Dakota State University

Financial Report

For the fiscal year ended June 30, 2023

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

BOARD OF REGENTS

Tim Rave, President	Baltic
Jeff Partridge, Vice President	Rapid City
Brock Brown	Lake Norden
Judy Dittman	Madison
Randy Frederick	Hayti
James Lochner	Dakota Dunes
Douglas Morrison	Sioux Falls
Randy Rasmussen	Vermillion
Pam Roberts	Pierre

OFFICE OF THE EXECUTIVE DIRECTOR

Nathan Lukkes, Executive Director and CEO

Heather Forney, System Vice President of Finance and Administration

DAKOTA STATE UNIVERSITY

Dr. José-Marie Griffiths, President

Dr. Rebecca Hoey, Provost/Senior Vice President for Academic Affairs and Student Affairs

Stacy Krusemark, Vice President for Business and Administrative Services

Amy Dockendorf, Controller

DAKOTA STATE
UNIVERSITY

April 1, 2024

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

Dear Mr. Lukkes:

The financial report of Dakota State University for the fiscal year 2023 is presented in the following pages. This report covers all phases of the financial transactions of the University for the twelve-month period ending June 30, 2023.

Sincerely,

Dr. José-Marie Griffiths
President
Dakota State University

April 1, 2024

Dr. José-Marie Griffiths
President
Dakota State University

Dear Dr. Griffiths:

The financial report of Dakota State University for the year ending June 30, 2023 is presented in the following pages.

The accounts of Dakota State University are maintained, and its reports presented in accordance with the standards issued by the Governmental Accounting Standards Board (GASB). The format provides a comprehensive view of the financial operations of the University as a whole.

The Dakota State University Foundation is a legally separate non-for-profit organization dedicated to maximizing other resources for University programs. The Foundation's financial statements, audited by an independent certified public accountant, are included in the report as it has been determined to be a component unit of the University based on the provision of GASB Statement No. 39, Determining Whether Certain Organizations are Component Units.

All state fund expenditures are under the continuous pre-audit control of the State Auditor, and all accounts are under the post-audit control of the Auditor General. This report is intended to form a comprehensive and permanent record of the finances of Dakota State University for the fiscal year ending June 30, 2023.

Sincerely,

Stacy Krusemark
Vice President for Business and Administrative Services

DAKOTA STATE UNIVERSITY

FINANCIAL REPORT

FOR THE YEAR ENDING JUNE 30, 2022

TABLE OF CONTENTS

DAKOTA STATE UNIVERSITY
Financial Statements

Management's Discussion and Analysis

This section of Dakota State University's annual financial report presents management's discussion and analysis of the University's financial operations during the fiscal year ended June 30, 2023. The discussion and analysis should be read in conjunction with the accompanying financial statements and footnotes. The accuracy of the financial statements, footnote disclosures and discussion are the responsibility of University management.

Reporting Entity

Dakota State University is one of six public universities under the control of the South Dakota Board of Regents. The public universities are considered a component unit of the State of South Dakota and are reported as such in the State's comprehensive annual financial report.

The financial operations of Dakota State University are audited as a part of the State of South Dakota. An audit opinion is not issued on the individual statements of the University, but rather on the audited Comprehensive Annual Financial Report of the State of South Dakota.

Using the Annual Report

The accompanying statements have been prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities.*

The statements required by GASB include the Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows. The statements are prepared under the accrual basis of accounting where revenues are recognized when the service is provided and expenses are recognized when a liability is incurred regardless of when the exchange of cash takes place.

The Statement of Net Position reports the difference in assets and liabilities and is one way of measuring the University's financial position. Non-financial measurements such as enrollment and condition of the facilities serving the students should also be taken into consideration.

The Statement of Revenues, Expenses and Changes in Net Position presents revenues earned and expenses incurred during the year. Revenues and expenses are considered operating or non-operating. In accordance with GASB requirements, state appropriations have been classified as non-operating revenues resulting in a net operating loss being reported. The financial statements also include an allowance for depreciation expense, which is the amortization of the cost of a capital asset over its estimated useful life.

The Statement of Cash Flows presents information related to cash inflows and outflows. These transactions are classified as operating, non-operating, capital and investing activities.

Financial Highlights

Current assets decreased by $3,529,000. The decrease was primarily from the decrease in due from other funds held at the DSU Foundation for the DSU Rising project expenses. Non-Current assets increased by $11,813,000 with an increase in construction in progress of $14,850,000 offset primarily by depreciation of assets. The three larger projects were the Athletic complex, ARL Sioux Falls facility, and Zimmermann Hall renovation.

Total liabilities decreased by $2,334,000. Accounts payable increased by $3,673,000 mainly for project costs and deferred revenue decreased by $5,238,000 to record DSU Rising project expenses from revenue received and held at the DSU Foundation.

Condensed Statement of Net Position
as of June 30, 2023 and 2022

	FY 2023	FY 2022
Assets		
Current Assets	$ 65,591,649	$ 69,121,018
Noncurrent Assets	$ 84,012,935	$ 72,199,109
Total Assets	$ 149,604,584	$ 141,320,126
Liabilities		
Current Liabilities	$ 58,366,494	$ 59,709,854
Noncurrent Liabilities	$ 27,007,298	$ 27,998,275
Total Liabilities	$ 85,373,792	$ 87,708,129
Net Position		
Invested in Capital, Net of Related Debt	$ 56,580,694	$ 46,022,019
Restricted	$ 1,200,220	$ 1,700,809
Unrestricted	$ 6,449,878	$ 5,889,169
Total Net Assets	$ 64,230,792	$ 53,611,997

Investment in capital assets represents the depreciated balance of buildings, land improvements and infrastructure, and equipment. Assets restricted for loans, grants and debt service represent assets that the University may only use for allowable activities related to each of those funds. Unrestricted assets may be used for the general operations of the University.

Condensed Statement of Revenues, Expenses and Changes in Net Position as of June 30, 2023 and 2022

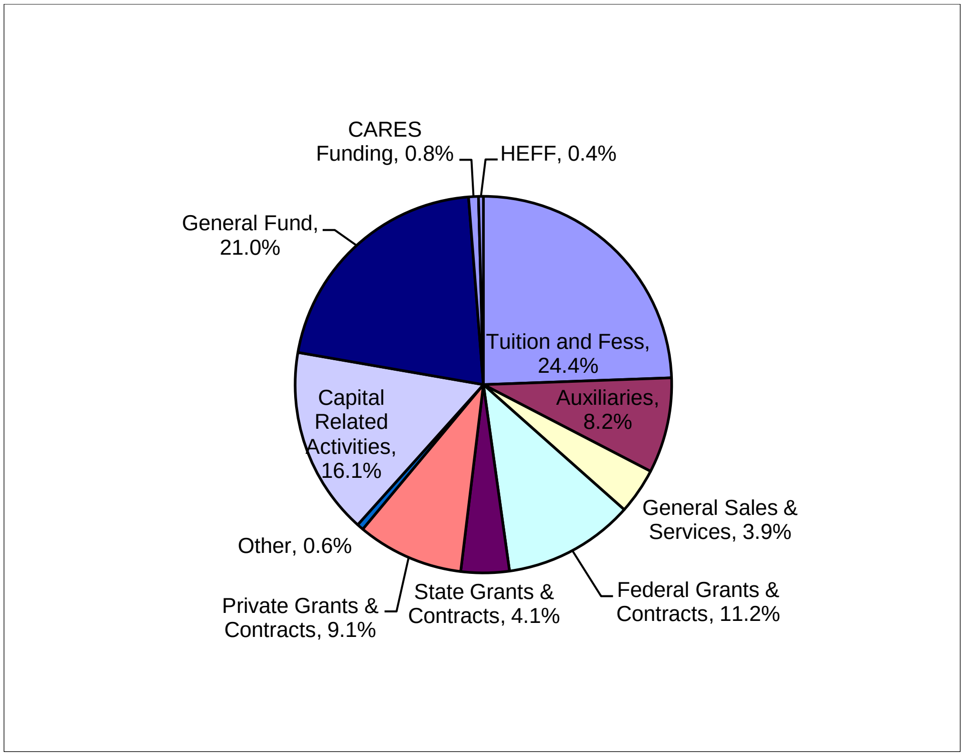
	FY 2023	FY 2022
Operating Revenues	$ 41,070,008	$ 38,655,270
Operating Expenses	$ 58,701,820	$ 54,781,352
Operating Loss	$ (17,631,812)	$ (16,126,082)
Non-Operating Revenues	$ 18,436,860	$ 16,971,711
Non-Operating Expenses	$ 1,603,454	$ 1,349,227
Non-Operating Income	$ 16,833,406	$ 15,622,485
Net Loss/Income	$ (798,406)	$ (503,597)
Capital Contributions	$ 11,417,201	$ 1,971,022
Increase (Decrease) in Net Assets	$ 10,618,795	$ 1,467,425
Net Position, Beginning of Year	$ 53,611,997	$ 52,144,573
Net Position, End of Year	$ 64,230,792	$ 53,611,997

Operating revenues increased by $2,414,000 in FY23. Tuition, fees, auxiliaries, general sales & service, federal grants and state grants all saw increases ranging from $63,000 to $891,000.

Non-operating revenues are revenues realized through appropriations or non-operating activities such as investment income and Federal PELL grant revenue. General fund appropriations increased by $3,923,000 which included special appropriations of $2,643,000. This was offset by a decrease of $2,548,000 in COVID funds or CARES Act funds due to the program ending.

Operating expenses increased by $3,920,000. The largest increase was in personal services for $2,673,000 followed by contractual service increases of $2,040,000. Expenses for a new special appropriation for expanding faculty, marketing and recruiting and retaining students was $2,498,000 of the total increase.

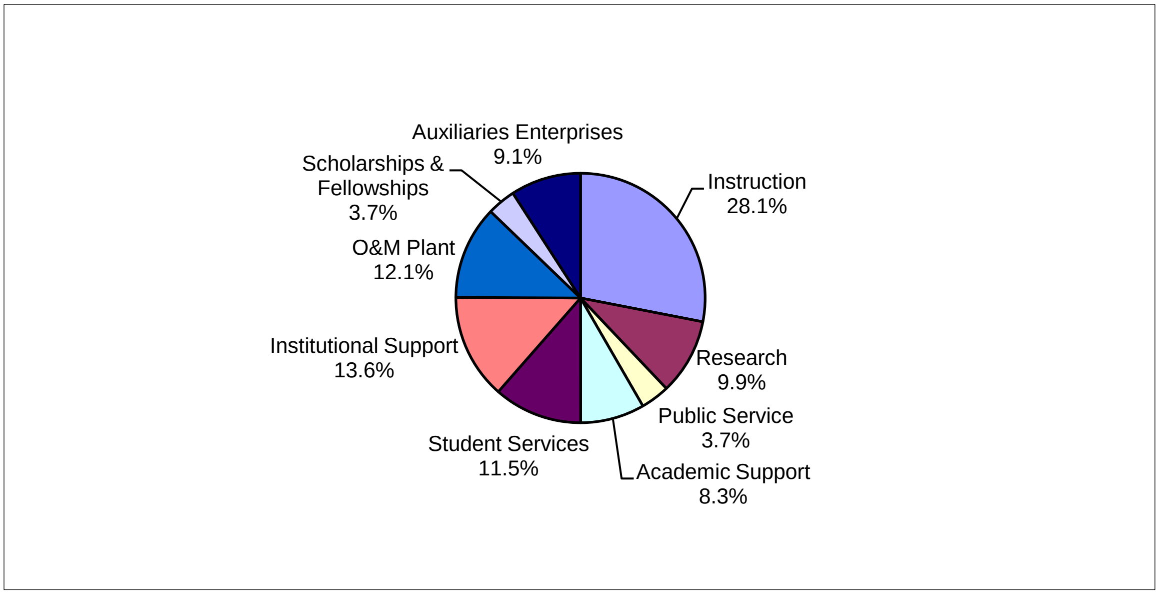
The following is an illustration of revenues by source for the year ended June 30, 2023:



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

	FY 2023
Instruction	$ 16,470,716
Research	$ 5,785,084
Public Service	$ 2,200,916
Academic Support	$ 4,885,296
Student Services	$ 6,741,637
Institutional Support	$ 7,987,279
O&M Plant	$ 7,111,133
Scholarships & Fellowships	$ 2,160,133
Auxiliaries Enterprises	$ 5,359,627
Total	$ 58,701,820

The following is an illustration of expenses for the year ended June 30, 2023:

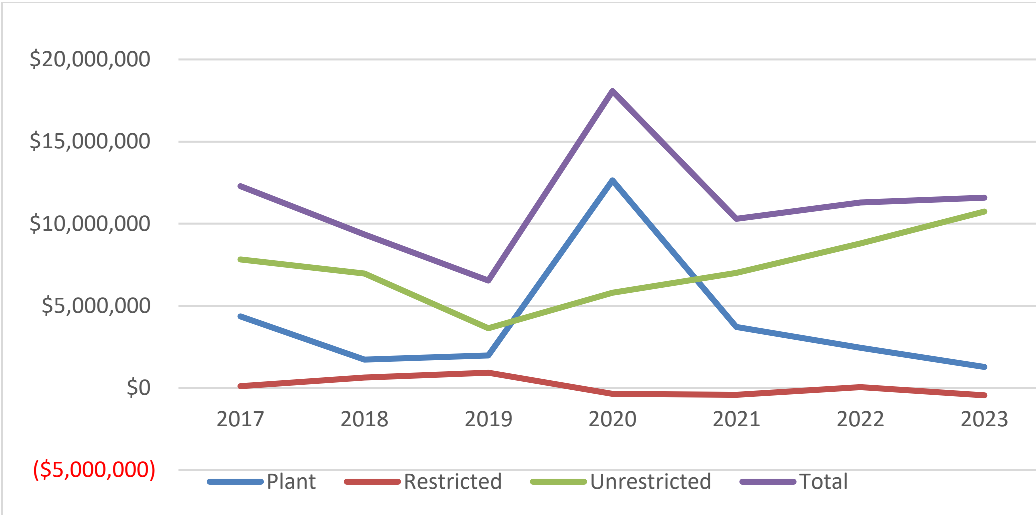


Condensed Statement of Cash Flows
For the year ended June 30, 2023

	FY 2023	FY 2022
Cash Provided by (Used in):		
Operating Activities	$ (609,911)	$ (12,008,274)
Non Capital Financing Activities	$ 17,379,007	$ 16,180,250
Capital and Related Financing Activities	$ (16,553,703)	$ (3,328,409)
Investing Activities	$ 66,687	$ 147,456
Net Increase (Decrease) in Cash	$ 282,079	$ 991,023
Cash and Cash Equivalents, Beginning of the Year	$ 11,294,885	$ 10,303,861
Cash and Cash Equivalents, End of the Year	$ 11,576,964	$ 11,294,885

The Statement of Cash Flows presents information related to cash inflows summarized by operating, non-capital financing, capital financing and related investing activities. This helps measure the ability to meet financial obligations as they mature. Major sources of cash include: 1) funds from students for tuition, fees, auxiliaries, and grants, $49.5 million, in the operating activities category, and 2) general fund appropriations, $14.8 million, in the non-capital financing activities. The largest payments were for salaries and benefits, $33 million, and payments to vendors for contracted services and supplies, $12.7 million.

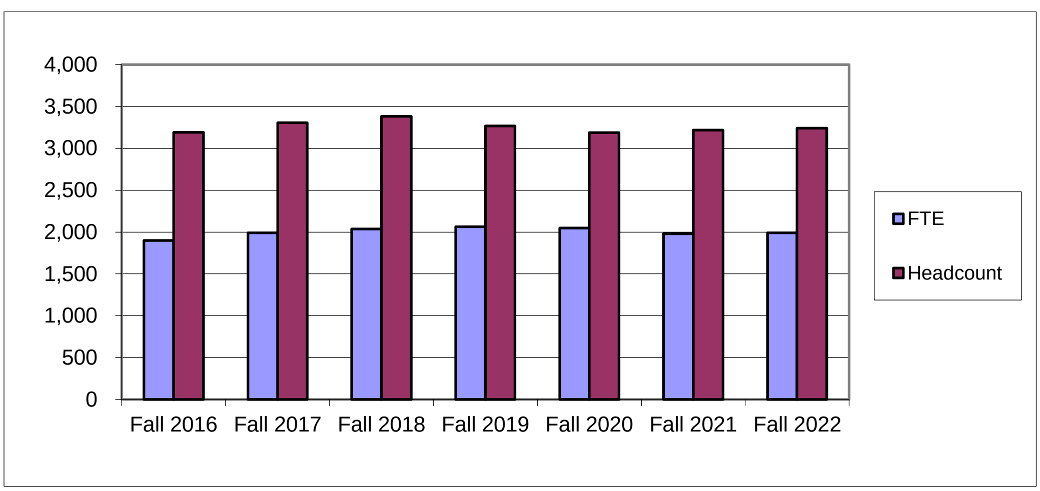
The following is an illustration of cash balances as of June 30, 2023:



Unrestricted cash on hand as of June 30 each year is used for summer salaries, benefits and monthly operating expenses. Cash receipts during the summer are relatively low so the university must maintain a sufficient cash balance to meet obligations until proceeds from tuition and fees are received in the fall. Restricted cash can only be used in accordance with the source of the cash and grant funds are typically received on a reimbursement basis. Plant funds are to be used for long-term maintenance of revenue buildings and not for normal day-to-day operating expenses.

Enrollment Information

Dakota State University's Fall full-time equivalent increased by .61% and headcount enrollment increased by .68% over the prior year. Projections for enrollment continue to be conservative while the university focuses on retaining students through graduation along with strengthening marketing and recruiting for new students.



DAKOTA STATE UNIVERSITY
STATEMENT OF NET POSITION
JUNE 30, 2023

	FY 2023	FY 2022
ASSETS		
Current Assets		
Cash on Deposit - State Treasurer	11,487,506.80	11,118,010.57
Other Cash and Temporary Investments	61,958.62	53,173.36
Accounts Receivable - Students	2,483,950.52	2,364,332.58
Accounts Receivable	213,965.23	234,980.69
Notes Receivable	119,121.35	210,527.12
Interest Receivable	170,220.64	66,671.72
Prepaid Expenses and Deferred Charges	16,506.12	15,207.64
Inventory	154,782.95	113,488.81
Due From Federal Sources	1,735,550.83	1,265,049.77
Due From Primary Government	107,311.04	96,967.67
Due From Other Component Unit	49,040,775.05	53,582,607.58
Total Current Assets	65,591,649.15	69,121,017.51
Non-Current Assets		
Restricted Cash on Deposit - State Treasurer (Debt Service)	27,498.56	123,700.76
Notes Receivable	270,556.00	466,368.00
Land	372,184.00	372,184.00
Land Improvements, Net	235,558.50	341,961.43
Infrastructure, Net	1,698,657.87	1,856,814.75
Buildings and Building Improvements, Net	63,973,762.83	66,222,073.86
Equipment and Other Property, Net	1,450,075.16	1,679,258.00
Construction in Progress	15,984,641.86	1,134,259.94
Work in Progress-Intangible Asseta	0.00	2,488.17
Total Non-Current Assets	84,012,934.78	72,199,108.91
TOTAL ASSETS	149,604,583.93	141,320,126.42
LIABILITIES		
Current Liabilities		
Accounts Payable	5,337,987.48	1,664,309.73
Accrued Wages and Benefits	812,258.73	700,261.02
Accrued Interest Payable	235,054.50	246,694.00
Compensated Absences Payable	1,032,996.25	983,305.63
Bonds Payable, Net of Unamortized Amount	1,192,967.86	1,137,967.80
Obligations Under Capital Leases, Non Capital	449,899.06	421,449.61
Deferred Revenue	49,220,531.48	54,459,421.82
Due to Primary Government	20,626.62	19,226.84
Due to Other Component Unit	0.00	0.00
Student Deposits	64,171.92	77,217.79
Total Current Liabilities	58,366,493.90	59,709,854.24
Non-Current Liabilities		
Compensated Absences Payable	2,311,569.79	1,927,078.30
Bonds Payable, Net of Unamortized Amount	23,253,735.94	24,446,703.86
Obligations Under Capital Leases, Non Capital	234,213.48	220,809.27
Federal Capital Contributions Advance	1,206,284.00	1,401,334.00
Total Non-Current Liabilities	27,005,803.21	27,995,925.43
TOTAL LIABILITIES	85,372,297.11	87,705,779.67
Deferred Inflows	1,495.03	2,349.53
TOTAL LIABILITIES AND DEFERRED INFLOWS	85,373,792.14	87,708,129.20
NET POSITION		
Invested in Capital, Net of Related Debt	56,580,694.19	46,022,018.96
Restricted		
Expendable		
Debt service	27,498.56	42,675.15
Other	1,172,721.21	1,658,134.22
Unrestricted	6,449,877.83	5,889,168.89
TOTAL NET POSITION	64,230,791.79	53,611,997.22
TOTAL LIABILITIES AND NET POSITION	149,604,583.93	141,320,126.42

	2023
Assets	
Current Assets	
Cash and cash equivalents	$ 759,683
Current portion of promises to give	6,412,332
Total current assets	7,172,015
Property and Equipment, net	2,256,115
Other Long-Term Assets	
Cash surrender value of life insurance	163,165
Beneficial interest in perpetual trust	293,415
Investments	30,183,822
Promises to give, less current portion	3,730,915
Assets limited as to use - funds invested and held for the University	52,319,271
Total other assets	86,690,588
Total assets	$ 96,118,718

	2023
Liabilities and Net Assets	
Current Liabilities	
Current portion of long-term debt	$ 69,508
Accounts payable	70,783
Annuity payable	61,857
Deposits held for others	16,657
Total current liabilities	218,805
Long-Term Liabilities	
Long-term debt, net of current portion	531,681
Funds invested and held for the University	52,319,271
Total long-term liabilities	52,850,952
Total liabilities	53,069,757
Net Assets	
Without donor restriction	2,474,529
With donor restriction	
Purpose restriction	21,558,871
Perpetual in nature	19,015,561
	40,574,432
Total net assets	43,048,961
Total liabilities and net assets	$ 96,118,718

DAKOTA STATE UNIVERSITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
JUNE 30, 2023

	FY 2023	FY 2022
OPERATING REVENUES		
Tuition & Fees		
State Support	6,838,691.59	6,730,418.61
Self Support	10,391,654.35	10,119,303.46
Total Tuition	17,230,345.94	16,849,722.07
Fees	3,965,565.76	3,902,454.26
Total Tuition and Fees	21,195,911.70	20,752,176.33
Student Financial Assistance	(3,873,179.15)	(3,620,945.72)
Tuition and Fees Net of Student Financial Assistance	17,322,732.55	17,131,230.61
Auxiliaries	5,807,118.68	5,422,762.37
General Sales & Services	2,794,822.94	1,969,099.42
Contracts & Grants - Federal	5,703,457.77	5,435,225.02
Contracts & Grants - State	2,938,651.73	2,046,824.09
Contracts & Grants - Private	6,485,813.65	6,627,727.72
Student Loan Interest	16,914.18	22,094.36
Other Revenues and Additions	496.13	306.33
TOTAL OPERATING REVENUES	41,070,007.63	38,655,269.92
OPERATING EXPENSES		
Personal Services	33,641,559.58	30,967,913.39
Travel	983,069.40	633,868.95
Contractual	11,588,875.37	9,548,114.02
Supplies and Materials	4,979,409.90	4,860,102.80
Grants	3,486,586.63	4,778,508.97
Loan Cancellation Expense	195,675.93	28,395.75
Depreciation	3,826,642.98	3,964,447.87
TOTAL OPERATING EXPENSES	58,701,819.79	54,781,351.75
TOTAL OPERATING INCOME/(LOSS)	(17,631,812.16)	(16,126,081.83)
NON-OPERATING REVENUES		
General Fund Appropriations	14,896,805.92	10,973,669.79
CARES Funds	599,993.74	3,148,489.22
School & Public Lands	213,960.32	227,736.45
HEFF	294,255.15	342,267.48
Investment Income	170,235.93	66,675.29
Other Non-Operating PELL Grants	2,261,608.70	2,212,873.19
TOTAL NON-OPERATING REVENUES	18,436,859.76	16,971,711.42
NON-OPERATING EXPENSES		
Interest Expense on Bonds	830,256.14	873,911.14
Loss on disposal of assets	80,630.60	0.00
Contributed Services	692,567.13	475,315.46
TOTAL NON-OPERATING EXPENSES	1,603,453.87	1,349,226.60
TOTAL NON-OPERATING REVENUES/(EXPENSES)	16,833,405.89	15,622,484.82
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES	(798,406.27)	(503,597.01)
CAPITAL		
HEFF	141,324.24	1,314,618.88
Capital Grants & Contracts	11,275,876.60	0.00
South Dakota Building Authority	0.00	656,402.65
NET POSITION:		
NET POSITION - BEGINNING OF THE YEAR	53,611,997.22	52,144,572.70
NET POSITION - END OF THE YEAR	64,230,791.79	53,611,997.22

	2023		
	Without Donor Restriction	With Donor Restriction	Total
Support and Revenue			
Contributions	$ 66,549	$ 6,612,702	$ 6,679,251
Contributions from DSU of non-financial assets	903,590	-	903,590
Other in-kind contributions	73,059	-	73,059
Gross special event revenue	-	304,830	304,830
Less cost of direct benefits to donors	-	(114,151)	(114,151)
Net special events revenue	-	190,679	190,679
Rental revenue	209,390	170,500	379,890
Net investment income	142,541	1,916,560	2,059,101
Change in split interest agreements	-	(4,043)	(4,043)
Loss on sale of property	(103,159)	-	(103,159)
Other income	78,432	-	78,432
Net assets released from restrictions			
Released for scholarships	2,535,766	(2,535,766)	-
Released for endowment fee	129,655	(129,655)	-
Released for capital projects	10,018,926	(10,018,926)	-
Total support and revenue	14,054,749	(3,797,949)	10,256,800
Expenses			
Program services expense			
Scholarships and University support	12,554,692	-	12,554,692
Supporting services expense			
Management and general	2,102,837	-	2,102,837
Fundraising and development	68,546	-	68,546
Total expenses	14,726,075	-	14,726,075
Change in Net Assets	(671,326)	(3,797,949)	(4,469,275)
Net Assets, Beginning of Year, as previously stated	2,261,370	17,148,266	19,409,636
Restatement	884,485	27,224,115	28,108,600
Net Assets, Beginning of Year, As Restated	3,145,855	44,372,381	47,518,236
Net Assets, End of Year	$ 2,474,529	$ 40,574,432	$ 43,048,961

DAKOTA STATE UNIVERSITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023

	FY 2023	FY 2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition, Fees, & Auxiliaries (Net of Scholarship allowance & discounts)	23,010,233.29	22,037,387.63
General Sales & Services	2,376,003.53	1,833,905.40
Federal Grants & Contracts	5,232,956.71	5,975,758.97
State Grants and Contracts	2,923,491.77	3,021,775.22
Private Grants & Contracts	16,011,122.09	6,514,353.51
Other	496.13	306.33
Student Loan Interest	16,914.18	22,094.36
Personal Services (salaries & benefits)	(33,095,379.76)	(30,910,726.71)
Travel	(983,069.40)	(633,868.95)
Contractual	(11,360,710.03)	(9,548,114.02)
Supplies & Materials	(1,346,924.99)	(5,723,116.31)
Grants	(3,486,586.63)	(4,778,508.97)
Perkins Loans Issued/Colelcted from Students	91,541.84	180,480.00
Net cash provided (used) by Operating Activities	(609,911.27)	(12,008,273.54)
CASH FLOWS FROM NONCAPITAL FINANCIAL ACTIVITIES		
General Fund Appropriations	14,896,805.92	10,973,669.79
School & Public Lands	213,960.32	227,736.45
CARES Funding	0.00	3,148,489.22
HEFF	294,255.15	342,267.48
Direct Loan Receipts	(8,884,563.00)	9,724,273.00
Direct Loan Disbursements	8,884,563.00	(9,724,273.00)
Federal Capital Contribution - Student Loan	(195,050.00)	(249,471.00)
Other Non-Operating Revenue including PELL Grants	2,861,602.44	2,212,873.19
Payments for Other Expenditures	(692,567.13)	(475,315.46)
Net Cash Flows Provided by Noncapital Financing Activities	17,379,006.70	16,180,249.67
CASH FLOWS FROM CAPITAL RELATED FINANCING ACTIVITIES		
HEFF	141,324.24	1,314,618.88
Capital Grants & Contracts	1,256,950.60	0.00
Proceeds from Capital Debt & Leases	693,900.00	659,250.00
Principal Paid on Indebtedness	(1,657,046.34)	(1,531,835.95)
Interest on Indebtedness	(975,718.00)	(1,018,276.00)
Purchase of Capital Assets	(16,013,113.65)	(3,408,568.48)
South Dakota Building Authority	0.00	656,402.65
Net Cash Used by Capital and Related Financing Activities	(16,553,703.15)	(3,328,408.90)
CASH FLOWS FROM INVESTING ACTIVITIES	66,687.01	147,456.26
Net cash Provided (used)	282,079.29	991,023.49
Cash - Beginning of the year	11,294,884.69	10,303,861.20
Cash - End of the year	11,576,963.98	11,294,884.69

RECONCILIATION OF NET OPERATING REVENUES/(EXPENSES) TO NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES

	FY 2023	FY 2022
OPERATING INCOME (LOSS)	(14,969,875.43)	(16,126,081.83)
Adjustments to reconcile net income (loss) to net cash used by operating activities:		
Depreciation, Bad Debt, and Loan Cancellation Expense	4,094,927.91	3,992,843.62
Change in Assets and Liabilities:		
Accounts Receivable	(494,020.14)	(41,508,345.40)
Inventory	(41,294.14)	5,465.06
Accounts Payable	10,800,350.53	41,627,845.01
NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES	(609,911.27)	(12,008,273.54)

	2023
Operating Activities	
Change in net assets	$ (4,469,275)
Adjustments to reconcile changes in net assets to cash flow used for operating activities	
Depreciation	72,609
Realized and unrealized (gains) losses on investments	(691,223)
Contributions restricted to endowment	(934,022)
Loss on disposal of property and equipment	103,159
Loss on uncollectible promises to give receivables	146,411
Change in split-interest agreements	3,931
Changes in assets and liabilities	
Promises to give	2,074,008
Cash surrender value of life insurance	(25,741)
Accounts payable	71,303
Net Cash used for Operating Activities	(3,648,840)
Investing Activities	
Purchase of property and equipment	(171,042)
Purchases of investments	(9,560,237)
Proceeds from sale of investments	4,108,938
Net Cash used for Investing Activities	(5,622,341)
Financing Activities	
Collections of contributions restricted to endowment	934,022
Principal payments on annuities	(11,004)
Proceeds from new annuity agreements	20,000
Principal payments on long-term debt	(71,451)
Net Cash from Financing Activities	871,567
Net Change in Cash and Cash Equivalents	(8,399,614)
Cash and Cash Equivalents at Beginning of Year, as Restated	9,159,297
Cash and Cash Equivalents at End of Year	$ 759,683
Supplemental Disclosure of Cash Flow Information	
Cash paid during the year for interest	$ 10,059
Supplemental Disclosure of Non-Cash Operating Activities	
Non-cash contributions	$ 976,649

DAKOTA STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Basis of Presentation:

The financial statements have been prepared and are presented as required by GASB Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments* and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion & Analysis for Public Colleges and Universities*. The financial statement presentation required by GASB provides a comprehensive, entity-wide perspective of the University's assets, liabilities, net assets, revenues, expenses, changes in net assets, cash flows, and replaces the fund-group perspective previously required. Based on the provisions of GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, the Dakota State University Foundation is reported as a component unit of the university and the Foundation Statements have been presented following the statements of the University.

B. Reporting Entity:

Dakota State University is one of six public institutions of higher education governed by the South Dakota Board of Regents. The University is a component unit of the State of South Dakota and is included in the general-purpose financial statements of the State of South Dakota.

C. Basis of Accounting:

The University has adopted the accrual basis of accounting for preparing its annual financial statements as required by generally accepted accounting principles. Under the accrual basis of accounting, revenue is recognized when earned and expenditures when an obligation is incurred. For reporting purposes, the University is considered a special-purpose government engaged only in business-type activities.

D. Fund Accounting:

In order to insure observance of the limitations and restrictions placed on the use of the resources available to the University, the accounts of the University are maintained according to the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into fund accounts that are maintained in accordance with activities or objectives specified by donors, governmental appropriations, granting agencies, and other outside sources or regulations.

Separate accounts are maintained for each fund; however, in the accompanying statements, all funds have been combined for reporting purposes.

E. Accounts Receivable:

Accounts Receivable consists of funds owed to various University departments from external sources. Accounts receivable include funds owed from students for tuition & fee charges as well as expenditures made on grants for which reimbursement has not been received. The University used the direct write-off method for uncollectible receivables.

F. Notes Receivable:

Notes receivable consist of those receivables in connection with the Perkins Loan program.

G. Investments:

Investments are reported at cost. Market values are not readily determinable for funds on deposit with the State Treasurer. These funds are pooled by the State Investment Council for investment purposes and investment earnings are returned to participating funds annually.

H. Inventories:

Inventories of supplies are reported using the FIFO method or estimated value. Inventories are reflected as current assets on the statement of net assets.

I. Capital Assets:

Capital assets are reported at historical cost. The cost of a capital asset includes capitalized interest and ancillary charges necessary to place the asset into its intended location and condition for use. Capital assets includes land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, infrastructure, and all other tangible or intangible assets that are used in operations and that have an initial useful lives extending beyond a single reporting period. Capital assets are depreciated using the straight line method of depreciation over their estimated useful lives and are reported net of accumulated depreciation in the statement of net assets.

J. Net Position:

Net position is classified according to external donor restrictions or availability of assets for satisfaction of University obligations. Invested in capital assets net of related debt represents the net value of capital assets (property, plant and equipment) less the debt incurred to acquire or construct the assets.

K. Scholarship allowances and student aid:

Tuition and fee revenues are reported net of any scholarship discounts and allowances on the Statement of Revenues, Expenses, and Changes in Net Assets.

L. Revenue recognition:

The University uses accrual basis accounting & therefore recognizes revenues when earned.

M. Operating and non-operating revenues:

Operating revenues consist of transactions resulting in the sales of product or service, grants or contracts related to exchange transactions, program loans, reimbursement of operating transactions, and indirect cost recovered on grants and contracts related to exchange transactions. Non-operating activities are generally activities considered non-capital financing, capital and related financing and investing activities for purposes of the Statement of Cash Flows. General fund appropriations are reported as non-operating revenues.

2. Cash and cash equivalents:

For reporting purposes, cash includes cash on hand, cash in local banks, and cash in the State Treasury. Cash equivalents are reported at fair value. Cash equivalents include short-term investments with original maturities of three months or less.

3. Retirement Plan

The South Dakota Retirement System (SDRS) is a cost-sharing, multiple employer public employee retirement system (PERS) established to provide retirement benefits for employees of the state and local governments. The SDRS is considered part of the State of South Dakota financial reporting entity and is included in the state's financial report as a pension trust fund.

Covered employees are required by state statute to contribute 6 percent of their salary to the plan, while public safety and judicial employees contribute at 8 percent and 9 percent, respectively. State statue also requires the employer to contribute an amount equal to the employee's contributions.

4. State Appropriations

The State General Fund appropriation for fiscal year 2023 was $14,896,806.

5. Tuition and Fees

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

6. Endowment and Similar Funds

The assets of the Endowment and similar funds administered by the Department of School and Public Lands have not been included in the financial statements because the University does not actively participate in the administration of the funds.

7. Related parties:

The financial statements do not include the assets, liabilities or fund balances of affiliated organizations, whose financial statements are separately audited.

8. Funds held for others:

Funds held for others consist of federal loan program balances and funds held for student organizations. Assets of the federal loan program are student loans receivable and the funds held for student organizations are principally cash.

9. Capital Asset Activity including construction in progress for the year ended June 30, 2023 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Land	372,184			372,184
Land Improvements	1,341,314		(537,673)	803,640
Infrastructure	3,849,828			3,849,828
Buildings	56,636,316		(433,459)	56,202,857
Building Improvements	44,211,086	713,879		44,924,965
Furniture, fixtures, and equip.	5,308,513	419,709	(526,961)	5,201,261
Library materials	3,542,788	29,144	(19,799)	3,552,133
Intangible Assets	12,441			12,441
Total	115,274,470	1,162,732	(1,517,893)	114,919,309
Construction in Progress	1,134,260	14,850,382		15,984,642
Less accumulated depreciation:				
Land Improvements	999,352	43,910	(475,180)	568,082
Infrastructure	1,993,013	158,157		2,151,170
Buildings	14,995,288	975,627	(433,459)	15,537,456
Building Improvements	19,630,041	1,986,563		21,616,604
Furniture, fixtures, and equip.	3,876,962	615,032	(524,447)	3,967,547
Library materials	3,295,082	60,490	(19,799)	3,335,772
Accumulated Amortization	9,953	2,488		12,441
Total	44,799,690	3,842,266	(1,452,885)	47,189,071
Capital Assets, net	71,609,040	12,170,847	(65,007)	83,714,880

10. Long-term liability activity for the year ended June 30, 2023 was as follows:

Compensated Absences Payable:

Compensated absences include accrued annual leave, sick leave and compensatory time earned as of June 30. Annual leave is earned by State of South Dakota employees. Upon termination, employees are eligible to receive compensation for their accrued annual leave balance. Employees who have been continuously employed by the State of South Dakota for at least seven years prior to the date of their retirement, voluntary resignation or death will receive payment for one-fourth of their accumulated sick leave balance, such payment not to exceed the sum of twelve weeks of employee's annual compensation.

Debt Financing:

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

	Tablet PC
Balance 6/30/22	642,258.87
Additions	693,900.00
Payments	(652,046.34)
Balance 6/30/23	684,112.53
Due FY24 principal	449,899.05
Due FY25 principal	234,213.48
Total Principal	684,112.53
Due FY24 interest	10,654.71
Due FY25 interest	4,133.71
Total Interest	14,788.42

Long-Term Liabilities:

The South Dakota Board of Regents issued bonds in 2007 and 2008. DSU's portion was $390,000 for the 2007 series and $4,770,000 for the 2008 series. Both of the issues were for the housing system and mature in 2028.

In September 2014, the South Dakota Board of Regents issued series 2014B totaling $13,760,000 of which DSU's portion was $1,695,000. This issue was a refinancing of the previously held 2004A series. The total principal savings was $425,000 and will be realized in the annual payments with April 2025 as the maturity date.

The South Dakota Board of Regents issued series 2015 in December 2015. DSU's portion was $12,000,000 of which $5,000,000 is for the renovation of the student union and $7,000,000 is for the renovation of the former Madison hospital for student housing and a learning engagement center.

The 2019A series was issued for a new residence hall on campus set to open in the Fall of 2021 for a total of $11,620,000 with a maturity date of April 2044.

The series 2007, 2008, 2014B, 2015, and 2019A bonds are funded from pledged revenues of the residence halls less operational costs, pledged revenues from auxiliary operations including Food Service and the Trojan Center less operational costs and a portion of the General Activity Fee.

The annual requirements to amortize all Revenue Bond debt outstanding are as follows:

Year Ending June 30,	Principal	Interest	Debt Service
2024	1,060,000	928,675	1,988,675
2025	1,110,000	883,447	1,993,447
2026	950,000	835,987	1,785,987
2027	1,165,000	796,739	1,961,739
2028	1,220,000	746,453	1,966,453
2029-2033	4,940,000	3,035,335	7,975,335
2034-2038	6,145,000	1,812,750	7,957,750
2039-2043	5,010,000	551,600	5,561,600
2044-2045	770,000	23,100	793,100
Total	22,370,000	9,614,086	31,984,086

11. Joint Ventures:

Dakota State University and the City of Madison are in joint venture of the Madison Community Center. The operations of the Madison Community Center are funded through memberships.

12. Functional Classification of Expenses and Depreciation:

	Personal Services	Travel	Contractual	Supplies & non-capitalized equipment	Grants & Subsidies	Other	Depr.	Total
Instruction	$ 14,706,915	$ 98,064	$ 638,918	$ 1,023,091	$ 3,727	$ -	$ -	$ 16,470,716
Research	$ 3,023,399	$ 214,401	$ 529,544	$ 410,195	$ 1,607,545	$ -	$ -	$ 5,785,084
Public Service	$ 1,409,623	$ 23,685	$ 558,100	$ 187,679	$ 21,830	$ -	$ -	$ 2,200,916
Academic Support	$ 2,981,281	$ 52,216	$ 807,062	$ 977,463	$ 4,296	$ -	$ 62,978	$ 4,885,296
Student Services	$ 4,047,815	$ 451,152	$ 1,341,156	$ 901,514	$ -	$ -	$ -	$ 6,741,637
Institutional Support	$ 4,626,782	$ 137,646	$ 2,700,238	$ 499,112	$ 23,500	$ -	$ -	$ 7,987,279
O & M of Plant	$ 1,773,993	$ 3,242	$ 1,107,975	$ 462,257	$ -	$ -	$ 3,141,567	$ 6,489,035
Scholarships & Fellowships	$ 138,769		$ -	$ -	$ 1,825,688	$ 195,676	$ -	$ 2,160,133
Auxiliary Enterprises	$ 932,983	$ 2,663	$ 3,905,882	$ 518,098	$ -	$ -	$ -	$ 5,359,627
Unallocated Depr.	$ -	$ -	$ -	$ -	$ -	$ -	$ 622,098	$ 622,098
TOTAL	$ 33,641,560	$ 983,069	$ 11,588,875	$ 4,979,410	$ 3,486,587	$ 195,676	$ 3,826,643	$ 58,701,820

Note 1 - Principal Activity and Significant Accounting Policies

Nature of Operations

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

Cash and Cash Equivalents

The Foundation considers all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither invested and held for others or restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and short-term investments held in money market accounts in the endowment pool are reported as investments instead of cash and cash equivalents because the Foundation holds those amounts as endowments.

Property and Equipment

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

Furniture and equipment	7 years
Buildings	40 years

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

The Foundation reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended June 30, 2023.

Investments

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

Promises to Give

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

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

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

Beneficial Interest in Perpetual Trust

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

Cash Value of Insurance Policies

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

Charitable Gift Annuities

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

Net Assets

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

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

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

Revenue and Revenue Recognition

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. At June 30, 2023, conditional contributions approximating $26 million, for which no amounts have been received in advance, have not been recognized in the accompanying financial statements.

Donated Services and In-Kind Contributions

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

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

University Support

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

Functional Allocation of Expense

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

Income Taxes

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

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

Estimates

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

Financial Instruments and Credit Risk

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

The Foundation maintains its cash accounts in various deposit accounts, the balances of which are periodically in excess of federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per depositor, per insured bank, for each account ownership category. As of June 30, 2023, the Foundation had approximately $8,975,764 in excess of FDIC-insured limits which is included in the cash and cash equivalents and the assets limited to use lines on the statement of net position.

Note 2 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at June 30, 2023:

	2023
Cash, Cash Equivalents and Investments	$ 1,166,573
Promises to Give	231,963
	$ 1,398,536

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

Note 3 - Promises to Give

Unconditional promises to give are estimated to be collected as follows at June 30, 2023:

	2023
Within One Year	$ 6,763,583
In One to Five Years	3,764,836
Over Five Years	1,589,260
	12,117,679
Adjustment to fair value	(1,974,432)
	$ 10,143,247

Note 4 - Fair Value Measurements

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Foundation can access at the measurement date.

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

Level 3: Unobservable inputs for the asset or liability. In these situations, the Foundation develops inputs using the best information available in the circumstances.

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

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

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

The following table presents assets at fair value on a recurring basis at June 30, 2023:

	Total	Fair Value Measurements at Report Date Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Cash and Money Market				
Mutual funds (at cost)	$ 678,219	$ 678,219	$ -	$ -
Mutual Bond Funds				
U.S. government obligations	5,140,421	-	5,140,421	-
Mutual Equity Funds				
Fixed income	14,369,688	14,369,688	-	-
Equity	7,171,631	7,171,631	-	-
International	2,670,521	2,670,521	-	-
Private Equity				
Other investments	153,342	-	-	153,342
Asset held for limited use				
Cash and Money Market				
Mutual funds (at cost)	20,786,579	-	-	-
Mutual Equity Funds				
Fixed income	28,295,127	28,295,127	-	-
Equity	3,237,565	3,237,565	-	-
Beneficial Interest in Perpetual Trust	293,415	-	-	293,415
Promises to Give	10,143,247	-	-	10,143,247
	$ 92,939,755	$ 56,422,751	$ 5,140,421	$ 10,590,004

The following is a reconciliation of beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended June 30, 2023 and 2022:

	July 1, 2022	Investment Income (Expense)	Net Realized and Unrealized Gains (Losses)	Gifts/ Purchases	Settlements/ Sales	June 30, 2023
Assets						
Investments:						
Private equity investments	$ 84,500	$ (6,518)	$ 1,760	$ 75,000	$ (1,400)	$ 153,342
LLC member interests	140,850	-	30,730	-	(171,580)	-
	225,350	(6,518)	32,490	75,000	(172,980)	153,342
Promises to give	12,363,666	-	-	4,559,037	(6,779,456)	10,143,247
Beneficial interest in perpetual trust	297,346	-	(3,931)	-	-	293,415
	$ 12,886,362	$ (6,518)	$ 28,559	$ 4,634,037	$ (6,952,436)	$ 10,590,004

Note 5 - Property and Equipment

The Foundation's property and equipment consists of the following at June 30, 2023:

	2023
Land	$ 110,430
Furniture and Fixtures	30,934
Buildings	2,664,228
	2,805,592
Less accumulated depreciation	(549,477)
	$ 2,256,115

Note 6 - Endowment

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

Interpretation of Relevant Law

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

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

As of June 30, 2023, endowment net asset composition by type of fund is as follows:

	2023
Board-Designated Endowments	$ 190,710
Donor-Restricted Endowment Funds	
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	19,015,561
Accumulated investment gain (deficit)	(75,748)
	$ 19,130,523

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Foundation has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At June 30, 2023, funds with original gift values of $8,856,771, fair values of $7,468,542, and deficiencies of $1,388,229 were reported in net assets with donor restrictions.

Investment Spending Policies

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

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

Changes in endowment with donor restriction net assets for the year ended June 30, 2023, are as follows:

	Without Donor Restriction	With Donor Restricted Earnings	With Donor Restricted Perpetual
Endowment Net Assets, Beginning of Year	$ 190,625	$ -	$ 17,148,263
Restatement for errors (See Note 11)	-	(784,806)	937,208
Investment return, net	85	1,574,514	-
Contributions	-	-	934,022
Change in split-interest agreement	-	-	(3,932)
Appropriation of endowment assets	-	(865,456)	-
Endowment Net Assets, End of Year	$ 190,710	$ (75,748)	$ 19,015,561

Note 7 - Net Assets with Donor Restrictions

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

	2023
Subject to Expenditure for Specified Purpose	
Scholarships and capital campaign, including promises to give	$ 21,634,619
Subject to appropriation and expenditure when a specified event occurs	
Restricted by donors for scholarships	(75,748)
	21,558,871
Endowments	
Perpetual in nature, earnings from which are subject to endowment spending policy appropriation	
Restricted by donors for scholarships	17,810,854
Restricted for other items	125,299
Promises to give, the proceeds from which have been restricted by donors for scholarships	1,079,408
	19,015,561
Total endowments	19,015,561
Total assets with donor restrictions	$ 40,574,432

Note 8 - Donated Professional Services and Materials

Donated professional services and materials are as follows during the years ended June 30, 2023:

Non-Financial Contributions Category	Type of Contributions for Beneficiaries	Valuation	Monetized or Utilized	2023
Silent Auction Items	Various products, services, and experiences	Prices of identical or similar products, services and experiences	Monetized	$ 73,059
In-Kind Salaries	Salaries for employees working for the Foundation	Actual salaries of the employees	Utilized	903,590
				$ 976,649

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

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

The University is in the process of building a new athletic facility. Phase I of the project is expected to cost approximately $42 million. The Foundation is currently conducting the Trojans Unite capital campaign to assist in funding this capital project. For the year ended June 30, 2023, the Foundation contributed gifts in the amount of $10,018,926 to the University for capital projects. This has been included in the scholarship and University support expense.

During 2023, the Foundation contributed gifts for scholarships in the amount of $2,535,766 and reimbursed the University for costs incurred for operating expenses, excluding the in-kind salaries donation, totaling $429,914. Scholarship payments are included in the scholarship and University support expense and reimbursed costs and in-kind expenses are included management and general expense.

The Foundation holds cash and investments for the University, which is reported as assets limited to use and funds invested and held for the University, on the statement of financial position. The Foundation invests the assets but does not have any administrative involvement with the funds as they were not a party to the agreement. All decisions related to the use of the funds is determined by the University based on agreements between the University and the donors. The funds invested and held for others were specific to two projects: the MadLabs project and the Applied Research Lab (ARL) project. The amount held for MadLabs was $8,549,570 at June 30, 2023, and the amount held for ARL was $42,579,054 at June 30, 2023.

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

	2023
Contributions	$ 158,934
Promises to Give, Outstanding Balance	473,241

Note 10 - Notes Payable

Notes payable consist of the following:

- A loan with Heartland Consumer Power District. The loan requires a monthly loan payment of $5,500 with 0% interest and is due January 2029. The proceeds of the loan were used to purchase the Heartland Technology Building and is collateralized by the Foundation property and equipment and receivables. The outstanding balance at June 30, 2023, was $368,500.

- A loan with a local financial institution which requires monthly payments of $993 with variable interest rate which is 6.04% at June 30, 2023, and is due on May 30, 2050. The proceeds were used to purchase property and is collateralized by one of the Foundation's deposit accounts. The outstanding balance at June 30, 2023, was $232,689.

The future minimum payments as of June 30, 2023, is as follows:

Year Ending June 30,	Amount
2024	$ 69,508
2025	69,769
2026	70,006
2027	70,259
2028	70,490
Thereafter	251,157
	$ 601,189

Note 11 - Correction of Error

Certain errors resulting in the overstatement of amounts previously reported as cash, promises to give, investments, unearned revenue, funds invested and held for the University, and fixed assets and the understatement of net assets without donor restrictions and net assets with donor restrictions as of June 30, 2022, were discovered by management of the Foundation during the current year.

Previously, the Foundation reported 1) cash and cash equivalents in the amount of $10,731,330, which is held for the University for certain projects, and is not considered Foundation cash and cash equivalents, but rather assets limited as to use; 2) the promises to give and unearned revenue included conditional promises to give in the amount of $13,000,000, the allowance for doubtful promises to give required an adjustment to fair value using discount rates, and the promises to give were offset by unearned revenue rather than considered contribution income when received; 3) payments received for the Trojan's Unite Athletic Facility were included in held for others on the statement of financial position; rather than recorded as contributions when received; 4) one parcel of land was disposed of in 2022 that was not reflected in the statement of financial position; and 5) the underwater endowments were reported as without donor restrictions and should have been reported as with donor restrictions.

Accordingly, amounts reported for these items have been restated in the 2023 financial statements to correct the errors and the impact on July 1, 2022, are as follows:

	As Previously Reported	Correction of Error	As Adjusted
Statement of Activities			
Net Assets without Donor Restrictions, Beginning of Year	$ 2,261,370	$ 884,485	$ 3,145,855
Net assets with Donor Restrictions, Beginning of Year	17,148,266	27,224,115	44,372,381
Total Net Assets, Beginning of Year	19,409,636	28,108,600	47,518,236
Statement of Cash Flows			
Cash and Cash Equivalents, Beginning of Year	$ 19,890,627	$ (10,731,330)	$ 9,159,297

Note 12 - Annuities Payable

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

The Foundation is the beneficiary of these annuity contracts whereby assets are made available on the condition that income is paid periodically to designated individuals. Payments of such amounts terminate at a time specified in the agreements, typically the death of the donors. At June 30, 2023, the annuity interests include $68,323 of investments for which the College serves as trustee, which are comprised of mutual fund investments. The College has reported in the accompanying financial statements an actuarial liability of $61,857 at June 30, 2023, which represents the present value of estimated future payments to beneficiaries of the charitable remainder trusts, taking into consideration their life expectancy and discounted at applicable interest rates.

Note 13 - Subsequent Events

Subsequent to year end, the Foundation purchased a new home for the President for $1,025,000; and sold the existing President's home for $545,000.

The Foundation has evaluated subsequent events through December 5, 2023, the date the financial statements were available to be issued.