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# The Youngstown State University Foundation

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**Financial Report**  
**June 30, 2020**



OHIO AUDITOR OF STATE  
KEITH FABER



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Board of Trustees  
The Youngstown State University Foundation  
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We have reviewed the *Independent Auditor's Report* of The Youngstown State University Foundation, Mahoning County, prepared by Plante & Moran, PLLC, for the audit period July 1, 2019 through June 30, 2020. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Youngstown State University Foundation is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads 'Keith Faber'.

Keith Faber  
Auditor of State  
Columbus, Ohio

November 9, 2020

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## **Independent Auditor's Report**

To the Board of Trustees  
The Youngstown State University Foundation

### **Report on the Financial Statements**

We have audited the accompanying financial statements of The Youngstown State University Foundation (the "Foundation"), which comprise the statement of financial position as of June 30, 2020 and 2019 and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these 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 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 financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements for the year ended June 30, 2019 were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

#### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Youngstown State University Foundation as of June 30, 2020 and 2019 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.

#### ***Emphasis of Matter***

As described in Note 7, the financial statements include investments valued at approximately \$66,502,000 (26 percent of net assets) at June 30, 2020 and \$71,347,000 (27 percent of net assets) at June 30, 2019, whose fair values have been estimated by management in the absence of readily determinable market values. Management's estimates are based on information provided by the investment fund managers. Our opinion is not modified with respect to this matter.

To the Board of Trustees  
The Youngstown State University Foundation

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2020 on our consideration of The Youngstown State University Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Youngstown State University Foundation's internal control over financial reporting and compliance.

*Plante & Moran, PLLC*

October 2, 2020



## The Youngstown State University Foundation

### Statement of Financial Position

June 30, 2020 and 2019

	2020	2019
<b>Assets</b>		
Cash and cash equivalents	\$ 2,092,541	\$ 2,723,049
Investments (Note 7)	254,739,015	258,789,138
Pledges receivable - Net (Note 4)	5,294,797	5,345,462
Pledges receivable for the University - Net (Note 4)	3,940,277	4,939,616
Prepaid expenses and other assets	957,443	1,582,430
Property and equipment - Net	192,445	39,224
	<u>267,216,518</u>	<u>273,418,919</u>
Total assets	<b>\$ 267,216,518</b>	<b>\$ 273,418,919</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 956,418	\$ 1,084,881
Grant commitments to the University	9,987,574	8,545,274
Accrued liabilities and other	281,758	240,642
	<u>11,225,750</u>	<u>9,870,797</u>
Total liabilities	11,225,750	9,870,797
<b>Net Assets</b>		
Without donor restrictions	143,733,963	152,970,226
With donor restrictions	112,256,805	110,577,896
	<u>255,990,768</u>	<u>263,548,122</u>
Total net assets	255,990,768	263,548,122
Total liabilities and net assets	<b>\$ 267,216,518</b>	<b>\$ 273,418,919</b>

## The Youngstown State University Foundation

# Statement of Activities and Changes in Net Assets

Years Ended June 30, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue, Gains, and Other Support</b>						
Contributions	\$ 3,446,644	\$ 8,002,384	\$ 11,449,028	\$ 2,604,323	\$ 13,716,937	\$ 16,321,260
In-kind donations	-	-	-	-	599,400	599,400
Investment earnings	1,837,174	910,358	2,747,532	1,203,677	735,234	1,938,911
Net realized gains on sale of investments	1,025,614	1,401,011	2,426,625	2,922,565	1,834,169	4,756,734
Net unrealized change in long-term investments	(3,203,185)	(3,469,196)	(6,672,381)	4,507,552	2,689,458	7,197,010
Reclassification due to management's reassessment of donor restrictions	-	-	-	(499,145)	499,145	-
Net assets released from restrictions	5,165,648	(5,165,648)	-	6,909,392	(6,909,392)	-
<b>Total revenue, gains, and other support</b>	<b>8,271,895</b>	<b>1,678,909</b>	<b>9,950,804</b>	<b>17,648,364</b>	<b>13,164,951</b>	<b>30,813,315</b>
<b>Expenses</b>						
Distributions to the University for scholarships and other programs	15,787,388	-	15,787,388	15,047,701	-	15,047,701
Administrative expenditures	1,720,770	-	1,720,770	1,943,239	-	1,943,239
<b>Total expenses</b>	<b>17,508,158</b>	<b>-</b>	<b>17,508,158</b>	<b>16,990,940</b>	<b>-</b>	<b>16,990,940</b>
<b>(Decrease) Increase in Net Assets</b>	<b>(9,236,263)</b>	<b>1,678,909</b>	<b>(7,557,354)</b>	<b>657,424</b>	<b>13,164,951</b>	<b>13,822,375</b>
<b>Net Assets - Beginning of year</b>	<b>152,970,226</b>	<b>110,577,896</b>	<b>263,548,122</b>	<b>152,312,802</b>	<b>97,412,945</b>	<b>249,725,747</b>
<b>Net Assets - End of year</b>	<b>\$ 143,733,963</b>	<b>\$ 112,256,805</b>	<b>\$ 255,990,768</b>	<b>\$ 152,970,226</b>	<b>\$ 110,577,896</b>	<b>\$ 263,548,122</b>

## The Youngstown State University Foundation

## Statement of Cash Flows

Years Ended June 30, 2020 and 2019

	2020	2019
<b>Cash Flows from Operating Activities</b>		
Cash received from nonendowment contributions	\$ 5,627,021	\$ 5,629,108
Cash received from investment earnings	2,747,532	2,885,752
Cash paid for administrative costs	(1,787,517)	(2,858,388)
Scholarships, grants, and other cash distributions to the University	<u>(14,406,804)</u>	<u>(14,320,446)</u>
Net cash and cash equivalents used in operating activities	(7,819,768)	(8,663,974)
<b>Cash Flows from Investing Activities</b>		
Purchase of investments	(50,769,357)	(46,885,224)
Proceeds from sale and maturities of investments	50,659,313	43,971,604
Purchase of property and equipment	(166,370)	(13,865)
Transfer of real estate held for the University	<u>-</u>	<u>228,965</u>
Net cash and cash equivalents used in investing activities	(276,414)	(2,698,520)
<b>Cash Flows from Financing Activities</b> - Proceeds from contributions for investment in endowment	<u>7,465,674</u>	<u>10,965,173</u>
<b>Net Decrease in Cash and Cash Equivalents</b>	(630,508)	(397,321)
<b>Cash and Cash Equivalents</b> - Beginning of year	<u>2,723,049</u>	<u>3,120,370</u>
<b>Cash and Cash Equivalents</b> - End of year	<u><b>\$ 2,092,541</b></u>	<u><b>\$ 2,723,049</b></u>
<b>Significant Noncash Transactions</b> - Land contributions received in kind	\$ -	\$ 599,400

June 30, 2020 and 2019

### Note 1 - Nature of Business

The Youngstown State University Foundation (the "Foundation") is an Ohio nonprofit corporation formed on September 7, 1966 as Youngstown Educational Foundation. On May 12, 1983, the name of the Foundation was changed to The Youngstown State University Foundation. The Foundation is devoted to the support, expansion, and development of educational programs at Youngstown State University (the "University" or YSU) that are useful to the student and beneficial to the YSU community.

The Foundation is exempt from federal income tax under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3) of the Internal Revenue Code and is presently classified as a public charity under Section 509(a)(1). The public charity status was acknowledged by the Internal Revenue Service. Under Section 509(a)(1), the Foundation may receive support from private foundations.

### Note 2 - Significant Accounting Policies

#### ***Basis of Accounting***

The accounts of the Foundation are maintained in accordance with the principles of not-for-profit accounting. The statements have been prepared on the accrual basis.

#### ***Cash and Cash Equivalents***

The Foundation considers all investments with original maturities of three months or less to be cash equivalents. These consist of cash, money markets, and bank certificates of deposit that are used for operating purposes.

The Foundation maintains its cash in bank deposits that at times may exceed federally insured limits. The Foundation has not experienced any losses in such accounts and believes it is not exposed to significant risk on cash.

#### ***Credit Risk Concentrations***

Financial instruments that potentially expose the Foundation to concentrations of credit risk include investments in marketable securities. As a matter of policy, the Foundation maintains balances only with financial institutions having a high credit quality. Concentration of credit risk for investments in marketable securities is mitigated by both the distribution of investment funds among asset managers and the overall diversification of managed investment portfolios.

#### ***Investments***

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value. Investments in equity securities without readily determinable fair value are recorded at cost and adjusted for any observable changes in price. Donated investments, including donated property, are recorded as contributions at fair value on the date received. Realized gains (losses) on investments are the difference between the proceeds received and the fair market value of investments sold. Net appreciation in the fair value of investments (including realized and unrealized gains and losses) is included in revenue, gains, and other support of net assets without donor restrictions, unless the net appreciation or investment income is restricted by the donor or by law. Dividend and interest income is presented net of certain investment fees on the statement of activities and change in net assets and approximated \$2,748,000 and \$1,939,000 for the years ended June 30, 2020 and 2019, respectively.

Alternative investments, primarily composed of hedge funds that are not readily marketable, are measured at fair value, valued at net asset value per share as the practical expedient. The Foundation reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and significant assumptions used in determining fair value. Those estimated fair values may differ significantly from the values that would have been used had a ready market for these securities existed.

**Note 2 - Significant Accounting Policies (Continued)**

***Property and Equipment***

Property and equipment consist of office furniture and fixtures recorded at cost when purchased and at estimated fair market value when donated. Depreciation on property and equipment is provided on a straight-line basis over the estimated useful lives of five to seven years. Property and equipment are presented net of accumulated depreciation of \$65,910 and \$57,328 as of June 30, 2020 and 2019, respectively.

Gifts of long-lived assets, such as land, buildings, or equipment, are reported as unrestricted support and are excluded from excess of revenue over expenses, unless explicit donor stipulations specify how the donated asset must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets must be maintained are reported as restricted support. Expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Depreciation expense for property and equipment totaled \$13,330 and \$12,369 for the years ended June 30, 2020 and 2019, respectively.

***Classification of Net Assets***

Net assets of the Foundation are classified based on the presence or absence of donor-imposed restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions or for which the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the Foundation.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Earnings, gains, and losses on donor-restricted net assets are classified as net assets without donor restrictions unless specifically restricted by the donor or by applicable state law.

***Contributions***

Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received, measured at fair value. Donor promises to give in the future are recorded at the present value of estimated future cash flows. Contributions resulting from split-interest agreements, measured at the time when the agreements are entered, are based on the difference between the fair value of the assets received or promised and the present value of the obligation to the third-party recipient(s) under the contract.

Contributions without donor-imposed restrictions and contributions with donor-imposed time or purpose restrictions that are met in the period in which the gift received are both reported as unrestricted support. Other restricted gifts are reported as contributions with donor restrictions.

Contributions receivable that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. An allowance for uncollectible contributions is provided when evidence indicates amounts promised by donors may not be collectible.

**Note 2 - Significant Accounting Policies (Continued)**

***Functional Allocation of Expenses***

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses allocated include salaries and related benefits, telephone, postage, and information technology. See Note 11 for additional details related to the allocation of expenses.

***Fundraising***

Fundraising costs are charged to expense as incurred. During the years ended June 30, 2020 and 2019, total direct fundraising costs approximated \$171,000 and \$161,000, respectively, and are included with administrative expenditures on the accompanying statement of activities and changes in net assets.

***Risks and Uncertainties***

The Foundation invests in various investment securities. Investment securities are exposed to various 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 that such changes could materially affect the amounts reported in the statement of financial position.

***Use of Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles 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 financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

***Change in Accounting Principle***

As of July 1, 2019, the Foundation adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which provides enhanced guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) and (2) determining whether a contribution is conditional. The Foundation adopted the new standard on a modified prospective basis. The adoption of this standard did not require restatement of the financial information for the year ended June 30, 2019.

**Note 2 - Significant Accounting Policies (Continued)**

***Upcoming Accounting Pronouncement***

The Financial Accounting Standards Board issued Accounting Standards Update No. 2016-02, *Leases*, which will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right-to-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of operations. Currently, leases are classified as either capital or operating, with only capital leases recognized on the balance sheet. The reporting of lease-related expenses in the statements of operations and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Foundation's year ending June 30, 2022 and will be applied using a modified retrospective transition method to the beginning of the earliest period presented. The new lease standard is expected to have a significant effect on the Foundation's financial statements as a result of the lease for office space currently classified as an operating lease, described in Note 10, that will be reported on the statement of financial position at adoption. Upon adoption, the Foundation will recognize a lease liability and corresponding right-to-use asset based on the present value of the minimum lease payments. The effects on the results of operations are not expected to be significant, as recognition and measurement of expenses and cash flows for leases will be substantially the same under the new standard.

***Impact of COVID-19***

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. These recommendations resulted in mandates from federal and state authorities requiring the Foundation to refrain from in-person attendance at conferences and holding in-person fundraising events, which could have an impact on the Foundation's expected revenue received and future fundraising plans. In March 2020, the Foundation had significant investment losses because of the initial market fluctuations related to COVID-19. Losses were substantially recovered as of June 30, 2020. No impairments were recorded as of the statement of financial position date; however, due to significant uncertainty surrounding the situation, management's judgment regarding this could change in the future. In addition, while the Foundation's results of operations, cash flows, and financial condition could be negatively impacted, the extent of the impact cannot be reasonably estimated at this time.

In response to COVID-19, the Foundation's board agreed to provide \$1,400,000 in additional funding for fiscal year 2021, which will be designated as scholarship funding to aid Youngstown State University in new and transfer student recruitment and existing student retention.

***Subsequent Events***

The financial statements and related disclosures include evaluation of events up through and including October 2, 2020, which is the date the financial statements were available to be issued.

**Note 3 - Liquidity and Availability of Resources**

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

June 30, 2020 and 2019

### Note 3 - Liquidity and Availability of Resources (Continued)

The Foundation regularly monitors the availability of resources required to meet its operating needs and other contractual commitments while also striving to maximize the investment of its available funds. The Foundation considers cash and unrestricted investments to be available to meet cash needs for general expenditures. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Foundation considers all expenditures related to its ongoing activities of administrative and general expenses, fundraising expenses, and grant commitments expected to be paid in the subsequent year to be general expenditures.

At June 30, 2020 and 2019, the Foundation has \$132,083,067 and \$140,341,353, respectively, of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures. At June 30, 2020, these funds consist of cash in the amount of \$480,397 and unrestricted investments of \$131,602,670. At June 30, 2019, these funds consist of cash in the amount of \$796,969 and unrestricted investments of \$139,544,384.

The Foundation's endowment funds, totaling \$254,739,015 as of June 30, 2020 and \$254,742,287 as of June 30, 2019, consist of donor-restricted endowments and endowments without donor restrictions. Donor-restricted endowments are restricted for specific purposes and, therefore, are not available for general expenditure. Additionally, there are certain investments with lock-up provisions that reduce the total investments that could be made available (see Note 7 for disclosures about investments). The Foundation has a goal to maintain financial assets, which consist of cash on hand, to meet 90 days of normal operating expenses, which approximate \$502,000 and \$466,000 as of June 30, 2020 and 2019, respectively.

As part of its liquidity management, the Foundation invests all contributions designated to endowment per the investment policy statement, allowing for administrative spend of no more than 1 percent of a 12-quarter market value rolling average, and notifies the investment manager of the Foundation's upcoming annual distribution request, which will be received in quarterly installments. As of June 30, 2020, distributions for the upcoming 12-month period are \$9,987,574 for commitments to YSU and \$2,007,950 for the Foundation's administrative expenses.

### Note 4 - Pledges Receivable

The Foundation has been notified of unconditional promises to give of \$9,457,175 and \$10,621,925, which are included in the financial statements as pledges receivable as of June 30, 2020 and 2019, respectively. The Foundation categorizes the pledges receivable intended for the Foundation's endowment separately from the pledges made under the developmental services agreement with the University (see Note 5).

When a pledge is expected to be received in installments in excess of one year out, the pledge is recorded at the net present value using the long-term U.S. Treasury note rate in effect for the year the installment is due. These rates ranged from 0.16 to 2.81 percent as of June 30, 2020. The allowance for uncollectible contributions is a general valuation based on the percentage of prior year pledge write-offs. Specific pledges deemed uncollectible are charged against the allowance for uncollectible pledges in the period in which the determination is made. Both the general allowance and the specific write-offs are reported as a loss on fair value of pledges receivable in the statement of activities and changes in net assets. The allowance for uncollectible pledges was \$20,000 as of June 30, 2020 and 2019.



June 30, 2020 and 2019

**Note 4 - Pledges Receivable (Continued)**

Pledges outstanding at June 30, 2020 and 2019 are expected to be collected as follows:

	2020	2019
Gross promises to give before unamortized discount	\$ 9,457,175	\$ 10,621,925
Less allowance for uncollectible contributions	(20,000)	(20,000)
Discount to net present value	(202,101)	(316,847)
Net unconditional promises to give	<u>\$ 9,235,074</u>	<u>\$ 10,285,078</u>
Amounts due in:		
Less than one year	\$ 2,358,492	\$ 3,313,569
One to five years	6,322,483	6,704,506
More than five years	776,200	603,849
Gross unconditional promises to give	<u>\$ 9,457,175</u>	<u>\$ 10,621,924</u>

**Note 5 - Commitments and Payables to the University**

As of June 30, 2020 and 2019, the trustees of the Foundation have committed \$9,987,574 and \$8,545,274, respectively, for grants to the University for scholarships and awards for the 2020 and 2019 fiscal academic years, respectively. An installment payment is made on July 1 of each year, with the balance to be paid by June 30 of the following year in quarterly installment payments.

Effective April 1, 2015, the Foundation entered into a developmental services agreement with the University wherein the Foundation raises and maintains donations on behalf of the University, which have been received for the purpose of scholarship, programmatic support, and campus development. The Foundation remits all related funds that have been received to the University on a monthly basis. For the years ended June 30, 2020 and 2019, the Foundation has recorded contribution revenue of \$2,566,312 and \$2,159,191, respectively, and distribution expenses of \$4,874,492 and \$5,274,942, respectively, which were raised under the agreement. As of June 30, 2020 and 2019, \$874,444 and \$936,160, respectively, of these amounts has been collected, but not remitted to the University, and is included with accounts payable on the statement of financial position.

The Foundation also receives and purchases land for distribution to the University and maintains ownership of the land pending the execution of final closing documentation to gift the land to the University. During 2020, the Foundation donated land to the University valued at approximately \$26,000, all of which was purchased in 2020. During 2019, the Foundation donated land to the University valued at approximately \$1,166,000, of which approximately \$937,000 was purchased during 2019 but had not yet been distributed to the University as of June 30, 2019. As of June 30, 2020 and 2019, all property purchased had been distributed to the University; therefore, no amount was included on the Foundation's statement of financial position.

**Note 6 - Net Assets**

Net assets without donor restrictions at June 30, 2020 and 2019 consist of the following:

	2020	2019
Current operations	\$ 137,760,870	\$ 147,145,855
Funds held for deferred compensation agreement	200,468	152,496
Amounts committed to the University to be disbursed	5,772,625	5,671,875
Total net assets without donor restrictions	<u>\$ 143,733,963</u>	<u>\$ 152,970,226</u>

June 30, 2020 and 2019

**Note 6 - Net Assets (Continued)**

Net assets with donor restrictions as of June 30 are available for the following purposes:

	<u>2020</u>	<u>2019</u>
Subject to the Foundation's spending policy and appropriation - Investments in perpetuity (including original gift amount of \$97,257,973 and \$89,739,031 as of June 30, 2020 and 2019, respectively), which, once appropriated, is expendable to support various activities	\$ 100,812,995	\$ 97,625,608
Subject to appropriation and expenditures when a specified event occurs:		
Funds available to assist the University's Department of Philosophy and Religious Studies in the scholarly study of religion, history, and culture	1,254,918	1,107,297
Funds available to assist the University in land acquisitions	569,609	554,332
Land received in kind	-	599,400
Other	<u>162,108</u>	<u>69,335</u>
Subtotal	1,986,635	2,330,364
Subject to the passage of time - Pledges receivable for the benefit of the University for scholarships and other programs or endowments	<u>9,457,175</u>	<u>10,621,924</u>
Net assets with donor restrictions	<u>\$ 112,256,805</u>	<u>\$ 110,577,896</u>

During fiscal years 2020 and 2019, net assets were released from donor restrictions by distributing funds to the University for the restricted purposes of scholarships and development of the University in the amount of \$5,165,648 and \$6,909,392, respectively. See Note 8 for discussion of underwater endowment funds.

**Note 7 - Fair Value Measurements**

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Foundation has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on information provided by investment manager.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Foundation's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

**Note 7 - Fair Value Measurements (Continued)**

The following tables present information about the Foundation's assets measured at fair value on a recurring basis at June 30, 2020 and 2019 and the valuation techniques used by the Foundation to determine those fair values:

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2020			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2020
<b>Investments</b>				
Cash and cash equivalents	\$ 11,224	\$ -	\$ -	\$ 11,224
Common stock - U.S. stocks	64,315,835	-	-	64,315,835
Mutual funds:				
Exchange traded	47,578,204	-	-	47,578,204
Money market	6,028,448	-	-	6,028,448
Fixed income	14,093,896	10,642,583	-	24,736,479
Equity	41,965,195	3,601,671	-	45,566,866
Total mutual funds	109,665,743	14,244,254	-	123,909,997
Alternative investments:				
Private equity	-	-	21,939,481	21,939,481
Commodities hedge funds	-	-	1,393,298	1,393,298
Total alternative investments	-	-	23,332,779	23,332,779
Total	\$ 173,992,802	\$ 14,244,254	\$ 23,332,779	211,569,835
Investments measured at NAV - Hedge funds				43,169,180
Total assets				\$ 254,739,015

Note 7 - Fair Value Measurements (Continued)

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2019			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2019
<b>Investments</b>				
Cash and cash equivalents	\$ 955,322	\$ -	\$ -	\$ 955,322
Common stock - U.S. stocks	47,206,171	-	-	47,206,171
Mutual funds:				
Exchange traded	43,183,205	-	-	43,183,205
Money market	4,412,252	-	-	4,412,252
Fixed income	21,501,148	5,241,021	-	26,742,169
Equity	64,164,015	779,452	-	64,943,467
Total mutual funds	133,260,620	6,020,473	-	139,281,093
Alternative investments:				
Private equity	-	-	21,911,739	21,911,739
Commodities hedge funds	-	-	1,580,183	1,580,183
Total alternative investments	-	-	23,491,922	23,491,922
Total	<u>\$ 181,422,113</u>	<u>\$ 6,020,473</u>	<u>\$ 23,491,922</u>	210,934,508
Investments measured at NAV - Hedge funds				<u>47,854,630</u>
Total assets				<u>\$ 258,789,138</u>

The Foundation's policy is to recognize transfers in and transfers out of Level 1, 2, and 3 fair value classifications as of the end of the reporting period. There were no transfers amongst the fair value classifications during 2020 or 2019.

The fair value of certain fixed-income and pooled equity mutual funds that the Foundation owned at June 30, 2020 was determined primarily based on Level 2 inputs. The Foundation estimates the fair values of the fixed-income securities using quoted market prices for identical or similar assets in inactive markets, with additional consideration to contractual cash flows, benchmark yields, and credit spreads. The Foundation estimates the fair values of the equity pools based on the fair value of the underlying investments, with consideration of any restrictions on the interest in the pool that exist.

Changes in Level 3 assets measured at fair value on a recurring basis for the years ended June 30, 2020 and 2019 are as follows:

	Private Equity	Commodities Hedge Funds
Balance at July 1, 2019	\$ 21,911,739	\$ 1,580,183
Purchases and capital calls	2,134,309	-
Sales and distributions	(2,048,401)	35,458
Net realized and unrealized losses	(58,166)	(222,343)
Balance at June 30, 2020	<u>\$ 21,939,481</u>	<u>\$ 1,393,298</u>

June 30, 2020 and 2019

Note 7 - Fair Value Measurements (Continued)

	Private Equity	Commodities Hedge Funds
Balance at July 1, 2018	\$ 18,802,017	\$ 1,454,276
Purchases and capital calls	3,535,810	371,019
Sales and distributions	(3,136,716)	(119,790)
Net realized and unrealized gains (losses)	2,710,628	(125,322)
Balance at June 30, 2019	<u>\$ 21,911,739</u>	<u>\$ 1,580,183</u>

Both observable and unobservable inputs may be used to determine the fair value of positions classified as Level 3 assets and liabilities. As a result, the unrealized gains and losses for these assets presented in the tables above may include changes in fair value that were attributable to both observable and unobservable inputs.

The following tables summarize the valuation methods and inputs used to determine fair value at June 30, 2020 and 2019 for assets measured at fair value on a recurring basis using unobservable inputs (Level 3 inputs):

	Fair Value at June 30, 2020	Valuation Technique	Unobservable Inputs	Range of Inputs (Weighted Average)
Private equity	\$ 21,939,481	Market value	Market quotes of underlying assets	100%
Commodities hedge funds	1,393,298	Market value	Market quotes of underlying assets	100%

  

	Fair Value at June 30, 2019	Valuation Technique	Unobservable Inputs	Range of Inputs (Weighted Average)
Private equity	\$ 21,911,739	Market value	Market quotes of underlying assets	100%
Commodities hedge funds	1,580,183	Market value	Market quotes of underlying assets	100%

The Foundation has processes in place to select the appropriate valuation technique and unobservable inputs to perform Level 3 fair value measurements. These processes include semiannual meetings with the Foundation's investment committee for calibration and review of Level 3 investment monthly or quarterly fund manager statements and annual audited financial statements. The Foundation cannot independently assess the value of these underlying positions through a public exchange or over-the-counter market. The Foundation utilizes a third-party investment manager to monitor, participate in fund manager calls, and obtain underlying financial information on the Level 3 investments.

Private equity investments totaling \$21,343,621 and \$20,921,796 as of June 30, 2020 and 2019, respectively, cannot be redeemed because the investments include restrictions that do not allow for redemption in the first 12 months after acquisition. The remaining restriction period for these investments ranged from two to five years at June 30, 2020 and 2019.

**Note 7 - Fair Value Measurements (Continued)**

***Investments in Entities that Calculate Net Asset Value per Share***

The Foundation holds shares or interests in investment companies at year end where the fair value of the investment held is estimated based on net asset value per share (or its equivalent) of the investment company as a practical expedient.

At year end, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>			
	<u>Fair Value</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency, if Eligible</u>	<u>Redemption Notice Period</u>
Hedge funds	\$ 43,169,180	\$ 47,854,630	\$ -	Monthly	15-120 days

The Foundation's hedge funds provide stable, definite returns that provide lower connection to variabilities in the stock and bond markets. Investments in hedge funds are intended to lower the risk of the entire portfolio. Hedge funds also allow for wide-ranging diversification within this asset class. Hedge fund investment managers have more flexibility in investments than most traditional investment managers, allowing for a greater range of assets held providing more diversity within the account. The hedge fund class includes the following categories: directional equity, directional macro, event driven, and relative value. Hedge fund allocations are subject to change at any time upon the Foundation's investment advisor's discretion.

**Note 8 - Donor-restricted Endowments**

The Foundation's endowment includes donor-restricted endowment funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

***Interpretation of Relevant Law***

The Foundation is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the board of trustees appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The board of trustees of the Foundation had interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Foundation considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Foundation has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with the UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation

**Note 8 - Donor-restricted Endowments (Continued)**

- The expected total return from income and the appreciation of investments
- Other resources of the Foundation

	Endowment Net Asset Composition by Type of Fund as of June 30, 2020 <u>With Donor Restrictions</u>
Donor-restricted endowment funds:	
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	\$ 97,257,973
Accumulated investment gains	<u>3,555,022</u>
Total	<u>\$ 100,812,995</u>
	Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2020 <u>With Donor Restrictions</u>
Endowment net assets - Beginning of year	\$ 97,625,608
Investment return - Net	(594,449)
Contributions	7,465,674
Appropriation of endowment assets for expenditure	(3,387,679)
Other adjustments	<u>(296,159)</u>
Endowment net assets - End of year	<u>\$ 100,812,995</u>
	Endowment Net Asset Composition by Type of Fund as of June 30, 2019 <u>With Donor Restrictions</u>
Donor-restricted endowment funds:	
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	\$ 89,739,031
Accumulated investment gains	<u>7,886,577</u>
Total	<u>\$ 97,625,608</u>

**Note 8 - Donor-restricted Endowments (Continued)**

	Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2019
	<u>With Donor Restrictions</u>
Endowment net assets - Beginning of year	\$ 84,090,440
Investment return - Net	5,087,876
Contributions	10,881,421
Appropriation of endowment assets for expenditure	(3,194,138)
Other adjustments	<u>760,009</u>
Endowment net assets - End of year	<u>\$ 97,625,608</u>

***Underwater Endowment Funds***

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature exist in donor-restricted endowment funds, which together have an original gift value of \$8,838,000 and \$189,000, a current fair value of \$8,686,000 and \$171,000, and a deficiency of \$152,000 and \$18,000 as of June 30, 2020 and 2019, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions for donor-restricted endowment funds and continued appropriation for certain programs that was deemed prudent by the board of trustees.

***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 and board-designated funds. Under this policy, as approved by the board of trustees, the endowment assets are invested in a manner that is intended to achieve an absolute return of 8 percent. 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 has established a spending policy for granting funds to the University for scholarships and other educational purposes. The Foundation focuses on a long-term investment strategy seeking higher long-term investment returns than would be the case if spending from year to year were less flexible. The Foundation sets spending equal to 4.0 percent of the average 12-quarter rolling fair market value at fiscal year end. In order to accomplish this goal, the net of fees target rate of return for the portfolio is 8.0 percent, which includes the 4.0 percent spending amount plus inflation at an estimated 3.0 percent and administrative expenses, not to exceed 1.0 percent.



**Note 8 - Donor-restricted Endowments (Continued)**

Additionally, the treatment and accounting for donor-restricted versus gifts without donor restrictions to the Foundation will be managed by Foundation staff. The Foundation has a policy that permits spending from underwater endowment funds equal to 75 percent of the 4.0 percent of the average 12-quarter rolling fair market value at fiscal year end, unless otherwise precluded by donor intent or relevant laws and regulations. The Foundation's board of trustees appropriated \$6,488 and \$10,126 for expenditure from underwater endowment funds for years ended June 30, 2020 and June 30, 2019, respectively.

**Note 9 - Retirement Plan**

The Foundation sponsors a 401(k) plan for all employees over the age of 21, excluding student interns. Employees become eligible for employer matching contributions upon entering the plan. The plan permits eligible employees to voluntarily contribute to the plan through salary reductions of annual compensation subject to annual limits set by law. The Foundation fully matches an employee's contribution up to 3 percent of compensation and then matches half of any additional contribution up to 5 percent of compensation. In addition, the Foundation may make a discretionary profit-sharing contribution to the plan, which is allocated to participants. The Foundation's contribution to the plan totaled \$35,000 and \$37,000 for the years ended June 30, 2020 and 2019, respectively. There were no profit-sharing contributions in 2020 and 2019.

**Note 10 - Related Party Transactions**

The Foundation purchases services in the ordinary course of business from the University, as well as various firms and businesses with which members of the Foundation's board of trustees are associated. The transactions with such related parties in 2020 and 2019 are summarized as follows:

**Agency Fees**

For the years ended June 30, 2020 and 2019, the Foundation incurred expenses related to agency fees from firms that hold the Foundation's investments of approximately \$55,000 and \$52,000, respectively.

**Lease Commitment**

The Foundation conducts its operations from premises leased from the University. In July 2015, the Foundation entered into a new lease agreement with the University and took possession of the new space in January 2016. Under the new lease agreement, the Foundation prepaid \$1,000,000 in lieu of monthly rent payments through January 2031. Annual rent expense was approximately \$67,000 for 2020 and 2019. At June 30, 2020 and 2019, the remaining balance of the prepaid rent was \$702,778 and \$769,444, respectively, and is included with prepaid expenses and other assets on the statement of financial position.

Future amounts to be expensed under the lease commitment are as follows:

Years Ending	Amount
2021	\$ 66,667
2022	66,667
2023	66,667
2024	66,667
2025	66,667
Thereafter	369,443
Total	<u>\$ 702,778</u>

# The Youngstown State University Foundation

## Notes to Financial Statements

June 30, 2020 and 2019

### Note 11 - Functional Expenses

The Youngstown State University Foundation is the designated philanthropic entity of Youngstown State University. Expenses related to operating the Foundation are as follows as of June 30, 2020:

	Program Expenses	Management and General Expenses	Fundraising Expenses	Total
Grants and other assistance to governments, organizations, and individuals in the U.S.	\$ 15,787,388	\$ -	\$ -	\$ 15,787,388
Employment cost	355,017	448,772	392,864	1,196,653
Office expense	4,468	38,398	7,058	49,924
Legal	-	(12,106)	-	(12,106)
Travel	1,150	4,632	31,625	37,407
Accounting and consulting	7,540	70,757	12,088	90,385
Program materials	88,482	9,665	72,666	170,813
Telephone	3,815	31,583	5,139	40,537
Insurance	-	14,778	-	14,778
Postage	2,179	2,927	4,888	9,994
Special projects	25	-	-	25
Occupancy	-	66,667	-	66,667
Depreciation	-	13,149	-	13,149
Meetings	19,126	803	20	19,949
Dues and subscriptions	-	5,250	40	5,290
Bad debt	-	17,305	-	17,305
<b>Total</b>	<b>\$ 16,269,190</b>	<b>\$ 712,580</b>	<b>\$ 526,388</b>	<b>\$ 17,508,158</b>

Expenses related to operating the Foundation are as follows as of June 30, 2019:

	Program Expenses	Management and General Expenses	Fundraising Expenses	Total
Grants and other assistance to governments, organizations, and individuals in the U.S.	\$ 15,047,701	\$ -	\$ -	\$ 15,047,701
Employment cost	344,602	355,020	443,211	1,142,833
Office expense	720	53,105	4,969	58,794
Legal	-	229,013	-	229,013
Travel	-	13,325	44,070	57,395
Accounting and consulting	1,020	60,856	376	62,252
Program materials	24,551	41,030	95,866	161,447
Telephone	2,831	2,706	3,763	9,300
Insurance	-	16,830	-	16,830
Postage	3,297	2,582	24,954	30,833
Special projects	25	15,840	-	15,865
Occupancy	-	66,667	-	66,667
Depreciation	-	12,369	-	12,369
Professional services	-	21,798	-	21,798
Meetings	715	(11,815)	17,578	6,478
Dues and subscriptions	131	9,487	607	10,225
Bad debt	-	-	41,140	41,140
<b>Total</b>	<b>\$ 15,425,593</b>	<b>\$ 888,813</b>	<b>\$ 676,534</b>	<b>\$ 16,990,940</b>

**Note 11 - Functional Expenses (Continued)**

The costs of providing the program and support services are reported on a functional basis. Costs are allocated between the various program and support services on an actual basis, where available, or based upon reasonable methods. Salaries and related expenses are allocated on the basis of time and effort. Expenses deemed to be indirect to employee work, such as professional services, insurance, and supplies, are considered to be management and general expenses. Other expenses utilized by all employees, such as telephone, postage, and information technology services, are also allocated on the basis of time and effort. Distributions made to University are directly allocated to program expenses. Although methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of  
Financial Statements Performed in Accordance with *Government Auditing Standards*

**Independent Auditor's Report**

To Management and the Board of Trustees  
The Youngstown State University Foundation

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Youngstown State University Foundation (the "Foundation"), which comprise the statement of financial position as of June 30, 2020 and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated October 2, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Foundation's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

To Management and the Board of Trustees  
The Youngstown State University Foundation

**Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Plante & Moreau, PLLC*

October 2, 2020

# OHIO AUDITOR OF STATE KEITH FABER



**YOUNGSTOWN STATE UNIVERSITY FOUNDATION**

**MAHONING COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



**Certified for Release 11/24/2020**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)