Consolidated Financial Statements
June 30, 2021 and 2020

Northern State University Foundation

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Independent Auditor's Report

To the Board of Directors
Northern State University Foundation
Aberdeen, South Dakota

Report on the Consolidated Financial Statements
We have audited the accompanying consolidated financial statements of Northern State University Foundation (a nonprofit organization), which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, and the related consolidated statements of activities and changes in net position, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Northern State University Foundation as of June 30, 2021 and 2020, 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.

Eide Bailly LLP

Aberdeen, South Dakota
November 23, 2021

	6/30/2021	6/30/2020
Assets		
Cash and cash equivalents	$ 5,198,893	$ 7,004,565
Investments	625,682	623,854
Investments - endowment pool	31,886,170	25,626,081
Property held for investment - endowment pool	2,074,800	2,074,800
Contributions receivable	18,653,114	32,773,270
Other receivables	85,353	59,958
Inventory	27,732	66,736
Assets held for sale	-	429,858
Cash value of insurance policies, net	366,478	355,370
Split-interest agreements	17,313,916	15,778,965
Other assets	33,087	44,660
Property and equipment, net	117,722	136,490
	$ 76,382,947	$ 84,974,607
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 148,289	$ 129,046
Accounts payable to NSU	656,016	548,016
Line of credit	10,900,000	-
Accrued interest payable	22,076	41,145
Compensated absences payable	34,388	90,412
Obligations under split-interest agreements	41,135	49,893
Deferred revenue	203,991	134,233
Security deposits	17,050	13,315
Accrued income taxes	13,914	13,712
SBA Payroll Protection Program refundable advance	-	120,900
Revenue Bonds, net of bond issuance costs of $4,684 in 2021 and $14,200 in 2020	8,173,671	9,121,979
Total liabilities	20,210,530	10,262,651
Net Assets		
Without donor restriction (see Note 11)		
Undesignated	700,817	574,350
Designated for quasi-endowment	389,285	389,285
Designated for athletics	-	43,479
With donor restrictions (see Note 11)	55,082,315	73,704,842
Total net assets	56,172,417	74,711,956
	$ 76,382,947	$ 84,974,607

	Without Donor Restriction	With Donor Restriction	Total
Support and Revenue			
Contributions and bequests	$ 405,682	$ 3,424,248	$ 3,829,930
Special project contributions	-	3,508,269	3,508,269
Gross special events revenue	175,857	170,815	346,672
Less cost of direct benefits to donors	(61,184)	(94,977)	(156,161)
Net special events revenue	114,673	75,838	190,511
Athletic sponsorship revenue	243,600	-	243,600
Non-charitable athletic revenue	146,900	-	146,900
Net investment return	46,733	6,737,484	6,784,217
Lease income, net	-	30,858	30,858
Return on rental property	(757)	99,769	99,012
Change in split-interest agreements	-	2,096,604	2,096,604
Grant and other income	269,647	-	269,647
Net assets released from restriction pursuant to endowment spending-rate formula	1,887,996	(1,887,996)	-
Reclassifications and releases from restrictions	32,707,601	(32,707,601)	-
Total support and revenue	35,822,075	(18,622,527)	17,199,548
Expenses			
Program services			
Scholarships for NSU students	3,097,020	-	3,097,020
University support			
NSU athletic support	554,058	-	554,058
NSU special projects support	833,108	-	833,108
NSU capital projects	30,007,947	-	30,007,947
NSU operational support	51,216	-	51,216
Alumni services	22,541	-	22,541
Total program services	34,565,890	-	34,565,890

	Without Donor Restriction	With Donor Restriction	Total
Supporting services			
Fundraising and development	354,617	-	354,617
Management and general expenses	818,580	-	818,580
Total supporting services	1,173,197	-	1,173,197
Total expenses	35,739,087	-	35,739,087
Change in Net Assets	82,988	(18,622,527)	(18,539,539)
Net Assets, Beginning of Year	1,007,114	73,704,842	74,711,956
Net Assets, End of Year	$ 1,090,102	$ 55,082,315	$ 56,172,417

	Without Donor Restriction	With Donor Restriction	Total
Support and Revenue			
Contributions and bequests	$ 363,633	$ 2,341,388	$ 2,705,021
Special project contributions	150,000	18,946,027	19,096,027
Gross special events revenue	323,055	34,462	357,517
Less cost of direct benefits to donors	(149,361)	(21,247)	(170,608)
Net special events revenue	173,694	13,215	186,909
Athletic sponsorship revenue	266,105	-	266,105
Non-charitable athletic revenue	204,790	-	204,790
Concession sales	35,371	-	35,371
Less cost of goods sold	(17,456)	-	(17,456)
Net concession sales	17,915	-	17,915
Net investment return	197,920	545,953	743,873
Lease income, net	-	31,224	31,224
Return on rental property	(1,692)	95,645	93,953
Change in split-interest agreements	-	310,727	310,727
Net assets released from restriction pursuant to endowment spending-rate formula	1,865,799	(1,865,799)	-
Reclassifications and releases from restrictions	21,501,939	(21,501,939)	-
Total support and revenue	24,740,103	(1,083,559)	23,656,544
Expenses			
Program services			
Scholarships for NSU students	3,027,175	-	3,027,175
University support			
NSU athletic support	761,474	-	761,474
NSU special projects support	1,016,695	-	1,016,695
NSU capital projects	18,366,606	-	18,366,606
NSU operational support	49,843	-	49,843
Alumni services	29,024	-	29,024
Total program services	23,250,817	-	23,250,817

	Without Donor Restriction	With Donor Restriction	Total
Supporting services			
Fundraising and development	427,185	-	427,185
Management and general expenses	912,479	-	912,479
Total supporting services	1,339,664	-	1,339,664
Total expenses	24,590,481	-	24,590,481
Change in Net Assets	149,622	(1,083,559)	(933,937)
Net Assets, Beginning of Year	857,492	74,788,401	75,645,893
Net Assets, End of Year	$ 1,007,114	$ 73,704,842	$ 74,711,956

	6/30/2021	6/30/2020
Operating Activities		
Change in net assets	$ (18,539,539)	$ (933,937)
Adjustments to reconcile change in net assets to net cash used for operating activities		
Depreciation expense	18,324	28,459
Amortization expense	14,516	1,800
Realized and unrealized gain on investments	(6,808,715)	(494,041)
Loss on sale of assets held for sale	10,289	-
Loss on disposal of assets	7,172	9,659
Noncash gifted temporarily restricted assets	(795,767)	(1,492,577)
Change in split-interest agreements market value	(2,096,604)	(309,221)
Contributions restricted for reinvestment in endowments	(1,249,551)	(593,815)
Forgiveness of PPP loan	(120,900)	-
Changes in assets and liabilities		
Receivables	14,094,761	(6,754,315)
Inventory	39,004	(14,803)
Cash value of insurance policies	(11,108)	13,912
Other assets	11,573	(12,741)
Split-interest agreements	561,654	552,876
Accounts payable	127,243	(230,967)
Scholarship commitments payable	-	(6,954)
Accrued interest payable	(19,069)	9,791
Compensated absences payable	(56,024)	11,172
Obligations under split-interest agreements	(8,758)	(1,506)
Deferred revenue	69,758	(129,893)
Security deposits	3,735	(4,635)
Accrued income taxes	202	(125,298)
Net Cash used for Operating Activities	(14,747,804)	(10,477,034)
Investing Activities		
Purchase of property and equipment	(6,728)	(32,826)
Proceeds from sale of assets held for sale	419,570	-
Property acquired and held for sale	-	(119,831)
Proceeds from sale of assets gifted	795,767	1,492,577
Purchase of investments	(1,681,477)	(871,460)
Proceeds on sales of investments	2,228,274	11,957,637
Net Cash from Investing Activities	1,755,406	12,426,097

	6/30/2021	6/30/2020
Financing Activities		
Collections of contributions restricted to endowments	1,249,551	593,815
Net change in line of credit	10,900,000	-
Payments on bonds	(957,824)	(864,021)
Payments for bond issuance costs	(5,000)	-
Refundable advance - PPP loan	-	120,900
Net Cash from (used for) Financing Activities	11,186,727	(149,306)
Net Change in Cash and Cash Equivalents	(1,805,671)	1,799,757
Cash and Cash Equivalents, Beginning of Year	7,004,565	5,204,808
Cash and Cash Equivalents, End of Year	$ 5,198,894	$ 7,004,565
Supplemental Disclosures of Cash Flow Information		
Cash paid for interest	$ 250,393	$ 330,519
Cash paid for income taxes	35,883	125,786

Note 1 - Principal Activity and Significant Accounting Policies

Principal Business Activity

Northern State University Foundation (the Foundation), a not-for-profit corporation, was established to further the development of Northern State University (the University or NSU). The Foundation solicits and accepts gifts from individuals, businesses, and organizations; administers its funds; funds scholarships and awards made by NSU; publishes alumni newsletters; and generally promotes the University. FOHO I, LLC, is a wholly owned subsidiary of the Foundation which owns investments in rental properties. APEX, LLC, is a wholly owned subsidiary of the Foundation which sells alcoholic beverages at certain NSU events in restricted areas.

The Foundation is presented as a component unit in the University's financial statements, as required by the Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations are Component Units*, an amendment to Statement 14, *The Financial Reporting Entity*. It has been determined that the Foundation is a component unit of the primary government agency (the university system) of the State of South Dakota. As such, the accompanying consolidated financial statements are included in the comprehensive annual report of the State of South Dakota.

Principles of Consolidation

The consolidated financial statements include the accounts of the Foundation and its wholly owned subsidiaries, FOHO I, LLC, and APEX, LLC. All significant intercompany accounts and transactions have been eliminated.

Basis of Presentation

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

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for board-designated endowments. The Board has the right to decide, at any time, to expend the without donor restriction quasi-endowment funds. Any amounts of revenue raised by the Foundation and the Wolves Club for exchange transactions directly related to athletics are designated for athletics.

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

Revenues, including revenues from exchange transactions, are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of donor restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as released from restrictions and reclassified between the applicable classes of net assets.

Cash and Cash Equivalents

For purposes of reporting cash flows, the Foundation considers all deposits in checking and savings that are not held for investment nor restricted by donors for long-term purposes of the Foundation to be cash equivalents. Cash and highly liquid financial instruments restricted to capital expenditures of the Foundation, permanent endowment, or other long-term purposes of the Foundation are excluded from this definition.

The actual bank balances at June 30, 2021, were as follows:

	Bank Balance
FDIC Insured	$ 501,740
Uninsured	4,720,515
Total deposits	$ 5,222,255

The Foundation's carrying amount of deposits and cash on hand on the June 30, 2021, consolidated statement of financial position was $5,198,893.

Financial Instruments and Credit Risks

The Foundation manages deposit concentration risk by placing cash and cash equivalents and certificates of deposit with financial institutions believed by management to be credit worthy. At times, amounts on deposit may exceed insured limits or include uninsured investments. To date, the Foundation has not experienced losses in any of these accounts. Credit risk associated with contributions receivable and other receivables is considered to be limited due to high historical collection rates and because outstanding balances are, primarily, from donors and others that are supportive of the Foundation's mission. The majority of the Foundation's investments are managed by a professional investment manager whose performance is monitored by management and the Foundation's Investment Committee of the Board of Directors. Although the fair value of investments is subject to fluctuation on a year-to-year basis, management and the Investment Committee believe that the investment policies and guidelines are prudent for the long-term welfare of the Foundation.

Contributions Receivable

The Foundation records unconditional promises to give as revenue and contributions receivable. These amounts are initially recorded at their estimated fair value and subsequently carried at fair value. Management's estimate of the fair value of contributions receivable was determined using the income approach, which is an expected present value technique adjusting cash flows from unconditional promises to give by an allowance, or risk premium, and then discounting the expected cash flows using a credit adjusted risk free rate. Due to the subjective nature of cash flow estimates, it is at least reasonably possible that changes in the values of contributions receivable will occur in the near term and those changes could materially affect the amounts reported in the Foundation's consolidated financial statements.

Investments

Investment securities are recorded at fair value. In the case of certain less marketable investments, principally limited partnerships, limited liability company interests, private equity real estate funds, and fund-of-funds structures generally organized as limited partnerships or limited liability companies, value is established based on either external events which substantiate a change in value or a reasonable methodology that exists to capture and quantify changes in value (see Note 13). In most instances, those changes in value may require use of estimates. The Foundation believes that the carrying amount of its other investments is a reasonable estimate of fair value as of June 30, 2021 and 2020. Because other investments are not marketable, the estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investment existed.

Investments of the net assets without donor restrictions and net assets with donor restrictions are, at times, pooled to maximize earnings. Earnings and market value adjustments from pooled investments have been allocated to the participating funds, as applicable.

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

Investment returns are recorded in the period incurred. Investment returns consist of interest and dividend income, capital gain distributions, and net gains or losses on investments reported at fair value, less external and direct internal investment expenses. All investment returns are reported as revenue without donor restrictions unless donor-imposed restrictions on the assets exist. If such restrictions are present, the investment returns are recorded as, or reclassified to, revenue with donor restrictions, depending upon the nature of the restriction.

The Foundation's investments are invested in various types of investment securities and in various companies within various markets. Investment securities are exposed to several risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and those changes could materially affect the amounts reported in the Foundation's consolidated financial statements.

Property Held for Investment

FOHO I, LLC, has purchased apartment buildings and rental houses in Aberdeen, South Dakota, to be held as rental properties within the endowment investment fund of the Foundation. FOHO I, LLC, also holds properties acquired for NSU. The rental properties are carried at cost. Revenue is recognized as apartments and houses are rented. The Foundation estimates the salvage value of the rental properties to be equal to their cost; therefore, no depreciation has been recognized. Net earnings from the rental properties are considered with donor restriction if held for endowment and without donor restriction if held for NSU.

The Foundation also owns a house for use by the University's President. The property is held as an investment within the endowment investment fund of the Foundation.

The Foundation reviews the carrying value of investment property for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent the carrying value exceeds the fair value of the asset. There was no impairment loss as of June 30, 2021 and 2020.

Property and Equipment

Property and equipment is stated at cost at the date of purchase, or at estimated fair value at the date of donation, provided such value exceeds $500. Depreciation is not recognized on equipment that is donated to the Foundation and passed through to the University, which is recorded as support without donor restrictions. The buildings, net of salvage value, and building improvements, and the scoreboard and equipment purchased and retained by the Foundation are being depreciated using the straight-line method over estimated useful lives of three to thirty-nine and five to fifteen years, respectively.

The Foundation reviews the carrying value of property for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposal. Impairment loss is charged to expense when identified. There was no impairment loss as of June 30, 2021 and 2020.

Assets Held for Sale

Assets held for sale are stated at the lesser of carrying value or fair value in the year they are determined to be held for sale.

Leasing Arrangements

The Foundation leases a house to the Board of Regents for use by the University's President. The Prairiewood property is accounted for as an operating lease (see Note 5). The property is held by the endowment pool. Net earnings from the lease are considered donor-restricted.

Cash Value of Insurance Policies

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

Split-interest Agreements

The Foundation acts as trustee for one irrevocable trust. This trust is governed by the respective trust agreement, which generally provides for a future distribution of cash or other assets to the Foundation upon the occurrence of a specific event. Since the trust is irrevocable, the trust assets are recorded at fair value, and a related liability for future payments to be made to the specified beneficiaries is recorded at fair value using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the liability. The excess of contributed assets over the trust liability is recorded as a contribution with donor restrictions until such amount is received via trust distribution, at which time net assets with donor restrictions are transferred to the endowment. In subsequent years, the liability for future trust payments to the donor is reduced by payments made to the donor and is adjusted to reflect amortization of the discount and changes in actuarial assumptions at the end of the year. Upon termination of the trust, the remaining liability is removed and recognized as income.

The Foundation has been named as an irrevocable beneficiary of several charitable trusts held and administered by independent trustees. These trusts were created independently by donors and are administered by outside agents designated by the donors. Therefore, the Foundation has neither possession nor control over the assets of the trusts. At the date the Foundation receives notice of a beneficial interest, a with donor restriction contribution is recorded in the consolidated statement of activities, and a beneficial interest in split-interest agreements is recorded in the consolidated statement of financial position at fair value using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the expected distributions to be received under the agreement. Thereafter, beneficial interests in the split-interest agreements are reported at fair value in the consolidated statement of financial position, with trust distributions and changes in fair value recognized in the consolidated statement of activities. Upon receipt of trust distributions and/or expenditures in satisfaction of the restricted purpose stipulated by the donor, if any, net assets with donor restrictions are released to net assets without donor restrictions; net assets which are to be held in perpetuity are transferred to the endowment. Due to the subjective nature of the expected distributions to be received under the agreements, it is at least reasonably possible that changes in the values of split-interest agreements will occur in the near term and those changes could materially affect the amounts reported in the Foundation's consolidated financial statements.

Bond Issuance Costs

Bond issuance costs are amortized over the period the related obligation is outstanding using the straight-line method, which approximates the effective interest method. Bond issuance costs are included within bonds payable in the consolidated statements of financial position. Amortization of bond issuance costs is included in interest expense in the accompanying consolidated financial statements.

Revenue Recognition

Revenue is recognized when earned. Contribution revenue is recognized when cash, securities or other assets, unconditional promises to give, or notification of a beneficial interest is received. 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. Contributions of assets other than cash are recorded at their estimated fair value on the date of contribution. Estimates of fair value sometimes involve assumptions and estimation methods that are uncertain and, therefore, the estimates could differ from actual results.

Donated Services

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

Athletic Sponsorship Revenue

Sponsorship revenue is received from local businesses in exchange for sponsorship exposure provided on the Foundation’s signs, scoreboards, print and electronic media and is recognized as revenue over the sponsorship period as contribution revenue without donor restrictions.

Memberships

The exchange transaction portion of membership dues is recognized as revenue over the membership period and is included as contribution revenue without donor restrictions. The contribution portion of membership dues is recognized as revenue in the period received and is included in revenue with donor restrictions.

Deferred Revenue

Exchange revenue transactions or net deposits received for rentals and activities are deferred until the activity occurs.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the consolidated statements of activities. The functional expenses footnote presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The consolidated financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include personal services and office expenses which are allocated on the basis of estimates of time and effort.

Income Taxes

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Service Code. The Foundation is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Foundation is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. The Foundation files an Exempt Organization Business Income Tax Return (Form 990T) with the IRS to report its unrelated business taxable income due to revenue earned on alternative investments held by the Foundation, which has resulted in income tax expense of $36,085 and $488 for the years ended June 30, 2021 and 2020, respectively, which is reported as a reduction of net investment return on the consolidated statement of activities. As single-member limited liability companies, FOHO I, LLC and APEX, LLC are treated as “disregarded entities” for income tax purposes. Therefore, FOHO I, LLC’s and APEX, LLC’s financial activity is reported in conjunction with the federal income tax filings of the Foundation.

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

University Support

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

Estimates

The preparation of consolidated 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 of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates used in preparing these consolidated financial statements include those used in calculating the fair value of contributions receivable, those used in calculating the value of split-interest agreements, and those used in determining the fair value of certain investments. Actual results could differ from those estimates, and the change may be material.

Concentrations

During 2021 and 2020, approximately 65% and 68%, respectively, of donors are individuals and corporations residing in South Dakota. The Foundation recorded approximately 61% of contribution revenue from one unrelated party donor during the year ended June 30, 2020. During the years ended June 30, 2021 and 2020, the Foundation had approximately 18% and 50%, respectively, in contributions receivable from one and two unrelated party donors. The Foundation recorded approximately 21% and 16% in contributions receivable from one related party donor for the years ended June 30, 2021 and 2020, respectively.

Reclassifications

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

Note 2 - Change in Accounting Policy

The Foundation has adopted the provisions of the Accounting Standards Update 2018-13, *Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement.* The ASU provides revisions and deletions to guidance regarding the disclosure requirements included in Topic 820, including eliminating and modifying existing disclosure requirements.

Note 3 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following as of June 30, 2021 and 2020:

	2021	2020
Cash and cash equivalents	$ 884,824	$ 1,070,018
Promises to give - without donor restricted	-	5,265
Other receivable	85,353	59,958
Cash value of insurance policies	135,579	135,376
Annual University support	125,000	-
Estimated annual gift fees	70,000	66,000
	$ 1,300,756	$ 1,336,617

The Foundation's funds consist of donor-restricted endowments and funds designated by the Board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditures.

The Foundation's board-designated without donor restriction endowments of $389,285 are subject to an annual spending rate as described in Note 14. Although the Board does not intend to spend from these board-designated endowments (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available, if necessary.

As part of the Foundation's liquidity management plan, the Foundation invests cash in excess of daily requirements in short-term investments, which may include money market funds and CD's. The Board has not currently designated a portion of any operating surplus as operating reserve.

Note 4 - Contributions Receivable

Donors to the Foundation have made unconditional promises to give that are measured at fair value. Contributions receivable as of June 30, 2021 and 2020, are expected to be collected as follows:

	6/30/2021	6/30/2020
Within one year	$ 4,895,538	$ 16,794,367
In one to 5 years	12,607,747	15,408,966
Over five years	5,182,008	4,551,875
	22,685,293	36,755,208
Adjustment to estimated fair value	(4,032,179)	(3,981,938)
	$ 18,653,114	$ 32,773,270

Contributions receivable consists, primarily, of promises from individuals and corporations within the Aberdeen, South Dakota, area. The Foundation has received conditional promises to give totaling $9,010,000 and $9,875,000 as of June 30, 2021 and 2020, respectively, relating to special events, matching gifts, and other activities scheduled to occur in future years. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Note 5 - Lease of President's Home

The Foundation leases a home in Aberdeen, South Dakota, to the Board of Regents for the use of the University's President. The lease on the Prairiewood property is classified as an operating lease agreement. The lease agreement will remain in effect until it is modified upon mutual agreement between the Foundation and the Board of Regents.

At June 30, 2021, minimum lease payments (including executory costs) to be received for each of the next five years are as follows:

2022	$ 33,881
2023	33,881
2024	33,881
2025	33,881
2026	33,881

Note 6 - Cash Value of Insurance Policies

The Foundation has been named the beneficiary and owner of life insurance policies that were gifted by various individuals. Loans payable to the insurance companies are collateralized by the cash value of the policies. At June 30, 2021 and 2020, the cash value and loans were as follows:

	6/30/2021	6/30/2020
Cash surrender value	$ 388,033	$ 374,716
Less loans outstanding	21,555	19,346
	$ 366,478	$ 355,370

At June 30, 2021, the gross death benefit on the policies was $1,628,732.

Note 7 - Split-Interest Agreements

The Foundation is the beneficiary of charitable remainder trust agreements whereby assets are made available on the condition that income is paid periodically to designated individuals. Payments of such amounts terminate at a time specified in the agreements, typically, the death of the donors. At June 30, 2021 and 2020, charitable remainder trust interests include $161,504 and $156,917, respectively, of investments for which the Foundation serves as trustee, which are comprised of mutual fund investments. The Foundation has reported in the accompanying consolidated financial statements a liability of $41,135 and $49,893 at June 30, 2021 and 2020, respectively, which represents the present value of estimated future payments to beneficiaries of the charitable remainder trusts, taking into consideration their life expectancy and discounted at applicable interest rates.

During 2008, the Foundation was named the lead beneficiary of a charitable lead uni-trust agreement, which provides the Foundation 5% of the net fair market value of the trust principal for period of 20 years. A receivable of $629,797 and $628,017 has been recorded at the present value of the amount held by the trustee that is estimated to be due to the Foundation as of June 30, 2021 and 2020, respectively. During 2013, the Foundation was named beneficiary of a charitable remainder trust which provides the Foundation annual distributions which are the greater of the Foundation's share of net income or 3.5% of the net market value through 2022 and a share of the remainder interest in 2022. A receivable of $16,522,615 and $14,994,031 was recorded for the present value of the Foundation's share held by the trustee as of June 30, 2021 and 2020, respectively. The Foundation used interest rates commensurate with the risks involved to discount these receivables, which was .87%-3.71% during 2021 and .29%-3.34% during 2020.

Note 8 - Paycheck Protection Program (PPP) Loan

The Foundation was granted a $120,900 loan in May 2020 under the Payroll Protection Program (PPP) administered by a Small Business Administration (SBA) approved partner, which is a financial institution that employs officers that are members of the Foundation's Board of Directors. The loan is uncollateralized and is fully guaranteed by the federal government. The Foundation initially recorded the loan as a refundable advance in accordance with guidance for conditional contributions when there is no longer a measurable performance or other barrier and a right to return of the PPP loan, or when such conditions are explicitly waived. Proceeds from the loan are eligible for forgiveness if the Foundation maintains employment levels during its covered period and uses the funds for certain payroll, rent, and utility expenses. Revenue of $120,900 has been recorded within grant and other income on the consolidated statement of activities and changes in net assets for the year ended June 30, 2021, related to the forgiveness of this loan.

Note 9 - Property and Equipment

Property and equipment consist of the following:

	6/30/2021	6/30/2020
Beckman building	$ 73,796	$ 73,796
Building improvements	90,936	102,476
Equipment	124,670	119,266
	289,402	295,538
Less accumulated depreciation	(171,680)	(159,048)
Net	$ 117,722	$ 136,490

Depreciation expense totaled $18,324 and $18,980 for the years ended June 30, 2021 and 2020, respectively.

Note 10 - Bonds and Notes Payable

On May 16, 2019, the Foundation issued Brown County, South Dakota, Economic Development Revenue Bonds, Series 2019, with a principal balance of $10,000,000 to be used to fund the building projects for the Education Impact Campaign with the agreement being reissued on December 31, 2020, to reflect a change in interest rates. The bonds are privately placed with 7 banks located in South Dakota with varying principal amounts held at each bank. Interest and principal is payable semi-annually in May and November. Interest accrues at a flat rate of 1.75%. The bonds mature in May 2029. Additionally, as of June 30, 2021, $1,637,448 of the $8,173,671 principal balance is held with a financial institution that employs officers that are members of the Foundation's Board of Directors.

Future maturities of long-term debt are as follows:

Years Ending June 30,	
2022	$ 1,055,300
2023	1,073,849
2024	1,092,724
2025	1,111,930
2026	1,131,473
Thereafter	2,713,079
Less unamortized debt issuance costs	(4,684)
	$ 8,173,671

Note 11 - Net Assets

Support for one capital project in excess of restricted gifts, including promises to give, has resulted in a deficiency that is reported in net assets without donor restrictions. This cumulative deficiency totaled approximately $547,585 and $547,835 as of June 30, 2021 and 2020, respectively. The Foundation plans to recover this without donor restriction net assets deficit with future gifts as well as possible changes to future programmatic support provided to NSU.

Support for the Educational Impact Campaign (EIC) capital project in excess of restricted gifts, including promises to give at fair value, has resulted in a deficiency that is reported in net assets with donor restrictions as all deficit is being funded by long-term debt or a line of credit so no other without donor or with donor restriction money is used to cover the deficit. The Foundation plans to recover this net assets deficit with conditional contributions receivable and future gifts.

Net assets with donor restrictions represents resources that are subject to donor-imposed restrictions, either for a specific purpose or subject to the passage of time. For endowments that the Foundation has agreed to hold and manage on a perpetual basis, with donor restriction net assets include only amounts the endowment gift instruments allow to be spent. These with donor restriction amounts are subject to a time restriction, which expires if the Board of Directors approves a portion for spending (referred to as an act of appropriation). Also, net assets with donor restrictions may be subject to purpose restrictions. Net assets with donor restrictions are released from restrictions when the applicable time and purpose restrictions have been fulfilled.

The majority of net assets with donor restrictions held in perpetuity consist of endowment and trust funds which donors have imposed restrictions. Endowment assets equal to the original amount of endowment gifts are held in perpetuity in investment. The Board of Directors authorized scholarship distributions of endowment investment earnings using a calculation based on prior year scholarship payouts adjusted for CPI, with an established floor and ceiling for each endowment distribution (see Note 14). Authorized distributions are retained as net assets with donor restrictions until disbursement is requested by appropriate University officials consistent with the terms of the gift. Requested amounts are then transferred from net assets with donor restrictions to net assets without donor restrictions and the disbursement is reported as a decrease in net assets without donor restrictions. Net assets with donor restrictions held in perpetuity also include rental properties held for investment, endowed cash surrender value of life insurance, and certain charitable lead and remainder trusts which must remain in perpetuity.

The detail of the Foundation's net asset categories as of June 30 is as follows:

	6/30/2021	6/30/2020
Without Donor Restriction		
Board designated for quasi-endowment	$ 389,285	$ 389,285
Board designated for athletics	-	43,479
Without donor restriction	700,817	574,350
Total without donor restriction	1,090,102	1,007,114
With Donor Restriction		
Promises to give that are not restricted by donors	1,034,378	5,266
NSU Capital Improvements Special Projects including contributions receivable	425,000	1,031,000
Fair value adjustment on contributions receivable on capital improvements special projects	(64,463)	(117,201)
Educational Impact Campaign (EIC) Special Project including contributions receivable	251,857	27,020,145
Fair value adjustment on contributions receivable on EIC special projects	(3,142,574)	(3,065,745)
NSU Other Special Projects including contributions receivable	621,312	548,147
Fair value adjustment on contributions receivable	(16,116)	(10,538)
Board designated for quasi-endowment and donor purpose restriction	677,666	675,226
Split-interest agreement - purpose and/or time restrictions	16,522,615	14,994,032
Unspent earnings from split-interest agreement	315,662	481,095
Unspent endowment appropriations	5,388,960	450,579
Athletics including contributions receivable	1,209,692	1,212,739
Scholarships	759,596	762,560
	23,983,585	43,987,305
Endowments, perpetual in nature		
Endowment for operational support	196,856	194,694
Endowment for other	1,544,787	738,395
Endowment for scholarships	29,357,087	28,784,448
	31,098,730	29,717,537
Total net assets	$ 56,172,417	$ 74,711,956

Net assets were reclassified and/or released from restrictions as follows during the years ended June 30, 2021 and 2020:

	6/30/2021	6/30/2020
Satisfaction of purpose restrictions		
Scholarships	$ 1,515,240	$ 1,595,439
Special projects	31,068,949	19,722,172
Athletic projects	90,813	144,000
Other	31,802	40,328
Change in donor restriction	797	-
	32,707,601	21,501,939
Restricted-purpose endowment spending-rate formula distributions and appropriations (see Note 14)		
Scholarships and operational support	1,289,172	1,275,886
Fees	598,824	589,913
	1,887,996	1,865,799
	$ 34,595,597	$ 23,367,738

Note 12 - Related Party Transactions

The Foundation has deposits and investments with financial institutions and companies that employ, as officers, members of the Foundation's Board of Directors. At June 30, 2021 and 2020, the Foundation had cash deposits at the carrying amount of $5,197,543 and $7,003,215, respectively, and investments of $56,955 and $94,281 respectively, with these institutions and companies.

The Foundation receives contributions from members of the Board of Directors as well as from financial institutions and companies that employ, as officers, members of the Foundation's Board of Directors. During the years ended June 30, 2021 and 2020, the contributions received or promised was $2,971,943 and $5,044,799, respectively, from these institutions, companies, and individuals. Contributions receivable from these institutions, companies, and individuals were $7,424,614 and $7,393,621 as of June 30, 2021 and 2020, respectively. During the years ended June 30, 2021 and 2020, the Foundation also incurred expense for certain services from these institutions, and companies of $80,000 and $80,000, respectively, which is included in accounts payable as of June 30, 2021 and 2020.

From 2009 to 2012, the Foundation committed to contribute $3,325,000 towards improvements to the Barnett Center at Northern State University, a related party. As of June 30, 2021, approximately $2,777,165 has been raised through cash and unconditional promises to give of the Foundation's commitment. As of June 30, 2021 and 2020, the Foundation has recorded an obligation to the University of $547,585 and $547,835, respectively, related to the Barnett Center. Funding for these improvements will come from cash collections on contributions receivable and expected future promises to give specifically designated by the donors for this purpose.

During fiscal year 2017, the Foundation committed to contribute approximately $22.7 million toward two new residence halls for Northern State University. During 2019, an additional $899,268 was committed to the parking lot related to the residence halls. This amount has been raised through unconditional promises to give. As of June 30, 2021 and 2020, payments in the amount of $31,916 and $1,294,019, respectively, have been paid to NSU for project costs. This project was fully completed in 2021.

During fiscal year 2018, the Foundation committed to contribute approximately $25,175,000 toward a Regional Science Education Center. This amount has been raised through cash and unconditional promises to give. As of June 30, 2021 and 2020, payments in the amount of $331,241 and $4,921,047, respectively, have been paid to NSU for project costs. This project was fully completed in 2021.

During the fiscal years 2018 and 2019, the Foundation committed to contribute $19.7 million toward the Educational Impact Campaign (EIC) to build a new School for the Blind and Visually Impaired and new athletic fields for Northern State University, with $5 million for the project committed by the State of South Dakota. An additional $33 million was committed to the EIC in 2019 for a regional sports complex. These amounts are being raised through cash and conditional and unconditional promises to give. As of June 30, 2021 and 2020, payments in the amount of $29,644,791 and $12,131,539, respectively, have been paid to NSU for project costs or paid directly to vendors and assets donated to NSU for capital projects. The School for the Blind and Visually Impaired and new athletic fields were substantially completed and paid for in 2021. The remaining portion of the regional sports complex of approximately $4.4 million is expected to be paid as the project is completed. The Foundation has not recorded a payable for this amount as of June 30, 2021, pursuant to the Foundation's accounting policy for University support.

During fiscal year 2020, the Foundation committed to conditionally contribute approximately $900,000 toward a center-hung scoreboard in the Barnett Center contingent on receipt of donor contributions. This amount has been raised through cash and unconditional promises to give. As of June 30, 2021 and 2020, payments in the amount $137,500 and $287,500, respectively, have been paid to NSU for project costs. The remaining portion of approximately $475,000 is expected to be paid as pledge payments are received. The Foundation has not recorded a payable for this amount as of June 30, 2021, pursuant to the Foundation's accounting policy for University support.

During fiscal year 2021, the Foundation, NSU and the Board of Regents signed an operating agreement which included an unconditional promise to give from NSU to the Foundation for operating support starting in fiscal year 2022. This has been recorded in contributions receivable during 2021 and payments are expected from 2022 to 2026.

As of June 30, 2021 and 2020, the Foundation also owes the University $108,430 and $180, respectively, for other administrative reimbursements.

Note 13 - Fair Value Measurements

Accounting standards have established a framework for measuring fair value under accounting principles generally accepted in the United States of America. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1: Quoted prices in active markets for identical assets or liabilities the Foundation has the ability to access at the measurement date. Investments valued at fair value using Level 1 inputs are cash equivalents, common stocks, and mutual funds that have observable quoted prices in active markets.

Level 2: Pricing inputs (other than quoted prices included in Level 1) that are observable for the asset or liability, either directly or indirectly. Observable inputs are those that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Foundation. Certificates of deposit, bonds and bond funds have fair values determined by Level 2 inputs such as interest rates, yield curves, models, or other valuation methodologies.

Level 3: Pricing inputs that are unobservable for the asset or liability. Unobservable inputs are those that reflect the Foundation’s own assumptions about the assumptions that market participants would use in pricing the asset or liability based on the best information available. Private equity funds, limited partnerships, and LLC member interests are measured based on Level 3 inputs that are unobservable, such as recent purchases and sales, underlying fund holdings, and information provided by fund managers and general partners including: audited consolidated financial statements, unaudited consolidated financial statements, and net asset valuations. Contributions receivable are measured using the income approach. Split-interest agreements are measured based on the present value of the expected income from the assets and estimated remainder assets; as such, split-interest agreements are considered to be determined based on Level 3 inputs.

A financial instrument’s categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The Foundation’s assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The Foundation has adopted the provisions of ASC 825-10, *Financial Instruments*, which provides an option to elect fair value as an alternative measurement for selected financial assets and liabilities not previously recorded at fair value. Once elected, this option is irrevocable. Pursuant to this adoption, the Foundation elected to measure contributions receivable at fair value to provide a valuation based on current yield curves and to create consistency in financial presentation with measurements of other financial instruments. Fair value is determined using the income approach, which is an expected present value technique adjusting cash flows from unconditional promises to give by an allowance, or risk premium, and then discounting the expected cash flows using a credit adjusted risk free rate (Level 3 inputs). The allowance, or risk premium, is based on any expected variance in timing of payments, promises past due, donor’s relationship with the Foundation, the Foundation’s collection history, and any other relevant information.

The Foundation did not elect fair value accounting for any asset or liability, other than contributions receivable, that is not currently required to be measured at fair value.

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

The following table presents assets and liabilities measured at fair value on a recurring basis, except those measured at cost or by using NAV per share as a practical expedient as identified below, as of June 30, 2021:

	Fair Value Measurements at June 30, 2021				
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at NAV
Assets					
Investments - other					
Money markets (at cost)	$ 56,955	$ -	$ -	$ -	$ -
LLC member interests - Primrose	568,727	-	-	568,727	-
Total investments - other	625,682	-	-	568,727	-
Investments - endowment pool					
Commingled funds - equities	20,054,303	-	-	-	20,054,303
Commingled funds - fixed income	7,504,875	-	-	-	7,504,875
Limited partnership interests					
Commonfund Partners	1,082,202	-	-	1,082,202	-
LLC member interests					
Glacial Lakes	50,000	-	-	50,000	-
Primrose	1,654,353	-	-	1,654,353	-
Fort Myers Lodging II	238,882	-	-	238,882	-
Elmwood Hospitality	189,544	-	-	189,544	-
Private equity funds:					
Other investments	183,189	-	-	183,189	-
V3 Realty Partners Hedge Fund	928,822	-	-	-	928,822
Total investments - endowment pool	31,886,170	-	-	3,398,170	28,488,000
Contributions receivable	18,653,114	-	-	18,653,114	-
Split-interest agreements	17,313,916	-	-	17,313,916	-
	$ 68,478,882	$ -	$ -	$ 39,933,927	$ 28,488,000
Liabilities					
Obligations under split-interest agreements	$ 41,135	$ -	$ -	$ 41,135	$ -
	$ 41,135	$ -	$ -	$ 41,135	$ -

The following table presents assets and liabilities measured at fair value on a recurring basis, except those measured at cost or by using NAV per share as a practical expedient as identified below, as of June 30, 2020:

Fair Value Measurements at June 30, 2020

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at NAV
Assets					
Investments - other					
Money markets (at cost)	$ 94,281	$ -	$ -	$ -	$ -
LLC member interests - Primrose	529,573	-	-	529,573	-
Total investments - other	623,854	-	-	529,573	-
Investments - endowment pool					
Commingled funds - equities (at NAV)	16,080,519	-	-	-	16,080,519
Commingled funds - fixed income (at NAV)	6,012,297	-	-	-	6,012,297
Limited partnership interests					
Commonfund Partners	615,937	-	-	615,937	-
LLC member interests:					
Glacial Lakes	46,000	-	-	46,000	-
Primrose	1,469,948	-	-	1,469,948	-
Fort Myers Lodging II	222,882	-	-	222,882	-
Elmwood Hospitality	211,898	-	-	211,898	-
Private equity funds					
Other investments	162,021	-	-	162,021	-
V3 Realty Partners Hedge Fund	804,579	-	-	-	804,579
Total investments - endowment pool	25,626,081	-	-	2,728,686	22,897,395
Contributions receivable	32,773,270	-	-	32,773,270	-
Split-interest agreement	15,778,965	-	-	15,778,965	-
	$ 74,802,170	$ -	$ -	$ 51,810,494	$ 22,897,395
Liabilities					
Obligations under split-interest agreements	$ 49,893	$ -	$ -	$ 49,893	$ -
	$ 49,893	$ -	$ -	$ 49,893	$ -

The table below set forth a summary of changes in the fair value of the Foundation's Level 3 assets and liabilities for the fiscal year ended June 30, 2021:

	July 1, 2020	Investment Income (Expense)	Net Realized and Unrealized Gains (Losses)	Gifts/ Purchases	Settlements/ Sales	June 30, 2021
Assets						
Investments:						
Limited partnership interests	$ 615,937	$ (14,192)	$ 350,031	$ 253,750	$ (123,324)	$ 1,082,202
LLC member interests	2,480,301	67,669	121,205	100,000	(67,669)	2,701,506
Private equity real estate funds	162,021	3,750	21,168	-	(3,750)	183,189
	3,258,259	57,227	492,404	353,750	(194,743)	3,966,897
Contributions receivable	32,773,270	-	(7,304)	3,190,321	(17,303,173)	18,653,114
Split-interest agreements	15,778,966	-	2,096,604	-	(561,654)	17,313,916
	$ 51,810,495	$ 57,227	$ 2,581,704	$ 3,544,071	$ (18,059,570)	$ 39,933,927

	July 1, 2020	Payments	Net Realized and Unrealized (Gains) Losses	June 30, 2021
Liabilities				
Obligations under split-interest agreements	$ 49,893	$ -	$ (8,758)	$ 41,135
	$ 49,893	$ -	$ (8,758)	$ 41,135

The table below set forth a summary of changes in the fair value of the Foundation's Level 3 assets and liabilities for the fiscal year ended June 30, 2020:

	July 1, 2019	Investment Income	Net Realized and Unrealized Gains (Losses)	Gifts/ Purchases	Settlements/ Sales	June 30, 2020
Assets						
Investments:						
Limited partnership interests	$ 539,073	$ (14,077)	$ 46,911	$ 122,250	$ (78,220)	$ 615,937
LLC member interests	2,292,643	59,343	87,658	100,000	(59,343)	2,480,301
Private equity real estate funds	79,548	-	(3,798)	86,271	-	162,021
	2,911,264	45,266	130,771	308,521	(137,563)	3,258,259
Contributions receivable	26,020,946	-	601,159	23,267,859	(17,116,694)	32,773,270
Split-interest agreements	16,022,621	-	309,221	-	(552,876)	15,778,966
	$ 44,954,831	$ 45,266	$ 1,041,151	$ 23,576,380	$ (17,807,133)	$ 51,810,495

	July 1, 2019	Payments	Net Realized and Unrealized (Gains) Losses	June 30, 2020
Liabilities				
Obligations under split-interest agreements	$ 51,399	$ -	$ (1,506)	$ 49,893
	$ 51,399	$ -	$ (1,506)	$ 49,893

Fair value changes in Level 3 investments, contributions receivable, and split-interest agreements have been recorded in the consolidated statements of activities and changes in net assets in net gain (loss) on investments at fair value, contributions and bequests and change in split-interest agreements, respectively.

Financial Accounting Standards Board Update 2009-12, *Fair Value Measurement and Disclosure (Topic 820): Investments in Certain Entities that Calculate Net Asset Value Per Share* (or its equivalent) requires disclosures of certain attributes in entities that calculate a net asset value per share (or its equivalent) and do not have a readily determinable fair value. The following table sets forth the disclosure of the attributes at June 30, 2021 and 2020:

	2021			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Collective Funds				
Multi-Strategy Equity Fund	$ 20,054,303	$ -	Monthly	5 business
Multi-Strategy Bond Fund	7,504,875	-	Monthly	5 business
V3 Realty Partners Hedge Fund	928,822	-	Semi-annual	60 days

	2020			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Collective Funds				
Multi-Strategy Equity Fund	$ 16,080,519	$ -	Monthly	5 business
Multi-Strategy Bond Fund	6,012,297	-	Monthly	5 business
V3 Realty Partners Hedge Fund	804,579	-	Semi-annual	60 days

The Multi-Strategy Equity Fund's objective is to offer an actively managed, multi-manager investment program that will provide broad exposure to global equity markets. The fund seeks to add value above the return of U.S. market measured by the S&P 500 Index, net of fees, and to provide competitive returns relative to the Russell U.S. Large Cap Market Oriented Equity Universe. The fund's risk characteristics will vary from those of the Index due to its diversified exposures to sectors outside of the Index, including non-U.S. equity markets and to certain marketable alternative strategies.

The Multi-Strategy Bond Fund's objective is to offer an actively managed, multi-manager investment program that will provide broad exposure to global debt markets. The fund seeks to add value above the return of the broad U.S. bond market, as measured by the Barclay's Capital U.S. Aggregate Bond Index, net of fees, and to provide competitive returns relative to the Russell U.S. Core Plus Fixed Income Universe. The fund's risk characteristics will vary from those of the Index due to its diversified exposures to sectors outside of the Index, including below investment grade debt and international bond and currency markets.

The V3 Realty Partner Hedge Fund's objective is to preserve capital and generate attractive total returns, principally by investing in publicly traded real estate securities.

Note 14 - Endowment

The Foundation's endowment consists of approximately 460 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

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

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

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s), as well as Board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to provide both a reasonably predicted income stream and principal appreciation that exceeds inflation. The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately 8% annually. Asset allocation guidelines have been established for the endowment based on liquidity needs, risk tolerance, and time horizon. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

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

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation's policy for appropriating distributions is calculated based on prior year scholarship payouts increased by the prior year's December 31 CPI, with an established 4% floor and 6% ceiling of the endowment fund's market value for each individual endowment distribution, plus an administrative fee of 1.95% for the years ended June 30, 2021 and 2020, respectively. In establishing this distribution policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at an average of 1.5% annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity, or for a specified term, as well as to provide additional real growth through new gifts and investment return.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration ("underwater"). In accordance with U.S. generally accepted accounting principles, deficiencies of this nature that are reported in net assets with donor restrictions were $0 as of June 30, 2021 and 2020. These deficiencies can result from unfavorable market fluctuations that occur after the investments of the endowed contributions are made and scholarship appropriations are made despite negative market returns.

The endowment net asset composition is as follows:

	At June 30, 2021			
	Without Donor Restriction	With Donor Restriction Other	With Donor Restriction Endowment	Total
Donor-restricted endowment funds	$ -	$ 5,388,960	$ 31,098,730	$ 36,487,690
Board-designated endowment funds	389,285	677,666	-	1,066,951
Total endowment funds	$ 389,285	$ 6,066,626	$ 31,098,730	$ 37,554,641

	At June 30, 2020			
	Without Donor Restriction	With Donor Restriction Other	With Donor Restriction Endowment	Total
Donor-restricted endowment funds	$ -	$ 450,579	$ 29,717,537	$ 30,168,116
Board-designated endowment funds	389,285	675,226	-	1,064,511
Total endowment funds	$ 389,285	$ 1,125,805	$ 29,717,537	$ 31,232,627

Changes in endowment net assets are as follows:

	For the Year Ending June 30, 2021			
	Without Donor Restriction	With Donor Restriction Other	With Donor Restriction Endowment	Total
Beginning endowment net assets	$ 389,285	$ 1,125,805	$ 29,717,537	$ 31,232,627
Investment return:				
Investment income	38,682	69,546	-	108,228
Net realized and unrealized appreciation (depreciation), net of fees	-	6,759,271	16,268	6,775,539
Change in split-interest agreements	-	-	110,146	110,146
Contributions, including promises to give	-	-	1,253,562	1,253,562
Donor change in restriction	-	-	1,217	1,217
Appropriation of endowment assets for expenditure	(38,682)	(1,887,996)	-	(1,926,678)
Endowment net assets, end of year	$ 389,285	$ 6,066,626	$ 31,098,730	$ 37,554,641

	For the Year Ending June 30, 2020			
	Without Donor Restriction	With Donor Restriction Other	With Donor Restriction Endowment	Total
Beginning endowment net assets	$ 417,122	$ 2,364,770	$ 28,932,643	$ 31,714,535
Investment return:				
Investment income	38,078	236,604	-	274,682
Net realized and unrealized appreciation (depreciation), net of fees	-	390,230	7,646	397,876
Change in split-interest agreements	-	-	52,009	52,009
Contributions, including promises to give	-	-	737,080	737,080
Donor change in restriction	-	-	(11,841)	(11,841)
Appropriation of endowment assets for expenditure	(65,915)	(1,865,799)	-	(1,931,714)
Endowment net assets, end of year	$ 389,285	$ 1,125,805	$ 29,717,537	$ 31,232,627

Note 15 - Commitment

The Foundation has committed to invest a total of $1,950,000 in various entities including Commonfund Capital Partners IV, Commonfund Capital Partners V, Commonfund Capital Partners VII, Commonfund Secondary Partners LP, Commonfund Secondary Partners III LP, and SD Equity Partners LP. As of June 30, 2021, $1,086,227 had been invested in these entities leaving remaining commitments of $1,613,773. The entities will call down the funds as they deem necessary.

See also Note 12 regarding the Foundation's commitment to Northern State University for ongoing projects.

Note 16 - Contingencies

Risk Management: COVID-19 Pandemic

During 2020, the world-wide coronavirus pandemic impacted national and global economies. The Foundation is closely monitoring its operations, liquidity and capital resources and is actively working to minimize the current and future impact of this unprecedented situation.

Note 17 - Functionalized Expenses

The following schedule presents the natural classification of expenses by function for the year ended June 30, 2021:

	Program Services						
	Scholarships	University Support	Alumni	Total	Management and General	Fundraising and Development	Total
Scholarships	$ 3,097,020	$ -	$ -	$ 3,097,020	$ -	$ -	$ 3,097,020
NSU capital projects	-	30,007,947	-	30,007,947	-	-	30,007,947
NSU non-capital support	-	1,224,207	-	1,224,207	-	-	1,224,207
Salaries and benefits	-	198,807	-	198,807	374,354	310,933	884,094
Professional fees	-	-	-	-	97,118	-	97,118
Printing and supplies	-	6,297	13,629	19,926	3,574	15,464	38,964
Information technology	-	-	-	-	43,944	-	43,944
Travel	-	2,414	444	2,858	-	203	3,061
Interest	-	-	-	-	231,324	-	231,324
Cost of direct benefits to donors	-	-	-	-	-	156,161	156,161
Depreciation and amortization	-	6,657	-	6,657	2,827	-	9,484
Other							
Advertising and promotion	-	-	625	625	-	889	1,514
Events	-	-	3,018	3,018	-		3,018
Occupancy	-	-	-	-	17,544	-	17,544
Conferences, conventions and meetings	-	-	3,890	3,890	3,676	-	7,566
Insurance	-	-	-	-	9,575	-	9,575
Bank fees	-	-	-	-	16,489	-	16,489
Annuity payments	-	-	-	-	8,884	-	8,884
Other	-	-	935	935	9,271	27,128	37,334
	3,097,020	31,446,329	22,541	34,565,890	818,580	510,778	35,895,248
Less expenses included with revenues on the statement of activities							
Cost of direct benefits to donors	-	-	-	-	-	(156,161)	(156,161)
Total expenses included in the expense section on the statement of activities	$ 3,097,020	$ 31,446,329	$ 22,541	$ 34,565,890	$ 818,580	$ 354,617	$ 35,739,087

The following schedule presents the natural classification of expenses by function for the year ended June 30, 2020:

	Program Services						
	Scholarships	University Support	Alumni	Total	Management and General	Fundraising and Development	Total
Scholarships	$ 3,027,175	$ -	$ -	$ 3,027,175	$ -	$ -	$ 3,027,175
NSU capital projects	-	18,366,606	-	18,366,606	-	-	18,366,606
NSU non-capital support		1,537,801		1,537,801			1,537,801
Salaries and benefits	-	235,254	-	235,254	375,157	379,129	989,540
Professional fees	-	7,093	-	7,093	77,939	-	85,032
Printing and supplies		15,055	1,228	16,283	7,445	12,654	36,382
Information technology	-	-	-	-	42,774	-	42,774
Travel	-	26,123	4,663	30,786	-	8,909	39,695
Interest	-	-	-	-	340,310	-	340,310
Concession cost of goods sold	-	-	-	-	-	17,456	17,456
Cost of direct benefits to donors	-	-	-	-	-	170,608	170,608
Depreciation and amortization	-	6,686	-	6,686	2,920	-	9,606
Other							
Advertising and promotion	-	-	724	724	-	4,046	4,770
Events	-	-	17,156	17,156	-		17,156
Occupancy	-	-	-	-	17,865	-	17,865
Conferences, conventions and meetings	-	-	4,077	4,077	6,597	-	10,674
Insurance	-	-	-	-	9,010	-	9,010
Training and development	-	-	-	-	-	2,290	2,290
Bank fees	-	-	-	-	15,348	-	15,348
Annunity payments	-	-	-	-	8,884	-	8,884
Other	-	-	1,176	1,176	8,230	20,157	29,563
	3,027,175	20,194,618	29,024	23,250,817	912,479	615,249	24,778,545
Less expenses included with revenues on the statement of activities							
Concession cost of goods sold	-	-	-	-	-	(17,456)	(17,456)
Cost of direct benefits to donors	-	-	-	-	-	(170,608)	(170,608)
Total expenses included in the expense section on the statement of activities	$ 3,027,175	$ 20,194,618	$ 29,024	$ 23,250,817	$ 912,479	$ 427,185	$ 24,590,481

Note 18 - Line of Credit

During 2021, the Foundation entered into a long-term line of credit note for a maximum $16,000,000. The line of credit has an interest rate of .1% with all principal and interest due on December 14, 2025. The line of credit is secured by contributions received for the Education Impact Campaign. As of June 30, 2021, the total amount drawn on the line of credit was $10,900,000. The line of credit is held with a financial institution that employs officers that are members of the Foundation's Board of Directors.

Note 19 - Subsequent Events

The Foundation has evaluated subsequent events through November 23, 2021, the date which the consolidated financial statements were available to be issued.