



South Dakota State University

Annual Financial Report
For the Year Ended June 30, 2023

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

Colleges and Agencies

University Proper

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

SDSU Extension

Agricultural Experiment Station



For the year ended June 30, 2023



SOUTH DAKOTA STATE UNIVERSITY

Office of the President

March 1, 2024

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

Dear President Rave:

Enclosed is South Dakota State University's Annual Financial Report for the fiscal year 2023.
The report includes all financial transactions for the twelve-month period ending June 30, 2023.

Sincerely,

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

Barry H. Dunn, PhD.
President

Enclosure:

**SOUTH DAKOTA STATE UNIVERSITY
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2023**

BOARD OF REGENTS

Tim Rave, President, Baltic
Jeff Partridge, Vice President, Rapid City
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SOUTH DAKOTA STATE UNIVERSITY

Dr. Barry Dunn, President of the University

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Yura Chong-Elverud, Controller



SOUTH DAKOTA STATE UNIVERSITY

Division of Finance and Budget

March 1, 2024

Dr. Barry Dunn
President
South Dakota State University

Dear Dr. Dunn:

I am pleased to present the Annual Financial Report of South Dakota State University for the year ended June 30, 2023. These reports are presented in accordance with standards issued by the Governmental Accounting Standards Board (GASB) and provide a comprehensive view of financial operations.

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

All state fund expenditures are under the continuous pre-audit control of the State Auditor and all accounts are under the post-audit control of the Auditor General.

Sincerely,

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

Dr. Michael Holbeck
Vice President of Finance and Budget

**SOUTH DAKOTA STATE UNIVERSITY
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2023**

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**SOUTH DAKOTA STATE UNIVERSITY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023**

INTRODUCTION AND USING THE FINANCIAL STATEMENTS

The following Management’s Discussion and Analysis (MD&A) provides an overview of the financial position and activities of South Dakota State University (SDSU or the University) for the fiscal years ended June 30, 2023, 2022, and 2021. The MD&A is intended to foster a greater understanding of SDSU’s financial activities. Since this presentation includes summarized formats, it should be read in conjunction with the accompanying financial statements and notes. The accuracy of the discussion and analysis, financial statements, and note disclosures are the responsibility of management.

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

The financial activity of the South Dakota State University is not audited as a separate entity and is a part of the system-wide report that is further consolidated into the Annual Comprehensive Financial Report (ACFR) for the State of South Dakota. The Department of Legislative Audit expresses an opinion on the ACFR for the State of South Dakota, but not on the financial statements of individual state agencies or the state public universities. The state auditor has expressed unmodified opinions on the respective financial statements and related notes for the fiscal year ended June 30, 2023.

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

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

SDSU continues to be a front-runner in research, with faculty providing scientific leadership in various research centers, including: North Central Regional Sun Grant Center, Geospatial Sciences Center of Excellence, Biosystems Networks and Translational Research (BioSNTR),

**SOUTH DAKOTA STATE UNIVERSITY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023**

INTRODUCTION AND USING THE FINANCIAL STATEMENTS (CONTINUED)

South Dakota Center for Biologics Research and Commercialization, South Dakota Biofilm Science and Engineering Center, and the Dakota Bioproducts Innovation Institute.

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

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

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

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

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

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

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

FINANCIAL HIGHLIGHTS

Statements of Net Position

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

**SOUTH DAKOTA STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 20223**

FINANCIAL HIGHLIGHTS (CONTINUED)

Statements of Net Position (Continued)

<i>(In thousands)</i>	2023	2022	2021
Assets			
Current Assets	103,889	109,582	102,100
Non-Current Assets	5,653	6,063	6,944
Capital Assets, Net	681,155	630,050	626,394
Total Assets	790,696	745,695	735,439
Deferred Outflow on Debt Refinancing	1,248	1,364	1,490
Total Assets & Deferred Outflows of Resources	791,944	747,059	736,929
Liabilities			
Current Liabilities	47,759	36,750	31,854
Non-Current Liabilities	150,037	160,082	170,773
Deferred Inflow of Resources	642	693	744
Total Liabilities	198,437	197,525	203,372
Net Position			
Net Investment in Capital Assets	530,720	476,941	466,522
Restricted	8,633	12,366	9,291
Unrestricted	54,154	60,226	57,743
Total Net Position	593,507	549,534	533,557
Total Liabilities & Net Position	791,944	747,059	736,929

The University's financial position improved during fiscal year 2023 as seen by the \$44.0 million increase in net position. Total assets increased \$44.9 million, or 6.0 percent, and total liabilities increased \$0.9 million, or 0.5 percent, during fiscal year 2023. The University maintained its stable financial position with the current ratio of 2.18, compared to 2.98 at June 30, 2022. The strong current ratio is an indicator of good liquidity and the ability to meet short-term obligations.

<i>(In thousands)</i>	2023	2022	2021
Current Assets	103,889	109,582	102,100
Current Liabilities	47,759	36,750	31,854
Current Ratio	2.18	2.98	3.21

Current assets decreased \$5.7 million due to decreases in cash and cash equivalent (\$13.3 million) that offset increases in inventories (\$2.5 million) and Due from Federal Sources (\$5.2 million).

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

FINANCIAL HIGHLIGHTS (CONTINUED)

Statements of Net Position (Continued)

Non-Current Assets decreased due to the reduction of student loans, primarily the discontinued Perkins loan program, and is reflected in Notes Receivable (\$0.3 million).

The most significant change occurred within Capital Assets. Capital assets increased \$51.1 million driven by an increase in Building and Building Improvements (\$13.0 million), Construction in Progress (\$29.6 million) and other capital assets (\$8.5 million).

<i>(In thousands)</i>	2023	2022	2021	Increase / (Decrease)	
				AMOUNT	PERCENT
Capital Assets, Net					
Land	15,027	15,027	15,162	-	0%
Museum & Art Collections	9,698	9,689	9,671	9	0%
Construction in Progress	48,473	18,912	55,802	29,560	156%
Buildings & Building Improvements	534,603	521,606	490,196	12,998	2%
Land Improvements	13,548	13,697	11,737	(150)	-1%
Infrastructure	25,742	23,732	21,699	2,011	8%
Equipment & Other Property	30,747	24,417	21,917	6,330	26%
Intangible Assets	3,318	2,971	211	346	12%
Total Capital Assets, Net	681,155	630,050	626,394	51,105	8%

Significant Buildings and Building Improvements placed into service during FY23 include:

<i>(In thousands)</i>	FY23
Lincoln Hall	13,299
Berg Agricultural Hall	8,888
Stanley J. Marshall Center	4,859
Hilton M. Briggs Library	2,484
University Student Union	1,328
	30,858

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

FINANCIAL HIGHLIGHTS (CONTINUED)

Statements of Net Position (Continued)

Construction in Progress on June 30 includes:

<i>(In thousands)</i>	2023
Stanley J. Marshall Center	28,178
Pierson Hall	11,086
University Student Union	2,399
Hilton M. Briggs Library	2,107
Chiller Plant	1,283
Equipment	1,039
Individual Projects Less Than \$1Million	2,380
	48,473

Total Liabilities increased by \$0.9 million in fiscal year 2023, significant changes occurred in Accounts Payable (\$5.1 million increase), Unearned Revenue (\$4.6 million increase), Revenue Bonds Payable (\$8.1 million decrease), Obligations under Financed Capital (\$1.8 million decrease), Compensated Absences Payable (\$1.3 million increase), and Federal Capital Contribution (\$1.0 million decrease). The University continues to monitor the cash flow and identify opportunities to demonstrate prudent stewardship of funds.

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

A significant portion of the liabilities is debt related to capital assets. In fiscal year 2023, debt related to bonds made up 47.8% of the total liabilities while financed capital obligations accounted for 22.5%.

<i>(In thousands)</i>	2023		2022		2021	
Other Accrued Liabilities	\$ -	0.0%	\$ -	0.0%	\$ 643,385	0.3%
Revenue Bonds Payable	94,760	47.8%	102,841	52.1%	110,358	54.3%
Lease Obligation	1,680	0.8%	1,054	0.5%	-	0.0%
Financed Capital	44,717	22.5%	46,535	23.6%	48,269	23.7%
Total Debt Related to Capital Assets	141,157	71.1%	150,430	76.2%	159,270	78.3%
Total Liabilities	198,437		197,525		203,372	

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

FINANCIAL HIGHLIGHTS (CONTINUED)

Statements of Net Position (Concluded)

The University's net position increased by \$44.0 million to \$593.5 million, of which \$530.7 million is net investment in capital assets and \$8.6 million is restricted. Renewals & Replacements (for auxiliary buildings as required by bond covenants) continues to be a substantial portion of Restricted Net Position. The decrease in Renewals & Replacements in FY23 is due to the Pierson Hall project. The remaining \$54.2 million of unrestricted net position is for the University's educational/general operations or maintenance and future acquisition of plant facilities at the discretion of governance. The unrestricted net position is not subject to externally imposed restrictions

<i>(In thousands)</i>	2023	2022	2021
Net Investment in Capital Assets	530,720	476,941	466,522
Restricted Nonexpendable - Loans	769	442	1,103
Restricted Expendable:			
Scholarships and Fellowships	276	188	166
Research	3,430	3,657	(1,958)
Renewals & Replacements	4,158	8,080	9,980
Debt Service			
Unrestricted	54,154	60,226	57,743
Total Net Position	\$593,507	\$549,534	\$533,557

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

FINANCIAL HIGHLIGHTS (CONTINUED)

Statements of Revenues, Expenses, and Changes in Net Position

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

<i>(In thousands)</i>	2023	2022	2021
Total Operating Revenues	224,654	204,004	186,548
Total Operating Expenses	324,833	303,328	278,494
Operating Loss	(100,179)	(99,325)	(91,945)
Net Non-Operating Revenues	99,215	102,434	100,007
Other Revenues, Expenses, & Other Changes	44,379	12,536	26,699
Total Increase in Net Position	43,414	15,644	34,760
Net Position, Beginning of Year	549,534	533,557	498,797
Prior Period Adjustments	560	333	-
Net Position, End of Year	593,507	549,534	533,557

Operating revenues increased \$20.6 million from the prior year, but increased operating expenses resulted in an overall increased operating loss. Increases in Auxiliaries (\$1.3 million), General Sales & Services (\$3.7 million), and Grants and Contracts (\$16.2 million) were offset by a \$21.5 million increase in operating expenses. The increases are primarily in Personal Service and Benefits (\$14.4 million), Supplies and Materials (\$4.9 million), and Contractual Services (\$4.0 million).

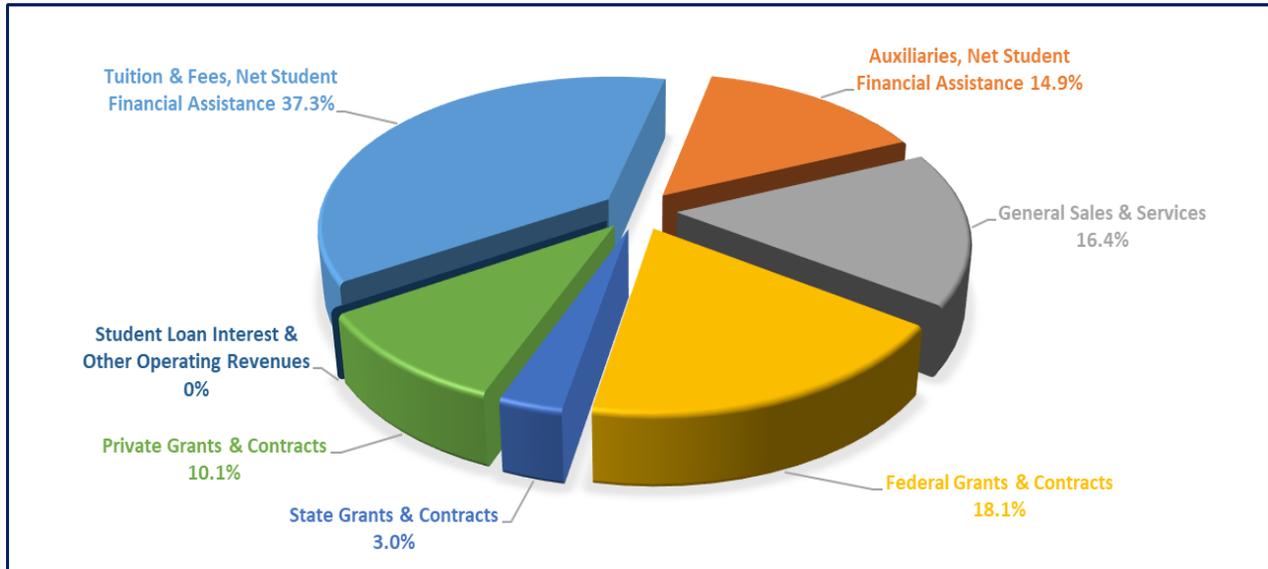
<i>(In thousands)</i>	2023	2022	2021
Operating Revenues			
Tuition & Fees, Net Student Financial Assistance	83,876	84,407	83,842
Auxiliaries, Net Student Financial Assistance	33,530	32,230	30,331
General Sales & Services	36,882	33,199	25,575
Federal Grants & Contracts	40,730	30,991	25,977
State Grants & Contracts	6,733	5,539	5,910
Private Grants & Contracts	22,791	17,487	14,524
Student Loan Interest & Other Operating Revenues	111	149	389
Total Operating Revenues	224,654	204,004	186,548

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

FINANCIAL HIGHLIGHTS (CONTINUED)

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

Operating revenues for fiscal year 2023:



Tuition & Fees and Auxiliaries are reported net of Student Financial Assistance on the Statements of Revenues, Expenses, and Changes in Net Position.

<i>(In thousands)</i>	2023	2022	2021
Total Tuition and Fees	100,507	99,903	98,476
Less Student Financial Assistance	(16,631)	(15,496)	(14,633)
Total Tuition & Fees, Net of Student Financial Assistance	83,876	84,407	83,842
Auxiliaries	40,190	38,153	35,171
Less Student Financial Assistance	(6,660)	(5,923)	(4,840)
Auxiliaries, Net of Student Financial Assistance	33,530	32,230	30,331

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

FINANCIAL HIGHLIGHTS (CONTINUED)

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

Overall Operating Expenses increased by \$21.5 million compared to the previous fiscal year. An increase in Personal Services and Benefits (\$14.4 million), an increase in Travel (\$3.4 million), an increase in Contractual Services (\$4.0 million), an increase in Supplies and Materials (\$4.9 million), an increase in Other Operating Expenses (\$1.8 million), and a decrease in Grants and Subsidies (\$6.7 million) all contributed to the total increase of \$21.5 million.

(In thousands)

Operating Expenses	2023	2022	2021
Personal Services and Benefits	181,744	167,384	166,382
Travel	10,960	7,577	2,864
Contractual Services	54,099	50,147	44,665
Supplies & Materials	34,669	29,758	23,645
Grants & Subsidies	13,528	20,270	14,773
Depreciation & Amortization of Intangibles	29,049	27,207	25,601
	324,049	302,342	277,931
Other Operating Expenses:			
Interest	40	3	1
Loan Cancellation Expense	234	581	252
Bad Debts	470	336	223
Other Operating Expense	40	66	88
Total Other Operating Expenses	784	986	563
Total Operating Expenses	324,833	303,328	278,494

Operating Expenses by University function:

(In thousands)

	2023	2022	2021
Instruction	76,383	72,286	70,580
Research	52,884	46,367	41,253
Public Service	31,724	29,312	26,196
Academic Support	21,447	19,388	20,157
Student Services	34,321	28,032	26,478
Institutional Support	21,987	21,719	17,182
Operations & Maintenance of Plant	47,991	41,283	41,426
Scholarships & Fellowships	8,378	16,215	11,881
Auxiliary Enterprises	29,717	28,727	23,341
Total Operating Expenses	324,833	303,328	278,494

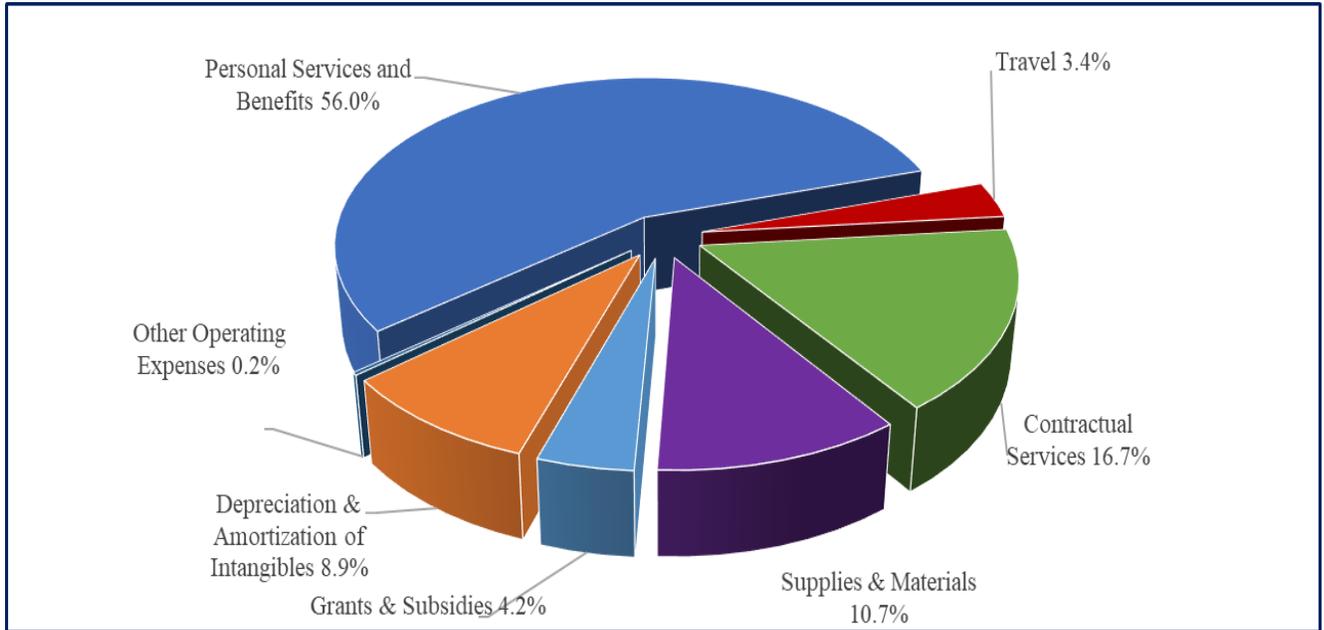
**SOUTH DAKOTA STATE UNIVERSITY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023**

FINANCIAL HIGHLIGHTS (CONTINUED)

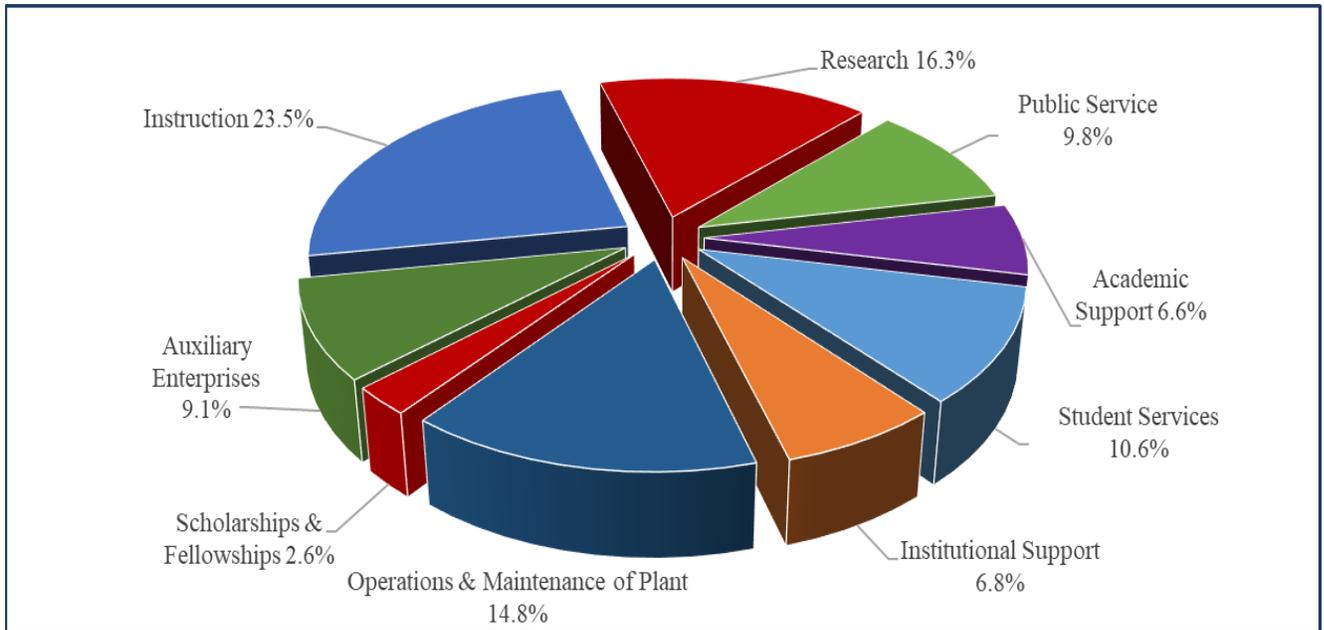
Statements of Revenues, Expenses, and Changes in Net Position (Continued)

Operating expenses for fiscal year 2023 are shown in the following graphs:

Natural Classification:



Functional Classification:



**SOUTH DAKOTA STATE UNIVERSITY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023**

FINANCIAL HIGHLIGHTS (CONTINUED)

Overall Non-Operating Revenues & Other Changes increased by \$34.3 million, or 26.8%, compared to the previous fiscal year. The increase is primarily driven by General Fund Appropriations (\$14.7 million) and Capital Grants & Contracts (\$20.6 million).

Throughout the COVID-19 pandemic, Congress has provided relief to higher education institutions through the Higher Education Emergency Relief Fund (HEERF). HEERF allotted funding to both students and institutions under each of the three relief packages, known as HEERF I, HEERF II, and HEERF III, respectively.

The University was awarded \$33.7 million from the CARES Act for HEERF as of fiscal year ended June 30, 2022. The student portion, \$15.0 million, provided emergency grants to students. The institutional portion, \$18.7 million, was used to cover costs associated with significant changes to the delivery of instruction due to COVID-19, to mitigate the impact of the virus, and other direct expenses. During the fiscal year, the University recognized \$1.8 million from HEERF III that met the restrictions of funding based on published guidance by the U.S. Department of Education. There is no remaining award of HEERF III to be recognized in following fiscal years. All restrictions of the federal funding have been fully met, and all revenues have been recognized.

	HEERF I	HEERF II	HEERF III	Total
Student	3,010	3,010	8,976	14,996
Institution	3,010	6,980	8,699	18,689
Total Award	6,020	9,990	17,674	33,685

(In thousands)

Revenue	FY20 (\$3.2M)	FY21 (\$9.9M)	FY22 (\$15.9M)
Recognition	FY21 (\$2.7M)		FY23 (\$ 1.8M)

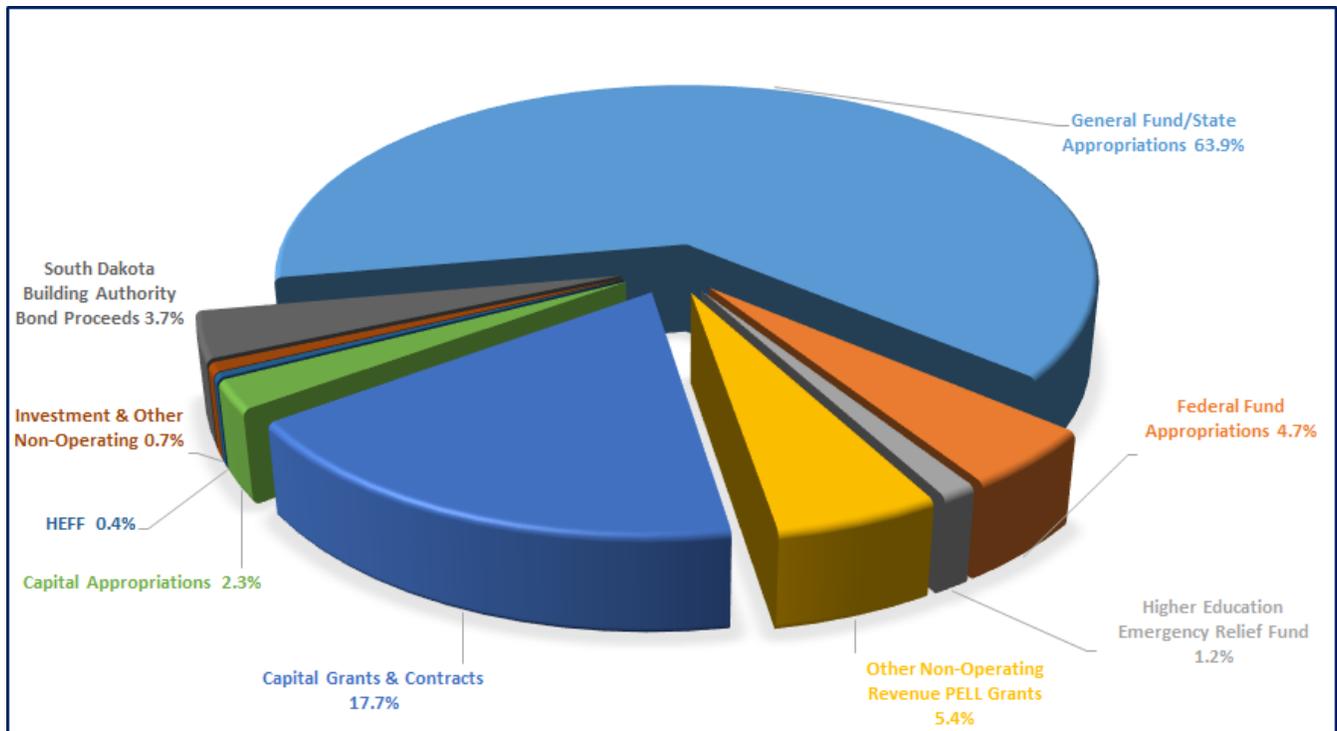
**SOUTH DAKOTA STATE UNIVERSITY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023**

FINANCIAL HIGHLIGHTS (CONTINUED)

(In thousands)

Non-Operating Revenues & Other Changes	2023	2022	2021
General Fund Appropriations	97,209	82,488	75,563
School & Public Lands (State Appropriations)	1,114	1,138	1,276
Coronavirus Relief Fund	-	-	1,325
Designated State Fee	779	779	779
General Fund M&R	149	182	227
Total General Fund/State Appropriations	99,251	84,587	79,171
Capital Higher Education Facilities Fund	3,510	1,156	4,639
Higher Education Facilities Fund	577	455	399
Total HEFF	4,087	1,610	5,038
Federal Fund Appropriations	7,121	5,427	5,564
Higher Education Emergency Relief Fund	1,788	15,886	12,718
Other Non-Operating Revenue PELL Grants	8,181	8,795	8,213
Capital Grants & Contracts	26,995	6,372	18,501
South Dakota Building Authority Bond Proceeds	5,669	3,253	1,758
Capital Appropriations	8,204	1,755	1,801
Investment & Other Non-Operating Revenue	1,093	388	685
	59,052	41,876	49,239
Total Non-Operating Revenues & Other Changes	162,390	128,073	133,449

Non-Operating Revenues & Other Changes for fiscal year 2023:



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

FINANCIAL HIGHLIGHTS (CONTINUED)

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

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

<i>(In thousands)</i>	2023	2022	2021
Total Operating Revenues	\$224,654	\$204,004	\$186,548
Total Operating Expenses	324,833	303,328	278,494
Operating Loss	(\$100,179)	(\$99,325)	(\$91,945)
General Fund Appropriations	\$97,209	\$82,488	\$75,563
Federal Fund Appropriations	7,121	5,427	5,564
Other Non-Operating Revenue PELL Grants	8,181	8,795	8,213
Coronavirus Relief Fund	-	-	1,325
Higher Education Emergency Relief Fund	1,788	15,886	12,718
	\$114,299	\$112,596	\$103,384
	14,120	13,272	11,438

The university's financial performance was impacted by flat tuition and fee revenues during a time of relatively high inflation. The United States' annual inflation rate for 2021 was 7.0%; for 2022 it was 6.5% and for 2023 it was 3.4%. The Board of Regents implemented a tuition and fee price freeze for 3 of the past 4 years to support affordability and accessibility. The tuition freeze was made possible by the legislature and Governor who supported an increased investment in higher education by increasing state general funds to cover salary policy and health insurance increases for personnel paid with state general funds and tuition.

Non-Operating Expenses increased by \$5.7 million. Interest Expense Related to Capital Assets decreased by \$0.5 million and Other Non-Operating Expenses increased by \$6.2 million. The \$13.0 million in FY23 Other Non-Operating expenses is related to a joint venture construction of a bio-processing facility funded through general fund appropriations.

<i>(In thousands)</i>	2023	2022	2021
Non-Operating Expenses			
Interest Expense Related to Capital Assets	(5,321)	(5,810)	(6,416)
Loss on Disposal of Capital Assets	(447)	(435)	(19)
Other Non-Operating Expenses	(13,028)	(6,860)	-
Bond Issuance Costs	-	-	(308)
Total Non-Operating Expenses	(18,797)	(13,104)	(6,744)

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

FINANCIAL HIGHLIGHTS (CONTINUED)

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

The University's significant funding from the Higher Education Facilities Fund (HEFF) and General Fund M&R (Appropriations) to fund non-capital projects and capital projects are as follows:

	Non-Operating Revenues		Other Revenues		Total
	HEFF	General Fund M&R	HEFF	Capital Appropriations	
<i>(In thousands)</i>					
Facility Projects					
Berg Agricultural Hall	-	-	184	4,069	4,252
Animal Science Projects	64	-	11	-	76
Hilton M. Briggs Library	-	-	415	1,794	2,209
Campus Maintenance Projects	502	118	403	1,102	2,125
Central Heating Plant	-	-	-	951	951
Crothers Engineering Hall	6	14	25	-	45
Lincoln Hall	-	-	736	-	736
Morrill Hall	-	-	99	76	175
Oscar Larson Performing Arts Center	-	6	104	-	110
Pugsley Center	-	-	-	42	42
South Dakota Art Museum	-	-	-	13	13
Stanley J. Marshall Center	-	9	362	12	383
Wecota Hall	-	-	-	89	89
Wintrode Student Success and Opportunity Center	-	-	48	-	48
Yeager Hall	-	-	76	-	76
Miscellaneous Capitalized Projects	4	2	1,047	56	1,109
	577	149	3,510	8,204	12,440

The University's significant funding from Capital Grants & Contracts to fund capital assets is as follows:

<i>(In thousands)</i>	Foundation	Non-Foundation	Total
Berg Agricultural Hall	2,237	-	2,237
Frank J. Kurtenbach Family Wrestling Center	3,310	-	3,310
South Dakota Art Museum	469	-	469
Stanley J. Marshall Center	20,712	-	20,712
Miscellaneous Capitalized Projects	40	-	40
Total Capital Projects	26,767	-	26,767
Art Museum	-	4	4
Equipment	-	224	224
Library	-	1	1
Total Capital Projects	26,767	228	26,995

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

FINANCIAL HIGHLIGHTS (CONCLUDED)

Statements of Cash Flows

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

<i>(In thousands)</i>	2023	2022	2021
Cash Provided (Used) by			
Operating Activities	(65,228)	(72,687)	(60,190)
Non-Capital Financial Activities	111,939	112,856	100,038
Capital Related Financing Activities	(60,340)	(38,537)	(26,146)
Investing Activities	351	663	994
Net Change in Cash	(13,279)	2,294	14,697
Cash, Beginning of Year	79,345	77,051	62,354
Cash, End of Year	66,066	79,345	77,051

Major sources of operating cash included Tuition & Fees and Auxiliaries of \$117.4 million, Grants & Contracts of \$69.1 million, and General Sales & Services of \$38.3 million. The largest use of operating cash was for Personal Services of \$180.0 million.

The most significant sources of cash for non-capital financial activities cash were General Fund Appropriations of \$97.2 million and PELL Grants of \$8.1 million.

Capital related financing activities were primarily funded by Capital Appropriations of \$8.2 million, Capital Grants and Contracts of \$28.4 million, and \$5.7 million from SDBA bond proceeds. The most significant uses of cash included the Purchase of Capital Assets of \$77.3 million (predominately for Buildings & Building Improvement construction expenditures), and debt service payments of \$15.8 million.

University cash balances are as follows:

<i>(In thousands)</i>	2023	2022	2021
Fund Type			
Unrestricted Non-Appropriated funds	52,023	56,560	60,012
Renewal and Replacement funds	13,781	18,597	16,530
Loan Funds	1,710	1,936	2,633
Unexpended Plant funds	295	(50)	127
Retirement of Indebtedness funds	2,475	2,452	2,580
Unrestricted Appropriated funds	1,218	971	1,388
Restricted Non-Appropriated funds	(4,499)	(621)	(5,624)
Restricted Appropriated funds	(939)	(500)	(596)
	66,066	79,345	77,051

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**SOUTH DAKOTA STATE UNIVERSITY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023**

FINANCIAL PERFORMANCE

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

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

FY23	FY22	FY21
0.51	0.53	0.49

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

FY23	FY22	FY21
-1.0%	2.1%	2.7%

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

FY23	FY22	FY21
8.1%	11.7%	10.8%

**SOUTH DAKOTA STATE UNIVERSITY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023**

FINANCIAL PERFORMANCE (CONTINUED)

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

FY23	FY22	FY21
1.05	0.94	0.64

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

FY23	FY22	FY21
3.0	3.5	3.0

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

ECONOMIC OUTLOOK

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

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

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

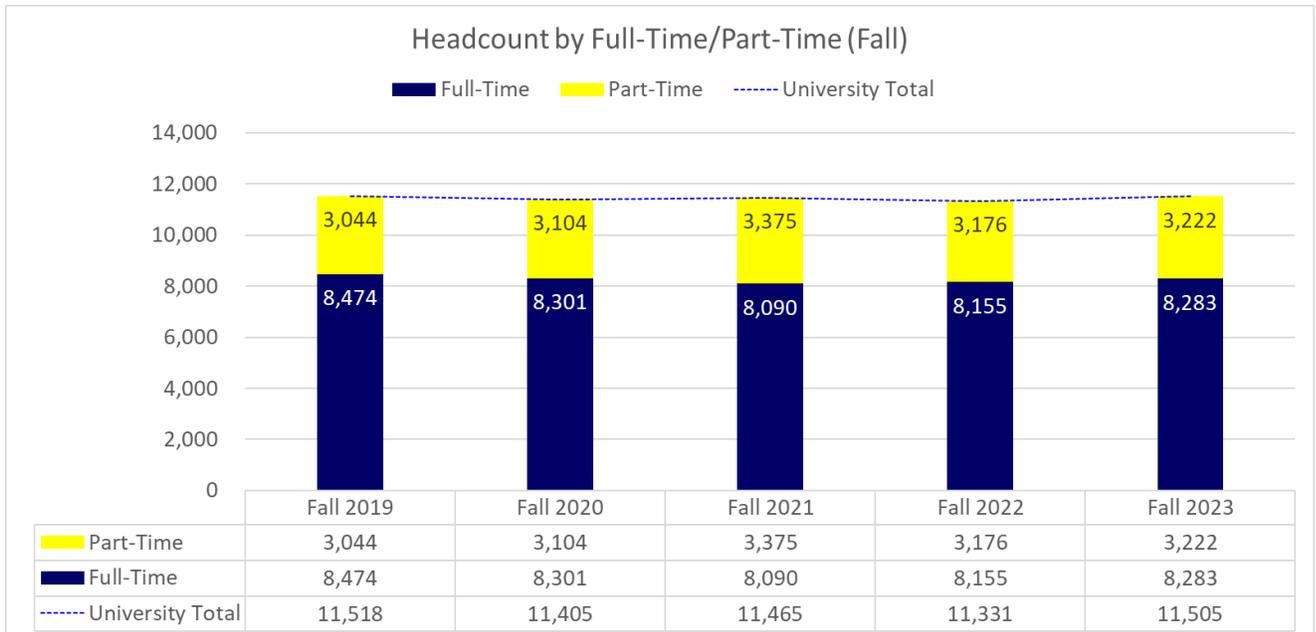
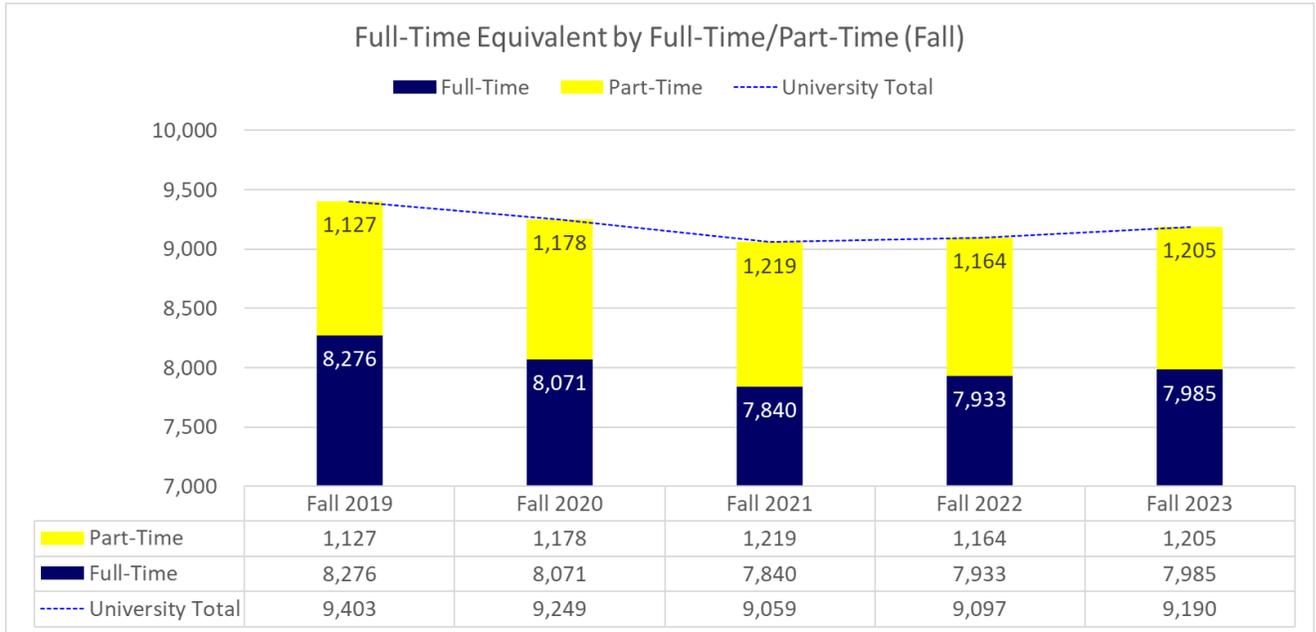
Foster innovation and increase research, scholarship, and creative activity: SDSU continues to foster innovation and research and works towards expanding the number of public-private activities located in the Research Park at SDSU. The University is also increasing partnership and sponsorship opportunities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

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

**SOUTH DAKOTA STATE UNIVERSITY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023**

ECONOMIC OUTLOOK (CONCLUDED)

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



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SOUTH DAKOTA STATE UNIVERSITY
STATEMENTS OF NET POSITION
FOR THE YEARS ENDING JUNE 30, 2023 & 2022

	2023	2022
Assets		
Current Assets		
Cash On Deposit-State Treasurer	\$ 66,067,880	\$ 79,329,186
Cash and Cash Equivalents	(2,228)	15,784
Accounts Receivable-Student (Net of Allowance of \$2,4989,000 & \$2,322,656, Respectively)	4,356,017	5,106,594
Accounts Receivable-Department Sales	3,258,888	3,530,962
Notes Receivable (Net of Allowance of \$48,122 & \$38,394, Respectively)	1,206,505	1,459,180
Interest Receivable	883,227	349,771
Prepaid Expenses	5,347,758	5,592,241
Inventories	8,437,696	5,964,103
Due From Federal Sources	12,638,048	7,470,037
Due From Primary Government	938,015	522,194
Due From Other Component Units	757,022	241,591
Total Current Assets	\$ 103,888,828	\$ 109,581,643
Non-Current Assets		
Notes Receivable (Net of Allowance of \$120,026 & \$107,161, Respectively)	\$ 5,242,918	\$ 5,543,695
Investments	409,707	393,921
Other Assets	-	125,425
Total Non-Current Assets	\$ 5,652,625	\$ 6,063,041
Capital Assets, Net		
Land	\$ 15,026,602	\$ 15,026,602
Museum & Art Collections	9,697,789	9,688,789
Construction in Progress	48,472,638	18,912,189
Buildings and Building Improvements (Net of Accum Depr \$268,555,857 & \$249,561,264, Respectively)	534,603,371	521,605,610
Land Improvements (Net of Accum Depr \$14,047,608 & \$12,920,257, Respectively)	13,547,622	13,697,294
Infrastructure (Net of Accum Depr \$12,140,262 & \$11,185,490, Respectively)	25,742,116	23,731,533
Equipment & Other Property (Net of Accum Depr \$105,262,971 & \$102,455,113, Respectively)	30,746,893	24,416,547
Right-to-use Leased Assets (Net of Accum Depr \$888,551 & \$253,231, Respectively)	1,587,456	994,772
Intangible Assets (Net of Accum Depr \$933,565 & \$687,313, Respectively)	1,730,335	1,976,586
Total Capital Assets, Net	\$ 681,154,821	\$ 630,049,923
Deferred Outflows of Resources		
Deferred outflow on Debt Refunding	\$ 1,247,741	\$ 1,364,294
Total Assets & Deferred Outflows of Resources	\$ 791,944,015	\$ 747,058,901

SOUTH DAKOTA STATE UNIVERSITY
STATEMENTS OF NET POSITION
FOR THE YEARS ENDING JUNE 30, 2023 & 2022

	2023	2022
LIABILITIES		
Current Liabilities		
Accounts Payable	\$ 13,888,175	\$ 8,817,629
Accrued Wages & Benefits	4,498,906	4,064,997
Accrued Interest Payable	899,075	975,000
Due to Primary Government	281,049	266,247
Due to Other Component Units	40,514	-
Student Deposits	540,694	665,064
Unearned Revenue	10,225,165	5,653,940
Financed Capital	1,894,682	1,817,723
Lease Obligations	876,909	239,290
Revenue Bonds Payable	8,386,582	8,081,582
Compensated Absences Payable	6,226,776	6,168,872
Total Current Liabilities	\$ 47,758,526	\$ 36,750,343
Non-Current Liabilities		
Financed Capital	\$ 42,822,313	\$ 44,716,995
Lease Obligations	803,183	814,936
Revenue Bonds Payable	86,373,295	94,759,877
Compensated Absences Payable	12,614,345	11,350,017
Federal Capital Contribution	7,423,433	8,439,754
Total Non-Current Liabilities	\$ 150,036,571	\$ 160,081,579
Deferred Inflows		
Gain on Debt Refinancing	\$ 641,526	\$ 692,849
Total Liabilities and Deferred Inflows	\$ 198,436,623	\$ 197,524,771
Net Position		
Net Investment in Capital Assets	\$ 530,720,500	\$ 476,941,316
Restricted Nonexpendable - Loans	768,801	441,663
Restricted Expendable:		
Scholarships and Fellowships	276,025	188,234
Research	3,430,067	3,656,972
Renewals & Replacements	4,158,138	8,079,624
Unrestricted	54,153,862	60,226,321
Total Net Position	\$ 593,507,392	\$ 549,534,130
Total Liabilities & Net Position	\$ 791,944,015	\$ 747,058,901

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

South Dakota State University Foundation
Consolidated Statements of Financial Position
December 31, 2022 and 2021

	2022	2021
Assets		
Cash and Cash Equivalents	\$ 19,603,647	\$ 25,049,355
Investments (Note 3)	275,844,227	260,600,806
Receivables		
Promises to give, net of allowance and discount (Note 4)	41,049,332	21,439,403
Trusts held by others	3,616,890	4,074,134
Notes, contract, and other receivables (Note 5)	3,852,611	4,649,856
Operating Property, Net of Accumulated Depreciation (Note 1)	14,844,974	13,971,014
Other Property Held (Note 1)	9,075,995	12,436,275
Other Assets		
Prepaid expenses, inventory, and other assets	465,423	145,085
Cash surrender value of life insurance	302,214	293,832
Life estates	5,050,402	5,050,402
Beneficial interest in perpetual trust	1,036,765	1,287,010
	<u>\$ 374,742,480</u>	<u>\$ 348,997,172</u>
Liabilities		
Accounts Payable, Accrued Expenses, and Other Liabilities	\$ 1,073,518	\$ 804,041
Scholarships Payable	3,696,638	2,656,731
Investments Held for Others	268,806	321,616
Gift Annuities, Life Income Agreements, and Life Estates	5,207,715	6,405,789
Notes Payable (Note 6)	2,045,846	2,133,434
Deposits From Donors (Note 1)	-	3,333,333
	<u>12,292,523</u>	<u>15,654,944</u>
Net Assets (Deficit)		
Without Donor Restrictions (Note 8)	(6,608,448)	(7,544,671)
With Donor Restrictions (Note 9)	369,058,405	340,886,899
	<u>362,449,957</u>	<u>333,342,228</u>
	<u>\$ 374,742,480</u>	<u>\$ 348,997,172</u>

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SOUTH DAKOTA STATE UNIVERSITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDING JUNE 30, 2023 & 2022

	2023	2022
Operating Revenues		
Tuition		
State-Support Tuition	\$ 51,299,697	\$ 51,416,907
Self-Support Tuition	19,221,633	18,936,187
Total Tuition	\$ 70,521,330	\$ 70,353,094
Fees		
General Activity Fees	\$ 9,771,514	\$ 9,929,680
Special Discipline Fees	15,492,392	15,611,125
Vehicle Registration Fees	981,023	905,565
Delivery Fees	922,925	893,272
Other Fees	369,734	350,844
Student Charges	2,448,042	1,859,806
Total Fees	\$ 29,985,630	\$ 29,550,291
Total Tuition and Fees	\$ 100,506,960	\$ 99,903,386
Less Student Financial Assistance	(16,631,356)	(15,496,180)
Total Tuition & Fees, Net of Student Financial Assistance	\$ 83,875,604	\$ 84,407,206
Auxiliaries	\$ 33,529,884	\$ 32,230,266
(Net Student Financial Assistance \$6,659,837 & \$5,923,063, Respectively)		
General Sales & Services	36,882,001	33,199,183
Federal Grants & Contracts	40,730,144	30,991,408
State Grants & Contracts	6,733,125	5,538,766
Private Grants & Contracts	22,791,314	17,487,371
Student Loan Interest	73,866	112,070
Other Revenues & Additions	37,590	37,370
Total Operating Revenues	\$ 224,653,526	\$ 204,003,640
Operating Expenses		
Personal Services and Benefits	\$ 181,744,324	\$ 167,383,618
Travel	10,959,887	7,577,145
Contractual Services	54,098,669	50,146,504
Supplies & Materials	34,669,201	29,758,069
Grants & Subsidies	13,528,179	20,269,852
Interest	39,700	2,937
Loan Cancellation Expense	234,219	581,315
Bad Debts	470,477	335,656
Depreciation	28,166,942	26,799,260
Amortization of Intangibles	881,571	407,764
Other Operating Expense	39,855	66,378
Total Operating Expenses	\$ 324,833,024	\$ 303,328,498
Operating Loss	\$ (100,179,499)	\$ (99,324,858)

SOUTH DAKOTA STATE UNIVERSITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDING JUNE 30, 2023 & 2022

	2023	2022
Non-Operating Revenues (Expenses)		
General Fund Appropriations	\$ 97,209,172	\$ 82,487,720
School & Public Lands	1,113,827	1,137,642
Federal Fund Appropriations	7,121,338	5,427,497
Higher Education Facilities Fund	576,907	454,530
General Fund M&R	148,575	182,090
Designated State Fee	779,100	779,100
Investment Income	884,028	349,774
Higher Education Emergency Relief Fund	1,788,150	15,886,337
Other Non-Operating Revenue PELL Grants	8,181,164	8,794,892
Other Non-Operating Revenue & Additions	208,843	38,331
Interest Expense Related to Capital Assets	(5,321,349)	(5,809,970)
Loss on Disposal of Capital Assets	(446,809)	(434,590)
Other Non-Operating Expenses	(13,028,348)	(6,859,819)
Total Non-Operating Revenues (Expenses)	\$ 99,214,598	\$ 102,433,534
Other Revenues, Expenses, & Other Changes		
Capital Grants & Contracts	\$ 26,995,274	\$ 6,371,927
South Dakota Building Authority Bond Proceeds	5,668,864	3,253,163
Capital Appropriations	8,203,937	1,754,571
Higher Education Facilities Fund	3,510,461	1,155,859
Total Other Revenues, Expenses, & Other Changes	\$ 44,378,536	\$ 12,535,519
Increase in Net Position	\$ 43,413,636	\$ 15,644,195
Net Position, Beginning of Year	\$ 549,534,130	\$ 533,557,122
Prior Period Adjustments	559,627	332,812
Net Position, End of Year	\$ 593,507,393	\$ 549,534,130

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

South Dakota State University Foundation
 Consolidated Statements of Activities
 Years Ended December 31, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support, and Gains						
Gifts	\$ 261,248	\$ 70,856,559	\$ 71,117,807	\$ 299,647	\$ 68,741,268	\$ 69,040,915
Contributions of nonfinancial assets	1,670	448,895	450,565	7,785	446,342	454,127
Net investment return	547,164	(13,918,440)	(13,371,276)	994,714	27,565,412	28,560,126
Change in split interest agreements	(1,299)	(908,093)	(909,392)	(1,287)	1,373,516	1,372,229
Other revenue						
Development services - SDSU	2,075,000	100,000	2,175,000	1,950,000	100,000	2,050,000
Other	36,673	483,240	519,913	7,824	404,301	412,125
	<u>2,920,456</u>	<u>57,062,161</u>	<u>59,982,617</u>	<u>3,258,683</u>	<u>98,630,839</u>	<u>101,889,522</u>
Net assets released from restrictions (Note 9)	28,890,655	(28,890,655)	-	29,516,968	(29,516,968)	-
Total revenue, support, and gains	<u>31,811,111</u>	<u>28,171,506</u>	<u>59,982,617</u>	<u>32,775,651</u>	<u>69,113,871</u>	<u>101,889,522</u>
Expenses						
Program Services						
SDSU scholarships	9,391,260	-	9,391,260	6,658,635	-	6,658,635
SDSU operational and program support	5,232,868	-	5,232,868	4,597,225	-	4,597,225
SDSU capital projects	6,185,414	-	6,185,414	8,984,960	-	8,984,960
Grants to others	1,883,270	-	1,883,270	144,458	-	144,458
Total program services	<u>22,692,812</u>	<u>-</u>	<u>22,692,812</u>	<u>20,385,278</u>	<u>-</u>	<u>20,385,278</u>
Support Services						
Administrative and general expenses	4,293,748	-	4,293,748	3,953,405	-	3,953,405
Fundraising expenses	3,888,328	-	3,888,328	4,065,769	-	4,065,769
Total support services	<u>8,182,076</u>	<u>-</u>	<u>8,182,076</u>	<u>8,019,174</u>	<u>-</u>	<u>8,019,174</u>
Total expenses	<u>30,874,888</u>	<u>-</u>	<u>30,874,888</u>	<u>28,404,452</u>	<u>-</u>	<u>28,404,452</u>
Change in Net Assets	936,223	28,171,506	29,107,729	4,371,199	69,113,871	73,485,070
Beginning Net Assets	(7,544,671)	340,886,899	333,342,228	(11,915,870)	271,773,028	259,857,158
Ending Net Assets	<u>\$ (6,608,448)</u>	<u>\$ 369,058,405</u>	<u>\$ 362,449,957</u>	<u>\$ (7,544,671)</u>	<u>\$ 340,886,899</u>	<u>\$ 333,342,228</u>

**SOUTH DAKOTA STATE UNIVERSITY
FINANCIAL STATEMENT FOR FIDUCIARY FUND
FOR THE YEARS ENDING JUNE 30, 2023 & 2022**

STATEMENT OF FIDUCIARY NET POSITION

	2023	2022
FIDUCIARY FUND ASSETS:		
Cash and Cash Equivalents	318,358	320,142
Accounts Receivable	4,324	2,097
TOTAL ASSETS	322,682	322,239
FIDUCIARY FUND LIABILITIES:		
Accounts Payable & Accrued Liabilities	2,099	2,411
TOTAL LIABILITIES	2,099	2,411
FIDUCIARY FUND NET POSITION:		
Restricted for outside organization	320,583	319,828
TOTAL NET POSITION	320,583	319,828
TOTAL FIDUCIARY FUND LIABILITIES AND NET POSITION	322,682	322,239

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

	2023	2022
ADDITIONS		
General Sales & Services	199,109	225,401
TOTAL ADDITIONS	199,109	225,401
DEDUCTIONS		
Travel	40,166	36,577
Contractual	58,122	49,527
Other	100,067	103,880
TOTAL DEDUCTIONS	198,355	189,985
CHANGES IN NET ASSETS FOR FIDUCIARY FUND	755	35,417
Net Position, Beginning of Year	319,828	171,782
Prior Period Adjustments	-	112,629
Net Position, End of Year	320,583	319,828

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

SOUTH DAKOTA STATE UNIVERSITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDING JUNE 30, 2023 & 2022

	2023	2022
Cash Flows From Operating Activities		
Tuition & Fees	\$ 84,060,077	\$ 83,768,017
Auxiliaries (Net of Student Financial Assistance)	33,295,102	32,131,623
General Sales & Services	38,309,619	32,757,822
Federal Grants & Contracts	40,493,296	31,102,704
State Grants & Contracts	5,475,850	5,533,436
Private Grants & Contracts	23,165,242	15,418,100
Loans Collected from Students	1,237,929	1,330,629
Loans Issued to Students	(941,288)	(843,158)
Student Loan Interest	73,866	112,070
Other Receipts	31,438	65,379
Personal Services and Benefits	(179,988,183)	(166,905,980)
Travel	(10,511,708)	(7,439,277)
Contractual Services	(51,418,889)	(50,934,384)
Supplies & Materials	(35,677,095)	(29,152,016)
Grants & Subsidies	(12,753,755)	(19,563,085)
Interest	(39,700)	(2,937)
Other Payments	(39,855)	(66,378)
Net Cash Flows Used by Operating Activities	\$ (65,228,054)	\$ (72,687,431)
Cash Flows From Non-Capital Financial Activities		
General Fund Appropriations	\$ 97,209,172	\$ 82,487,720
School & Public Lands	1,113,827	1,137,642
Federal Fund Appropriations	2,792,171	4,199,158
Federal Loans Disbursements (Stafford & PLUS)	(42,466,142)	(42,544,760)
Federal Loan Receipts (Stafford & PLUS)	42,466,142	42,544,760
Higher Education Facilities Fund	576,907	454,530
General Fund M&R	148,575	182,090
Designated State Fees	779,100	779,100
Federal Capital Contribution-Student Loans	(456,694)	(1,082,508)
Payment for Other Expenditures	(1,989,726)	-
Other Non-Operating Revenue PELL Grants	8,181,164	8,794,892
Other Non-Operating Revenue & Additions	208,843	38,331
Higher Education Emergency Relief Funds	3,375,220	15,864,705
Net Cash Flows Provided by Non-Capital Financial Activities	\$ 111,938,560	\$ 112,855,659
Cash Flows From Capital Related Financing Activities		
Higher Education Facilities Fund	\$ 3,510,461	\$ 1,155,859
South Dakota Building Authority Bond Proceeds	5,668,864	3,253,163
Purchase of Capital Assets	(77,254,066)	(30,701,203)
Proceeds on Disposal of Capital Assets	-	990,308
Revenue Bond Discounts and Related Costs	(13,028,348)	(6,911,141)
Principal Payments on Lease & Revenue Bonds	(9,499,860)	(9,086,079)
Interest Payments on Leases & Revenue Bonds	(6,333,625)	(6,901,006)
Build America Bond Subsidy	-	-
Capital Appropriations	8,203,937	1,754,571
Capital Grants & Contracts	28,392,240	7,908,261
Net Cash Flows Used by Capital Related Financing Activities	\$ (60,340,397)	\$ (38,537,267)

SOUTH DAKOTA STATE UNIVERSITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDING JUNE 30, 2023 & 2022

	2023	2022
Cash Flows From Investing Activities		
Investment Income	\$ 350,572	\$ 662,762
Net Increase (Decrease) in Cash	\$ (13,279,319)	\$ 2,293,722
Cash, Beginning of year	79,344,971	77,051,249
Cash, End of year	\$ 66,065,652	\$ 79,344,971
Reconciliation of Net Operating Loss to Net Cash Used by Operating Activities		
Operating Loss	\$ (100,179,499)	\$ (99,324,858)
Adjustments to Reconcile Operating Loss to Net Cash Flows Used by Operating Activities		
Depreciation	28,166,942	26,799,260
Amortization of Intangibles	881,571	407,764
Bad Debts	470,477	335,656
Loan Cancellation Expense	234,219	581,315
Change in Assets and Liabilities		
Accounts Receivable-Students	308,844	(655,777)
Accounts Receivable-Department Sales	(1,127,892)	(2,974,774)
Notes Receivable	290,489	515,481
Prepaid Expenses	244,482	(3,034,299)
Inventories	(2,473,593)	(207,540)
Due from Federal Sources	(838,843)	392,657
Due from Primary Government	(415,821)	105,525
Due from Other Component Units	(515,431)	30,153
Accounts Payable	5,070,546	4,033,150
Accrued Wages & Benefits	433,909	191,736
Due to Primary Government	14,802	35,682
Due to Other Component Units	40,514	(137,887)
Student Deposits	(124,370)	16,588
Compensated Absences Payable	1,322,233	285,903
Unearned Revenue	2,968,369	(83,168)
Net Cash Used by Operating Activities	\$ (65,228,054)	\$ (72,687,431)

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

South Dakota State University Foundation

Consolidated Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	2022	2021
Operating Activities		
Change in net assets	\$ 29,107,729	\$ 73,485,070
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	867,355	962,952
Net realized and unrealized losses (gains)	24,306,762	(18,404,333)
Gain on the disposal of operating property	(215,051)	(205,822)
Gain on the disposal of other property held	(5,211,778)	(5,706,639)
Provision for uncollectible receivables	1,074,802	349,014
Change in value of cash surrender value of life insurance	(8,382)	250,939
Change in value of beneficial interest in perpetual trust	250,245	(130,096)
Change in other split-interests held as investments	1,367,483	(231,910)
Contributions restricted for long-term purposes	(10,268,371)	(32,326,226)
Non-cash gift to the University (equipment)	125,357	253,796
Changes in assets and liabilities		
Promises to give	(18,406,913)	(3,731,658)
Other receivables	67,446	(60,000)
Trusts held by others	457,244	(400,284)
Prepaid expenses, inventory, and other assets	(320,338)	44,132
Accounts payable, accrued expenses, and other liabilities	216,667	407,613
Deposits from donors	(3,333,333)	3,333,333
Due to SDSU - scholarships	1,039,907	(336,519)
Gift annuities, life income agreements, and life estates	(1,198,074)	(615,104)
Net Cash Provided by Operating Activities	19,918,757	16,938,258
Investing Activities		
Proceeds from the sale of investments	13,719,062	21,102,118
Purchases of investments	(54,636,728)	(57,440,175)
Proceeds from SDSU for the sale of operating property	1,569,187	796,538
Proceeds from unrelated entities for the sale of operating property	108,000	598,504
Purchases of operating property	(3,203,451)	(2,418,625)
Proceeds from the sale of other property held	9,092,994	11,904,210
Purchases of other property held	(646,293)	(298,038)
Receipts on notes, contract, and other receivables	729,799	2,941,821
Net Cash Used for Investing Activities	(33,267,430)	(22,813,647)

South Dakota State University Foundation

Consolidated Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Financing Activities		
Payments on notes payable	\$ (87,588)	\$ (2,554,741)
Payments on bonds payable	-	(12,560,659)
Proceeds from contributions restricted for long-term purposes	<u>7,990,553</u>	<u>30,816,440</u>
Net Cash Provided by Financing Activities	<u>7,902,965</u>	<u>15,701,040</u>
Net Change in Cash and Cash Equivalents	(5,445,708)	9,825,651
Cash and Cash Equivalents, Beginning of Year	<u>25,049,355</u>	<u>15,223,704</u>
Cash and Cash Equivalents, End of Year	<u>\$ 19,603,647</u>	<u>\$ 25,049,355</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	\$ 111,104	\$ 621,291

**SOUTH DAKOTA STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation, Accounting, and Reporting Entity

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

The University implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, effective for the fiscal year ended June 30, 2023. GASB 96 establishes a single model for SBITAs accounting based on the foundational principle that SBITAs are financings of the right to use an underlying information technology (IT) software subscription asset. Under this statement, the university records a right-to-use subscription asset and a corresponding subscription liability with the objective of enhancing transparency through the recognition of SBITAs. This statement impacts how the university accounts for and reports SBITAs substantially.

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

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

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

**SOUTH DAKOTA STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Accounting

In order to ensure observance of the limitations and restrictions placed on the use of the resources available, the University's accounts are maintained according to the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are maintained in accordance with activities or objectives specified by donors, governmental appropriations, granting agencies, and other outside sources or regulations. Separate funds are maintained for each activity; however, in the financial statements, all funds have been combined to present the University from a comprehensive entity-wide perspective.

Use of Estimates

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

Emerging Accounting Standards

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

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections*, an amendment of GASB Statement No. 62. This statement clarifies practice by providing guidance for the classification and financial reporting treatment of various accounting changes and error corrections. The university is in the process of evaluating the impact of implementation of this Statement on its financial statements but does not expect it to have any material impact. This statement is effective for the University's year ending June 30, 2025.

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. This statement establishes the recognition and measurement guidance for compensated absence. This statement will impact the university's calculation of the compensated absences liability. The university is in the process of evaluating the impact this statement may have on the University's financial statements. This statement is effective for the University's year ending June 30, 2025.

**SOUTH DAKOTA STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash & Cash Equivalents

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

Cash and Restricted Cash on Deposit-State Treasurer

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

Accounts Receivable and Notes Receivable

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

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

Prepaid Expenses

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

Inventories

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

Due to/Due from

Due from Federal Sources represent grant expenditures or Federal Appropriations for which reimbursement has not yet been received. Due to/Due from Primary Government represents

**SOUTH DAKOTA STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

balances owed to or from various South Dakota state agencies outside of Higher Education. Due to/Due from Other Component Units represent funds owed to or from other South Dakota public universities, the South Dakota Board of Regents, or South Dakota Building Authority (SDBA).

Capital Assets

Capital assets include property, plant, equipment, museum and art collections, intangible assets and right-to-use leased assets. Capital assets are capitalized at cost, or estimated historical cost, if original cost records are not available.

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

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

Equipment & Other Property is capitalized when the unit cost equals or exceeds \$5,000 and the useful life is one year or longer, then depreciated over various useful lives based on asset classes. Equipment & Other Property includes library books, collections, and nursing films as of the fiscal year end. Books and films are capitalized at cost during the year of their purchase and depreciated based on a ten-year average. Upon disposal, books and films are valued and removed at the previous year's average cost at year end. Nursing films are removed at actual cost if available, otherwise a reasonable cost is used for disposition.

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

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

SOUTH DAKOTA STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Right to Use Assets represents the University's right to use an underlying lease asset for the lease term, as specified in the contract, in an exchange or exchange-like transaction. Lease assets are recognized at the commencement date based on the initial measurement of the leased liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. Lease assets are amortized on a straight-line basis over the lease term and lease liabilities are recognized based on the present value of expected lease payments over the lease term and an estimated incremental borrowing rate as the discount rate unless the rate the lessor charges is known. Residual value guarantees and exercise options are included in the measurement if they are reasonably certain to be exercised.

Deferred Outflows of Resources

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

Accounts Payable and Accrued Wages & Benefits

Accounts Payable represent amounts due for goods received and services performed prior to the end of the fiscal year. The balances include payables on construction projects of \$8,280,716 and \$3,349,650 at June 30, 2023 and 2022, respectively. Accrued Wages & Benefits represent amounts earned but not paid at June 30, 2023 and 2022.

Accrued Interest Payable

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

Unearned Revenue

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

Compensated Absences

Annual and sick leave is accrued as it is earned by employees. Upon termination, employees are eligible to receive compensation for their accrued annual leave balance. Employees who have been continuously employed by the State of South Dakota for seven years prior to the date of their retirement, voluntary resignation, or death will receive payment for one fourth of their accumulated sick leave balance, not to exceed the sum of twelve weeks of the employees' annual compensation.

**SOUTH DAKOTA STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Federal Capital Contribution

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

Income Taxes

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

Revenue Recognition and Operating Activities

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

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

The University recognized \$1,788,150 in Higher Education Emergency Relief Fund (HEERF) from the Federal CARES Act in the fiscal year of 2023. These funds were used to cover expenses of the university response to the global pandemic.

The University disbursed \$42,466,142 and \$42,544,760 for student loans through the U.S. Department of Education federal direct lending and federal guaranteed student loan programs, in the years ending June 30, 2023 and 2022, respectively. These disbursements and the related receipts are not included as revenue or expenditures in the accompanying statement of revenues, expenses, and changes in net position; however are reflected in the noncapital financing activities section of the statement of cash flows.

**SOUTH DAKOTA STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

Net Position

Net Position is reported in the following components:

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

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

Restricted Expendable Net Position is restricted for specific purposes by grantors, donors, or law. Restrictions are released when the University complies with the stipulations required by the grantor, donor, or legislative act. For fiscal years 2023 and 2022, the University maintained scholarships and fellowships for future awards, research funds for Grants & Contracts and Federal Appropriations, and renewal and replacement funds stipulated by bond covenants.

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

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

SOUTH DAKOTA STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

II. ENDOWMENT AND SIMILAR FUNDS

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

III. CAPITAL ASSETS

Capital Assets as of June 30, 2023 consisted of the following:

	2022	Prior Period Adjustments	Additions	Deletions	2023
Non-Depreciable Capital Assets					
Land	\$ 15,026,602	\$ -	\$ -	\$ -	\$ 15,026,602
Museum & Art Collections	9,688,789	-	9,000	-	9,697,789
Total Non-Depreciable Capital Assets	\$ 24,715,391	\$ -	\$ 9,000	\$ -	\$ 24,724,391
Construction in Progress	\$ 18,912,189	\$ -	\$ 68,135,529	\$ (38,575,081)	\$ 48,472,638
Depreciable Capital Assets					
Land Improvements	\$ 26,617,552	\$ -	\$ 977,677	\$ -	\$ 27,595,229
Infrastructure	34,917,024	-	2,965,354	-	37,882,377
Buildings & Building Improvements	771,166,874	-	34,098,961	(2,106,607)	803,159,228
Equipment & Other Property	126,871,661	-	11,954,937	(2,816,734)	136,009,864
Total Depreciable Capital Assets	\$ 959,573,110	\$ -	\$ 49,996,930	\$ (4,923,342)	\$ 1,004,646,698
Less Accumulated Depreciation					
Land Improvements	\$ (12,920,258)	\$ -	\$ (1,127,350)	\$ -	\$ (14,047,608)
Infrastructure	(11,185,491)	-	(954,771)	-	(12,140,262)
Buildings & Building Improvements	(249,561,264)	-	(20,670,251)	1,675,658	(268,555,857)
Equipment & Other Property	(102,455,114)	-	(5,414,571)	2,606,713	(105,262,971)
Total Accumulated Depreciation	\$ (376,122,126)	\$ -	\$ (28,166,942)	\$ 4,282,371	\$ (400,006,697)
Right-to-use Assets					
Buildings/Space/Software	\$ 1,248,003	\$ -	\$ 1,228,148	\$ (144)	\$ 2,476,007
Amortization	(253,231)	-	(635,320)	-	(888,551)
Right-to-use Leased Assets, Net	\$ 994,772	\$ -	\$ 592,828	\$ (144)	\$ 1,587,456
Intangible Assets					
Intangible Assets	\$ 2,663,900	\$ -	\$ -	\$ -	\$ 2,663,900
Amortization	(687,314)	-	(246,251)	-	(933,565)
Intangible Assets, Net	\$ 1,976,586	\$ -	\$ (246,251)	\$ -	\$ 1,730,335
Capital Assets, Net	\$ 630,049,923	\$ -	\$ 90,321,094	\$ (39,216,195)	\$ 681,154,822

**SOUTH DAKOTA STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

III. CAPITAL ASSETS (CONTINUED)

Capital Assets as of June 30, 2022 consisted of the following:

	2021	Prior Period Adjustments	Additions	Deletions	2022
Non-Depreciable Capital Assets					
Land	\$ 15,161,532	\$ -	\$ -	\$ (134,930)	\$ 15,026,602
Museum & Art Collections	9,670,544	-	18,245	-	9,688,789
Total Non-Depreciable Capital Assets	\$ 24,832,076	\$ -	\$ 18,245	\$ (134,930)	\$ 24,715,391
Construction in Progress	\$ 55,801,957	\$ 399,143	\$ 20,703,209	\$ (57,992,120)	\$ 18,912,189
Depreciable Capital Assets					
Land Improvements	\$ 23,561,932	\$ -	\$ 3,055,619	\$ -	\$ 26,617,552
Infrastructure	32,200,011	-	2,916,858	(199,846)	34,917,024
Buildings & Building Improvements	720,640,421	-	52,019,642	(1,493,189)	771,166,874
Equipment & Other Property	122,825,308	(47,267)	7,903,217	(3,809,598)	126,871,661
Total Depreciable Capital Assets	\$ 899,227,673	\$ (47,267)	\$ 65,895,337	\$ (5,502,633)	\$ 959,573,110
Less Accumulated Depreciation					
Land Improvements	\$ (11,824,650)	\$ -	\$ (1,095,608)	\$ -	\$ (12,920,258)
Infrastructure	(10,500,705)	-	(884,632)	199,846	(11,185,491)
Buildings & Building Improvements	(230,444,352)	-	(19,478,739)	361,827	(249,561,264)
Equipment & Other Property	(100,908,293)	93,565	(5,340,281)	3,699,895	(102,455,114)
Total Accumulated Depreciation	\$ (353,677,999)	\$ 93,565	\$ (26,799,260)	\$ 4,261,568	\$ (376,122,126)
Right-to-use Assets					
Buildings/Space	\$ -	\$ -	\$ 1,248,003	\$ -	\$ 1,248,003
Amortization	-	-	(253,231)	-	(253,231)
Right-to-use Leased Assets, Net	\$ -	\$ -	\$ 994,772	\$ -	\$ 994,772
Intangible Assets					
Intangible Assets	\$ 743,452	\$ -	\$ 1,920,448	\$ -	\$ 2,663,900
Amortization	(532,780)	-	(154,533)	-	(687,314)
Intangible Assets, Net	\$ 210,671	\$ -	\$ 1,765,915	\$ -	\$ 1,976,586
Capital Assets, Net	\$ 626,394,377	\$ 445,442	\$ 62,578,218	\$ (59,368,115)	\$ 630,049,923

IV. RETIREMENT PLAN

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

SDRS is a State financial reporting entity and included in the State's financial report as a pension trust fund. Authority for establishing, administering, and amending plan provisions is found in South Dakota Codified Law (SDCL) 3-12. Copies of the audited SDRS financial statements are available at <http://www.sdrs.sd.gov/>. The University's SDRS activity and balances are not reported in the accompanying financial statements; however, are reported within the State's ACFR.

**SOUTH DAKOTA STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

IV. RETIREMENT PLAN (CONTINUED)

The right to receive retirement benefits vests after three years of credited service. Employees are required by state statute to contribute 6 percent of their salary to the plan, while public safety and judicial employees contribute at 8 percent and 9 percent, respectively. State statute also requires the employer to contribute an amount equal to the employee's contribution. The University's share of contributions for fiscal years 2023 and 2022 were \$7,506,150 and \$6,936,149, respectively.

V. DEFERRED COMPENSATION PLAN

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

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

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

VI. RISK MANAGEMENT

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

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

**SOUTH DAKOTA STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

VII. LITIGATION, COMMITMENTS, AND CONTINGENT LIABILITIES

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

At June 30, 2023, the University had outstanding commitments of \$53,894,647 for construction projects and coaching contracts.

	Accumulated Costs	Total Contract	Remaining
Construction Contracts	\$ 59,936,270	\$ 109,075,709	\$ 49,139,439
Coaching Contracts	\$ 1,946,542	\$ 6,701,750	\$ 4,755,208
	<u>\$ 61,882,812</u>	<u>\$ 115,777,459</u>	<u>\$ 53,894,647</u>

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

VIII. OBLIGATIONS UNDER FINANCED CAPITAL, LEASES AND OTHER ACCRUED LIABILITIES

Obligations for Financed Capital include agreements with the South Dakota Building Authority (SDBA) and the Foundation. These agreements financed partially, or in full, the purchase or cost of constructed assets identified in the table below.

Obligations for Financed Capital for the year ended June 30, 2023 was as follows:

	Interest Rate	Maturity	2022	Additions	Reductions	2023	Current
Foundation							
President's House	4.00%	2047	\$ 904,475	\$ -	\$ (21,502)	\$ 882,973	\$ 22,378
Binnewies Land	9.445%	2030	\$ 585,220	\$ -	\$ (56,694)	\$ 528,526	\$ 62,175
New Holland							
Round Baler	0.00%	2023	\$ 7,590	\$ -	\$ (7,590)	\$ -	\$ -
Total Foundation			<u>\$ 1,497,285</u>	<u>\$ -</u>	<u>\$ (85,786)</u>	<u>\$ 1,411,499</u>	<u>\$ 84,553</u>
SDBA							
Stadium	4.00% - 5.00%	2039	\$ 28,325,000	\$ -	\$ (1,095,000)	\$ 27,230,000	\$ 1,150,000
Raven Precision							
Ag Center	4.00%	2040	\$ 15,250,000	\$ -	\$ (575,000)	\$ 14,675,000	\$ 595,000
Cow/Calf Unit	4.630% - 5.00%	2038	\$ 1,462,432	\$ -	\$ (61,937)	\$ 1,400,496	\$ 65,128
Total SDBA			<u>\$ 45,037,432</u>	<u>\$ -</u>	<u>\$ (1,731,937)</u>	<u>\$ 43,305,496</u>	<u>\$ 1,810,128</u>
Total Capital Leases			<u>\$ 46,534,717</u>	<u>\$ -</u>	<u>\$ (1,817,723)</u>	<u>\$ 44,716,995</u>	<u>\$ 1,894,682</u>

**SOUTH DAKOTA STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

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

Obligations for Financed Capital for the year ended June 30, 2022 was as follows:

	Interest Rate	Maturity	2021	Additions	Reductions	2022	Current
Foundation							
WRREC	4.75%	2024	\$ -	\$ -	\$ -	\$ -	\$ -
President's House	4.00%	2047	\$ 925,136	\$ -	\$ (20,660)	\$ 904,475	\$ 21,502
Binnewies Land New Holland Round Baler	9.445%	2030	\$ 636,916	\$ -	\$ (51,696)	\$ 585,220	\$ 56,694
	0.00%	2023	\$ 15,180	\$ -	\$ (7,590)	\$ 7,590	\$ 7,590
Total Foundation			\$ 1,577,232	\$ -	\$ (79,946)	\$ 1,497,285	\$ 85,786
SDBA							
Stadium	4.00% - 5.00%	2039	\$ 29,370,000	\$ -	\$ (1,045,000)	\$ 28,325,000	\$ 1,095,000
Raven Precision Ag Center	4.00%	2040	\$ 15,800,000	\$ -	\$ (550,000)	\$ 15,250,000	\$ 575,000
Cow/Calf Unit	4.630% - 5.00%	2038	\$ 1,521,402	\$ -	\$ (58,970)	\$ 1,462,432	\$ 61,937
Total SDBA			\$ 46,691,402	\$ -	\$ (1,653,970)	\$ 45,037,432	\$ 1,731,937
Total Capital Leases			\$ 48,268,634	\$ -	\$ (1,733,917)	\$ 46,534,717	\$ 1,817,723

Assets financed in full or in part by SDBA or the Foundation have the following cost and accumulated depreciation as of June 30, 2023:

2023	Cost	Accum Depr	Net Book Value
Stadium	\$ 61,471,261	\$ (8,645,033)	\$ 52,826,228
Raven Precision Agriculture Center	42,685,794	(1,709,081)	40,976,713
Cow/Calf Unit	2,390,890	(334,725)	2,056,165
West River Research & Ext. Center	3,065,195	(306,520)	2,758,675
President's House	3,451,250	(414,150)	3,037,100
Binnewies Land	2,000,000	-	2,000,000
	\$ 115,064,390	\$ (11,409,509)	\$ 103,654,881

**SOUTH DAKOTA STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

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

Assets financed in full or in part by SDBA or the Foundation have the following cost and accumulated depreciation as of June 30, 2022:

2022	Cost	Accum Depr	Net Book Value
Stadium	\$ 61,471,261	\$ (7,408,285)	\$ 54,062,976
Raven Precision Ag	41,704,595	-	41,704,595
Cow/Calf Unit	2,390,890	(286,907)	2,103,983
West River Research & Ext Center	3,065,195	(245,217)	2,819,978
President's House	3,451,250	(345,125)	3,106,125
Binnewies Land	2,000,000	-	2,000,000
New Holland Round Baler	53,195	(27,001)	26,195
	\$ 114,136,387	\$ (8,312,534)	\$ 105,823,853

The following is a schedule of future financing payments as of June 30, 2023:

Fiscal Year	Principal	Interest	Total
2024	1,894,682	2,248,671	4,143,353
2025	1,994,784	2,151,242	4,146,026
2026	2,100,728	2,048,536	4,149,264
2027-2031	12,051,446	8,508,782	20,560,228
2032-2036	14,956,268	5,212,228	20,168,497
2037-2041	11,413,936	1,271,346	12,685,281
2042-2046	249,084	37,365	286,449
2047-2051	56,068	1,222	57,290
	44,716,995	21,479,392	66,196,387

IX. LEASE ARRANGEMENTS

The University adopted GASB Statement No. 87, Leases, effective for the fiscal year ended June 30, 2022 with retrospective application to the fiscal year ended June 30, 2021. GASB 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. As a result, it requires the University to classify leases that are 12 months or greater in length at the commencement of the lease term, including the evaluation of options to extend the lease, to the Statement of Net Position.

The University records a lease liability and an underlying right-to-use lease asset for lessee arrangements. Over the course of the lease, inflows and outflows are recognized and recorded in the Statement of Revenues, Expenses, and Changes in Net Position.

**SOUTH DAKOTA STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

IX. LEASE ARRANGEMENTS (CONTINUED)

SDSU leases office space throughout the state for Extension offices. Some of these arrangements meet the GASB 87 criteria for recognizing Right-to-Use Lease Assets and the associated liability.

	2022	Additions	Deletions	2023
Right-to-use Assets				
Buildings/Space/Software	\$ 1,248,003	\$ 1,228,148	\$ (144)	\$ 2,476,007
Amortization	(253,231)	(635,320)	-	(888,551)
Right-to-use Leased Assets, Net	\$ 994,772	\$ 592,828	\$ (144)	\$ 1,587,456

The University recognizes payments for short-term leases with a lease term of 12 months or less and leases with a present value of less than five thousand dollars as expenses as incurred, and these leases are not included as lease liabilities or right-to-use lease assets on the Statement of Net Position. The following is a schedule of future lease payments as of June 30, 2023:

Fiscal Year	Principal	Interest	Total
2024	\$ 629,507	\$ 70,380	\$ 699,887
2025	645,290	41,891	687,181
2026	290,973	13,000	303,973
2027-2031	114,322	2,546	116,868
	\$ 1,680,093	\$ 127,816	\$ 1,807,909

X. REVENUE BONDS PAYABLE

Revenue Bonds Payable are uncollateralized bonds authorized by the BOR to finance construction or renovation of residence halls, food service facilities, Wellness Center, Student Union, and parking lots. Pledged net revenues from these facility operations fulfill the principal and interest payments. Pledged net revenues for 2023 and 2022 were \$14,897,712 and \$14,497,366 respectively.

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

	2023	2022
Revenue Bonds Payable	84,775,000	91,855,000
Premium	10,052,487	11,057,880
Original Issue Discount	(67,610)	(71,421)
	94,759,877	102,841,459
Current	8,386,582	8,081,582
Long Term	86,373,295	94,759,877
	94,759,877	102,841,459

**SOUTH DAKOTA STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

X. REVENUE BONDS PAYABLE (CONTINUED)

The following is a schedule of Revenue Bonds Payable as of June 30, 2023 and 2022:

	2023	2022
Housing & Auxiliary Facilities Revenue Bonds-Series 2006 Wellness Center, Food Service and Residence Hall Improvements Interest at 3.92% Annually to 2026	1,625,000	2,125,000
Housing & Auxiliary Facilities Revenue Bonds-Series 2014A Suite Style Residence Hall/Union Expansion/Residence Hall Renovation Interest at 3.00% - 5.00% Annually to 2025	5,140,000	7,525,000
Housing & Auxiliary Facilities Revenue Bonds-Series 2015 Residence Hall Renovation/Refinance Interest at 3.00% - 5.00% Annually to 2030	1,085,000	1,215,000
Housing & Auxiliary Facilities Revenue Bonds-Series 2016 Wellness Center Expansion/Parking Facility Improvements Interest at 2.00% - 5.00% Annually to 2041	10,755,000	11,135,000
Housing & Auxiliary Facilities Revenue Bonds-Series 2017 New Residence Halls Refinance Residence Halls, Dining Expansion, and Parking Interest at 3.00% - 5.00% Annually to 2042	31,655,000	33,285,000
Housing & Auxiliary Facilities Revenue Bonds-Series 2021 New Residence Halls, Union Expansion/Dining Family Student Housing and Parking Expansion Interest at 3.00% - 4.00% Annually to 2036	34,515,000	36,570,000
Total Revenue Bonds Payable	84,775,000	91,855,000

**SOUTH DAKOTA STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

X. REVENUE BONDS PAYABLE (CONCLUDED)

Annual requirements to amortize revenue bonds outstanding as of June 30, 2022 are as follows:

Fiscal Year	Principal	Interest	Total
2024	7,385,000	3,596,300	10,981,300
2025	7,700,000	3,275,066	10,975,066
2026-2030	26,340,000	12,377,798	38,717,798
2031-2035	28,895,000	6,151,000	35,046,000
2036-2040	11,530,000	1,701,000	13,231,000
2041-2043	2,925,000	159,600	3,084,600
	<u>84,775,000</u>	<u>27,260,764</u>	<u>112,035,764</u>

Deferred Outflows of Refunding are related to the following:

	2023	2022
Series 2015 (current refunding of Series 2005A)	8,777	10,077
Series 2017 (current refunding of Series 2009)	1,238,964	1,354,217
	<u>1,247,741</u>	<u>1,364,294</u>

Gain on Refunding are related to the following:

	2023	2022
Series 2021 (current refunding of Series 2011)	641,526	692,849
	<u>641,526</u>	<u>692,849</u>

**SOUTH DAKOTA STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

XI. OTHER NON-CURRENT LIABILITIES

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

Activity for the year ended June 30, 2023:

	2022	Additions	Reductions	2023	Current
Compensated Absences	\$ 17,518,889	\$ 8,454,047	\$ (7,131,815)	\$ 18,841,121	\$ 6,226,776
Federal Capital Contribution	\$ 8,439,754	\$ 401,667	\$ (1,417,988)	\$ 7,423,433	\$ -
	\$ 25,958,643	\$ 8,855,714	\$ (8,549,803)	\$ 26,264,554	\$ 6,226,776

Activity for the year ended June 30, 2022

	2021	Additions	Reductions	2022	Current
Compensated Absences	\$ 17,232,986	\$ 8,063,458	\$ (7,777,556)	\$ 17,518,889	\$ 6,168,872
Federal Capital Contribution	\$ 9,522,262	\$ -	\$ (1,082,508)	\$ 8,439,754	\$ -
	\$ 26,755,248	\$ 8,063,458	\$ (8,860,064)	\$ 25,958,643	\$ 6,168,872

XII. RELATED PARTIES

The University, as a component unit of the State, received 25.0% of its revenues through General Fund Appropriations for both years ending June 30, 2023 and 2022.

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

**SOUTH DAKOTA STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
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XIII. TUITION & FEES, NET OF STUDENT FINANCIAL ASSISTANCE

State-Support tuition and fees are collected and remitted to the BOR where interest is earned on participating funds. The University can withdraw 88.5% State-Support tuition for operations at its discretion throughout the year. The remaining 11.5% is deposited into the Higher Education Facilities Funds (HEFF, 11.5% of Self-Support tuition is also deposited) to finance capital and repair/maintenance projects system-wide. The public universities submit project requests to the BOR and funds are allocated to campuses as projects are approved. Fees remitted to the BOR are for the System Technology Fund, Science Lab Facility Bond, and Electronic University Consortium (EUC). State-Support tuition, Self-Support tuition, and HEFF revenue was reported as follows for the years ending June 30, 2023 and 2022.

	2023		2022	
State-Support Tuition	\$	51,299,697	\$	51,416,907
Self-Support Tuition	\$	19,221,633	\$	18,936,187
Total Tuition	\$	70,521,330	\$	70,353,094
Higher Education Facilities Fund (Non-Operating)	\$	576,907	\$	454,530
Higher Education Facilities Fund (Capital)	\$	3,510,461	\$	1,155,859
Total Higher Education Facilities Fund Revenue	\$	4,087,368	\$	1,610,389

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

XIV. SUBSEQUENT EVENTS

In December of 2023, the South Dakota Board of Regents issued Series 2023 to provide funds for the advanced refunding of the Series 2014A and pay related expenses of the bond issuance. The South Dakota State University did not participate in the issuance of Series 2023 and funded the advanced refunding of Series 2014A internally. Associated liability will be removed from the University's financial statements in fiscal year 2024.

**SOUTH DAKOTA STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

XVI. FUNCTIONAL EXPENSES

	Personal Services	Travel	Contractual Services	Supplies & Materials	Grants & Subsidies	Other & Bad Debt	Depreciation & Amortization	Total
Instruction	\$ 65,594,779	\$ 2,124,952	\$ 3,544,353	\$ 3,851,107	\$ 508,593	\$ 6,061	\$ 753,199	\$ 76,383,046
Research	29,859,272	1,603,504	5,786,788	9,175,657	4,279,056	3,274	2,176,362	52,883,914
Public Service	19,678,400	1,115,093	4,743,037	5,249,490	390,873	59,463	487,516	31,723,871
Academic Support	15,519,047	295,698	3,717,433	1,280,131	18,546	714	615,044	21,446,614
Student Services	17,798,725	5,560,382	5,735,327	4,385,253	308,003	296,110	237,451	34,321,252
Institutional Support	15,379,472	95,692	4,564,050	1,035,457	5,649	404,404	502,513	21,987,237
Operations & Maintenance of Plant	11,977,035	133,703	8,472,823	3,179,251	758	299	24,227,452	47,991,322
Scholarships & Fellowships	353,970	10,353	886	939	8,012,172	-	-	8,378,319
Auxiliary Enterprises	5,583,624	20,510	17,533,973	6,511,916	4,528	13,925	48,975	29,717,451
Year Ending June 30, 2023	\$ 181,744,324	\$ 10,959,887	\$ 54,098,669	\$ 34,669,202	\$ 13,528,179	\$ 784,250	\$ 29,048,513	\$ 324,833,025

	Personal Services	Travel	Contractual Services	Supplies & Materials	Grants & Subsidies	Other & Bad Debt	Depreciation & Amortization	Total
Instruction	\$ 62,549,492	\$ 1,338,438	\$ 3,451,711	\$ 3,839,326	\$ 438,566	\$ (466)	\$ 668,951	\$ 72,286,019
Research	26,726,394	1,097,371	4,847,375	8,295,641	3,290,416	657	2,109,597	46,367,451
Public Service	18,889,314	915,209	3,994,097	4,016,972	381,408	673,258	441,554	29,311,812
Academic Support	13,565,857	145,527	3,725,002	1,510,866	5,967	(418)	434,730	19,387,531
Student Services	15,851,210	3,889,164	4,838,898	2,925,256	313,390	(1,790)	215,578	28,031,707
Institutional Support	12,831,796	52,117	6,886,831	1,300,283	7,397	314,905	325,329	21,718,659
Operations & Maintenance of Plant	11,147,806	117,180	5,045,236	2,003,178	5,873	188	22,963,443	41,282,904
Scholarships & Fellowships	365,058	5,058	10,205	13,687	15,821,458	(0)	-	16,215,465
Auxiliary Enterprises	5,456,691	17,082	17,347,148	5,852,859	5,376	(49)	47,844	28,726,950
Year Ending June 30, 2022	\$ 167,383,618	\$ 7,577,145	\$ 50,146,504	\$ 29,758,069	\$ 20,269,852	\$ 986,286	\$ 27,207,024	\$ 303,328,498

Other & Bad Debt include the following:

	2023	2022
Other & Bad Debt		
Interest	\$ 39,700	\$ 2,937
Loan Cancellations	234,219	581,315
Bad Debts	470,477	335,656
Other Operating	39,855	66,378
Total Other & Bad Debt	\$ 784,250	\$ 986,286

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Note 1 - Principal Activities and Significant Accounting Policies

Principles of Consolidation

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

Principal Business Activities

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

Medary Aviation's (the Company) principal assets are airplanes. The Company leases the airplanes to SDSU under agreements that provided payments of approximately \$306,213 and \$269,609 during the years ended December 31, 2022 and 2021, respectively. SDSU is responsible for all expenses related to the operations and maintenance of the airplanes. The Company pays annual dividends to the Foundation approximately equal to the lease payments received from SDSU. The Foundation is the sole shareholder of the Company.

Tax Status

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

Each entity believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions at December 31, 2022 and 2021 that are material to the consolidated financial statements. Future accrued interest and penalties related to unrecognized tax benefits and liabilities will be recognized in income tax expense if such interest and penalties are incurred.

Use of Estimates

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

Consolidated Statements of Cash Flows

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

Financial Instruments and Credit Risks

The Organization manages deposit concentration risk by placing cash and cash equivalents with financial institutions believed by management to be credit worthy. At times, amounts on deposit may exceed insured limits or include uninsured investments. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor, per insured bank, for each account ownership category. At December 31, 2022 and 2021, the Organization had approximately \$19,200,000 and \$24,600,000 respectively, in excess of FDIC-insured limits. Credit risk associated with promises to give and notes, contracts, and other receivables is considered to be limited due to high historical collection rates and because outstanding balances are primarily from donors and others that are supportive of the Organization's mission. Investments are managed by a professional investment manager whose performance is monitored by management and the Foundation's Investment Committee of the Board of Governors. Although the fair value of investments is subject to fluctuation on a year-to-year basis, management and the Investment Committee believe that the investment policies and guidelines are prudent for the long-term welfare of the Organization.

Investments

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

Property held in trust, which is not readily marketable, is recorded at cost or, if donated, the fair value of the property as of the date of the donation. The property held in trust is periodically reviewed for impairment. For the years ended December 31, 2022 and 2021, no impairment charge has been recorded. Certificates of deposit are recorded at cost plus accrued interest.

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

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

Promises to Give

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

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

Trusts Held by Others

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

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

Operating Property

The Organization's operating property consists of land, buildings, and equipment. Property received as support is recorded at its fair value at the time of the gift and property purchased is recorded at cost. Property is presented in the accompanying consolidated financial statements net of accumulated depreciation of \$5,003,187 and \$4,356,342 at December 31, 2022 and 2021 respectively. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, ranging from 5-40 years.

The Organization reviews the carrying value of property for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposal. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended December 31, 2022 and 2021.

Other Property Held

Other property held consists of land, buildings, and equipment. Other property held is recorded at cost or, if donated, the fair value of the property as of the date of the donation. Other property held is periodically reviewed for impairment. For the years ended December 31, 2022 and 2021, no impairment charge has been recorded. All of the assets included in other property held will eventually be used to support SDSU.

Cash Surrender Value of Life Insurance

The Foundation is the owner or assignee and beneficiary of certain whole life insurance policies. These policies have aggregate face values totaling approximately \$970,000 at December 31, 2022 and 2021.

Beneficial Interest Trusts

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

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

Gift Annuity, Life Income Agreements, and Life Estates

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

Contributed assets are recorded at fair value on the date of receipt. The related liability for future payments to be made to the specified beneficiaries is recorded at fair value using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the liability. The excess of contributed assets over the annuity liability is recorded as a gift with or without donor restrictions based on the donor's wishes. In subsequent years, the liability for future annuity payments is reduced by payments made to the specified beneficiaries and is adjusted to reflect amortization of the discount and changes in actuarial assumptions at the end of the year. Upon termination of the annuity contract, the remaining liability is removed and recognized as income. The estimated present value of future payments, to be made under these agreements, discounted at rates ranging from 0.40% to 8.20%, totals \$1,395,814 and \$1,587,724 at December 31, 2022 and 2021, respectively.

The Foundation's life income agreements consist of various irrevocable charitable remainder unitrusts and pooled income funds over which the Foundation acts as trustee. These trusts are governed by the respective trust agreements, which generally provide for either an income stream or a future distribution of cash or other assets to the Foundation, in whole or in part, for a specified period or upon the occurrence of a specific event. The trust assets are recorded at fair value, and a related liability for future payments to be made to the specified beneficiaries is recorded at fair value using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the liability. The excess of contributed assets over the trust liability is recorded as a gift with donor restrictions until such amount is received via trust distribution or is expended in satisfaction of the restricted purpose stipulated by the trust agreement, if any. The liability for future trust payments to the donor is reduced by payments made to the donor and is adjusted to reflect amortization of the discount and changes in actuarial assumptions at the end of the year. Upon termination of the trust, the remaining liability is removed and recognized as income. Investments held under life income agreements total \$6,604,209 and \$7,902,905 at December 31, 2022 and 2021, respectively. The estimated present value of future investment income distributions to beneficiaries, discounted at rates ranging from 6.50% to 7.60% is \$2,870,336 and \$3,791,942 at December 31, 2022 and 2021, respectively.

The Foundation's life estates consist of various contributions of real estate in which the donor has retained the right to use the real estate for the remainder of their life, or the life of a specified beneficiary. The life estate assets are recorded at fair value on the date of receipt. The related liability for the right to use the real estate is recorded at fair value using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the liability. The excess contributed assets over the life estate liability is recorded as a gift with donor restrictions based on the donor's wishes. In subsequent years, the liability for future use is adjusted to reflect amortization of the discount and changes in actuarial assumptions at the end of the year. Upon termination of the life estate, the remaining liability is removed and recognized as income. The estimated present value of the Foundation's liability to the donor for future use under these agreements, discounted at rates ranging from 0.40% to 6.00%, totals \$941,565 and \$1,026,123 at December 31, 2022 and 2021, respectively.

Net Assets

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

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Support to University

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

Investments Held for Others

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

Gifts and Deposits from Donors

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

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

Changes in Accounting Policy

As of January 1, 2022, the Organization adopted the provisions of Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard requires enhanced presentation and disclosure of contributed nonfinancial assets. Management has adopted the amendments of this update on a retrospective basis, because it provides increased and more transparent disclosure around contributed nonfinancial assets.

Development Services

The Foundation provides comprehensive development services to SDSU. Revenue is recognized over time as the services are provided.

Donated Services and Assets

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

Functional Allocation of Expenses

The consolidated financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, utilities, and miscellaneous, which are allocated on the basis of estimates of time and effort. The costs of program and supporting services activities have been summarized on a functional basis in the consolidated statements of activities. Note 13 presents the natural classification detail of expenses by function.

Reclassifications

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

Subsequent Events

Subsequent events have been evaluated through July 6, 2023, the date the consolidated financial statements were available to be issued.

Note 2 - Liquidity and Availability

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

	<u>2022</u>	<u>2021</u>
Receivables		
Promises to give, net of allowance	\$ 4,988	\$ 7,458
Notes, contract, and other receivables	47,668	54,289
Anticipated endowment fees	<u>3,914,881</u>	<u>3,827,038</u>
	<u>\$ 3,967,537</u>	<u>\$ 3,888,785</u>

Endowment funds consist of donor-restricted endowment and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure. The Foundation assesses an annual administrative fee on each endowment fund. This fee was 1.7% as of December 31, 2022 and 2021. The proceeds from the fee are a significant component of the Foundation's operating budget. Anticipated fees to be assessed one year from the consolidated statement of financial position date are presented as a source of liquidity above.

The Foundation holds a board-designated endowment of \$568,436 and \$631,916 as of December 31, 2022 and 2021, respectively. Although the Foundation does not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of our Board's annual budget approval and appropriation), these amounts could be made available if necessary.

Note 3 - Fair Value of Assets and Liabilities

Fair Value Measurements

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

Level 1 inputs consist of quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the related asset or liability. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset and liability, and market-corroborated inputs.

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

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Foundation's assessment of the quality, risk or liquidity profile of the asset or liability.

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

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

South Dakota State University Foundation
Notes to Consolidated Financial Statements
December 31, 2022 and 2021

The following table presents assets and liabilities measured at fair value on a recurring basis, at December 31, 2022:

	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
Assets				
Investments				
Equity securities				
Domestic	\$ 44,822,153	\$ -	\$ -	\$ 44,822,153
International	55,721,850	-	-	55,721,850
Global	<u>142,161</u>	<u>-</u>	<u>-</u>	<u>142,161</u>
Total equity securities	<u>100,686,164</u>	<u>-</u>	<u>-</u>	<u>100,686,164</u>
Bonds				
Short-term	93,185,323	-	-	93,185,323
Intermediate-term	<u>35,701,495</u>	<u>1,411,385</u>	<u>-</u>	<u>37,112,880</u>
Total bonds	<u>128,886,818</u>	<u>1,411,385</u>	<u>-</u>	<u>130,298,203</u>
Hedge, at NAV	-	-	-	276,563
Private equity funds, at NAV	-	-	-	17,468,633
Certificates of deposit and cash equivalents at cost plus accrued interest	-	-	-	25,711,014
Property held in trust, at cost	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,403,650</u>
Total investments	<u>\$ 229,572,982</u>	<u>\$ 1,411,385</u>	<u>\$ -</u>	<u>\$ 275,844,227</u>
Trusts held by others	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,616,890</u>	<u>\$ 3,616,890</u>
Beneficial interest in perpetual trust	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,036,765</u>	<u>\$ 1,036,765</u>
Liabilities				
Investments held for others	<u>\$ -</u>	<u>\$ 268,806</u>	<u>\$ -</u>	<u>\$ 268,806</u>
Gift annuities, life income agreements, and life estates	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,207,715</u>	<u>\$ 5,207,715</u>

South Dakota State University Foundation
Notes to Consolidated Financial Statements
December 31, 2022 and 2021

The following table presents assets and liabilities measured at fair value on a recurring basis, at December 31, 2021:

	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
Assets				
Investments				
Equity securities				
Domestic	\$ 48,932,071	\$ -	\$ -	\$ 48,932,071
International	51,657,357	-	-	51,657,357
Global	<u>1,558</u>	<u>-</u>	<u>-</u>	<u>1,558</u>
Total equity securities	<u>100,590,986</u>	<u>-</u>	<u>-</u>	<u>100,590,986</u>
Bonds				
Short-term	75,557,809	-	-	75,557,809
Intermediate-term	<u>35,331,972</u>	<u>2,096,379</u>	<u>-</u>	<u>37,428,351</u>
Total bonds	<u>110,889,781</u>	<u>2,096,379</u>	<u>-</u>	<u>112,986,160</u>
Hedge, at NAV	-	-	-	341,950
Private equity funds, at NAV	-	-	-	20,390,777
Certificates of deposit and cash equivalents at cost plus accrued interest	-	-	-	24,887,283
Property held in trust, at cost	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,403,650</u>
Total investments	<u>\$ 211,480,767</u>	<u>\$ 2,096,379</u>	<u>\$ -</u>	<u>\$ 260,600,806</u>
Trusts held by others	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,074,134</u>	<u>\$ 4,074,134</u>
Beneficial interest in perpetual trust	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,287,010</u>	<u>\$ 1,287,010</u>
Liabilities				
Investments held for others	<u>\$ -</u>	<u>\$ 321,616</u>	<u>\$ -</u>	<u>\$ 321,616</u>
Gift annuities, life income agreements, and life estates	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,405,789</u>	<u>\$ 6,405,789</u>

South Dakota State University Foundation

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

Additional information on investments in certain entities that calculate NAV per share at December 31, 2022 and 2021 is as follows:

	2022			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge	\$ 276,563	\$ -	Monthly - Illiquid (1) Illiquid	5 days - None (1) None
Private equity	17,468,633	5,647,525		
	\$ 17,745,196	\$ 5,647,525		
	2021			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge	\$ 341,950	\$ -	Monthly - Illiquid (1) Illiquid	5 days - None (1) None
Private equity	20,390,777	6,564,109		
	\$ 20,732,727	\$ 6,564,109		

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

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

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

South Dakota State University Foundation

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

Note 4 - Promises to Give

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

	2022	2021
Receivable in less than one year	\$ 11,227,036	\$ 7,180,084
Receivable in one to five years	28,229,253	12,614,521
Receivable in more than five years	5,381,399	3,347,531
	44,837,688	23,142,136
Discount to present value (.80% to 2.38%)	(1,627,865)	(574,343)
	43,209,823	22,567,793
Allowance for uncollectible promises to give	(2,160,491)	(1,128,390)
	\$ 41,049,332	\$ 21,439,403

Conditional promises to give as of December 31, 2022 and 2021 of approximately \$22,674,301 and \$38,990,990, respectively, consist of promises to fund various SDSU capital projects and are restricted by specific criteria designated by the donor. However, these conditional promises do not meet the criteria for being recognized as contributions revenue under accounting principles generally accepted in the United States of America and, accordingly, have not been recognized. Recognition will occur when donor conditions have been met.

As of December 31, 2022 and 2021, promises to give from Board members accounted for approximately 1% and 2%, respectively, of total promises to give, and contributions from Board members accounted for approximately 1% and 2%, respectively, of total contributions.

Note 5 - Notes, Contract, and Other Receivables

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

	2022	2021
Notes receivable	\$ 2,386,128	\$ 2,393,200
Financing leases -SDSU	1,438,892	2,161,619
Other receivables	27,591	95,037
	\$ 3,852,611	\$ 4,649,856

Notes receivable are comprised of two notes. The first note from South Dakota Science and Technology Authority was issued to fund research by the borrower and is secured by the underlying Xenon gas purchased with the funds. Interest is payable quarterly at an annual rate of 2.5% with remaining principal and interest due December 2026. The second note was issued to pay a portion of the renovation for a sorority house. The note bears interest at 4% per year on the unpaid principal balance, requires four annual principal and interest payments and is unsecured. The final payment of the outstanding principal is due June 2025.

Financing leases are comprised of three lease-purchase agreements. The first lease is related to a farm lease-purchase agreement with SDSU, in which the Foundation will lease property to SDSU with ownership to transfer to SDSU at the end of the lease term. The payments received by the Foundation from SDSU will be used to pay the remaining payment of the charitable remainder annuity trust relating to the property. Income will be recognized over the life of the lease. The second lease is related to the President’s House. Per the lease agreement the Foundation agreed to pay SDSU \$1 for land for each year of occupancy and SDSU will lease the house from the Foundation over a term of 30 years. The receivable represents the present value of the lease at December 31, 2022 and 2021 amortized over the life of the lease at an interest rate of 4.00%, which will be paid in annual equal installments of principal and interest of approximately \$58,000. Income will be recognized over the life of the lease. The third lease is related to a building in Pennington County for use and benefit of the SDSU West River Agriculture Center. The Foundation will lease property to SDSU over a term of 20 years with the option to purchase the property for \$1 at the end of the term or at any time prior upon payment of remaining principal and accrued interest. In April 2022, the Foundation received payment in full for this lease receivable.

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

Note 6 - Notes Payable

Notes payable consist of the following:

	<u>2022</u>	<u>2021</u>
Building note payable, 4.70% interest, payable in monthly installments of principal and interest totaling \$16,188, secured by underlying office building, due July 2037	\$ 2,045,846	\$ 2,133,434

Scheduled Maturities

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

<u>Years Ending December 31,</u>	
2023	\$ 99,265
2024	103,840
2025	109,158
2026	114,475
2027	120,051
Thereafter	<u>1,499,057</u>
	<u>\$ 2,045,846</u>

Note 7 - Operating Leases

Effective January 1, 2022, the Organization adopted the new lease accounting guidance in Accounting Standards Update No. 2016-02, *Leases (Topic 842)*. The Organization elected to apply the guidance as of January 1, 2022, the beginning of the adoption period. The comparative financial information and disclosures presented are in accordance with the legacy standard, ASC Topic 840. The standard requires the recognition of right-of-use assets and lease liabilities for lease contracts with terms greater than 12 months. Operating lease costs are recognized in the income statement as a single lease cost and finance lease costs are recognized in two components, interest expense and amortization expense. The Organization has elected the package of practical expedients permitted in ASC Topic 842. Accordingly, the Organization accounted for its existing leases as either finance or operating lease under the new guidance, without reassessing (a) whether the contract contains a lease under ASC Topic 842, (b) whether classification of the operating lease would be different in accordance with ASC Topic 842, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in ASC Topic 842 at lease commencement.

As a result of the adoption of the new lease accounting guidance, the Organization recognized on January 1, 2022, the beginning of the adoption period, no cumulative effect adjustment to retained earnings, an operating lease liability of approximately \$326,700, and an operating right-of-use asset of \$326,700. The adoption of the new standard did not materially impact the Organizations Consolidated Statement of Activities or Consolidated Statements of Cash Flows.

The Organization leases facilities and equipment under long-term, non-cancelable operating lease agreements. The leases expire at various dates through 2026. The agreements generally require the Organization to pay real estate taxes, insurance, and repairs.

The weighted-average discount rate is based on the discount rate implicit in the lease, or if the implicit rate is not readily determinable from the lease, then the Organization estimates an applicable incremental borrowing rate. The incremental borrowing rate is estimated using the Organization's applicable borrowing rates and the contractual lease term.

The Organization has elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on straight-line basis. No significant short-term lease activity was present during the years ended December 31, 2022 and 2021.

Total right-of-use assets and lease liabilities at December 31, 2022 were as follows:

Lease Item	Classification	2022
Operating right-of-use assets	Prepaid expenses, inventory, and and other assets	\$ 236,323
Operating right-of-use assets	Accounts Payable, Accrued Expenses, and Other Liabilities	255,014

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Notes to Consolidated Financial Statements

December 31, 2022 and 2021

Total lease costs for the year ended December 31, 2022 were as follows:

Operating lease cost	\$	83,880
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Total lease expense under noncancelable leases was approximately \$133,000 for the year ended December 31, 2021.

The following summarizes the supplemental cash flow information for the year ended December 31, 2022:

Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$	83,895

The following summarizes the weighted-average remaining lease term and weight-average discount rate at December 31, 2022:

Weighted-average remaining lease term:		
Operating leases		3.50 Years
Weighted-average discount rate:		
Operating leases		4.13%

The future minimum lease payments under noncancelable operating leases with terms greater than one year are listed below as of December 31, 2022.

2023	\$	85,353
2024		80,971
2025		53,102
2026		54,695
		274,121
Total lease payments		274,121
Less interest		(19,106)
		255,015
Present value of lease liabilities	\$	255,015

Future minimum payments under operating leases determined under the guidance in Topic 840 are listed below as of December 31, 2021.

2022	\$	112,000
2023		100,000
2024		32,000
		244,000
Total lease payments	\$	244,000

Note 8 - Net Assets Without Donor Restrictions

Support for various SDSU scholarships as well as programs and capital projects in excess of gifts, including promises to give, totaled approximately \$15,700,000 and \$16,705,000 as of December 31, 2022 and 2021, respectively. The cumulative deficiency is reported in net assets without donor restrictions, which total (\$6,608,448) and (\$7,544,671) as of December 31, 2022 and 2021, respectively. As discussed in Note 4, there are certain promises to fund various SDSU capital projects and are restricted by specific criteria designated by the donor which have not yet been recognized. As of December 31, 2022, the Foundation has received \$8,760,000 in conditional promises to give related to deficient projects. The Foundation plans to recover the remaining net assets without donor restrictions deficit with future gifts.

Net assets without donor restrictions also include a board-designated endowment of \$568,436 and \$631,916 as of December 31, 2022 and 2021.

Note 9 - Net Assets With Donor Restrictions

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

	<u>2022</u>	<u>2021</u>
Scholarships	\$ 15,074,735	\$ 29,242,317
SDSU operational and program support	41,143,497	47,046,766
SDSU capital projects	<u>79,539,818</u>	<u>40,531,023</u>
	<u>\$ 135,758,050</u>	<u>\$ 116,820,106</u>

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

	<u>2022</u>	<u>2021</u>
Scholarships	\$ 144,906,710	\$ 140,175,289
SDSU operational and program support	<u>88,393,645</u>	<u>83,891,504</u>
	<u>\$ 233,300,355</u>	<u>\$ 224,066,793</u>

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Notes to Consolidated Financial Statements

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Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended December 31, 2022 and 2021:

	2022	2021
Satisfaction of purpose restrictions		
Current year expenditures		
Scholarships	\$ 9,370,738	\$ 6,619,185
SDSU operational and program support	5,151,162	4,585,199
SDSU capital projects	5,887,005	8,448,183
Other program support	2,136,028	379,607
Foundation administrative fee retained	4,916,148	6,341,454
Previously incurred expenditures		
Scholarships	154,605	179,497
SDSU operational and program support	6,639	-
SDSU capital projects	1,224,956	2,685,901
Other transfers	43,374	277,942
	\$ 28,890,655	\$ 29,516,968

Note 10 - Endowments

The Foundation's endowment consists of approximately 1,900 individual funds established for a variety of purposes. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

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

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

South Dakota State University Foundation

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

As of December 31, 2022, endowment net asset composition by type of fund is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 568,436	\$ -	\$ 568,436
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	222,815,111	222,815,111
Net accumulated investment income and other spendable amounts	-	19,609,842	19,609,842
	\$ 568,436	\$ 242,424,953	\$ 242,993,389

As of December 31, 2021, endowment net asset composition by type of fund is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 631,913	\$ -	\$ 631,913
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	212,452,994	212,452,994
Net accumulated investment losses and other spendable amounts	-	44,429,652	44,429,652
	\$ 631,913	\$ 256,882,646	\$ 257,514,559

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Foundation has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At December 31, 2022, funds with deficiencies had perpetually restricted gift values of \$86,124,919, fair values of \$78,003,337 and deficiencies of \$8,121,582 and were reported in net assets with donor restrictions. At December 31, 2021, funds with deficiencies had perpetually restricted gift values of \$21,007,179, fair values of \$18,728,766 and deficiencies of \$2,278,412 and were reported in net assets with donor restrictions.

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Notes to Consolidated Financial Statements

December 31, 2022 and 2021

Changes in Endowment net assets for the year ended December 31, 2022 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at beginning of year, January 1	\$ 631,916	\$ 256,882,643	\$ 257,514,559
Endowment net assets transferred from designation change during the year	-	(459,861)	(459,861)
Investment return			
Investment income	9,493	4,640,968	4,650,461
Net depreciation	(47,007)	(23,187,061)	(23,234,068)
Total investment return	(37,514)	(18,546,093)	(18,583,607)
Contributions including split interests	12,000	23,923,482	23,935,482
Appropriation of endowment assets for expenditure and transfers	(37,966)	(19,375,218)	(19,413,184)
Endowment net assets at end of year, December 31	\$ 568,436	\$ 242,424,953	\$ 242,993,389

Changes in Endowment net assets for the year ended December 31, 2021 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at beginning of year, January 1	\$ 599,347	\$ 203,113,724	\$ 203,713,071
Endowment net assets transferred from designation change during the year	-	543,366	543,366
Investment return			
Investment income	7,071	3,436,384	3,443,455
Net appreciation	54,344	18,617,718	18,672,062
Total investment return	61,415	22,054,102	22,115,517
Contributions including split interests	-	43,589,792	43,589,792
Appropriation of endowment assets for expenditure and transfers	(28,846)	(12,418,341)	(12,447,187)
Endowment net assets at end of year, December 31	\$ 631,916	\$ 256,882,643	\$ 257,514,559

Return Objectives and Risk Parameters

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

Strategies Employed for Achieving Objectives

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

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation's policy of appropriating for distribution each year is determined on an as-needed basis subject to the approval of the Board of Governors. The Foundation's endowment pool is maintained primarily to provide for current and future distributions. To smooth the annual distributions, the Foundation applies a spending rate to the total endowment pool's average market value of the most recent twenty quarters. The spending rate applied to the average market value over the twenty quarters ended during December 31, 2022 and 2021 was 4.00%. In addition to the annual spending in support of endowed programs, the Foundation may assess an administrative fee not to exceed 1.70% of the current market value of the endowment for each of the years ended December 31, 2022 and 2021. The annual spending calculation takes into consideration the program needs of SDSU, the administrative costs of the Foundation, current market conditions, and inter-generational equity.

Note 11 - Retirement Plan

The Organization provides retirement benefits for all full-time and permanent part-time employees. There is no time of service requirement, and employees enter the plan immediately upon their hire date. The Organization is required to contribute an amount equal to each employee's contribution, up to six percent, and made contributions of \$213,644 and \$194,686 to the plan for the years ended December 31, 2022 and 2021, respectively.

Note 12 - Contributed Nonfinancial Assets

Contributed goods and services received are included as gifts on the Statement of Activities and consisted of the following for the years ended December 31, 2022 and 2021:

	2022	2021
Agricultural commodities	\$ 280,832	\$ 446,342
Land	123,286	-
Other	46,447	7,785
	\$ 450,565	\$ 454,127

Agricultural commodities are sold almost immediately upon receipt. Land and other non-financial assets are sold when it is most advantageous to the Organization. Contributed non-financial assets utilized in programs and activities were not significant during the years ended December 31, 2022 and 2021. Contributed non-financial assets are valued at subsequent sale price or if held for a significant period of time, appraised value which is a Level 3 measurement technique as further described in Note 3.

South Dakota State University Foundation

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

Note 13 - Functional Allocation of Expenses

The following tables present the natural classification detail of expenses by function for the years ending December 31, 2022 and 2021:

	2022			
	Program Services	Administrative and General	Fundraising Expenses	Total
SDSU scholarships	\$ 9,391,260	\$ -	\$ -	\$ 9,391,260
SDSU operational and program support	5,232,868	-	-	5,232,868
SDSU capital projects	6,185,414	-	-	6,185,414
Grants to others	1,883,270	-	-	1,883,270
Salaries	-	1,876,140	1,659,136	3,535,276
Payroll taxes	-	128,923	118,487	247,410
Employee benefits	-	355,195	289,842	645,037
Alumni association expense	-	-	471,884	471,884
Contracted services	-	180,737	97,523	278,260
Depreciation	-	552,865	314,490	867,355
Insurance	-	56,355	7,615	63,970
Office supplies and postage	-	73,688	85,991	159,679
Professional fees	-	12,376	108,989	121,365
Promotion and development	-	394,978	159,936	554,914
Rent	-	86,273	-	86,273
Repairs and maintenance	-	118,644	-	118,644
Taxes and interest	-	138,048	-	138,048
Technology	-	207,451	173,877	381,328
Telephone	-	33,254	21,356	54,610
Travel and entertainment	-	28,981	331,032	360,013
Utilities	-	48,170	48,170	96,340
Miscellaneous	-	1,670	-	1,670
	\$ 22,692,812	\$ 4,293,748	\$ 3,888,328	\$ 30,874,888

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December 31, 2022 and 2021

	2021			
	Program Services	Administrative and General	Fundraising Expenses	Total
SDSU scholarships	\$ 6,658,635	\$ -	\$ -	\$ 6,658,635
SDSU operational and program support	4,597,225	-	-	4,597,225
SDSU capital projects	8,984,960	-	-	8,984,960
Grants to others	144,458	-	-	144,458
Salaries	-	1,629,450	1,749,808	3,379,258
Payroll taxes	-	111,998	125,669	237,667
Employee benefits	-	283,455	295,796	579,251
Alumni association expense	-	-	421,842	421,842
Contracted services	-	119,155	123,757	242,912
Depreciation	-	613,798	329,116	942,914
Insurance	-	47,664	7,615	55,279
Office supplies and postage	-	44,565	98,769	143,334
Professional fees	-	8,810	111,724	120,534
Promotion and development	-	235,228	351,825	587,053
Rent	-	61,398	1,871	63,269
Repairs and maintenance	-	105,454	-	105,454
Taxes and interest	-	408,335	-	408,335
Technology	-	174,712	178,497	353,209
Telephone	-	44,225	21,723	65,948
Travel and entertainment	-	14,607	203,675	218,282
Utilities	-	42,766	42,766	85,532
Miscellaneous	-	7,785	1,316	9,101
	\$ 20,385,278	\$ 3,953,405	\$ 4,065,769	\$ 28,404,452

Note 14 - Commitments

Capital Contributions

The Foundation has entered into contracts to invest in various professionally managed private equity funds. Selection of these funds is based on several factors, including evaluation by the Foundation's Investment Committee and professional investment consulting firm, and occurs only upon performance of due diligence procedures that help to ensure the quality of the investments. As of December 31, 2022, these contracts require the Foundation to contribute total capital of approximately \$26,000,000, plus certain allowable expenses. As of December 31, 2022, the Foundation has contributed approximately \$20,352,000. Additional contributions related to this commitment of approximately \$5,648,000 will be paid when requested by the fund managers. The contributions are included in investments on the accompanying consolidated statements of financial position.

Building Projects

The Foundation has committed to fund selected construction projects on the SDSU campus. The Foundation's policy is to make such commitments only after 90% of the related fundraising goal has been met. As of December 31, 2022, the Foundation has committed to provide approximately \$66,770,000 for seven SDSU building projects, either yet to be started or already in progress. Through December 31, 2022, the Foundation has paid costs of approximately \$6,620,000 towards these projects.

Athletic Coaches

The Foundation has committed to guarantee financial commitments from private sources up to \$1,300,000 for costs associated with retention contracts extended to athletic coaches at SDSU.