Consolidated Financial Statements
June 30, 2026 and 2025

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 Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Northern State University Foundation (a nonprofit organization), which comprise the consolidated statements of financial position as of June 30, 2026 and 2025, and the related consolidated statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements referred to above present fairly, in all material respects, the financial position of Northern State University Foundation as of June 30, 2026 and 2025, 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 (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Northern State University Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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; and for 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.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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, therefore, is not a guarantee that an audit conducted in accordance with GAAS 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 fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements 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 consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated 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 Northern State University Foundation'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Northern State University Foundation'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 internal control-related matters that we identified during the audit.

Eide Bailly LLP

Aberdeen, South Dakota
October 14, 2026

	2026	2025
Assets		
Cash and cash equivalents	$ 8,846,895	$ 8,568,461
Investments	164,313	161,590
Investments - endowment pool	66,461,473	56,134,416
Property held for investment	621,300	621,300
Cash restricted for debt service	780,287	736,339
Contributions receivable, net	7,411,611	9,106,754
Other receivables	195,137	44,946
Inventory	83,449	73,428
Cash value of insurance policies, net	401,638	388,864
Split-interest agreements	97,630	185,640
Other assets	88,036	38,626
Property and equipment, net	239,558	184,905
	$ 85,391,327	$ 76,245,269
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 67,137	$ 72,276
Accounts payable to NSU	204,451	255,526
Line of credit	2,616,935	3,418,787
Accrued interest payable	7,307	10,108
Compensated absences payable	140,841	119,992
Deferred revenue	507,437	180,338
Security deposits	1,850	1,850
Revenue bonds, net of bond issuance costs of $1,526 in 2026 and $2,158 in 2025	2,711,555	3,842,396
Total liabilities	6,257,513	7,901,273
Net Assets		
Without donor restriction (see Note 9)		
Undesignated	838,709	784,377
Designated for quasi-endowment	817,792	682,637
Designated for athletics	325,245	428,804
Designated for operating reserve	500,000	450,000
Designated for capital reserve	358,000	72,000
With donor restrictions (see Note 9)	76,294,068	65,926,178
Total net assets	79,133,814	68,343,996
	$ 85,391,327	$ 76,245,269

Northern State University Foundation
Consolidated Statement of Activities and Changes in Net Assets
Year Ended June 30, 2026

	Without Donor Restriction	With Donor Restriction	Total
Support and Revenue			
Contributions and bequests	$ 567,250	$ 7,427,251	$ 7,994,501
In-kind contributions	-	328,112	328,112
Special project contributions	-	2,193,595	2,193,595
Gross special events revenue	290,099	330,313	620,412
Less cost of direct benefits to donors	(175,860)	(180,942)	(356,802)
Net special events revenue	114,239	149,371	263,610
Athletic sponsorship revenue	401,838	-	401,838
Non-charitable athletic revenue	418,530	-	418,530
Net investment return	337,557	8,267,462	8,605,019
Lease income, net	-	13,565	13,565
Return on rental property	7,994	-	7,994
Change in split-interest agreements	-	9,159	9,159
Grant and other income	11,893	-	11,893
Net assets released from restriction pursuant to endowment spending-rate formula	3,254,221	(3,254,221)	-
Reclassifications and releases from restrictions	4,766,404	(4,766,404)	-
Total support and revenue	9,879,926	10,367,890	20,247,816
Expenses			
Program services			
Scholarships for NSU students	3,979,619	-	3,979,619
University support			
NSU athletic support	1,087,512	-	1,087,512
NSU special projects support	2,193,276	-	2,193,276
NSU operational support	245,050	-	245,050
Alumni services	192,888	-	192,888
Total program services	7,698,345	-	7,698,345
Supporting services			
Fundraising and development	718,943	-	718,943
Management and general expenses	1,040,710	-	1,040,710
Total supporting services	1,759,653	-	1,759,653
Total expenses	9,457,998	-	9,457,998
Change in Net Assets	421,928	10,367,890	10,789,818
Net Assets, Beginning of Year	2,417,818	65,926,178	68,343,996
Net Assets, End of Year	$ 2,839,746	$ 76,294,068	$ 79,133,814

Northern State University Foundation
Consolidated Statement of Activities and Changes in Net Assets
Year Ended June 30, 2025

	Without Donor Restriction	With Donor Restriction	Total
Support and Revenue			
Contributions and bequests	$ 682,246	$ 4,420,333	$ 5,102,579
In-kind contributions	-	436,309	436,309
Special project contributions	-	3,204,658	3,204,658
Gross special events revenue	338,232	272,422	610,654
Less cost of direct benefits to donors	(183,967)	(155,089)	(339,056)
Net special events revenue	154,265	117,333	271,598
Athletic sponsorship revenue	325,780	-	325,780
Non-charitable athletic revenue	427,184	-	427,184
Net investment return	365,412	6,304,842	6,670,254
Lease income, net	-	28,021	28,021
Return on rental property	13,192	-	13,192
Change in split-interest agreements	-	16,359	16,359
Grant and other income	7,848	-	7,848
Net assets released from restriction pursuant to endowment spending-rate formula	2,896,688	(2,896,688)	-
Reclassifications and releases from restrictions	4,747,711	(4,747,711)	-
Total support and revenue	9,620,326	6,883,456	16,503,782
Expenses			
Program services			
Scholarships for NSU students	3,870,710	-	3,870,710
University support			
NSU athletic support	902,781	-	902,781
NSU special projects support	2,155,674	-	2,155,674
NSU operational support	146,985	-	146,985
Alumni services	179,698	-	179,698
Total program services	7,255,848	-	7,255,848
Supporting services			
Fundraising and development	804,824	-	804,824
Management and general expenses	1,078,433	-	1,078,433
Total supporting services	1,883,257	-	1,883,257
Total expenses	9,139,105	-	9,139,105
Change in Net Assets	481,221	6,883,456	7,364,677
Net Assets, Beginning of Year	1,936,597	59,042,722	60,979,319
Net Assets, End of Year	$ 2,417,818	$ 65,926,178	$ 68,343,996

See Notes to Consolidated Financial Statements

	2026	2025
Operating Activities		
Change in net assets	$ 10,789,818	$ 7,364,677
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation expense	56,606	46,916
Interest expense attributable to amortization of debt issuance	632	632
Realized and unrealized gain on investments	(7,963,956)	(6,088,809)
Loss on disposal of assets	2,323	4,255
Noncash gifts of assets with donor restrictions	(212,188)	(33,163)
Change in split-interest agreements market value	(9,159)	(16,359)
Contributions restricted for reinvestment in endowments	(5,041,905)	(581,552)
Changes in assets and liabilities		
Receivables	1,544,952	1,274,487
Inventory	(10,021)	24,365
Cash value of insurance policies	(12,774)	(15,777)
Other assets	(49,410)	(5,854)
Split-interest agreements	97,169	106,974
Accounts payable	(56,214)	(286)
Accrued interest payable	(2,801)	(2,806)
Compensated absences payable	20,849	20,764
Deferred revenue	327,099	76,524
Net Cash from (used for) Operating Activities	(518,980)	2,174,988
Investing Activities		
Purchase of property and equipment	(113,582)	(22,864)
Proceeds from sale of assets gifted	212,188	33,163
Purchase of investments	(8,679,120)	(2,143,102)
Proceeds on sales of investments	6,313,296	4,234,683
Net Cash from (used for) Investing Activities	(2,267,218)	2,101,880
Financing Activities		
Collections of contributions restricted to endowments	5,041,905	581,552
Payment on line of credit	(801,852)	(947,299)
Payments on bonds	(1,131,473)	(1,111,930)
Net Cash from (used for) Financing Activities	3,108,580	(1,477,677)
Net Change in Cash, Cash Equivalents, and Restricted Cash	322,382	2,799,191
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	9,304,800	6,505,609
Cash, Cash Equivalents, and Restricted Cash, End of Year	$ 9,627,182	$ 9,304,800

	2026	2025
Cash and Cash Equivalents	$ 8,846,895	$ 8,568,461
Cash Restricted for Debt Service	780,287	736,339
Total Cash, Cash Equivalents, and Restricted Cash	$ 9,627,182	$ 9,304,800
Supplemental Disclosures of Cash Flow Information		
Cash paid for interest	$ 111,282	$ 145,369
Cash paid for income taxes	2,900	-
Supplemental Disclosures of Non-cash Investing and Financing Activity		
Trade-in allowance on property and equipment	$ 23,500	$ -

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.

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 annual comprehensive financial 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. The governing board has also designated, from net assets without donor restrictions, net assets for an operating and capital reserve. The Board has the right to decide, at any time, to expend the operating and capital reserve funds.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) restrictions. Some donor-imposed (or grantor-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 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, Cash Equivalents, and Restricted Cash

For purposes of reporting cash flows, the Foundation considers all deposits in checking, savings and money markets 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, debt service, permanent endowment, or other long-term purposes of the Foundation are excluded from this definition.

The actual bank balances at June 30, 2026, were as follows:

	Bank Balance
FDIC Insured	$ 7,960,427
Uninsured	1,773,666
Total deposits	$ 9,734,093

The Foundation's carrying amount of deposits and cash on hand on the June 30, 2026, consolidated statement of financial position was $9,627,182.

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 creditworthy. 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 11). In most instances, those changes in value may require the 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, 2026 and 2025. 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 are 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 rental properties in Aberdeen, South Dakota, to be held as rental properties as general investments of the Foundation. The rental properties are carried at cost. Revenue is recognized as 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 without donor restriction.

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, 2026 and 2025.

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 $5,000. 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 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, 2026 and 2025.

Lessor Leasing Arrangements

The Foundation leases a house to the University's President. The property is accounted for as an operating lease (see Note 4). 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 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 of 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 and In-Kind Contributions

Many individuals, particularly Board members, have contributed significant amounts of time to the activities of the Foundation without compensation. However, these services do not meet the criteria for being recorded as contributions under accounting principles generally accepted in the United States of America and, accordingly, have not been recorded. The Foundation records donated professional services and interest expense at the respective fair values of the services or interest received. Contributed goods are recorded at fair value at the date of donation (Note 16).

The Foundation's policy is to sell contributed assets immediately upon receipt unless the asset is restricted for use in a specific program by the donor, or the intention of the donation is to require investments that do not have an active market to be held as an alternative investment.

Athletic Sponsorship Revenue

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

Memberships

The exchange transaction portion of membership dues is recognized as revenue over the membership period and is included as non-charitable athletic revenue without 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 personnel 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 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 990-T) 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 $0 and $125,776 for the years ended June 30, 2026 and 2025, 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 2026 and 2025, approximately 57% and 58%, respectively, of donors are individuals and corporations residing in South Dakota. During the years ended June 30, 2026 and 2025, the Foundation had approximately 36% and 49%, respectively, in contributions receivable from two and three unrelated party donors, respectively, and approximately 42% and 20%, respectively, in contributions and bequests from one and one unrelated party donors, respectively.

Note 2 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following as of June 30, 2026 and 2025:

	2026	2025
Cash and cash equivalents	$ 1,090,510	$ 1,678,787
Contribution receivable - without donor restrictions	22,445	42,821
Other receivable	195,137	44,946
Cash value of insurance policies	121,122	118,692
Annual University support	175,000	175,000
	$ 1,604,214	$ 2,060,246

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 also estimates that it will have approximately $1,423,619 of funds that will become available for general expenditures that relate to annual gift fees and management fees.

The Foundation's board-designated without donor restriction endowments of $817,792 are subject to an annual spending rate as described in Note 12. 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 CDs. The Board has designated $500,000 and $358,000 of operating surpluses as operating and capital reserves, respectively.

Note 3 - Contributions Receivable

Donors to the Foundation have made unconditional promises to give that are measured at fair value. Contributions receivable as of June 30, 2026 and 2025, are expected to be collected as follows:

	2026	2025
Within one year	$ 2,892,091	$ 2,954,073
In one to five years	4,145,388	6,344,575
Over five years	3,398,796	3,167,159
	10,436,275	12,465,807
Adjustment to estimated fair value	(3,024,664)	(3,359,053)
	$ 7,411,611	$ 9,106,754

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 $5,495,000 and $6,150,000 as of June 30, 2026 and 2025, respectively, relating to scholarships, special projects, 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 4 - Lease of President’s Home

The Foundation leases a home in Aberdeen, South Dakota, to the University’s President. The lease on the property is classified as an operating lease agreement. The lease agreement requires minimum monthly lease payments of $2,500 and will remain in effect as a month-to-month lease until it is modified upon mutual agreement between the Foundation and the University President.

The value of the property subject to the operating lease was $334,000 as of June 30, 2026 and 2025, respectively, and depreciation expense on the leased property is provided on the straight-line method over the estimated useful life of the property in amounts necessary to reduce the asset to its estimated residual value. Estimated and actual residual value is reviewed on a regular basis to determine that depreciation amounts are appropriate. Depreciation expense relating to the leased property subject to operating lease was $0 for 2026 and 2025.

Revenue from operating leases is included in lease income, net on the statements of activities.

Note 5 - 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, 2026 and 2025, the cash value and loans were as follows:

	2026	2025
Cash surrender value	$ 424,974	$ 421,188
Less loans outstanding	(23,336)	(32,324)
	$ 401,638	$ 388,864

At June 30, 2026, the gross death benefit on the policies was $1,568,572.

Note 6 - Split-Interest Agreements

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 a period of 20 years. A receivable of $97,630 and $185,640 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, 2026 and 2025, respectively. The Foundation used interest rates commensurate with the risks involved to discount the receivable, which was 8.06% during 2026 and 7.53% during 2025.

Note 7 - Property and Equipment

Property and equipment consist of the following:

	2026	2025
Beckman Building	$ 109,276	$ 73,796
Building improvements	54,304	38,929
Equipment	366,395	335,406
	529,975	448,131
Less accumulated depreciation	(290,417)	(263,226)
Net	$ 239,558	$ 184,905

Depreciation expense totaled $56,606 and $46,916 for the years ended June 30, 2026 and 2025, respectively. Of that expense, $4,758 and $3,575 for the years ended June 30, 2026 and 2025, respectively, is netted against lease income.

Note 8 - 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 Educational Impact Campaign (EIC) with the agreement being reissued on December 31, 2020, to reflect a change in interest rates. The bonds are privately placed with seven banks located in South Dakota with varying principal amounts held at each bank. Interest and principal are payable semi-annually in May and November. Interest accrues at a flat rate of 1.75%. The bonds mature in May 2029.

Future maturities of long-term debt are as follows:

Years Ending June 30,	
2027	$ 1,151,361
2028	1,171,598
2029	390,122
Less unamortized debt issuance costs	(1,526)
	$ 2,711,555

Note 9 - Net Assets

Support for one capital project in excess of restricted gifts has resulted in a deficiency that is reported in net assets without donor restrictions. This cumulative deficiency totaled approximately $147,585 and $207,585 as of June 30, 2026 and 2025, 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 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 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 on 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 12). 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:

	2026	2025
Without Donor Restriction		
Board designated for quasi-endowment	$ 817,792	$ 682,637
Board designated for athletics	325,245	428,804
Board designated for operating reserve	500,000	450,000
Board designated for capital reserve	358,000	72,000
Without donor restriction	838,709	784,377
Total without donor restriction	2,839,746	2,417,818
With Donor Restriction		
Promises to give that are not restricted by donors - time restricted	484,649	639,820
Educational Impact Campaign (EIC) Special Project including contributions receivable	(49,505)	(114,307)
Fair value adjustment on contributions receivable on EIC special projects	(611,153)	(982,937)
NSU Other Special Projects including contributions receivable	2,937,648	3,883,561
Fair value adjustment on contributions receivable	(182,552)	(293,604)
Board designated for quasi-endowment and donor-purpose restriction	12,176,105	11,778,304
Purpose restriction - unspent earnings from split-interest agreement	786,221	552,319
Purpose restriction - unspent endowment appropriations	14,203,683	9,581,838
Athletics including contributions receivable	1,190,622	940,006
Scholarships	927,625	758,819
	31,863,343	26,743,819
Endowments, perpetual in nature		
Endowment for operational support	206,856	204,856
Endowment for other	3,476,676	3,476,676
Endowment for scholarships	40,747,193	35,500,827
	44,430,725	39,182,359
Total net assets	$ 79,133,814	$ 68,343,996

Net assets were reclassified and/or released from restrictions as follows during the years ended June 30, 2026 and 2025:

	2026	2025
Expiration of time restrictions	$ 195,375	$ 154,025
Satisfaction of purpose restrictions		
Scholarships	1,597,142	1,758,251
Special projects	2,389,289	2,454,935
Athletic projects	584,598	380,500
	4,766,404	4,747,711
Restricted-purpose endowment spending-rate formula distributions and appropriations (see Note 12)		
Scholarships and operational support	1,717,540	1,690,780
Fees	1,536,681	1,205,908
	3,254,221	2,896,688
	$ 8,020,625	$ 7,644,399

Note 10 - Related Party Transactions

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, 2026 and 2025, the contributions received or promised were $987,936 and $1,126,870, respectively, from these institutions, companies and individuals. Contributions receivable from these institutions, companies and individuals were $986,907 and $1,219,414 as of June 30, 2026 and 2025, respectively.

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, 2026, approximately $3,177,415 has been raised through cash and unconditional promises to give of the Foundation's commitment. As of June 30, 2026 and 2025, the Foundation has recorded an obligation to the University of $147,585 and $207,585, respectively, related to the Barnett Center. Funding for these improvements will come from cash collections designated by the donors for this purpose.

During prior fiscal years, the Foundation committed to contribute amounts totaling approximately $52.7 million toward the Educational Impact Campaign (EIC) for construction of various projects. This amount has been raised through cash and conditional and unconditional promises to give. As of June 30, 2026, the Foundation has approximately $250,000 remaining that is committed for construction costs that has not yet been paid by the University.

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, 2026 and 2025, payments in the amount of $20,000 and $20,073, respectively, have been paid to NSU for project costs. The remaining portion of approximately $23,000 is expected to be paid as pledge payments are received. The Foundation has not recorded a payable for this amount as of June 30, 2026, 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 agreement was amended during 2024 to extend the length of the agreement and payment amounts required each year. Payments are expected from 2022 to 2029.

As of June 30, 2026 and 2025, the Foundation also owes the University $56,866 and $47,941, respectively, for other administrative reimbursements.

As of June 30, 2026 and 2025, the Foundation has receivables from the University $148,698 and $0, respectively, for reimbursement of expenses and a portion of athletic ticket and parking fees.

Note 11 - 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 which do not have readily determinable fair values.

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, 2026:

	Fair Value Measurements at June 30, 2026				
	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					
LLC member interests - Primrose	$ 164,313	$ -	$ -	$ 164,313	$ -
Total investments - other	164,313	-	-	164,313	-
Investments - endowment pool					
Cash and money markets funds (at cost)	801,444	-	-	-	-
Stocks and mutual funds	10,780,121	10,780,121	-	-	-
Corporate bonds and bond funds	3,838,973	-	3,838,973	-	-
Commingled funds - equities	31,451,408	-	-	-	31,451,408
Commingled funds - fixed income	10,668,885	-	-	-	10,668,885
Limited partnership interests					
Commonfund Partners	4,381,436	-	-	4,381,436	-
LLC member interests					
Glacial Lakes	137,500	-	-	137,500	-
Primrose	2,234,235	-	-	2,234,235	-
Fort Myers Lodging II	127,317	-	-	127,317	-
Elmwood Hospitality	317,521	-	-	317,521	-
Sarasota Staybridge	294,110	-	-	294,110	-
Private equity funds					
Other investments	368,701	-	-	368,701	-
Maewyn XRN	1,001,466	-	-	1,001,466	-
V3 Realty Partners Hedge Fund	58,356	-	-	-	58,356
Total investments - endowment pool	66,461,473	10,780,121	3,838,973	8,862,286	42,178,649
Contributions receivable	7,411,611	-	-	7,411,611	-
Split-interest agreements	97,630	-	-	97,630	-
	$ 74,135,027	$ 10,780,121	$ 3,838,973	$ 16,535,840	$ 42,178,649

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, 2025:

	Fair Value Measurements at June 30, 2025				
	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					
LLC member interests - Primrose	$ 161,590	$ -	$ -	$ 161,590	$ -
Total investments - other	161,590	-	-	161,590	-
Investments - endowment pool					
Cash and money markets funds (at cost)	642,103	-	-	-	-
Stocks and mutual funds	9,344,003	9,344,003	-	-	-
Corporate bonds and bond funds	3,297,469	-	3,297,469	-	-
Commingled funds - equities	28,266,381	-	-	-	28,266,381
Commingled funds - fixed income	7,982,272	-	-	-	7,982,272
Limited partnership interests					
Commonfund Partners	3,354,880	-	-	3,354,880	-
LLC member interests					
Glacial Lakes	115,500	-	-	115,500	-
Primrose	1,928,393	-	-	1,928,393	-
Fort Myers Lodging II	160,715	-	-	160,715	-
Elmwood Hospitality	281,584	-	-	281,584	-
Sarasota Staybridge	250,000	-	-	250,000	-
Private equity funds					
Other investments	342,576	-	-	342,576	-
V3 Realty Partners Hedge Fund	168,540	-	-	-	168,540
Total investments - endowment pool	56,134,416	9,344,003	3,297,469	6,433,648	36,417,193
Contributions receivable	9,106,754	-	-	9,106,754	-
Split-interest agreements	185,640	-	-	185,640	-
	$ 65,588,400	$ 9,344,003	$ 3,297,469	$ 15,887,632	$ 36,417,193

The table below sets forth a summary of changes in the fair value of the Foundation's Level 3 assets and liabilities for the fiscal years ended June 30, 2026 and 2025:

	July 1, 2025	Investment Income (Expense)	Net Realized and Unrealized Gains (Losses)	Gifts/ Purchases	Settlements/ Sales	June 30, 2026
Assets						
Investments						
Limited partnership interests	$ 3,354,880	$ (74,965)	$ 562,711	$ 696,771	$ (157,961)	$ 4,381,436
LLC member interests	2,897,782	106,601	382,214	-	(111,601)	3,274,996
Private equity real estate funds	342,576	15,167	37,591	1,000,000	(25,167)	1,370,167
	6,595,238	46,803	982,516	1,696,771	(294,729)	9,026,599
Contributions receivable	9,106,754	-	334,389	2,686,394	(4,715,926)	7,411,611
Split-interest agreements	185,640	-	9,159	-	(97,169)	97,630
	$ 15,887,632	$ 46,803	$ 1,326,064	$ 4,383,165	$ (5,107,824)	$ 16,535,840

	July 1, 2024	Investment Income	Net Realized and Unrealized Gains (Losses)	Gifts/ Purchases	Settlements/ Sales	June 30, 2025
Assets						
Investments						
Limited partnership interests	$ 2,629,811	$ (94,720)	$ 314,150	$ 702,927	$ (197,288)	$ 3,354,880
LLC member interests	2,714,491	36,559	189,542	-	(42,810)	2,897,782
Private equity real estate funds	240,188	10,500	91,888	-	-	342,576
	5,584,490	(47,661)	595,580	702,927	(240,098)	6,595,238
Contributions receivable	10,381,544	-	(188,061)	4,611,251	(5,697,980)	9,106,754
Split-interest agreements	276,255	-	16,359	-	(106,974)	185,640
	$ 16,242,289	$ (47,661)	$ 423,878	$ 5,314,178	$ (6,045,052)	$ 15,887,632

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.

Fair Value Measurement and Disclosure (Topic 820) 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, 2026 and 2025:

	2026			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Multi-Strategy Equity Fund	$ 31,451,408	$ -	Monthly	5 business days before month-end
Multi-Strategy Bond Fund	10,668,885	-	Monthly	5 business days before month-end
V3 Realty Partners Hedge Fund	58,356	-	Semi-annual	60 days

	2025			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Multi-Strategy Equity Fund	$ 28,266,381	$ -	Monthly	5 business days before month-end
Multi-Strategy Bond Fund	7,982,272	-	Monthly	5 business days before month-end
V3 Realty Partners Hedge Fund	168,540	-	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 the 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 Bloomberg 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 12 - Endowment

The Foundation's endowment consists of approximately 513 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, 2026 and 2025, 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, 2026 and 2025. 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, 2026			
	Without Donor Restriction	With Donor Restriction Other	With Donor Restriction Endowment	Total
Donor-restricted endowment funds	$ -	$ 14,203,683	$ 44,430,725	$ 58,634,408
Board-designated endowment funds	817,792	12,176,105	-	12,993,897
Total endowment funds	$ 817,792	$ 26,379,788	$ 44,430,725	$ 71,628,305

	At June 30, 2025			
	Without Donor Restriction	With Donor Restriction Other	With Donor Restriction Endowment	Total
Donor-restricted endowment funds	$ -	$ 9,581,838	$ 39,182,359	$ 48,764,197
Board-designated endowment funds	682,637	11,778,304	-	12,460,941
Total endowment funds	$ 682,637	$ 21,360,142	$ 39,182,359	$ 61,225,138

Changes in endowment net assets are as follows:

	For the Year Ending June 30, 2026			
	Without Donor Restriction	With Donor Restriction Other	With Donor Restriction Endowment	Total
Beginning endowment net assets	$ 682,637	$ 21,360,142	$ 39,182,359	$ 61,225,138
Investment return				
Investment income	-	197,270	-	197,270
Net realized and unrealized appreciation (depreciation), net of fees	27,783	8,067,340	10,254	8,105,377
Change in split-interest agreements	-	-	9,159	9,159
Contributions, including promises to give	-	15,139	5,227,536	5,242,675
Donor change in restriction	-	(1,417)	1,417	-
Board quasi-endowed funds	130,000	505,166	-	635,166
Appropriation of endowment assets for expenditure	(22,628)	(3,763,852)	-	(3,786,480)
Endowment net assets, end of year	$ 817,792	$ 26,379,788	$ 44,430,725	$ 71,628,305

	For the Year Ending June 30, 2025			
	Without Donor Restriction	With Donor Restriction Other	With Donor Restriction Endowment	Total
Beginning endowment net assets	$ 682,117	$ 17,607,129	$ 37,859,043	$ 56,148,289
Investment return				
Investment income	-	162,242	-	162,242
Net realized and unrealized appreciation (depreciation), net of fees	22,511	6,155,215	10,667	6,188,393
Change in split-interest agreements	-	-	16,359	16,359
Contributions, including promises to give	-	-	1,294,938	1,294,938
Donor change in restriction	-	(1,352)	1,352	-
Board quasi-endowed funds	-	765,727	-	765,727
Appropriation of endowment assets for expenditure	(21,991)	(3,328,819)	-	(3,350,810)
Endowment net assets, end of year	$ 682,637	$ 21,360,142	$ 39,182,359	$ 61,225,138

Note 13 - Commitments

The Foundation has committed to invest a total of $8,450,000 in various entities including Commonfund Capital Partners IV, Commonfund Capital Partners V, Commonfund Capital Partners VII LP, Commonfund Capital Partners VIII LP, Commonfund Capital Partners IX LP, Commonfund Secondary Partners II, Commonfund Secondary Partners III, Commonfund Secondary Partners IV LP, Commonfund Private Credit Fund III LP, Commonfund Venture Partners XVI, Commonfund CFPE Partners X, LP, and SD Equity Partners LP. As of June 30, 2026, $4,029,287 had been invested in these entities leaving remaining commitments of $4,420,713. The entities will call down the funds as they deem necessary. See also Note 10 regarding the Foundation's commitment to Northern State University for any ongoing projects.

Note 14 - Functionalized Expenses

The following schedule presents the natural classification of expenses by function for the year ended June 30, 2026:

	Program Services						
	Scholarships	University Support	Alumni	Total	Management and General	Fundraising and Development	Total
Scholarships	$ 3,979,619	$ -	$ -	$ 3,979,619	$ -	$ -	$ 3,979,619
NSU non-capital support	-	3,286,673	-	3,286,673	-	-	3,286,673
Salaries and benefits	-	104,466	93,013	197,479	431,995	602,568	1,232,042
Professional fees	-	-	-	-	94,975	-	94,975
Printing and supplies	-	21,461	8,181	29,642	35,981	41,168	106,791
Information technology	-	-	-	-	107,296	-	107,296
Travel	-	92,691	8,966	101,657	-	4,571	106,228
Interest	-	-	-	-	202,027	-	202,027
Cost of direct benefits to donors	-	-	-	-	-	356,802	356,802
Depreciation and amortization	-	20,547	-	20,547	31,301	-	51,848
Other							
Advertising and promotion	-	-	22,400	22,400	7,360	28,712	58,472
Events	-	-	26,124	26,124	-	-	26,124
Occupancy	-	-	-	-	68,475	-	68,475
Conferences, conventions and meetings	-	-	27,473	27,473	7,024	-	34,497
Insurance	-	-	-	-	20,570	-	20,570
Training and development	-	-	-	-	3,750	853	4,603
Bank fees	-	-	-	-	22,193	-	22,193
Annuity	-	-	-	-	11	-	11
Other	-	-	6,731	6,731	7,752	41,071	55,554
	3,979,619	3,525,838	192,888	7,698,345	1,040,710	1,075,745	9,814,800
Less expenses included with revenues on the statement of activities							
Cost of direct benefits to donors	-	-	-	-	-	(356,802)	(356,802)
Total expenses included in the expense section on the statement of activities	$ 3,979,619	$ 3,525,838	$ 192,888	$ 7,698,345	$ 1,040,710	$ 718,943	$ 9,457,998

The following schedule presents the natural classification of expenses by function for the year ended June 30, 2025:

	Program Services						
	Scholarships	University Support	Alumni	Total	Management and General	Fundraising and Development	Total
Scholarships	$ 3,870,710	$ -	$ -	$ 3,870,710	$ -	$ -	$ 3,870,710
NSU non-capital support	-	2,956,971	-	2,956,971	-	-	2,956,971
Salaries and benefits	-	95,839	86,805	182,644	455,917	598,635	1,237,196
Professional fees	-	-	-	-	91,331	56,000	147,331
Printing and supplies	-	28,924	8,700	37,624	33,797	35,696	107,117
Information technology	-	-	-	-	96,856	-	96,856
Travel	-	104,694	6,727	111,421	-	10,715	122,136
Interest	-	-	-	-	290,354	-	290,354
Cost of direct benefits to donors	-	-	-	-	-	339,056	339,056
Depreciation and amortization	-	19,012	-	19,012	24,331	-	43,343
Other							
Advertising and promotion	-	-	15,534	15,534	8,222	52,863	76,619
Events	-	-	27,435	27,435	-	-	27,435
Occupancy	-	-	-	-	20,351	-	20,351
Conferences, conventions and meetings	-	-	29,927	29,927	7,406	-	37,333
Insurance	-	-	-	-	17,817	-	17,817
Training and development	-	-	-	-	1,168	3,609	4,777
Bank fees	-	-	-	-	18,210	-	18,210
Annuity	-	-	-	-	3,247	-	3,247
Other	-	-	4,570	4,570	9,426	47,306	61,302
	3,870,710	3,205,440	179,698	7,255,848	1,078,433	1,143,880	9,478,161
Less expenses included with revenues on the statement of activities							
Cost of direct benefits to donors	-	-	-	-	-	(339,056)	(339,056)
Total expenses included in the expense section on the statement of activities	$ 3,870,710	$ 3,205,440	$ 179,698	$ 7,255,848	$ 1,078,433	$ 804,824	$ 9,139,105

Note 15 - Line of Credit

During 2023, the Foundation entered into a long-term line of credit note for a maximum of $5,000,000. The line of credit has a fixed interest rate of 1.60%, with all principal and interest due on June 15, 2030. The line of credit is secured by contributions received for the Educational Impact Campaign. As of June 30, 2026 and 2025, the total amount outstanding on the line of credit was $2,616,935 and $3,418,787, respectively.

Note 16 - Donated Materials and Contributed Interest Expense

Donated professional services and materials are as follows during the years ended June 30, 2026 and 2025:

	2026	2025
Athletic recruiting travel, meals and hotel stays	$ 54,642	$ 88,967
Equipment, supplies and vehicle	116,802	110,758
Event auction items	63,754	89,425
Line of credit interest expense	92,914	147,159
	$ 328,112	$ 436,309

Contributed goods used for athletic recruiting, equipment, supplies, and vehicle are all used in University support services for athletics and other departments. Event auction items are used in fundraising activities. The value of the contributed items is based on estimated prices of identical or similar products considering the goods' conditions and utility for the use at the time of the contribution.

Contributed interest expense is provided by the financial institution that maintains the Foundation's line of credit and is recognized at fair value based on current interest rates that would be charged on line of credit agreement.

All gifts-in-kind received during the years ended June 30, 2026 and 2025, were restricted.

Note 17 - Subsequent Events

The Foundation has evaluated subsequent events through October 14, 2026, the date on which the consolidated financial statements were available to be issued.