

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

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
JUNE 30, 2024 AND 2023



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

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	3-4
<i>Financial Statements:</i>	
Statements of Financial Position	5
Statement of Activities and Changes in Net Assets for the Year Ended June 30, 2024	6
Statement of Activities and Changes in Net Assets for the Year Ended June 30, 2023	7
Statement of Functional Expenses for the Year Ended June 30, 2024	8
Statement of Functional Expenses for the Year Ended June 30, 2023	9
Statements of Cash Flows.....	10
Notes to the Financial Statements.....	11-22



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INDEPENDENT AUDITOR'S REPORT

December 12, 2024

Board of Directors
South Dakota School of Mines and Technology
Center for Alumni Relations and Advancement
Rapid City, South Dakota

Opinion

We have audited the accompanying financial statements of South Dakota School of Mines and Technology Center for Alumni Relations and Advancement (the Organization), which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements were available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and there is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as a fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain other internal control matters that we identified during the audit.



KETEL THORSTENSON, LLP
Certified Public Accountants

December 12, 2024

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

**STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2024 AND 2023**

ASSETS	2024	2023
Cash and Cash Equivalents	\$ 25,934,826	\$ 23,243,091
Investments	102,888,580	98,593,508
Unconditional Promises to Give, Net	15,639,834	8,302,889
Lease Receivable	219,566	257,550
Rental Real Estate, Net	3,558,000	3,640,393
Property and Equipment, Net	9,474,472	5,292,804
Other Assets	1,582,602	814,440
TOTAL ASSETS	\$ 159,297,880	\$ 140,144,675
LIABILITIES AND NET ASSETS		
Accounts Payable, Accrued Support, and Other	807,412	702,447
Liability Under Charitable Remainder Trusts	2,315,214	2,307,154
Liability Under Charitable Gift Annuities	503,736	457,419
Notes Payable	2,802,820	308,816
Total Liabilities	6,429,182	3,775,836
Net Assets		
Without Donor Restrictions	8,958,390	7,910,224
With Donor Restrictions - Purpose and Time	43,024,362	37,863,777
With Donor Restrictions - Perpetual	100,885,946	90,594,838
Total Net Assets With Donor Restrictions	143,910,308	128,458,615
Total Net Assets	152,868,698	136,368,839
TOTAL LIABILITIES AND NET ASSETS	\$ 159,297,880	\$ 140,144,675

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, 2024, WITH COMPARATIVE TOTALS FOR 2023**

	----- 2024 -----				2023
	Without Donor Restrictions	With Donor Restrictions		Total	Total
		Purpose and Time	Perpetual		
Support, Gains, and Revenues					
Contributions	\$ 779,933	\$ 15,300,985	\$ 7,128,509	\$ 23,209,427	\$ 20,225,667
In-Kind Contributions	-	102,985	-	102,985	916,526
Net Investment Return, Including Net Realized and Unrealized Gain and Rental Real Estate (Net of Fees and Expenses of \$518,457 and \$507,595 for the Years Ended June 30, 2024 and 2023, Respectively)	2,195,870	3,747,255	2,810,166	8,753,291	5,108,044
Net Investment Return on Trust and Annuity Interests	-	338,073	352,433	690,506	247,241
Other Income	239,938	97,885	-	337,823	354,491
Maintenance Fees	288,559	-	-	288,559	369,069
Event Fees	44,590	226,679	-	271,269	450,889
Net Assets Released from Restrictions	14,653,277	(14,653,277)	-	-	-
Total Support, Gains, and Revenues	18,202,167	5,160,585	10,291,108	33,653,860	27,671,927
Expenses					
<i>Program Services</i>					
Scholarships and Fellowships	3,772,283	-	-	3,772,283	3,783,052
General Student Assistance	148,758	-	-	148,758	582,931
General In-Kind Support to SDSM&T	102,985	-	-	102,985	889,526
General Support to SDSM&T	10,884,089	-	-	10,884,089	2,856,399
Total Program Services	14,908,115	-	-	14,908,115	8,111,908
<i>Supporting Services:</i>					
Fundraising	1,139,776	-	-	1,139,776	1,063,829
Administrative	1,106,110	-	-	1,106,110	937,641
Total Supporting Services	2,245,886	-	-	2,245,886	2,001,470
Total Expenses	17,154,001	-	-	17,154,001	10,113,378
Change in Net Assets	1,048,166	5,160,585	10,291,108	16,499,859	17,558,549
Net Assets -- Beginning of Year	7,910,224	37,863,777	90,594,838	136,368,839	118,810,290
Net Assets -- End of Year	\$ 8,958,390	\$ 43,024,362	\$ 100,885,946	\$ 152,868,698	\$ 136,368,839

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, 2023**

	Without Donor Restrictions	With Donor Restrictions		Total
		Purpose and Time	Perpetual	
Support, Gains, and Revenues				
Contributions	\$ 684,488	\$ 12,828,877	\$ 6,712,302	\$ 20,225,667
In-Kind Contributions	-	916,526	-	916,526
Net Investment Return, Including Net Realized and Unrealized Gain and Rental Real Estate (Net of Fees and Expenses of \$507,595 for the Year Ended June 30, 2023)	1,776,748	3,138,968	192,328	5,108,044
Net Investment Return on Trust and Annuity Interests	-	82,364	164,877	247,241
Other Income	244,053	110,438	-	354,491
Maintenance Fees	-	369,069	-	369,069
Event Fees	27,791	423,098	-	450,889
Net Assets Released from Restrictions	7,851,100	(7,851,100)	-	-
Total Support, Gains, and Revenues	10,584,180	10,018,240	7,069,507	27,671,927
Expenses				
<i>Program Services</i>				
Scholarships and Fellowships	3,783,052	-	-	3,783,052
General Student Assistance	582,931	-	-	582,931
General In-Kind Support to SDSM&T	889,526	-	-	889,526
General Support to SDSM&T	2,856,399	-	-	2,856,399
Total Program Services	8,111,908	-	-	8,111,908
<i>Supporting Services:</i>				
Fundraising	1,063,829	-	-	1,063,829
Administrative	937,641	-	-	937,641
Total Supporting Services	2,001,470	-	-	2,001,470
Total Expenses	10,113,378	-	-	10,113,378
Change in Net Assets	470,802	10,018,240	7,069,507	17,558,549
Net Assets -- Beginning of Year	7,439,422	27,845,537	83,525,331	118,810,290
Net Assets -- End of Year	\$ 7,910,224	\$ 37,863,777	\$ 90,594,838	\$ 136,368,839

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 FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2024, WITH COMPARATIVE TOTALS FOR 2023**

	----- 2024 -----				2023
	Program Services	Administrative	Fundraising	Total	Total
<i>Grants and Subsidies</i>					
Equipment and Capital Improvements	\$ 8,498,854	\$ 2,773	\$ 2,635	\$ 8,504,262	\$ 1,298,403
Scholarships/Fellowships	3,772,283	-	-	3,772,283	3,783,052
Student Assistance/Awards	148,758	-	-	148,758	90,899
Hardrock Club Support	-	22,868	-	22,868	22,483
University Support	-	6,236	-	6,236	-
Salaries and Benefits	638,518	703,177	668,094	2,009,789	1,869,901
Travel	716,308	1,583	43,618	761,509	654,869
Supplies and Materials	424,555	42,684	40,674	507,913	569,231
Professional Services	63,565	59,416	160,151	283,132	158,173
Information Technology	129,991	48,826	75,707	254,524	230,161
Events and Communications	166,891	11,958	61,236	240,085	151,057
Depreciation	35,352	63,928	32,394	131,674	130,979
Conferences, Conventions, Meetings	96,130	6,979	6,631	109,740	108,032
Occupancy	32,192	38,790	32,924	103,906	76,531
In-Kind Support to SDSM&T	102,985	-	-	102,985	889,526
Interest	-	80,355	-	80,355	20,730
Uniforms and Supplies	78,110	-	-	78,110	22,201
Insurance	3,623	16,537	15,712	35,872	37,150
	\$ 14,908,115	\$ 1,106,110	\$ 1,139,776	\$ 17,154,001	\$ 10,113,378

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 FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023**

	Program Services	Administrative	Fundraising	Total
<i>Grants and Subsidies</i>				
Equipment and Capital Improvements	\$ 1,285,680	\$ 6,524	\$ 6,199	\$ 1,298,403
Scholarships/Fellowships	3,783,052	-	-	3,783,052
Student Assistance/Awards	90,899	-	-	90,899
Hardrock Club Support	-	22,483	-	22,483
University Support	-	-	-	-
Salaries and Benefits	591,044	655,788	623,069	1,869,901
Travel	599,467	-	55,402	654,869
Supplies and Materials	469,831	39,191	60,209	569,231
Professional Services	29,568	21,375	107,230	158,173
Information Technology	113,149	51,683	65,329	230,161
Events and Communications	78,192	7,067	65,798	151,057
Depreciation	35,352	63,234	32,393	130,979
Conferences, Conventions, Meetings	102,308	2,935	2,789	108,032
Occupancy	14,922	31,593	30,016	76,531
In-Kind Support to SDSM&T	889,526	-	-	889,526
Interest	1,165	19,565	-	20,730
Uniforms and Supplies	22,201	-	-	22,201
Insurance	5,552	16,203	15,395	37,150
	\$ 8,111,908	\$ 937,641	\$ 1,063,829	\$ 10,113,378

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, 2024 AND 2023**

	2024	2023
Cash Flows from Operating Activities		
Revenue Collected	\$ 8,873,462	\$ 9,834,299
Payments to Employees	(2,009,789)	(1,869,901)
Payments to Vendors and University	(14,686,089)	(7,331,250)
Net Cash Flows Provided by (Used In) Operating Activities	(7,822,416)	633,148
Cash Flows from Investing Activities		
Proceeds from Sale of Investments	13,159,362	3,601,255
Purchases of Investments	(7,956,260)	(10,088,482)
Repayments of Leases Receivable	37,984	43,498
Purchase of Property and Equipment	(4,349,448)	(448,478)
Net Cash Flows Provided by (Used in) Investing Activities	891,638	(6,892,207)
Cash Flows from Financing Activities		
Contributions Restricted for Endowment Purposes	7,128,509	6,712,302
Borrowings on Notes Payable	3,360,000	-
Payments on Notes Payable	(865,996)	(19,419)
Net Cash Flows Provided by Financing Activities	9,622,513	6,692,883
Net Change in Cash and Cash Equivalents	2,691,735	433,824
Cash and Cash Equivalents -- Beginning of Year	23,243,091	22,809,267
Cash and Cash Equivalents -- End of Year	\$ 25,934,826	\$ 23,243,091
Reconciliation of Increase in Net Assets to Net Cash Flows Provided by (Used in) Operating Activities		
Increase in Net Assets	\$ 16,499,859	\$ 17,558,549
<i>Adjustments to Reconcile Increase in Net Assets to Net Cash Flows Provided by (Used in) Operating Activities:</i>		
Depreciation	250,173	254,858
Net Realized and Unrealized Gain on Investments, Property, Trust and Annuity Interests	(9,443,797)	(5,479,164)
Contributions Restricted for Endowment Purposes	(7,128,509)	(6,712,302)
Change in Promises to Give and Other Assets	(8,105,107)	(4,853,515)
Change in Accounts Payable, Accrued Support, and Other	104,965	(135,278)
Net Cash Flows Provided by (Used In) Operating Activities	\$ (7,822,416)	\$ 633,148

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, 2024 AND 2023**

(1) Summary of Significant Accounting Policies

Operations

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

Use of Estimates

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

Basis of Presentation

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

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

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

Investments

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

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

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

(1) Summary of Significant Accounting Policies

Investments

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

Contributions and Promises to Give

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

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

On an annual basis, the Organization revalues the "Liability under Charitable Remainder Trusts" and the "Liability under Charitable Gift Annuities" based on actuarial assumptions and present value calculations. For trusts, this liability consists of unearned net investment return, as well as future payments to designated beneficiaries. For charitable gift annuities, this liability consists of the present value of a stream of fixed-annuity payments. The present value of the estimated future payments is calculated using a discount rate and applicable mortality tables. Generally, the Organization uses three discount rates depending upon the life of the trust or annuity. Discount rates for trusts or annuities with estimated lives of 1 to 5 years, 6 to 15 years, and over 15 years are 5.40 percent, 5.80 percent, and 6.20 percent, respectively, for the years ended June 30, 2024 and 2023. 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 **\$102,985** and **\$916,526** for the years ended June 30, 2024 and 2023, respectively. The Organization does not sell contributed in-kind contributions.

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

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

(1) Summary of Significant Accounting Policies

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, 2024 and 2023, 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, 2024, based on anticipated proceeds. Management anticipates no impairment losses.

Leases and Rental Income

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

Rental income from operating leases is recognized on a straight-line basis over the term of the lease and is included in Investment Return. An election has been made for all asset classes to treat any non-lease components such as maintenance or utilities as part of the lease contract as the timing and pattern of transfer is the same as the lease component, the non-lease components would be classified as operating leases if accounted for separately, and the lease component is the primary element of the contract.

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

(1) Summary of Significant Accounting Policies

Leases and Rental Income

The lease receivable for direct financing and sales-type leases is recognized net of an allowance for credit losses that is based on the Organization's estimate of expected credit losses over the lease term. The allowance reflects the Organization's consideration of past events, current conditions, and reasonable and supportable forecasts that affect collectability. Management considers the net investment in leases to be fully collectible; accordingly, no allowance for credit losses has been recorded. Interest income is recognized over the lease term in a manner that produces a constant rate of return on the net investment in the lease.

Subsequent Events

The Organization has evaluated significant subsequent events through December 12, 2024, the date which the financial statements were available to be issued.

(2) Investments and Fair Value

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

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

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, prepare their financial statements consistent with the measurement principles of an investment company, or have the attributes of an investment company. These 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, 2024 and 2023, 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.

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

(2) Investments and Fair Value

June 30, 2024	Level One	Level Two	Level Three	NAV per Share	Total
Money Market Funds in					
Cash and Cash Equivalents	\$ 25,791,815	\$ -	\$ -	\$ -	\$ 25,791,815
Investments:					
Gov Sec/Corp Bonds/CDs	-	-	-	1,859,950	1,859,950
Bond Funds	46,852,819	-	-	-	46,852,819
Illiquid Credit	-	-	-	456,263	456,263
Private Equity	-	-	-	637,300	637,300
Real Estate Funds	-	-	-	2,212,635	2,212,635
Equity Funds	50,869,613	-	-	-	50,869,613
	\$ 97,722,432	\$ -	\$ -	\$ 5,166,148	\$ 102,888,580

June 30, 2023	Level One	Level Two	Level Three	NAV per Share	Total
Money Market Funds in					
Cash and Cash Equivalents	\$ 22,818,150	\$ -	\$ -	\$ -	\$ 22,818,150
Investments:					
Gov Sec/Corp Bonds/CDs	-	-	-	10,892,963	10,892,963
Bond Funds	29,976,498	-	-	-	29,976,498
Illiquid Credit	-	-	-	480,004	480,004
Private Equity	-	-	-	6,135,217	6,135,217
Real Estate Funds	-	-	-	177,258	177,258
Equity Funds	50,931,568	-	-	-	50,931,568
	\$ 80,908,066	\$ -	\$ -	\$ 17,685,442	\$ 98,593,508

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

June 30, 2024	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Gov Sec/Corp Bonds/CDs	\$ 1,859,950	\$ -	Daily	3 Days
Illiquid Credit	456,263	933,624	**	N/A
Private Equity	637,300	716,520	*	N/A
Real Estate Funds	2,212,635	-	Quarterly	60 Days
	\$ 5,166,148	\$ 1,650,144		
June 30, 2023				
Gov Sec/Corp Bonds/CDs	\$ 10,892,963	\$ -	Daily	3 Days
Illiquid Credit	480,004	279,519	**	N/A
Private Equity	6,135,217	333,624	*	N/A
Real Estate Funds	177,258	-	Quarterly	60 Days
	\$ 17,685,442	\$ 613,143		

* Private Equity Funds can be redeemed through 2025.

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

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

(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:

	2024	2023
Receivable in less than one year	\$ 5,311,520	\$ 3,771,158
Receivable in one to five years	11,101,922	5,737,548
Receivable in more than five years	1,792,000	-
	18,205,442	9,508,706
Less discounts to net present value	1,655,336	730,382
Less allowance for uncollectible promises	910,272	475,435
Net Unconditional Promises to Give	\$ 15,639,834	\$ 8,302,889

At June 30, 2024 and 2023, **\$4,686,750** and \$1,585,000, respectively, is due from one donor.

(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 9), 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, 2024 and 2023, is **\$219,566** and \$257,550, respectively. Income recognized on the lease was **\$19,565** during both the years ended June 30, 2024 and 2023, respectively.

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

2025	\$ 20,619
2026	198,947
	\$ 219,566

Subsequent to year-end, the Organization sold the above property.

(5) Rental Real Estate

Rental real estate consists of the following at June 30:

	2024	2023
Land, at cost	\$ 1,664,317	\$ 1,664,317
Buildings, at cost	2,699,398	2,699,398
Real estate partnership interest, at cost	469,766	469,766
	4,833,481	4,833,481
Accumulated depreciation	(1,275,481)	(1,193,088)
Net Book Value	\$ 3,558,000	\$ 3,640,393

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

Depreciation expense related to property leased under operating leases was **\$82,393** for the years ended June 30, 2024 and 2023, respectively.

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

(5) Rental Real Estate

Revenue from operating leases included in net investment return on the income statements was **\$629,690** and \$591,793 at June 30, 2024 and 2023, respectively.

The future minimum lease payments to be received under operating leases are approximately as follows for the years ending June 30:

2025	\$	191,000
2026		189,000
2027		185,000
2028		9,000

(6) Property and Equipment

Property and equipment consist of the following at June 30:

	2024	2023
Land	\$ 5,343,379	\$ 1,089,643
Buildings and Leasehold Improvements	4,162,466	4,704,667
Office Equipment and Software	892,239	253,586
	10,398,084	6,047,896
Accumulated Depreciation	(923,612)	(755,092)
	\$ 9,474,472	\$ 5,292,804

(7) Charitable Remainder Trusts

During the year ended June 30, 2024, there was one new trust with a fair market value of \$734,126 and four trust terminations. The Organization is the remainderman for **95** percent of the market value for the years ended June 30, 2024 and 2023.

Trust assets held by the Organization of **\$6,395,032** and \$6,015,818 are included primarily in investments on the Statements of Financial Position at June 30, 2024 and 2023, respectively.

(8) Liability under Charitable Gift Annuities

During the year ended June 30, 2024, there were two new annuities with a total fair market value of \$130,037 and a total present value of \$61,407, and no terminations. The Organization is remainderman for **100** percent of the market value for each of the years ended June 30, 2024 and 2023, respectively.

Charitable Gift Annuities held by the Organization of **\$1,366,770** and \$1,177,303 are included primarily in investments on the Statements of Financial Position at June 30, 2024 and 2023, respectively.

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

(9) Notes Payable

Notes payable consists of the following at June 30:

	2024	2023
Mortgage note payable to a bank, due in quarterly interest payments and annual principal payments of \$672,000, interest at 7.75 percent, matures December 31, 2028; secured by land purchased and personal guarantee of a donor. (a)	\$ 2,513,776	\$ -
Mortgage note payable to a bank, due in quarterly payments of \$7,448, including interest at 3.25 percent through October 30, 2025; the remaining balance of approximately \$260,000 is due January 2026; secured by the residence of the President of SDSM&T.	289,044	308,816
	2,802,820	308,816
Current maturities of notes payable	692,513	19,825
	\$ 2,110,307	\$ 288,991

(a) The donor has made a conditional contribution to cover the interest expense related to this note payable. The related promise to give and contribution revenue will be recognized as interest is incurred on the respective note payable. The value of this conditional contribution depends on the timing of future loan payments and is not recorded in the financial statements.

The notes payable mature as follows during the years ended June 30:

2025	692,513
2026	940,531
2027	672,000
2028	497,776
	\$ 2,802,820

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

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

	2024	2023
Scholarships and Fellowships	\$ 8,156,578	\$ 8,208,906
General Student Assistance	2,061,441	1,847,499
General Support to SDSM&T	20,331,098	22,096,598
Pledge Donations - Timing Restriction	12,475,245	5,710,774
	\$ 43,024,362	\$ 37,863,777

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.

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

(11) Net Assets With Donor Restrictions - Perpetual

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

	2024	2023
Scholarships and Fellowships	\$ 61,556,918	\$ 55,094,638
General Student Assistance	4,289,858	4,190,620
General Support to SDSM&T	31,874,581	28,622,465
Pledge Donations - Determined by Donor at Later Date	3,164,589	2,687,115
	\$ 100,885,946	\$ 90,594,838

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.

(12) 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.

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

(12) Endowed Net Assets

The following represents endowment net asset composition by type of fund as of June 30, 2024 and 2023:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>		<u>Total</u>
		<u>Purpose</u>	<u>Perpetual</u>	
Donor Restricted Endowment Funds	\$ -	\$ 8,483,932	\$ 90,594,838	\$ 99,078,770
Donor Purpose Restricted and Board Endowed	-	1,080,425	-	1,080,425
Endowment Assets - June 30, 2023	-	9,564,357	90,594,838	100,159,195
Donor Restricted Endowment Funds	-	9,330,276	100,885,946	110,216,222
Donor Purpose Restricted and Board Endowed	-	1,118,148	-	1,118,148
Endowment Assets - June 30, 2024	\$ -	\$ 10,448,424	\$ 100,885,946	\$ 111,334,370

Changes in endowment net assets for the years ended June 30, 2024 and 2023 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, 2022	\$ -	\$ 8,965,786	\$ 83,525,331	\$ 92,491,117
Net Investment Return	-	3,138,968	192,328	3,331,296
Net Investment Return on Trusts/Annuities	-	-	164,877	164,877
Contributions	-	-	6,712,302	6,712,302
Appropriation for Expenditure	-	(2,540,397)	-	(2,540,397)
Endowment Assets - June 30, 2023	-	9,564,357	90,594,838	100,159,195
Net Investment Return	-	3,747,255	2,810,166	6,557,421
Net Investment Return on Trusts/Annuities	-	-	352,433	352,433
Contributions	-	-	7,128,509	7,128,509
Appropriation for Expenditure	-	(2,863,188)	-	(2,863,188)
Endowment Assets - June 30, 2024	\$ -	\$ 10,448,424	\$ 100,885,946	\$ 111,334,370

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 2024 and 2023 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.

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

(13) 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 12, the Organization's endowments are subject to annual spending rates and allocations authorized by the Board of Directors. General expenditures include administrative and general expenses, fundraising expenses, and grant commitments expected to be paid in the subsequent year. Annual operations are defined as activities occurring during the Organization's fiscal year.

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

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

	2024	2023
<i>Financial Assets at year end:</i>		
Cash and Cash Equivalents	\$ 25,934,826	\$ 23,243,091
Investments	102,888,580	98,593,508
Unconditional Promises to Give	15,639,834	8,302,889
Total Financial Assets	\$ 144,463,240	\$ 130,139,488
<i>Less amounts not available to be used within one year:</i>		
Net Assets with Donor Restriction	\$ 143,910,308	\$ 128,458,615
Donor Restricted Net Assets Include:		
Rental Real Estate	(3,558,000)	(3,640,393)
Financial Assets Not Available to be Used Within One Year	\$ 140,352,308	\$ 124,818,222
Financial Assets Available to Meet		
General Expenditures Within One Year	\$ 4,110,932	\$ 5,321,266

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

(14) In-Kind Contributions

For the years ended June 30, 2024 and 2023, contributed nonfinancial assets include the following:

	2024	2023
Equipment	\$ 50,000	\$ 876,601
Land	-	30,000
Educational Materials	50,401	9,925
Program Supplies	2,584	-
	\$ 102,985	\$ 916,526

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

During the year ended June 30, 2023, the Organization received a donation of land with an appraised value of \$30,000. The land is capitalized and not donor restricted.