

# SHAWNEE STATE UNIVERSITY DEVELOPMENT FOUNDATION

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**SCIOTO COUNTY  
REGULAR AUDIT  
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023**





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Columbus, Ohio 43215  
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Board of Trustees  
Shawnee State University Development Foundation  
940 Second Street  
Portsmouth, Ohio 45662

We have reviewed the *Independent Auditors' Report* of the Shawnee State University Development Foundation, Scioto County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2023 through June 30, 2024. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Keith Faber  
Auditor of State  
Columbus, Ohio

November 15, 2024

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# Shawnee State University Development Foundation

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## INDEPENDENT AUDITORS' REPORT

Board of Trustees of  
Shawnee State University Development Foundation

### Report on the Audit of the Financial Statements

#### ***Opinion***

We have audited the accompanying financial statements of Shawnee State University Development Foundation (a not-for-profit organization, "Foundation"), which comprise the statements of net assets as of June 30, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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

#### ***Basis for Opinion***

We conducted our audit 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Prior Period Financial Statements***

The financial statements of Shawnee State University Development Foundation as of June 30, 2023 were audited by other auditors, whose report dated October 9, 2023, expressed an unmodified opinion on those financial statements.

#### ***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 available to be issued.

#### ***Auditors' Responsibilities for the Audit 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- 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 audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2024, on our consideration of Shawnee State University Development Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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.

*Clark, Schaefer, Hackett & Co.*

Springfield, Ohio  
October 14, 2024

# Shawnee State University Development Foundation

## Statements of Net Assets

	June 30, 2024	June 30, 2023
<b>Assets</b>		
Cash and cash equivalents	\$ 1,391,770	\$ 2,005,258
Investments (Note 3)	23,434,310	19,850,997
Contributions receivable - Net (Note 5)	4,604,936	1,388,572
Lease receivable from related party (Note 12)	11,160	13,330
Grant receivable (Note 5)	-	6,137
Beneficial interest in trusts held by others (Note 7)	158,994	143,258
Cash surrender value of life insurance (Note 5)	268,875	242,616
Other assets	14,999	64,847
Assets held for resale (Note 15)	4,455,000	-
Net property and equipment (Note 6)	<u>4,881,729</u>	<u>12,426,999</u>
 Total assets	 <u>\$ 39,221,773</u>	 <u>\$ 36,142,014</u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 23,172	\$ 28,029
Amount due to related party	134,335	178,111
Accrued real estate tax	46,800	44,952
Grant payable	-	6,137
Other payable	500	500
Deposits held and due to others	2,258	4,101
Annuity payment liability (Note 7)	312,776	325,179
Note payable (Note 11)	<u>2,727,390</u>	<u>2,941,552</u>
 Total liabilities	 <u>3,247,231</u>	 <u>3,528,561</u>
<b>Net Assets</b>		
Without Donor Restrictions (Note 8)	6,057,444	9,051,326
With Donor Restrictions (Note 9)	<u>29,917,098</u>	<u>23,562,127</u>
 Total net assets	 <u>35,974,542</u>	 <u>32,613,453</u>
 Total liabilities and net assets	 <u>\$ 39,221,773</u>	 <u>\$ 36,142,014</u>

# Shawnee State University Development Foundation

## Statement of Activities Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue and Other Support</b>			
Contributions of financial assets	\$ 105,385	\$ 5,327,948	\$ 5,433,333
Contribution of nonfinancial assets	133,916	2,415	136,331
Investment income - Net	410,040	2,500,931	2,910,971
Change in value of split-interest agreements	-	28,139	28,139
State grant revenue	-	72,258	72,258
Other income	-	4,356	4,356
Rental income	407,381	-	407,381
Net assets released from restrictions	<u>1,581,076</u>	<u>(1,581,076)</u>	<u>-</u>
Total revenue and other support	2,637,798	6,354,971	8,992,769
<b>Expenses</b>			
Program services:			
Scholarships and other student aid	573,432	-	573,432
Institutional support	<u>1,257,881</u>	<u>-</u>	<u>1,257,881</u>
Total program services	1,831,313	-	1,831,313
Management and general expenses	260,740	-	260,740
Rental activities	336,591	-	336,591
Fundraising	<u>198,753</u>	<u>-</u>	<u>198,753</u>
Total expenses	<u>2,627,397</u>	<u>-</u>	<u>2,627,397</u>
<b>Losses</b>			
Impairment loss on asset	<u>3,004,283</u>	<u>-</u>	<u>3,004,283</u>
Total expenses and losses	<u>5,631,680</u>	<u>-</u>	<u>5,631,680</u>
<b>Change in Net Assets</b>			
	(2,993,882)	6,354,971	3,361,089
<b>Net Assets</b> - Beginning of year	<u>9,051,326</u>	<u>23,562,127</u>	<u>32,613,453</u>
<b>Net Assets</b> - End of year	<b>\$ 6,057,444</b>	<b>\$ 29,917,098</b>	<b>\$ 35,974,542</b>

# Shawnee State University Development Foundation

## Statement of Activities Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue and Other Support</b>			
Contributions of financial assets	\$ 487,066	\$ 1,048,354	\$ 1,535,420
Contribution of nonfinancial assets	-	19,024	19,024
Investment income - Net	227,485	1,854,748	2,082,233
Change in value of split-interest agreements	-	425,953	425,953
Federal and state grant revenue	-	1,069,269	1,069,269
Other income	3,915	24,955	28,870
Rental income	407,381	-	407,381
Net assets released from restrictions	<u>2,435,836</u>	<u>(2,435,836)</u>	-
Total revenue and other support	3,561,683	2,006,467	5,568,150
<b>Expenses</b>			
Program services:			
Scholarships and other student aid	501,514	-	501,514
Institutional support	<u>1,142,192</u>	<u>-</u>	<u>1,142,192</u>
Total program services	1,643,706	-	1,643,706
Management and general expenses	213,993	-	213,993
Rental activities	467,229	-	467,229
Fundraising	<u>152,266</u>	<u>-</u>	<u>152,266</u>
Total expenses	<u>2,477,194</u>	<u>-</u>	<u>2,477,194</u>
<b>Change in Net Assets</b>			
Net Assets - Beginning of year	1,084,489	2,006,467	3,090,956
Net Assets - End of year	<u>7,966,837</u>	<u>21,555,660</u>	<u>29,522,497</u>
	<b>\$ 9,051,326</b>	<b>\$ 23,562,127</b>	<b>\$ 32,613,453</b>

## Shawnee State University Development Foundation

### Statement of Functional Expenses Year Ended June 30, 2024

	Scholarships and Other Student Aid	Institutional Support	Management and General	Rental Activities	Fundraising	Total
Salaries and benefits	\$ 117,424	\$ -	\$ 69,111	\$ -	\$ 145,321	\$ 331,856
Payments to the University	-	1,240,996	-	-	-	1,240,996
Student awards and grants	456,008	-	14,885	-	-	456,008
Guest speakers	-	2,000	-	-	-	14,885
Materials and supplies	-	-	47,855	-	53,432	55,432
Professional services	-	-	6,125	-	-	47,855
Service charges	-	-	2,071	116,742	-	6,125
Repairs and maintenance	-	-	-	143,787	-	118,813
Interest expense	-	-	23,541	-	-	143,787
Other general and administrative	-	-	112,037	76,062	-	23,541
Depreciation and amortization	-	-	-	-	-	188,099
	<b>\$ 573,432</b>	<b>\$ 1,257,881</b>	<b>\$ 260,740</b>	<b>\$ 336,591</b>	<b>\$ 198,753</b>	<b>\$ 2,627,397</b>

## Shawnee State University Development Foundation

### Statement of Functional Expenses Year Ended June 30, 2023

	Scholarships and Other Student Aid	Institutional Support	Management and General	Rental Activities	Fundraising	Total
Salaries and benefits	\$ 112,192	\$ -	\$ 66,003	\$ -	\$ 129,799	\$ 307,994
Payments to the University	-	884,161	-	-	-	884,161
Student awards and grants	389,322	-	-	-	-	389,322
Pass through grants	-	199,122	-	-	-	199,122
Guest speakers	-	9,022	-	-	-	9,022
Materials and supplies	-	-	-	-	22,467	22,467
Professional services	-	-	50,775	-	-	50,775
Service charges	-	-	5,458	-	-	5,458
Repairs and maintenance	-	-	4,260	106,298	-	110,558
Interest expense	-	-	-	152,638	-	152,638
Other general and administrative	-	49,887	33,121	-	-	83,008
Depreciation and amortization	-	-	54,376	208,293	-	262,669
	<b>\$ 501,514</b>	<b>\$ 1,142,192</b>	<b>\$ 213,993</b>	<b>\$ 467,229</b>	<b>\$ 152,266</b>	<b>\$ 2,477,194</b>

# Shawnee State University Development Foundation

## Statements of Cash Flows

	Year Ended	
	June 30, 2024	June 30, 2023
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 3,361,089	\$ 3,090,956
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	187,242	260,733
Amortization	857	1,936
Noncash property contributions	(57,458)	(944,689)
Realized and unrealized (gains)/losses on investments	(2,455,837)	(1,664,546)
Contributions restricted for long-term purposes	(273,920)	(276,418)
Impairment loss on asset	3,004,283	-
Change in value of annuity obligations	(12,403)	(65,798)
Changes in assets and liabilities:		
Surrender value of life insurance	(26,259)	(282)
Funds held in trust by others	(15,736)	646,382
Contributions receivable	(3,216,364)	(997,741)
Grants receivable	6,137	190,010
Lease receivable from related party	2,170	2,169
Accounts payable and other accrued liabilities	(52,922)	18,312
Deposits held and due to others	(1,843)	-
Net cash provided by operating activities	449,036	261,024
<b>Cash Flows from Investing Activities</b>		
Purchase of land, buildings, and equipment	(52,264)	-
Proceeds from sales of investments	4,397,788	3,798,958
Purchases of investments	(5,435,096)	(3,555,782)
Net cash provided by (used in) investing activities	(1,089,572)	243,176
<b>Cash Flows from Financing Activities</b>		
Payments to beneficiaries of charitable gift annuities	(32,710)	(32,710)
Principal payments on note payable	(214,162)	(203,739)
Contributions restricted for long-term purposes	273,920	276,418
Net cash provided by financing activities	27,048	39,969

# Shawnee State University Development Foundation

## Statements of Cash Flows (Continued)

	Year Ended	
	June 30, 2024	June 30, 2023
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	\$ (613,488)	\$ 544,169
<b>Cash and Cash Equivalents - Beginning of year</b>	<u>2,005,258</u>	<u>1,461,089</u>
<b>Cash and Cash Equivalents - End of year</b>	<u><b>\$ 1,391,770</b></u>	<u><b>\$ 2,005,258</b></u>
<b>Supplemental Disclosure of Cash Flow Information -</b>		
Cash paid during the year for interest	<u><b>\$ 143,787</b></u>	<u><b>\$ 152,638</b></u>
<b>Supplemental Disclosure of Noncash Activities</b>		
Donated property	\$ 4,415	\$ 19,024
Donated securities	53,043	5,519
Property funded by grants	-	920,146

# Shawnee State University Development Foundation

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## Notes to Financial Statements June 30, 2024 and 2023

### 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, 2024 and 2023 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 net assets without donor restrictions 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

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## Notes to Financial Statements June 30, 2024 and 2023

### 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

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## Notes to Financial Statements June 30, 2024 and 2023

### 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

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## Notes to Financial Statements June 30, 2024 and 2023

### 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

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## Notes to Financial Statements June 30, 2024 and 2023

### 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 statements of activities and 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.

**Subsequent Events** – On July 16, 2024, the Foundation entered into an agreement to sell real estate located at Fourth Street in Portsmouth, Ohio, in the amount of \$4,500,000.

The financial statements and related disclosures include evaluation of events up through and including October 14, 2024, 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, 2024 and 2023, reduced by amounts not available for general use because of donor-imposed restrictions within one year of the statement of net assets 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 statement of net assets have not been subtracted as unavailable.

# Shawnee State University Development Foundation

## Notes to Financial Statements June 30, 2024 and 2023

### Note 2 – Liquidity and Availability (Continued)

	2024	2023
Financial assets:		
Cash and cash equivalents	\$ 1,391,770	\$ 2,005,258
Investments	23,434,310	19,850,997
Contributions receivable	4,604,936	1,388,572
Lease receivable	11,160	13,330
Total financial assets at year end	<u>29,442,177</u>	<u>23,258,157</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	\$ (349,481)	\$ (239,268)
Restricted by donors with purpose restrictions	(7,003,693)	(5,731,139)
Subject to appropriation and satisfaction of donor restrictions	(18,152,811)	(16,332,723)
Board designations:		
Board designated endowment funds	(1,485,829)	(1,442,228)
Board designated funds	<u>(539,782)</u>	<u>(498,761)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,910,581</u>	<u>\$ (985,962)</u>

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.

# Shawnee State University Development Foundation

## Notes to Financial Statements June 30, 2024 and 2023

### Note 2 – Liquidity and Availability (Continued)

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, 2024 and 2023 is summarized as follows:

	2024	2023
U.S. government securities	\$ 1,972,530	\$ 2,407,155
Foreign bond issues	245,947	310,364
Mutual funds:		
Equity	16,857,392	14,226,320
Fixed income	3,616,654	1,977,460
Corporate bond issues	726,789	891,764
Limited Partnership	14,998	37,934
<b>Total</b>	<b>\$ 23,434,310</b>	<b>\$ 19,850,997</b>

Investment income for the fiscal years ended June 30, 2024 and 2023 is composed of the following:

	2024	2023
Interest and dividends	\$ 531,556	\$ 489,309
Investment fees	(76,422)	(71,622)
Net realized and unrealized gains (losses)		
on investments	2,455,837	1,664,546
<b>Total</b>	<b>\$ 2,910,971</b>	<b>\$ 2,082,233</b>

# Shawnee State University Development Foundation

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## Notes to Financial Statements June 30, 2024 and 2023

### Note 4 - Fair Value Measurements

Accounting principles generally accepted in the United States of America (GAAP) 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.

GAAP establishes 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.

**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.

# Shawnee State University Development Foundation

## Notes to Financial Statements June 30, 2024 and 2023

### Note 4 - Fair Value Measurements (Continued)

#### Assets Measured at Fair Value on a Recurring Basis at June 30, 2024

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, 2024
U.S. government securities	\$ 1,972,530	\$ -	\$ -	\$ 1,972,530
Mutual funds:				
Equity	16,857,392	-	-	16,857,392
Fixed income	3,616,654	-	-	3,616,654
Foreign bond issues	-	245,947	-	245,947
Corporate bond issues	-	726,789	-	726,789
Beneficial interest in trusts	-	-	158,994	158,994
Measured using NAV as a practical expedient:				
Limited Partnership	-	-	-	14,998
Total assets	<u>\$ 22,446,576</u>	<u>\$ 972,736</u>	<u>\$ 158,994</u>	<u>\$ 23,593,304</u>

#### Assets Measured at Fair Value on a Recurring Basis at June 30, 2023

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, 2023
U.S. government securities	\$ 2,407,155	\$ -	\$ -	\$ 2,407,155
Mutual funds:				
Equity	14,226,320	-	-	14,226,320
Fixed income	1,977,460	-	-	1,977,460
Foreign bond issues	-	310,364	-	310,364
Corporate bond issues	-	891,764	-	891,764
Beneficial interest in trusts	-	-	143,258	143,258
Measured using NAV as a practical expedient:				
Limited Partnership	-	-	-	37,934
Total assets	<u>\$ 18,610,935</u>	<u>\$ 1,202,128</u>	<u>\$ 143,258</u>	<u>\$ 19,994,255</u>

# Shawnee State University Development Foundation

## Notes to Financial Statements June 30, 2024 and 2023

### Note 4 - Fair Value Measurements (Continued)

#### 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.

#### 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, 2023	\$ 143,258
Receipts from trust	-
Change in value of split-interest trusts	<u>15,736</u>
June 30, 2024	<u>\$ 158,994</u>
July 1, 2022	\$ 789,640
Receipts from trust	(1,006,536)
Change in value of split-interest trusts	<u>360,154</u>
June 30, 2023	<u>\$ 143,258</u>

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

	Fair Value at June 30, 2024	Fair Value at June 30, 2023	Valuation Technique	Significant Unobservable Inputs Used	Range
Assets - Beneficial interests in trusts	\$ 158,994	\$ 143,258	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%

# Shawnee State University Development Foundation

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## Notes to Financial Statements June 30, 2024 and 2023

### Note 4 - Fair Value Measurements (Continued)

Unrealized gains and losses generated from Level 3 beneficial interests in trusts still held at June 30, 2024 and 2023 and reported in the Foundation's statements of activities were \$15,736 and \$360,154, 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 and foreign bond investments is determined utilizing quoted market prices of similar securities with similar due dates.

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, 2024 and 2023 range from 2.37 percent to 5.95 percent.

Gross pledges at June 30, 2024 and 2023 were \$682,189 and \$444,533, respectively. The present value of the discount associated with these pledges at June 30, 2024 and 2023 was \$52,253 and \$37,497, respectively. The contributions receivable at June 30, 2024 also includes \$4,000,000 from a bequest that is expected to be received in fiscal year 2025. The contributions receivable at June 30, 2023 also includes \$1,006,536 from the payout of a charitable remainder trust that was received in fiscal year 2024.

# Shawnee State University Development Foundation

## Notes to Financial Statements June 30, 2024 and 2023

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

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

	2024	2023
Less than one year	\$ 4,255,455	\$ 1,149,304
One to five years	374,481	264,268
 Total contributions receivable	 4,629,936	 1,413,572
Less allowance for uncollectible pledge	(25,000)	(25,000)
 Net contributions receivable	 \$ 4,604,936	 \$ 1,388,572

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.

The Foundation received conditional promises to give totaling approximately \$2,171,000 as of June 30, 2024 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.

Contributions receivable from related parties totaled approximately \$11,000 and \$13,000 at June 30, 2024 and 2023, respectively. Related party contribution revenue recognized for the years ended June 30, 2024 and 2023 totaled \$22,034 and \$20,770, respectively.

Grants receivable are expected to be fully collectible within one year and therefore there is no allowance. Grants receivable at June 30, 2024 and 2023 were \$0 and \$6,137, respectively.

As of June 30, 2024 and 2023, the Foundation had cash surrender value of insurance policies of \$268,875 and \$242,616, respectively. The face values of these policies as of June 30, 2024 and 2023 were \$1,037,780 and \$1,037,203, respectively, and are not reflected in the statements of net assets.

# Shawnee State University Development Foundation

## Notes to Financial Statements June 30, 2024 and 2023

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

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

	2024	2023
Books	\$ 1,915	\$ 7,740
Professional services	131,916	-
Equipment/Other	2,500	11,284
<b>Total</b>	<b>\$ 136,331</b>	<b>\$ 19,024</b>

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, 2024 or 2023 were monetized. Contributed books, equipment, and other supplies 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. Donated professional services met the criteria to be recognized as contributed services and were unrestricted as to use. 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 and paid for similar services in the United States.

### Note 6 - Property and Equipment

Property and equipment consist of the following:

	2024	2023
Land	\$ 511,199	\$ 2,011,200
Land Improvements	56,064	-
Equipment and furniture	18,389	81,202
Buildings	4,648,598	12,370,654
Construction in progress	-	33,800
<b>Total property and equipment</b>	<b>5,234,250</b>	<b>14,496,856</b>
Accumulated depreciation	352,521	2,069,857
<b>Net property and equipment</b>	<b>\$ 4,881,729</b>	<b>\$ 12,426,999</b>

The total depreciation expense was \$187,242 and \$260,733 for the years ended June 30, 2024 and 2023, respectively.

# Shawnee State University Development Foundation

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## Notes to Financial Statements June 30, 2024 and 2023

### 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 \$158,994 and \$143,258 at June 30, 2024 and 2023, 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, 2024 and 2023 are \$312,776 and \$325,179, respectively. These amounts are recognized as a liability in the Foundation's statements of net assets.

### Note 8 – Net Assets Without Donor Restrictions

The Foundation's net assets without donor restrictions totaled \$6,057,444 and \$9,051,326 as of June 30, 2024 and June 30, 2023. The Foundation's governing board has designated assets for the following purposes as of June 30:

	2024	2023
Board designated endowment funds	\$ 1,485,829	\$ 1,442,228
President's research capacity building fund	539,782	498,761
Total board designated net assets	<u><u>\$ 2,025,611</u></u>	<u><u>\$ 1,940,989</u></u>

# Shawnee State University Development Foundation

## Notes to Financial Statements June 30, 2024 and 2023

### Note 9 – Net Assets With Donor Restrictions

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

	2024	2023
<b>Purpose restrictions, available for spending:</b>		
Funds received and restricted for specified purposes	\$ 7,003,693	\$ 5,731,139
<b>Time restrictions:</b>		
Contributions receivable	4,575,342	1,332,872
Cash surrender value of life insurance	26,258	22,136
Split-interest agreements, which are unavailable for spending until the deaths of the beneficiaries	158,994	143,258
Subtotal	<u>4,760,594</u>	<u>1,498,266</u>
<b>Endowment funds, which must be held in perpetuity for:</b>		
Scholarships and student aid	5,293,315	5,106,996
University facilities and programs	<u>6,457,492</u>	<u>6,375,057</u>
Subtotal	<u>11,750,807</u>	<u>11,482,053</u>
<b>Accumulated earnings on endowment funds:</b>		
Scholarships and student aid	2,878,648	2,113,389
University facilities and programs	<u>3,523,356</u>	<u>2,737,280</u>
Subtotal	<u>6,402,004</u>	<u>4,850,669</u>
<b>Net assets with donor restrictions</b>	<u><u>\$ 29,917,098</u></u>	<u><u>\$ 23,562,127</u></u>

# Shawnee State University Development Foundation

## Notes to Financial Statements June 30, 2024 and 2023

### 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:

	2024	2023
<b>Purpose restrictions accomplished:</b>		
Foundation funds	\$ 448,197	\$ 1,581,234
<b>Time restrictions expired:</b>		
Collection of contributions receivable	502,856	221,928
<b>Release of appropriated endowment amounts with purpose restrictions:</b>		
Scholarships and student aid	236,879	259,332
University facilities and programs	393,144	373,342
Subtotal	<u>630,023</u>	<u>632,674</u>
Total releases of donor restrictions	<u><u>\$ 1,581,076</u></u>	<u><u>\$ 2,435,836</u></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 has lease terms effective August 18, 2014 through August 17, 2029 with an annual rental rate of \$87,610.

One third-party lease was renewed on April 28, 2023 for the term beginning July 1, 2023 and ending on June 30, 2025 at an annual rental rate of \$321,941.

The following is a schedule by years of future minimum rentals required under the leases at June 30, 2024:

	Years Ending	
	June 30	Amount
	2025	\$ 409,551
	2026	87,610
	2027	87,610
	2028	87,610
	2029	<u>87,610</u>
	Total	<u><u>\$ 759,991</u></u>

# Shawnee State University Development Foundation

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## Notes to Financial Statements June 30, 2024 and 2023

### 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, 2024 and 2023 the outstanding principal balance of the note was \$2,727,390 and \$2,941,552, respectively.

Maturities of the note payable at June 30, 2024 are set forth in the following schedule:

Years Ending	
June 30	Amount
2025	\$ 225,119
2026	236,637
2027	248,743
2028	<u>2,016,891</u>
Total	<u>\$ 2,727,390</u>

### Note 12 - Transactions with Shawnee State University

The Foundation made distributions to, or on behalf of, the University of \$2,049,388 during the year ended June 30, 2024 and \$1,668,850 during the year ended June 30, 2023. Administrative expenses of \$241,418 in fiscal year 2024 and \$341,115 in fiscal year 2023 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. A total of \$134,335 and \$178,111 was payable from the Foundation to the University at June 30, 2024 and June 30, 2023, respectively.

The Foundation leases building space to Shawnee State University for the use of educational facilities. The outstanding lease due under this arrangement was \$11,160 and \$13,330 as of June 30, 2024 and 2023, 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 \$199,122 during the year ended June 30, 2023. The Foundation has recorded a grant payable to the University at June 30, 2023 in the amount of \$6,137.

# Shawnee State University Development Foundation

## Notes to Financial Statements June 30, 2024 and 2023

### 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, 2024 is as follows:

#### Endowment Net Asset Composition by Type of Fund as of June 30, 2024

	Without Donor Restriction	With Donor Restriction	Total
Board-designated endowment	\$ 1,485,829	\$ -	\$ 1,485,829
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	11,750,807	11,750,807
Accumulated investment gains	-	6,402,004	6,402,004
Total funds	<u>\$ 1,485,829</u>	<u>\$ 18,152,811</u>	<u>\$ 19,638,640</u>

Changes in endowment net assets for the year ended June 30, 2024 are as follows:

#### Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2024

	Without Donor Restriction	With Donor Restriction	Total
Endowment Net assets - Beginning of year	\$ 1,442,228	\$ 16,332,723	\$ 17,774,951
Investment return	187,476	2,181,357	2,368,833
Contributions	5,166	268,754	273,920
Appropriation of endowment assets for expenditure	(149,041)	(630,023)	(779,064)
Endowment Net assets - End of year	<u>\$ 1,485,829</u>	<u>\$ 18,152,811</u>	<u>\$ 19,638,640</u>

# Shawnee State University Development Foundation

## Notes to Financial Statements June 30, 2024 and 2023

### Note 13 - Endowment Composition (Continued)

Endowment net asset composition by type of fund as of June 30, 2023 is as follows:

#### Endowment Net Asset Composition by Type of Fund as of June 30, 2023

	Without Donor Restriction	With Donor Restriction	Total
Board-designated endowment	\$ 1,442,228	\$ -	\$ 1,442,228
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	11,482,053	11,482,053
Accumulated investment gains	-	4,850,670	4,850,670
Total funds	<u>\$ 1,442,228</u>	<u>\$ 16,332,723</u>	<u>\$ 17,774,951</u>

Changes in endowment net assets for the year ended June 30, 2023 are as follows:

#### Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2023

	Without Donor Restriction	With Donor Restriction	Total
Endowment Net assets - Beginning of year	\$ 1,440,012	\$ 15,072,428	\$ 16,512,440
Investment return	143,212	1,632,692	1,775,904
Contributions	16,141	260,277	276,418
Appropriation of endowment assets for expenditure	(157,137)	(632,674)	(789,811)
Endowment Net assets - End of year	<u>\$ 1,442,228</u>	<u>\$ 16,332,723</u>	<u>\$ 17,774,951</u>

# Shawnee State University Development Foundation

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## Notes to Financial Statements June 30, 2024 and 2023

### 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

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## Notes to Financial Statements June 30, 2024 and 2023

### 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, 2024, the original corpus of two endowments totaling \$1,920,371 had a fair market value of \$1,884,267, resulting in a deficiency of \$36,104. At June 30, 2023, the original corpus of two endowments totaling \$1,920,371 had a fair market value of \$1,769,177, resulting in a deficiency of \$151,194. These deficiencies resulted from unfavorable market fluctuations.

# Shawnee State University Development Foundation

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## Notes to Financial Statements June 30, 2024 and 2023

### 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 Kicker 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. 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. The project was completed and the building placed in service on March 9, 2023. As of June 30, 2023 \$3,462,919 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 Kicker 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.

# **Shawnee State University Development Foundation**

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## **Notes to Financial Statements** **June 30, 2024 and 2023**

### **Note 15 – Asset Held for Resale and Impairment Loss**

During the year ended June 30, 2024, the Foundation determined that the real estate owned and located on Fourth Street in Portsmouth, Ohio would be sold. On July 16, 2024, the Foundation entered an agreement to sell this real estate to a third party in the amount of \$4,500,000. In accordance with GAAP, the building, land and other improvements associated with this property was reclassified as an asset held for resale at the fair market value of the property, which was determined to be \$4,455,000, and was based on the value the property is expected to be sold less selling expenses. In accordance with GAAP, an impairment loss was recorded in the amount of \$3,004,283 for the year ended June 30, 2024 which is the amount that the net book value of the property exceeded the fair market value.

**INDEPENDENT AUDITORS' 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**

Board of Trustees of  
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 ("Foundation"), which comprise the statement of net assets as of June 30, 2024, 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 14, 2024.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Shawnee State University Development 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 entity'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 and significant deficiencies may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Shawnee State University Development 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*.

**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.

*Clark, Schaefer, Hackett & Co.*

Springfield, Ohio

October 14, 2024



# 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 12/3/2024

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

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