



SOUTH DAKOTA MINESTM

An engineering, science and technology university

Financial Report



For the year ended June 30, 2022



Feb. 1, 2023

Dr. Brian Maher
South Dakota Board of Regents
306 East Capitol Avenue
Pierre, SD 57501-2545

Dear Dr. Maher:

I am pleased to forward the Annual Financial Report for South Dakota School of Mines and Technology for fiscal year 2022. This report covers all phases of the financial transactions of the university for the twelve-month period ending June 30, 2022.

Sincerely,

James M. Rankin
President

Enclosure

January 31, 2023

Dr. James Rankin
President
South Dakota School of Mines and Technology
501 East St. Joseph Street
Rapid City, SD 57701-3995

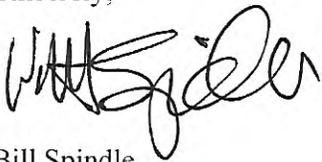
Dear Dr. Rankin:

The annual financial report for South Dakota School of Mines and Technology for the fiscal year ended June 30, 2022, is complete and submitted in the attached exhibits.

Standards issued by the Governmental Accounting Standards Board (GASB) have been applied in the preparation of these statements, which provide a comprehensive record of the University's financial activities.

The South Dakota School of Mines and Technology Center for Alumni Relations and Advancement (CARA) financial statements, audited by an independent certified public accountant, are included as part of this report since CARA is considered a component unit of South Dakota Mines, based on the provisions of GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*.

Sincerely,



Bill Spindle
Vice President, Finance and Administration

**SOUTH DAKOTA SCHOOL OF MINES AND TECHNOLOGY
FINANCIAL REPORT**

For the Year Ended June 30, 2022

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SOUTH DAKOTA SCHOOL OF MINES AND TECHNOLOGY

Rapid City, South Dakota

FINANCIAL REPORT

For the Year Ended June 30, 2022

REGENTS OF EDUCATION

John W. Bastian, President, Belle Fourche

Pam Roberts, Vice President, Pierre

Jim Thares, Secretary, Aberdeen

Brock Brown, Lake Norden

Tony Venhuizen, Sioux Falls

Jeff Partridge, Rapid City

Tim Rave, Baltic

Joan Wink, Howes

Barb Stork, Dakota Dunes

Office of the Board of Regents

Dr. Brian Maher, Executive Director & CEO

Heather Forney, System Vice President for Finance and Administration

South Dakota School of Mines and Technology

Dr. James Rankin, President

Dr. Lance Roberts, Provost and Vice President for Academic Affairs

Dr. Ralph Davis, Vice President for Research

Paul Krueger, Chief Executive Officer, Center for Alumni Relations and Advancement

Dr. William Spindle, Vice President for Finance and Administration

Debra Rowse, Controller

South Dakota School of Mines & Technology

Organizational Chart



South Dakota Board of Regents

Jim Rankin, President

Lance Roberts
Provost & Vice President
for Academic Affairs

Joseph Dlugos
Associate Vice President
for Student Development
& Dean of Students

Joel Lueken
Director of
Athletics

Ann Brentlinger
Director of Marketing
& Communications

Jerilyn Roberts
Associate Vice President
of Facilities, Risk, &
Services

Bill Spindle
Vice President for
Finance &
Administration

Kelsey O'Neill
Associate Vice
President of
Human Resources

Ralph Davis
Vice President for
Research

Darcy Briggs
Associate Vice President
for Academic Affairs

Directors

- Ryan Koontz, CAMP Interim Director
- Andrea Surovek, Faculty Development

- Intramural Sports
- Wellness Center

Mike Ray
Communications
Manager

Doug Parrow
Chief of Police

Directors

- Marlin Kinzer, Bookstore
- Barb Mustard, Business Services
- Deb Rowse, Controller
- Cassie Furchner, Financial Planning & Budget Development
- Bryan Schumacher, ITS
- Katie Wahls, Housing & Operations

Joseph Wright
Associate Vice President for
Research & Economic
Development;
Director, Office of Industry
Engagement

Molly Moore
Associate Vice President for
Enrollment Management

Directors

- Shelli Grinager, Admissions
- Cicily Strong, Admissions
- David Martin, Financial Aid
- Diana Eastman, Registrar

Directors

- Jesse Herrera, Office for Inclusion
- Duane Kavanaugh, Counseling
- Suzi Aadland, Ivanhoe International Center
- Bryce Nussbaum, Residence Life and Community Standards
- Cory Headley, Student Engagement
- Derek Flom, Veterans Resource Center

Jade Herman
Chief of Staff

Stephanie Lindsley
Director of Scheduling &
Event Operations

**Research Center
Directors**

- Grant Crawford, AMP, R3S & SERC
- Steve Smith, BioSNTR
- David Salem, CAPE
- Alevtina Smlrnova, CEPS
- Michael West, CFSP
- Karim Muci, ECML
- Edward Duke, EMES, NASA-EPSCoR, & SDSGC
- Jon Kellar, SPACT
- Robb Winter, 2D Best Center

Michelle Lineweber
Director of Academic
Affairs Operations

Maribeth Price
Dean of
Graduate Education

Matt Hanley
Career &
Professional
Development
Office Director

Lisa Carlson
Director of
Student Success

Larry Simonson
Assistant to the
President - Alumni
Ambassador

Jen Hauf
Aramark Dining Services

Paul Krueger
CEO, Center for Alumni Relations
& Advancement
(Reports to CARA Board)

Directors

- Patricia Andersen, Library
- Jeff Langemeier, Institutional Research
- Laurie Anderson, Museum of Geology

Bill Cross
Faculty Senate Chair

Department Heads & Program Directors/Coordinators

<p>William Capehart, Director of Atmospheric & Environmental Sciences</p> <p>Kenneth Benjamin, Interim Head of Chemical & Biological Engineering</p> <p>Zhengtao Zhu, Head of Chemistry, Biology & Health Sciences</p> <p>James Stone, Head of Civil & Environmental Engineering</p> <p>Jeff McGough, Head of Computer Science & Engineering</p> <p>Tom Montoya, Interim Head of Electrical Engineering</p> <p>Laurie Anderson, Head of Geology & Geological Engineering</p> <p>Frank VanNuys, Interim Head of Humanities & Social Sciences</p> <p>Jeff Woldstad, Head of Industrial Engineering</p> <p>Richard Schnee, Head of Physics</p>	<p>Bharat Jasthi, Director of Materials Engineering & Science</p> <p>Michael West, Head of Materials & Metallurgical Engineering</p> <p>Travis Kowalski, Head of Mathematics</p> <p>Pierre Larochelle, Head of Mechanical Engineering</p> <p>Gregory Shipper, Chair of Military Sciences</p> <p>Robert Hall, Head of Mining Engineering and Management</p> <p>Steve Smith, Head of Nanoscience & Nanoengineering, Biomedical Engineering</p> <p>Michael Vander Heyden, Coordinator of Physical Education</p>
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SOUTH DAKOTA SCHOOL OF MINES AND TECHNOLOGY

Management's Discussion and Analysis

Reporting Entity

The South Dakota School of Mines and Technology (Mines) presents its financial report for the fiscal year ended June 30, 2022, along with comparative data for the fiscal year ended June 30, 2021.

Mines is one of six public universities under the control of the South Dakota Board of Regents, a nine-member board. Based on the provision of Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations are Component Units*, it has been determined that all six public universities are considered component units of the State of South Dakota and are reported as such in the State's comprehensive annual financial report.

The financial operations of Mines are audited as a part of the State of South Dakota. Therefore, an audit opinion is not issued on the individual statements of the University, but rather on the audited Annual Comprehensive Financial Report of the State of South Dakota. The following discussion and analysis provide an overview of the financial position and activities of South Dakota School of Mines and Technology for the year ended June 30, 2022. This discussion has been prepared by management and should be read in conjunction with the accompanying financial statements and notes.

The South Dakota School of Mines and Technology Foundation is a component unit of Mines. On July 1, 2020, the Mines Foundation and the SDSM&T Alumni Association merged into a single, not-for-profit South Dakota Corporation entitled the South Dakota School of Mines and Technology Center for Alumni Relations & Advancement (CARA). It will be addressed as CARA for the remainder of this report. As such, the financial statements of CARA are included in this report. Independent auditors, engaged by CARA's Board of Directors, audit CARA's financial information. The University has no control or management responsibility over CARA funds.

Understanding the Financial Statements

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*.

GASB Statement No. 87, Leases was implemented for fiscal year 2022. This Statement establishes standards of accounting and financial reporting for leases by lessees and lessors. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, the university is required to recognize a lease liability and an intangible right-to-use lease asset. Financial reports for fiscal year ending June 30, 2021, have been restated to reflect the change required by this new standard.

The financial reports required by GASB include the Statement of Net Position, the 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. Fiduciary custodial funds are now reported in separate statements.

Statement of Net Position presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the University at a point in time (June 30, 2022, and 2021). Their purpose is to present a financial snapshot of the University. They aid readers in determining the assets available to continue the University’s operations; how much the University owes to employees, vendors, and lenders, and a picture of net position. Non-financial measurements, such as enrollment and condition of the facilities serving the students, should also be taken into consideration.

Statement of Revenues, Expenses and Changes in Net Position presents revenues earned and expenses incurred during fiscal years ended June 30, 2022, and 2021. Revenues and expenses are considered operating and non-operating. In accordance with GASB requirements, state appropriations have been classified as non-operating revenues, resulting in the reporting of a significant net operating loss. The financial statements also reflect an allowance for depreciation expense, which is the amortization of the cost of a capital asset over its estimated useful life.

Statement of Cash Flows presents cash receipts and payments of the University during the fiscal years ended June 30, 2022, and 2021. Its purpose is to present the sources of cash coming into the University, how that cash was expended, and the change in the cash balance during the year.

Statement of Net Position

The statement of net position presents the financial position of Mines, at the end of the fiscal year, and includes all assets and liabilities of the university, using the accrual basis of accounting. Generally, assets and liabilities are reported at cost, except for capital assets, which are stated at cost, less accumulated depreciation.

Condensed Statement of Net Position

	<u>30-Jun-2022</u>	<u>30-Jun-2021</u>
ASSETS		
Current assets	\$ 25,506,665	\$ 23,586,410
Noncurrent assets	\$105,139,644	\$100,531,173
Deferred outflow of resources	<u>\$ 469,392</u>	<u>\$ 509,363</u>
Total assets and deferred outflows	<u>\$131,115,701</u>	<u>\$124,626,946</u>
LIABILITIES		
Current liabilities	\$ 9,172,798	\$ 8,280,764
Noncurrent liabilities	<u>\$ 34,037,750</u>	<u>\$ 36,243,147</u>
Total liabilities	<u>\$ 43,210,548</u>	<u>\$ 44,523,811</u>
NET POSITION		
Invested in capital assets, net of related debt	\$ 70,732,753	\$ 62,997,947
Restricted	\$ 5,439,391	\$ 5,755,689
Unrestricted	<u>\$ 11,733,009</u>	<u>\$ 11,349,500</u>
Total Net Position	<u>\$ 87,905,153</u>	<u>\$ 80,103,136</u>

- Total net position increased \$7.8 million in FY22, mainly due to a decrease in bond liabilities of \$1.3 and an increase of construction in progress assets of \$6.5 million. The construction projects include the library renovation and initial costs for the new MI building.

- Mines' largest asset is investment in plant, representing \$99 million of noncurrent assets.
- Mines' largest liability is revenue bonds payable of \$28.6 million.

Statement of Revenues, Expenses, and Changes in Net Position

The statement of revenues, expenses, and changes in net position presents the result of Mines operations. In accordance with GASB reporting principles, revenues and expenses are classified as either operating or non-operating. Also, in accordance with GASB reporting standards, state appropriations have been classified as non-operating revenues, resulting in a net operating loss. The financial statements also include an allowance for depreciation expense, which is the amortization of the cost of capital assets over their estimated useful life.

Condensed Statement of Revenues, Expenses and Changes in Net Position

	<u>30-Jun-2022</u>	<u>30-Jun-2021</u>
Operating Revenues	\$ 53,766,243	\$ 46,902,469
Operating Expenses	<u>\$ (78,158,826)</u>	<u>\$ (69,752,901)</u>
Operating Loss	\$ (24,392,583)	\$ (22,850,432)
Non-Operating Revenues	\$ 26,833,533	\$ 24,634,278
Non-Operating Expenses	<u>\$ (1,360,080)</u>	<u>\$ (1,893,244)</u>
Net Gain/(Loss) before capital contributions	\$ 1,080,870	\$ (296,892)
Capital Contributions	<u>\$ 6,721,148</u>	<u>\$ 1,146,308</u>
Increase(Decrease) in Net Position	\$ 7,802,017	\$ 849,415
Net Position, Beginning of Year	<u>\$ 80,103,136</u>	<u>\$ 79,253,720</u>
Net Position, End of Year	<u><u>\$ 87,905,153</u></u>	<u><u>\$ 80,103,136</u></u>

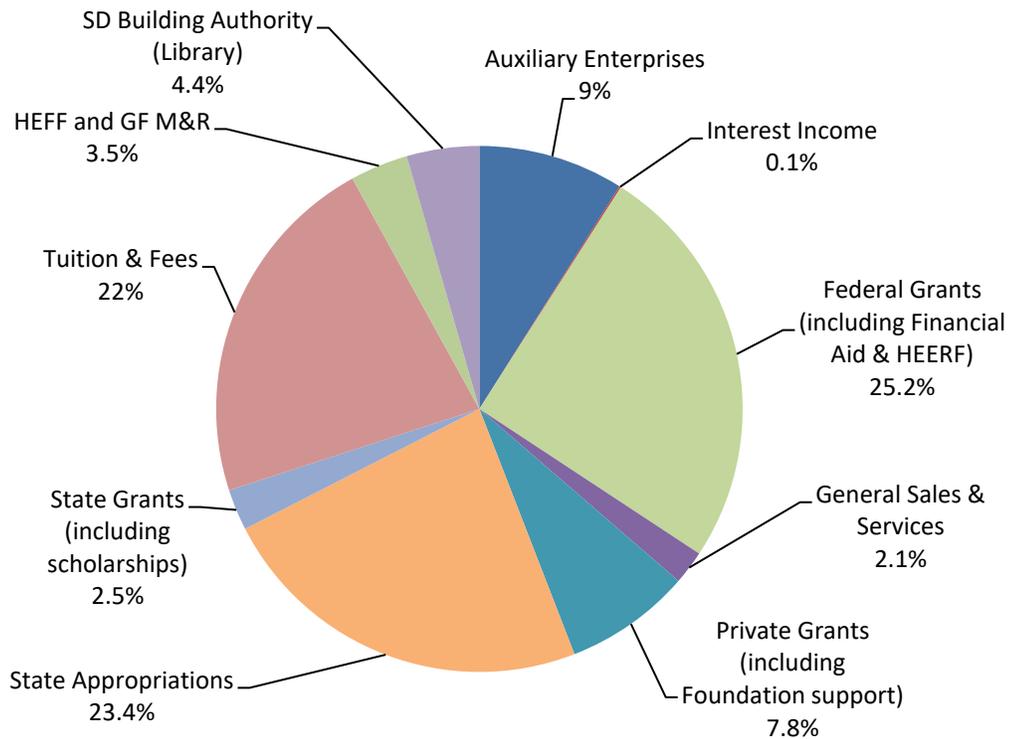
- Operating revenues increased a little over \$6.8 million in FY22 compared to FY21. The increases consisted of \$2.8 million in tuition and fees, as our campus returned to normal after mainly online classes in FY21. Increased research grant activity, federal grants \$3.2 million and private grants of almost \$900 thousand accounted for the rest of the revenue increase.
- Operating expenditures increased \$8.4 million consisting of \$3.2 million for new student computers and increased supply expenditures for research labs, \$1.4 million. Travel expenses went back to normal increasing \$800 thousand, contractual also increased \$800 thousand mainly due to increased utility costs. The remaining increases were due to salary and benefits, \$550 thousand, grant subcontracts, \$500 thousand and depreciation, \$500 thousand, with the remaining falling under general operating expenses.
- State appropriations, totaling \$20.2 million, are an integral part of revenues used for operations at Mines. GASB standards require state appropriations be reported as non-operating revenues. Of the \$4 million reported as non-operating from the Federal Higher Education COVID Relief Fund, \$2,010,101 was spent on student aid and \$2,021,628 was spent on institutional expenditures related to COVID.

- Mines received capital contributions consisting of \$2.4 million from the Higher Education Facilities fund used mainly for the library renovation and replacing the O’Hara building front stairs; \$3.9 million from the South Dakota Building Authority for the library renovation and \$400 thousand from federal grants for capital equipment.

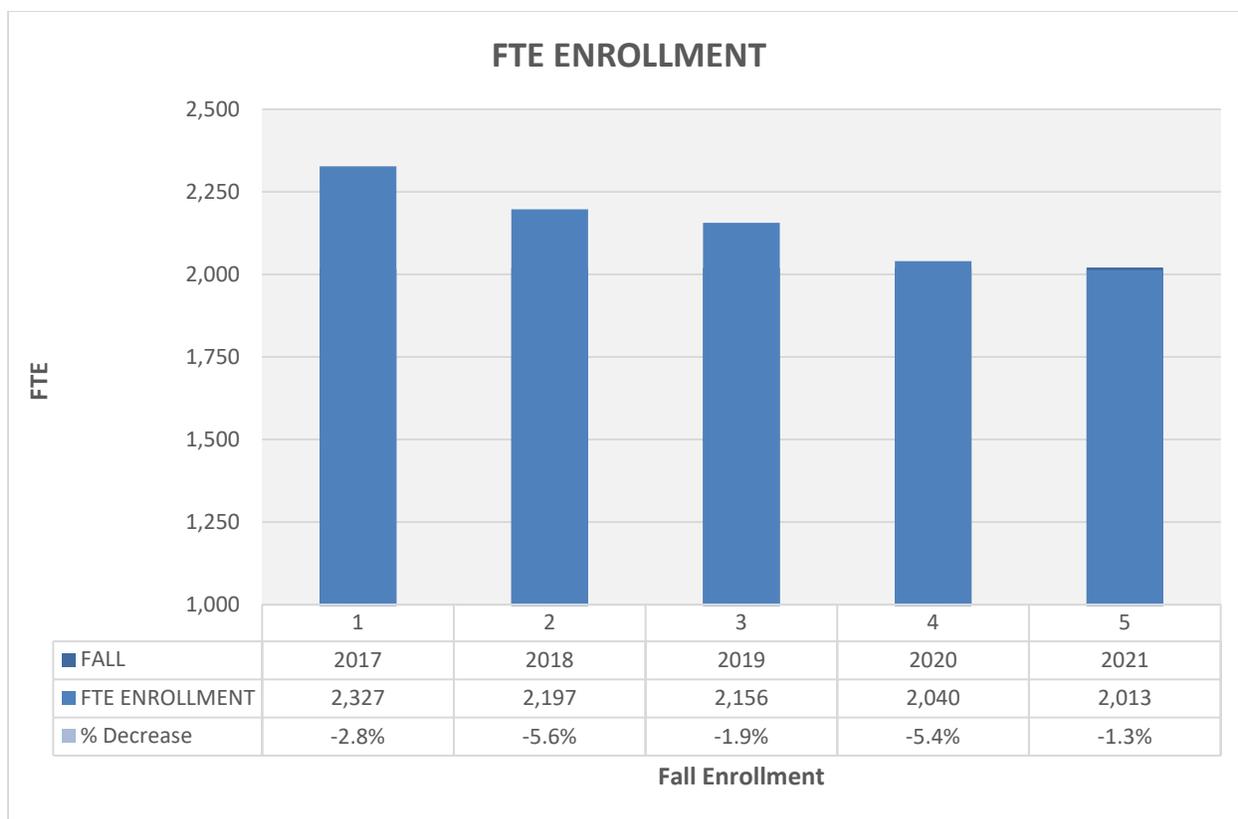
Revenues

The chart below is an illustration of Mines’ major revenue sources, for the year ended June 30, 2022:

FY22 Source of Revenues



Tuition, Fees, and State Appropriations are the primary sources of funding for the institution’s academic program, representing approximately 45% of overall revenues.



Increasing enrollment is a strategic priority of the university. Mines is allocating additional resources to new recruiting strategies and increasing the number of scholarships offered. Enrollment dropped slightly in Fall 2021, but we hope to retain these students and add more in Fall 2022.

Operating Expenses

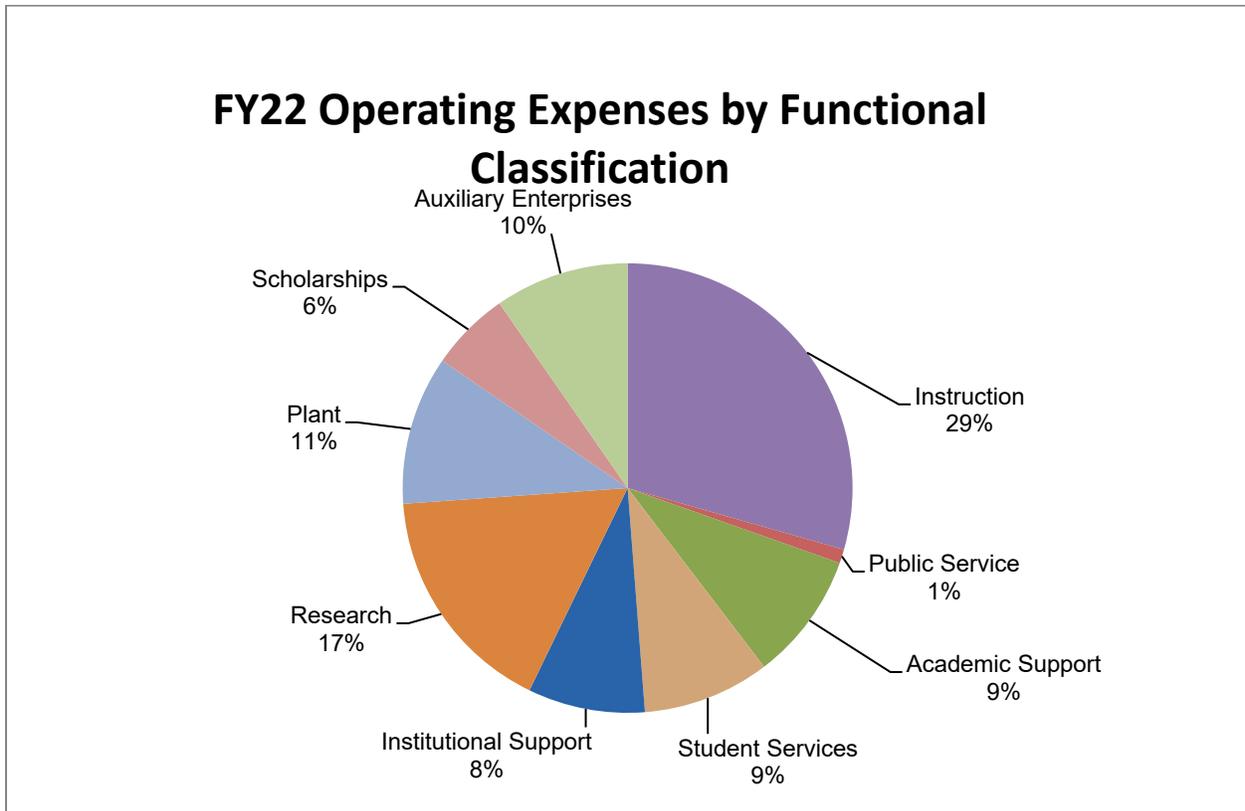
The University reports operating expenses in the natural classification, in the Statement of Revenues, Expenses, and Changes in Net Position.

Operating Expenses Natural Classification

	<u>6/30/2022</u>	<u>6/30/2021</u>
Personal Services	\$ 44,526,102	\$ 43,967,943
Travel	\$ 1,381,530	\$ 516,493
Contractual	\$ 10,030,948	\$ 9,246,205
Supplies and Materials	\$ 9,099,954	\$ 4,144,595
Grants & Subsidies	\$ 6,863,197	\$ 6,366,029
Other	\$ 297,768	\$ 59,702
Depreciation & Amortization of Intangibles	\$ 5,959,327	\$ 5,451,934
Total Operating Expenses	\$ 78,158,826	\$ 69,752,901

- Operating expenditures increased \$8.4 million consisting of \$3.2 million for new student computers and increased supply expenses for research labs, \$1.4 million. Travel expenses went back to normal increasing \$800 thousand, contractual also increased \$800 thousand mainly due to increased utility costs. The remaining increases were due to salary and benefits, \$550 thousand, grant subcontracts, \$500 thousand and depreciation, \$500 thousand, with the remaining falling under general operating expenses.

In addition to the natural classification of expenses, it is also informative to review operating expenses by function.



Operating expenditures by functional classification shifted slightly, as compared to FY21. Instruction was down 4% mainly due to open positions held to balance the FY22 budget, Academic Support was up 2% due to salary increases, Plant was up 5% due to an increase in plant projects, offset by a 3% decrease in institutional support expenditures.

Statement of Cash Flows

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. This statement helps measure the ability of the University to meet financial obligations as they mature. A comparative summary of the statement of cash flows for the years ended June 30, 2022, and 2021 is as follows:

Condensed Statement of Cash Flows

	<u>6/30/2022</u>	<u>6/30/2021</u>
Cash Provided/Used by:		
Operating Activities	(\$19,005,414)	(\$18,553,954)
Non-Capital Financing Activities	\$ 26,401,639	\$23,985,801
Capital Related Financing Activities	(\$ 6,872,595)	(\$ 5,284,410)
Investing Activities	<u>\$ 156,861</u>	<u>\$ 243,365</u>
Net increase (decrease) in cash	\$ 680,491	\$ 390,802
Cash - Beginning of year	<u>\$ 20,286,236</u>	<u>\$ 19,895,434</u>
Cash - End of year	<u><u>\$ 20,966,727</u></u>	<u><u>\$ 20,286,236</u></u>

Major sources of FY22 operating cash included Tuition & Fees and Auxiliaries of \$27.1 million, Grants and Contracts of \$24.3 million, and General Sales & Services of \$1.3 million. The largest use of operating cash was for Personal Services of \$44.1 million.

The most significant source of cash for non-capital financial activities cash was General Fund Appropriations of \$20.3 million.

The most significant sources of Cash for Capital Related Financing Activities were proceeds from capital debt of \$2.7 million for student computers, \$2.4 million from the Higher Education Facilities Fund and General Fund M&R and \$3.9 million from South Dakota Building Authority for the library renovation. The most significant uses of cash for capital related financing activities include the Purchase of Capital Assets of \$10.9 million, which includes various construction projects in progress totaling \$10.7 million (mainly the library renovation the new MI building construction), with remaining amount spent on new equipment purchases. Debt service payments of \$5.3 million round out the remainder of capital related activities.

Economic Factors Impacting the Future

University management continues its strategic mission to educate scientists and engineers to address global challenges, innovate to reach our creative potential, and engage in partnerships to transform society.

The University maintains a positive outlook for fiscal year 2023 and beyond. Strategic planning focused on increasing enrollment, hoping to regain some of the students lost in FY21 due to the pandemic. In recent years, the demand for higher education services at Mines has decreased. That trend is generally consistent with that seen in other public higher education institutions in South Dakota. Mines will maintain its focus on the quality of our students and the student experience as well as actively fundraising for scholarship dollars to assist in attracting the best and brightest students to our campus. This plan will allow the University to continue providing outstanding service to students, the citizens of South Dakota, the research community, and our country.

State support remains an important revenue source for Mines. In FY23, it is expected that the State General Fund appropriations will be increased to compensate for salary policy increases for employees paid on State funds and additional funding for utility expenses.

These limited increases to our General Fund appropriation have emphasized the need for the university to focus on efficiencies. We are currently working together with Black Hills State, a sister university to explore ways to collaborate on administrative and academic areas, such as shared employees and joint discussions with Ellsworth AFB exploring educational opportunities for Air Force personnel.

As a labor-intensive organization, the University faces competitive pressures related to attracting and retaining faculty and staff. Moreover, consistent with the national landscape, the University faces rising costs of health benefits for its employees.

The level of future success is dependent upon the ability to recruit and retain the highest quality students, faculty and staff, ongoing financial and political support from state government, cost efficiency, and growth in the research enterprise. While it is not possible to predict the ultimate results, management believes that Mine's financial position will remain strong.

SOUTH DAKOTA SCHOOL OF MINES AND TECHNOLOGY

Statement of Net Position

June 30, 2022

	FY2022	FY2021 Restated
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 18,320,812.99	\$ 17,578,555.96
Accounts Receivable - Student Accounts (net of allowance FY22, \$418,846; FY21, \$422,700)	449,651.58	588,706.49
Accounts Receivable - Sales and Services	1,739,634.03	584,748.66
Notes Receivable	241,851.93	366,443.26
Interest Receivable	100,410.96	222,986.68
Inventories	393,531.25	363,182.61
Due from Federal	3,861,317.90	3,548,505.78
Due from Primary	6,312.30	58,535.33
Due from Component Units	388,550.71	265,561.50
Prepaid Expenses	4,591.71	9,183.44
Unamortized Cost of Bond Issuance	-	-
Total Current Assets	<u>25,506,665.36</u>	<u>23,586,409.71</u>
Non-Current Assets:		
Cash and Cash Equivalents	\$ 2,645,913.57	\$ 2,707,680.02
Notes Receivable	512,817.82	824,417.94
Construction in Progress	8,810,369.61	2,369,192.13
Buildings and Building Improvements (net of accumulated depreciation FY22, \$41,271,436; FY21, \$38,926,245)	74,405,900.49	76,238,993.07
Land	61,872.83	61,872.83
Land Improvements (net of accumulated depreciation FY22, \$2,303,914; FY21, \$2,132,457)	2,903,877.71	3,075,334.62
Infrastructure (net of accumulated depreciation FY22, \$4,944,221; FY21, \$4,671,996)	4,667,884.74	4,716,957.16
Equipment and Other Property (net of accumulated depreciation FY22, \$36,189,495; FY21, \$34,118,780)	8,417,346.98	6,518,598.71
Intangible Assets (net of accumulated amortization FY22, \$1,315,490; FY21, \$11,022)	2,713,660.42	4,018,127.95
Total Noncurrent Assets	<u>105,139,644.17</u>	<u>100,531,174.43</u>
TOTAL ASSETS	<u>\$ 130,646,309.53</u>	<u>\$ 124,117,584.14</u>
Deferred Outflows of Resources		
Loss on Debt Refunding	\$ 469,391.91	\$ 509,362.63
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 131,115,701.44</u>	<u>\$ 124,626,946.77</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	659,931.12	851,553.90
Accrued Wages & Benefits	1,017,921.14	975,005.76
Accrued Interest Payable	308,656.25	325,323.75
Compensated Absences Payable	1,343,316.57	1,123,644.89
Bonds Payable	1,594,214.17	1,534,214.17
Capital Financing	1,190,391.47	796,561.16
Lease Liabilities	1,290,575.14	1,240,135.57
Unearned Revenues	1,125,680.98	639,151.76
Due to Federal	-	-
Due to Primary Government	39,283.99	35,220.68
Due to Other Component Units	118,262.83	341,426.68
Funds Held for Others	-	-
Student Deposits	217,072.38	211,871.79
Other Accrued Liabilities	267,492.07	206,653.48
Total Current Liabilities	<u>9,172,798.11</u>	<u>8,280,763.59</u>
Non-Current Liabilities:		
Compensated Absences Payable	2,907,690.65	2,948,718.04
Bonds Payable	27,024,396.64	28,618,610.81
Capital Financing	2,238,229.70	1,191,513.17
Lease Liabilities	1,480,069.05	2,770,644.20
Federal Capital Contribution Advance for Student Loans	387,364.00	713,561.00
Total Noncurrent Liabilities	<u>34,037,750.04</u>	<u>36,243,047.22</u>
TOTAL LIABILITIES	<u>\$ 43,210,548.15</u>	<u>\$ 44,523,810.81</u>
NET POSITION		
Invested in capital, net of related debt	\$ 70,732,753.31	\$ 62,997,947.26
Restricted, Nonexpendable:		
Loans	\$ 675,347.71	935,617.25
Restricted, Expendable:		
Debt Service	\$ 2,645,913.57	2,707,680.02
Grants and Contracts	\$ -	-
Renewal and Replacement	\$ 2,118,129.65	2,112,391.80
Unrestricted	\$ 11,733,009.05	11,349,499.63
TOTAL NET POSITION	<u>\$ 87,905,153.29</u>	<u>\$ 80,103,135.96</u>

The accompanying notes are an integral part of this statement.

**SOUTH DAKOTA SCHOOL OF MINES AND TECHNOLOGY
CENTER FOR ALUMNI RELATIONS AND ADVANCEMENT**

**STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021**

ASSETS	2022	2021
Cash and Cash Equivalents (Note 2)	\$ 22,809,267	\$ 18,708,107
Investments (Notes 2, 7, and 8)	86,637,964	90,253,373
Unconditional Promises to Give, Net (Note 3)	3,372,120	2,393,423
Lease Receivable (Notes 4 and 10)	301,048	303,065
Rental Real Estate, Net (Note 5)	3,722,786	3,612,859
Property and Equipment, Net (Note 6)	5,016,791	4,995,380
Other Assets	891,694	887,073
TOTAL ASSETS	\$ 122,751,670	\$ 121,153,280
LIABILITIES AND NET ASSETS		
Refundable Advance (Notes 9 and 15)	\$ -	\$ 332,354
Accounts Payable, Accrued Support, and Other	837,725	890,813
Liability Under Charitable Remainder Trusts (Note 7)	2,342,077	2,911,186
Liability Under Charitable Gift Annuities (Note 8)	433,343	778,674
Note Payable (Note 10)	328,235	346,855
Total Liabilities	3,941,380	5,259,882
Net Assets		
Without Donor Restrictions	7,439,422	7,288,583
With Donor Restrictions - Purpose and Time (Notes 11 and 13)	27,845,537	23,821,980
With Donor Restrictions - Perpetual (Notes 12 and 13)	83,525,331	84,782,835
Total Net Assets With Donor Restrictions	111,370,868	108,604,815
Total Net Assets	118,810,290	115,893,398
TOTAL LIABILITIES AND NET ASSETS	\$ 122,751,670	\$ 121,153,280

The accompanying notes are an integral part of these statements.

SOUTH DAKOTA SCHOOL OF MINES AND TECHNOLOGY**Statement of Revenues, Expenses, and Changes in Net Position****June 30, 2022**

	FY2022	FY2021 Restated
Operating Revenues		
Tuition & Fees:		
State Support Tuition Allocation (net of scholarship allowances FY22, \$2,709,537; FY21, \$1,502,944)	\$ 10,638,897.64	\$ 6,300,103.29
Self Support Tuition (net of scholarship allowances FY22, \$369,523; FY21, \$1,680,888)	1,427,109.71	6,925,963.33
Student Fees (net of scholarship allowances FY22, \$1,850,362; FY21, \$1,768,829)	7,143,006.88	4,567,485.37
Auxiliary Sales & Services (net of scholarship allowances FY22, \$1,791,380; FY21, \$1,419,520)	7,805,158.72	6,403,373.25
General Sales & Services	1,723,973.11	1,861,556.42
Federal Grants & Contracts	15,969,800.77	12,769,266.35
State Grants & Contracts	2,203,449.53	2,103,498.56
Private Grants & Contracts	6,783,960.84	5,926,941.33
Student Loan Interest	70,886.04	44,281.35
Total Operating Revenues	53,766,243.24	46,902,469.25
Operating Expenses		
Personal Services	44,526,101.65	43,967,942.94
Travel	1,381,530.00	516,493.21
Contractual	10,030,948.30	9,246,205.54
Supplies and Materials	9,099,954.18	4,144,594.88
Grants & Subsidies	6,863,196.90	6,366,028.71
Other	297,768.53	59,701.68
Depreciation	4,654,859.44	4,256,592.48
Amortization of Intangibles	1,304,467.53	1,195,341.43
Total Operating Expenses	78,158,826.53	69,752,900.87
Operating Loss	(24,392,583.29)	(22,850,431.62)
Nonoperating Revenues (Expenses)		
General Fund Appropriations	20,256,925.87	18,421,925.62
School & Public Lands	133,513.20	173,827.08
Higher Education Facilities Fund	745,833.04	549,031.48
Investment Income	87,697.02	160,476.77
PELL Grants	1,559,835.04	1,741,098.61
Federal Higher Education COVID Relief Fund	4,031,729.07	3,587,918.11
Interest on capital asset, related debt	(1,360,080.27)	(1,566,071.51)
Other Non-operating Expenses	-	(488,000.00)
Gain/(Loss) on Disposal of Assets	18,000.00	(26,666.67)
Net Nonoperating Revenues	25,473,452.97	22,553,539.49
Income Before Other Revenues, Expenses, Gains, or Losses	1,080,869.68	(296,892.13)
Other Revenues		
SD Building Authority Bond Proceeds	3,889,966.02	110,033.98
Capital Grants & Contracts	471,150.21	213,427.19
Higher Education Facilities Fund	2,360,031.42	822,846.48
Total Other Revenues	6,721,147.65	1,146,307.65
Change in Net Position	7,802,017.33	849,415.52
Net Position - Beginning of the year	80,103,135.96	79,253,720.44
Adjustment to beginning balance	-	-
Net Position - Beginning of year	80,103,135.96	79,253,720.44
Net Position - End of year	\$ 87,905,153.29	\$ 80,103,135.96

The accompanying notes are an integral part of this statement.

**SOUTH DAKOTA SCHOOL OF MINES AND TECHNOLOGY
CENTER FOR ALUMNI RELATIONS AND ADVANCEMENT**

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2022, WITH COMPARATIVE TOTALS FOR 2021**

	----- 2022 -----			Total	2021 Total
	Without Donor Restrictions	With Donor Restrictions			
		Purpose and Time	Perpetual		
Support, Gains, and Revenues					
Contributions (Note 15)	\$ 699,632	\$ 7,392,737	\$ 8,844,027	\$ 16,936,396	\$ 9,650,817
In-Kind Contributions (Notes 1 and 16)	188,500	105,086,024	-	105,274,524	27,800
Net Investment Return, Including Net Realized and Unrealized Gain and Rental Real Estate (Net of Fees and Expenses of \$468,514 and \$403,595 for the Years Ended June 30, 2022 and 2021, Respectively)	849,339	2,452,633	(9,617,863)	(6,315,891)	13,128,835
Net Investment Return on Trust and Annuity Interests	-	(497,983)	(483,668)	(981,651)	1,487,696
Other Income (Loss)	702,030	285,481	-	987,511	756,607
Net Assets Released from Restrictions	110,695,335	(110,695,335)	-	-	-
Total Support, Gains, and Revenues	113,134,836	4,023,557	(1,257,504)	115,900,889	25,051,755
Expenses					
<i>Program Services</i>					
Scholarships and Fellowships	3,622,762	-	-	3,622,762	3,085,483
General Student Assistance	382,967	-	-	382,967	272,106
General In-Kind Support to SDSM&T (Notes 1 and 16)	105,086,024	-	-	105,086,024	27,800
General Support to SDSM&T	1,629,377	-	-	1,629,377	1,641,115
Total Program Services	110,721,130	-	-	110,721,130	5,026,504
<i>Supporting Services:</i>					
Fundraising	1,378,852	-	-	1,378,852	1,325,154
Administrative	884,015	-	-	884,015	788,062
Total Supporting Services	2,262,867	-	-	2,262,867	2,113,216
Total Expenses	112,983,997	-	-	112,983,997	7,139,720
Change in Net Assets	150,839	4,023,557	(1,257,504)	2,916,892	17,912,035
Net Assets -- Beginning of Year	7,288,583	23,821,980	84,782,835	115,893,398	97,981,363
Net Assets -- End of Year	\$ 7,439,422	\$ 27,845,537	\$ 83,525,331	\$ 118,810,290	\$ 115,893,398

The accompanying notes are an integral part of this statement.

SOUTH DAKOTA SCHOOL OF MINES AND TECHNOLOGY**Statement of Cash Flows**

June 30, 2022

	FY2022	FY2021
Cash Flows from Operating Activities		
Tuition & Fees	\$ 19,353,851.72	\$ 17,777,307.93
Auxiliary Sales & Services	\$ 7,793,638.84	6,409,157.45
Federal Grants and Contracts	\$ 15,754,753.28	\$ 11,521,939.69
Other Grants and Contracts	\$ 8,558,515.99	8,206,848.79
General Sales & Services	\$ 1,340,951.33	1,965,707.14
Other Revenue	\$ 26,436.86	14,113.74
Loans collected from students	\$ 273,935.87	386,529.31
Personal Services	\$ (44,195,575.55)	(43,569,484.53)
Travel	\$ (1,379,919.34)	(507,059.68)
Contractual	\$ (10,534,319.10)	(10,362,980.87)
Supplies and noncapitalized equipment	\$ (9,133,822.54)	(4,080,574.14)
Grants & Subsidies	\$ (6,863,196.90)	(6,366,028.71)
Other Expenses	\$ (664.27)	(16,023.52)
Net cash provided (used) by operating activities	<u>(19,005,413.81)</u>	<u>(18,620,547.40)</u>
Cash Flows from Noncapital Financing Activities		
State Appropriations	20,390,439.07	18,595,752.70
Higher Education Facilities Fund	745,833.04	549,031.48
PELL Grants	1,559,835.04	1,741,098.61
Federal Fund Appropriations (HEERF)	4,031,729.07	3,975,271.11
Repayment of Perkins Federal Contribution	(326,197.00)	(387,353.00)
Non-Operating Expenses	-	(488,000.00)
Direct and PLUS Loan Receipts	7,916,363.00	8,548,318.00
Direct and PLUS Loan Disbursements	(7,916,363.00)	(8,548,318.00)
Net cash flows provided by noncapital financing activities	<u>26,401,639.22</u>	<u>23,985,800.90</u>
Cash Flows from Capital and Related Financing Activities		
State Building Authority	3,889,966.02	110,033.98
Capital Grants & Contracts	471,150.21	213,427.19
Higher Education Facilities Fund	2,360,031.42	822,846.48
Revenue Bond Discounts/Premiums & related costs	-	-
Proceeds from Capital Debt	2,660,000.00	626,012.37
Principal Paid on Capital Related Debt	(3,993,802.89)	(2,554,262.47)
Interest Paid on Capital Related Debt	(1,336,777.07)	(1,548,418.74)
Purchase of capital assets	(10,923,163.28)	(2,968,843.45)
Net cash used by capital and related financing activities	<u>(6,872,595.59)</u>	<u>(5,299,204.64)</u>
Cash Flows from Investing Activities		
Investment Income	<u>156,860.76</u>	<u>243,365.94</u>
Net increase in cash	680,490.58	309,414.80
Cash and Cash Equivalents - Beginning of year	20,286,235.98	19,976,821.18
Cash and Cash Equivalents - End of year	<u>\$ 20,966,726.56</u>	<u>\$ 20,286,235.98</u>
Reconciliation of Net Operating Loss to Net Cash Used in Operating Activities		
Operating Loss	\$ (24,392,583.29)	\$ (22,850,431.82)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	4,654,859.44	4,256,592.48
Amortization expense	1,304,467.53	3,674.09
Change in assets and liabilities:		
Prepaid Expenses	4,591.73	4,591.73
Receivables, net	(909,582.39)	307,000.27
Inventories	(30,348.64)	79,299.23
Deferred Revenue	486,529.22	45,308.67
Payables, net	(123,347.41)	(466,582.25)
Net Cash Used by Operating Activities	<u>\$ (19,005,413.81)</u>	<u>\$ (18,620,547.60)</u>
Noncash Transactions		
Loss on Disposal of Capital Assets	\$ (944,728.16)	\$ (26,666.67)
Loan Cancellation Expense	\$ (194,339.52)	\$ (10,419.52)
Bad Debt	\$ (25,330.78)	\$ (30,641.78)

**SOUTH DAKOTA SCHOOL OF MINES AND TECHNOLOGY
CENTER FOR ALUMNI RELATIONS AND ADVANCEMENT**

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities		
Revenue Collected:		
Contributions and Other	\$ 7,764,208	\$ 5,991,889
Payments for Expenses:		
Salaries and Benefits	(1,874,686)	(1,163,593)
Travel	(493,505)	(85,726)
Contractual	(535,766)	(606,682)
Supplies and Materials	(1,244,990)	(1,320,148)
Grants and Subsidies	(3,473,767)	(3,650,985)
Interest Paid	(11,060)	(13,221)
Net Cash Flows Provided by (Used in) Operating Activities	130,434	(848,466)
Cash Flows from Investing Activities		
Proceeds from Sale of Investments	1,636,261	63,409,121
Purchases of Investments	(6,129,873)	(61,326,474)
Disbursements on Lease Receivable	-	(83,927)
Repayments of Leases Receivable	2,017	47,282
Purchase of Property and Equipment	(403,086)	(94,125)
Proceeds from Sale of Property and Equipment	40,000	-
Net Cash Flows Provided by (Used in) Investing Activities	(4,854,681)	1,951,877
Cash Flows from Financing Activities		
Contributions Restricted for Endowment Purposes	8,844,027	4,744,014
Borrowings on Note Payable	-	50,000
Payments on Note Payable	(18,620)	(20,173)
Net Cash Flows Provided by Financing Activities	8,825,407	4,773,841
Net Change in Cash and Cash Equivalents	4,101,160	5,877,252
Cash and Cash Equivalents -- Beginning of Year	18,708,107	12,830,855
Cash and Cash Equivalents -- End of Year	\$ 22,809,267	\$ 18,708,107

**SOUTH DAKOTA SCHOOL OF MINES AND TECHNOLOGY
CENTER FOR ALUMNI RELATIONS AND ADVANCEMENT**

**STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
Reconciliation of Increase in Net Assets to Net Cash		
Flows Provided by (Used in) Operating Activities		
Increase in Net Assets	\$ 2,916,892	\$ 17,912,035
<i>Adjustments to Reconcile Increase in Net Assets to Net</i>		
<i>Cash Flows Provided by (Used in) Operating Activities:</i>		
Depreciation	231,748	217,445
Net Realized and Unrealized (Gain) Loss on Investments, Property, Trust and Annuity Interests	7,194,581	(14,705,424)
Contributions Restricted for Endowment Purposes	(8,844,027)	(4,971,089)
Change in Promises to Give and Other Assets	(983,318)	467,298
Change in Accounts Payable, Accrued Support, and Other	(53,088)	143,015
Change in Refundable Advance	(332,354)	88,254
Net Cash Flows Provided by (Used in) Operating Activities	\$ 130,434	\$ (848,466)
Supplemental Schedule of Non-cash Investing and Financing Activities		
Refinancing of Note Payable	\$ -	\$ 302,253
Contribution of Net Assets of Alumni Association (Note 16)	-	574,262

The accompanying notes are an integral part of these statements.

SOUTH DAKOTA SCHOOL OF MINES AND TECHNOLOGY**Statement of Fiduciary Net Position**

June 30, 2022

	Custodial Funds	
	FY2022	FY2021
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 57,495.71	\$ 62,135.56
Accounts Receivable - Student Accounts	5,045.07	5,268.01
Total Current Assets	<u>62,540.78</u>	<u>67,403.57</u>
TOTAL ASSETS	<u>62,540.78</u>	<u>67,403.57</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	-	-
Other Accrued Liabilities	5,045.07	5,268.04
Total Current Liabilities	<u>5,045.07</u>	<u>5,268.04</u>
TOTAL LIABILITIES	<u>5,045.07</u>	<u>5,268.04</u>
NET POSITION:		
Restricted for Individuals, Organizations, and Other Governments	57,495.71	62,135.53
TOTAL NET POSITION	<u>\$ 57,495.71</u>	<u>\$ 62,135.53</u>

The accompanying notes are an integral part of this statement.

SOUTH DAKOTA SCHOOL OF MINES AND TECHNOLOGY

Statement of Fiduciary Net Position

June 30, 2022

	Custodial Funds	
	FY2022	FY2021
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 57,495.71	\$ 62,135.56
Accounts Receivable - Student Accounts	5,045.07	5,268.01
Total Current Assets	<u>62,540.78</u>	<u>67,403.57</u>
TOTAL ASSETS	<u>62,540.78</u>	<u>67,403.57</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	-	-
Other Accrued Liabilities	5,045.07	5,268.04
Total Current Liabilities	<u>5,045.07</u>	<u>5,268.04</u>
TOTAL LIABILITIES	<u>5,045.07</u>	<u>5,268.04</u>
NET POSITION:		
Restricted for Individuals, Organizations, and Other Governments	57,495.71	62,135.53
TOTAL NET POSITION	<u>\$ 57,495.71</u>	<u>\$ 62,135.53</u>

The accompanying notes are an integral part of this statement.

SOUTH DAKOTA SCHOOL OF MINES AND TECHNOLOGY

NOTES TO THE FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation:

The financial statements have been prepared in accordance with the generally accepted accounting principles, as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, and Statement No. 35, *Basic Financial Statements and Management’s Discussion and Analysis of Public College and Universities*, issued in June and November 1999. The financial statements include the following elements: Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, Statement of Cash Flows, and the Notes to the Financials.

Based on the provisions of GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, it was determined that South Dakota School of Mines Foundation is a component unit of the University. The Foundation’s financial statements are audited by independent auditors engaged by the Foundation’s Board of Directors. On July 1, 2020, the Mines Foundation and the SDSM&T Alumni Association merged into a single, not-for-profit South Dakota Corporation entitled the South Dakota School of Mines and Technology Center for Alumni Relations & Advancement (CARA). It will be addressed as CARA for the remainder of this report. The financial statements of the component unit are discretely presented in their original format following the financial statements of the university. The component unit financial statements are presented in accordance with SFAS No. 117, *Financial Statements of Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features.

The university adopted GASB Statement No. 84, *Fiduciary Activities* for fiscal year 2021. This statement improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. As a result of this implementation, activities previously reported within business type activities as internal agency funds were analyzed to determine if those activities qualified for fiduciary fund reporting. Activities requiring fiduciary fund reporting were moved out of the business type activity reporting and are now reported within separate fiduciary fund financial statements included in this report. All Mines fiduciary funds are classified as custodial funds. Nearly all the custodial funds are held for external organizations, such as student or private organizations.

In 2022, South Dakota Mines adopted GASB Statement No. 87, *Leases*. This Statement establishes standards of accounting and financial reporting for leases by lessees and lessors. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, the university is required to recognize a lease liability and an intangible right-to-use lease asset.

B. Reporting Entity:

Mines was originally established by the Dakota Territorial Legislature in 1885. Mines is a component unit of the State of South Dakota governed by the South Dakota Board of Regents and is included in the State’s general-purpose financial statements.

CARA is a legally separate, tax-exempt component unit of Mines. CARA acts primarily as a fund-raising organization to supplement the resources that are available to Mines, in support of its education and research programs. Although, Mines does not control the timing or number of receipts from CARA, most resources or income that CARA holds and invests is restricted to the activities of Mines by the donors. During the year ending June 30, 2022, CARA distributed \$5,635,106

for scholarships, general student assistance, and general support to Mines. This amount does not include in-kind gifts. Please refer to the CARA Notes to Financials for information on in-kind contributions.

C. Basis of Accounting:

For reporting purposes, Mines is considered a special-purpose government engaged only 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. The accompanying financial statements are presented on the accrual basis of accounting, including recognition of depreciation expense on capital assets. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded at the time the liability is incurred. Interdepartmental charges are treated as a transfer of expense. The university's fiduciary funds account for assets held in a custodial capacity and are accounted for on the accrual basis of accounting in accordance with GASB Statement No. 84, *Fiduciary Activities*.

D. Fund Accounting:

To ensure observance of the limitations and restrictions placed on the use of resources available to Mines, accounts are maintained in accordance with the principles of "fund accounting." This is the procedure by which resources are classified for accounting and reporting purposes into funds that are maintained in accordance with activities or objectives specified by governmental appropriations, granting agencies, and other outside sources or regulations. Separate accounts are maintained for each fund. However, in the accompanying financial statements, all fund groups have been combined and reported as a single net asset total.

E. Accounts Receivable:

Accounts receivable from students is funds owed Mines for outstanding tuition and fee charges. The allowance write-off method is used for uncollectible student receivables. Under the allowance method, a reserve is established for the projected amount that will become uncollectible. Student Receivables, as of June 30, 2022, were \$844,359 with an allowance for uncollectible accounts of \$418,836 and a net student receivable of \$425,513. Write-offs for FY22 totaled \$29,184.

Accounts receivable for Sales and Service includes non-Federal grant and contract receivables, in the amount of \$511,695, as of June 30, 2022. There were also receivables outstanding from CARA and the Hardrock Club for scholarships in the amount of \$983,075. The remainder of this receivable consists of refundable deposits, travel advances and other receivables, unrelated to grants. The direct write-off method is used for uncollectible receivables from sales and service.

F. Notes Receivable:

Notes receivable consists of those receivables associated with the Perkins Loan Program. When a Perkins student loan is deemed uncollectible, it is assigned to the Department of Education. The direct write-off method is used for these uncollectible loans. In FY22, \$189,276 in past due loans were turned over and accepted by the Department of Education.

G. Investments:

Mines investments consist of funds on deposit with the State Treasurer, which are pooled by the State Investment Council for investment purposes. Investments are reported at cost, as market values are not readily determined for these funds. Other cash and temporary investments were redefined as non-participating during fiscal year 1985. Interest earned from these funds is under control of the State Treasurer and is credited to the State of South Dakota's General Fund, not to Mines. The University receives interest earnings from the State for funds considered participating. Participating funds

include Renewals and Replacement, Retirement of Indebtedness, Unexpended Plant, the Perkins Student Loan program, unexpended federal grant revenues, and auxiliary revenues.

H. Inventories:

Inventories of supplies and materials, which are purchased for resale, are valued at original cost or last invoice price. Changes in inventory valuations are reported as a portion of expenditures. Departments reporting resale inventories include the Rocker Shop (bookstore), Museum Gift Shop, University Chemical Storeroom, and Geology Map Sales.

I. Due to/Due from:

Due from Federal represents expenditures made on federal grants for which reimbursement had not been received, as of June 30, 2022. Due from Other Component Units represents funds receivable from other South Dakota public universities and the SD Board of Regents. Due to Other Component Units represent funds payable to other South Dakota public universities and the SD Board of Regents. Due to and Due from Primary represents funds receivable or payable to various South Dakota state agencies, outside of the Higher Education Regental system.

J. Capital Assets:

1. Equipment and Library Materials:

Equipment is capitalized when the unit cost is \$5,000 or more and has a useful life of a year or more. These capitalization criteria became effective at the beginning of FY2000. Equipment is depreciated using the straight-line basis over the estimated useful life of the property. Mines has incorporated the estimated useful life tables developed by the South Dakota Bureau of Finance and Management for equipment. Equipment includes library books, which are added to the inventory listing at cost during the year of their purchase. The library collection is depreciated using the composite method of depreciation based on a 10-year useful life. During FY21 the Library disposed of nearly 65% of their collection due to a major renovation of the building, causing a temporary move to a different building. The library's fixed asset total decreased by \$1,428,397, due to this disposal.

2. Buildings and Building Improvements:

Buildings and land are capitalized at cost at the time of purchase or, if constructed, the in-service date. Major additions and renovations to buildings are capitalized when the addition/renovation increases the value by \$100,000 or more. Depreciation is computed for buildings and improvements using the straight-line basis over the estimated useful life of the property. The useful life for buildings has been estimated at 50 years and the useful life for building improvements has been estimated at 20 years.

3. Infrastructure and Land Improvements:

Infrastructure and land improvements are also capitalized at cost at the time of purchase or, if contributed, at the appraised value at the date of the gift. Major additions to infrastructure and land improvements are capitalized when the addition/improvement increases the value by \$50,000 or more. Depreciation for infrastructure and land improvements is calculated using the straight-line basis over an estimated useful life of 20 to 50 years depending on the property.

4. Construction in Progress:

Major additions to plant assets, which are not yet completed at year end, are included in the financial statements, as construction in progress. When the major additions are completed, the capitalized cost is transferred to the appropriate capital asset category, buildings, equipment, land improvement, or infrastructure.

Capital asset activity for the year ended June 30, 2022, is as follows:

Footnote IX Capital Asset Disclosure

	Beginning Balance	Additions	Reductions	Ending Balance
Land	\$ 61,872.83	\$ -	\$ -	\$ 61,872.83
Land Improvements	\$ 5,207,791.75	\$ -	\$ -	\$ 5,207,791.75
Infrastructure	\$ 9,388,953.25	\$ 223,152.95	\$ -	\$ 9,612,106.20
Buildings	\$ 115,165,237.91	\$ 512,098.73	\$ -	\$ 115,677,336.64
Equipment & other property	\$ 39,822,302.52	\$ 3,762,787.87	\$ (666,032.29)	\$ 42,919,058.10
Library materials	\$ 815,076.69	\$ 946,674.41	\$ (73,966.80)	\$ 1,687,784.30
Total	\$ 170,461,234.95	\$ 5,444,713.96	\$ (739,999.09)	\$ 175,165,949.82
Less accumulated depreciation:				
Land Improvements	\$ 2,132,457.13	\$ 171,456.91	\$ -	\$ 2,303,914.04
Infrastructure	\$ 4,671,996.09	\$ 272,225.37	\$ -	\$ 4,944,221.46
Buildings	\$ 38,926,244.84	\$ 2,345,191.31	\$ -	\$ 41,271,436.15
Equipment & other property	\$ 33,372,246.76	\$ 1,853,692.78	\$ (666,032.29)	\$ 34,559,907.25
Library materials	\$ 746,533.74	\$ 12,293.07	\$ 870,761.36	\$ 1,629,588.17
Total	\$ 79,849,478.56	\$ 4,654,859.44	\$ 204,729.07	\$ 84,709,067.07
Capital Assets, net	\$ 90,611,756.39	\$ 789,854.52	\$ (944,728.16)	\$ 90,456,882.75

K. Museum Collection:

The Museum of Geology collection, which has been acquired through excavations, contributions, and purchases, since the early 1900s, is not recognized as an asset in the preceding financial statements. The collection, made up of fossil specimens, rocks, and minerals, is displayed for public exhibition and education. Proceeds from any sale of a collection item can only be used to purchase other items for the collection.

L. Intangible Assets:

During fiscal year 2022, the SDSM&T Geology and Geological Engineering department received donations of software from Schlumberger Oil and Gas, valued at \$103,057,175. Because of the specialized nature of the software, the inability to determine service capacity and lack of available market information, a fair market value for the licenses placed in operation could not be reasonably estimated. The donation is recorded in the CARA financial statements under In-Kind Contributions and is not included in Mines financial statements.

In June 2019, LogRhythm Enterprise software licenses were purchased from High Point Networks, LLC for the university system by the Board of Regents at a cost of \$242,909. The software expense was billed back to the universities and installed during early FY19. Each university began to amortize their share of the software as an

intangible asset in FY19. Mines' share of the software is \$18,370. This is being amortized over 5 years. The current amount of this asset as of the end of FY22 is \$3,674, net of accumulated amortization.

Beginning in fiscal year 2022 and restated for fiscal year 2021, the Rocker Square lease for student housing is also recorded as an intangible asset per GASB 87 guidance. The intangible asset amount for the lease in FY22 is \$2,709,986, net of accumulated amortization.

M. Net Position:

Mines net position is classified as follows:

- Invested in capital, net of related debt represents total capitalized assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, notes or other borrowings related to those assets, plus unspent bond proceeds.
- Restricted net position, expendable, represent funds that have externally imposed constraints, which legally or contractually obligate Mines to spend the resources in accordance with the restrictions imposed by the third party.
- Restricted net position, non-expendable, is subject to externally imposed stipulations that allow Mines to permanently maintain them.
- Unrestricted net position represents resources derived from student tuition and fees, sales and services, state appropriations, and auxiliary enterprises. These resources are used for the ongoing educational and general operations of Mines.

N. Scholarship Allowances and Student Aid:

Tuition, fee, and auxiliary revenues have been reduced by the amount that was paid for by student financial aid, (i.e., PELL grants, SEOG, and scholarships, etc.) and reported net of scholarship allowance. This method of reporting eliminates the double reporting of student aid revenue, first as financial aid, then as tuition and fee revenue. The allowance amount was estimated using a method prescribed by NACUBO, which is based on a simple proportionality algorithm. As a result, certain amounts reported as financial aid revenue have been deducted as an allowance against tuition and related revenues.

O. Revenue Recognition:

Accrual basis accounting is used for these financial statements; therefore, revenues are recognized when earned. Restricted grant revenue is recognized only to the extent expended. Unspent grant revenues are reported on the Statement of Net Position, as unearned revenue.

P. Operating and Non-operating Revenues:

Operating revenues consist of tuition and fees, grants, and contracts (where there is a direct exchange of product or services), sales and services from institutional activities, loan fund, and auxiliary enterprise revenues. Non-operating revenues include state appropriations, capital and non-capital financing activities, and investment income.

II. CASH AND CASH EQUIVALENTS

For reporting purposes, cash includes cash on hand, cash in local banks, and cash on deposit with the State Treasurer's Office.

III. RETIREMENT PLAN

Mines participates in a mandatory retirement program administered by the South Dakota Retirement System. Employer- paid expenditures under this program for the year end June 30, 2022, were \$1,815,224.

IV. STATE APPROPRIATIONS

The General fund appropriation amount on the financials is reflective of the amount spent during the fiscal year. The State General Fund appropriation for FY22 was \$18,721,654. Mines reverted unspent funds, in the amount of \$9.53 back to the General fund.

In the Spring of 2021, Mines received a special General Fund appropriation from the State in the amount of \$19,000,000 for the construction of a new Mineral Industries building. Much of the special appropriation, \$17,443,877 was carried over to FY23.

V. TUITION AND HEFF

Mines received tuition revenue in the amount of \$17,087,305, during fiscal year 2022. Of this amount, \$1,993,034 was remitted to the Board of Regents and deposited into the Higher Education Facilities Fund (HEFF). An additional \$134,333 was remitted for technology and the Electronic University Consortium.

The HEFF revenue reported on these statements reflects only the amount of maintenance and repair (M&R) revenues spent in FY22. Mines spent \$816,704. from the HEFF pool and an additional \$2,255,067 from the Board of Regents General Fund appropriation for facility M&R. These amounts are reflected on the HEFF non-operating and capital revenue lines in the financial report.

VI. ENDOWMENT AND SIMILAR FUNDS

The assets of the endowment and similar funds administered by the SD Department of School and Public Lands have not been included in these financial statements. Mines is not involved in the administration of these funds.

VII. FUNDS HELD FOR OTHERS

Mines no longer reports funds held for others, due to the new guidance from GASB Statement No. 84 *Fiduciary Activities*, previously discussed in the Basis of Presentation section of these notes. The amounts formerly reported in this area have been moved to the Fiduciary financial statements or blended into other areas of the business type activity statements if they did not meet the criteria to be classified as a fiduciary.

VIII. LONG TERM DEBT AND OTHER OBLIGATIONS

Revenue Bonds were authorized by the Board of Regents to finance the construction of Peterson residence hall, the remodeling of Connolly and Palmerton residence halls, the remodeling of the student center, the addition of a Recreation Wellness Center to the King Center and the purchase of Placer residence hall. Principal and interest on long-term debt are payable from auxiliary operating revenues and general activity fees. Net revenues pledged to the bond debt for FY22 is \$3,573,049.

	Balance			Balance	Due
	6/30/2021	Additions	Reductions	6/30/2022	Within One Year
Revenue Bonds, Payable					
Series 2008B	\$1,940,000	\$0	(\$240,000)	\$1,700,000	\$ 255,000
Series 2014A	\$5,610,000	\$0	(\$205,000)	\$5,405,000	\$ 215,000
Series 2014B	\$4,615,000	\$0	(\$290,000)	\$4,325,000	\$ 305,000
Series 2017	\$15,340,000	\$0	(\$620,000)	\$14,720,000	\$ 640,000
Capital Financing Obligations	\$1,988,074	\$2,660,000	(\$1,219,453)	\$3,428,621	\$1,190,391
Lease Obligations	\$4,010,780	\$0	(\$1,240,136)	\$2,770,644	\$1,290,575
Total Long-Term Debt	\$33,503,854	\$2,660,000	(\$3,814,589)	\$32,349,265	\$3,895,967
Compensated Absences	\$4,072,363	\$1,712,397	(\$1,533,752)	\$4,251,007	\$1,343,317
Federal Portion of Loan Programs	\$713,561	\$0	(\$326,197)	\$387,364	\$0
Total Long-Term Debt & Obligations	\$38,289,778	\$4,372,397	(\$5,674,538)	\$36,987,636	\$5,239,283

Revenue bonds payable, as of June 30, 2022, are as follows:

Housing and Auxiliary Facilities Revenue Bonds, Series 2008B

Surbeck Center Remodel

Date of Issuance: November 4, 2008

Bond Proceeds: \$4,135,000

Interest rate: 4.55%

Term: 20 years

Housing and Auxiliary Facilities Revenue Bonds, Series 2014A

Recreation/Wellness Center

Date of Issuance: January 9, 2014

Bond Proceeds: \$6,820,000

Variable Interest rate: 3%-4.75%

Term: 25 years

Housing and Auxiliary Facilities Revenue Bonds, Series 2014B

Refunding of Series 2003 bond, Peterson Hall construction and Surbeck Center remodel

Date of Issuance: September 16, 2014

Bond Proceeds: \$6,470,000

Variable Interest rate: 3%-5%

Term: 19 years

Housing and Auxiliary Facilities Revenue Bonds, Series 2017

Partial refunding of Series 2009 bond, Placer Hall purchase

Date of Issuance: December 21, 2017

Bond Proceeds: \$16,715,000

Variable Interest rate: 3%-5%

Term: 25 years

Bonds payable is reported on the Statement of Net Position, net of bond premiums and discounts, as shown below:

	Total Bonds Payable	Short Term Portion	Long Term Portion
Bonds Payable	\$26,150,000	\$1,415,000	\$24,735,000
Premium	\$2,647,825	\$179,214	\$2,468,611
Original Issue Discount	\$0	\$0	\$0
Per Statement of Net Position	\$28,797,825	\$1,594,214	\$27,203,611

Capital Financing Obligations include the lease of the President’s house, owned by CARA, in the amount of \$328,296, leases for student notebook computers, in the amount of \$2,729,216, and a lease for residence hall keyless door locks in the amount of \$371,109.

The annual requirements to amortize outstanding capital financing obligations, as of June 30, 2022, are as follows:

Fiscal Year	Principal	Interest	Total
FY2023	\$1,190,391.47	\$60,449.18	\$1,250,840.65
FY2024	\$956,803.14	\$40,677.25	\$997,480.39
FY2025	\$768,716.93	\$22,460.12	\$791,177.04
FY2026	\$512,709.65	\$10,531.76	\$523,241.41
FY2027	\$0.00	\$0.00	\$0.00
FY2028-2032	\$0.00	\$0.00	\$0.00

Federally funded loans to students (Perkins Loan Program) have been determined to be a long-term liability, payable to the federal government. The Perkins Loan Program was dissolved as of Sept. 30, 2017. The last Perkins awards made were in FY17. In FY20, the Department of Education began billing us a portion of our Perkins loan collections to repay the initial Federal contribution, as seen in the Long-Term Liability summary above. The repayment is based on the previous year collections and cash on hand in the Perkins fund, as of June 30.

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 leave balance. Effective July 1, 1979, any employee who had 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 shall receive payment for one-fourth of their accumulated sick leave balance. Such payment is not to exceed the sum of twelve weeks of the employee's annual compensation. The liability and corresponding expense are reflected in these financial statements, calculated at the employees’ June 21, 2022, pay rate.

Lease Obligations consist of the lease of two buildings for student housing from Technology Housing, LLC. This lease was initiated in August 2014 for a period of 10 years. This lease is now considered a lease liability, offset by an intangible asset per GASB Standard No. 87.

Obligations also exist for lease payments to the SD Building Authority (SDBA) for renovation and building projects funded through bond proceeds issued by SDBA. Disclosure information including the amount of lease payments, interest rates and balances remaining on the leases is reported by the South Dakota Building Authority and is not included on the university statements. The payments for these leases are made from the Higher Education Facilities fund.

The following is a schedule of Mines' aggregate minimum payments for existing lease obligations for each of the succeeding five years ending June 30.

Fiscal Year	Principal	Interest	Total
FY2023	\$ 1,290,575.14	\$ 88,586.86	\$ 1,379,162.00
FY2024	\$ 1,343,066.20	\$ 36,095.80	\$ 1,379,162.00
FY2025	\$ 137,002.85	\$ 913.35	\$ 137,916.20
FY2026	\$ -	\$ -	\$ -
FY2027-2031	\$ -	\$ -	\$ -

IX. FUNCTIONAL CLASSIFICATION OF EXPENSES AND DEPRECIATION

	Personal Services	Travel	Contractual Services	Supplies & Materials	Grants & Subsidies	Other Expense	Depreciation	Total
Instruction	\$20,140,019	\$327,819	\$428,225	\$639,205	\$0	\$0	\$1,458,021	\$22,993,291
Research	\$7,245,168	\$274,618	\$721,487	\$755,331	\$2,633,512	\$6	\$1,417,449	\$13,047,570
Public Service	\$616,575	\$11,503	\$42,960	\$86,486	\$0	\$0	\$17,224	\$774,748
Academic Support	\$3,201,695	\$33,511	\$679,134	\$3,185,074	\$0	\$5	\$101,631	\$7,201,050
Student Services	\$4,740,211	\$631,135	\$641,650	\$786,953	\$0	\$84	\$350,908	\$7,150,941
Institutional Support	\$4,818,256	\$48,117	\$1,414,463	\$195,118	\$0	\$25,422	\$75,381	\$6,576,756
O&M of Plant	\$2,817,982	\$40,158	\$1,193,267	\$2,414,166	\$0	\$0	\$1,904,099	\$8,369,671
Scholarships and Fellowships	\$0	\$0	\$0	\$0	\$4,229,685	\$271,773	\$0	\$4,501,458
Auxiliary Enterprises	\$946,197	\$14,668	\$4,909,762	\$1,037,621	\$0	\$478	\$634,614	\$7,543,340
Total	\$44,526,102	\$1,381,530	\$10,030,948	\$9,099,954	\$6,863,197	\$297,769	\$5,959,327	\$78,158,827

X. Federal Coronavirus Aid, Relief, and Economic Security Act Revenue

The Coronavirus Aid, Relief and Economic Security (CARES) Act was passed by Congress and signed into law in March 2020 to provide economic relief from COVID-19. Additional acts, the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) and the American Rescue Plan Act (ARPA) were passed in December 2020 and March 2021, consecutively. For higher education, these relief funds were named the Higher Education Emergency Relief Fund (HEERF) and are administered by the US Department of Education.

Over fiscal periods FY20 and FY21, Mines was awarded \$7,739,581 in HEERF funding, consisting of \$3,465,799 in student aid and \$4,273,782 in institutional aid. The State of South Dakota also reimbursed Mines for COVID related expenses from the State's COVID relief funds for a total of \$1,405,396.

The following amounts have been recorded as nonoperating revenue in the financial statements for the years ended June 30, 2022, and 2021.

Federal Awards Received	Fiscal Year 2022			Fiscal Year 2021		
	Student Portion	Institutional Portion	Total	Student Portion	Institutional Portion	Total
CARES (HEERF I)	\$ -	\$ 12,789	\$ 12,789	\$ 377,479	\$ 620,656	\$ 998,135
CRRSAA (HEERF II)	-	-	-	727,849	\$ 1,537,094	\$ 2,264,943
ARPA (HEERF III)	2,010,101	2,008,839	4,018,940			
State of SD Covid Relief Fund (CRF)	-	-	-	-	324,840	324,840
Total	\$ 2,010,101	\$ 2,021,628	\$ 4,031,729	\$ 1,105,328	\$ 2,482,590	\$ 3,587,918

The university has used these funds to provide financial aid awards to students, replenish lost revenues, purchase hardware and technology for the transition to online courses, COVID testing, personal protective equipment, cleaning supplies, and air purification systems.

XI. Prior Period Adjustments and Other Restatements

The GASB Statement No. 87 Leases was implemented in fiscal year 2022. This Statement establishes standards of accounting and financial reporting for leases by lessees and lessors. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, the university is required to recognize a lease liability and an intangible right-to-use lease asset. Changes adopted to conform to the provisions of the Statement were applied retroactively by restating financial statements, for all prior periods presented.

Fiscal year 2021 assets and liabilities were restated as follows:

Total Assets, June 30, 2021 previous reported	\$120,616,167
Adjustment for leases as defined by GASB 87	<u>4,010,780</u>
Total Assets, June 30, 2021 as restated	<u>\$124,626,947</u>
Total Liabilities, June 30, 2021 previous reported	\$ 40,513,031
Adjustment for leases as defined by GASB 87	<u>\$ 4,010,780</u>
Total Liabilities, June 30, 2021 as restated	<u>\$ 44,523,811</u>

**SOUTH DAKOTA SCHOOL OF MINES AND TECHNOLOGY
CENTER FOR ALUMNI RELATIONS AND ADVANCEMENT**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

(1) Summary of Significant Accounting Policies

Operations

The South Dakota School of Mines and Technology Center for Alumni Relations and Advancement (the Organization) is organized as a South Dakota nonprofit corporation and operates exclusively for charitable and educational purposes. Its activities are to solicit and manage gifts, money, and property exclusively for educational, scientific, and cultural purposes, and to promote and support education and research through the South Dakota School of Mines and Technology (SDSM&T).

Use of Estimates

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

Basis of Presentation

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

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

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

Investments

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

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

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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022 AND 2021**

(1) Summary of Significant Accounting Policies (Continued)

Investments (Continued)

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

Contributions and Promises to Give

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

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

On an annual basis, the Organization revalues the "Liability under Charitable Remainder Trusts" and the "Liability under Charitable Gift Annuities" based on actuarial assumptions and present value calculations. For trusts, this liability consists of unearned net investment return, as well as future payments to designated beneficiaries. For charitable gift annuities, this liability consists of the present value of a stream of fixed-annuity payments. The present value of the estimated future payments is calculated using a discount rate and applicable mortality tables. Generally, the Organization uses three discount rates depending upon the life of the trust or annuity. Discount rates for trusts or annuities with estimated lives of 1 to 5 years, 6 to 15 years, and over 15 years are 5.40 percent, 5.80 percent, and 6.20 percent, respectively, for the years ended June 30, 2022 and 2021. The change in fair value of these assets is recorded annually in the Statement of Activities and Changes in Net Assets as "Net Investment Return on Trust and Annuity Interests" and is recorded as net investment return with or without donor restriction as required by the donors.

In-Kind Contributions

The Organization records various types of in-kind support, including products and services, at fair market value at the time of the gift. Professional services received are recognized as revenue if those services (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The amounts reflected in the accompanying financial statements as in-kind support are offset by like amounts included in expenses and total **\$105,274,524** and \$27,800 for the years ended June 30, 2022 and 2021, respectively. The Organization does not sell contributed in-kind contributions.

**SOUTH DAKOTA SCHOOL OF MINES AND TECHNOLOGY
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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022 AND 2021**

(1) Summary of Significant Accounting Policies (Continued)

Depreciation

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

	<u>Years</u>
Office Equipment	3-7
Purchased Software	5
Leasehold Improvements	15
Buildings	40

Federal Income Tax

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

At June 30, 2022 and 2021, the Organization believes no significant uncertain tax positions or liabilities exist.

Functional Allocation of Expenses

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

Statements of Cash Flows

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

Rental Real Estate

Rental real estate investments are presented at historical cost less depreciation. Depreciation is computed using the straight-line method over useful lives of 20 to 40 years.

The Organization evaluates its rental real estate for potential impairment losses when indicators of impairment are present and the carrying amount of long-lived assets exceeds its fair value. In addition, useful lives of long-lived assets are reviewed annually. The Organization evaluated rental real estate at June 30, 2022, based on anticipated proceeds. Management anticipates no impairment losses.

**SOUTH DAKOTA SCHOOL OF MINES AND TECHNOLOGY
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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022 AND 2021**

(1) Summary of Significant Accounting Policies (Concluded)

Emerging Accounting Standards

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)* which supersedes FASB ASC Topic 840, *Leases* and provides principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than twelve months regardless of classification. If the available accounting election is made, leases with a term of twelve months or less can be accounted for similar to existing guidance for operating leases. With regards to lessors, the new standard requires lessors to classify leases as sales-type, direct financing, or operating leases based on whether the lessee, in effect, obtains control of the underlying asset as a result of the lease. A lessor is precluded from recognizing income at lease commencement if control is not transferred. In addition, no differentiation exists between leases of real estate and leases of other assets. The standard is effective for fiscal years beginning after December 15, 2021, with early adoption permitted. The Organization is currently evaluating the impact this standard will have on the financial statements.

Adopted Accounting Standards

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires that contributions of nonfinancial assets be reported in a separate line item within the Statement of Activities. Additional disclosures are also required, to include whether the contributions are monetized or utilized by the entity, the existence of any donor restrictions related to the assets, and how fair value was determined. The Organization adopted this standard during the year ended June 30, 2022, on a retroactive basis. This resulted in a reclassification of in-kind contributions from contributions on the 2021 Statement of Activities, with no change in reported net assets. Required note disclosures are included in Note 16.

Subsequent Events

The Organization has evaluated significant subsequent events through November 17, 2022, the date which the financial statements were available to be issued.

(2) Investments and Fair Value

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

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

**SOUTH DAKOTA SCHOOL OF MINES AND TECHNOLOGY
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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022 AND 2021**

(2) Investments and Fair Value (Continued)

The Organization uses the Net Asset Value (NAV) to determine the fair value of underlying investments which do not have a readily determinable fair value and prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. There are investments based on the Organization's evaluation of independent pricing sources, which utilize various modeling and valuation techniques, such as net asset valuations. Significant unobservable inputs are inherent in the nature of these investments.

The following tables present the assets carried at fair value as of June 30, 2022 and 2021, on the accompanying Statements of Financial Position by fair value hierarchy, as described above. All are measured on a recurring basis. The Organization carried no other assets or liabilities measured at fair value on a recurring or non-recurring basis.

June 30, 2022	Level One	Level Two	Level Three	NAV per Share	Total
Money Market Funds in					
Cash and Cash Equivalents	\$ 22,341,531	\$ -	\$ -	\$ -	\$ 22,341,531
Gov Sec/Corp Bonds/CDs	-	-	-	9,859,414	9,859,414
Bond Funds	29,251,794	-	-	-	29,251,794
Illiquid Credit	-	-	-	703,899	703,899
Private Equity	-	-	-	1,573,842	1,573,842
Real Estate Funds	-	-	-	5,937,115	5,937,115
Equity Funds	39,311,900	-	-	-	39,311,900
	\$ 90,905,225	\$ -	\$ -	\$ 18,074,270	\$ 108,979,495

June 30, 2021	Level One	Level Two	Level Three	NAV per Share	Total
Money Market Funds in					
Cash and Cash Equivalents	\$ 18,513,287	\$ -	\$ -	\$ -	\$ 18,513,287
Gov Sec/Corp Bonds/CDs	-	-	-	7,630,106	7,630,106
Bond Funds	26,563,428	-	-	-	26,563,428
Illiquid Credit	-	-	-	711,078	711,078
Private Equity	-	-	-	1,741,770	1,741,770
Real Estate Funds	223,112	-	-	4,914,701	5,137,813
Equity Funds	48,469,178	-	-	-	48,469,178
	\$ 93,769,005	\$ -	\$ -	\$ 14,997,655	\$ 108,766,660

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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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(2) Investments and Fair Value (Continued)

The following tables list investments valued using NAV by major category:

June 30, 2022	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Gov Sec/Corp Bonds/CDs	\$ 9,859,414	\$ -	Daily	3 Days
Illiquid Credit	703,899	633,624	**	N/A
Private Equity	1,573,842	353,020	*	N/A
Real Estate Funds	5,937,115	-	Quarterly	60 Days
	\$ 18,074,270	\$ 986,644		

June 30, 2021	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Gov Sec/Corp Bonds/CDs	\$ 7,630,106	\$ -	Daily	3 Days
Illiquid Credit	711,078	633,624	**	N/A
Private Equity	1,741,770	487,770	*	N/A
Real Estate Funds	4,914,701	-	Quarterly	60 Days
	\$ 14,997,655	\$ 1,121,394		

* Private Equity Funds can be redeemed between years ending December 31, 2021 and 2022, with the possibility of extensions until 2025.

** Illiquid Credit has a 12-year life expectancy with two one-year extensions possible. Funds are expected to be completed by 2025.

(3) Unconditional Promises to Give

The Organization receives promises to give through their capital and annual campaigns, as well as through corporate and personal spontaneous gifts. Unconditional promises to give are as follows at June 30:

	<u>2022</u>	<u>2021</u>
Receivable in less than one year	\$ 1,068,886	\$ 465,481
Receivable in one to five years	2,779,430	2,439,791
Receivable in six years	-	15,000
	3,848,316	2,920,272
Less discounts to net present value	283,780	380,835
Less allowance for uncollectible promises	192,416	146,014
Net Promises to Give	\$ 3,372,120	\$ 2,393,423

At June 30, 2022 and 2021, **\$1,685,000** and \$1,835,000, respectively, is due from one donor.

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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022 AND 2021**

(4) Lease Receivable

The Organization leases property used as a residential home for the President of SDSM&T to the Board of Regents for a term of fifteen years. The Board of Regents agrees to provide funds to pay the related bank debt (see Note 10), insurance, and any other expenses incurred on the property. The Board of Regents has the option to acquire the title to the property provided all outstanding obligations and debts against the property have been satisfied. The Organization has recorded this transaction as a direct financing-type lease. The net investment in the lease recorded as a receivable at June 30, 2022 and 2021, is **\$301,048** and \$303,065, respectively. Income recognized on the lease was **\$10,968** and \$13,221 during the years ended June 30, 2022 and 2021, respectively.

Principal payments will be collected as follows for the years ending June 30:

2023	\$	19,300
2024		20,000
2025		20,700
2026		21,400
2027		22,100
Thereafter		197,548
	\$	301,048

(5) Rental Real Estate

Rental real estate consists of the following at June 30:

	<u>2022</u>	<u>2021</u>
Land, at cost	\$ 1,664,317	\$ 1,475,816
Buildings, at cost	2,699,398	2,694,714
Real estate partnership interest, at cost	469,766	469,766
	4,833,481	4,640,296
Accumulated depreciation	(1,110,695)	(1,027,437)
Net Book Value	\$ 3,722,786	\$ 3,612,859

The Organization leases these properties primarily to SDSM&T and its students under short-term operating leases.

(6) Property and Equipment

Property and equipment consist of the following at June 30:

	<u>2022</u>	<u>2021</u>
Land	\$ 722,483	\$ 762,482
Building and Leasehold Improvements	4,620,879	4,409,483
Office Equipment and Software	253,586	283,248
	5,596,948	5,455,213
Accumulated Depreciation	(580,157)	(459,833)
	\$ 5,016,791	\$ 4,995,380

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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022 AND 2021**

(7) Charitable Remainder Trusts

During the year ended June 30, 2022, there were no new trusts and no trust terminations. During the year ended June 30, 2021, there were no new trusts and one trust termination. The entire amount of the trust termination was directed to support charitable purposes of scholarships at SDSM&T. The Organization is the remainderman for **95** percent of the market value for the years ended June 30, 2022 and 2021.

Trust assets held by the Organization of **\$5,978,214** and \$7,290,647 are included primarily in investments on the Statements of Financial Position at June 30, 2022 and 2021, respectively.

(8) Liability under Charitable Gift Annuities

During the year ended June 30, 2022, there was one new annuity with a fair market value of **\$100,000** and a present value of **\$61,479**, and three annuity terminations. During the year ended June 30, 2021, there were two new annuities with a fair market value of \$220,402 and a present value of \$133,537 and one annuity termination. The Organization is remainderman for 100 percent of the market value for each of the years ended June 30, 2022 and 2021, respectively.

Charitable Gift Annuities held by the Organization of **\$1,155,074** and 2,381,566 are included primarily in investments on the Statements of Financial Position at June 30, 2022 and 2021, respectively.

(9) Conditional Promises to Give

During 2021, the Organization received a conditional promise to give of \$500,000. The promise to give was conditional based on the Organization raising matching contributions of \$500,000. The Organization received \$100,000 in advance of contributions being met in 2021. As of June 30, 2021, the Organization had raised matching contributions of \$11,838 and accordingly \$88,162 was included in Refundable Advance on the Statements of Financial Position. The promise to give was matched in full during 2022. See Note 15 for additional refundable advances.

(10) Note Payable

Note payable consists of the following at June 30:

	<u>2022</u>	<u>2021</u>
Mortgage note payable to a bank, due in quarterly payments of \$7,448, including interest at 3.25 percent through October 30, 2025; the remaining balance of approximately \$260,000 is due January 2026; secured by the residence of the President of SDSM&T (Note 4).	\$ 328,235	\$ 346,855
	328,235	346,855
Current maturities of notes payable	19,211	18,541
	\$ 309,024	\$ 328,314

The note payable matures as follows during the years ended June 30:

2023	\$ 19,211
2024	19,826
2025	20,513
2026	268,685
	\$ 328,235

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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022 AND 2021**

(11) Net Assets With Donor Restrictions – Purpose and Time

Net assets with purpose or time restrictions are available for the following at June 30:

	<u>2022</u>	<u>2021</u>
Scholarships and Fellowships	\$ 8,059,882	\$ 6,671,716
General Student Assistance	1,768,297	1,445,364
General Support to SDSM&T	16,591,117	14,967,478
Pledge Donations - Timing Restriction - Determined by Donor at Later Date	1,426,241	737,422
	<u>\$ 27,845,537</u>	<u>\$ 23,821,980</u>

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

(12) Net Assets With Donor Restrictions - Perpetual

Net assets with perpetual restrictions consist of the following at June 30:

	<u>2022</u>	<u>2021</u>
Scholarships and Fellowships	\$ 50,370,198	\$ 52,588,432
General Student Assistance	4,179,365	4,480,133
General Support to SDSM&T	27,029,889	26,058,269
Pledge Donations - Determined by Donor at Later Date	1,945,879	1,656,001
	<u>\$ 83,525,331</u>	<u>\$ 84,782,835</u>

In accordance with agreements with donors, net investment return, including realized and unrealized gains, is allocated in part to the perpetually restricted funds to provide for inflationary growth of the funds. The agreements provide for realized and unrealized investment losses to be deducted from principal. In such cases, the Organization’s intent and understanding with donors is to restore such losses with future gains.

(13) Endowed Net Assets

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

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(13) Endowed Net Assets (Continued)

The Board of Directors of the Organization has interpreted the State of South Dakota Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions – perpetual (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations of the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions – perpetual is classified as net assets with donor restrictions - purpose until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

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

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

The following represents endowment net asset composition by type of fund as of June 30, 2022 and 2021:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>		<u>Total</u>
		<u>Purpose</u>	<u>Perpetual</u>	
Donor Restricted Endowment Funds	\$ -	\$ 6,693,931	\$ 84,782,835	\$ 91,476,766
Donor Purpose Restricted and Board Endowed	-	1,132,684	-	1,132,684
Endowment Assets - June 30, 2021	-	7,826,615	84,782,835	92,609,450
Donor Restricted Endowment Funds	-	7,899,257	83,525,331	91,424,588
Donor Purpose Restricted and Board Endowed	-	1,066,529	-	1,066,529
Endowment Assets - June 30, 2022	\$ -	\$ 8,965,786	\$ 83,525,331	\$ 92,491,117

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JUNE 30, 2022 AND 2021**

(13) Endowed Net Assets (Concluded)

Changes in endowment net assets for the years ended June 30, 2022 and 2021 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>		<u>Total</u>
		<u>Purpose</u>	<u>Perpetual</u>	
Endowment Assets - June 30, 2020	\$ -	\$ 6,879,439	\$ 70,314,364	\$ 77,193,803
Net Investment Return	-	2,626,342	8,721,239	11,347,581
Net Investment Return on Trusts/Annuities	-	-	778,118	778,118
Contributions	-	95,924	4,969,114	5,065,038
Appropriation for Expenditure	-	(1,775,090)	-	(1,775,090)
Endowment Assets - June 30, 2021	-	7,826,615	84,782,835	92,609,450
Net Investment Return	-	2,452,633	(9,617,863)	(7,165,230)
Net Investment Return on Trusts/Annuities	-	-	(483,668)	(483,668)
Contributions	-	-	8,844,027	8,844,027
Appropriation for Expenditure	-	(1,313,462)	-	(1,313,462)
Endowment Assets - June 30, 2022	\$ -	\$ 8,965,786	\$ 83,525,331	\$ 92,491,117

The Organization has adopted investment and spending policies for endowment assets that attempt to maximize support while growing the endowment's principal value to maintain spending value compared to appropriate inflationary indexes. To achieve these goals, the Board of Directors annually authorizes spending and accumulation allocations that are transferred to each funding account. Spending allocations for fiscal years 2022 and 2021 were based on a 12-quarter rolling fund average. Total earnings are spread based on the beginning of the quarter fund balance. The Organization allocates a portion of total earnings to the perpetual endowment and the remainder to the donor restricted – purpose endowment consistent with the standard of prudence prescribed by UPMIFA.

(14) Liquidity

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

As described in Note 13, the Organization's endowments are subject to annual spending rates and allocations authorized by the Board of Directors. General expenditures include administrative and general expenses, fundraising expenses, and grant commitments expected to be paid in the subsequent year. Annual operations are defined as activities occurring during the Organization's fiscal year.

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

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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022 AND 2021**

(14) Liquidity (Continued)

The table below presents financial assets available for general expenditures within one year:

	<u>2022</u>	<u>2021</u>
<i>Financial Assets at year end:</i>		
Cash and Cash Equivalents	\$ 22,809,267	\$ 18,708,107
Unconditional Promises to Give	3,372,120	2,393,423
Investments	86,637,964	90,253,373
Total Financial Assets	\$ 112,819,351	\$ 111,354,903
<i>Less amounts not available to be used within one year:</i>		
Net Assets with Donor Restriction	\$ 111,370,868	\$ 108,604,815
Donor Restricted Net Assets Include:		
Rental Real Estate	(3,722,786)	(3,612,859)
Other Assets included in Trust and CGA Investments	(4,686)	(22,208)
Financial Assets Not Available to be Used Within One Year	\$ 107,643,396	\$ 104,969,748
Financial Assets Available to Meet General Expenditures Within One Year	\$ 5,175,955	\$ 6,385,155

(15) Refundable Advance

During the year ended June 30, 2021, the Organization was granted a \$244,192 loan under the Paycheck Protection Program administered by the Small Business Administration (SBA) from a qualified lender. The Organization was eligible for loan forgiveness of up to 100 percent of the loan, upon meeting certain requirements. Because the Organization anticipated forgiveness, this was considered a conditional contribution and funds received in advance of meeting the conditions were recorded as a refundable advance. The Organization was granted full forgiveness and has recorded a contribution of \$244,192 during the year ended June 30, 2022.

Additionally, in 2021, the Organization received \$100,000 from a donor in advance of meeting matching requirements specified by the donor. See Note 9.

(16) In-Kind Contributions

For the years ended June 30, 2022 and 2021, contributed nonfinancial assets include the following:

	<u>2022</u>	<u>2021</u>
Software	\$ 103,057,175	\$ -
Equipment	802,000	27,800
Educational Materials	1,226,849	-
Rental Property	188,500	-
	\$ 105,274,524	\$ 27,800

Contributed software, equipment and education materials are valued using estimated U.S. wholesale prices (principal market) of identical or similar products using pricing data under a “like-kind” methodology considering the goods’ condition and utility for use at the time of the contribution. Contributed software, equipment and educational materials are provided to the University for the continuing education and support of the University students. Amounts are not donor restricted.

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(16) In-Kind Contributions (Continued)

During the year ended June 30, 2022, the Organization received a donation of a rental property. The fair value of \$188,500 was obtained from a broker appraisal for similar properties in the area. The rental unit was capitalized and the rental income is not donor restricted.