
The Youngstown State University Foundation

**Mahoning County
Financial Report
For the years ended June 30, 2024 and 2023**

OHIO AUDITOR OF STATE
KEITH FABER



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Board of Trustees
Youngstown State University Foundation
655 Wick Avenue
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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, 2023 through June 30, 2024. 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 cursive script that reads 'Keith Faber'.

Keith Faber
Auditor of State
Columbus, Ohio

October 11, 2024

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Independent Auditor's Report

To the Board of Trustees
The Youngstown State University Foundation

Report on the Audits of the Financial Statements

Opinion

We have audited the financial statements of The Youngstown State University Foundation (the "Foundation"), which comprise the statement of financial position as of June 30, 2024 and 2023 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.

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

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audits of the Financial Statements* section of our report. We are required to be independent of the Foundation and to meet our 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.

Emphasis of Matter

As explained in Note 7, the financial statements include investments valued at approximately \$39,875,000 (12 percent of net assets) at June 30, 2024 and at approximately \$38,419,000 (12 percent of net assets) at June 30, 2023, whose fair values have been estimated by management in the absence of readily determinable market values. Management's estimates are based primarily on information provided by the investment manager as of March 31, 2024 plus management's estimate of activity through June 30, 2024. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

To the Board of Trustees
The Youngstown State University Foundation

Auditor's Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that audits conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as 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 financial statements.

In performing audits in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the 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 financial statements.
- Obtain an understanding of internal control relevant to the audits 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 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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 audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2024 on our consideration of the 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 solely 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 effectiveness of the Foundation's 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 Foundation's internal control over financial reporting and compliance.

Plante & Moran, PLLC

September 9, 2024

The Youngstown State University Foundation

Statement of Financial Position

June 30, 2024 and 2023

	2024	2023
Assets		
Cash and cash equivalents	\$ 1,805,813	\$ 2,288,180
Investments (Note 7)	335,271,682	310,743,903
Investment settlement receivable (Note 2)	6,232,592	5,000,000
Pledges receivable - Net (Note 4)	3,111,410	3,894,936
Pledges receivable for the University - Net (Note 4)	9,423,803	8,667,495
Prepaid expenses and other assets	2,762,945	2,621,547
Right-of-use operating lease assets (Note 11)	436,111	502,777
Property and equipment - Net	388,773	209,156
	<u>\$ 359,433,129</u>	<u>\$ 333,927,994</u>
Total assets		
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 1,049,843	\$ 851,728
Grant commitments to the University (Note 5)	11,485,975	10,902,150
Accrued liabilities and other	70,523	77,590
	<u>12,606,341</u>	<u>11,831,468</u>
Total liabilities		
Net Assets		
Without donor restrictions	172,421,170	163,890,047
With donor restrictions	174,405,618	158,206,479
	<u>346,826,788</u>	<u>322,096,526</u>
Total net assets		
	<u>\$ 359,433,129</u>	<u>\$ 333,927,994</u>
Total liabilities and net assets		

The Youngstown State University Foundation

Statement of Activities and Changes in Net Assets

Years Ended June 30, 2024 and 2023

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains, and Other Support						
Contributions of cash and other financial assets	\$ 2,985,811	\$ 9,359,006	\$ 12,344,817	\$ 2,221,609	\$ 11,625,616	\$ 13,847,225
Contributions of nonfinancial assets	226,590	-	226,590	53,799	1,936,790	1,990,589
Investment earnings	2,460,603	2,107,674	4,568,277	3,696,161	3,096,769	6,792,930
Net realized gains on sale of investments	8,758,908	7,565,529	16,324,437	2,932,882	2,455,195	5,388,077
Net unrealized change in long-term investments	5,896,786	4,461,004	10,357,790	3,654,737	2,400,247	6,054,984
Net assets released from restrictions	7,294,074	(7,294,074)	-	10,310,279	(10,310,279)	-
Total revenue, gains, and other support	27,622,772	16,199,139	43,821,911	22,869,467	11,204,338	34,073,805
Expenses						
Distributions to the University for scholarships and other programs	16,640,841	-	16,640,841	16,286,222	-	16,286,222
Administrative expenditures	2,450,808	-	2,450,808	2,286,417	-	2,286,417
Total expenses	19,091,649	-	19,091,649	18,572,639	-	18,572,639
Increase in Net Assets	8,531,123	16,199,139	24,730,262	4,296,828	11,204,338	15,501,166
Net Assets - Beginning of year	163,890,047	158,206,479	322,096,526	159,593,219	147,002,141	306,595,360
Net Assets - End of year	\$ 172,421,170	\$ 174,405,618	\$ 346,826,788	\$ 163,890,047	\$ 158,206,479	\$ 322,096,526

The Youngstown State University Foundation

Statement of Cash Flows

Years Ended June 30, 2024 and 2023

	2024	2023
Cash Flows from Operating Activities		
Cash received from nonendowment contributions	\$ 6,040,188	\$ 5,969,346
Cash received from investment earnings	4,568,277	6,792,930
Cash paid for administrative costs	(2,438,450)	(2,263,029)
Scholarships, grants, and other cash distributions to the University	<u>(15,871,258)</u>	<u>(16,154,458)</u>
Net cash and cash equivalents used in operating activities	(7,701,243)	(5,655,211)
Cash Flows from Investing Activities		
Purchase of investments	(104,931,328)	(79,657,657)
Proceeds from sale and maturities of investments	105,877,901	81,476,932
Purchase of property and equipment	<u>(207,481)</u>	<u>(31,024)</u>
Net cash and cash equivalents provided by investing activities	739,092	1,788,251
Cash Flows Provided by Financing Activities - Proceeds from contributions for investment in endowment	<u>6,479,784</u>	<u>4,524,498</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(482,367)	657,538
Cash and Cash Equivalents - Beginning of year	<u>2,288,180</u>	<u>1,630,642</u>
Cash and Cash Equivalents - End of year	<u><u>\$ 1,805,813</u></u>	<u><u>\$ 2,288,180</u></u>

June 30, 2024 and 2023

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 an independent nonprofit organization devoted to supporting the expansion and development of education, educational programs, and career opportunities that are useful to the student and beneficial to the 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 are recorded at fair value. 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 changes in net assets and approximated \$4,568,000 and \$6,793,000 for the years ended June 30, 2024 and 2023, 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)

For certain alternative investments, sales initiated at the end of the year were not settled until the subsequent year, resulting in an investment settlement receivable. The investment settlement receivable was \$6,232,592 and \$5,000,000 as of June 30, 2024 and 2023, respectively.

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 \$162,317 and \$162,320 as of June 30, 2024 and 2023, 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 assets 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 and 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 \$27,864 and \$31,259 for the years ended June 30, 2024 and 2023, respectively.

Leases

On July 1, 2022, the Foundation adopted ASU No. 2016-02, *Leases (Topic 842)*, which primarily affected the accounting treatment for operating lease agreements in which the Foundation is the lessee. The Foundation has an operating lease for a building rented from Youngstown State University. The Foundation recognizes expense for operating leases on a straight-line basis over the lease term. The Foundation made a policy election not to separate lease and nonlease components. Therefore, all payments are included in the calculation of the right-of-use asset. The Foundation did not have any finance leases as of June 30, 2024 and 2023.

The Foundation elected to use the risk-free rate as the discount rate for calculating the right-of-use operating lease asset and lease liability in place of the incremental borrowing rate.

The Foundation discloses future minimum annual commitments for operating leases in Note 11. At lease inception, the Foundation determines the lease term by considering the minimum lease term and all optional renewal periods that the Foundation is reasonably certain to renew.

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, where 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.

Note 2 - Significant Accounting Policies (Continued)

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 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 is 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.

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 12 for additional details related to the allocation of expenses.

Fundraising

Fundraising costs are charged to expense as incurred. During the years ended June 30, 2024 and 2023, total direct fundraising costs approximated \$226,000 and \$234,000, 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.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including September 9, 2024, which is the date the financial statements were available to be issued.

June 30, 2024 and 2023

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.

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 the purpose 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, 2024 and 2023, the Foundation has \$144,853,295 and \$137,598,442, 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, 2024, these funds consist of cash in the amount of \$307,349 and unrestricted investments of \$144,545,946. At June 30, 2023, these funds consist of cash in the amount of \$926,042 and unrestricted investments of \$136,672,400.

The Foundation's endowment funds, totaling \$335,271,682 as of June 30, 2024 and \$310,743,903 as of June 30, 2023, 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 \$611,000 and \$550,000 as of June 30, 2024 and 2023, 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 1.5 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, 2024, distributions for the upcoming 12-month period are \$11,485,975 for commitments to Youngstown State University (YSU or the "University") and \$2,445,375 for the Foundation's administrative expenses.

Note 4 - Pledges Receivable

The Foundation has been notified of unconditional promises to give of \$13,872,222 and \$13,581,040, which are included in the financial statements as pledges receivable as of June 30, 2024 and 2023, 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, 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 0.07 to 5.40 percent as of June 30, 2024. 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, 2024 and 2023.

June 30, 2024 and 2023

Note 4 - Pledges Receivable (Continued)

Pledges outstanding at June 30, 2024 and 2023 are expected to be collected as follows:

	2024	2023
Gross promises to give before unamortized discount	\$ 13,872,222	\$ 13,581,040
Less allowance for uncollectible contributions	(20,000)	(20,000)
Discount to net present value	(1,317,009)	(998,609)
Net unconditional promises to give	\$ 12,535,213	\$ 12,562,431
Amounts due in:		
Less than one year	\$ 2,776,052	\$ 3,097,705
One to five years	8,198,151	9,195,166
More than five years	2,898,019	1,288,169
Gross unconditional promises to give	\$ 13,872,222	\$ 13,581,040

Note 5 - Commitments and Payables to the University

As of June 30, 2024 and 2023, the trustees of the Foundation have committed \$11,485,975 and \$10,902,150, respectively, for grants to the University for scholarships and awards for the 2024-2025 and 2023-2024 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, 2024 and 2023, the Foundation has recorded contribution revenue of \$2,622,938 and \$3,434,254, respectively, and distribution expenses of \$5,214,230 and \$5,188,684, respectively, which were raised under the agreement. As of June 30, 2024 and 2023, \$796,731 and \$610,973, 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 occasionally 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 2024, the Foundation donated land to the University valued at approximately \$29,000, all of which was purchased in 2023. During 2023, the Foundation did not donate any land to the University. As of June 30, 2024 and 2023, all property purchased or received had been distributed to the University except for approximately \$256,000 and \$65,000, respectively, included on the Foundation's statement of financial position.

Note 6 - Net Assets

Net assets without donor restrictions at June 30, 2024 and 2023 consist of the following:

	2024	2023
Current operations	\$ 165,807,595	\$ 157,508,772
Amounts committed to the University to be disbursed	6,613,575	6,381,275
Total net assets without donor restrictions	\$ 172,421,170	\$ 163,890,047

June 30, 2024 and 2023

Note 6 - Net Assets (Continued)

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

	2024	2023
Subject to the Foundation's spending policy and appropriation - Investments in perpetuity (including original gift amount of \$130,644,910 and \$124,244,491 as of June 30, 2024 and 2023, respectively), which, once appropriated, is expendable to support scholarships and development of the University	\$ 158,319,894	\$ 142,926,332
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	1,770,441	1,504,576
Funds available to assist the University in land acquisitions	720,335	511,015
Land received in kind	255,804	64,656
Other	(533,078)	(381,140)
Total subject to appropriation and expenditures when a specified event occurs	2,213,502	1,699,107
Subject to the passage of time - Pledges receivable for the benefit of the University for scholarships and other programs or endowments	13,872,222	13,581,040
Net assets with donor restrictions	\$ 174,405,618	\$ 158,206,479

During fiscal years 2024 and 2023, 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 \$7,294,074 and \$10,310,279, 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 as of March 31, 2024 plus management's estimate of activity through June 30, 2024.

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.

June 30, 2024 and 2023

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, 2024 and 2023 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, 2024			Balance at June 30, 2024
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Investments				
Cash and cash equivalents	\$ 405,538	\$ -	\$ -	\$ 405,538
Common stock - U.S. stocks	104,377,148	-	-	104,377,148
Common stock - Non-U.S. stocks	8,714,864	-	-	8,714,864
Mutual funds:				
Exchange traded	63,421,502	-	-	63,421,502
Money market	14,435,037	-	-	14,435,037
Fixed income	13,120,040	34,017,069	-	47,137,109
Equity	46,876,799	-	-	46,876,799
Total mutual funds	137,853,378	34,017,069	-	171,870,447
Alternative investments:				
Private equity	-	-	38,633,650	38,633,650
Commodities hedge funds	-	-	1,240,850	1,240,850
Total alternative investments	-	-	39,874,500	39,874,500
Total	<u>\$ 251,350,928</u>	<u>\$ 34,017,069</u>	<u>\$ 39,874,500</u>	325,242,497
Investments measured at NAV - Hedge funds				<u>10,029,185</u>
Total assets				<u>\$ 335,271,682</u>

Note 7 - Fair Value Measurements (Continued)

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2023			Balance at June 30, 2023
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Investments				
Cash and cash equivalents	\$ 315,034	\$ -	\$ -	\$ 315,034
Common stock - U.S. stocks	81,537,072	-	-	81,537,072
Common stock - Non-U.S. stocks	5,344,850	-	-	5,344,850
Mutual funds:				
Exchange traded	44,247,340	-	-	44,247,340
Money market	7,067,792	-	-	7,067,792
Fixed income	12,821,624	33,565,773	-	46,387,397
Equity	41,149,708	-	-	41,149,708
Total mutual funds	105,286,464	33,565,773	-	138,852,237
Alternative investments:				
Private equity	-	-	37,202,821	37,202,821
Commodities hedge funds	-	-	1,215,761	1,215,761
Total alternative investments	-	-	38,418,582	38,418,582
Total	\$ 192,483,420	\$ 33,565,773	\$ 38,418,582	264,467,775
Investments measured at NAV - Hedge funds				46,276,128
Total assets				\$ 310,743,903

The fair value of certain fixed-income and pooled equity mutual funds that the Foundation owned at June 30, 2024 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 included purchases and sales totaling \$5,836,852 and \$3,675,002, respectively, for the year ended June 30, 2024 and purchases and sales totaling \$2,821,870 and \$2,811,708, respectively, for the year ended June 30, 2023. There were no transfers in or out of Level 3 assets during 2024 or 2023.

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.

Note 7 - Fair Value Measurements (Continued)

The following tables summarize the valuation methods and inputs used to determine fair value at June 30, 2024 and 2023 for assets measured at fair value on a recurring basis using unobservable inputs (Level 3 inputs):

	Fair Value at June 30, 2024	Valuation Technique	Range of Inputs (Weighted Average)
Private equity	\$ 38,633,650	Market value	100%
Commodities hedge funds	1,240,850	Market value	100%

	Fair Value at June 30, 2023	Valuation Technique	Range of Inputs (Weighted Average)
Private equity	\$ 37,202,821	Market value	100%
Commodities hedge funds	1,215,761	Market value	100%

Unobservable inputs for private equity and commodities hedge funds in the tables above are based on the fund manager's value at March 31 plus management's estimate of activity through June 30, which is based on estimates of activity and benchmarking provided by the fund manager.

Private equity investments totaling \$37,701,059 and \$36,509,835 as of June 30, 2024 and 2023, 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, 2024 and 2023.

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:

	June 30, 2024	June 30, 2023			
	Fair Value	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Hedge funds	\$ 10,029,185	\$ 46,276,128	\$ -	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.

Note 8 - Donor-restricted Endowments (Continued)

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
- 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, 2024 <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	\$ 130,644,911
Accumulated investment gains	<u>27,674,983</u>
Total	<u>\$ 158,319,894</u>
	Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2024 <u>With Donor Restrictions</u>
Endowment net assets - Beginning of year	\$ 142,926,332
Investment return - Net	14,021,641
Contributions	6,479,784
Appropriation of endowment assets for expenditure	(5,018,972)
Other adjustments	<u>(88,891)</u>
Endowment net assets - End of year	<u>\$ 158,319,894</u>

June 30, 2024 and 2023

Note 8 - Donor-restricted Endowments (Continued)

	Endowment Net Asset Composition by Type of Fund as of June 30, 2023 <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	\$ 124,244,491
Accumulated investment gains	<u>18,681,841</u>
Total	<u>\$ 142,926,332</u>
	Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2023 <u>With Donor Restrictions</u>
Endowment net assets - Beginning of year	\$ 135,788,976
Investment return - Net	7,896,367
Contributions	4,524,498
Appropriation of endowment assets for expenditure	(5,348,035)
Other adjustments	<u>64,526</u>
Endowment net assets - End of year	<u>\$ 142,926,332</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 \$3,317,000 and \$11,446,000, a current fair value of \$3,303,000 and \$10,973,000, and a deficiency of \$14,000 and \$473,000 as of June 30, 2024 and 2023, 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.

Note 8 - Donor-restricted Endowments (Continued)

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 7.5 percent, which includes the 4.0 percent spending amount plus inflation at an estimated 2.0 percent and administrative expenses, not to exceed 1.5 percent.

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 \$162,411 and \$115,682 for expenditure from underwater endowment funds for years ended June 30, 2024 and 2023, respectively.

Note 9 - Contributed Nonfinancial Assets

Contributed nonfinancial assets recognized within the statement of activities and changes in net assets consisted of the following for the years ended June 30, 2024 and 2023: personal items of \$226,590 and \$0, respectively, and land contributions of \$0 and \$1,936,790, respectively. Nonfinancial asset contributions are for utilization in general and administrative programs and activities and are valued based on appraisal from an independent third party using comparable market data.

The 165 total acres of land contributions received in 2023 and 2022 were restricted for the development of Williamson Innovation Park to be used by Youngstown State University students in various STEM and engineering programs.

Note 10 - 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 \$54,000 and \$48,000 for the years ended June 30, 2024 and 2023, respectively. There were no profit-sharing contributions in 2024 and 2023.

Note 11 - 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 2024 and 2023 are summarized as follows:

Lease Commitment

The Foundation conducts its operations from premises leased from the University. In January 2016, the Foundation prepaid \$1,000,000 in lieu of monthly rent payments through January 2031; thus, there is no associated lease liability. Expense recognized under the lease was approximately \$67,000 for the years ended June 30, 2024 and 2023. At June 30, 2024 and July 1, 2023, the remaining balance of the right-of-use asset was \$436,111 and \$502,777, respectively, and is included on the statement of financial position.

The future amounts to be expensed under the operating lease are as follows:

Years Ending June 30	Amount
2025	\$ 66,667
2026	66,667
2027	66,667
2028	66,667
2029	66,667
Thereafter	102,776
Total	<u>\$ 436,111</u>

Note 12 - 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 for the year ended June 30, 2024:

	Program Expenses	Management and General Expenses	Fundraising Expenses	Total
Grants and other assistance to governments, organizations, and individuals in the U.S.	\$ 16,640,841	\$ -	\$ -	\$ 16,640,841
Employment cost	666,854	458,989	596,048	1,721,891
Office expense	3,655	32,620	7,102	43,377
Legal	-	51,554	-	51,554
Travel	11	11,191	27,747	38,949
Accounting and consulting	11,071	73,284	18,452	102,807
Program materials	137,775	14,595	73,804	226,174
Telephone	3,549	35,193	5,915	44,657
Insurance	-	35,549	-	35,549
Postage	3,465	23,232	4,794	31,491
Occupancy	-	66,667	-	66,667
Depreciation	-	27,864	-	27,864
Meetings	805	2,592	35,660	39,057
Dues and subscriptions	-	9,828	-	9,828
Bad debt	-	10,915	-	10,915
Real estate	-	28	-	28
Total	<u>\$ 17,468,026</u>	<u>\$ 854,101</u>	<u>\$ 769,522</u>	<u>\$ 19,091,649</u>

Note 12 - Functional Expenses (Continued)

Expenses related to operating the Foundation are as follows for the year ended June 30, 2023:

	Program Expenses	Management and General Expenses	Fundraising Expenses	Total
Grants and other assistance to governments, organizations, and individuals in the U.S.	\$ 16,286,222	\$ -	\$ -	\$ 16,286,222
Employment cost	646,162	425,074	514,450	1,585,686
Office expense	3,648	39,340	6,608	49,596
Legal	-	18,618	-	18,618
Travel	41	4,835	29,698	34,574
Accounting and consulting	10,922	77,675	50,003	138,600
Program materials	136,120	11,518	85,917	233,555
Telephone	4,831	38,221	5,434	48,486
Insurance	-	35,081	-	35,081
Postage	3,606	2,235	5,018	10,859
Special projects	-	1,665	-	1,665
Occupancy	-	66,667	-	66,667
Depreciation	-	31,259	-	31,259
Meetings	1,342	4,552	15,841	21,735
Dues and subscriptions	-	3,652	-	3,652
Bad debt	-	6,300	-	6,300
Real estate expenses	-	84	-	84
Total	\$ 17,092,894	\$ 766,776	\$ 712,969	\$ 18,572,639

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 the 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, 2024 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 September 9, 2024.

Report on 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) as a basis for designing 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.

Report on 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 financial statements. 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 & Moran, PLLC

September 9, 2024

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 11/7/2024

65 East State 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