The Youngstown State University Foundation

Mahoning County

Financial Report

For the years ended June 30, 2022 and 2021

OHIO AUDITOR OF STATE
KEITH FABER

88 East Broad Street
Columbus, Ohio 43215
IPAReport@ohioauditor.gov
(800) 282-0370

Board of Trustees
The Youngstown State University Foundation
655 Wick Avenue
Youngstown, Ohio 44502

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, 2021 through June 30, 2022. 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.

Keith Faber
Auditor of State
Columbus, Ohio

October 06, 2022

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Plante & Moran, PLLC
Suite 100
250 S. High Street
Columbus, OH 43215
Tel: 614.849.3000
Fax: 614.221.3535
plantemoran.com

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, 2022 and 2021 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, 2022 and 2021 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 $95,531,000 (31 percent of net assets) at June 30, 2022 and at $90,462,000 (28 percent of net assets) at June 30, 2021, 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.

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 7, 2022 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 7, 2022

Statement of Financial Position

June 30, 2022 and 2021

	2022	2021
Assets		
Cash and cash equivalents	$ 1,630,642	$ 1,031,736
Investments (Note 7)	306,116,478	325,195,829
Pledges receivable - Net (Note 4)	5,170,262	6,604,115
Pledges receivable for the University - Net (Note 4)	3,982,190	3,118,955
Prepaid expenses and other assets	1,160,165	872,106
Property and equipment - Net	209,391	234,011
Total assets	**$ 318,269,128**	**$ 337,056,752**
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 691,352	$ 508,407
Grant commitments to the University (Note 5)	10,907,374	9,328,575
Accrued liabilities and other	75,042	81,571
Total liabilities	11,673,768	9,918,553
Net Assets		
Without donor restrictions	159,593,219	179,416,076
With donor restrictions	147,002,141	147,722,123
Total net assets	306,595,360	327,138,199
Total liabilities and net assets	**$ 318,269,128**	**$ 337,056,752**

Statement of Activities and Changes in Net Assets

Years Ended June 30, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains, and Other Support						
Contributions	$ 2,500,717	$ 16,372,483	$ 18,873,200	$ 2,512,954	$ 9,530,708	$ 12,043,662
Investment earnings	3,796,889	2,988,965	6,785,854	3,331,057	2,379,515	5,710,572
Net realized gains on sale of investments	6,961,368	5,452,482	12,413,850	11,517,403	7,750,431	19,267,834
Net unrealized change in long-term investments	(22,381,356)	(17,417,457)	(39,798,813)	29,334,594	19,997,031	49,331,625
Net assets released from restrictions	8,116,455	(8,116,455)	-	4,192,367	(4,192,367)	-
Total revenue, gains, and other support	(1,005,927)	(719,982)	(1,725,909)	50,888,375	35,465,318	86,353,693
Expenses						
Distributions to the University for scholarships and other programs	16,561,532	-	16,561,532	13,080,958	-	13,080,958
Administrative expenditures	2,255,398	-	2,255,398	2,125,304	-	2,125,304
Total expenses	18,816,930	-	18,816,930	15,206,262	-	15,206,262
(Decrease) Increase in Net Assets	(19,822,857)	(719,982)	(20,542,839)	35,682,113	35,465,318	71,147,431
Net Assets - Beginning of year	179,416,076	147,722,123	327,138,199	143,733,963	112,256,805	255,990,768
Net Assets - End of year	**$ 159,593,219**	**$ 147,002,141**	**$ 306,595,360**	**$ 179,416,076**	**$ 147,722,123**	**$ 327,138,199**

See notes to financial statements.

Statement of Cash Flows

Years Ended June 30, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities		
Cash received from nonendowment contributions	$ 6,075,230	$ 3,597,856
Cash received from investment earnings	6,785,854	5,710,357
Cash paid for administrative costs	(2,098,517)	(2,146,577)
Scholarships, grants, and other cash distributions to the University	(14,956,669)	(14,166,480)
Net cash and cash equivalents used in operating activities	(4,194,102)	(7,004,844)
Cash Flows from Investing Activities		
Purchase of investments	(113,333,019)	(110,577,279)
Proceeds from sale and maturities of investments	105,045,778	108,742,960
Purchase of property and equipment	(9,385)	(73,633)
Net cash and cash equivalents used in investing activities	(8,296,626)	(1,907,952)
Cash Flows Provided by Financing Activities - Proceeds from contributions for investment in endowment	13,089,634	7,851,991
Net Increase (Decrease) in Cash and Cash Equivalents	598,906	(1,060,805)
Cash and Cash Equivalents - Beginning of year	1,031,736	2,092,541
Cash and Cash Equivalents - End of year	**$ 1,630,642**	**$ 1,031,736**

See notes to financial statements.

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)(l). The public charity status was acknowledged by the Internal Revenue Service. Under Section 509(a)(l), 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 changes in net assets and approximated $6,786,000 and $5,711,000 for the years ended June 30, 2022 and 2021, respectively.

Note 2 - Significant Accounting Policies (Continued)

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.

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 $131,061 and $97,057 as of June 30, 2022 and 2021, 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 $34,005 and $32,067 for the years ended June 30, 2022 and 2021, 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, 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.

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.

Note 2 - Significant Accounting Policies (Continued)

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 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, 2022 and 2021, total direct fundraising costs approximated $283,000 and $188,000, 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.

Upcoming Accounting Pronouncement

The Financial Accounting Standards Board issued Accounting Standards Update (ASU) 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, 2023 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.

Note 2 - Significant Accounting Policies (Continued)

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including September 7, 2022, 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.

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, 2022 and 2021, the Foundation has $132,119,864 and $175,131,108, 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, 2022, these funds consist of cash in the amount of $362,654 and unrestricted investments of $131,757,210. At June 30, 2021, these funds consist of cash in the amount of $165,291 and unrestricted investments of $174,965,817.

The Foundation’s endowment funds, totaling $306,116,478 as of June 30, 2022 and $325,195,829 as of June 30, 2021, 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 $541,000 and $555,000 as of June 30, 2022 and 2021, 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, 2022, distributions for the upcoming 12-month period are $10,907,374 for commitments to Youngstown State University (YSU or the "University") and $2,164,635 for the Foundation's administrative expenses.

Note 4 - Pledges Receivable

The Foundation has been notified of unconditional promises to give of $9,537,393 and $9,902,060, which are included in the financial statements as pledges receivable as of June 30, 2022 and 2021, 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).

Note 4 - Pledges Receivable (Continued)

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 0.07 to 3.04 percent as of June 30, 2022. 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, 2022 and 2021.

Pledges outstanding at June 30, 2022 and 2021 are expected to be collected as follows:

	2022	2021
Gross promises to give before unamortized discount	$ 9,537,393	$ 9,902,060
Less allowance for uncollectible contributions	(20,000)	(20,000)
Discount to net present value	(364,941)	(158,990)
Net unconditional promises to give	$ 9,152,452	$ 9,723,070
Amounts due in:		
Less than one year	$ 2,606,080	$ 3,685,947
One to five years	6,076,354	5,664,013
More than five years	854,959	552,100
Gross unconditional promises to give	$ 9,537,393	$ 9,902,060

Note 5 - Commitments and Payables to the University

As of June 30, 2022 and 2021, the trustees of the Foundation have committed $10,907,374 and $9,328,575, respectively, for grants to the University for scholarships and awards for the 2022-2023 and 2021-2022 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, 2022 and 2021, the Foundation has recorded contribution revenue of $2,372,822 and $1,565,904, respectively, and distribution expenses of $5,142,680 and $3,304,857, respectively, which were raised under the agreement. As of June 30, 2022 and 2021, $473,985 and $447,921, 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 2022, the Foundation donated land to the University valued at approximately $68,000, all of which was purchased in 2022. During 2021, the Foundation donated land to the University valued at approximately $137,000, all of which was purchased in 2021. As of June 30, 2022 and 2021, all property purchased or received had been distributed to the University except for the $43,000 and $42,000, respectively, included on the Foundation's statement of financial position.

Note 6 - Net Assets

Net assets without donor restrictions at June 30, 2022 and 2021 consist of the following:

	2022	2021
Current operations	$ 152,779,669	$ 173,564,001
Amounts committed to the University to be disbursed	6,813,550	5,852,075
Total net assets without donor restrictions	$ 159,593,219	$ 179,416,076

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

	2022	2021
Subject to the Foundation's spending policy and appropriation - Investments in perpetuity (including original gift amount of $119,544,129 and $106,026,544 as of June 30, 2022 and 2021, respectively), which, once appropriated, is expendable to support various activities	$ 135,788,976	$ 135,944,628
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	1,274,925	1,713,235
Funds available to assist the University in land acquisitions	514,212	511,996
Land received in kind	43,289	41,524
Other	(156,654)	(391,320)
Subtotal	1,675,772	1,875,435
Subject to the passage of time - Pledges receivable for the benefit of the University for scholarships and other programs or endowments	9,537,393	9,902,060
Net assets with donor restrictions	$ 147,002,141	$ 147,722,123

During fiscal years 2022 and 2021, 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 $8,116,455 and $4,192,367, 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.

Note 7 - Fair Value Measurements (Continued)

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.

The following tables present information about the Foundation's assets measured at fair value on a recurring basis at June 30, 2022 and 2021 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, 2022			
	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, 2022
Investments				
Cash and cash equivalents	$ 287,834	$ -	$ -	$ 287,834
Common stock - U.S. stocks	75,919,866	-	-	75,919,866
Common stock - Non-U.S. stocks	5,139,377	-	-	5,139,377
Mutual funds:				
Exchange traded	43,528,576	-	-	43,528,576
Money market	6,351,441	-	-	6,351,441
Fixed income	18,947,728	20,715,844	-	39,663,572
Equity	39,695,282	-	-	39,695,282
Total mutual funds	108,523,027	20,715,844	-	129,238,871
Alternative investments:				
Private equity	-	-	43,928,383	43,928,383
Commodities hedge funds	-	-	1,382,325	1,382,325
Total alternative investments	-	-	45,310,708	45,310,708
Total	$ 189,870,104	$ 20,715,844	$ 45,310,708	255,896,656
Investments measured at NAV - Hedge funds				50,219,822
Total assets				$ 306,116,478

Note 7 - Fair Value Measurements (Continued)

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2021			
	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, 2021
Investments				
Cash and cash equivalents	$ 372,904	$ -	$ -	$ 372,904
Common stock - U.S. stocks	67,505,292	-	-	67,505,292
Mutual funds:				
Exchange traded	48,789,765	-	-	48,789,765
Money market	5,318,725	-	-	5,318,725
Fixed income	25,185,168	20,714,887	-	45,900,055
Equity	66,847,346	-	-	66,847,346
Total mutual funds	146,141,004	20,714,887	-	166,855,891
Alternative investments:				
Private equity	-	-	33,524,159	33,524,159
Commodities hedge funds	-	-	1,322,067	1,322,067
Total alternative investments	-	-	34,846,226	34,846,226
Total	$ 214,019,200	$ 20,714,887	$ 34,846,226	269,580,313
Investments measured at NAV - Hedge funds				55,615,516
Total assets				$ 325,195,829

The fair value of certain fixed-income and pooled equity mutual funds that the Foundation owned at June 30, 2022 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 $2,702,127 and $5,241,389, respectively, for the year ended June 30, 2022 and purchases and sales totaling $7,738,168 and $3,982,601, respectively, for the year ended June 30, 2021. There were no transfers in or out of Level 3 assets during 2022 or 2021.

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, 2022 and 2021 for assets measured at fair value on a recurring basis using unobservable inputs (Level 3 inputs):

	Fair Value at June 30, 2022	Valuation Technique	Unobservable Inputs	Range of Inputs (Weighted Average)
Private equity	$ 43,928,383	Market value	Market quotes of underlying assets	100%
Commodities hedge funds	1,382,325	Market value	Market quotes of underlying assets	100%

	Fair Value at June 30, 2021	Valuation Technique	Unobservable Inputs	Range of Inputs (Weighted Average)
Private equity	$ 33,524,159	Market value	Market quotes of underlying assets	100%
Commodities hedge funds	1,322,067	Market value	Market quotes of underlying assets	100%

Private equity investments totaling $43,284,793 and $32,711,746 as of June 30, 2022 and 2021, 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, 2022 and 2021.

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, 2022	June 30, 2021			
	Fair Value	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Hedge funds	$ 50,219,822	$ 55,615,516	$ -	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
- 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, 2022
	With Donor Restrictions
Donor-restricted endowment funds:	
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	$ 119,554,429
Accumulated investment gains	16,234,547
Total	$ 135,788,976

Note 8 - Donor-restricted Endowments (Continued)

	Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2022
	With Donor Restrictions
Endowment net assets - Beginning of year	$ 135,944,628
Investment return - Net	(9,074,942)
Contributions	13,089,634
Appropriation of endowment assets for expenditure	(4,604,526)
Other adjustments	434,182
Endowment net assets - End of year	$ 135,788,976

	Endowment Net Asset Composition by Type of Fund as of June 30, 2021
	With Donor Restrictions
Donor-restricted endowment funds:	
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	$ 106,026,544
Accumulated investment gains	29,918,084
Total	$ 135,944,628

	Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2021
	With Donor Restrictions
Endowment net assets - Beginning of year	$ 100,812,995
Investment return - Net	30,025,371
Contributions	7,851,991
Appropriation of endowment assets for expenditure	(3,672,523)
Other adjustments	926,794
Endowment net assets - End of year	$ 135,944,628

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 $12,885,000 and $37,000, a current fair value of $11,945,000 and $34,000, and a deficiency of $940,000 and $3,000 as of June 30, 2022 and 2021, 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.

Note 8 - Donor-restricted Endowments (Continued)

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 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 $0 and $139,050 for expenditure from underwater endowment funds for years ended June 30, 2022 and 2021, 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 $46,000 and $42,000 for the years ended June 30, 2022 and 2021, respectively. There were no profit-sharing contributions in 2022 and 2021.

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 2022 and 2021 are summarized as follows:

Agency Fees

For the years ended June 30, 2022 and 2021, the Foundation incurred expenses related to agency fees from firms that hold the Foundation's investments of approximately $0 and $53,000, 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 2022 and 2021. At June 30, 2022 and 2021, the remaining balance of the prepaid rent was $569,444 and $636,111, 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
2023	$ 66,667
2024	66,667
2025	66,667
2026	66,667
2027	66,667
Thereafter	236,109
Total	$ 569,444

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 for the year ended June 30, 2022:

	Program Expenses	Management and General Expenses	Fundraising Expenses	Total
Grants and other assistance to governments, organizations, and individuals in the U.S.	$ 16,561,532	$ -	$ -	$ 16,561,532
Employment cost	578,284	426,829	479,694	1,484,807
Office expense	4,538	43,584	5,812	53,934
Legal	-	34,595	-	34,595
Travel	59	5,506	29,919	35,484
Accounting and consulting	10,354	98,206	43,757	152,317
Program materials	164,652	15,798	102,779	283,229
Telephone	6,106	27,738	4,469	38,313
Insurance	-	22,531	-	22,531
Postage	3,420	2,002	8,089	13,511
Special projects	125	-	-	125
Occupancy	-	66,667	-	66,667
Depreciation	-	34,004	-	34,004
Meetings	13,980	3,623	10,064	27,667
Dues and subscriptions	4	3,306	-	3,310
Bad debt	-	4,600	-	4,600
Real estate expenses	-	304	-	304
Total	$ 17,343,054	$ 789,293	$ 684,583	$ 18,816,930

Expenses related to operating the Foundation are as follows for the year ended June 30, 2021:

	Program Expenses	Management and General Expenses	Fundraising Expenses	Total
Grants and other assistance to governments, organizations, and individuals in the U.S.	$ 13,080,958	$ -	$ -	$ 13,080,958
Employment cost	491,770	436,920	498,354	1,427,044
Office expense	3,896	29,067	6,936	39,899
Legal	-	38,176	-	38,176
Travel	-	574	20,320	20,894
Accounting and consulting	7,279	102,795	12,132	122,206
Program materials	76,509	15,423	95,811	187,743
Telephone	4,623	27,797	4,849	37,269
Insurance	-	17,310	-	17,310
Postage	2,723	2,789	3,647	9,159
Occupancy	-	66,882	-	66,882
Depreciation	-	32,067	-	32,067
Meetings	13,416	4,180	1,897	19,493
Dues and subscriptions	-	3,958	-	3,958
Bad debt	-	103,204	-	103,204
Total	$ 13,681,174	$ 881,142	$ 643,946	$ 15,206,262

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 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.

Plante & Moran, PLLC
Suite 100
250 S. High Street
Columbus, OH 43215
Tel: 614.849.3000
Fax: 614.221.3535
plantemoran.com

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, 2022 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 7, 2022.

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.

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 7, 2022

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 10/18/2022

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