets held for others are life insurance policies in which YJF is named owner and beneficiary and amounts due to or from YJF for operating expenses.

### (8) Long-Term Debt

Long-term debt consists of the following at December 31:

	2022	2021
Note payable to a bank due in monthly installments of \$3,436 including 4.75 percent interest, due in 2044. Secured by real estate.	\$ 547,076	\$ 562,080
	547,076	562,080
Current Maturities	15,546	14,826
	\$ 531,530	\$ 547,254

**BLACK HILLS STATE UNIVERSITY FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

**(8) Long-Term Debt**

Long-term debt matures as follows during the years ended December 31:

2023	\$	15,546
2024		16,300
2025		17,092
2026		17,921
2027		18,791
Thereafter		461,426
	\$	<u>547,076</u>

**(9) Net Assets With Donor Restrictions - Purpose**

Net assets with purpose restrictions are available for the following at December 31:

	<u>2022</u>	<u>2021</u>
Scholarships	\$ 3,349,736	\$ 7,468,602
Promises to Give, Net - Health Science Wing	1,907,535	-
Fine Arts Fund	911,384	1,101,784
General Support to BHSU	657,167	782,571
SD CEO	62,411	127,836
	<u>\$ 6,888,233</u>	<u>\$ 9,480,793</u>

Substantially all net investment return earned on purpose restricted net assets is recorded in net assets with donor restriction – purpose. In addition, net investment return from perpetually restricted net assets, which is available for expenditure to program support of BHSU, is reported in these funds.

**(10) Net Assets With Donor Restrictions – Perpetual**

Net assets with perpetual restrictions consist of the following at December 31:

	<u>2022</u>	<u>2021</u>
Scholarships	\$ 16,512,538	\$ 16,069,618
General Support to BHSU	1,423,858	970,304
	<u>\$ 17,936,396</u>	<u>\$ 17,039,922</u>

In accordance with agreements with donors, net investment return, including realized and unrealized gains. The agreements provide for realized and unrealized investment losses to be deducted from principal. In such cases, the Foundation's intent and understanding with donors is to restore such losses with future gains.

# BLACK HILLS STATE UNIVERSITY FOUNDATION

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

### (11) Endowed Net Assets

The Foundation is governed subject to the Investment Policy Statement adopted by the Board of Directors, and most contributions are received subject to the terms of this statement. Under the terms of the Investment Policy Statement, the Board of Directors has the ability to allocate earnings to spending and to fund accumulation. Funds held for accumulation are considered net assets with donor restrictions - perpetual (which may be reduced in a year with investment losses).

The Board of Directors of the Foundation has interpreted the State of South Dakota 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 classifies as net assets with donor restrictions – perpetual (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations of the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions – perpetual is classified as net assets with donor restrictions - purpose until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

The Board of Directors, on the advice of legal counsel, has determined that the majority of the Foundation's net assets with donor restriction - perpetual meet the definition of endowment funds under UPMIFA.

In accordance with UPMIFA, the Foundation considers the following factors 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 effects 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.

Changes in endowment net assets for the years ended December 31, 2022 and 2021 are as follows:

	<u>Without Donor</u>	<u>With Donor Restrictions</u>		
	<u>Restrictions</u>	<u>Purpose</u>	<u>Perpetual</u>	<u>Total</u>
Endowment Assets - December 31, 2020	\$ -	4,803,454	15,858,003	\$ 20,661,457
Net Investment Return	-	2,563,383	-	2,563,383
Management Fee Charged to Endowments	-	(549,305)	-	(549,305)
Contributions	-	-	1,181,919	1,181,919
Appropriation for Expenditure	-	(684,167)	-	(684,167)
Endowment Assets - December 31, 2021	-	6,133,365	17,039,922	23,173,287
Net Investment Return	-	(3,396,522)	-	(3,396,522)
Management Fee Charged to Endowments	-	(345,959)	-	(345,959)
Contributions	-	-	896,474	896,474
Appropriation for Expenditure	-	(463,862)	-	(463,862)
Endowment Assets - December 31, 2022	\$ -	\$ 1,927,022	\$ 17,936,396	\$ 19,863,418

# BLACK HILLS STATE UNIVERSITY FOUNDATION

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

### (11) Endowed Net Assets

The Foundation has adopted investment and spending policies for endowment assets that attempt to maximize support while growing the endowment's principal value to maintain spending value compared to appropriate inflationary indexes. The primary performance objective is to achieve an annualized total rate of return, net of investment fees, that is equal to or greater than five percent plus inflation over the long term.

Spending allocations for fiscal years 2022 and 2021 were based on a 12-quarter rolling fund average. The current spending policy is to distribute no more than 5 percent of the 12-quarter rolling average of the market value of the Pooled Long-Term Fund and the Pooled Equity Fund. The Foundation will distribute from the Pooled Fixed Income Fund net income and the contractual rate specified within annuity or charitable trust agreements. Accordingly, over the long term, the Foundation expects current spending policy to allow its endowment assets to grow at the rate of inflation. This is consistent with the Foundation's objective to maintain the purchasing power of endowment assets as well as to provide additional real growth through new gifts and investment return.

### (12) Conditional Contributions

The Foundation receives reimbursable grants from various sources. Grants that are determined to be conditional are recognized as revenue when allowable costs are incurred. Conditional contributions for which barriers have not yet been met, and revenue not yet recorded total \$300,000 and \$166,000 at December 31, 2022 and 2021, respectively.

### (13) In-Kind Contributions

For the years ended December 31, 2022 and 2021, in-kind contributions include the following:

	2022	2021
Payroll Wages and Benefits	\$ 298,778	\$ 243,820
Auction Items	25,375	21,324
Equipment	2,500	6,182
Advertisement	2,000	-
Supplies	1,575	18,726
	<u>\$ 330,228</u>	<u>\$ 290,052</u>

Contributed payroll wages and benefits are provided by the University. The fair value represents actual amounts paid for University employees who spend time on Foundation program and support activities. Amounts are not donor restricted.

Donated auction items are auctioned to attendees of the annual fundraising dinner. The items are valued at the sale price received during the auction on the day of the event. Amounts are not donor restricted.

Contributed equipment and supplies are valued using estimated prices of similar products based on condition at the time of the contribution. Contributed equipment is used in the photography department. Contributed supplies are used in the alumni association and for various repairs. Amounts are not donor restricted.

Contributed advertising is used for fundraising events and is valued based on current rates for such services. Amounts are not donor restricted.

### (14) Liquidity

The Foundation receives significant contributions with donor restrictions to be used in accordance with the associated purpose restrictions. It also receives gifts to establish endowments that will exist in perpetuity; the income generated from such endowments is used to fund programs. In addition, the Foundation receives support without donor restrictions.

# BLACK HILLS STATE UNIVERSITY FOUNDATION

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

### (14) Liquidity

As described in Note 1, the Foundation's endowments are subject to annual spending rates and allocations authorized by the Foundation Board. General expenditures include administrative and general expenses, fundraising expenses and grant commitments expected to be paid in the subsequent year. Annual operations are defined as activities occurring during the Foundation's fiscal year.

In the event of unanticipated liquidity needs, the Foundation has borrowing capacity and could obtain an operating line of credit for short term funding shortages, if needed. The Foundation may also solicit donors if the need arises.

The table below presents financial assets available for general expenditures within one year at December 31, 2022 and 2021:

	2022	2021
<i>Financial Assets at year end:</i>		
Cash and Cash Equivalents	\$ 1,132,162	\$ 2,000,805
Other Receivables	4,169	11,809
Unconditional Promises to Give, Net	2,424,885	789,793
Cash Surrender Value of Life Insurance	1,938,174	1,837,426
Investments	23,971,601	27,031,502
<b>Total Financial Assets</b>	<b>29,470,991</b>	<b>31,671,335</b>
<i>Less amounts not available to be used within one year:</i>		
Amounts Held for Others	3,784,048	4,146,993
Liability under Charitable Gift Annuity	94,455	95,315
Net Assets with Donor Restriction	24,824,629	26,520,715
	<b>28,703,132</b>	<b>30,763,023</b>
<b>Financial Assets Available to Meet General Expenditures Within One Year</b>	<b>\$ 767,859</b>	<b>\$ 908,312</b>