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# THE YOUNGSTOWN FOUNDATION

*AUDIT OF FINANCIAL STATEMENTS*

Years ended December 31, 2018 and 2017

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## **REPORT OF INDEPENDENT AUDITORS**

PNC BANK, TRUSTEE AND THE  
COMMITTEE FOR DISTRIBUTION OF INCOME  
THE YOUNGSTOWN FOUNDATION

We have audited the accompanying financial statements of The Youngstown Foundation (a nonprofit organization) which comprise the statements of assets, liabilities and net assets - modified cash basis as of December 31, 2018 and 2017, and the related statements of revenue, expenses and changes in net assets - modified cash basis, and functional expenses - modified cash basis for the years then ended, and the related notes to the financial statements.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note B; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is responsible 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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets of The Youngstown Foundation as of December 31, 2018 and 2017, and the changes in its net assets for the years then ended in accordance with the modified cash basis of accounting described in Note B.

## Emphasis of Matter

As discussed in Note B to the financial statements, in 2018 the Organization adopted Financial Accounting Standards Board Accounting Standards Update ("ASU") No. 2016-14, *Not-for-Profit Entities* (Topic 958), *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

## Report on Summarized Comparative Information

We have previously audited The Youngstown Foundations' 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 11, 2018. In our opinion, the summarized comparative information presented in the statements of functional expenses as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Canfield, Ohio  
September 10, 2019

The Youngstown Foundation

**STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS - MODIFIED CASH BASIS**

<b>ASSETS</b>	December 31,	
	2018	2017
<b>INVESTMENTS</b>		
Cash and cash equivalents	\$ 8,868,994	\$ 7,449,787
Common stock	37,935,973	36,129,213
Mutual funds	37,468,734	49,306,251
Corporate bonds	9,875,033	10,486,172
U.S. Government obligations	11,011,678	11,240,615
Alternative investments	1,282,692	323,448
<b>TOTAL INVESTMENTS</b>	<b>106,443,104</b>	<b>114,935,486</b>
<b>PROPERTY AND EQUIPMENT</b>		
Furniture and equipment	137,367	135,904
Less accumulated depreciation	(132,079)	(123,282)
<b>NET PROPERTY AND EQUIPMENT</b>	<b>5,288</b>	<b>12,622</b>
<b>TOTAL ASSETS</b>	<b>\$ 106,448,392</b>	<b>\$ 114,948,108</b>
<b>NET ASSETS</b>		
Without donor restrictions	\$ 38,602,296	\$ 41,969,694
With donor restrictions	67,846,096	72,978,414
<b>TOTAL NET ASSETS</b>	<b>\$ 106,448,392</b>	<b>\$ 114,948,108</b>

**STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS -- MODIFIED CASH BASIS**

	Years ended December 31,					
	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>						
Public support	\$ 2,688,247	\$ 1,700,000	\$ 4,388,247	\$ 1,669,443	\$ -	\$ 1,669,443
Investment income, net of advisory fees	564,461	1,484,402	2,048,863	558,969	1,210,905	1,769,874
Net realized/unrealized (loss) gain on investments	(3,342,241)	(6,240,615)	(9,582,856)	5,553,928	9,601,864	15,155,792
Net assets released from restrictions	2,076,105	(2,076,105)	-	3,267,557	(3,267,557)	-
<b>TOTAL REVENUE, GAINS, AND OTHER SUPPORT</b>	<b>1,986,572</b>	<b>(5,132,318)</b>	<b>(3,145,746)</b>	<b>11,049,897</b>	<b>7,545,212</b>	<b>18,595,109</b>
<b>EXPENSES</b>						
Program services	5,231,720	-	5,231,720	6,801,221	-	6,801,221
Supporting services						
Management and general	115,490	-	115,490	108,680	-	108,680
Fundraising	6,760	-	6,760	13,650	-	13,650
<b>TOTAL EXPENSES</b>	<b>5,353,970</b>	<b>-</b>	<b>5,353,970</b>	<b>6,923,551</b>	<b>-</b>	<b>6,923,551</b>
<b>CHANGE IN NET ASSETS</b>	<b>(3,367,398)</b>	<b>(5,132,318)</b>	<b>(8,499,716)</b>	<b>4,126,346</b>	<b>7,545,212</b>	<b>11,671,558</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>41,969,694</b>	<b>72,978,414</b>	<b>114,948,108</b>	<b>37,843,348</b>	<b>65,433,202</b>	<b>103,276,550</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 38,602,296</b>	<b>\$ 67,846,096</b>	<b>\$ 106,448,392</b>	<b>\$ 41,969,694</b>	<b>\$ 72,978,414</b>	<b>\$ 114,948,108</b>

**STATEMENTS OF FUNCTIONAL EXPENSES -- MODIFIED CASH BASIS**

	Years ended December 31,				2017
	2018			Total	
	Program Services	Supporting Services Management and General	Fundraising		
<b>COMPENSATION AND RELATED EXPENSES</b>					
Salaries and wages	\$ 221,451	\$ -	\$ 6,760	\$ 228,211	\$ 210,780
Payroll taxes	16,993	-	-	16,993	20,835
Employee benefits	10,961	-	-	10,961	10,539
<b>TOTAL COMPENSATION AND RELATED EXPENSES</b>	<b>249,405</b>	<b>-</b>	<b>6,760</b>	<b>256,165</b>	<b>242,154</b>
Grants	4,960,936	-	-	4,960,936	6,550,547
Accounting fees	-	21,700	-	21,700	21,700
Administrative expense	-	37,409	-	37,409	40,541
Depreciation expense	-	8,797	-	8,797	8,605
Insurance expense	-	3,943	-	3,943	4,276
Legal fees	-	2,835	-	2,835	405
Membership dues	-	2,656	-	2,656	2,995
Occupancy expense	21,379	-	-	21,379	22,170
Parking expense	-	3,750	-	3,750	2,700
Printing expense	-	4,168	-	4,168	2,519
Telephone and internet expense	-	20,990	-	20,990	16,369
Travel and entertainment expense	-	9,242	-	9,242	8,570
<b>TOTAL EXPENSES</b>	<b>\$ 5,231,720</b>	<b>\$ 115,490</b>	<b>\$ 6,760</b>	<b>\$ 5,353,970</b>	<b>\$ 6,923,551</b>

The Youngstown Foundation  
**NOTES TO FINANCIAL STATEMENTS**

December 31, 2018 and 2017

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## **NOTE A – NATURE OF OPERATIONS**

The Youngstown Foundation (the Foundation) is a charitable entity that provides financial assistance to charitable, scientific and educational institutions that promote the mental, moral and physical well-being of the inhabitants of the City of Youngstown and vicinity.

The Foundation was created by a resolution of the Board of Directors of The Dollar Savings and Trust Company on April 9, 1918. PNC Bank is the sole trustee of the Foundation.

Financial assistance is provided by discretionary and designated distributions from the Foundation. Discretionary disbursements are awarded by the Committee for Distribution of Income (the Committee) which is comprised of six appointed members who are either residents of or live in the vicinity of Youngstown, Ohio. Designated distributions and awards are made as provided by the terms of the governing instruments establishing restricted contributions to the Foundation.

## **NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **Basis of Accounting**

The financial statements of the Foundation have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles and, accordingly, certain revenue and related assets are recognized when received rather than when earned and certain expenses are recognized when paid rather than when the obligation is incurred. However, the financial statements do provide for the recognition of market value changes of investments.

### **Adoption of New Accounting Standard**

Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities* (“ASU No. 2016-14”). The amendments in this ASU make improvements to the information provided in financial statements and accompanying notes of not-for-profit entities. The amendments set forth the FASB’s improvements to net asset classification requirements and the information presented about a not-for-profit entity’s liquidity, financial performance and cash flows. The changes in this ASU should generally be applied on a retrospective basis in the year that the ASU is first applied. The change has been applied as of December 31, 2018 with no effect on beginning net assets.

### **Cash and Cash Equivalents**

Cash equivalents consist of temporary bank deposits and money market instruments with an original maturity of three months or less as of the purchase date.

### **Investments**

Investments in marketable securities and all investments in debt securities are reported at their fair values in the statement of assets, liabilities and net assets. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met, either by passage of time or by use, in the reporting period in which the income and gains are recognized.

### **Property and Equipment**

Purchased property and equipment are capitalized at cost. Property and equipment are depreciated over their estimated useful lives using the straight-line method.



The Youngstown Foundation  
**NOTES TO FINANCIAL STATEMENTS**

December 31, 2018 and 2017

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**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Classification of Net Assets**

The net assets of the Foundation are reported as follows:

**Without Donor Restriction** – represents net assets which are available for general use of the Foundation as net assets without donor restriction, as well as Board-designated net assets set aside for future use.

**With Donor Restriction** – represents gifts of cash or other restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restriction and reported in the statement of revenue, expenses and changes in net assets as net assets released from restrictions.

**Income Taxes**

The Foundation is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

**Functional Allocation of Expenses**

The costs of providing program services and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the Foundation's program services and supporting services benefited. Compensation related expenses are allocated between program and supporting services based upon estimated time spent by key personnel.

**Use of Estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Reclassifications**

Certain amounts in the prior year financial statements have been reclassified to enhance comparability with the current period information. Such reclassifications had no impact on the Foundation's financial position, results of operations or cash flows.

**NOTE C – AVAILABILITY OF FINANCIAL ASSETS**

The following reflects the Foundation's financial assets as of December 31, 2018, reduced by amounts not available for general use because of donor-imposed restrictions within one year, or more. 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.

Financial Assets	
Cash and cash equivalents	\$ 8,868,994
Investments	97,574,110
Less those unavailable for general expenditure within one year, due to:	
Donor-imposed purpose, or endowment restrictions	(67,846,096)
Board-designated quasi-endowment funds	<u>(36,847,730)</u>
Financial assets available to meet cash needs	
for general expenditures within one year	<u>\$ 1,749,278</u>

The Youngstown Foundation  
**NOTES TO FINANCIAL STATEMENTS**

December 31, 2018 and 2017

**NOTE C – AVAILABILITY OF FINANCIAL ASSETS (continued)**

As part of the Foundation’s liquidity management, it has established a spending policy of whereas up to 4% of its endowment fund’s previous three year average ending market value may be utilized during the upcoming year – refer to NOTE D. Additionally, although the Foundation does not intend to spend from its Board-designated quasi-endowment funds, amounts could be made available if necessary.

**NOTE D – NET ASSETS WITH DONOR RESTRICTIONS**

**Endowments**

The Foundation's endowment consists of 66 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and quasi-endowment funds (designated by the Distribution Committee to function as endowments). Net assets associated with endowment funds and quasi-endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions (with, or without, donor restrictions).

The Trustee of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies net assets with donor restrictions (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

In accordance with UPMIFA, the organization 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 organization 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 organization
- (7) The investment policies of the Foundation

Endowment Net Asset Composition by Type of Fund as of December 31, 2018:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Donor-restricted endowment funds	\$ -	\$ 67,846,096	\$ 67,846,096
Board-designated quasi-endowment funds	36,847,730	-	36,847,730
<b>TOTAL FUNDS</b>	<b>\$ 36,847,730</b>	<b>\$ 67,846,096</b>	<b>\$ 104,693,826</b>

The Youngstown Foundation  
**NOTES TO FINANCIAL STATEMENTS**

December 31, 2018 and 2017

**NOTE D – NET ASSETS WITH DONOR RESTRICTIONS (continued)**

Endowment Net Asset Composition by Type of Fund as of December 31, 2017:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 72,978,414	\$ 72,978,414
Board-designated quasi-endowment funds	39,975,098	-	39,975,098
<b>TOTAL FUNDS</b>	<b>\$ 39,975,098</b>	<b>\$ 72,978,414</b>	<b>\$ 112,953,512</b>

Changes in Endowment Net Assets for the Years Ended December 31, 2018 and 2017:

	Without Donor Restriction	With Donor Restriction	Total
<b>Endowment net assets – January 1, 2017</b>	<b>\$ 35,510,078</b>	<b>\$ 65,433,202</b>	<b>\$ 100,943,280</b>
Investment return	528,639	1,210,905	1,739,544
Net realized and unrealized gains on investments	5,330,388	9,601,864	14,932,252
Contributions	168,625	-	168,625
Appropriation of endowment assets for expenditure	(485,699)	(3,267,557)	(4,053,256)
Transfers	(776,933)	-	(776,933)
<b>Endowment net assets – December 31, 2017</b>	<b>\$ 39,975,098</b>	<b>\$ 72,978,414</b>	<b>\$ 112,953,512</b>
Investment return	521,077	1,484,402	2,005,479
Net realized and unrealized loss on investments	(3,272,609)	(6,240,615)	(9,513,224)
Contributions	948,915	1,700,000	2,648,915
Appropriation of endowment assets for expenditure	(582,165)	(2,076,105)	(2,658,270)
Transfers	(742,586)	-	(742,586)
<b>Endowment net assets – December 31, 2018</b>	<b>\$ 36,847,730</b>	<b>\$ 67,846,096</b>	<b>\$ 104,693,826</b>

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted funds. The overall purpose is to invest the funds to maximize the long term return of financial assets consistent with the fiduciary standards of a prudent investor. As a result, the maintenance and growth of the funds are the primary objectives of the Foundation. The Foundation's ability to achieve these returns will depend upon the ability to accept a moderate amount of risk, recognizing that a reasonable degree of volatility in market value is necessary to achieve long-term capital appreciation.

The Youngstown Foundation  
**NOTES TO FINANCIAL STATEMENTS**

December 31, 2018 and 2017

**NOTE D – NET ASSETS WITH DONOR RESTRICTIONS (continued)**

The Foundation's investment policy specifies that equities range between 50% and 70% of the total account, fixed income between 20% and 40%, and alternative assets range between 0% and 10%. Investments are benchmarked against S & P 500 and Barclay's Intermediate G/C. To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk restraints.

The Foundation has established a spending policy whereas up to 4% of its endowment fund's previous three year average ending market value may be utilized during the year ended December 31, 2018 and 2017, respectively. In establishing this policy, the Foundation considered the long-term expected return rate of its endowment. Accordingly, over the long-term, the Foundation expects the current spending policy to allow its endowment to grow at the highest rate possible. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

**Underwater Endowments**

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 the Uniform Prudent Management of Institutional Funds Act (UPMIFA) requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature exist in 1 donor-restricted endowment fund, which had an original gift value of \$1,200,000, a current fair value of \$1,197,913, and a deficiency of \$2,087 as of December 31, 2018. This deficiency resulted from unfavorable market fluctuations that occurred shortly after the contribution to establish the new donor-restricted endowment

The Youngstown Foundation has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulations. No expenditures were made from underwater endowment funds during 2018.

**Net Assets With Donor Restrictions**

Net assets with donor restrictions available for the following purposes:

	December 31,	
	2018	2017
The Miriam S. Ullman Fund Monday Musical Club	\$ 2,198,576	\$ 2,365,321
The C. and E. Hine Memorial Fund (for the benefit of crippled children)	30,570,208	35,374,618
The Leila M. Sharp Fund YMCA of Youngstown YWCA of Youngstown St. Elizabeth Hospital Medical Center The Board of Education of Montgomery City Missouri Youngstown Area Goodwill Industries Western Reserve Health Foundation	1,056,719	1,173,390
CARRIED FORWARD	33,825,503	38,913,329

The Youngstown Foundation  
**NOTES TO FINANCIAL STATEMENTS**

December 31, 2018 and 2017

**NOTE D – NET ASSETS WITH DONOR RESTRICTIONS (continued)**

	December 31,	
	2018	2017
BROUGHT FORWARD	33,825,503	38,913,329
The Paul and Marguerite Thomas Lecture Series Fund Youngstown State University Scholarships and Lectures	2,864,799	3,092,010
The Lucretia K. Baldwin Fund (for the benefit of neglected and abused children)	84,148	93,772
The Arnold D. Stambaugh Fund The Salvation Army of Youngstown Greater Western Reserve Council of the Boy Scouts of America Boys and Girls Club of Youngstown YMCA of Youngstown Youngstown State University	813,980	903,848
The Pearl I. Metz Fund (for the benefit of crippled children)	922	1,527
The William Fink and Lois A. Fink Fund (any activities of the Foundation within the state of Ohio)	126,236	192,125
The Anne K. Christman Fund Hiram College Camp Fitch Youngstown Area Goodwill Industries Rescue Mission of Youngstown Boys and Girls Club of Youngstown Paisley House NEOUCOM Medical Foundation Mahoning Valley Association of Churches Junior Achievement of Mahoning Valley Greater Western Reserve Council of the Boy Scouts of America Jubilee Gardens United Way of Youngstown	2,335,772	2,593,758
The James Campbell Fund (any activities of the Foundation within the boundaries of Mahoning County, Ohio)	660,036	788,512
The Burger Family Fund	8,971	10,049
CARRIED FORWARD	40,720,367	46,588,930

The Youngstown Foundation  
**NOTES TO FINANCIAL STATEMENTS**

December 31, 2018 and 2017

**NOTE D – NET ASSETS WITH DONOR RESTRICTIONS (continued)**

	December 31,	
	2018	2017
BROUGHT FORWARD	40,720,367	46,588,930
The Edgar and Freda Rumble Charitable Trust	234,187	311,430
The Edna & Thomas Zimmerman Memorial Fund	278,373	309,472
E. Perry & Grace Beatty Memorial Fund Scholarships	1,122,716	1,305,830
Rudge Memorial Scholarship Fund (for scholarship awards)	8,008	11,504
Charles W. Schafer Fund (for Boardman High School equipment for the musical programs)	4,517	5,427
William H. Kilcawley Fund (for two area churches)	896,466	1,437,909
The W.E. Bliss Fund Trinity Methodist Church YMCA of Youngstown Youngstown State University Ohio Wesleyan University	1,188,415	1,318,845
The John M. MacIntosh Memorial Fund (to support local arts, music, combating hunger, and to provide assistance to persons with disabilities)	506,067	-
<b>SUB-TOTAL (RESTRICTED BY PURPOSE)</b>	<b>\$ 44,959,116</b>	<b>\$ 51,289,347</b>

Net assets restricted for endowment with the income restricted for the following purposes:

	December 31,	
	2018	2017
The Burger Family Scholarship Fund (for scholarship awards)	\$ 5,257	\$ 5,257
The C. and E. Hine Memorial Fund (for the benefit of crippled children)	15,831,193	15,831,193
Rudge Memorial Scholarship Fund (for scholarship awards)	25,000	25,000
CARRIED FORWARD	15,861,450	15,861,450

The Youngstown Foundation  
**NOTES TO FINANCIAL STATEMENTS**

December 31, 2018 and 2017

**NOTE D – NET ASSETS WITH DONOR RESTRICTIONS (continued)**

	December 31,	
	2018	2017
BROUGHT FORWARD	15,861,450	15,861,450
Charles W. Schafer Fund (for Boardman High School equipment for the musical programs)	7,500	7,500
William H. Kilcawley Fund (for two area churches and The Youngstown Foundation Distribution Committee)	4,232,493	4,232,493
The Edgar B. & Freda L. Rumble Fund (for benefit of the Mahoning Valley Rescue Mission and the First Presbyterian Church of Youngstown)	464,283	464,283
The Pearl I. Metz Fund (for the benefit of crippled children)	5,000	5,000
The James Campbell Fund (any activities of the Foundation within the boundaries of Mahoning County, Ohio)	598,897	598,897
The William Fink and Lois A. Fink Fund (any activities of the Foundation within the state of Ohio)	519,444	519,444
The Charles W. Darling Family Fund (to benefit charities in and around the Mahoning Valley)	1,197,913	-
<b>SUB-TOTAL (RESTRICTED FOR ENDOWMENT)</b>	<b>22,886,980</b>	<b>21,689,067</b>
<b>TOTAL NET ASSETS WITH DONOR RESTRICTIONS</b>	<b>\$67,846,096</b>	<b>\$72,978,414</b>

The Youngstown Foundation  
**NOTES TO FINANCIAL STATEMENTS**

December 31, 2018 and 2017

**NOTE E – INVESTMENTS**

Investments are stated at fair value based on quoted market prices and consist of the following:

	December 31, 2018		December 31, 2017	
	Cost	Fair Value	Cost	Fair Value
Investments:				
Cash and cash equivalents	\$ 8,868,994	\$ 8,868,994	\$ 7,449,787	\$ 7,449,787
Common stock	35,006,467	37,935,973	26,030,180	36,129,213
Mutual funds	35,184,586	37,468,734	39,800,855	49,306,251
Corporate bonds	10,121,104	9,875,033	10,369,653	10,486,172
U.S. Government obligations	11,070,274	11,011,678	11,212,958	11,240,615
Alternative investments	1,295,356	1,282,692	331,302	323,448
Total Investments	<u>\$ 101,546,781</u>	<u>\$106,443,104</u>	<u>\$ 95,194,735</u>	<u>\$114,935,486</u>

**NOTE F – FAIR VALUE MEASUREMENTS**

The Foundation has characterized its financial instruments, based on the priority of the inputs used to value the financial instruments, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities [Level 1], and the lowest priority to unobservable inputs [Level 3]. If the inputs used to measure the investments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the financial instruments.

Financial instruments recorded in the statement of net assets are categorized based on the inputs to valuation techniques as follows:

Level 1: These are financial instruments where values are based on unadjusted quoted prices for identical assets in an active market that the Foundation has the ability to access.

Level 2: These are financial instruments where values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the financial instruments.

Level 3: These are financial instruments where values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect assumptions of management about assumptions market participants would use in pricing the financial instruments.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2018 and 2017.

*Common Stock:* Valued at the closed price reported on the active market on which the individual securities are traded.

*Mutual Funds:* Valued at quoted market prices which represent the net asset value (NAV) of shares held at year end.



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**NOTE F – FAIR VALUE MEASUREMENTS (continued)**

*Corporate Bonds:* Corporate bonds are valued based on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for identical or similar bonds, the bond is valued under a discounted cash flows approach that maximized observable inputs, such as current yields of similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks.

*U.S. Government Obligations:* Valued on the basis of market valuations primarily furnished by an independent pricing services which employs various evaluation methods, utilizing the most appropriate method of each security. Such market valuations may represent the last quoted price on the securities' major trading exchange, quotes received from dealers or market makers in the relevant securities, or matrix pricing.

*Alternative Investments:* Valued utilizing evaluated pricing models that vary by asset class and incorporate available trade, bid and other market information and for structured securities, cash flow and, when available, loan performance data. Because many fixed income securities do not trade on a daily basis, the evaluated pricing applications apply available information as applicable through processes such as benchmark curves, benchmarking of like securities, sector groupings, and matrix pricing, to prepare evaluations. In addition, model processes are utilized, such as the Option Adjusted Spread (OAS) model for structured securities to assess interest rate impact and develop prepayment scenarios.

**Assets at Fair Value as of December 31, 2018**

Description	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ -	\$ 8,868,994	\$ -
Common stocks:			
Consumer discretionary	3,979,782	-	-
Consumer staples	1,768,533	-	-
Energy	1,473,901	-	-
Financial	4,913,902	-	-
Healthcare	4,227,232	-	-
Industrials	3,348,180	-	-
Information technology	4,915,551	-	-
Materials	1,313,347	-	-
Real Estate	860,414	-	-
Telecommunication	2,549,993	-	-
Utilities	956,285	-	-
Exchange traded funds	7,539,050	-	-
Other	89,803	-	-
Mutual funds:			
Fixed income funds	10,341,374	-	-
Equity funds	27,127,360	-	-
Corporate bonds	-	9,875,033	-
U.S. Government obligations	-	11,011,678	-
Alternative investments	-	1,282,692	-
<b>TOTAL</b>	<b>\$ 75,404,707</b>	<b>\$ 31,038,397</b>	<b>\$ -</b>

The Youngstown Foundation  
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**NOTE F – FAIR VALUE MEASUREMENTS (continued)**

**Assets at Fair Value as of December 31, 2017**

Description	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ -	\$ 7,449,787	\$ -
Common stocks:			
Consumer discretionary	3,789,731	-	-
Consumer staples	2,084,332	-	-
Energy	1,361,127	-	-
Financial	4,721,160	-	-
Healthcare	3,169,993	-	-
Industrials	3,224,044	-	-
Information technology	5,472,849	-	-
Materials	1,222,948	-	-
Real Estate	550,396	-	-
Telecommunication	369,834	-	-
Utilities	845,699	-	-
Exchange traded funds	9,219,712	-	-
Other	97,388	-	-
Mutual funds:			
Fixed income funds	11,464,388	-	-
Equity funds	37,841,863	-	-
Corporate bonds	-	10,486,172	-
U.S. Government obligations	-	11,240,615	-
Alternative investments	-	323,448	-
<b>TOTAL</b>	<b>\$ 85,435,464</b>	<b>\$ 29,500,022</b>	<b>\$ -</b>

**NOTE G – LEASES**

**Operating Leases**

The Foundation leases office space through an operating lease. In February 2012, The Foundation relocated their office space and entered into a five year and one month operating lease. The Foundation had the option of renewal for an addition term of five years and had done so in 2016. The Foundation has entered another five year lease with the same terms as the initial agreement. The lease is in place until March 31, 2022. The five year obligation has been reflected in the following schedule of future minimum payments. Total rent expense under all operating leases amounted to \$21,379 and \$22,170 for the years ended December 31, 2018 and 2017, respectively.

Future minimum payments under all non-cancelable operating leases with initial or remaining terms of one year or more as of December 31, 2018 are as follows:

Year Ending December 31,	Amount
2019	20,775
2020	20,775
2021	20,775
2022	5,194
<b>Total minimum lease payments</b>	<b>\$ 67,519</b>

**The Youngstown Foundation**  
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**NOTE H – PENSION PLAN**

The Foundation has a Simplified Employee Pension (SEP) which is a defined contribution pension plan that covers all of its employees. Foundation contributions to the plan are discretionary as determined by the Committee. Total pension expense charged to operations was \$10,961 for 2018 and \$10,539 for 2017.

**NOTE I – RELATED PARTY TRANSACTIONS**

The Foundation paid trustee fees to PNC Bank of \$491,726 in 2018 and \$452,575 in 2017.

The Mayor of the City of Youngstown has the opportunity, and has appointed an individual to the Foundation's distribution committee. In the normal course of operations of the Foundation, the City of Youngstown is also a recipient of grant monies.

**NOTE J – CONCENTRATION OF CREDIT RISK**

The Foundation maintains its cash in various financial institutions which, at times, may exceed federally insured limits. The Foundation has not experienced any losses from such accounts, and management believes the Foundation is not exposed to significant credit risk related to bank deposit accounts.

The Foundation maintains a major portion of its funds in investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risks associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the Foundations' account balances and the amounts reported in the statement of assets, liabilities and net assets.

**NOTE K – COMMITMENTS AND CONTINGENCIES**

The Foundation entered into a memorandum of understanding with the City of Youngtown to donate \$3,000,000 in support of the construction of a city amphitheater in exchange for naming rights over 20 consecutive years. As of December 31, 2018, \$1,000,000 has been contributed to this project with the remaining \$2,000,000 payable when construction is substantially complete, but no later than December 31, 2020.

**NOTE L – SUBSEQUENT EVENTS**

The Foundation evaluated events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through September 10, 2019, which is the date the financial statements were available to be issued.



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