



SOUTH DAKOTA MINESTM

An engineering, science and technology university

Financial Report



For the year ended June 30, 2021



SOUTH DAKOTA MINES

An engineering, science and technology university

Office of the President

March 28, 2022

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 2021. This report covers all phases of the financial transactions of the university for the twelve-month period ending June 30, 2021.

Sincerely,

James M. Rankin
President

Enclosure



SOUTH DAKOTA MINES™
An engineering, science and technology university

Finance & Administration

March 25, 2022

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, 2021, 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 Foundation financial statements, audited by an independent certified public accountant, are included as part of this report since the Foundation is considered a component unit of SDSM&T, 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, 2021

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SOUTH DAKOTA SCHOOL OF MINES AND TECHNOLOGY

Rapid City, South Dakota

FINANCIAL REPORT

For the Year Ended June 30, 2021

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. Patricia Mahon, Vice President for Student Development and Dean of Students

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 & VP for
Academic Affairs

Patricia Mahon
Dean of Students & VP
for Student Development

Joel Lueken
Director of
Athletics

Ann Brentlinger
Director of Marketing
& Communications

Jade Herman
Director of Planning &
Events

Bill Spindle
VP for Finance &
Administration

Ralph Davis
VP for
Research

Kate Alley
Associate Provost
Academic Affairs

Molly Moore
Associate Provost
Academic Admin.

Directors

- Shelli Grinager, Admissions
- Kristen Kugler, Admissions
- David Martin, Financial Aid
- Diana Eastman, Registrar

Michelle Lineweber
Director of Academic
Affairs Operations

Maribeth Price
Dean of
Graduate Education

Lisa Carlson
Director of
Student Success Center

- Freshmen/Sophomore Advisor
- Pre-Health Advisor
- Tutoring & Testing
- WISE Program

Directors

- Ryan Koontz, CAMP Associate Director
- Kim Osberg, CAMP Associate Director
- Patricia Andersen, Library
- Jeff Langemeier, Institutional Research
- Laurie Anderson, Museum of Geology

Bill Cross
Faculty Senate Chair

Bryce Nussbaum
Asst. Director of Residence
Life & Community Standards

Katie Wahls
Asst. Director of Residence
Life Housing & Operations

Directors

- Duane Kavanaugh, Counseling & ADA
- Suzi Aadland, Ivanhoe International Center
- Jesse Herrera, Center for Inclusion
- Cory Headley, Student Development
- Matt Hanley, Career & Professional Development Center
- Derek Flom, Veterans Resource Center
- Amanda Lopez, Title IX & Disability Services

- Wellness Center
- Intramural Sports

Jennifer Hauf
Aramark Dining
Services

Mike Ray
Communications
Manager

Larry Simonson
Assistant to President,
Alumni Ambassador

Sharon Chontos*
Interim President Center for Alumni
Relations & Advancement
(CARA)

‡ 2D Best Center, Arbegast Materials Process & Joining Lab (AMP), Biochemical Spatio-temporal Network Resource (BioSNTR), Composites & Polymer Engineering Lab (CAPE), Center for BioEnergy Research & Development (CBERD), Center for Friction Stir Processing (CFSP), Experimental & Computational Mechanics Lab (ECML), Engineering & Mining Experiment Station (EMES), NASA Experimental Programs to Stimulate Competitive Research (NASA-EPSCoR), Repair, Refurbish & Return to Service Applied Research Center (R3S), South Dakota Space Grant Consortium (SDSGC), Surface Engineering Research Center (SERC), Security Printing and Anti-Counterfeiting Technology (SPACT)

Mike Ray
Communications
Manager

Jerilyn Roberts
Associate VP of Facilities,
Risk, & Services

Stephanie Lindsley
Director of Scheduling &
Event Operations

Kelsey O'Neill
Associate VP of
Human Resources

Directors

- Marlin Kinzer, Bookstore
- Sara Mooney, Director of Financial Planning & Budget Development
- Bryan Schumacher, ITS
- Barb Mustard, Business Services
- Deb Rowse, Controller

Joseph Wright
Associate VP for
Research & Economic
Development

- Office of Industry Engagement

**Research Center
Directors‡**

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

*Report to their respective boards, but also have a coordinating relationship with the President.

Department Heads & Program Directors/Coordinators

William Capehart, Director of Atmospheric & Environmental Sciences
 Kenneth Benjamin, Interim Head of Chemical & Biological Engineering
 Robb Winter, Coordinator of Biomedical Engineering
 Zhengtao Zhu, Interim Head of Chemistry, Biology & Health Sciences
 James Stone, Head of Civil & Environmental Engineering
 Jeff McGough, Head of Computer Science & Engineering
 Tom Montoya, Interim Head of Electrical Engineering
 Laurie Anderson, Head of Geology & Geological Engineering
 Allison Gilmore, Head of Humanities & Social Science
 Jeff Woldstad, Head of Industrial Engineering

Jon Kellar, Director of Materials Engineering & Science
 Michael West, Head of Materials & Metallurgical Engineering
 Travis Kowalski, Interim Head of Mathematics
 Pierre Larochele, Head of Mechanical Engineering
 Richard Mendenhall, Chair of Military Sciences
 Robert Hall, Head of Mining Engineering and Management
 Steve Smith, Director of Nanoscience & Nanoengineering
 Michael Vander Heyden, Coordinator of Physical Education
 Richard Schnee, Head of Physics

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, 2021, along with comparative data for the fiscal year ended June 30, 2020.

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 Comprehensive Annual 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, 2021. 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. 84, *Fiduciary Activities* was implemented for fiscal year 2021. 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. Financial reports for fiscal years ending June 30, 2020, and 2019 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, 2021, and 2020). 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, 2021, and 2020. 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, 2021, and 2020. 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-2021</u>	<u>30-Jun-2020</u>
ASSETS		Restated
Current assets	\$ 23,586,410	\$ 23,409,489
Noncurrent assets	\$ 96,520,394	\$ 98,097,961
Deferred outflow of resources	\$ 509,363	\$ 549,333
Total assets and deferred outflows	<u>\$120,616,167</u>	<u>\$122,056,783</u>
 LIABILITIES		
Current liabilities	\$ 7,040,628	\$ 8,285,267
Noncurrent liabilities	\$ 33,472,403	\$ 34,517,796
Total liabilities	<u>\$ 40,513,031</u>	<u>\$ 42,803,063</u>
 NET POSITION		
Invested in capital assets, net of related debt	\$ 62,997,947	\$ 62,921,626
Restricted	\$ 5,755,689	\$ 6,167,969
Unrestricted	\$ 11,349,500	\$ 10,164,125
Total Net Position	<u>\$ 80,103,136</u>	<u>\$ 79,253,720</u>

- Total net position increased by 1% compared to FY20, mainly due to a decrease in liabilities of \$1.2 million from bond liability reduction.

- Mines' largest asset is its investment in physical plant, representing \$93 million of noncurrent assets.
- Mines' largest liability is revenue bonds payable of \$27.5 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-2021</u>	<u>30-Jun-2020</u>
Operating Revenues	\$ 46,902,469	\$ 48,596,779
Operating Expenses	<u>\$ (69,940,395)</u>	<u>\$ (71,435,377)</u>
Operating Loss	\$ (23,037,926)	\$ (22,838,598)
Non-Operating Revenues	\$ 24,634,278	\$ 23,011,157
Non-Operating Expenses	<u>\$ (1,893,244)</u>	<u>\$ (1,411,154)</u>
Net Gain/(Loss) before capital contributions	\$ (296,892)	\$ (1,238,595)
Capital Contributions	<u>\$ 1,146,308</u>	<u>\$ 2,608,182</u>
Increase(Decrease) in Net Position	\$ 849,415	\$ 1,369,587
Net Position, Beginning of Year	<u>\$ 79,253,720</u>	<u>\$ 77,884,133</u>
Net Position, End of Year	<u><u>\$ 80,103,136</u></u>	<u><u>\$ 79,253,720</u></u>

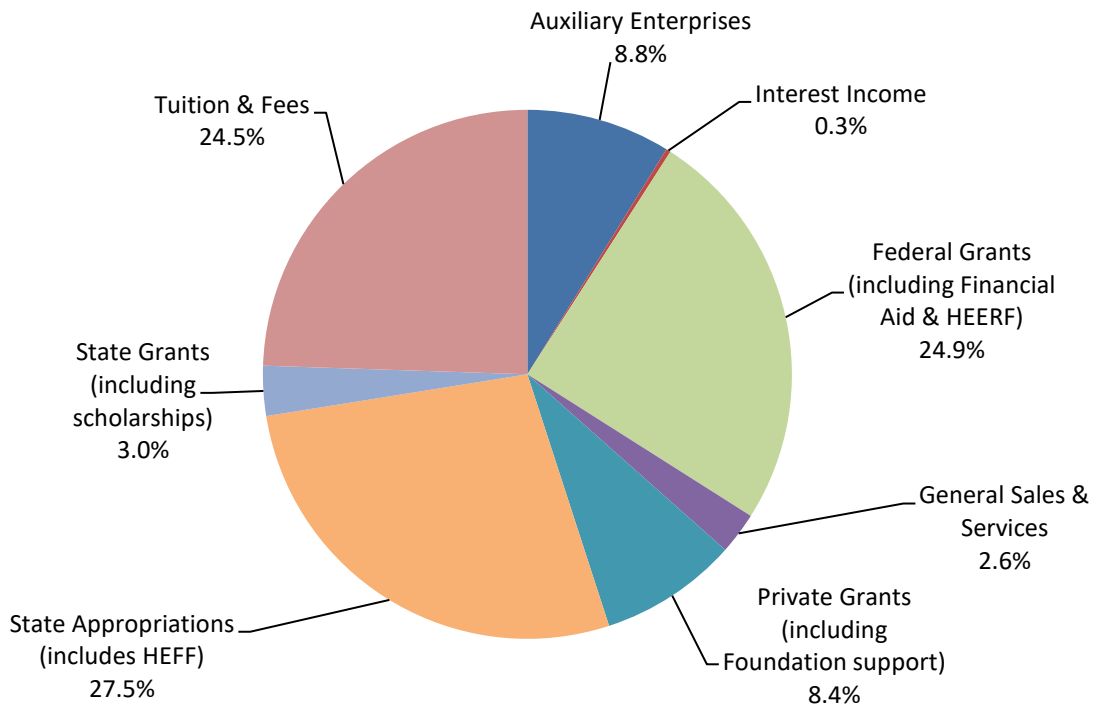
- Operating revenues decreased about 3.5% compared to FY20. This was mainly due to reduced fee revenues, as students were taking about half of their classes online and online courses do not include fees. The fee revenues were recovered from federal COVID relief funds and reported in non-operating revenues. Operating expenditures decreased by 2% primarily related due to reduced travel and supply expenditures.
- State appropriations, totaling \$18.4 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 \$3.5 million reported as non-operating from the Federal Higher Education COVID Relief Fund, \$1,105,328 was spent on student aid and \$2,482,590 was spent on institutional expenditures related to COVID.
- Mines received capital contributions consisting of \$436 thousand from the Higher Education Facilities fund and \$387 thousand from the General Fund M&R allocation, which primarily funded the McLaury building renovation and the Civil-Mechanical lab renovations. Also included in capital contributions were CARA funds used to assist in the Civil-Mechanical lab renovations and a few other projects in planning stages. The South Dakota Building Authority (SDBA) bonded the

Devereaux Library renovation. The amount reported as capital is the amount drawn down on this project as of June 30, 2021.

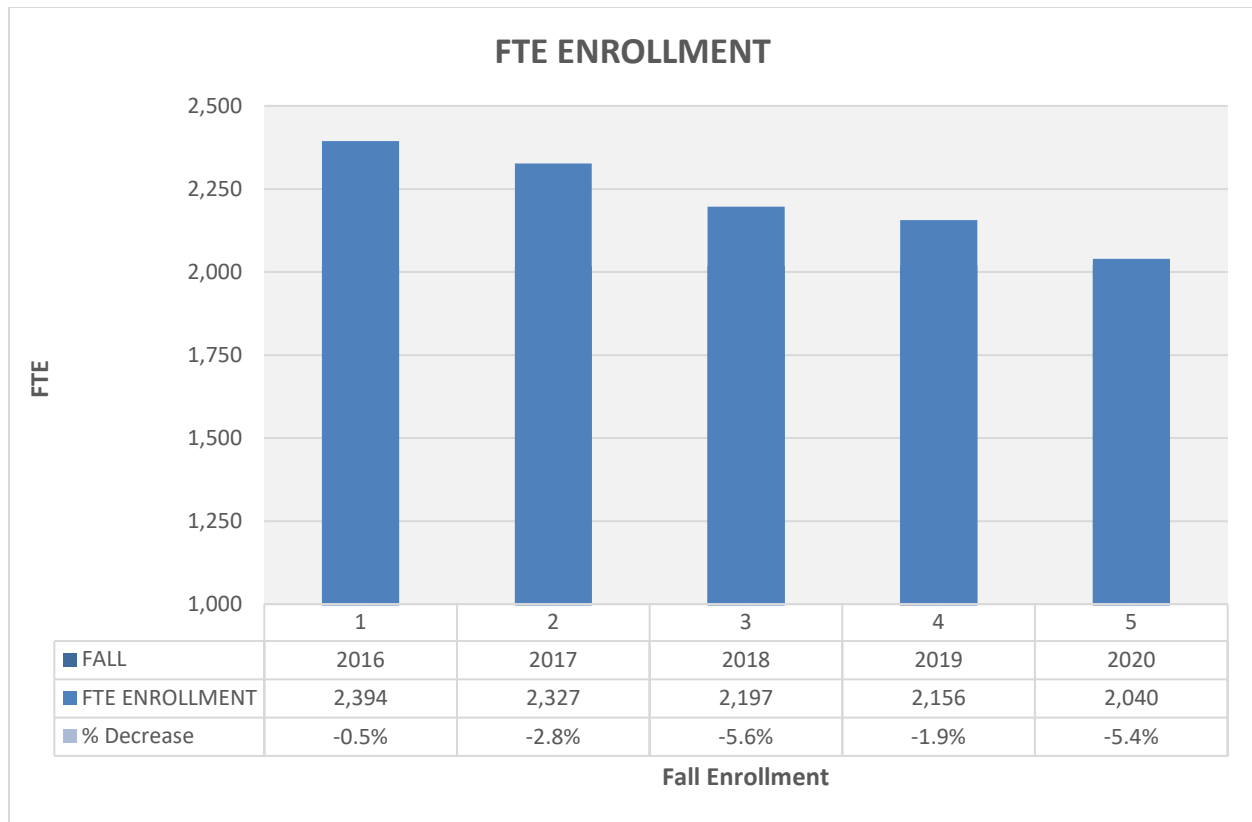
Revenues

The chart below is an illustration of Mines’ major revenue sources, for the year ended June 30, 2021:

FY21 Source of Revenues



Tuition, Fees and State Appropriations are the primary sources of funding for the institution’s academic program, representing approximately 52% 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. We believe the enrollment drop in FY21 was due to the pandemic. We are hopeful that we can regain these students in Fall 2021.

Operating Expenses

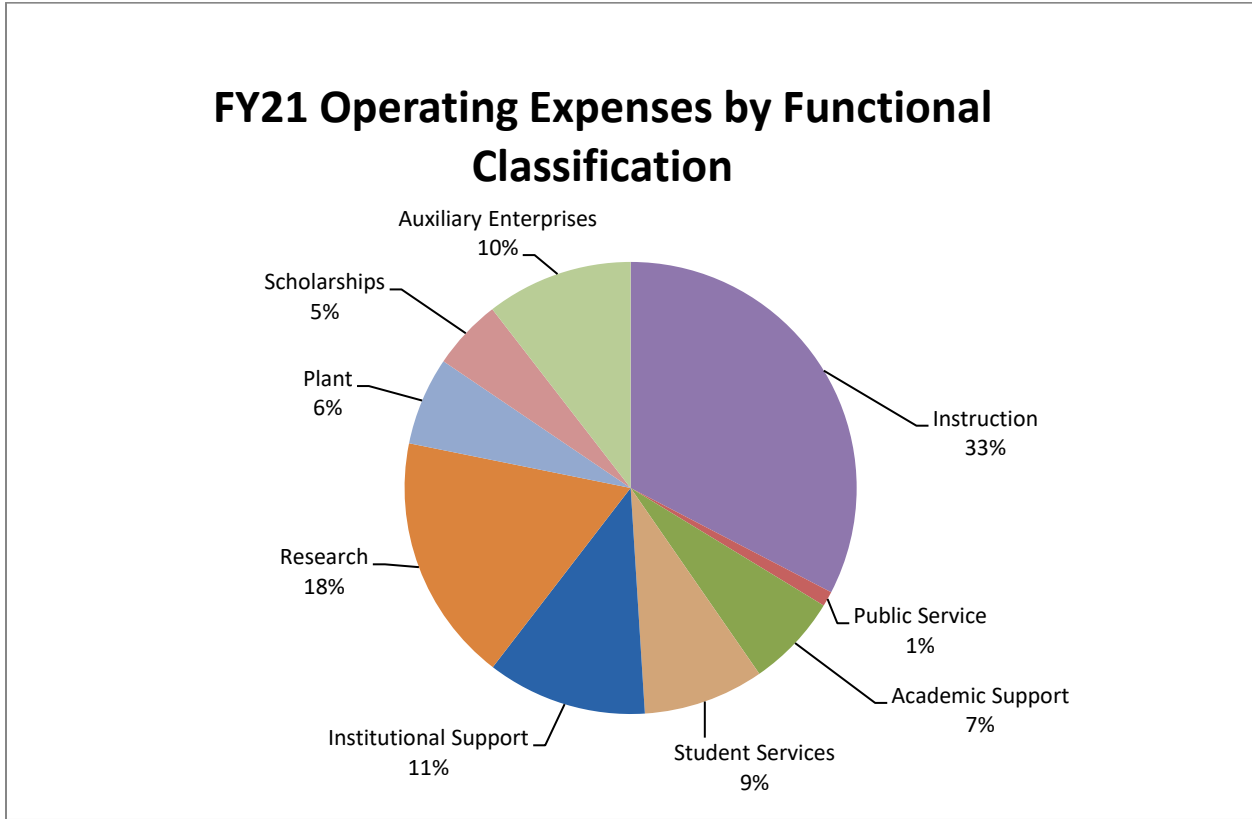
The University reports operating expenses in the natural classification, in the Statement of Revenues, Expenses, and Changes in Net Position.

Operating Expenses Natural Classification

	<u>6/30/2021</u>	<u>6/30/2020</u>
Personal Services	\$ 43,967,943	\$ 43,577,856
Travel	\$ 516,493	\$ 1,438,596
Contractual	\$ 10,625,368	\$ 9,884,411
Supplies and Materials	\$ 4,144,595	\$ 6,796,190
Grants & Subsidies	\$ 6,366,029	\$ 5,425,698
Other	\$ 59,702	\$ 72,553
Depreciation & Amortization of Intangibles	\$ 4,260,267	\$ 4,240,072
Total Operating Expenses	\$ 69,940,396	\$ 71,435,376

Operating expenses decreased approximately \$1.5 million, mainly due to decreases in travel and supply expenditures.

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



Operating expenditures by functional classification remained relatively stable, as compared to FY20. There was a 3 percent decrease in plant expenditures due to fewer maintenance projects, and a 3 percent increase in research, due to new grants. The other categories remained the same or varied by 1 percent.

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, 2021, and 2020 is as follows:

Condensed Statement of Cash Flows

	<u>6/30/2021</u>	<u>6/30/2020</u>
Cash Provided/Used by:		
Operating Activities	(\$18,620,547)	(\$19,279,823)
Non-Capital Financing Activities	\$ 23,985,800	\$ 22,774,707
Capital Related Financing Activities	(\$ 5,284,410)	(\$ 4,013,499)
Investing Activities	<u>\$ 243,366</u>	<u>\$ 198,556</u>
Net increase (decrease) in cash	\$ 324,209	(\$ 320,059)
Cash - Beginning of year	<u>\$ 19,895,434</u>	<u>\$20,215,493</u>
Cash - End of year	<u><u>\$ 20,219,643</u></u>	<u><u>\$19,895,434</u></u>

Major sources of FY21 operating cash included Tuition & Fees and Auxiliaries of \$24.1 million, Grants and Contracts of \$19.7 million, and General Sales & Services of \$1.9 million. The largest use of operating cash was for Personal Services of \$43.1 million.

The most significant source of cash for non-capital financial activities cash was General Fund Appropriations of \$18.6 million.

The most significant sources of Cash for Capital Related Financing Activities were proceeds from capital debt of \$626 thousand for tablet computers and \$823 thousand from the Higher Education Facilities Fund and General Fund M&R. The most significant uses of cash for capital related financing activities include the Purchase of Capital Assets of \$2.9 million, which includes various construction projects in progress totaling \$1.9 million and \$1 million for new equipment purchases. Debt service payments of \$4 million round out the remainder of capital related activities.

Higher Education Emergency Relief Funds

Mines resumed on-campus classes in Fall 2020, after going to all online classes in March 2020. The courses were instructed face-to-face, online or hybrid (a combination of face-to-face and online).

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 U.S. 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, 2021, and 2020.

Federal Awards	Fiscal Year 2021			Fiscal Year 2020		
	Student Portion	Institutional Portion	Total	Student Portion	Institutional Portion	Total
CARES (HEERF I)	\$377,479	\$620,656	\$998,135	\$350,370	\$ 94,404	\$444,774
CRRSAA (HEERF II)	727,849	1,537,094	2,264,943	-	-	-
State of SD Covid Relief Fund (CRF)	-	324,840	324,840	-	1,080,566	1,080,566
Total	\$1,105,328	\$2,482,590	\$3,587,918	\$350,370	\$1,174,970	\$1,525,340

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.

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 2022 and beyond, though the effects that the COVID-19 pandemic will continue to have on the University are still unknown. Strategic planning focused on increasing enrollment back to fiscal year 2019 levels, in hopes of regaining 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. For FY22, it is expected that the State General Fund appropriations will be increased slightly for salary policy increases for State funded employees. These limited increases 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, 2021

	FY2021	FY2020 Restated
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 17,578,555.96	\$ 17,245,923.33
Accounts Receivable - Student Accounts (net of allowance FY21, \$422,700; FY20, \$392,058)	588,706.49	555,627.29
Accounts Receivable - Sales and Services	584,748.66	953,817.07
Notes Receivable	366,443.26	415,240.55
Interest Receivable	222,986.68	306,399.06
Inventories	363,182.61	442,481.84
Due from Federal	3,548,505.78	3,242,517.96
Due from Primary	58,535.33	47,884.42
Due from Component Units	265,561.50	185,822.38
Prepaid Expenses	9,183.44	13,775.17
Unamortized Cost of Bond Issuance	-	-
Total Current Assets	<u>23,586,409.71</u>	<u>23,409,489.07</u>
Non-Current Assets:		
Cash and Cash Equivalents	\$ 2,707,680.02	\$ 2,649,510.23
Notes Receivable	824,417.94	1,142,063.91
Construction in Progress	2,369,192.13	6,067,783.85
Buildings and Building Improvements (net of accumulated depreciation FY21, \$38,926,245; FY20, \$36,604,525)	76,238,993.07	72,860,631.40
Land	61,872.83	61,872.83
Land Improvements (net of accumulated depreciation FY21, \$2,132,457; FY20, \$1,961,000)	3,075,334.62	3,246,791.53
Infrastructure (net of accumulated depreciation FY21, \$4,671,996; FY20, \$4,405,969)	4,716,957.16	4,982,983.84
Equipment and Other Property (net of accumulated depreciation FY21, \$34,118,780; FY20, \$34,345,779)	6,518,598.71	7,075,300.77
Intangible Assets (net of accumulated amortization FY21, \$11,022; FY20, \$7,348)	7,348.18	11,022.27
Total Noncurrent Assets	<u>96,520,394.66</u>	<u>98,097,960.63</u>
TOTAL ASSETS	<u>\$ 120,106,804.37</u>	<u>\$ 121,507,449.70</u>
Deferred Outflows of Resources		
Loss on Debt Refunding	\$ 509,362.63	\$ 549,333.35
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 120,616,167.00</u>	<u>\$ 122,056,783.05</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	851,553.90	835,271.84
Accrued Wages & Benefits	975,005.76	899,251.23
Accrued Interest Payable	325,323.75	341,127.50
Compensated Absences Payable	1,123,644.89	1,914,265.21
Bonds Payable	1,534,214.17	1,464,214.17
Obligations under Capital Leases	796,561.16	1,202,661.18
Unearned Revenues	639,151.76	593,843.09
Due to Federal	-	633,445.15
Due to Primary Government	35,220.68	25,787.15
Due to Other Component Units	341,426.68	90,692.75
Funds Held for Others	-	-
Student Deposits	211,871.79	164,154.21
Other Accrued Liabilities	206,653.48	120,553.06
Total Current Liabilities	<u>7,040,628.02</u>	<u>8,285,266.54</u>
Non-Current Liabilities:		
Compensated Absences Payable	2,948,718.04	1,835,393.84
Bonds Payable	28,618,610.81	30,152,824.98
Obligations under Capital Leases	1,191,513.17	1,428,663.25
Federal Capital Contribution Advance for Student Loans	713,561.00	1,100,914.00
Total Noncurrent Liabilities	<u>33,472,403.02</u>	<u>34,517,796.07</u>
TOTAL LIABILITIES	<u>\$ 40,513,031.04</u>	<u>\$ 42,803,062.61</u>
NET POSITION		
Invested in capital, net of related debt	\$ 62,997,947.26	\$ 62,921,626.26
Restricted, Nonexpendable:		
Loans	935,617.25	988,285.73
Restricted, Expendable:		
Debt Service	2,707,680.02	2,649,510.23
Grants and Contracts	-	417,781.08
Renewal and Replacement	2,112,391.80	2,112,391.80
Unrestricted	<u>11,349,499.63</u>	<u>10,164,125.34</u>
TOTAL NET POSITION	<u>\$ 80,103,135.96</u>	<u>\$ 79,253,720.44</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, 2021 AND 2020**

ASSETS	2021	2020
Cash and Cash Equivalents (Note 2)	\$ 18,708,107	\$ 12,830,855
Investments (Notes 2, 7, and 8)	90,253,373	76,846,443
Unconditional Promises to Give, Net (Note 3)	2,393,423	2,984,184
Lease Receivable (Notes 4 and 10)	303,065	296,475
Rental Real Estate, Net (Note 5)	3,612,859	3,687,612
Property and Equipment, Net (Note 6)	4,995,380	5,032,333
Other Assets (Notes 7 and 8)	887,073	845,708
TOTAL ASSETS	\$ 121,153,280	\$ 102,523,610
LIABILITIES AND NET ASSETS		
Refundable Advance (Notes 9 and 15)	\$ 332,354	\$ 244,100
Accounts Payable, Accrued Support, and Other (Notes 7 and 8)	890,813	752,142
Liability Under Charitable Remainder Trusts (Note 7)	2,911,186	2,484,334
Liability Under Charitable Gift Annuities (Note 8)	778,674	744,643
Note Payable (Note 10)	346,855	317,028
Total Liabilities	5,259,882	4,542,247
Net Assets		
Without Donor Restrictions	7,288,583	6,484,035
With Donor Restrictions - Purpose and Time (Notes 11 and 13)	23,821,980	21,182,964
With Donor Restrictions - Perpetual (Notes 12 and 13)	84,782,835	70,314,364
Total Net Assets With Donor Restrictions	108,604,815	91,497,328
Total Net Assets	115,893,398	97,981,363
TOTAL LIABILITIES AND NET ASSETS	\$ 121,153,280	\$ 102,523,610

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, 2021**

	FY2021	FY2020 Restated
Operating Revenues		
Tuition & Fees:		
State Support Tuition Allocation (net of scholarship allowances FY21, \$1,502,944; FY20, \$2,889,399)	\$ 6,300,103.29	\$ 12,265,734.52
Self Support Tuition (net of scholarship allowances FY21, \$1,680,888; FY20, \$247,305)	6,925,963.33	1,053,076.66
Student Fees (net of scholarship allowances FY21, \$1,768,829; FY20, \$1,722,475)	4,567,485.37	7,334,667.09
Auxiliary Sales & Services (net of scholarship allowances FY21, \$1,419,520; FY20, \$1,269,391)	6,403,373.25	5,974,197.09
General Sales & Services	1,861,556.42	1,437,140.83
Federal Grants & Contracts	12,769,266.35	11,794,929.08
State Grants & Contracts	2,103,498.56	1,945,737.39
Private Grants & Contracts	5,926,941.33	6,733,612.50
Student Loan Interest	44,281.35	57,683.75
Total Operating Revenues	46,902,469.25	48,596,778.91
Operating Expenses		
Personal Services	43,967,942.94	43,577,856.16
Travel	516,493.21	1,438,596.33
Contractual	10,625,367.54	9,884,411.19
Supplies and Materials	4,144,594.88	6,796,189.97
Grants & Subsidies	6,366,028.71	5,425,698.20
Other	59,701.68	72,553.25
Depreciation	4,256,592.48	4,236,397.53
Amortization of Intangibles	3,674.09	3,674.09
Total Operating Expenses	69,940,395.53	71,435,376.72
Operating Loss	(23,037,926.28)	(22,838,597.81)
Nonoperating Revenues (Expenses)		
General Fund Appropriations	18,421,925.62	18,096,067.99
School & Public Lands	173,827.08	179,495.63
Higher Education Facilities Fund	549,031.48	1,128,160.08
Investment Income	160,476.77	236,450.13
PELL Grants	1,741,098.61	1,845,643.73
Federal Higher Education COVID Relief Fund	3,587,918.11	1,525,339.53
Interest on capital asset, related debt	(1,378,576.85)	(1,384,656.65)
Other Non-operating Expenses	(488,000.00)	-
Loss on Disposal of Assets	(26,666.67)	(26,497.72)
Net Nonoperating Revenues	22,741,034.15	21,600,002.72
Income Before Other Revenues, Expenses, Gains, or Losses	(296,892.13)	(1,238,595.09)
Other Revenues		
SD Building Authority Bond Proceeds	110,033.98	-
Capital Grants & Contracts	213,427.19	95,830.87
Higher Education Facilities Fund	822,846.48	2,512,351.27
Total Other Revenues	1,146,307.65	2,608,182.14
Change in Net Position	849,415.52	1,369,587.05
Net Position - Beginning of the year	79,253,720.44	77,884,133.39
Adjustment to beginning balance	-	-
Net Position - Beginning of year	79,253,720.44	77,884,133.39
Net Position - End of year	\$ 80,103,135.96	\$ 79,253,720.44

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, 2021, WITH COMPARATIVE TOTALS FOR 2020**

	----- 2021 -----			2020 Total	
	Without Donor Restrictions	With Donor Restrictions			
		Purpose and Time	Perpetual		
Support, Gains, and Revenues					
Contributions (Notes 15 and 16)	\$ 810,862	\$ 3,516,322	\$ 2,998,344	\$ 7,325,528	\$ 6,261,733
In-Kind Contributions (Note 1)	-	27,800	-	27,800	19,822
Wills and Bequests	12,000	340,544	1,972,745	2,325,289	4,490,144
Net Investment Return, Including Net Realized and Unrealized Gain and Rental Real Estate (Net of Fees and Expenses of \$403,595 and \$446,585 for the Years Ended June 30, 2021 and 2020, Respectively)	1,781,254	2,626,342	8,721,239	13,128,835	3,374,299
Net Investment Return on Trust and Annuity Interests	-	709,578	778,118	1,487,696	(86,691)
Other Income (Loss)	362,720	395,862	(1,975)	756,607	453,921
Net Assets Released from Restrictions (Note 11)	4,977,432	(4,977,432)	-	-	-
Total Support, Gains, and Revenues	7,944,268	2,639,016	14,468,471	25,051,755	14,513,228
Expenses					
<i>Program Services (Note 11)</i>					
Scholarships and Fellowships	3,085,483	-	-	3,085,483	3,312,853
General Student Assistance	272,106	-	-	272,106	348,401
General In-Kind Support to SDSM&T (Note 1)	27,800	-	-	27,800	19,822
General Support to SDSM&T	1,641,115	-	-	1,641,115	1,322,189
Total Program Services	5,026,504	-	-	5,026,504	5,003,265
<i>Supporting Services:</i>					
Fundraising	1,325,154	-	-	1,325,154	1,256,926
Administrative	788,062	-	-	788,062	904,071
Total Supporting Services	2,113,216	-	-	2,113,216	2,160,997
Total Expenses	7,139,720	-	-	7,139,720	7,164,262
Change in Net Assets	804,548	2,639,016	14,468,471	17,912,035	7,348,966
Net Assets -- Beginning of Year	6,484,035	21,182,964	70,314,364	97,981,363	90,632,397
Net Assets -- End of Year	\$ 7,288,583	\$ 23,821,980	\$ 84,782,835	\$ 115,893,398	\$97,981,363

The accompanying notes are an integral part of this statement.

SOUTH DAKOTA SCHOOL OF MINES AND TECHNOLOGY**Statement of Cash Flows****June 30, 2021**

	FY2021	FY2020 Restated
Cash Flows from Operating Activities		
Tuition & Fees	\$ 17,777,307.93	\$ 20,565,367.71
Auxiliary Sales & Services	\$ 6,409,157.45	5,973,126.71
Federal Grants and Contracts	\$ 11,521,939.69	\$ 10,925,300.71
Other Grants and Contracts	\$ 8,206,848.79	8,389,637.64
General Sales & Services	\$ 1,965,707.14	1,488,561.56
Other Revenue	\$ 14,113.74	20,661.75
Loans collected from students	\$ 386,529.31	449,796.64
Personal Services	\$ (43,569,484.53)	(43,162,159.01)
Travel	\$ (507,059.68)	(1,456,364.85)
Contractual	\$ (10,362,980.87)	(10,175,854.47)
Supplies and noncapitalized equipment	\$ (4,080,574.14)	(6,851,169.05)
Grants & Subsidies	\$ (6,366,028.71)	(5,425,698.20)
Other Expenses	\$ (16,023.52)	(21,029.92)
Net cash provided (used) by operating activities	<u>(18,620,547.40)</u>	<u>(19,279,822.78)</u>
Cash Flows from Noncapital Financing Activities		
State Appropriations	18,595,752.70	18,275,563.62
Higher Education Facilities Fund	549,031.48	1,128,160.08
PELL Grants	1,741,098.61	1,845,643.73
Federal Fund Appropriations (HEERF)	3,587,918.11	1,525,339.53
Non-Operating Expenses	(488,000.00)	-
Direct and PLUS Loan Receipts	8,548,318.00	9,651,513.00
Direct and PLUS Loan Disbursements	(8,548,318.00)	(9,651,513.00)
Net cash flows provided by noncapital financing activities	<u>23,985,800.90</u>	<u>22,774,706.96</u>
Cash Flows from Capital and Related Financing Activities		
State Building Authority	110,033.98	-
Capital Grants & Contracts	213,427.19	95,830.87
Higher Education Facilities Fund	822,846.48	2,512,351.27
Revenue Bond Discounts/Premiums & related costs	-	(139,243.47)
Proceeds from Capital Debt	626,012.37	1,416,500.00
Principal Paid on Capital Related Debt	(2,554,262.47)	(2,398,986.22)
Interest Paid on Capital Related Debt	(1,533,624.08)	(1,398,434.15)
Purchase of capital assets	(2,968,843.45)	(4,101,517.81)
Net cash used by capital and related financing activities	<u>(5,284,409.98)</u>	<u>(4,013,499.51)</u>
Cash Flows from Investing Activities		
Investment Income	<u>243,365.94</u>	<u>198,556.19</u>
Net increase in cash	324,209.46	(320,059.14)
Cash and Cash Equivalents - Beginning of year	19,895,433.56	20,215,492.70
Cash and Cash Equivalents - End of year	<u>\$ 20,219,643.02</u>	<u>\$ 19,895,433.56</u>
Reconciliation of Net Operating Loss to Net Cash Used in Operating Activities		
Operating Loss	\$ (23,037,926.28)	\$ (22,838,597.81)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	4,256,592.48	4,236,397.53
Amortization expense	3,674.09	3,674.09
Change in assets and liabilities:		
Prepaid Expenses	4,591.73	4,591.73
Receivables, net	307,000.27	(662,427.08)
Inventories	79,299.23	(90,138.08)
Deferred Revenue	45,308.67	(262,518.09)
Payables, net	(279,087.59)	329,194.93
Net Cash Used by Operating Activities	<u>\$ (18,620,547.40)</u>	<u>\$ (19,279,822.78)</u>
Noncash Transactions		
Loss on Disposal of Capital Assets	\$ (26,666.67)	\$ (34,997.72)
Loan Cancellation Expense	\$ (10,419.52)	\$ (12,283.88)
Bad Debt	\$ (30,641.78)	\$ (37,872.05)

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

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities		
Revenue Collected:		
Other Revenue - Contributions	\$ 5,991,889	\$ 4,959,418
Payments for Expenses:		
Personal Services	(1,163,593)	(1,290,280)
Travel	(85,726)	(427,499)
Contractual	(606,682)	(374,164)
Supplies and Materials	(1,320,148)	(1,208,119)
Grants and Subsidies	(3,650,985)	(4,030,178)
Interest Paid	(13,221)	(13,315)
Net Cash Flows Used in Operating Activities	(848,466)	(2,384,137)
Cash Flows from Investing Activities		
Proceeds from Sale of Investments	63,409,121	33,687,513
Purchases of Investments	(61,326,474)	(28,399,894)
Disbursements on Lease Receivable	(83,927)	(29,029)
Repayments of Notes and Leases Receivable	47,282	45,710
Purchase of Property and Equipment	(94,125)	(99,761)
Net Cash Flows Provided by Investing Activities	1,951,877	5,204,539
Cash Flows from Financing Activities		
Contributions Restricted for Endowment Purposes	4,744,014	6,771,244
Borrowings on Note Payable	50,000	-
Payments on Note Payable	(20,173)	(19,709)
Increase (Decrease) in Due to Others	-	(3,920)
Net Cash Flows Provided by Financing Activities	4,773,841	6,747,615
Net Change in Cash and Cash Equivalents	5,877,252	9,568,017
Cash and Cash Equivalents -- Beginning of Year	12,830,855	3,262,838
Cash and Cash Equivalents -- End of Year	\$ 18,708,107	\$ 12,830,855

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

**STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
Reconciliation of Increase in Net Assets to Net Cash		
Flows Used in Operating Activities		
Increase in Net Assets	\$ 17,912,035	\$ 7,348,966
<i>Adjustments to Reconcile Increase in Net Assets to Net</i>		
<i>Cash Flows Used in Operating Activities:</i>		
Depreciation	217,445	214,149
Net Realized and Unrealized Gain on Investments, Property, Trust and Annuity Interests	(14,705,424)	(3,328,896)
Contributions Restricted for Endowment Purposes	(4,971,089)	(6,731,026)
Change in Receivables and Pledges Other Than Endowments	467,298	240,546
Change in Payables	143,015	(371,976)
Change in Refundable Advance	88,254	244,100
Net Cash Flows Used in Operating Activities	\$ (848,466)	\$ (2,384,137)
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, 2021

	Custodial Funds	
	FY2021	FY2020 Restated
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 62,135.56	\$ 81,387.62
Accounts Receivable - Student Accounts	5,268.01	5,690.45
Total Current Assets	<u>67,403.57</u>	<u>87,078.07</u>
TOTAL ASSETS	<u>67,403.57</u>	<u>87,078.07</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	-	372.25
Other Accrued Liabilities	5,268.04	26,378.94
Total Current Liabilities	<u>5,268.04</u>	<u>26,751.19</u>
TOTAL LIABILITIES	<u>5,268.04</u>	<u>26,751.19</u>
NET POSITION:		
Restricted for Individuals, Organizations, and Other Governments	62,135.53	60,326.88
TOTAL NET POSITION	<u>\$ 62,135.53</u>	<u>\$ 60,326.88</u>

The accompanying notes are an integral part of this statement.

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

June 30, 2021

	Custodial Funds	
	FY2021	FY2020 Restated
Operating Revenues		
General Sales & Services	\$ 21,678.87	40,008.10
Total Operating Revenues	<u>21,678.87</u>	<u>40,008.10</u>
Operating Expenses		
Travel	-	1,780.14
Contractual	16,337.99	18,013.52
Supplies and Materials	3,532.23	14,851.86
Total Operating Expenses	<u>19,870.22</u>	<u>34,645.52</u>
Operating Income/(Loss)	<u>1,808.65</u>	<u>5,362.58</u>
Net Position - Beginning of the year	60,326.88	54,964.30
Adjustment to beginning balance	-	-
Net Position - Beginning of year	<u>60,326.88</u>	<u>54,964.30</u>
Net Position - End of year	<u>\$ 62,135.53</u>	<u>\$ 60,326.88</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.

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, 2021, CARA distributed \$ 4,998,704 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, 2021, were \$1,021,392 with an allowance for uncollectible accounts of \$422,700 and a net student receivable of \$598,693. No accounts were submitted for write-off in FY21, due to the COVID pandemic. We will resume writing off accounts in FY22.

Accounts receivable for Sales and Service includes non-Federal grant and contract receivables, in the amount of \$243,510, as of June 30, 2021. 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 for 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.

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 has not been received, as of June 30, 2021. 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, 2021, 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	\$ -	\$ -	\$ 9,388,953.25
Buildings	\$ 109,465,156.08	\$ 5,700,081.83	\$ -	\$ 115,165,237.91
Equipment & other property	\$ 39,177,650.45	\$ 967,308.89	\$ (322,656.82)	\$ 39,822,302.52
Library materials	\$ 2,243,429.06	\$ 44.45	\$ (1,428,396.82)	\$ 815,076.69
Total	\$ 165,544,853.42	\$ 6,667,435.17	\$ (1,751,053.64)	\$ 170,461,234.95
Less accumulated depreciation:				
Land Improvements	\$ 1,961,000.22	\$ 171,456.91	\$ -	\$ 2,132,457.13
Infrastructure	\$ 4,405,969.41	\$ 266,026.68	\$ -	\$ 4,671,996.09
Buildings	\$ 36,604,524.70	\$ 2,321,720.16	\$ -	\$ 38,926,244.86
Equipment & other property	\$ 32,183,731.43	\$ 1,484,505.48	\$ (295,990.15)	\$ 33,372,246.76
Library materials	\$ 2,162,047.31	\$ 12,883.25	\$ (1,428,396.82)	\$ 746,533.74
Total	\$ 77,317,273.07	\$ 4,256,592.48	\$ (1,724,386.97)	\$ 79,849,478.58
Capital Assets, net	\$ 88,227,580.35	\$ 2,410,842.69	\$ (26,666.67)	\$ 90,611,756.37

K. Museum Collection:

The Museum of Geology collection, which has been acquired through excavations, contributions, and purchases, since the early 1900's, 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:

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.

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, 2021, were \$1,768,543.

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 FY21 was \$18,401,075. This included a special appropriation of \$488,000 carried over from FY20. The special appropriation was for Ascent Innovation, a city agency, located on Mines campus and run through Mines books. 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. Most of the special appropriation, \$18,979,148 was carried over to FY22. Mines reverted unspent funds, in the amount of \$1.54 back to the General fund.

V. TUITION AND HEFF

Mines received tuition revenue in the amount of \$18,699,314, during fiscal year 2021. Of this amount, \$2,169,970 was remitted to the Board of Regents and deposited into the Higher Education Facilities Fund (HEFF). An additional \$347,221 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 FY21. Mines spent \$779,601 from the HEFF pool and an additional \$558,184 from the Board of Regents General Fund appropriation for facility M&R. These amounts are combined 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 FY21 is \$ 3,574,216.

	Balance			Balance	Due Within
	6/30/2020	Additions	Reductions	6/30/2021	One Year
Revenue Bonds, Payable					
Series 2008B	\$2,170,000	\$0	(\$230,000)	\$1,940,000	\$ 240,000
Series 2014A	\$5,805,000	\$0	(\$195,000)	\$5,610,000	\$ 205,000
Series 2014B	\$4,890,000	\$0	(\$275,000)	\$4,615,000	\$ 290,000
Series 2017	\$15,925,000	\$0	(\$585,000)	\$15,340,000	\$ 620,000
Lease Obligations	\$2,631,324	\$626,012	(\$1,269,262)	\$1,988,074	\$ 796,561
Total Long-Term Debt	\$31,421,324	\$626,012	(\$2,554,262)	\$29,493,074	\$2,151,561
Compensated Absences	\$3,749,658	\$1,474,734	(\$1,152,029)	\$4,072,363	\$1,914,265
Federal Portion of Loan Programs	\$1,100,914		(\$387,353)	\$713,561	\$0
Total Long-Term Debt & Obligations	\$36,271,897	\$2,100,746	(\$4,093,644)	\$34,278,999	\$4,065,826

Revenue bond payables, as of June 30, 2021, 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	\$27,505,000	\$1,355,000	\$26,150,000
Premium	\$2,647,825	\$179,214	\$2,468,611
Original Issue Discount	\$0	\$0	\$0
Per Statement of Net Position	\$30,152,825	\$1,534,214	\$28,618,611

Long-Term Leases, Payable includes the lease of the President's house, owned by CARA, in the amount of \$346,887, leases for notebook computers purchased for our students, in the amount of \$1,132,095, and a lease for residence hall keyless door locks in the amount of \$509,093.

The annual requirements to amortize long-term leases outstanding, as of June 30, 2021, are as follows:

Fiscal Year	Principal	Interest	Total
FY2022	\$796,561.17	\$64,091.38	\$860,652.55
FY2023	\$530,765.17	\$37,651.98	\$568,417.15
FY2024	\$294,151.22	\$20,905.67	\$315,056.89
FY2025	\$97,849.72	\$10,903.82	\$108,753.54
FY2026	\$268,747.05	\$6,541.28	\$275,288.33
FY2027-31	\$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, 2021, pay rate.

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.

IX. OPERATING LEASES

Mines has entered into operating lease agreements for copiers, student housing, and space used for instructional and research purposes. The copier leases were renewed on a three-year lease, in FY18. The university is currently leasing two buildings for student housing from Technology Housing, LLC. This lease was initiated in August 2014 for a period of 10 years. The remaining amount on this lease is \$3,968,000. The university also has space leases in the old CARA building and the old Ascent Business Development Center, located on our campus. Lease payments are reported as operating expense. A summary of changes in operating leases follows:

<u>Balance</u>			<u>Balance</u>
<u>7/1/2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>6/30/2021</u>
<u>\$ 5,471,481</u>	<u>\$ 0</u>	<u>\$ (1,399,856)</u>	<u>\$ 4,071,625</u>

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

2022	\$1,360,158
2023	\$1,292,344
2024	\$1,290,546
2025	\$ 128,577
2026	\$ 0
Thereafter	\$ 0

X. FUNCTIONAL CLASSIFICATION OF EXPENSES AND DEPRECIATION

	Personal Services	Travel	Contractual Services	Supplies & Materials	Grants & Subsidies	Other Expense	Depreciation	Total
Instruction	\$20,720,688	\$119,403	\$261,864	\$461,670	\$4,500	\$0	\$1,232,860	\$22,800,985
Research	\$6,600,769	\$36,287	\$509,980	\$1,187,234	\$2,859,633	\$13	\$1,195,865	\$12,389,781
Public Service	\$631,604	\$5,695	\$4,768	\$87,393	\$3,462	\$0	\$17,330	\$750,252
Academic Support	\$3,379,105	\$2,658	\$874,711	\$239,294	\$0	\$0	\$153,557	\$4,649,325
Student Services	\$4,752,126	\$306,123	\$99,748	\$497,391	\$0	\$50	\$379,054	\$6,034,492
Institutional Support	\$4,063,489	\$16,634	\$3,419,611	\$376,254	\$0	\$30,722	\$88,127	\$7,994,836
O&M of Plant	\$2,886,522	\$29,536	\$575,830	\$285,459	\$425	\$0	\$625,789	\$4,403,562
Scholarships and Fellowships	\$0	\$0	\$0	\$0	\$3,498,009	\$28,906	\$0	\$3,526,916
Auxiliary Enterprises	\$933,640	\$155	\$4,795,926	\$1,026,239	\$0	\$10	\$567,685	\$7,323,655
Total	\$43,967,943	\$516,493	\$10,542,437	\$4,160,933	\$6,366,029	\$59,702	\$4,260,267	\$69,873,803

XI. 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, 2021, and 2020.

Federal Awards	Fiscal Year 2021			Fiscal Year 2020		
	Student Portion	Institutional Portion	Total	Student Portion	Institutional Portion	Total
CARES (HEERF I)	\$377,479	\$620,656	\$998,135	\$350,370	\$ 94,404	\$444,774
CRRSAA (HEERF II)	727,849	1,537,094	2,264,943	-	-	-
State of SD Covid Relief Fund (CRF)	-	324,840	324,840	-	1,080,566	1,080,566
Total	\$1,105,328	\$2,482,590	\$3,587,918	\$350,370	\$1,174,970	\$1,525,340

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.

XII. Prior Period Adjustments and Other Restatements

The GASB Statement No. 84 Fiduciary Activities was implemented in fiscal year 2021. This standard establishes criteria for identifying fiduciary activities of all state and local governments. The Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. Mines fiduciary funds fall into the custodial fund category. The standard also requires fiduciary fund financial statements presented separately from the institution's basic financial statements. Changes adopted to conform to the provisions of the Statement were applied retroactively by restating financial statements, for all prior periods presented.

Beginning net positions for non-fiduciary funds were restated as follows:

Net position at June 30, 2020, as previously reported	\$ 79,187,127.48
Adjustment for fiduciary funds as defined by GASB 84	<u>66,592.96</u>
Net position at June 30, 2020, as restated	<u>\$ 79,253,720.44</u>
Net position at June 30, 2019, as previously reported	\$ 77,809,402.38
Adjustment for fiduciary funds as defined by GASB 84	<u>74,731.01</u>
Net position at June 30, 2019, as restated	<u>\$ 77,884,133.39</u>

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

(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). On July 1, 2020, the SDSM&T Foundation acquired the SDSM&T Alumni Association and changed their legal name to the SDSM&T Center for Alumni Relations and Advancement. See Note 16.

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.

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

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021 AND 2020**

(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 statement 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 4.00 percent, 5.20 percent, and 5.60 percent, respectively, for the years ended June 30, 2021 and 2020. 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 **\$27,800** and **\$19,822** for the years ended June 30, 2021 and 2020, respectively.

**SOUTH DAKOTA SCHOOL OF MINES AND TECHNOLOGY
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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021 AND 2020**

(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, 2021 and 2020, 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, 2021, 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, 2021 AND 2020**

(1) Summary of Significant Accounting Policies (Concluded)

Accounting Standards Adopted

In August 2018, the FASB issued ASU 2018-13, *Changes to Disclosure Requirements for Fair Value Measurements*, which will improve the effectiveness of disclosure requirements for recurring and nonrecurring fair value measurements. The standard removes, modifies, and adds certain disclosure requirements, and is effective for years beginning after December 15, 2019. The Organization adopted the new guidance during the year ended June 30, 2021. No material impact to the financial statements occurred as a result of adoption. No adjustment to beginning net assets was made.

Emerging Accounting Standards

In February 2016, the FASB issued 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.

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 standard is effective for years beginning after June 15, 2021. The Organization will be evaluating the impact this standard will have on the financial statements.

Subsequent Events

The Organization has evaluated significant subsequent events through October 13, 2021, the date which the financial statements were available to be issued.

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

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021 AND 2020**

(2) Investments

Investments consist of the following investment types at June 30:

	2021		2020	
	Fair Market Value	Cost	Fair Market Value	Cost
Money Market Funds included in Cash and Cash Equivalents	\$ 18,513,287	\$ 18,513,287	\$ 12,264,690	\$ 12,264,690
Government Securities/Corporate Bonds/CDs	7,630,106	7,629,994	6,203,244	6,206,602
Bond Funds	26,563,428	26,342,981	27,903,824	22,139,931
Stocks	1,692,041	1,257,349	1,387,067	1,231,832
Stock Funds	46,777,137	39,110,081	33,670,959	32,341,000
Alternatives	2,452,848	1,469,329	2,662,769	1,469,329
Real Estate Funds	5,137,813	2,547,582	5,018,580	2,527,699
Total Investments	90,253,373	78,357,316	76,846,443	65,916,393
	\$ 108,766,660	\$ 96,870,603	\$ 89,111,133	\$ 78,181,083

The fair values of debt securities and certificates of deposit at June 30, by contractual maturity, are shown below:

	2021	2020
Due in one year or less	\$ 4,027,011	\$ 4,302,000
Due after one year through five years	3,600,000	1,900,000
Due after five years through ten years	-	-
Due after ten years	3,095	1,244
	\$ 7,630,106	\$ 6,203,244

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
CENTER FOR ALUMNI RELATIONS AND ADVANCEMENT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021 AND 2020**

(2) Investments (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, 2021 and 2020, 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, 2021	Level One	Level Two	Level Three	NAV per Share	Total
Money Market Funds included 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
Large-Cap Equity Funds	18,025,525	-	-	-	18,025,525
Small/Mid-Cap Equity Funds	5,571,893	-	-	-	5,571,893
International Equity Funds	22,173,486	-	-	-	22,173,486
Balanced Mutual Funds	1,006,233	-	-	-	1,006,233
Large-Cap Stock	1,535,360	-	-	-	1,535,360
International Stock	156,681	-	-	-	156,681
	\$ 93,769,005	\$ -	\$ -	\$ 14,997,655	\$ 108,766,660

June 30, 2020	Level One	Level Two	Level Three	NAV per Share	Total
Money Market Funds included in					
Cash and Cash Equivalents	\$ 12,264,690	\$ -	\$ -	\$ -	\$ 12,264,690
Gov Sec/Corp Bonds/CDs	-	-	-	6,203,244	6,203,244
Bond Funds	27,903,824	-	-	-	27,903,824
Illiquid Credit	-	-	-	922,024	922,024
Private Equity	-	-	-	1,740,745	1,740,745
Real Estate Funds	157,110	-	-	4,861,470	5,018,580
Large-Cap Equity Funds	14,955,097	-	-	-	14,955,097
Small/Mid-Cap Equity Funds	5,712,663	-	-	-	5,712,663
International Equity Funds	12,200,269	-	-	-	12,200,269
Balanced Mutual Funds	802,930	-	-	-	802,930
Large-Cap Stock	1,272,509	-	-	-	1,272,509
International Stock	114,558	-	-	-	114,558
	\$ 75,383,650	\$ -	\$ -	\$ 13,727,483	\$ 89,111,133

**SOUTH DAKOTA SCHOOL OF MINES AND TECHNOLOGY
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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021 AND 2020**

(2) Investments (Concluded)

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

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		

June 30, 2020	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Gov Sec/Corp Bonds/CDs	\$ 6,203,244	\$ -	Daily	3 Days
Illiquid Credit	922,024	633,624	**	N/A
Private Equity	1,740,745	505,020	*	N/A
Real Estate Funds	4,861,470	-	Quarterly	60 Days
	\$ 13,727,483	\$ 1,138,644		

* 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>2021</u>	<u>2020</u>
Receivable in less than one year	\$ 465,481	\$ 969,641
Receivable in one to five years	2,439,791	2,554,205
Receivable in six years	15,000	-
	2,920,272	3,523,846
Less discounts to net present value	380,835	363,468
Less allowance for uncollectible promises	146,014	176,194
Net Promises to Give	\$ 2,393,423	\$ 2,984,184

At June 30, 2021 and 2020, **\$1,835,000** and \$1,935,000, respectively, is due from one donor.

**SOUTH DAKOTA SCHOOL OF MINES AND TECHNOLOGY
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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021 AND 2020**

(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, 2021 and 2020, is **\$303,065** and \$296,475, respectively. Income recognized on the lease was **\$13,221** and \$13,443 during the years ended June 30, 2021 and 2020, respectively.

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

2022	\$	18,800
2023		19,500
2024		20,100
2025		20,800
2026		21,500
Thereafter		202,365
	\$	303,065

(5) Rental Real Estate

Rental real estate consists of the following at June 30:

	<u>2021</u>	<u>2020</u>
Land, at cost	\$ 1,475,816	\$ 1,475,816
Buildings, at cost	2,694,714	2,699,398
Real estate partnership interest, at cost	469,766	469,766
	<u>4,640,296</u>	<u>4,644,980</u>
Accumulated depreciation	(1,027,437)	(957,368)
Net Book Value	<u>\$ 3,612,859</u>	<u>\$ 3,687,612</u>

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

(6) Property and Equipment

Property and equipment consists of the following at June 30:

	<u>2021</u>	<u>2020</u>
Land	\$ 762,482	\$ 722,482
Building and Leasehold Improvements	4,409,483	4,355,359
Office Equipment and Software	283,248	267,622
	<u>5,455,213</u>	<u>5,345,463</u>
Accumulated Depreciation	(459,833)	(313,130)
	<u>\$ 4,995,380</u>	<u>\$ 5,032,333</u>

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

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021 AND 2020**

(7) Charitable Remainder Trusts

Irrevocable trust gifts consist of the following at June 30 (see also Note 2):

	----- 2021 -----			----- 2020 -----		
	Market Value	Recorded Net Asset Value	Liability Under Trusts	Market Value	Recorded Net Asset Value	Liability Under Trusts
Charitable Unitrusts	\$ 5,918,098	\$ 3,703,569	\$ 2,214,529	\$ 4,661,333	\$ 2,840,489	\$ 1,820,844
Charitable Annuity Trusts	1,372,549	675,892	696,657	1,169,770	506,280	663,490
	<u>\$ 7,290,647</u>	<u>\$ 4,379,461</u>	<u>\$ 2,911,186</u>	<u>\$ 5,831,103</u>	<u>\$ 3,346,769</u>	<u>\$ 2,484,334</u>

During the year ended June 30, 2021, there were no new trusts and one trust termination. During the year ended June 30, 2020, there were no new trusts and two trust terminations. The entire amount of the trust terminations were directed to support charitable purposes of scholarships at SDSM&T. The Organization is the remainderman for 95 percent of the market value listed above for the years ended June 30, 2021 and 2020.

Trust assets held by the Organization are included in the following areas of the Statements of Financial Position at June 30:

	----- Market Value -----	
	2021	2020
Investments	\$ 7,330,248	\$ 5,829,847
Other Assets	2,842	2,548
Accounts Payable	(42,443)	(1,292)
	<u>\$ 7,290,647</u>	<u>\$ 5,831,103</u>

(8) Liability under Charitable Gift Annuities

Charitable gift annuities consist of the following (see also Note 2):

	2021	2020
Market Value	\$ 2,381,566	\$ 1,791,952
Present Value Discount	1,602,892	1,047,309
Liability Under Charitable Gift Annuities	<u>\$ 778,674</u>	<u>\$ 744,643</u>

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. During the year ended June 30, 2020, there was one new annuity with a fair market value of \$100,000 and a present value of \$51,314 and no annuity terminations. The Organization is remainderman for 100 percent of the market value listed above for each of the years ended June 30, 2021 and 2020.

**SOUTH DAKOTA SCHOOL OF MINES AND TECHNOLOGY
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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021 AND 2020**

(8) Liability under Charitable Gift Annuities (Continued)

Charitable gift annuity assets held by the Organization are included in the following areas in the Statements of Financial Position at June 30:

	<u>2021</u>	<u>2020</u>
Investments	\$ 2,362,791	\$ 1,791,383
Other Assets	19,366	575
Accounts Payable	(591)	(6)
	<u>\$ 2,381,566</u>	<u>\$ 1,791,952</u>

(9) Conditional Promises to Give

During 2021, the Organization received a conditional promise to give of \$500,000. The promise to give is conditional based on the Organization raising matching contributions of \$500,000. The promise to give is due in varying increments through December 2023. The Organization received \$100,000 in advance of contributions being met. As of June 30, 2021, the Organization has raised matching contributions of \$11,838 and accordingly **\$88,162** is included in Refundable Advance on the Statements of Financial Position. See Note 15 for additional refundable advances.

(10) Note Payable

Note payable consists of the following at June 30:

	<u>2021</u>	<u>2020</u>
Mortgage note payable to a bank, due in quarterly payments of \$7,448, including interest at 3.25 percent through October 30, 2025; when the remaining balance of approximately \$260,000 is due January 2026; secured by the residence of the President of SDSM&T (Note 4).	\$ 346,855	\$ -
Note Payable Refinanced	-	317,028
	<u>346,855</u>	<u>317,028</u>
Current maturities of notes payable	18,541	20,341
	<u>\$ 328,314</u>	<u>\$ 296,687</u>

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

2022	\$ 18,541
2023	19,211
2024	19,826
2025	20,513
2026	268,764
	<u>\$ 346,855</u>

**SOUTH DAKOTA SCHOOL OF MINES AND TECHNOLOGY
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**STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020**

ASSETS	2021	2020
Cash and Cash Equivalents (Note 2)	\$ 18,708,107	\$ 12,830,855
Investments (Notes 2, 7, and 8)	90,253,373	76,846,443
Unconditional Promises to Give, Net (Note 3)	2,393,423	2,984,184
Lease Receivable (Notes 4 and 10)	303,065	296,475
Rental Real Estate, Net (Note 5)	3,612,859	3,687,612
Property and Equipment, Net (Note 6)	4,995,380	5,032,333
Other Assets (Notes 7 and 8)	887,073	845,708
TOTAL ASSETS	\$ 121,153,280	\$ 102,523,610
LIABILITIES AND NET ASSETS		
Refundable Advance (Notes 9 and 15)	\$ 332,354	\$ 244,100
Accounts Payable, Accrued Support, and Other (Notes 7 and 8)	890,813	752,142
Liability Under Charitable Remainder Trusts (Note 7)	2,911,186	2,484,334
Liability Under Charitable Gift Annuities (Note 8)	778,674	744,643
Note Payable (Note 10)	346,855	317,028
Total Liabilities	5,259,882	4,542,247
Net Assets		
Without Donor Restrictions	7,288,583	6,484,035
With Donor Restrictions - Purpose and Time (Notes 11 and 13)	23,821,980	21,182,964
With Donor Restrictions - Perpetual (Notes 12 and 13)	84,782,835	70,314,364
Total Net Assets With Donor Restrictions	108,604,815	91,497,328
Total Net Assets	115,893,398	97,981,363
TOTAL LIABILITIES AND NET ASSETS	\$ 121,153,280	\$ 102,523,610

The accompanying notes are an integral part of these statements.

**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, 2021, WITH COMPARATIVE TOTALS FOR 2020**

	----- 2021 -----			2020 Total	
	Without Donor Restrictions	With Donor Restrictions			
		Purpose and Time	Perpetual		
Support, Gains, and Revenues					
Contributions (Notes 15 and 16)	\$ 810,862	\$ 3,516,322	\$ 2,998,344	\$ 7,325,528	\$ 6,261,733
In-Kind Contributions (Note 1)	-	27,800	-	27,800	19,822
Wills and Bequests	12,000	340,544	1,972,745	2,325,289	4,490,144
Net Investment Return, Including Net Realized and Unrealized Gain and Rental Real Estate (Net of Fees and Expenses of \$403,595 and \$446,585 for the Years Ended June 30, 2021 and 2020, Respectively)	1,781,254	2,626,342	8,721,239	13,128,835	3,374,299
Net Investment Return on Trust and Annuity Interests	-	709,578	778,118	1,487,696	(86,691)
Other Income (Loss)	362,720	395,862	(1,975)	756,607	453,921
Net Assets Released from Restrictions (Note 11)	4,977,432	(4,977,432)	-	-	-
Total Support, Gains, and Revenues	7,944,268	2,639,016	14,468,471	25,051,755	14,513,228
Expenses					
<i>Program Services (Note 11)</i>					
Scholarships and Fellowships	3,085,483	-	-	3,085,483	3,312,853
General Student Assistance	272,106	-	-	272,106	348,401
General In-Kind Support to SDSM&T (Note 1)	27,800	-	-	27,800	19,822
General Support to SDSM&T	1,641,115	-	-	1,641,115	1,322,189
Total Program Services	5,026,504	-	-	5,026,504	5,003,265
<i>Supporting Services:</i>					
Fundraising	1,325,154	-	-	1,325,154	1,256,926
Administrative	788,062	-	-	788,062	904,071
Total Supporting Services	2,113,216	-	-	2,113,216	2,160,997
Total Expenses	7,139,720	-	-	7,139,720	7,164,262
Change in Net Assets	804,548	2,639,016	14,468,471	17,912,035	7,348,966
Net Assets -- Beginning of Year	6,484,035	21,182,964	70,314,364	97,981,363	90,632,397
Net Assets -- End of Year	\$ 7,288,583	\$ 23,821,980	\$ 84,782,835	\$ 115,893,398	\$97,981,363

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 CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities		
Revenue Collected:		
Other Revenue - Contributions	\$ 5,991,889	\$ 4,959,418
Payments for Expenses:		
Personal Services	(1,163,593)	(1,290,280)
Travel	(85,726)	(427,499)
Contractual	(606,682)	(374,164)
Supplies and Materials	(1,320,148)	(1,208,119)
Grants and Subsidies	(3,650,985)	(4,030,178)
Interest Paid	(13,221)	(13,315)
Net Cash Flows Used in Operating Activities	(848,466)	(2,384,137)
Cash Flows from Investing Activities		
Proceeds from Sale of Investments	63,409,121	33,687,513
Purchases of Investments	(61,326,474)	(28,399,894)
Disbursements on Lease Receivable	(83,927)	(29,029)
Repayments of Notes and Leases Receivable	47,282	45,710
Purchase of Property and Equipment	(94,125)	(99,761)
Net Cash Flows Provided by Investing Activities	1,951,877	5,204,539
Cash Flows from Financing Activities		
Contributions Restricted for Endowment Purposes	4,744,014	6,771,244
Borrowings on Note Payable	50,000	-
Payments on Note Payable	(20,173)	(19,709)
Increase (Decrease) in Due to Others	-	(3,920)
Net Cash Flows Provided by Financing Activities	4,773,841	6,747,615
Net Change in Cash and Cash Equivalents	5,877,252	9,568,017
Cash and Cash Equivalents -- Beginning of Year	12,830,855	3,262,838
Cash and Cash Equivalents -- End of Year	\$ 18,708,107	\$ 12,830,855

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

**STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

	2021	2020
Reconciliation of Increase in Net Assets to Net Cash		
Flows Used in Operating Activities		
Increase in Net Assets	\$ 17,912,035	\$ 7,348,966
<i>Adjustments to Reconcile Increase in Net Assets to Net</i>		
<i>Cash Flows Used in Operating Activities:</i>		
Depreciation	217,445	214,149
Net Realized and Unrealized Gain on Investments, Property, Trust and Annuity Interests	(14,705,424)	(3,328,896)
Contributions Restricted for Endowment Purposes	(4,971,089)	(6,731,026)
Change in Receivables and Pledges Other Than Endowments	467,298	240,546
Change in Payables	143,015	(371,976)
Change in Refundable Advance	88,254	244,100
Net Cash Flows Used in Operating Activities	\$ (848,466)	\$ (2,384,137)
 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
CENTER FOR ALUMNI RELATIONS AND ADVANCEMENT**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

(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). On July 1, 2020, the SDSM&T Foundation acquired the SDSM&T Alumni Association and changed their legal name to the SDSM&T Center for Alumni Relations and Advancement. See Note 16.

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.

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

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021 AND 2020**

(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 statement 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 4.00 percent, 5.20 percent, and 5.60 percent, respectively, for the years ended June 30, 2021 and 2020. 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 **\$27,800** and **\$19,822** for the years ended June 30, 2021 and 2020, respectively.

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

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021 AND 2020**

(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, 2021 and 2020, 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, 2021, based on anticipated proceeds. Management anticipates no impairment losses.

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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021 AND 2020**

(1) Summary of Significant Accounting Policies (Concluded)

Accounting Standards Adopted

In August 2018, the FASB issued ASU 2018-13, *Changes to Disclosure Requirements for Fair Value Measurements*, which will improve the effectiveness of disclosure requirements for recurring and nonrecurring fair value measurements. The standard removes, modifies, and adds certain disclosure requirements, and is effective for years beginning after December 15, 2019. The Organization adopted the new guidance during the year ended June 30, 2021. No material impact to the financial statements occurred as a result of adoption. No adjustment to beginning net assets was made.

Emerging Accounting Standards

In February 2016, the FASB issued 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.

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 standard is effective for years beginning after June 15, 2021. The Organization will be evaluating the impact this standard will have on the financial statements.

Subsequent Events

The Organization has evaluated significant subsequent events through October 13, 2021, the date which the financial statements were available to be issued.

**SOUTH DAKOTA SCHOOL OF MINES AND TECHNOLOGY
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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021 AND 2020**

(2) Investments

Investments consist of the following investment types at June 30:

	2021		2020	
	Fair Market Value	Cost	Fair Market Value	Cost
Money Market Funds included in Cash and Cash Equivalents	\$ 18,513,287	\$ 18,513,287	\$ 12,264,690	\$ 12,264,690
Government Securities/Corporate Bonds/CDs	7,630,106	7,629,994	6,203,244	6,206,602
Bond Funds	26,563,428	26,342,981	27,903,824	22,139,931
Stocks	1,692,041	1,257,349	1,387,067	1,231,832
Stock Funds	46,777,137	39,110,081	33,670,959	32,341,000
Alternatives	2,452,848	1,469,329	2,662,769	1,469,329
Real Estate Funds	5,137,813	2,547,582	5,018,580	2,527,699
Total Investments	90,253,373	78,357,316	76,846,443	65,916,393
	\$ 108,766,660	\$ 96,870,603	\$ 89,111,133	\$ 78,181,083

The fair values of debt securities and certificates of deposit at June 30, by contractual maturity, are shown below:

	2021	2020
Due in one year or less	\$ 4,027,011	\$ 4,302,000
Due after one year through five years	3,600,000	1,900,000
Due after five years through ten years	-	-
Due after ten years	3,095	1,244
	\$ 7,630,106	\$ 6,203,244

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.

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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021 AND 2020**

(2) Investments (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, 2021 and 2020, 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, 2021	Level One	Level Two	Level Three	NAV per Share	Total
Money Market Funds included 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
Large-Cap Equity Funds	18,025,525	-	-	-	18,025,525
Small/Mid-Cap Equity Funds	5,571,893	-	-	-	5,571,893
International Equity Funds	22,173,486	-	-	-	22,173,486
Balanced Mutual Funds	1,006,233	-	-	-	1,006,233
Large-Cap Stock	1,535,360	-	-	-	1,535,360
International Stock	156,681	-	-	-	156,681
	\$ 93,769,005	\$ -	\$ -	\$ 14,997,655	\$ 108,766,660

June 30, 2020	Level One	Level Two	Level Three	NAV per Share	Total
Money Market Funds included in					
Cash and Cash Equivalents	\$ 12,264,690	\$ -	\$ -	\$ -	\$ 12,264,690
Gov Sec/Corp Bonds/CDs	-	-	-	6,203,244	6,203,244
Bond Funds	27,903,824	-	-	-	27,903,824
Illiquid Credit	-	-	-	922,024	922,024
Private Equity	-	-	-	1,740,745	1,740,745
Real Estate Funds	157,110	-	-	4,861,470	5,018,580
Large-Cap Equity Funds	14,955,097	-	-	-	14,955,097
Small/Mid-Cap Equity Funds	5,712,663	-	-	-	5,712,663
International Equity Funds	12,200,269	-	-	-	12,200,269
Balanced Mutual Funds	802,930	-	-	-	802,930
Large-Cap Stock	1,272,509	-	-	-	1,272,509
International Stock	114,558	-	-	-	114,558
	\$ 75,383,650	\$ -	\$ -	\$ 13,727,483	\$ 89,111,133

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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021 AND 2020**

(2) Investments (Concluded)

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

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		

June 30, 2020	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Gov Sec/Corp Bonds/CDs	\$ 6,203,244	\$ -	Daily	3 Days
Illiquid Credit	922,024	633,624	**	N/A
Private Equity	1,740,745	505,020	*	N/A
Real Estate Funds	4,861,470	-	Quarterly	60 Days
	\$ 13,727,483	\$ 1,138,644		

* 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:

	2021	2020
Receivable in less than one year	\$ 465,481	\$ 969,641
Receivable in one to five years	2,439,791	2,554,205
Receivable in six years	15,000	-
	2,920,272	3,523,846
Less discounts to net present value	380,835	363,468
Less allowance for uncollectible promises	146,014	176,194
Net Promises to Give	\$ 2,393,423	\$ 2,984,184

At June 30, 2021 and 2020, **\$1,835,000** and \$1,935,000, respectively, is due from one donor.

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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021 AND 2020**

(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, 2021 and 2020, is **\$303,065** and \$296,475, respectively. Income recognized on the lease was **\$13,221** and \$13,443 during the years ended June 30, 2021 and 2020, respectively.

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

2022	\$	18,800
2023		19,500
2024		20,100
2025		20,800
2026		21,500
Thereafter		202,365
	\$	303,065

(5) Rental Real Estate

Rental real estate consists of the following at June 30:

	<u>2021</u>	<u>2020</u>
Land, at cost	\$ 1,475,816	\$ 1,475,816
Buildings, at cost	2,694,714	2,699,398
Real estate partnership interest, at cost	469,766	469,766
	<u>4,640,296</u>	<u>4,644,980</u>
Accumulated depreciation	(1,027,437)	(957,368)
Net Book Value	<u>\$ 3,612,859</u>	<u>\$ 3,687,612</u>

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

(6) Property and Equipment

Property and equipment consists of the following at June 30:

	<u>2021</u>	<u>2020</u>
Land	\$ 762,482	\$ 722,482
Building and Leasehold Improvements	4,409,483	4,355,359
Office Equipment and Software	283,248	267,622
	<u>5,455,213</u>	<u>5,345,463</u>
Accumulated Depreciation	(459,833)	(313,130)
	<u>\$ 4,995,380</u>	<u>\$ 5,032,333</u>

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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021 AND 2020**

(7) Charitable Remainder Trusts

Irrevocable trust gifts consist of the following at June 30 (see also Note 2):

	----- 2021 -----			----- 2020 -----		
	Market Value	Recorded Net Asset Value	Liability Under Trusts	Market Value	Recorded Net Asset Value	Liability Under Trusts
Charitable Unitrusts	\$ 5,918,098	\$ 3,703,569	\$ 2,214,529	\$ 4,661,333	\$ 2,840,489	\$ 1,820,844
Charitable Annuity Trusts	1,372,549	675,892	696,657	1,169,770	506,280	663,490
	<u>\$ 7,290,647</u>	<u>\$ 4,379,461</u>	<u>\$ 2,911,186</u>	<u>\$ 5,831,103</u>	<u>\$ 3,346,769</u>	<u>\$ 2,484,334</u>

During the year ended June 30, 2021, there were no new trusts and one trust termination. During the year ended June 30, 2020, there were no new trusts and two trust terminations. The entire amount of the trust terminations were directed to support charitable purposes of scholarships at SDSM&T. The Organization is the remainderman for 95 percent of the market value listed above for the years ended June 30, 2021 and 2020.

Trust assets held by the Organization are included in the following areas of the Statements of Financial Position at June 30:

	----- Market Value -----	
	2021	2020
Investments	\$ 7,330,248	\$ 5,829,847
Other Assets	2,842	2,548
Accounts Payable	(42,443)	(1,292)
	<u>\$ 7,290,647</u>	<u>\$ 5,831,103</u>

(8) Liability under Charitable Gift Annuities

Charitable gift annuities consist of the following (see also Note 2):

	2021	2020
Market Value	\$ 2,381,566	\$ 1,791,952
Present Value Discount	1,602,892	1,047,309
Liability Under Charitable Gift Annuities	<u>\$ 778,674</u>	<u>\$ 744,643</u>

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. During the year ended June 30, 2020, there was one new annuity with a fair market value of \$100,000 and a present value of \$51,314 and no annuity terminations. The Organization is remainderman for 100 percent of the market value listed above for each of the years ended June 30, 2021 and 2020.

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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021 AND 2020**

(8) Liability under Charitable Gift Annuities (Continued)

Charitable gift annuity assets held by the Organization are included in the following areas in the Statements of Financial Position at June 30:

	<u>2021</u>	<u>2020</u>
Investments	\$ 2,362,791	\$ 1,791,383
Other Assets	19,366	575
Accounts Payable	(591)	(6)
	<u>\$ 2,381,566</u>	<u>\$ 1,791,952</u>

(9) Conditional Promises to Give

During 2021, the Organization received a conditional promise to give of \$500,000. The promise to give is conditional based on the Organization raising matching contributions of \$500,000. The promise to give is due in varying increments through December 2023. The Organization received \$100,000 in advance of contributions being met. As of June 30, 2021, the Organization has raised matching contributions of \$11,838 and accordingly **\$88,162** is included in Refundable Advance on the Statements of Financial Position. See Note 15 for additional refundable advances.

(10) Note Payable

Note payable consists of the following at June 30:

	<u>2021</u>	<u>2020</u>
Mortgage note payable to a bank, due in quarterly payments of \$7,448, including interest at 3.25 percent through October 30, 2025; when the remaining balance of approximately \$260,000 is due January 2026; secured by the residence of the President of SDSM&T (Note 4).	\$ 346,855	\$ -
Note Payable Refinanced	-	317,028
	<u>346,855</u>	<u>317,028</u>
Current maturities of notes payable	18,541	20,341
	<u>\$ 328,314</u>	<u>\$ 296,687</u>

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

2022	\$ 18,541
2023	19,211
2024	19,826
2025	20,513
2026	268,764
	<u>\$ 346,855</u>

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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021 AND 2020**

(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>2021</u>	<u>2020</u>
Scholarships and Fellowships	\$ 6,671,716	\$ 5,549,515
General Student Assistance	1,445,364	1,338,567
General Support to SDSM&T	14,967,478	13,115,636
Pledge Donations - Timing Restriction - Determined by Donor at Later Date	737,422	1,179,246
	<u>\$ 23,821,980</u>	<u>\$ 21,182,964</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.

During the years ended June 30, 2021 and 2020, net assets were released from donor restrictions by incurring expenses satisfying the purpose specified by donors as follows:

	<u>2021</u>	<u>2020</u>
<i>Purpose of Restriction Accomplished:</i>		
Scholarships and Fellowships	\$ 3,085,483	\$ 3,312,853
General Student Assistance	347,387	348,401
General Support to SDSM&T	1,516,762	1,297,128
In-Kind Contributions (Note 1)	27,800	19,822
	<u>\$ 4,977,432</u>	<u>\$ 4,978,204</u>

(12) Net Assets With Donor Restrictions - Perpetual

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

	<u>2021</u>	<u>2020</u>
Scholarships and Fellowships	\$ 52,588,432	\$ 44,221,873
General Student Assistance	4,480,133	2,263,169
General Support to SDSM&T	26,058,269	22,024,384
Pledge Donations - Determined by Donor at Later Date	1,656,001	1,804,938
	<u>\$ 84,782,835</u>	<u>\$ 70,314,364</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.

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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021 AND 2020**

(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>2021</u>	<u>2020</u>
Scholarships and Fellowships	\$ 6,671,716	\$ 5,549,515
General Student Assistance	1,445,364	1,338,567
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	<u>\$ 23,821,980</u>	<u>\$ 21,182,964</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.

During the years ended June 30, 2021 and 2020, net assets were released from donor restrictions by incurring expenses satisfying the purpose specified by donors as follows:

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<i>Purpose of Restriction Accomplished:</i>		
Scholarships and Fellowships	\$ 3,085,483	\$ 3,312,853
General Student Assistance	347,387	348,401
General Support to SDSM&T	1,516,762	1,297,128
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	<u>\$ 4,977,432</u>	<u>\$ 4,978,204</u>

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	<u>2021</u>	<u>2020</u>
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Pledge Donations - Determined by Donor at Later Date	1,656,001	1,804,938
	<u>\$ 84,782,835</u>	<u>\$ 70,314,364</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.

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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021 AND 2020**

(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).

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, 2021 and 2020:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>		<u>Total</u>
		<u>Purpose</u>	<u>Perpetual</u>	
Donor Restricted Endowment Funds	\$ -	\$ 5,979,513	\$ 70,314,364	\$ 76,293,877
Donor Purpose Restricted and Board Endowed	-	899,926	-	899,926
Endowment Assets - June 30, 2020	-	6,879,439	70,314,364	77,193,803
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

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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021 AND 2020**

(13) Endowed Net Assets (Continued)

Changes in endowment net assets for the years ended June 30, 2021 and 2020 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, 2019	\$ -	\$ 6,426,297	\$ 63,498,563	\$ 69,924,860
Net Investment Return	-	2,107,696	169,647	2,277,343
Net Investment Return on Trusts/Annuities	-	-	(84,872)	(84,872)
Contributions	-	-	6,731,026	6,731,026
Appropriation for Expenditure	-	(1,654,554)	-	(1,654,554)
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

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 2021 and 2020 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 Foundation has borrowing capacity and could obtain an operating line of credit for short term funding shortages, if needed. The Foundation may also solicit donors if the need arises.

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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021 AND 2020**

(14) Liquidity (Continued)

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

	<u>2021</u>	<u>2020</u>
<i>Financial Assets at year end:</i>		
Cash and Cash Equivalents	\$ 18,708,107	\$ 12,830,855
Unconditional Promises to Give	2,393,423	2,984,184
Investments	90,253,373	76,846,433
Total Financial Assets	\$ 111,354,903	\$ 92,661,472
<i>Less amounts not available to be used within one year:</i>		
Net Assets with Donor Restriction	\$ 108,604,815	\$ 91,497,328
Donor Restricted Net Assets Include:		
Rental Real Estate	(3,612,859)	(3,687,612)
Other Assets included in Trust and CGA Investments	(22,208)	(3,123)
Financial Assets Not Available to be Used Within One Year	\$ 104,969,748	\$ 87,806,593
Financial Assets Available to Meet General Expenditures Within One Year	\$ 6,385,155	\$ 4,854,879

(15) Refundable Advance

The Organization was granted \$244,192 loan under the second round of the Paycheck Protection Program (PPP) administered by the U.S. Small Business Administration (SBA) from a qualified lender. The loan is uncollateralized and is fully guaranteed by the SBA. The Organization may be eligible for loan forgiveness of up to 100 percent of the loan, upon meeting certain requirements.

Because the Organization anticipates forgiveness, this is considered a conditional contribution and funds received in advance of meeting the conditions are recorded as a refundable advance. Proceeds from the loan are eligible for forgiveness if they are used for certain payroll, rent, and utility expenses. In addition, other requirements regarding salary and employee levels must be maintained. For any portion of the loan not forgiven, monthly payments of \$5,600, including interest at 1 percent, would commence October 2022 and be required through June 2025.

During the year ended June 30, 2020, the Organization was granted a \$244,100 loan under the first round of the PPP administered by the SBA from a qualified lender. The Organization was granted full forgiveness and has recorded a contribution of \$244,100 during the year ended June 30, 2021.

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

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**NOTES TO FINANCIAL STATEMENTS (CONCLUDED)
JUNE 30, 2021 AND 2020**

(16) Acquisition

On July 1, 2020, the Organization acquired all net assets of SDSM&T Alumni Association, Inc. (the Association). This acquisition occurred because the objectives of the two entities were so closely aligned, the boards of each entity agreed to combine resources and take advantages of the scale of a larger organization. The transaction has been accounted for under acquisition accounting, whereby the assets and liabilities have been adjusted to their fair value and resulted in a contribution from the Association to the Organization. Accordingly, no consideration was transferred. Included in contribution revenue on the Statement of Activities is a contribution of net assets from the Association of **\$631,421**. The accompanying financial statements include all activity of the Association after the date of the merger. The following is a summary of the fair value of the assets and liabilities acquired:

Cash and Cash Equivalents	\$	57,159
Investments		569,226
Equipment, Net		11,614
Liabilities		(6,578)
	\$	631,421