

**SHAWNEE STATE UNIVERSITY
DEVELOPMENT FOUNDATION**

**SCIOTO COUNTY
FINANCIAL AUDIT REPORT
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

OHIO AUDITOR OF STATE
KEITH FABER



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Board of Trustees
Shawnee State University Development Foundation
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We have reviewed the *Independent Auditor's Report* of the Shawnee State University Development Foundation, Scioto 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 Shawnee State University Development 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

November 14, 2022

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Shawnee State University Development Foundation

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Independent Auditor's Report

To the Board of Trustees
Shawnee State University
Development Foundation

Report on the Audits of the Financial Statements

Opinion

We have audited the financial statements of Shawnee State University Development Foundation (the "Foundation"), which comprise the statement of net assets as of June 30, 2022 and 2021 and the related statements of activities, functional expenses, 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 results of its operations 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.

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.

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.

To the Board of Trustees
Shawnee State University
Development Foundation

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 October 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.



October 7, 2022

Shawnee State University Development Foundation

Statement of Net Assets

	June 30, 2022	June 30, 2021
Assets		
Cash and cash equivalents	\$ 1,461,089	\$ 1,815,421
Investments (Note 3)	18,372,375	21,468,253
Contributions receivable - Net (Note 5)	390,831	239,428
Lease receivable from related party (Note 12)	15,499	17,668
Grant receivable (Note 5)	196,147	177,236
Other receivable	-	29,546
Beneficial interest in trusts held by others (Note 7)	789,640	953,289
Cash surrender value of life insurance (Note 5)	242,334	277,461
Other assets	66,782	68,718
Net property and equipment (Note 6)	11,767,586	9,762,212
Total assets	\$ 33,302,283	\$ 34,809,232
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 7,656	\$ 5,037
Accrued real estate tax	35,114	6,622
Grant payable	196,147	177,236
Other payable	500	500
Deposits held and due to others	4,101	3,633
Annuity payment liability (Note 7)	390,977	403,918
Note payable (Note 11)	3,145,291	3,339,113
Total liabilities	3,779,786	3,936,059
Net Assets		
Without Donor Restrictions (Note 8)	7,966,837	8,394,783
With Donor Restrictions (Note 9)	21,555,660	22,478,390
Total net assets	29,522,497	30,873,173
Total liabilities and net assets	\$ 33,302,283	\$ 34,809,232

Shawnee State University Development Foundation

Statement of Activities Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Other Support			
Contributions of financial assets	\$ 113,890	\$ 842,780	\$ 956,670
Contribution of nonfinancial assets	543	27,024	27,567
Investment income - Net	(349,668)	(2,718,722)	(3,068,390)
Change in value of split-interest agreements	-	(150,708)	(150,708)
Federal and state grant revenue	-	2,616,754	2,616,754
Other income	439	560	999
Rental income	407,381	-	407,381
Net assets released from restrictions	<u>1,540,418</u>	<u>(1,540,418)</u>	<u>-</u>
Total revenue and other support	1,713,003	(922,730)	790,273
Expenses			
Program services:			
Scholarships and other student aid	379,155	-	379,155
Institutional support	<u>1,026,350</u>	<u>-</u>	<u>1,026,350</u>
Total program services	1,405,505	-	1,405,505
Management and general expenses	159,693	-	159,693
Rental activities	489,304	-	489,304
Fundraising	<u>86,447</u>	<u>-</u>	<u>86,447</u>
Total expenses	<u>2,140,949</u>	<u>-</u>	<u>2,140,949</u>
Change in Net Assets	(427,946)	(922,730)	(1,350,676)
Net Assets - Beginning of year	<u>8,394,783</u>	<u>22,478,390</u>	<u>30,873,173</u>
Net Assets - End of year	<u>\$ 7,966,837</u>	<u>\$ 21,555,660</u>	<u>\$ 29,522,497</u>

Shawnee State University Development Foundation

Statement of Activities Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Other Support			
Contributions of financial assets	\$ 114,280	\$ 604,415	\$ 718,695
Contribution of nonfinancial assets	2,751	1,905	4,656
Investment income - Net	511,067	4,166,493	4,677,560
Change in value of split-interest agreements	-	192,986	192,986
Federal grant revenue	-	598,808	598,808
Other income	1,075	31,024	32,099
Rental income	359,090	-	359,090
Net assets released from restrictions	<u>1,366,806</u>	<u>(1,366,806)</u>	<u>-</u>
Total revenue and other support	2,355,069	4,228,825	6,583,894
Expenses			
Program services:			
Scholarships and other student aid	492,916	-	492,916
Institutional support	<u>545,383</u>	<u>-</u>	<u>545,383</u>
Total program services	1,038,299	-	1,038,299
Management and general expenses	156,222	-	156,222
Rental activities	469,563	-	469,563
Fundraising	<u>95,599</u>	<u>-</u>	<u>95,599</u>
Total expenses	<u>1,759,683</u>	<u>-</u>	<u>1,759,683</u>
Change in Net Assets	595,386	4,228,825	4,824,211
Net Assets - Beginning of year	<u>7,799,397</u>	<u>18,249,565</u>	<u>26,048,962</u>
Net Assets - End of year	<u>\$ 8,394,783</u>	<u>\$ 22,478,390</u>	<u>\$ 30,873,173</u>

Shawnee State University Development Foundation

Statement of Functional Expenses Year Ended June 30, 2022

	<u>Scholarships and Other Student Aid</u>	<u>Institutional Support</u>	<u>Management and General</u>	<u>Rental Activities</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and benefits	\$ 90,705	\$ -	\$ 44,265	\$ -	\$ 82,876	\$ 217,846
Payments to the University	-	593,304	-	-	-	593,304
Student awards and grants	288,450	-	-	-	-	288,450
Pass through grants	-	427,304	-	-	-	427,304
Guest speakers	-	5,742	-	-	-	5,742
Materials and supplies	-	-	-	-	3,571	3,571
Professional services	-	-	52,424	-	-	52,424
Service charges	-	-	5,389	-	-	5,389
Repairs and maintenance	-	-	3,087	116,659	-	119,746
Interest expense	-	-	-	162,554	-	162,554
Other general and administrative	-	-	28,607	-	-	28,607
Depreciation and amortization	-	-	25,921	210,091	-	236,012
	<u>\$ 379,155</u>	<u>\$ 1,026,350</u>	<u>\$ 159,693</u>	<u>\$ 489,304</u>	<u>\$ 86,447</u>	<u>\$ 2,140,949</u>

Shawnee State University Development Foundation

Statement of Functional Expenses Year Ended June 30, 2021

	Scholarships and Other Student Aid	Institutional Support	Management and General	Rental Activities	Fundraising	Total
Salaries and benefits	\$ 113,272	\$ -	\$ 67,004	\$ -	\$ 95,530	\$ 275,806
Payments to the University	-	214,397	-	-	-	214,397
Student awards and grants	379,644	-	-	-	-	379,644
Pass through grants	-	330,486	-	-	-	330,486
Guest speakers	-	500	-	-	-	500
Materials and supplies	-	-	-	-	69	69
Professional services	-	-	39,935	-	-	39,935
Service charges	-	-	4,613	-	-	4,613
Repairs and maintenance	-	-	3,601	86,130	-	89,731
Interest expense	-	-	-	173,179	-	173,179
Other general and administrative	-	-	15,148	-	-	15,148
Depreciation and amortization	-	-	25,921	210,254	-	236,175
	<u>\$ 492,916</u>	<u>\$ 545,383</u>	<u>\$ 156,222</u>	<u>\$ 469,563</u>	<u>\$ 95,599</u>	<u>\$ 1,759,683</u>

Shawnee State University Development Foundation

Statement of Cash Flows

	Year Ended	
	June 30, 2022	June 30, 2021
Cash Flows from Operating Activities		
Change in net assets	\$ (1,350,676)	\$ 4,824,211
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	234,076	234,239
Amortization	1,936	1,936
Noncash property contributions	(2,239,450)	(542,736)
Realized and unrealized (gains)/losses on investments	3,461,109	(4,450,972)
Contributions restricted for long-term purposes	(231,215)	(49,254)
Change in value of annuity obligations	(12,941)	20,006
Changes in assets and liabilities:		
Surrender value of life insurance	35,127	(12,078)
Funds held in trust by others	163,649	(180,283)
Contributions receivable	(151,403)	49,852
Grants receivable	(18,911)	(14,896)
Other receivable	29,546	(29,546)
Lease receivable from related party	2,169	2,169
Accounts payable and other accrued liabilities	50,022	(359,080)
Deposits held and due to others	468	(1,342)
Net cash used in operating activities	(26,494)	(507,774)
Cash Flows from Investing Activities		
Proceeds from sales of investments	5,347,490	8,985,582
Purchases of investments	(5,680,011)	(8,156,438)
Net cash (used in) provided by investing activities	(332,521)	829,144
Cash Flows from Financing Activities		
Payments to beneficiaries of charitable gift annuities	(32,710)	(32,710)
Principal payments on note payable	(193,822)	(434,389)
Contributions restricted for long-term purposes	231,215	49,254
Net cash (used in) provided by financing activities	4,683	(417,845)

Shawnee State University Development Foundation

Statement of Cash Flows (Continued)

	Year Ended	
	June 30, 2022	June 30, 2021
Net Decrease in Cash and Cash Equivalents	\$ (354,332)	\$ (96,475)
Cash and Cash Equivalents - Beginning of year	<u>1,815,421</u>	<u>1,911,896</u>
Cash and Cash Equivalents - End of year	<u>\$ 1,461,089</u>	<u>\$ 1,815,421</u>
Supplemental Disclosure of Cash Flow Information -		
Cash paid during the year for interest	<u>\$ 162,554</u>	<u>\$ 173,179</u>
Supplemental Disclosure of Noncash Activities		
Donated property	\$ 27,567	\$ 10,814
Donated securities	3,325	274,413
Property funded by grants	2,239,450	268,323

Shawnee State University Development Foundation

Notes to Financial Statements June 30, 2022 and 2021

Note 1 - Summary of Significant Accounting and Reporting Policies

Organization - Shawnee State University Development Foundation (the "Foundation") was incorporated as a not-for-profit organization in the state of Ohio on November 4, 1987. The Foundation was formed to raise funds for the benefit of Shawnee State University (the "University"). The primary source of revenue for the Foundation is donor contributions. The Foundation is a legally separate entity from the University and maintains a self-appointing board of trustees.

Basis of Accounting - The financial statements of the Foundation have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation - The Foundation classifies net assets, revenue, expenses, gains, and losses based on the existence or absence of donor-imposed restrictions.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and Cash Equivalents - The Foundation considers all highly liquid investments available with an initial maturity of three months or less to be cash equivalents. Deposits in banks are insured by an agency of the federal government up to \$250,000. As of June 30, 2022 and 2021 the Foundation holds funds in excess of insured limits.

Investments - Investments are carried at fair value. Investments received as gifts are recorded at fair value at the date of gift. Realized investment gains and losses represent the difference between the proceeds on sales of investments and their cost when acquired. Investment return includes interest, dividends, and both realized and unrealized gains and losses. All realized and unrealized gains and losses on investments are reported as increases or decreases, respectively, to unrestricted net assets unless required by donors or state law to be reinvested with the corpus.

The Foundation operates a pooled investment portfolio for all funds. The investment return and investment fees for the portfolio are allocated monthly using a percentage of account balances.

Shawnee State University Development Foundation

Notes to Financial Statements June 30, 2022 and 2021

Note 1 - Summary of Significant Accounting and Reporting Policies (Continued)

Gifts and Contributions - Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received by the Foundation, measured at fair value. Conditional promises to give are not reported as revenue until the conditions on which they depend are substantially met. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for a specific purpose are reported as donor restricted support and increase net asset with donor restrictions.

When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restricted and reported in the statement of activities as net assets released from restrictions. Contributions of land, buildings, and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenue of net assets without donor restrictions. Contributions of cash or other assets to be used to acquire land, buildings, and equipment with such donor stipulations are reported as revenue of net assets with donor restrictions. The restrictions are considered to be released at the time of acquisition of such long-lived assets.

Donations of real property are recorded as support and reported at their estimated fair value at the date of the gift. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset for a specific purpose.

Pledges Receivable - Unconditional promises to give 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. Unconditional promises to give, which are silent as to the due date, are presumed to be time restricted by the donor until received and are reported as net assets with donor restrictions.

Intentions - The Foundation receives communications from donors indicating that the Foundation has been included in the donors' wills or life insurance policies as a beneficiary, representing intentions to give rather than promises to give. Such communications are not unconditional promises to give because the donors retain the ability to modify their wills and insurance policies during their lifetimes. The total realizable value of these intended gifts has not been established, nor have the intended gifts been recognized as an asset or contribution revenue. Such gifts are recorded when the Foundation is notified of a donor's death, the will is declared valid by a probate court, and the proceeds are measurable.

Shawnee State University Development Foundation

Notes to Financial Statements June 30, 2022 and 2021

Note 1 - Summary of Significant Accounting and Reporting Policies (Continued)

Property and Equipment - All acquisitions of property and equipment in excess of \$10,000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost. Donated property and equipment are carried at fair value at the date of the donation.

Depreciation is computed using the straight-line method over the useful life of the asset as follows:

Buildings	40 years
Building Improvements	15-20 years
Furniture and Fixtures	5-20 years

Annuities Payable - The fair value of annuities payable is actuarially determined based on the present value of the discounted estimated future cash flows using market interest rates and life expectancy tables.

Net Assets - The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

- **Net assets without donor restrictions** – Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting for the nature of the Foundation, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.
- **Net assets with donor restrictions** – Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the Foundation must continue to use the resources in accordance with the donor's instructions.

An organization's unspent contributions are included in this class if the donor limited their use.

Shawnee State University Development Foundation

Notes to Financial Statements June 30, 2022 and 2021

Note 1 - Summary of Significant Accounting and Reporting Policies (Continued)

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service by the Foundation, unless the donor provides more specific directions about the period of its use.

Classification of Transactions – All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the donor specified the use of the related resources for a particular purpose or in a future period. All expenses and net losses other than losses on endowment investments are reported as decreases in net assets without donor restrictions. Net gains on endowment investments increase net assets with donor restrictions, and net losses on endowment investments reduce that net asset class.

Federal Income Tax - The Internal Revenue Service has ruled that the Foundation is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as a public charity described in Section 501(c)(3).

Concentration of Credit Risk - Financial instruments, which potentially subject the Foundation to a concentration of credit risk, consist principally of pledges receivable. Exposure to losses on pledges receivable is principally dependent on each donor's financial condition.

The Foundation monitors the exposure for credit losses and maintains allowances for anticipated losses on receivables.

Investments are recorded at fair value. 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 possible that changes in the value of investment securities will occur in the near term and that such changes could significantly affect the Foundation's statements of net assets and activities.

Shawnee State University Development Foundation

Notes to Financial Statements June 30, 2022 and 2021

Note 1 - Summary of Significant Accounting and Reporting Policies (Continued)

Federal Grant Revenue - Grant revenue received for grants is considered a nonexchange transaction and is recognized as the conditions of the grants have been met, which is typically, when the qualifying costs are incurred.

Functional Allocation of Expense - The cost of providing the Foundation's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied, as follows:

- Salaries and wages, benefits and payroll taxes are allocated based on activity reports prepared by key personnel.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Foundation.

Adoption of New Accounting Pronouncement – In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which increases the transparency of contributed nonfinancial assets through enhancements to presentation and disclosure. The Foundation adopted the new standard on a retrospective basis and it impacted the presentation of contribution revenue. Contributions that meet the criteria of nonfinancial assets are now shown separately on the financial statements from the contributions of cash and other financial assets. A note has also been added to disclose certain information about the nonfinancial asset contributions. Prior year contributions were reclassified to conform to this standard.

Upcoming Accounting Pronouncement - In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which will supersede the current lease requirements in ASC 840. The ASU did not significantly change the accounting requirements for lessors, and accordingly, application of the new lease standard is not expected to have a significant effect on the Foundation's financial statements. 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 either the beginning of the earliest period presented or the beginning of the year of adoption.

Shawnee State University Development Foundation

Notes to Financial Statements June 30, 2022 and 2021

Note 1 - Summary of Significant Accounting and Reporting Policies (Continued)

Subsequent Events – The financial statements and related disclosures include evaluation of events up through and including October 7, 2022, which is the date that the financial statements were available to be issued.

Note 2 – Liquidity and Availability

The following reflects the Foundation’s financial assets as of June 30, 2022 and 2021, reduced by amounts not available for general use because of donor-imposed restrictions within one year of the balance sheet date. Amounts not available include amounts set aside for long-term investing in the board designated endowment that could be drawn upon if the governing board approves that action. However, amounts already appropriated from either the donor-restricted endowment or board designated endowment for general expenditure within one year of the balance sheet have not been subtracted as unavailable.

	2022	2021
Financial assets:		
Cash and cash equivalents	\$ 1,461,089	\$ 1,815,421
Investments	18,372,375	21,468,253
Contributions receivable	390,831	239,428
Lease receivable	15,499	17,668
Other receivables	-	29,546
Total financial assets at year end	<u>20,239,794</u>	<u>23,570,316</u>
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Restricted by donor with implied time restrictions - pledges collectible in one or more years	\$ (221,348)	\$ (143,630)
Restricted by donors with time or purpose restrictions	(5,375,591)	(3,518,249)
Subject to appropriation and satisfaction of donor restrictions	(15,072,428)	(17,748,018)
Board designations:		
Board designated endowment funds	(1,440,012)	(1,729,367)
Board designated funds	<u>(453,962)</u>	<u>(532,717)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ (2,323,547)</u>	<u>\$ (101,665)</u>

Shawnee State University Development Foundation

Notes to Financial Statements June 30, 2022 and 2021

Note 2 – Liquidity and Availability (Continued)

The Foundation is substantially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Foundation must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Foundation's liquidity management, the Foundation structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition to the Foundation's cash, the Foundation holds short term cash investments that will, under normal circumstances, only be considered as temporary portfolio holdings, and will be used for Fund liquidity. Additionally, the Foundation has contributions, grants, lease, and other receivables that are expected to be collected within one year. The contributions receivable are subject to implied time restrictions but are expected to be collected within one year. In the event of an unanticipated liquidity need, the Foundation also could draw upon its quasi-endowment funds with board approval.

Note 3 - Investments

The fair value of investments held by the Foundation at June 30, 2022 and 2021 is summarized as follows:

	2022	2021
U.S. government securities	\$ 1,616,958	\$ 1,528,742
Foreign bond issues	399,734	491,588
Mutual funds:		
Equity	12,146,527	14,219,458
Fixed income	2,623,894	3,463,572
Common stock	17,051	-
Corporate bond issues	1,521,629	1,718,311
Limited Partnership	46,582	46,582
Total	<u>\$ 18,372,375</u>	<u>\$ 21,468,253</u>

Shawnee State University Development Foundation

Notes to Financial Statements June 30, 2022 and 2021

Note 4 - Fair Value Measurements

Investment income for the fiscal years ended June 30, 2022 and 2021 is composed of the following:

	2022	2021
Interest and dividends	\$ 471,222	\$ 300,941
Investment fees	(78,503)	(74,353)
Net realized and unrealized gains (losses) on investments	(3,461,109)	4,450,972
Total	\$ (3,068,390)	\$ 4,677,560

Accounting principles generally accepted in the United States of America define fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in the Foundation's principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

Generally accepted accounting principles establish a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs that may be used to measure fair value are as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets that the Foundation has the ability to access. Prices for these investments are widely available through major financial reporting services.

Level 2 - Inputs other than quoted prices that are observable, either directly or indirectly. These may 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.

Shawnee State University Development Foundation

Notes to Financial Statements June 30, 2022 and 2021

Note 4 - Fair Value Measurements (Continued)

Level 3 - Inputs that are unobservable, including inputs that are available in situations where there is little, if any, market activity for the related asset. Often, these assets trade infrequently or not at all. These values are generally determined using pricing models for which assumptions utilize management's estimates of market participant assumptions.

In instances whereby 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 Foundation's investment in the partnership was determined by the NAV per share, as a practical expedient for a fair value measurement.

Assets Measured at Fair Value on a Recurring Basis at June 30, 2022

Assets	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
U.S. government securities	\$ 1,616,958	\$ -	\$ -	\$ 1,616,958
Mutual funds:				
Equity	12,146,527	-	-	12,146,527
Fixed income	2,623,894	-	-	2,623,894
Common stock:				
Domestic	17,051	-	-	17,051
Foreign bond issues	-	399,734	-	399,734
Corporate bond issues	-	1,521,629	-	1,521,629
Beneficial interest in trusts	-	-	789,640	789,640
Measured using NAV as a practical expedient:				
Partnership	-	-	-	46,582
Total assets	\$ 16,404,430	\$ 1,921,363	\$ 789,640	\$ 19,162,015

Shawnee State University Development Foundation

Notes to Financial Statements June 30, 2022 and 2021

Note 4 - Fair Value Measurements (Continued)

Assets Measured at Fair Value on a Recurring Basis at June 30, 2021

Assets	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
U.S. government securities	\$ 1,528,742	\$ -	\$ -	\$ 1,528,742
Mutual funds:				
Equity	14,219,458	-	-	14,219,458
Fixed income	3,463,572	-	-	3,463,572
Foreign bond issues	-	491,588	-	491,588
Corporate bond issues	-	1,718,311	-	1,718,311
Beneficial interest in trusts	-	-	953,289	953,289
Measured using NAV as a practical expedient:				
Partnership	-	-	-	46,582
Total assets	\$ 19,211,772	\$ 2,209,899	\$ 953,289	\$ 22,421,542

Investments in Entities that Calculate Net Asset Value per Share

The Limited Partnership holds shares or interests in private companies at year end whereby the fair value of the investment held is estimated based on the net asset value per share (or its equivalent) in the company.

The Limited Partnership makes investments in private companies that demonstrate the potential for sustainable, profitable, growth capable of providing a suitable return to the investors.

Shawnee State University Development Foundation

Notes to Financial Statements June 30, 2022 and 2021

Note 4 - Fair Value Measurements (Continued)

Quantitative Information about Level 3 Fair Value Measurements

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs) are as follows:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) for Beneficial Interest	
July 1, 2021	\$	953,289
Change in value of split-interest trusts		(163,649)
June 30, 2022	\$	789,640
July 1, 2020	\$	773,006
Change in value of split-interest trusts		180,283
June 30, 2021	\$	953,289

The following table summarizes 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	Fair Value at June 30, 2021	Valuation Technique	Significant Unobservable Inputs Used	Range
Assets - Beneficial interests in trusts	\$ 789,640	\$ 953,289	Present value of future distributions to be received, IRS published tables	Life expectancy of beneficiaries	3-6 years and discount rates ranged from 6.4% to 7.6%

Unrealized gains and losses generated from Level 3 beneficial interests in trusts still held at June 30, 2022 and 2021 and reported in the Foundation's statements of activities were (\$163,649) and \$180,283, respectively.

The fair values of U.S. government securities, mutual funds, and common stock investments that are readily marketable are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs). The fair value of Level 2 corporate bond investments is determined utilizing quoted market prices of similar securities with similar due dates.

Shawnee State University Development Foundation

Notes to Financial Statements June 30, 2022 and 2021

Note 4 - Fair Value Measurements (Continued)

The fair value of the beneficial interests in trusts held by others is based on quoted prices of the underlying assets that were held by the trustees in conjunction with a valuation model that calculated the present value of estimated distributed income. There are restrictions on these assets that do not allow the Foundation's redemption rights. These assets are valued using the market approach with Level 3 inputs.

Note 5 – Contributions, Grants Receivable and Other Assets

Unconditional promises due within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be received in more than one year are discounted using a discount rate equal to the Moody AAA Bond rate at the date of gift. The discount rates for June 30, 2022 and 2021 range from 2.37 percent to 5.88 percent.

Gross pledges at June 30, 2022 and 2021 were \$484,434 and \$303,908, respectively. The present value of the discount associated with these pledges at June 30, 2022 and 2021 was \$36,305 and \$27,447, respectively.

Unconditional promises to give are expected to be realized in the following periods at June 30:

	2022	2021
Less than one year	\$ 169,483	\$ 95,798
One to five years	278,646	180,663
Total contributions receivable	448,129	276,461
Less allowance for uncollectible pledges	(57,298)	(37,033)
Net contributions receivable	\$ 390,831	\$ 239,428

All unconditional promises to give are considered collectible until determined otherwise by management. Promises to give that are deemed uncollectible are written off as bad debt expense.

Management provides for probable uncollectible amounts through a provision for bad debt expense by evaluating the collectability of each pledge.

Shawnee State University Development Foundation

Notes to Financial Statements June 30, 2022 and 2021

Note 5 – Contributions, Grants Receivable and Other Assets (Continued)

The Foundation received conditional promises to give totaling approximately \$8,050,000 as of June 30, 2022 that have not been recognized as assets in the statement of net assets. These gifts are primarily in the form of bequests and insurance pledges, which are deemed conditional due to their revocable nature. Additionally, conditional promises to give includes grant awards of approximately \$750,000 for which barriers per the grant agreement has not been overcome.

Contributions receivable from related parties totaled approximately \$19,000 and \$7,000 at June 30, 2022 and 2021, respectively. Related party contribution revenue recognized for the years ended June 30, 2022 and 2021 totaled \$38,084 and \$17,346, respectively.

Grants receivable are expected to be fully collectible within one year and therefore there is no allowance. Grants receivable at June 30, 2022 and 2021 were \$196,147 and \$177,236, respectively.

As of June 30, 2022 and 2021, the Foundation had cash surrender value of insurance policies of \$242,334 and \$277,461, respectively. The face values of these policies as of June 30, 2022 and 2021 were \$1,037,367 and \$1,122,691, respectively, and are not reflected in the statements of net assets.

For the years ended June 30, contributed nonfinancial assets recognized within the statement of activities included:

	2022	2021
Books	\$ 7,156	\$ 1,905
Supplies	58	-
Clothing	543	2,751
Equipment	19,810	-
Total	<u>\$ 27,567</u>	<u>\$ 4,656</u>

The Foundation's policy is to use nonfinancial asset contributions received for University purposes until such purposes no longer exist, then monetize the assets. None of the assets received for the fiscal year ended June 30, 2022 or 2021 were monetized. Contributed books, supplies, and equipment were restricted as to use by the donor and were utilized for the Library, supplies for the Bear Necessity Pantry, and the University plastics department, respectively. Clothing received had no restrictions and was utilized for career services. The Foundation estimated the fair value of all contributed nonfinancial assets on the basis of estimates of wholesale values that would be received for selling similar product in the United States.

Shawnee State University Development Foundation

Notes to Financial Statements June 30, 2022 and 2021

Note 6 - Property and Equipment

Property and equipment consist of the following:

	2022	2021
Land	\$ 2,011,200	\$ 2,011,200
Equipment and furniture	81,202	81,202
Buildings	8,942,735	8,942,735
Construction in progress	2,541,573	302,123
Total property and equipment	13,576,710	11,337,260
Accumulated depreciation	1,809,124	1,575,048
Net property and equipment	\$ 11,767,586	\$ 9,762,212

The total depreciation expense was \$234,076 and \$234,239 for the years ended June 30, 2022 and 2021, respectively.

Note 7 - Split-interest Agreements

Charitable Remainder Trusts - The Foundation has been named a charitable remainder beneficiary in various charitable remainder trusts administered by an outside trustee. These trusts provide, among other matters, that the trustee shall pay to beneficiaries periodic payments until either the assets of the trust have been exhausted or the death of the beneficiaries. Upon death of the beneficiaries, the Foundation's designated share of all property in the trust will be transferred to the Foundation in accordance with the agreements. The portion of the trust attributable to the present value of the future benefits to be received by the Foundation is recorded in the statements of net assets. The Foundation's share of assets held in the charitable remainder trusts totaled \$789,640 and \$953,289 at June 30, 2022 and 2021, respectively, and is reported at fair value in the Foundation's statements of net assets.

Charitable Gift Annuities - Under charitable gift annuity agreements, all assets are held by the Foundation. Therefore, the Foundation has recorded the donated assets at fair value and the liabilities to the donor or his/her beneficiaries discounted to the present value of the estimated future payments to be distributed by the Foundation to such individuals. The present value has been determined using the 2012 Individual Annuity Reserving (IAR) mortality table and the IRS discount rate as of the date of the gift. The amount of the contribution is the difference between the asset and liability and is recorded as contribution revenue. On an annual basis, the Foundation revalues the liabilities to make distributions to the designated beneficiaries based on actuarial assumptions. The present values of the estimated future payments at June 30, 2022 and 2021 are \$390,977 and \$403,918, respectively. These amounts are recognized as a liability in the Foundation's statements of net assets.

Shawnee State University Development Foundation

Notes to Financial Statements June 30, 2022 and 2021

Note 8 – Net Assets Without Donor Restrictions

The Foundation's net assets without donor restrictions totaled \$7,966,837 and \$8,394,783 as of June 30, 2022 and June 30, 2021. The Foundation's governing board has designated assets for the following purposes as of June 30:

	2022	2021
Board designated endowment funds	\$ 1,440,012	\$ 1,729,367
President's research capacity building fund	453,962	532,717
Total board designated net assets	<u>\$ 1,893,974</u>	<u>\$ 2,262,084</u>

Note 9 – Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods as of June 30:

	2022	2021
Purpose restrictions, available for spending:		
Funds received and restricted for specified purposes	\$ 5,375,591	\$ 3,518,249
Time restrictions:		
Contributions receivable	296,514	206,045
Cash surrender value of life insurance	21,487	52,789
Split-interest agreements, which are unavailable for spending until the deaths of the beneficiaries	789,640	953,289
Subtotal	<u>1,107,641</u>	<u>1,212,123</u>
Endowment funds, which must be held in perpetuity for:		
Scholarships and student aid	4,896,387	4,637,738
University facilities and programs	6,325,389	6,351,101
Subtotal	<u>11,221,776</u>	<u>10,988,839</u>
Accumulated earnings on endowment funds:		
Scholarships and student aid	1,633,401	2,818,089
University facilities and programs	2,217,251	3,941,090
Subtotal	<u>3,850,652</u>	<u>6,759,179</u>
Net assets with donor restrictions	<u>\$ 21,555,660</u>	<u>\$ 22,478,390</u>

Shawnee State University Development Foundation

Notes to Financial Statements June 30, 2022 and 2021

Note 9 – Net Assets With Donor Restrictions (Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors for the year ended June 30 as follows:

	<u>2022</u>	<u>2021</u>
Purpose restrictions accomplished:		
Foundation funds	\$ 635,417	\$ 491,652
Time restrictions expired:		
Collection of contributions receivable	277,284	258,709
Release of appropriated endowment amounts with purpose restrictions:		
Scholarships and student aid	186,831	283,781
University facilities and programs	440,886	332,664
Subtotal	<u>627,717</u>	<u>616,445</u>
Total releases of donor restrictions	<u>\$ 1,540,418</u>	<u>\$ 1,366,806</u>

Note 10 - Rental Income

The Foundation has two buildings subject to two lease agreements, one with the University, and one with a third party.

The lease with the University was renewed with lease terms effective August 18, 2014 through August 17, 2029 with an annual rental rate of \$87,610.

One third-party lease was entered into on April 26, 2019 for the term beginning July 1, 2019 and ending on June 30, 2021 at an annual rental rate of \$321,941. This lease was renewed on April 15, 2021 for the term beginning July 1, 2021 and ending on June 30, 2023 at an annual rental rate of \$321,941.

The Foundation also entered into a lease agreement with a third party for the term beginning August 23, 2019 and ending May 23, 2021 at a monthly rental rate of \$300.

Shawnee State University Development Foundation

Notes to Financial Statements June 30, 2022 and 2021

Note 10 - Rental Income (Continued)

The following is a schedule by years of future minimum rentals required under the leases at June 30, 2022:

Years Ending June 30	Amount
2023	\$ 409,551
2024	87,610
2025	87,610
2026	87,610
2027	87,610
Thereafter	<u>175,220</u>
Total	<u>\$ 935,211</u>

Note 11 - Note Payable

The Foundation entered into a \$4,500,000 note with an interest rate of 5 percent payable to Hatcher Real Estate, LLC for the purchase of property known as the Fourth Street Properties. The note is secured by the land and buildings. This note is payable in monthly installments of \$29,698. The payments are based on a 20-year amortization schedule and included a balloon payment due at maturity on February 25, 2019 for the remaining balance. The Foundation exercised an option to extend the maturity date for a two-year period to February 25, 2021, then exercised a second option to extend the maturity date to February 25, 2028. At June 30, 2022 and 2021 the outstanding principal balance of the note was \$3,145,291 and \$3,339,113, respectively.

On August 17, 2017, the Foundation entered into a \$400,000 note with an interest rate of 5 percent payable to Burg DMI, LLC to purchase property at 221 Chillicothe Street. The note is secured by the land and building. This note requires monthly interest only payments for forty-eight months with the total principal balance due no later than August 17, 2021. The balance of this note was paid in full on September 2, 2020.

Shawnee State University Development Foundation

Notes to Financial Statements June 30, 2022 and 2021

Note 11 - Note Payable (Continued)

Maturities of the note payable at June 30, 2022 are set forth in the following schedule:

Years Ending	
June 30	Amount
2023	\$ 203,739
2024	214,162
2025	225,119
2026	236,637
2027	248,743
Thereafter	2,016,891
Total	<u>\$ 3,145,291</u>

Note 12 - Transactions with Shawnee State University

The Foundation made distributions to, or on behalf of, the University of \$1,405,972 during the year ended June 30, 2022 and \$1,000,416 during the year ended June 30, 2021. Administrative expenses of \$245,673 in fiscal year 2022 and \$289,704 in fiscal year 2021 were reimbursed to Shawnee State University for direct costs, including an allocation of salary and benefits, incurred in the management of the Foundation's and University's endowment funds.

The Foundation leases building space to Shawnee State University for the use of educational facilities. The outstanding lease due under this arrangement was \$15,499 and \$17,668 as of June 30, 2022 and 2021, respectively, and is reflected as a lease receivable in the Foundation's statements of net assets.

The Foundation passed through federal grants to the University, the administrative agent for the grants, in the amount of \$377,304 and \$330,485 during the years ended June 30, 2022 and 2021, respectively. The Foundation has recorded a grant payable to the University at June 30, 2022 and 2021 in the amount of \$196,147 and \$177,236.

Shawnee State University Development Foundation

Notes to Financial Statements June 30, 2022 and 2021

Note 13 -Endowment Composition

The Foundation's endowment includes both donor-restricted endowment funds and funds without restrictions that function as endowments. As required by applicable standards, net assets associated with endowment funds, including unrestricted funds functioning as endowments, are classified, and reported based on the existence or absence of donor-imposed restrictions.

Endowment net asset composition by type of fund as of June 30, 2022 is as follows:

Endowment Net Asset Composition by Type of Fund as of June 30, 2022

	Without Donor Restriction	With Donor Restriction	Total
Board-designated endowment	\$ 1,440,012	\$ -	\$ 1,440,012
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	11,221,776	11,221,776
Accumulated investment gains	-	3,850,652	3,850,652
Total funds	<u>\$ 1,440,012</u>	<u>\$ 15,072,428</u>	<u>\$ 16,512,440</u>

Changes in endowment net assets for the year ended June 30, 2022 are as follows:

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2022

	Without Donor Restriction	With Donor Restriction	Total
Endowment Net assets - Beginning of year	\$ 1,729,367	\$ 17,748,018	\$ 19,477,385
Investment return	(236,508)	(2,248,363)	(2,484,871)
Contributions	7,881	200,490	208,371
Appropriation of endowment assets for expenditure	(60,728)	(627,717)	(688,445)
Endowment Net assets - End of year	<u>\$ 1,440,012</u>	<u>\$ 15,072,428</u>	<u>\$ 16,512,440</u>

Shawnee State University Development Foundation

Notes to Financial Statements June 30, 2022 and 2021

Note 13 - Endowment Composition (Continued)

Endowment net asset composition by type of fund as of June 30, 2021 is as follows:

Endowment Net Asset Composition by Type of Fund as of June 30, 2021

	Without Donor Restriction	With Donor Restriction	Total
Board-designated endowment	\$ 1,729,367	\$ -	\$ 1,729,367
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	10,988,839	10,988,839
Accumulated investment gains	-	6,759,179	6,759,179
Total funds	<u>\$ 1,729,367</u>	<u>\$ 17,748,018</u>	<u>\$ 19,477,385</u>

Changes in endowment net assets for the year ended June 30, 2021 are as follows:

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2021

	Without Donor Restriction	With Donor Restriction	Total
Endowment Net assets - Beginning of year	\$ 1,596,585	\$ 14,677,523	\$ 16,274,108
Investment return	366,857	3,584,555	3,951,412
Contributions	16,971	102,385	119,356
Appropriation of endowment assets for expenditure	(251,046)	(616,445)	(867,491)
Endowment Net assets - End of year	<u>\$ 1,729,367</u>	<u>\$ 17,748,018</u>	<u>\$ 19,477,385</u>

Shawnee State University Development Foundation

Notes to Financial Statements
June 30, 2022 and 2021

Note 13 - Endowment Composition (Continued)

Interpretation of UPMIFA - 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 UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Foundation and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Foundation
- (7) The investment policies of the Foundation

Shawnee State University Development Foundation

Notes to Financial Statements
June 30, 2022 and 2021

Note 13 - Endowment Composition (Continued)

Return Objectives, Risk Parameters, and Strategies - 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 as well as funds functioning as endowments. Under this policy, as approved by the board of trustees, the endowment assets are invested in a manner that is intended to achieve an after cost total real rate of return, including investment income as well as a capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 5 percent, while growing the funds if possible. Investment risk is measured in terms of the total endowment funds; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy and how the Investment Objectives Relate to Spending Policy - The Foundation has a policy of only spending the earnings, including appreciation, of the endowment fund. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

Funds with Deficiencies - From time to time, the fair value of assets associated with individual 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 are reported in the respective net asset category that holds the funds. At June 30, 2022, the original corpus of two endowments totaling \$1,970,125 had a fair market value of \$1,725,130, resulting in a deficiency of \$244,995. These deficiencies resulted from unfavorable market fluctuations. At June 30, 2021, no deficiency existed.

Shawnee State University Development Foundation

Notes to Financial Statements June 30, 2022 and 2021

Note 14 – Property Improvements Funded by Grants

The U.S. Department of Commerce awarded an Economic Development Administration (EDA) Grant in the amount of \$2,793,392 to the Shawnee State University and Shawnee State University Development Foundation. The federal grant terms required a match of \$750,000 of which \$700,000 was provided by the Ohio Department of Higher Education through state appropriations. The funding will be utilized for the renovations of the Shawnee State University Kricker Innovation Hub. Shawnee State University is the lead recipient on the project and will facilitate the administration of the awards. The Foundation holds title to the property on which the renovations will occur. As of June 30, 2022, terms of the grant required construction to be completed by September 28, 2022 with grant award period ending December 28, 2022. In September 2022, an amendment was provided to the grant agreement to extend the date construction is required to be completed to March 28, 2023, with grant period end date of June 28, 2023. As of June 30, 2022 and 2021, \$2,239,450 and \$268,323 respectively, of both federal and state grant monies have been spent on the project. The Foundation recognizes grant revenue and the corresponding property and equipment as conditions are met through allowable costs incurred.

As a stipulation of the federal award, the EDA requires the Foundation to hold title to the building and to utilize the building for the authorized purpose of the project for a period of 20 years from the date of construction completion. As such, EDA has a first priority unsubordinated mortgage lien on the building in favor of the EDA. If the property is no longer used for the authorized purpose of the project, disposed of, or encumbered without EDA approval within that timeframe, the EDA may assert its interest in the property to recover the federal share of the value of the property, which was determined to be the percentage of the current fair market value of the property attributed to the EDA participation in the project.

As a stipulation of the state award, the Ohio Department of Higher Education required Shawnee State University Development Foundation to agree to provide Shawnee State University exclusive and dedicated access to the facility for the SSU Immersive Technology and Arts Center, SSU Kricker Innovation Hub Offices, and the SSU Entrepreneurship Accelerator. Shawnee State University has the right of refusal to use the public spaces and such use shall be provided by the Shawnee State Development Foundation at no cost to the University for a 20 year term.

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
Shawnee State University Development 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 Shawnee State University Development Foundation (the "Foundation"), which comprise the statement of net assets as of June 30, 2022 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated October 7, 2022.

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 or significant deficiencies 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
Shawnee State University Development Foundation

Purpose of This Report

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

Plante & Moreau, PLLC

October 7, 2022

OHIO AUDITOR OF STATE KEITH FABER



SHAWNEE STATE UNIVERSITY DEVELOPMENT FOUNDATION

SCIOTO 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 11/29/2022

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

This report is a matter of public record and is available online at
www.ohioauditor.gov