

YOUNGSTOWN STATE UNIVERSITY

SINGLE AUDIT REPORT

June 30, 2010 and 2009



Dave Yost • Auditor of State

Board of Trustees
Youngstown State University
One University Plaza
Youngstown, Ohio 44555

We have reviewed the *Report of Independent Auditors* of the Youngstown State University, Mahoning County, prepared by Crowe Horwath LLP, for the audit period July 1, 2009 through June 30, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

January 12, 2011

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MESSAGE FROM PRESIDENT ANDERSON

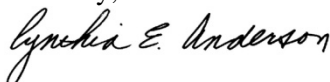
October 15, 2010

Significant advances and accomplishments were realized at Youngstown State University (YSU or University) in fiscal year 2010 in spite of the substantial challenges brought on by the worldwide financial recession impacting all sectors of the economy. Among these, a few major milestones are of particular note:

- YSU's Centennial Campaign officially concluded in June 2010, exceeding its \$43 million goal by \$10 million. In addition to helping fund the construction of two new state-of-the-art campus facilities, substantial support for student scholarships and endowments received very generous contributions throughout the campaign.
- Enrollment for the fall 2010 semester at YSU hit 15,194, its highest level in 20 years, up from 14,682 in 2009, an increase of 3.5%.
- Final work was completed in establishing the University's first Doctor of Philosophy (Ph.D.), which subsequently received formal approval by Ohio Board of Regents Chancellor Eric D. Fingerhut and now awaits final approval by the Higher Learning Commission of the North Central Association of Colleges and Schools, YSU's institutional accrediting body. The new Ph.D. in Materials Science and Engineering is designed specifically to grow the intellectual capital of the region, attracting businesses and fostering the creation of new homegrown companies. Creating the program was the first goal of the Emerging Center of Excellence in Materials Science and Engineering at YSU announced by Governor Strickland in April. The program builds upon a series of research milestones achieved by the University and the YSU College of Science, Technology, Engineering and Mathematics (STEM) over the past several months, including record-setting levels of external research funding.
- Major progress was made on two construction projects: the new Williamson College of Business Administration (located adjacent to downtown on the south side of campus--opened in August 2010) and the Watson and Tressel Training Site (WATTS) Center (located on the north side of campus, scheduled to open in early 2011). These two monumental and beautifully designed structures will have a transformational impact on the physical footprint of the campus as well as on the academic, recreational and social fabric of student life at YSU for decades to come.

Fiscal year 2011 has begun with a rigorous strategic planning process underway that will lead the University to the year 2020. Led by a 51-member steering committee and engaged by a faculty and staff of unparalleled strength, I am confident that in spite of significant issues the higher education sector as a whole is confronting, YSU is extremely well positioned to successfully navigate the challenges ahead, serving our students and growing our reputation for academic excellence.

Sincerely,



Cynthia E. Anderson
President

REPORT OF INDEPENDENT AUDITORS

To the Board of Trustees
Youngstown State University
Youngstown, Ohio

We have audited the accompanying financial statements of the business-type activities and discretely presented component units of Youngstown State University (the “University”), a component unit of the State of Ohio, as of June 30, 2010 and 2009, which collectively comprise of the University’s basic financial statements as listed in the table of contents. These financial statements are the responsibility of University’s management. Our responsibility is to express our opinions on these financial statements based on our audit. We did not audit the financial statements of the Youngstown State University Foundation, which represents 32%, 43%, and 3%, respectively, of the total assets, net assets, and revenue of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the University for the discretely presented component unit, is based on the report of the other auditors.

We conducted our audits 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Youngstown State University Foundation were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and discretely presented component units of the University as of June 30, 2010 and 2009 and the respective changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis (MD&A) on pages 4 through 15 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2010 on our consideration of the University'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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the University, taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The Message from President Anderson and listings of the Board of Trustees and Principal Administrators as of June 30, 210 are presented for purposes of additional analyses and are not required parts of the basic financial statements. Such information has not been subjected to the auditing procedures applied in our audits of the basic financial statements and, accordingly, we express no opinion on them.



Crowe Horwath LLP

Columbus, Ohio
October 15, 2010

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis section of Youngstown State University's (YSU or University) Financial Report presents a discussion and analysis of the financial performance of the University during the fiscal year ended June 30, 2010 with comparative information for the fiscal years ended June 30, 2009 and 2008. This discussion has been prepared by management and should be read in conjunction with the financial statements and the accompanying notes that follow.

Introduction

Youngstown State University, an urban research university, emphasizes a creative, integrated approach to education, scholarship, and service. The University places students at its center; leads in the discovery, dissemination, and application of knowledge; advance civic, scientific, and technological development; and fosters collaboration to enrich the region and the world.

Founded in 1908 under the sponsorship of the Young Men's Christian Association, the University was originally established as the School of Law of the Youngstown Association School. The University was re-chartered in 1921 as the Youngstown Institute of Technology, in 1928 as Youngstown College, and in 1956 as Youngstown University. The University joined the Ohio system of higher education in 1967 and became Youngstown State University. The University is located on a 140 acre campus near downtown Youngstown, Ohio and is at the center of a metropolitan area of 600,000 people, located equidistant (approximately 60 miles) from both Pittsburgh and Cleveland. The University consists of six undergraduate colleges and the School of Graduate Studies and Research. Fall 2010 enrollment is 15,194.

Using the Financial Statements

The University's financial report includes three basic financial statements: the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets, and the Statement of Cash Flows. These financial statements are prepared in accordance with the financial reporting format required by the Governmental Accounting Standards Board's (GASB) Statements No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* and No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, as amended by GASB Statements No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus* and No. 38, *Certain Financial Statement Note Disclosures*. These statements establish standards for external financial reporting for public colleges and universities and require that financial statements be presented on a basis to focus on the financial condition of the University, the results of operations, and cash flows of the University as a whole. Key presentation elements include:

- Assets and liabilities are categorized as either current or noncurrent. Current assets and liabilities will be consumed or fulfilled within one year.
- Revenues and expenses are categorized as either operating or nonoperating. Significant recurring sources of the University's revenues, including State of Ohio

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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

(State) appropriations, certain grants, gifts and investment income are considered nonoperating, as defined by GASB Statement No. 35.

- University scholarships that represent reduced tuition (i.e. are applied to student accounts rather than refunded to students) are shown as a reduction of tuition, fees and other student charges, while payments made directly to students are presented as scholarship expense. Third party scholarships are treated as though the students made the payments themselves.
- Capital assets are reported net of accumulated depreciation.

In accordance with GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, The Youngstown State University Foundation (YSUF or Foundation) and University Housing Corporation (UHC) are treated as component units of the University. Accordingly, these component units are discretely presented in this report by presentation of the individual financial statements of the units immediately following the University's respective GASB financial statements. Additional information on these component units is contained in Note 17 and is excluded from Management's Discussion and Analysis.

Complete financial statements for the University Housing Corporation can be obtained from University Housing Corporation, c/o Youngstown State University, Financial Services, University Plaza, Youngstown, Ohio 44555. Complete financial statements for the Youngstown State University Foundation can be obtained from The Youngstown State University Foundation, 606 Wick Avenue, Youngstown, Ohio 44502.

Financial and Other University Highlights

- Announced the hiring of the University's seventh President, Cynthia E. Anderson. Dr. Anderson is the first female and first graduate of YSU to attain this position.
- Increased enrollment
- Healthy Senate Bill 6 ratios
- Continued progress on major planning initiatives including enrollment management, technology, and the campus master plan
- Commitment to an early retirement incentive program
- Substantial completion of the new Williamson College of Business Administration (WCBA) building designed to meet the silver standards of the Leadership in Energy and Environmental Design (LEED) U.S. Green building council Rating System
- Ground breaking on The Watson and Tressel Training Site (WATTS) Center, an indoor athletic facility
- Issuance of \$25,335,000 in General Receipts Bonds (Taxable Build America Bonds-Direct Payment)

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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

The Statements of Net Assets

These statements present the financial position of the University at the end of the fiscal year and include all assets and liabilities of the University. The difference between total assets and total liabilities – net assets – is an indicator of the current financial condition of the University.

A summary of the University's assets, liabilities and net assets follows:

	<u>June 30, 2010</u>	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Assets			
Current assets	\$ 90,635,460	\$ 71,550,640	\$ 31,263,157
Capital assets, net	173,062,942	153,744,647	152,253,091
Other assets	40,517,945	40,875,288	54,929,545
Total Assets	<u>304,216,347</u>	<u>266,170,575</u>	<u>238,445,793</u>
Liabilities			
Current liabilities	29,209,551	24,476,078	21,461,556
Noncurrent liabilities	71,649,829	48,722,741	28,267,141
Total Liabilities	<u>100,859,380</u>	<u>73,198,819</u>	<u>49,728,697</u>
Total Net Assets	<u>\$ 203,356,967</u>	<u>\$ 192,971,756</u>	<u>\$ 188,717,096</u>
Net Assets			
Invested in capital assets, net of related debt	142,454,074	135,344,607	133,658,779
Restricted	26,783,201	27,402,215	28,813,345
Unrestricted	34,119,692	30,224,934	26,244,972
Total Net Assets	<u>\$ 203,356,967</u>	<u>\$ 192,971,756</u>	<u>\$ 188,717,096</u>

Assets

Assets primarily consist of cash and cash equivalents, investments, receivables and capital assets as reflected in the following table:

	<u>June 30, 2010</u>	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Cash and cash equivalents	\$ 52,906,489	\$ 37,131,710	\$ 10,087,635
Investments	53,358,522	49,407,254	51,136,829
Accounts, loans and pledges receivable, net	20,742,030	21,557,852	21,821,233
Capital assets, net	173,062,942	153,744,647	152,253,091
Other	4,146,364	4,329,112	3,147,005
Total Assets	<u>\$ 304,216,347</u>	<u>\$ 266,170,575</u>	<u>\$ 238,445,793</u>

Cash and cash equivalents increased \$15.8 million or 42% from fiscal year 2009 to fiscal year 2010; whereas investments increased \$3.9 million or 8%, respectively. The net increase in cash and cash equivalents was primarily due to net bond activity, including the addition of \$25 million in project funds from the issuance of General Receipts Bonds (Taxable Build America – Direct Payment) in March 2010 and the spend down of project funds including \$8.7 million from the prior year's bond proceeds and \$700,000 from the current year proceeds. Deposits held by Trustee totaled \$36.3 million at June 30, 2010 compared to \$20.7 million at June 30, 2009. The

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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

increase in investments was primarily due to a more favorable investment environment over the prior year.

Cash and cash equivalents increased \$27 million or 268% from fiscal year 2008 to fiscal year 2009; whereas investments decreased \$1.7 million or 3%, respectively. Contributors to the combined net increase of \$25.3 million or 29% include deposits held in trust for projects funded by a bond anticipation note and bond proceeds, which totaled \$20.7 million at June 30, 2009 and pledge and gift receipts of \$1.5 million for the new WCBA building. Investments were shifted to shorter maturities to limit long term credit risk due to low interest rates.

Endowment principal and operating reserves are included in noncurrent assets and are invested in long-term maturities. The Statement of Cash Flows provides information on sources and uses of the University's cash and cash equivalents. Refer to Notes 3 and 4 for additional information on cash and cash equivalents, and investments.

Overall, net accounts, loans and pledges receivable decreased slightly from fiscal year 2009 to fiscal year 2010. Gross student accounts increased \$1.8 million primarily due to the impact of enrollment and tuition increases as well as changes in procedures over Title IV federal financial aid. These items also contributed to an increase in the allowance for doubtful accounts of \$1.3 million. Grants and contracts receivable increased \$500,000 due to increased activity; whereas state capital and federal appropriations decreased \$1.9 million largely due to substantial completion of the state funded portion of the new WCBA building project. Net loans decreased \$300,000 due to increased payments resulting from loan consolidations. The \$300,000 increase in net pledges was primarily due to a combination of an increase in the current portion of capital pledges and a lower discount rate.

Net accounts, loans and pledges receivable remained consistent from fiscal year 2008 to fiscal year 2009. Gross accounts and loans receivable increased \$1.7 million primarily due to a \$1.4 million increase in state capital appropriations, resulting from year end activity on the new WCBA building. The reduction in net pledges reflects the inflow of receipts from the Centennial Campaign.

See Notes 5 and 6 for additional information on net accounts, loans, and pledges receivable.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

At June 30, 2010, the University had \$173,062,942 in capital assets, net of accumulated depreciation. Depreciation totaled \$9,470,165, \$8,887,750, and \$9,165,568, in fiscal years 2010, 2009, and 2008 respectively. Details of net capital assets are shown below.

	June 30, 2010	June 30, 2009	June 30, 2008
Land	\$ 15,070,329	\$ 14,759,695	\$ 14,183,175
Buildings	88,623,117	92,695,336	96,463,245
Improvements to buildings	25,610,498	24,979,605	25,154,213
Improvements other than buildings	8,391,114	7,913,670	8,252,565
Construction-in-progress	28,098,667	6,866,680	2,157,216
Moveable equipment and furniture	6,558,737	5,705,127	5,107,774
Vehicles	182,464	153,161	120,173
Historical treasures	381,115	381,115	381,115
Capital leased assets	146,901	290,258	433,615
Total Capital assets	<u>\$ 173,062,942</u>	<u>\$ 153,744,647</u>	<u>\$ 152,253,091</u>

Major capital activity during fiscal year 2010 included completion of the second phase of the West Campus Gateway Project, Beeghly Center and Jones Hall roof renovations, Coffelt Hall renovations, and a new entrance to Tod Hall. The University broke ground on the WATTS Center and continued construction on the new WCBA building scheduled to open on August 15, 2010. These two projects are reflected in construction in progress at June 30, 2010.

Major capital activity during fiscal year 2009 included completion of the renovations to Maag Library's lower level, the Beeghly Center gym floor, and the pedestrian bridge that crosses Wick Avenue. The University also installed a \$1.5 million campus-wide emergency communication and alarm system. The University broke ground on the new WCBA building and began the second phase of the West Campus Gateway Project (street renovations). In addition, the University began renovations to Coffelt Hall and renovations to roofs on several campus buildings including Ward Beecher, Jones Hall, and Beeghly Center. These projects are reflected in construction in progress at June 30, 2009.

Liabilities

Liabilities largely consist of accrued payroll and payroll withholdings, debt, deferred revenue, and compensated absences. The following table summarizes balances at:

	June 30, 2010	June 30, 2009	June 30, 2008
Accounts and construction payable	\$ 9,213,258	\$ 4,963,653	\$ 3,087,373
Payroll liabilities	10,503,836	9,462,169	8,202,197
Notes payable	6,554,724	7,505,052	8,098,830
Bonds and capital leases payable, net	55,529,200	31,484,985	10,504,762
Deferred revenue	5,655,858	6,343,493	6,071,317
Compensated absences	9,793,129	9,750,176	9,217,788
Refundable advance	2,782,279	2,818,624	2,783,915
Other	827,096	870,667	1,762,515
Total Liabilities	<u>\$ 100,859,380</u>	<u>\$ 73,198,819</u>	<u>\$ 49,728,697</u>

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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

Total liabilities at June 30, 2010 increased \$27.6 million or 38% over the past year. Accounts and construction payables increased \$4.2 million or 85% over the prior year primarily due to increased year end construction activity for the new WCBA building, the WATTS Center and Beeghly Center roof renovations. Payroll liabilities increased \$1 million or 11% due to the impact of an employee-related grievance settlement and an increase in the number of faculty participating in salary deferrals. In March 2010, the University issued General Receipts Bonds (Taxable Build America Bonds – Direct Payment) in the amount of \$25,335,000. Deferred revenue decreased over the prior year due to an increase in the proportion of summer term revenue recognized in June.

Total liabilities at June 30, 2009 increased \$23.4 million or 47% over the prior year. Accounts and construction payable increased \$1.8 million or 61% over the prior year due to timing of payments and increased year end capital activity in June for projects such as the new WCBA building, and campus wide roof renovations, including the Beeghly Center. Payroll liabilities increased \$1.2 million due to a combination of increase in number of work days accrued and the shift of the University HMO health plan from premium-based to self-insured. The increase in compensated absences was primarily due to the impact of contractual changes for the hourly employee group. In March 2009, the University issued General Receipts Bonds, Series 2009 in the amount of \$31,255,000. A portion of the bonds (\$9,523,051) was used to refund debt that existed as of June 30, 2008 (1997 Bonds and 1998 Bonds). Other liabilities decreased over the prior year due to a combination of the timing of the application of loan payments to student accounts and the inclusion of an employee-related grievance settlement in the prior year.

See Notes 9-13 for more detailed information about the University's debt and long-term liabilities, compensated absences, and early retirement program. See Note 8 for a further breakout of accrued and other liabilities.

Net Assets

Net assets represent the residual interest in the University's assets after liabilities are deducted. The following table summarizes the categories of net assets at:

	<u>June 30, 2010</u>	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Invested in capital assets, net of related debt	\$ 142,454,074	\$ 135,344,607	\$ 133,658,779
Restricted-nonexpendable	5,287,024	4,793,426	5,533,626
Restricted-expendable	21,496,177	22,608,789	23,279,719
Unrestricted	34,119,692	30,224,934	26,244,972
Total Net Assets	<u>\$ 203,356,967</u>	<u>\$ 192,971,756</u>	<u>\$ 188,717,096</u>

Overall, the University's net assets increased \$10.4 million or 5.4% from \$193 million at June 30, 2009 to \$203.4 million at June 30, 2010. This resulted from excess revenues over expenses and includes a \$7.1 million increase in the net amount invested in capital assets, a \$600,000 decrease in restricted funds and a \$3.9 million increase in unrestricted funds.

Net assets invested in capital assets, net of related debt consists of capital assets net of accumulated depreciation and reduced by outstanding balances of bonds, notes or other

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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

borrowings that are attributable to the acquisition, construction, or improvement of those assets, and increased by unspent borrowings at year-end. At June 30, 2010 capital assets increased \$19.3 million primarily due to construction in progress activity supported, in part, by bond proceeds. Outstanding plant debt was \$62,083,924 and unspent bond proceeds were \$30,613,642 compared to outstanding plant debt of \$38,990,037 and unspent bond and note proceeds of \$19,655,845 in fiscal year 2009.

Restricted non-expendable net assets consist primarily of endowment funds held by the University. Changes in this category are driven primarily by investment performance, which was positive in 2010 and negative in 2009.

Restricted expendable net assets are subject to externally imposed restrictions governing their use. Changes in this category are due to the timing of revenues and expenses in funds provided by donors and grantors. The following table summarizes restricted expendable net assets at:

	June 30, 2010	June 30, 2009	June 30, 2008
Current funds	\$ 6,353,392	\$ 6,592,745	\$ 8,655,246
Plant funds	15,076,425	15,945,951	14,559,507
Loan funds	66,360	70,093	64,966
Total Restricted expendable net assets	<u>\$ 21,496,177</u>	<u>\$ 22,608,789</u>	<u>\$ 23,279,719</u>

Current restricted funds include grants and sponsored programs and gifts, including scholarship donations and program support. These funds decreased \$200,000 or 4% from \$6.6 million at June 30, 2009 to \$6.4 million at June 30, 2010. Plant funds primarily include donations and pledges for construction or renovation. These funds decreased \$900,000 or 5% largely due to the spending of capital gifts for the purpose of constructing the new WCBA building and the WATTS Center. Capital revenue for these projects totaling \$2.7 million is included in capital grants and gifts in the Statement of Revenues, Expenses, and Changes in Net Assets.

Unrestricted net assets are not subject to externally imposed restrictions. The following table summarizes unrestricted net assets at:

	June 30, 2010	June 30, 2009	June 30, 2008
Current funds	\$ 12,716,264	\$ 13,223,254	\$ 9,901,011
Operating reserves	8,522,683	8,483,288	8,101,807
Plant funds	12,853,071	8,487,152	8,223,499
Loan funds	27,674	31,240	18,655
Total Unrestricted net assets	<u>\$ 34,119,692</u>	<u>\$ 30,224,934</u>	<u>\$ 26,244,972</u>

The \$3.9 million increase in unrestricted net assets, reflects generally the excess of revenues over expenses during 2010 from non capital asset activity. The excess has been designated for future operations, plant construction and maintenance, and debt service.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

Overall Analysis of Fiscal Year 2009 Versus 2008

The most significant factors affecting the increase in net assets for fiscal year 2009 included the Centennial Campaign fund raising activities, unspent bond proceeds, and an increase in year end current operating funds.

The Statements of Revenues, Expenses, and Changes in Net Assets

These statements present the operating results and the nonoperating revenues and expenses of the University. Annual State appropriations, while budgeted for operations, are considered nonoperating revenues according to generally accepted accounting principles.

A summary of revenues, expenses and changes in net assets follows:

	June 30, 2010	June 30, 2009	June 30, 2008
Operating Revenues			
Net tuition, fees and other student charges	\$ 82,354,269	\$ 78,501,679	\$ 75,926,793
Auxiliary enterprises	18,986,335	18,278,628	17,942,172
Grants and contracts	13,449,823	15,321,734	14,956,810
Other	2,195,520	1,763,090	1,770,358
Total Operating Revenues	116,985,947	113,865,131	110,596,133
Operating Expenses	205,485,037	191,821,118	183,199,697
Operating Loss	(88,499,090)	(77,955,987)	(72,603,564)
Nonoperating Revenues (Expenses)			
Federal and state appropriations	47,508,169	49,553,329	45,789,045
Gifts, grants, and contracts	35,631,160	24,730,734	23,519,750
Investment income	4,343,765	1,635,623	2,696,471
Other nonoperating expenses, net	(4,276,825)	(2,178,748)	(2,533,133)
Net Nonoperating Revenues	83,206,269	73,740,938	69,472,133
Gain (Loss) Before Other Revenues, Expenses, and Changes	(5,292,821)	(4,215,049)	(3,131,431)
Other Revenues, Expenses, and Changes			
State capital appropriations	10,614,635	6,981,619	4,387,182
Capital grants and gifts	5,036,783	1,463,895	3,788,839
Other	26,614	24,195	72,987
Total Other Revenues, Expenses, and Changes	15,678,032	8,469,709	8,249,008
Increase in Net Assets	10,385,211	4,254,660	5,117,577
Net Assets at Beginning of the Year	192,971,756	188,717,096	183,599,519
Net Assets at End of the Year	\$ 203,356,967	\$ 192,971,756	\$ 188,717,096

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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

Revenues

Following is a recap of revenues by source (operating, nonoperating, and other sources), which were used to fund the University's activities for the years ended:

	<u>June 30, 2010</u>	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Net tuition, fees, and other student charges	\$ 82,354,269	\$ 78,501,679	\$ 75,926,793
Auxiliary enterprises	18,986,335	18,278,628	17,942,172
Gifts, grants and contracts	54,144,380	41,540,558	42,338,386
State appropriations	40,791,039	49,553,329	45,789,045
Federal appropriations	6,717,130	-	-
Investment income	4,343,765	1,635,623	2,696,471
Other revenue	2,431,603	2,013,475	1,945,148
State capital appropriations	10,614,635	6,981,619	4,387,182
Total Revenues	<u>\$ 220,383,156</u>	<u>\$ 198,504,911</u>	<u>\$ 191,025,197</u>

Overall, the University's total revenues increased \$21.9 million or 11% in fiscal year 2010 and increased \$7.5 million or 3.9% in fiscal year 2009. The majority of the University's revenue, 59% in fiscal year 2010, 65% in fiscal year 2009, and 64% in fiscal year 2008 is attributed to Federal and State appropriations and net tuition and fees. Combined, these revenue streams increased \$1.8 million in fiscal year 2010 and \$6.3 million in fiscal year 2009.

Net tuition, fees and other student charges increased \$3.9 million or 4.9% in fiscal year 2010 due to the combination of increased enrollment and increases in tuition and mandatory fees. Gifts, grants, and contracts increased \$12.6 million or 30% over the prior year and included increases in Federal Pell grants of \$10 million or 56%, resulting from increases in the number of eligible students and an increase in the maximum award, a decrease of \$1 million in state financial aid grants and a \$1.2 million increase in pledges for the new WCBA building. The \$8.8 million decrease in State appropriations was offset by the \$6.7 million of temporary American Recovery and Reinvestment Act (ARRA) funds received through Federal appropriations. Investment income increased \$2.7 million or 165.6% primarily due to an increase in the fair value of investments. Other revenue increased slightly over the prior year primarily due to the hosting of a major boxing event. State capital appropriations increased \$3.6 million from fiscal year 2009 to fiscal year 2010 due to increased activity on the new WCBA building and the Todd Hall Entrance Renovations.

Net tuition, fees and other student charges increased \$2.5 million or 3.4% in fiscal year 2009 due to the combination of increased enrollment and flat tuition rates. State appropriations increased \$3.8 million or 8% due to an increase in state share of instruction, resulting from the second year increase in state funding for higher education intended to offset not raising tuition for in-state undergraduate students. Investment income decreased \$1 million or 39% due to a combination of negative performance on invested endowment related funds and a low interest rate environment. The decrease in unrestricted investment income was somewhat minimized by the University's conservative investment policy and asset allocation guidelines which mitigate interest rate risk. Interest rate risk was further mitigated by the addition of two new investment managers. State capital appropriations increased \$2.6 million or 59% due to increased activity in

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

fiscal year 2009 related to the new WCBA building and the emergency communication and alarm system.

Expenses

Operating expenses can be displayed in two formats: functional classification and natural classification. The functional classification can be found on the Statements of Revenues, Expenses, and Changes in Net Assets. The table below summarizes the natural classification.

	<u>June 30, 2010</u>	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Compensation	\$ 128,827,835	\$ 122,189,077	\$ 116,587,502
Operating	42,375,839	40,124,720	41,525,844
Scholarships	24,713,583	20,582,937	15,920,783
Depreciation and Amortization	9,567,780	8,924,384	9,165,568
Total Natural Expenses	<u>\$ 205,485,037</u>	<u>\$ 191,821,118</u>	<u>\$ 183,199,697</u>

Overall operating expenses increased \$13.6 million or 7.1% between fiscal year 2010 and fiscal year 2009. Significant contributors to the increase include:

- An increase of \$6.6 million in compensation due to scheduled increases in salaries and wages, compensated absences, and a June 2010 arbitration settlement of approximately \$800,000
- An increase of \$2.3 million in operating expenses due largely to an increase of \$1.3 million in bad debt expense
- A large portion of all aid is classified as scholarship allowance on the Statement of Revenues, Expenses and Changes in Net Assets; therefore the \$4.1 million increase in scholarships expense is a partial reflection of a combination of a significant increase in federal financial aid for Pell grant recipients, a reduction in state supported aid, and an increase in institutionally funded scholarships including the Scholarships for Excellence program. Overall, the University disbursed \$47.1 million to students including \$27.8 million in Federal Pell grants compared to \$37.7 million and \$17.7 million in the prior year.

Overall operating expenses increased \$8.6 million or 4.7% between fiscal year 2009 and fiscal year 2008. This increase was consistent with budgeted targets. Significant contributors to the increase include:

- \$5.6 million increase in compensation due to scheduled increases in salaries, wages and compensated absences
- \$1.4 million decrease in operating expenses due to University cost containment initiatives
- \$4.7 million increase in scholarships, primarily due to a \$2.7 million increase in federal financial aid for Pell recipients

Total operating and non-operating expenses were \$209,997,945, \$194,250,251 and \$185,907,620 in fiscal years 2010, 2009 and 2008, respectively.

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

Economic Factors for the Future

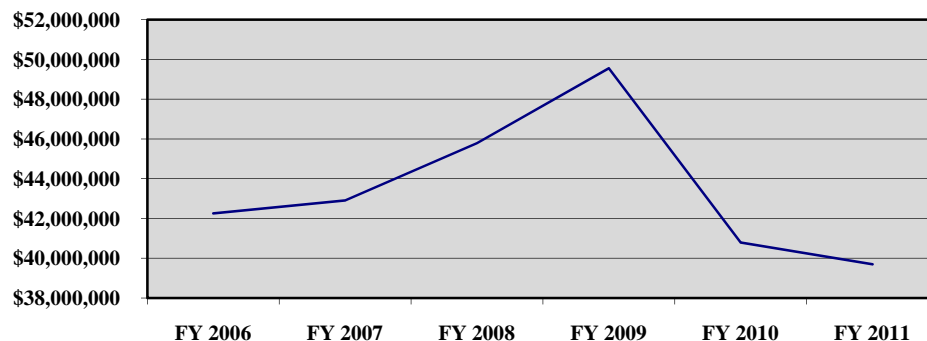
Looking to the future, management believes the University is well-positioned to continue its favorable financial condition and level of excellence in service to students. The University's healthy financial position is reflected in its Senate Bill 6 (SB6) composite scores. These scores are required to be calculated by Ohio legislation and provide a formalized structure for monitoring the financial health of the State's colleges and universities. These ratios, calculated annually, assess viability, financial strength and net income. The overall maximum score is 5 and the threshold for fiscal watch is 1.75. The University's SB6 composite score for the year ended June 30, 2010 was 3.7 compared to 3.8 at June 30, 2009 and 4.1 at June 30, 2008.

The economic outlook for the state of Ohio is bleak and, consequently, so is the outlook for state financial support for Ohio's public colleges and universities. In the fiscal year 2010-2011 biennium, state appropriations for higher education were reduced by \$383 million, a 10% decrease from the previous two-year biennium. A \$619 million infusion of federal stimulus funds, of which the University received \$6.7 million in fiscal year 2010 and expects to receive \$7.3 million in 2011, will continue to provide temporary relief for 2011 but will do little to address the structural deficit that exists in the state's higher education budget.

The most recent information provided by the Ohio Board of Regents in September 2010 indicates that the State of Ohio will lapse \$127.5 million in state operating appropriations for public colleges and universities for fiscal year 2011. For Youngstown State University, this lapse translates into a reduction in state funding support of approximately \$3 million. Additional funding reductions during fiscal year 2011 are possible and contingent upon the state's economic performance over the next several months.

The following graph reflects five years actual data plus the budgeted amount for fiscal year 2011. Fiscal years 2010 and 2011 do not include federal stimulus funds.

**State Appropriations
Fiscal Years 2006 through 2011**

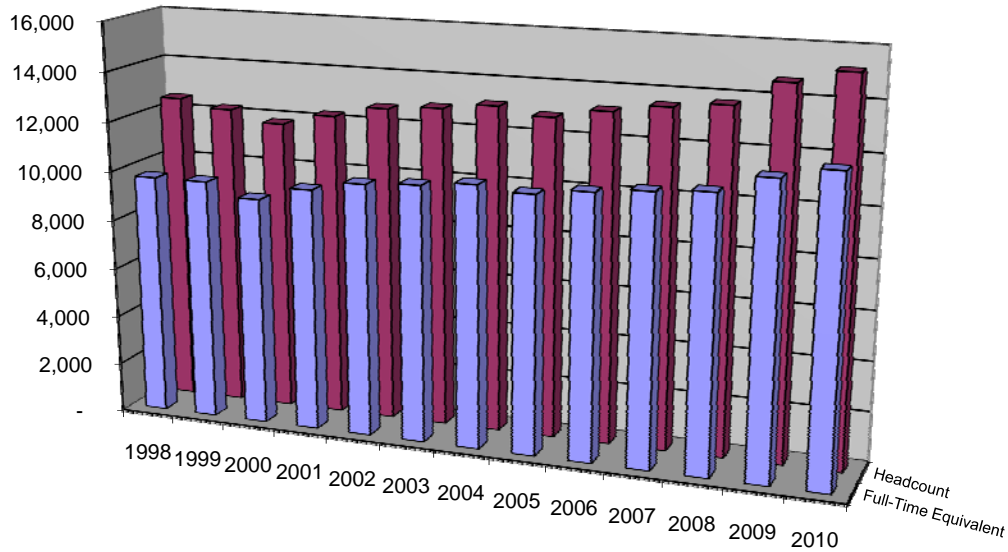


YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

On a positive note, the University's enrollment continues its upward trend:

**Fall Term Enrollment Trends
1998 through 2010**



	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
■ Full-Time Equivalent	9,729	9,733	9,203	9,766	10,171	10,311	10,518	10,332	10,590	10,796	10,953	11,649	12,093
■ Headcount	12,533	12,222	11,787	12,250	12,698	12,858	13,101	12,812	13,183	13,497	13,712	14,682	15,194

The University's enrollment for the 2010 fall semester was 15,194 students, the highest level in 20 years. Because student tuition and fees comprise approximately 70% of operating revenues, enrollment growth strengthens the University's ability to withstand the state funding reductions described above.

YOUNGSTOWN STATE UNIVERSITY
STATEMENTS OF NET ASSETS AT JUNE 30, 2010 AND 2009

	June 30, 2010	June 30, 2009
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 52,906,489	\$ 37,131,710
Investments	21,422,074	18,513,404
Restricted investments	457,055	61,121
Interest receivable	211,526	258,901
Accounts receivable, net	9,488,611	10,332,540
Pledges receivable, net	2,640,467	1,652,402
Loans receivable, net	435,814	464,503
Inventories	2,057,490	2,026,382
Prepaid expenses and deferred charges	1,015,934	1,109,677
Total Current Assets	90,635,460	71,550,640
Noncurrent Assets		
Investments	26,606,016	25,573,016
Endowments and other restricted investments	4,873,377	5,259,713
Pledges receivable, net	6,107,105	6,758,419
Loans receivable, net	2,070,033	2,349,988
Unamortized bond issue cost	859,158	662,167
Deposits on land	2,256	271,985
Nondepreciable capital assets	43,550,111	22,007,490
Depreciable capital assets, net	129,512,831	131,737,157
Total Noncurrent Assets	213,580,887	194,619,935
Total Assets	304,216,347	266,170,575
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	2,215,932	1,540,698
Construction payable	6,997,326	3,422,955
Payroll liabilities	10,503,836	9,462,169
Bonds payable	1,090,000	1,150,000
Notes payable	1,232,992	950,328
Capital leases payable	88,384	102,053
Compensated absences	598,127	633,715
Deferred revenue	5,655,858	6,343,493
Other liabilities	827,096	870,667
Total Current Liabilities	29,209,551	24,476,078
Noncurrent Liabilities		
Bonds payable, net	54,258,296	30,052,028
Notes payable	5,321,732	6,554,724
Capital leases payable	92,520	180,904
Compensated absences	9,195,002	9,116,461
Refundable advance	2,782,279	2,818,624
Total Noncurrent Liabilities	71,649,829	48,722,741
Total Liabilities	100,859,380	73,198,819
NET ASSETS		
Invested in capital assets, net of related debt	142,454,074	135,344,607
Restricted:		
Nonexpendable	5,287,024	4,793,426
Expendable	21,496,177	22,608,789
Unrestricted	34,119,692	30,224,934
Total Net Assets	\$ 203,356,967	\$ 192,971,756

See accompanying notes to financial statements.

THE YOUNGSTOWN STATE UNIVERSITY FOUNDATION

STATEMENTS OF FINANCIAL POSITION AT JUNE 30, 2010 AND 2009

	June 30, 2010	June 30, 2009
ASSETS		
Cash and cash equivalents	\$ 4,016,448	\$ 6,213,412
Accrued interest receivable	457,407	555,903
Due from University Housing Corporation	102,957	113,148
Prepaid insurance	11,020	16,896
Property acquired for resale to Youngstown State University	87,017	27,901
Investments-at fair value		
Common stock	100,033,746	84,113,537
Preferred stock	5,591,551	4,154,978
Fixed income securities		
U.S. Government and Agencies	11,784,497	24,979,761
Corporate	23,491,519	17,656,320
Temporary cash investments	7,310,829	2,505,801
	148,212,142	133,410,397
Contribution receivable from remainder trusts	1,661,886	1,572,088
Cash surrender value of insurance policies	42,829	54,195
Due from Youngstown State University	-	45,765
Office furniture and equipment, at cost, less accumulated depreciation of \$36,142 in 2010 and \$35,123 in 2009	2,862	3,881
TOTAL ASSETS	\$ 154,594,568	\$ 142,013,586
 LIABILITIES AND NET ASSETS		
Accounts payable	\$ 22,508	\$ 21,798
Retirement benefits payable	27,356	30,557
Grant commitments to Youngstown State University for scholarship awards	3,300,000	4,064,000
TOTAL LIABILITIES	3,349,864	4,116,355
 Net assets		
Unrestricted		
Designated by Board for endowment	109,646,944	100,435,548
Undesignated	2,646,422	2,555,043
	112,293,366	102,990,591
Temporarily restricted	2,257,919	2,099,557
Permanently restricted	36,693,419	32,807,083
TOTAL NET ASSETS	151,244,704	137,897,231
 TOTAL LIABILITIES AND NET ASSETS	 \$ 154,594,568	 \$ 142,013,586

UNIVERSITY HOUSING CORPORATION

STATEMENTS OF FINANCIAL POSITION AT JULY 31, 2010 AND 2009

	June 30, 2010	June 30, 2009
ASSETS		
Current Assets		
Cash	\$ 355,556	\$ 265,914
Accounts receivable, net	3,319	5,865
Interest receivable	8,476	-
Intestments	3,935,556	3,609,507
Prepaid expenses	33,406	57,037
Total Current Assets	4,336,313	3,938,323
Property, Facilities, and Equipment	14,630,786	15,232,098
Bond issue costs, net	301,806	315,682
TOTAL ASSETS	\$ 19,268,905	\$ 19,486,103
 LIABILITIES AND NET DEFICIT		
Liabilities		
Current Liabilities		
Accounts payable	\$ 1,620	\$ 27,286
Accrued bond interest payable	67,820	70,345
Bonds payable, current portion	220,000	175,000
Interest rate swap	669,800	-
Prepaid rent	24,921	71,947
Due to Ambling Companies	9,526	9,626
Security deposits	82,344	69,422
Other accruals	21,071	12,030
Total Current Liabilities	1,097,102	435,656
 Long Term Debt		
Bonds payable	20,630,000	20,850,000
Interest rate swap	575,114	1,468,541
Loan payable - Youngstown State University Foundation	93,268	103,771
Total Long Term Debt	21,298,382	22,422,312
 Total Liabilities	22,395,484	22,857,968
 Unrestricted Net Deficit	(3,126,579)	(3,371,865)
 TOTAL LIABILITIES AND NET DEFICIT	\$ 19,268,905	\$ 19,486,103

YOUNGSTOWN STATE UNIVERSITY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	June 30, 2010	June 30, 2009
REVENUES		
Operating Revenues		
Tuition, fees, and other student charges (net of scholarship allowance of \$22,410,792 in 2010 and \$17,222,193 in 2009)	\$ 82,354,269	\$ 78,501,679
Federal grants and contracts	6,488,418	6,106,335
State grants and contracts	5,652,683	8,572,805
Local grants and contracts	749,263	117,446
Private grants and contracts	559,459	525,148
Sales and services	710,402	460,041
Auxiliary enterprises	18,986,335	18,278,628
Other operating revenues	1,485,118	1,303,049
Total Operating Revenues	116,985,947	113,865,131
EXPENSES		
Operating Expenses		
Instruction	72,020,288	71,594,599
Research	2,580,598	1,538,997
Public service	4,847,855	4,473,502
Academic support	15,107,969	14,539,295
Student services	9,392,281	8,737,349
Institutional support	27,886,914	24,407,746
Operation and maintenance of plant	15,602,967	14,959,824
Scholarships	21,684,642	17,839,827
Auxiliary enterprises	26,793,743	24,805,595
Depreciation and amortization	9,567,780	8,924,384
Total Operating Expenses	205,485,037	191,821,118
Operating Loss	(88,499,090)	(77,955,987)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	40,791,039	49,553,329
Federal appropriations	6,717,130	-
Federal grants	27,773,924	17,761,757
Private gifts	7,857,236	6,968,977
Unrestricted investment income, net of investment expense	3,776,792	2,223,193
Restricted investment income (loss), net of investment expense	566,973	(587,570)
Interest on capital asset-related debt	(733,251)	(788,265)
Other nonoperating expenses, net	(3,543,574)	(1,390,483)
Net Nonoperating Revenues	83,206,269	73,740,938
Loss Before Other Revenues, Expenses, and Changes	(5,292,821)	(4,215,049)
OTHER REVENUES, EXPENSES, AND CHANGES		
State capital appropriations	10,614,635	6,981,619
Capital grants and gifts	5,036,783	1,463,895
Additions to the principal of endowments	26,614	24,195
Total Other Revenues, Expenses, and Changes	15,678,032	8,469,709
Increase In Net Assets	10,385,211	4,254,660
NET ASSETS		
Net Assets at Beginning of the Year	192,971,756	188,717,096
Net Assets at End of the Year	\$ 203,356,967	\$ 192,971,756

See accompanying notes to financial statements.

THE YOUNGSTOWN STATE UNIVERSITY FOUNDATION

STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	June 30, 2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains (losses) and other support:				
Contributions	\$ 314,260	\$ 361,991	\$ 1,115,416	\$ 1,791,667
Investment earnings	5,195,109	39,266	-	5,234,375
Liquidating dividends	215,600	-	-	215,600
Net realized gain (loss) on sale of investments	(148,113)	64	72,521	(75,528)
Net unrealized (loss) on long-term investments	9,290,998	74,719	2,608,601	11,974,318
Increase in value of deferred gifts	-	-	89,798	89,798
Net assets released from restrictions	317,678	(317,678)	-	-
Total revenues, (losses) gains and other support	15,185,532	158,362	3,886,336	19,230,230
Expenditures and other distributions:				
Administrative expenditures	616,871	-	-	616,871
Distribution to Youngstown State University:				
Grants for property	11,893	-	-	11,893
Scholarships and other	5,236,052	-	-	5,236,052
Benefits for retired Youngstown University faculty	17,941	-	-	17,941
Total Expenditures	5,882,757	-	-	5,882,757
Change in Net Assets	9,302,775	158,362	3,886,336	13,347,473
Net Assets at Beginning of the Year	102,990,591	2,099,557	32,807,083	137,897,231
NET ASSETS	\$ 112,293,366	\$ 2,257,919	\$ 36,693,419	\$ 151,244,704

	June 30, 2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains (losses) and other support:				
Contributions	\$ 411,958	\$ 353,270	\$ 1,727,038	\$ 2,492,266
Investment earnings	6,054,154	63,386	-	6,117,540
Liquidating dividends	803,649	-	-	803,649
Net realized gain (loss) on sale of investments	2,961,113	2,100	207,903	3,171,116
Net unrealized gain (loss) on long-term investments	(19,799,917)	(323,389)	(4,726,174)	(24,849,480)
Increase in value of deferred gifts	-	-	86,168	86,168
Donor directed reclassifications	849,287	-	(849,287)	-
Net assets released from restrictions	180,307	(180,307)	-	-
Total revenues, (losses) gains and other support	(8,539,449)	(84,940)	(3,554,352)	(12,178,741)
Expenditures and other distributions:				
Administrative expenditures	648,069	-	-	648,069
Distribution to Youngstown State University:				
Grants for property	18,148	-	-	18,148
Scholarships and other	6,600,715	-	-	6,600,715
Benefits for retired Youngstown University faculty	17,773	-	-	17,773
Total Expenditures	7,284,705	-	-	7,284,705
Change in Net Assets	(15,824,154)	(84,940)	(3,554,352)	(19,463,446)
Net Assets at Beginning of the Year	118,814,745	2,184,497	36,361,435	157,360,677
NET ASSETS	\$ 102,990,591	\$ 2,099,557	\$ 32,807,083	\$ 137,897,231

See accompanying notes to financial statements.

UNIVERSITY HOUSING CORPORATION

STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED JULY 31, 2010 AND 2009

	July 31, 2010	July 31, 2009
Revenue:		
Rental income	\$ 2,380,122	\$ 2,320,685
Interest income	101,427	115,990
Other income	69,017	66,185
Total Revenue	2,550,566	2,502,860
Expenses:		
Administrative	41,930	44,030
Contract services	74,939	78,202
Interest expense	833,339	1,252,241
Bond fees	186,825	95,732
Depreciation and amortization expense	618,241	606,433
Bad debt expense	15,921	20,188
Management fees	114,312	114,312
Advertising costs	16,556	21,010
Payroll and payroll-related	183,928	181,503
Accounting and legal	42,444	62,450
Repairs and maintenance	107,807	124,850
Insurance and taxes	43,730	42,739
Unit utilities expense	248,935	230,215
Total Expenses	2,528,907	2,873,905
Increase in unrestricted net deficit before other items	21,659	(371,045)
Fair value of interest rate swap adjustment	223,627	(447,420)
Increase in unrestricted net deficit	245,286	(818,465)
Unrestricted Net Deficit at Beginning of Year	(3,371,865)	(2,553,400)
UNRESTRICTED NET DEFICIT AT END OF YEAR	\$ (3,126,579)	\$ (3,371,865)

See accompanying notes to financial statements.

YOUNGSTOWN STATE UNIVERSITY

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	June 30, 2010	June 30, 2009
Cash Flows from Operating Activities		
Student tuition and fees	\$ 79,798,669	\$ 77,804,633
Federal, state, and local grants and contracts	12,783,867	14,479,509
Private grants and contracts	511,409	513,994
Sales and services of educational and other departmental activities	19,511,617	19,028,857
Payments to suppliers	(43,208,686)	(44,533,672)
Payments to employees	(95,805,243)	(90,712,785)
Payments for benefits	(31,865,872)	(29,725,441)
Payments for scholarships	(21,721,900)	(17,774,609)
Student loans issued	(201,878)	(311,050)
Student loans collected	633,329	255,879
Student loan interest and fees collected	177,439	9,796
Other receipts, net	1,359,283	1,262,737
Total Cash Flows Used In Operating Activities	(78,027,966)	(69,702,152)
Cash Flows from Noncapital Financing Activities		
Federal grants	27,706,657	17,948,105
Federal educational appropriations	6,700,400	-
State educational appropriations	40,791,039	49,553,329
Private gifts	7,898,834	8,426,524
Additions to the principal of endowments	26,614	24,195
Other nonoperating expenses	(3,545,127)	(1,376,434)
Total Cash Flows Provided by Noncapital Financing Activities	79,578,417	74,575,719
Cash Flows from Investing Activities		
Proceeds from sale of investments	26,009,607	88,719,685
Purchase of investments	(29,960,877)	(86,990,110)
Interest on investments	4,391,140	1,743,923
Total Cash Flows Provided By Investing Activities	439,870	3,473,498
Cash Flows from Capital and Related Financing Activities		
State capital appropriations	12,548,673	5,515,992
Private capital gifts and grants	4,072,652	2,282,544
Purchase of capital assets	(24,944,360)	(8,028,562)
Principal payments on capital debt	(2,202,381)	(11,270,970)
Notes payable proceeds	-	315,000
Bonds payable proceeds	25,335,000	31,255,000
Bond issue cost	(294,605)	(698,801)
Interest payments on capital debt	(730,521)	(673,193)
Total Cash Flows Provided By Capital and Related Financing Activities	13,784,458	18,697,010
Net Increase in Cash and Cash Equivalents	15,774,779	27,044,075
Cash and Cash Equivalents, Beginning of Year	37,131,710	10,087,635
Cash and Cash Equivalents, End of Year	\$ 52,906,489	\$ 37,131,710

YOUNGSTOWN STATE UNIVERSITY

STATEMENTS OF CASH FLOWS (CONT.)
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

Reconciliation of Operating Income (Loss) to Net Cash Used in Operating Activities

	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Operating loss	\$ (88,499,090)	\$ (77,955,987)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	9,567,780	8,924,384
Provision for bad debts	1,409,875	262,639
Gifts in kind	168,225	112,324
Changes in assets and liabilities:		
Accounts receivable, net	(2,207,632)	(1,007,265)
Loans receivable, net	483,055	(85,687)
Inventories	(31,108)	(222,851)
Prepaid expenses and deferred charges	93,743	(142,684)
Accounts payable	675,234	(732,056)
Accrued and other liabilities	956,634	340,467
Deferred revenue	(687,635)	272,176
Compensated absences	42,953	532,388
Net Cash Flows Used In Operating Activities	<u>\$ (78,027,966)</u>	<u>\$ (69,702,152)</u>

See accompanying notes to financial statements.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Note 1 – Organization and Summary of Significant Accounting Policies

Organization and Basis of Presentation

Youngstown State University (the University or YSU) is a coeducational, degree granting state-assisted metropolitan university and was established by the General Assembly of the State of Ohio in 1967. The University provides a wide range of opportunities in higher education primarily to residents in northeastern Ohio and western Pennsylvania. The University offers degrees at the undergraduate, masters and doctoral levels.

In accordance with Governmental Accounting Standards Board (GASB) Statement No.14, *The Reporting Entity*, the University's financial statements are included, as a discretely presented component unit, in the State of Ohio's (State) Comprehensive Annual Financial Report. In accordance with GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, the Youngstown State University Foundation's (YSUF or Foundation) and University Housing Corporation's (UHC) financial statements are included, as discretely presented component units, in the University's financial report by presentation of the individual financial statements of the entities immediately following the University's respective GASB financial statements. See Note 17 for additional information regarding these component units.

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the GASB.

The University, together with Kent State University and The University of Akron, created a consortium to establish and govern Northeastern Education Television of Ohio, Inc. (NETO), Channels 45 and 49, Kent, Ohio; and Northeastern Ohio Universities Colleges of Medicine and Pharmacy (NEOUCOM), Rootstown, Ohio. These organizations are legally separate from the University; accordingly, their financial activity is not included within the accompanying financial statements.

Under the provisions of GASB Statement No. 35, resources are classified for accounting and reporting purposes into the following four net asset categories:

- Invested in capital assets, net of related debt - Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.
- Restricted Nonexpendable - Net assets subject to externally imposed stipulations that they be maintained permanently by the University. Such assets include the University's permanent endowment funds.
- Restricted Expendable - Net assets whose use by the University is subject to externally-imposed stipulations that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2010

- Unrestricted – Net assets that are not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of management, Board of Trustees, Board of Regents or may otherwise be limited by contractual agreements with outside parties. Substantially all unrestricted net assets are designated for academic and research programs and initiatives, capital projects, and operating reserves.

Summary of Significant Accounting Policies

The accompanying financial statements have been prepared on the accrual basis. The University reports as a Business Type Activity, as defined by GASB Statement No. 35. Business Type Activities are those that are financed in whole or in part by fees charged to external parties.

The University has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The University has elected to not apply FASB pronouncements issued after the applicable date.

Budget Process – The operating budget for General, Auxiliary and Capital Funds is presented to the Board of Trustees annually for approval. Quarterly, a budget to actual report for the General Operating Fund is presented to the Board of Trustees. In accordance with Ohio Revised Code Section 3345.03, an annual budget is filed with the Ohio Board of Regents and the legislative budget office of the legislative services commission. Quarterly reports are submitted to the Board of Regents. If it appears that the projected expenses of the University will exceed projected revenues, the Board of Regents is required to direct the Board of Trustees to reduce expenses accordingly.

The State approves a capital budget every two years. YSU submits requests to the Ohio Board of Regents, which sends the requests to the Governor. State capital improvements budget project lists are presented to the Board of Trustees for endorsement. The current fiscal year spending plan is approved by the Board of Trustees.

Cash Equivalents – The University considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents are stated at cost, which approximates fair value and excludes amounts restricted by board designation or whose use is limited.

Investments – In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments are reported at fair value based on quoted market prices. Changes in unrealized gains (losses) on the carrying value of investments are reported as a component of investment income in the Statement of Revenues, Expenses, and Changes in Net Assets.

Endowment Policy – The University Endowment Fund consists of 80 named funds. Each named fund is assigned a number of shares in the University Endowment Fund based on the value of the gifts to that named fund. Investments are managed by the Foundation. The University's policy

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2010

is to distribute realized gains and investment income monthly, based on each fund's pro-rata share to the total endowment shares.

Pledges Receivable – The University receives pledges and bequests of financial support from corporations, foundations, and individuals. Revenue is recognized when a pledge representing an unconditional promise to pay is received and all eligibility requirements have been met. In the absence of a conditional pledge, revenue is recognized when the gift is received. Pledges are recorded net of an allowance for uncollectible amounts and are discounted to net present value.

Inventories – Inventories are stated at the lower of cost or market. Cost is determined on the first-in, first-out (FIFO) method for the Bookstore.

Accounts Receivable – Accounts receivable consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. Also included are amounts due from federal, state, and local governments, or private sources, in connection with reimbursement of allowable expenditures under the applicable University grants and contracts. Accounts are recorded net of allowance for uncollectible amounts.

Capital Assets – Capital assets are stated at cost or fair value at date of gift. Infrastructure assets are included in the financial statements and are depreciated. The University's capitalization threshold for equipment, furniture and vehicles is \$5,000; and for buildings, building improvements and improvements other than buildings is \$100,000. Land is capitalized regardless of cost. Library purchases are excluded from capitalization and expensed as purchased.

Depreciation (including amortization of capital leased assets) is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expenditure categories. Historical collections, including assets that are held for public exhibition, education, or research in furtherance of public service, which are protected and preserved, are not depreciated.

When capital assets are sold, or otherwise disposed of, the carrying value of such assets and any accumulated depreciation is removed from asset accounts and net assets-invested in capital assets. The costs of normal maintenance and repairs that do not add to the value of the capital asset or materially extend the capital asset's life are expensed when incurred. Estimated lives are as follows:

<u>Classification</u>	<u>Estimated Life</u>
Buildings	50 years
Improvements to buildings	10 to 40 years
Improvements other than buildings	15 years
Moveable equipment, furniture and vehicles	3 to 7 years

Deferred Revenue – Deferred revenue includes tuition and fee revenues billed or received prior to the end of the current fiscal year end, but related to the period after the current fiscal year.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2010

Also included are amounts received from grants and contract sponsors that have not yet been earned and other resources received before the eligibility requirements are met.

Compensated Absences – Accumulated unpaid vacation, personal and sick leave benefits have been accrued in accordance with GASB Statement No. 16, *Accounting for Compensated Absences*. The University uses the termination method to accrue sick leave compensated absences on the balance sheet.

Refundable Advances from Government for Federal Loans – Funds provided by the United States government under the Federal Perkins Loan program are loaned to qualified students and re-loaned after collections. These funds are ultimately refundable to the government and, therefore, are recorded as a liability in the accompanying financial statements.

Income Taxes – The Internal Revenue Service has ruled that the University's income is generally exempt from Federal income taxes under Section 115 of the Internal Revenue Code. The University is subject to tax on unrelated business income.

Measurement Focus and Financial Statement Presentation – Operating revenues and expenses generally result from providing educational and instructional service in connection with the University's principal ongoing operations. The principal operating revenues include student tuition, fees and other student charges. The University also recognizes as operating revenue grants classified as exchange transactions and auxiliary activities. Operating expenses include educational costs, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition including State appropriations are reported as nonoperating revenues and expenses.

Scholarship Allowances and Student Aid – Financial aid provided to students is reported in the financial statements under the alternative method as prescribed by the National Association of College and University Business Officers (NACUBO). Certain aid (such as loans and funds awarded to students by third parties) is accounted for as a third party payment (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as operating expenses, or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method followed by the University, these amounts are computed by allocating the cash payments to students, excluding payments for services, on the ratio of total aid to the aid not considered to be third party aid.

Release of Restricted Funds – When an expense is incurred for purposes for which both restricted and unrestricted resources are available, it is the University's policy to apply restricted resources first, then unrestricted resources as needed.

Management's Estimates – The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2010

and expenses during the reporting period. Disclosure of contingent assets and liabilities at the date of the financial statements may also be affected. Actual results could differ from these estimates.

Adoption of New Accounting Pronouncements – In fiscal year 2010, the provisions of the following GASB Statements became effective:

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. Governments possess many different types of assets that may be considered intangible assets, including easements, water rights, timber rights, patents, trademarks, and computer software. Statement No. 51 establishes accounting and financial reporting requirements for intangible assets to reduce inconsistencies.

GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local Governments. Derivative instruments are often complex financial arrangements used by governments to manage specific risks or to make investments. By entering into these arrangements, governments receive and make payments based on market prices without actually entering into the related financial or commodity transactions. Derivative instruments associated with changing financial and commodity prices result in changing cash flows and fair values that can be used as effective risk management or investments tools. Derivative instruments, however, also can expose governments to significant risks and liabilities. Common types of derivative instruments used by governments include interest rate and commodity swaps, interest rate locks, options (caps, floors, and collars), swap options, forward contracts, and futures contracts.

GASB Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*. Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. It requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms (that is, approves) a new payment plan.

These pronouncements had no impact on the University's financial statements or disclosures.

Newly Issued Accounting Pronouncements – In December 2009, GASB issued Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. This statement addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers).

In June 2010, GASB issued Statement No. 59, *Financial Instruments Omnibus*. This statement updates and improves existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2010

Management has not yet determined the impact that GASB Statements No. 57 and 59 will have on the University's financial statements and disclosures.

Reclassification – Certain reclassifications have been made to the 2009 amounts to conform with the 2010 presentation. These reclassifications had no effect on the total net assets or change in net assets.

Note 2 – State Support

The University receives support from the State in the form of State appropriations and capital appropriations. As required by GASB Statement No. 35, these are reflected as non operating revenues on the Statement of Revenues, Expenses, and Changes in Net Assets.

State appropriations totaled \$40,791,039 in fiscal year 2010, compared to State appropriations of \$49,553,329, including \$46,776,871 of State Share of Instruction (SSI) and \$2,776,458 in challenge funds in fiscal year 2009. The SSI is determined annually by the Ohio Board of Regents (OBR). The fiscal year 2010-11 biennium marks the first time that SSI formula allocations will be in part based on successful course completions. During fiscal year 2010, the University also received \$6,717,130 in American Recovery and Reinvestment Act (ARRA) funds as a pass through by OBR through the SSI. These funds were intended to offset the reduction in SSI. These funds are reported as Federal appropriations and are also reflected as non operating revenues on the Statement of Revenues, Expenses, and Changes in Net Assets.

Capital appropriations from the State totaled \$10,614,635 in fiscal year 2010 and \$6,981,619 in fiscal year 2009 and included funding for equipment and the construction/major renovations of plant facilities.

Funding for the construction of major plant facilities on the University campus is obtained from the issuance of revenue bonds by the Ohio Public Facilities Commission (OPFC), which in turn is used for the construction and subsequent lease of the facilities by the Ohio Board of Regents.

University facilities are not pledged as collateral for the revenue bonds. Instead, the bonds are supported by a pledge of monies in the Higher Education Bond Service Fund established in the custody of the Treasurer of State of Ohio. If sufficient monies are not available from this fund, a pledge exists to assess a special student fee uniformly applicable to students in state-assisted institutions of higher education throughout the State.

Outstanding debt issued by OPFC is not included on the University's Statement of Net Assets. In addition, the appropriations by the General Assembly to the Board of Regents for payment of debt service are not reflected as appropriation revenue received by the University, and the related debt service payments are not recorded in the University's accounts.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2010

Note 3 – Cash and Cash Equivalents

For financial statement presentation purposes, cash in banks has been combined with the University's cash equivalents and temporary investments in repurchase agreements and certificates of deposit.

The aggregate cost of repurchase agreements, which approximates fair value, included in cash and cash equivalents is \$1,191,429 and \$722,277 at June 30, 2010 and 2009, respectively.

Depository funds held in the name of the University are secured by a pool of securities with a value of at least 105% of the total value of monies on deposit at the depository bank. During fiscal year 2009, the University entered into a continuing deposit security agreement with its depository bank to ensure continuous collateralization of its deposits. All collateral, both specific and pooled, is held by the Federal Reserve Bank or by a designated trustee as agent for the public depositories used by the University.

Cash and Cash Equivalents at June 30, 2010 and 2009 consist of the following:

	2010	2009
Carrying Amount (Cash and cash equivalents)	<u>\$ 52,906,489</u>	<u>\$ 37,131,710</u>
FDIC Insured	\$ 250,000	\$ 250,000
Uninsured but collateralized by pools of securities pledged by the depository banks	37,614,320	21,521,074
Uninsured but assets held in name of YSU not pledged as collateral elsewhere	<u>14,937,916</u>	<u>14,875,716</u>
Bank Balance	<u>\$ 52,802,236</u>	<u>\$ 36,646,790</u>

The difference in carrying amount and bank balance is caused by items in transit and outstanding checks. Deposits held in safekeeping by a bank, as trustee or escrow agent, included in cash totaled \$36,283,379 as of June 30, 2010 and \$20,734,747 as of June 30, 2009, which approximates market. These deposits, including interest on the investments, are retained in the trust for projects funded by bond proceeds and payment of principal and interest on outstanding indebtedness.

Credit risk for deposits is the risk that, in the event of a bank failure, the University's deposits may not be returned to the University. At June 30, 2010, all uncollateralized or uninsured deposits of the University are exposed to credit risk. The University's investment policy and asset allocation guidelines facilitate the management and monitoring of credit risk.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2010

Note 4 – Investments

The University's investment policy authorizes the University to invest non-endowed and endowed University funds in compliance with provisions of the Ohio Revised Code including House Bill 524, Section 3345.05 of the Ohio Revised Code, and all other applicable laws and regulations.

In accordance with the Policies of the Board of Trustees of the University, investment types are not specifically limited but shall be made with care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. Furthermore, investments shall be managed for the use and benefit of the University in a diversified portfolio that focuses, over time, on the preservation of capital, minimization of cost and risk, and maintenance of required levels of liquidity in the overall portfolio to meet cash flow requirements.

The University utilizes an investment advisor and investment managers for non-endowment and endowment funds. The University's endowment funds are managed by the Youngstown State University Foundation (see Note 17).

As of June 30, 2010, the University had the following investments and maturities using the segmented time distribution method:

Investment Type	Fair Value	Investment maturities (in years)			
		Less than 1	1-5	6-10	More than 10
U.S. Government Obligations	\$ 9,967,014	\$ -	\$ 7,491,611	\$ 2,224,388	\$ 251,015
Corporate Bonds	13,114,075	718,008	9,036,183	3,295,955	63,929
Foreign Bonds	39,070	-	-	39,070	-
U.S. Government Bonds	5,225,292	251,328	576,801	1,581,412	2,815,751
Preferred and Common Stock	24,334,974	24,242,474	-	-	92,500
Other Securities	678,097	223,699	454,398	-	-
Totals	<u>\$53,358,522</u>	<u>\$25,435,509</u>	<u>\$17,558,993</u>	<u>\$ 7,140,825</u>	<u>\$ 3,223,195</u>

All callable stocks were assumed to mature in less than one year.

As of June 30, 2010, investments had the following quality credit ratings:

Investment Type	Fair Value	Aaa	Aa	A	Baa	Unrated
Corporate Bonds	\$ 13,114,075	\$ 5,814,071	\$1,951,928	\$3,295,375	\$2,003,620	\$ 49,081
Foreign Bonds	39,070	-	-	-	39,070	-
U.S. Government Bonds	5,225,292	5,225,292	-	-	-	-
Totals	<u>\$18,378,437</u>	<u>\$11,039,363</u>	<u>\$1,951,928</u>	<u>\$3,295,375</u>	<u>\$2,042,690</u>	<u>\$ 49,081</u>

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University's investment policy and asset allocation

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2010

guidelines facilitate the management and monitoring of its exposure to fair value losses arising from increasing interest rates.

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University's investment policy and asset allocation guidelines contain provisions to manage credit risk.

Custodial Credit Risk - Custodial credit risk is the risk that in the event of the failure of the counterparty to a transaction, the University will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. Investments that are both unregistered and uninsured are exposed to custodial credit risk if investments are held by the counterparty, or are held by the counterparty's trust department or agent but not in the name of the University. At June 30, 2010, the University had no exposure to custodial credit risk. The University does not address custodial credit risk in its investment policy and asset allocation guidelines.

Foreign Currency Risk - Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. At June 30, 2010, the University had no material exposure to foreign currency risk. The University does not address foreign currency risk in its investment policy and asset allocation guidelines.

Note 5 – Accounts and Loans Receivable

Accounts and loans receivable at June 30, 2010 and 2009 consist of the following:

	2010	2009
Accounts receivable		
Student accounts	\$ 7,575,435	\$ 5,775,153
Grants and contracts	3,580,175	3,044,275
State and Federal appropriations	705,456	2,622,764
Other receivables	1,001,184	979,199
Subtotal	12,862,250	12,421,391
Less: Allowance for doubtful accounts	3,373,639	2,088,851
Accounts receivable, net	<u>9,488,611</u>	<u>10,332,540</u>
Loans receivable - student notes	\$ 3,068,702	\$ 3,551,757
Less: Allowance for doubtful accounts	562,855	737,266
Loans receivable, net	<u>\$ 2,505,847</u>	<u>\$ 2,814,491</u>

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2010

Note 6 – Pledges Receivable

Unconditional promises to give to the University recorded as pledges receivable at June 30, 2010 and June 30, 2009 were as follows:

	2010	2009
Total Pledges receivable	\$ 9,823,810	\$ 9,930,059
Less: allowance for doubtful accounts	486,567	493,911
present value discount	589,671	1,025,327
Pledges receivable, net	<u>8,747,572</u>	<u>8,410,821</u>
Less: current portion	<u>2,640,467</u>	<u>1,652,402</u>
Pledges receivable, noncurrent portion	<u>\$ 6,107,105</u>	<u>\$ 6,758,419</u>

Pledges have been discounted to net present value using June 30, 2010 U.S. Treasury Note rates of 1.875% (5-year) and 2.500% (7-year) in fiscal year 2010 and 2.625% (5-year) and 3.250% (10-year) in fiscal year 2009.

Note 7 – Capital Assets

Capital assets activity for the year ended June 30, 2010 was as follows:

	Beginning Balance	Additions	Reductions	Transfers	Ending Balance
Nondepreciable assets:					
Land	\$ 14,759,695	\$ 560,634	\$ -	\$ (250,000)	\$ 15,070,329
Construction-in-progress	6,866,680	22,931,895	37,500	(1,662,408)	28,098,667
Historical treasures	381,115	-	-	-	381,115
Depreciable assets:					
Buildings	229,630,256	316,813	844,581	250,000	229,352,488
Improvements to buildings	29,672,931	1,678,909	13,769	377,447	31,715,518
Improvements other than buildings	26,247,774	1,011,613	3,276,687	664,339	24,647,039
Moveable equipment and furniture	29,101,402	2,637,604	3,382,334	620,622	28,977,294
Vehicles	1,075,136	87,995	41,755	-	1,121,376
Capital leases	954,302	-	-	-	954,302
Total cost	<u>338,689,291</u>	<u>29,225,463</u>	<u>7,596,626</u>	<u>-</u>	<u>360,318,128</u>
Less accumulated depreciation:					
Buildings	136,934,920	4,310,283	515,832	-	140,729,371
Improvements to buildings	4,693,326	1,415,909	4,215	-	6,105,020
Improvements other than buildings	18,334,104	1,198,508	3,276,687	-	16,255,925
Moveable equipment and furniture	23,396,275	2,343,416	3,321,134	-	22,418,557
Vehicles	921,975	58,692	41,755	-	938,912
Capital leases	664,044	143,357	-	-	807,401
Total accumulated depreciation	<u>184,944,644</u>	<u>9,470,165</u>	<u>7,159,623</u>	<u>-</u>	<u>187,255,186</u>
Capital assets, net	<u>\$ 153,744,647</u>	<u>\$ 19,755,298</u>	<u>\$ 437,003</u>	<u>\$ -</u>	<u>\$ 173,062,942</u>

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2010

Capital assets activity for the year ended June 30, 2009 was as follows:

	Beginning Balance	Additions	Reductions	Transfers	Ending Balance
Nondepreciable assets:					
Land	\$ 14,183,175	\$ 576,829	\$ 309	\$ -	\$ 14,759,695
Construction-in-progress	2,157,216	5,548,808	-	(839,344)	6,866,680
Historical treasures	381,115	-	-	-	381,115
Depreciable assets:					
Buildings	229,650,028	261,995	281,767	-	229,630,256
Improvements to buildings	28,419,951	1,048,079	11,447	216,348	29,672,931
Improvements other than buildings	25,765,804	315,752	-	166,218	26,247,774
Moveable equipment and furniture	27,353,295	2,646,140	1,348,473	450,440	29,101,402
Vehicles	989,372	89,964	10,538	6,338	1,075,136
Capital leases	954,302	-	-	-	954,302
Total cost	329,854,258	10,487,567	1,652,534	-	338,689,291
Less accumulated depreciation:					
Buildings	133,186,783	4,029,903	281,766	-	136,934,920
Improvements to buildings	3,265,738	1,435,405	7,817	-	4,693,326
Improvements other than buildings	17,513,239	820,865	-	-	18,334,104
Moveable equipment and furniture	22,245,521	2,401,033	1,244,152	(6,127)	23,396,275
Vehicles	869,199	57,187	10,538	6,127	921,975
Capital leases	520,687	143,357	-	-	664,044
Total accumulated depreciation	177,601,167	8,887,750	1,544,273	-	184,944,644
Capital assets, net	<u>\$ 152,253,091</u>	<u>\$ 1,599,817</u>	<u>\$ 108,261</u>	<u>\$ -</u>	<u>\$ 153,744,647</u>

Note 8 – Accrued and Other Liabilities

Accrued and other liabilities at June 30, 2010 and 2009 consist of the following:

	2010	2009
Payroll liabilities:		
Accrued compensation and benefits	\$ 7,111,881	\$ 6,303,894
Accrued health care benefits and insurance payable	1,538,494	1,503,459
Retirement system contribution payable	1,853,461	1,654,816
Subtotal	<u>10,503,836</u>	<u>9,462,169</u>
Other liabilities:		
Deposits held in custody	409,751	528,393
Interest payable	237,103	195,641
Other liabilities	180,242	146,633
Subtotal	<u>827,096</u>	<u>870,667</u>
Totals	<u>\$ 11,330,932</u>	<u>\$ 10,332,836</u>

Encumbrances representing estimated amounts of expenses ultimately to result, if unperformed contracts in process at June 30, 2010 are completed, totaled \$20,517,232 and included \$1,761,729 in State capital appropriations compared to \$23,606,267 and \$8,802,627 at June 30, 2009, respectively. Encumbrances relating to the new WCBA building totaled \$3,634,229 and

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2010

the WATTS Center \$8,167,838. These amounts do not constitute expenses incurred or liabilities.

Note 9 – Bonds

As part of the American Recovery and Reinvestment Act of 2009, states and local governments are permitted to issue two types of taxable obligations, referred to as Build America Bonds (BABs). The BABs include federal subsidies to offset a portion of interest costs as an alternative to issuing traditional tax-exempt obligations.

In March 2010, the University issued \$25,335,000 of General Receipts Bonds (Taxable Build America Bonds), Series 2010 to provide funding to pay costs associated with facilities planning for the University's College of Science, Technology, Engineering and Mathematics (STEM), convert the old college of business building for use as a laboratory, office and classroom space, renovate Kilcawley Center, reconfigure and replace campus parking facilities, begin construction on the WATTS Center, relocate certain existing outdoor athletic facilities and pay the costs of issuance of the Series 2010 Bonds.

The University designated the Series 2010 Bonds both as Build America Bonds and as Qualified Bonds and intends to apply for Credit Payments pursuant only to the extent that the Series 2010 Bonds remain Qualified Bonds, which requires the University to comply with certain covenants and to establish certain facts and expectations with respect to the Series 2010 Bonds, the use and investment of proceeds thereof and the use of property financed thereby.

Details of the bonds payable for the General Receipts Bonds (Taxable Build America Bonds), Series 2010 as of June 30 follow:

Bond Component	Rate/Yield *	Maturity Through	Original Principal
Serial Bond	4.192%	2017	\$ 525,000
Serial Bond	4.542%	2018	1,065,000
Serial Bond	4.959%	2019	1,110,000
Serial Bond	5.109%	2020	1,145,000
Serial Bond	5.209%	2021	1,185,000
Serial Bond	5.359%	2022	1,225,000
Serial Bond	5.509%	2023	1,265,000
Term Bond	6.109%	2026	4,085,000
Term Bond	6.549%	2031	8,030,000
Term Bond	6.579%	2034	5,700,000
Total			<u>\$ 25,335,000</u>

* Does not reflect impact of federal subsidies

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2010

In March 2009, the University issued \$31,255,000 of General Receipts Bonds, Series 2009 to acquire, construct and equip the new WCBA building, renovate and replace portions of the existing Wick Pollock Inn, refund the remaining General Receipts Bonds, Series 1997 and Series 1998, refund the General Receipts Bond Anticipation Notes, Series 2008 (BAN), and pay a portion of the costs of issuance of the bonds.

Details of the bonds payable for the General Receipts Bonds, Series 2009 as of June 30 follow:

Bond Component	Rate	Yield	Maturity Through	Original Principal
Serial Bond	3.0000%	1.700%	2011	\$ 1,090,000
Serial Bond	3.0000%	2.200%	2012	1,120,000
Serial Bond	3.0000%	2.550%	2013	1,160,000
Serial Bond	3.2500%	3.000%	2014	1,200,000
Serial Bond	3.7500%	3.400%	2015	1,235,000
Serial Bond	4.0000%	3.700%	2016	1,290,000
Serial Bond	4.0000%	4.000%	2017	1,335,000
Serial Bond	4.1250%	4.200%	2018	860,000
Serial Bond	4.3750%	4.400%	2019	885,000
Serial Bond	4.5000%	4.600%	2020	925,000
Serial Bond	4.6250%	4.750%	2021	965,000
Serial Bond	4.7500%	4.900%	2022	1,010,000
Term Bond	5.0000%	5.080%	2024	2,170,000
Serial Bond	5.1250%	5.180%	2025	1,170,000
Term Bond	5.2500%	5.340%	2030	6,815,000
Term Bond	5.5000%	5.540%	2034	6,875,000
Total				<u>\$ 30,105,000</u>

The indebtedness created through both issues of the General Receipts Bonds is bound by the Amended and Restated Trust Indenture dated as of March 1, 2009. The Series 2010 Bonds are also bound by the First Supplemental Trust Indenture dated as of February 2010. The University has complied with all covenant requirements.

The debt is secured by a pledge of all University general receipts, excluding state appropriations and receipts previously pledged or otherwise restricted. Payment of bond principal and interest on the Bond Series 2009 is guaranteed under a municipal bond insurance policy.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2010

Maturities of all bonds payable and debt service for fiscal years subsequent to June 30, 2010 follow:

Fiscal Year	General Receipts Bonds		
	Principal	Interest	Total
2011	\$ 1,090,000	\$ 2,919,290	\$ 4,009,290
2012	1,120,000	2,886,140	4,006,140
2013	1,160,000	2,851,940	4,011,940
2014	1,200,000	2,815,040	4,015,040
2015	1,235,000	2,772,383	4,007,383
2016-2020	9,140,000	12,849,682	21,989,682
2021-2025	11,660,000	10,264,597	21,924,597
2026-2030	14,515,000	6,567,217	21,082,217
2031-2034	14,320,000	1,786,587	16,106,587
Totals	<u>\$ 55,440,000</u>	<u>\$ 45,712,876</u>	<u>\$ 101,152,876</u>

NOTE: Expected future federal subsidies for the BABs is \$8,977,406.

Interest expense on indebtedness was \$733,251 in fiscal year 2010 and \$788,265 fiscal year 2009. On construction-related debt, net interest cost of \$1,152,660 was capitalized in fiscal year 2010.

Note 10 – Notes Payable

During fiscal year 2006, the University's Board of Trustees authorized the Administration to secure third party financing to implement energy conservation measures for its building, structures and systems using an installment financing plan, pursuant to Ohio Revised Code, Section 3345.65; with repayment of such loan with the annual savings in energy and operating costs realized as a result of such improvements.

In addition, the University entered into a ten year performance contract with Johnson Controls, which includes an assured performance providing for an annual measured cost savings of \$1,296,298. The contract amount of \$9,796,000 was financed with Chase Equipment Leasing, Inc. over 10 years, bears interest at 3.53%, and requires equal annual installment payments. Details of the installment schedule follows:

Fiscal Year	Principal	Interest	Total
2011	\$ 957,992	\$ 221,674	\$ 1,179,666
2012	991,809	187,857	1,179,666
2013	1,026,820	152,846	1,179,666
2014	1,063,067	116,600	1,179,667
2015	1,100,593	79,073	1,179,666
2016	1,139,443	40,224	1,179,667
Totals	<u>\$ 6,279,724</u>	<u>\$ 798,274</u>	<u>\$ 7,077,998</u>

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2010

Title to the assets vests in the University. The debt is secured by a pledge of all University general receipts, excluding State appropriations and receipts previously pledged or otherwise restricted. The University has complied with all covenant requirements.

During fiscal year 2009, the University purchased property on an installment basis at a cost of \$315,000. The final installment of \$275,000 is due in fiscal year 2011.

Note 11 – Leases

Capital Lease Obligations

The University leases mailroom equipment including an inserting and folding system, and a shape-based feature for the mailroom equipment as well as sixty-eight Steinway pianos under capital lease agreements. The insert and folding system bears interest at 7.84%. The shape-based feature bears interest at 7.627%. The Steinway pianos bear interest at 4.05%. The net book value of capital leased assets included in net Capital Assets in the Statements of Net Assets at June 30, 2010 and 2009, was \$146,901 and \$290,258, respectively.

Future minimum lease payments under the capital leases are as follows:

Year Ending June 30,	Insert and Folding System	Shape-based Feature	Steinway Pianos	Total
2011	9,735	585	85,773	96,093
2012	9,735	-	85,774	95,509
2013	811	-	-	811
Total future minimum lease payments	20,281	585	171,547	192,413
Less amount representing interest	1,625	11	9,873	11,509
Total obligations under capital leases	<u>\$ 18,656</u>	<u>\$ 574</u>	<u>\$ 161,674</u>	<u>\$ 180,904</u>

Operating Lease Obligations

The University has an operating lease for the purpose of classroom and general office purposes. The University, in its fourth renewal option which ends June 30, 2011, has future minimum payments of \$159,005. The University has another operating lease for the usage of building space. The University, in its third renewal option which ends June 30, 2011, has future minimum payments of \$44,600.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2010

Note 12 – Compensated Absences

During fiscal year 2009, the University’s Board of Trustees authorized the development of a limited early retirement incentive program for all eligible employees who are members of OPERS. The effective period for eligibility determination will be 2011. The University will purchase up to two (2) years of service credit for eligible employees who participate. The University will abide by the rules as established by Ohio Public Employees Retirement System (OPERS) except as otherwise specified in labor Agreements.

Note 13 – Long-Term Liabilities

Long-term liability activity (also see notes 9-12) for the year ended June 30, 2010 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds payable					
General receipts bonds principal	\$ 31,255,000	\$ 25,335,000	\$ 1,150,000	\$ 55,440,000	\$ 1,090,000
Less: Unamortized premium/discount	52,972	38,732	-	91,704	-
Bonds payable, net	31,202,028	25,296,268	1,150,000	55,348,296	1,090,000
Note payable	7,505,052	-	950,328	6,554,724	1,232,992
Capital leases payable	282,957	-	102,053	180,904	88,384
Compensated absences	9,750,176	642,672	599,719	9,793,129	598,127
Refundable advance	2,818,624	60,665	97,010	2,782,279	-
Total long-term liabilities	<u>\$ 51,558,837</u>	<u>\$ 25,999,605</u>	<u>\$ 2,899,110</u>	<u>\$ 74,659,332</u>	<u>\$ 3,009,503</u>

Long-term liability activity for the year ended June 30, 2009 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds payable					
General receipts bonds principal	\$ 10,265,000	\$ 31,255,000	\$ 10,265,000	\$ 31,255,000	\$ 1,150,000
Less: Unamortized premium/discount	140,387	39,663	127,078	52,972	-
Bonds payable, net	10,124,613	31,215,337	10,137,922	31,202,028	1,150,000
Note payable	8,098,830	315,000	908,778	7,505,052	950,328
Capital leases payable	380,149	-	97,192	282,957	102,053
Compensated absences	9,217,788	970,367	437,979	9,750,176	633,715
Refundable advance	2,783,915	34,709	-	2,818,624	-
Total long-term liabilities	<u>\$ 30,605,295</u>	<u>\$ 32,535,413</u>	<u>\$ 11,581,871</u>	<u>\$ 51,558,837</u>	<u>\$ 2,836,096</u>

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2010

Note 14 - Retirement Plans

Basic Retirement Benefits

Employee retirement benefits are available for substantially all employees under contributory retirement plans administered by the Ohio Public Employees Retirement System (OPERS) and the State Teachers Retirement System of Ohio (STRS Ohio). Certain OPERS members are covered by the law enforcement benefit provisions (OPERSLE), Section 145.33(B) of the Ohio Revised Code. These retirement programs are statewide, cost-sharing, multiple-employer defined benefit plans. Each provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits for plan members and beneficiaries. These plans also provide health care benefits to vested retirees. Authority to establish and amend benefits is provided by State statute per Chapter 145 of the Ohio Revised Code.

Plan Options - Effective July 1, 2001, two new plan options were offered to selected members. New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to invest all their member contributions and employer contributions. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member. In addition, the defined benefit payment is at a reduced level from the regular DB Plan.

Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

Both administrators issue a stand-alone financial report. Interested parties may obtain a copy of the OPERS report by making a written request to 277 East Town St., Columbus, OH, 43215-4642 or by calling (614) 222-5601 or 1-800-222-PERS (7377), and the STRS Ohio report by making a written request to 275 East Broad Street, Columbus, Ohio, 43215-3771 or by calling (888) 227-7877, or by visiting the STRS Ohio web site at www.strsoh.org.

Alternative Retirement Plan

In 1997, the State approved an Alternative Retirement Plan (ARP) for full-time academic and administrative employees which allows new employees and those with less than five years of service to opt out of STRS Ohio and OPERS and contribute to one of the ARPs formed as Section 401(a) defined contribution plans. The legislation, as amended, requires employees and employers to contribute to the ARPs at the same rates as STRS Ohio and OPERS employee contributions.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2010

Employee and Employer Contributions

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rates for the current and preceding two years follow:

Employee Contribution Rate						
Period	STRS		OPERS		OPERSLE	
	Traditional	ARP	Traditional	ARP	Traditional	ARP
1/1/10-6/30/10	10.0%	10.0%	10.0%	10.0%	11.1%	11.1%
1/1/08-12/31/09	10.0%	10.0%	10.0%	10.0%	10.1%	10.1%
1/1/07-12/31/07	10.0%	10.0%	9.5%	9.0%	10.1%	10.1%

The employer contribution rates for the current and preceding two years follow:

Employer Contribution Rate								
Period	STRS			OPERS			OPERSLE	
	Traditional	ARP		Traditional	ARP		Traditional	ARP
		STRS	ARP		OPERS	ARP		
1/1/10-6/30/10	14.00%	3.50%	10.50%	14.00%	0.77%	13.23%	17.87%	17.87%
1/1/09-12/31/09	14.00%	3.50%	10.50%	14.00%	0.77%	13.23%	17.63%	17.63%
1/1/08-12/31/08	14.00%	3.50%	10.50%	14.00%	0.77%	13.23%	17.40%	17.40%
8/1/07-12/31/07	14.00%	3.50%	10.50%	13.77%	0.54%	13.23%	17.17%	17.17%
1/1/07-7/31/07	14.00%	3.50%	10.50%	13.77%	0.00%	13.77%	17.17%	17.17%

University contributions equal to the required contributions for the current and two preceding years follow:

Employer Contributions								
Fiscal Year	STRS			OPERS			OPERSLE	
	Traditional	ARP		Traditional	ARP		Traditional	ARP
		STRS	ARP		OPERS	ARP		
2010	\$ 5,580,112	\$ 203,623	\$ 610,868	\$ 5,158,797	\$ 32,985	\$ 538,233	\$ 203,259	\$ -
2009	\$ 5,492,942	\$ 201,701	\$ 626,715	\$ 4,765,059	\$ 29,323	\$ 552,116	\$ 186,484	\$ -
2008	\$ 5,222,301	\$ 192,108	\$ 577,352	\$ 4,884,650	\$ 15,207	\$ 444,063	\$ 184,960	\$ -

The OPERS employee contributions to the ARP totaled \$406,125 and the STRS Ohio employee contributions to the ARP totaled \$581,780.

Note 15 – Other Postemployment Benefits (OPEB)

The Ohio Revised Code provides the statutory authority for public employers to fund postretirement health care through their contributions to STRS Ohio and OPERS.

State Teachers Retirement System of Ohio

STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2010

hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Pursuant to Chapter 3307 of the Ohio Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

Under Ohio Law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 1% of the covered payroll was allocated to post-employment health care for 2010, 2009 and 2008. The portion of the University's 2010, 2009 and 2008 contributions to STRS Ohio used to fund post-employment benefits was \$398,579, \$392,353 and \$373,021, respectively.

Ohio Public Employees Retirement System

OPERS provides post-employment health care coverage to age-and-service retirees with 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefits is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS' Post Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion used to fund post employment benefits was 7.0% from 1/1/09-3/31/09 and 5.5% from 4/1/09-12/31/09, 7.0% in 2008, and 5.0% from 1/1/07-6/30/07 and 6.0% from 7/1/07-12/31/07. The portion of the University's 2010, 2009 and 2008 contributions to OPERS used to fund post retirement benefits was \$2,188,584, \$2,569,717 and \$1,860,851. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

Note 16 – Contingencies and Risk Management

The University is a defendant in various lawsuits. It is the opinion of University management that disposition of pending litigation will not have a material adverse effect on the financial condition of the University.

The University receives grants and contracts from certain federal, state and local agencies to fund research and other activities. The costs, both direct and indirect, that have been charged to the grants or contracts are subject to examination and approval by the granting agency. It is the opinion of the University's administration that any disallowance or adjustment of such costs would not have a material effect on the financial statements.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2010

The University was self-insured for a major portion of employee health care benefits. In January 2009, the University became self-insured for all employee health care benefits. The self-insured plan includes stop loss provisions.

Liabilities for estimates of outstanding claims and claims incurred but not reported under self-insurance programs have been recorded. Changes in the self-insured health care liabilities included in accrued health care benefits payable (see Note 8) for the past two years follows:

	2010	2009
Liability at beginning of fiscal year	\$ 1,485,585	\$ 846,000
Current year claims including changes in estimates	13,837,046	11,032,337
Claim payments	<u>(13,808,820)</u>	<u>(10,392,752)</u>
Liability at end of fiscal year	<u>\$ 1,513,811</u>	<u>\$ 1,485,585</u>

Health insurance claims are based upon estimates of the claims liabilities. Estimates are based upon past experience, medical inflation trends, and current claims outstanding, including year-end lag analysis. Differences between the estimated claims payable and actual claims paid are reported in the Statement of Revenues, Expenses and Changes in Net Assets.

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The University has joined with other state-assisted universities in Ohio to form an insurance pool for the acquisition of commercial property and casualty insurance. The University pays annual premiums to the pool for its property and casualty insurance coverage based on its percentage of the total insurance value to the pool. Future contributions will be adjusted based upon each university's loss history. The University had no significant reductions in coverage from the prior year. Insurance settlements have not exceeded insurance coverage for each of the past three fiscal years.

The University participates in a State pool of agencies and universities that pays workers' compensation premiums into the State Insurance Fund on a pay-as-you-go basis (the Plan), which pays workers' compensation benefits to beneficiaries who have been injured on the job. Losses from asserted and unasserted claims for the participating state agencies and universities in the Plan are accrued by the Ohio Bureau of Workers' Compensation (the Bureau) based on estimates that incorporate the past experience, as well as other considerations including the nature of each claim or incident and relevant trend factors. Participants in the Plan annually fund the workers' compensation liability based on rates set by the Bureau to collect the cash needed in subsequent fiscal years to pay the workers' compensation claims of participating State agencies and universities.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2010

Note 17 – Component Units

Youngstown State University Foundation (YSUF) and University Housing Corporation (UHC) are nonprofit organizations that report under FASB standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. With the exception of necessary presentation adjustments, no modifications have been made to YSUF's or UHC's financial information in the University's financial report for these differences.

YSUF

YSUF is a legally separate nonprofit organization exempt from federal income tax and classified as a public charity. YSUF is devoted to the support, expansion, and development of educational programs at the University that are useful and beneficial to the students and the community. In order to maintain its public charity classification, YSUF must exclusively support the University, be responsive to its needs and distribute substantially all of its net income (other than net long-term capital gain) to the University. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the University, the Foundation is considered a component unit of the University.

Annually, the University files an application for funds from YSUF, subject to approval by the trustees of YSUF. Financial support from YSUF was \$5,500,000 for the fiscal year ended June 30, 2010 and \$5,581,550 for the fiscal year ended June 30, 2009. Financial support from YSUF has been committed for fiscal year 2011 in the amount of \$4,519,000. An installment payment is made on June 30 of each year with the balance to be paid by June 30 of the following year in quarterly installment payments. Amounts reflected in deferred revenue were \$1,219,000 and \$1,436,000 at June 30, 2010 and June 30, 2009, respectively. In addition, rental income from YSUF of \$10,560 in both fiscal years 2010 and 2009 was recorded and is reflected in the University's Statements of Revenues, Expenses and Changes in Net Assets.

Under the terms of an agreement with the University, the Foundation serves as an investment manager for the University's endowments. Proceeds are forwarded to the University on an as needed basis to satisfy the individual endowment purposes. Fair value of such investments held by YSUF at June 30, 2010 and June 30, 2009 was \$6,082,189 and \$5,893,649, respectively. The management services are provided at no charge and investments are made in a manner consistent with the YSUF funds.

UHC

UHC opened the University Student Courtyard Apartments in Fall 2003. The complex has 130 housing units for approximately 400 students and staff. This unique public-private partnership includes YSUF, University Housing Corporation (UHC), the City of Youngstown, Mahoning County, and Ambling Companies, Inc., a national leader in developing student housing communities. UHC is a tax-exempt organization. Because resources are only used by, or for the benefit of the University, UHC is considered a component unit of the University.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2010

In May 2002, the University entered into a 40-year lease with UHC for land. The lease contains a renewal option to extend the term for an additional 40 years. Future minimum annual lease payments to YSU are \$100 per year over the life of the lease. An October 2004 amendment provided for an additional payment of \$10,000 per month to offset electrical usage, adjusted annually in accordance with a prescribed annual reconciliation statement. Total payments, including telephone/internet usage, to YSU were \$185,089 and \$165,265 in fiscal year 2010 and 2009, respectively.

UHC Property

Property, facilities and equipment as of July 31, 2010 and 2009 are as follows:

	2010	2009
Buildings	\$ 17,108,042	\$ 17,108,042
Other capital asset	<u>1,617,819</u>	<u>1,614,765</u>
Total cost	18,725,861	18,722,807
Less: accumulated depreciation	<u>4,095,075</u>	<u>3,490,709</u>
Property, facilities and equipment, net	<u>\$ 14,630,786</u>	<u>\$ 15,232,098</u>

UHC Long-Term Debt and Letter of Credit Guarantee by YSUF

In May 2002, UHC issued \$22,040,000 of County of Mahoning, Ohio Adjustable Rate Housing Revenue Bonds Series 2002 (Series 2002 Bonds). The proceeds were used to finance the construction, site improvements, furnishing and equipping of the University Courtyard Project. The bonds bear interest at a variable rate determined weekly by the Remarketing Agent based on the weekly tax-exempt index as determined by the Remarketing Agent, and are due at various dates until 2033. The Remarketing Agent is PNC Capital Markets. At July 31, 2010 and 2009, these variable interest rates were set at 0.29% and 0.40%, respectively, with an average weekly rate of 0.28% during fiscal year 2010 and 2.82% during fiscal year 2009. The bonds are secured by the assignment of incomes and revenues of the University Courtyard Project.

The Series 2002 Bonds were issued pursuant to a Trust Indenture dated May 1, 2002 between Mahoning County (County) and the Trustee. Under the terms of the current Reimbursement Agreement dated May 30, 2007, UHC entered into an alternate, five year, Irrevocable Direct Pay Letter of Credit Agreement with a bank, with a stated expiration date of September 16, 2012. Under the terms of the Reimbursement Agreement, UHC maintains a debt service reserve fund at the maximum amount (\$1,742,042 at July 31, 2010 and \$1,759,558 at July 31, 2009). The Foundation provides a conditional full guaranty of the Letter of Credit only under conditions which would indicate a failure of the Project to attain a sustained cash flow sufficient to maintain service of the debt as outlined in the Letter of Credit Agreement.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2010

Maturities of the bonds are as follows:

Year ending July 31,	Amount
2011	\$ 220,000
2012	270,000
2013	325,000
2014	385,000
2015	450,000
Thereafter	19,200,000
Total	<u>\$ 20,850,000</u>

UHC's objectives of its derivative instruments include managing the risk of increased debt service resulting from rising market interest rates, the risk of decreased surplus returns resulting from falling interest rates, and the management risk of an increase in the fair value of outstanding fixed rate obligations resulting from declining market interest rates. Consistent with its interest rate risk management objectives, UHC entered into an interest rate swap in May 2002 with a notional amount of \$20,220,000 at July 31, 2010 and \$20,395,000 at July 31, 2009. The swap agreement effectively changes UHC's interest rate exposure on its floating rate bonds to a fixed rate of 3.97%. The interest swap rate agreement matures in May 2012.

Under terms of the interest rate swap agreement, UHC makes payments calculated at a fixed rate of 3.97% to the counterparty of the swap. In return, the counterparty makes payments to UHC equal to 67% of 1-Month USD-LIBOR-BBA Index. Only the net difference in payments is exchanged with the counterparty. During fiscal years 2010 and 2009 the 1-Month USD-LIBOR-BBA Index ranged from 0.23% to 0.35% (0.30% at July 31, 2010) and 0.28% to 4.59% (0.28% at July 31, 2009), respectively.

The fair value of the swap agreement at July 31, 2010 and 2009 was \$1,244,914 and \$1,468,541, respectively, and is recorded as a liability on UHC's Statement of Financial Position.

On May 1, 2002, the Foundation entered into an agreement to guarantee the payment of certain UHC debt. Funding for the project has been attained through the issuance of \$22,040,000 adjustable rate housing revenue bonds by Mahoning County, Ohio. These bonds have serial maturities through 2033.

UHC also entered into an agreement with the Foundation to loan UHC funds to pay for initial organizational and legal costs. Under the terms of the agreement, UHC will repay the Foundation principal plus interest at prime rate. At June 30, 2010 and 2009, the amount due to the Foundation from UHC is \$102,957 and \$113,148, respectively.

YOUNGSTOWN STATE UNIVERSITY

BOARD OF TRUSTEES AS OF JUNE 30, 2010

Millicent S. Counts	<i>Former Executive Director United Methodist Community Center</i>
Larry D. DeJane	<i>Mayor City of Salem</i>
Dr. Sudershan K. Garg, Vice Chair	<i>Physician Blood & Cancer Center, Inc.</i>
Lyndsie Hall	<i>Student Trustee</i>
Dr. John R. Jakubek	<i>Anesthesiologist Bel-Par Anesthesia Associates, Inc.</i>
Harry Meshel	<i>Former Ohio State Senator and Former Chair of the Ohio Democratic Party</i>
John L. Pogue	<i>Attorney Harrington, Hoppe & Mitchell, Ltd.</i>
Leonard Schiavone	<i>Attorney Friedman and Rummell Co., LPA</i>
Scott R. Schulick, Chair	<i>Vice President Butler Wick Corp.</i>
Carol Weimer	<i>Special Education Teacher Liberty High School</i>
Franklin S. Bennett, Jr.	<i>Secretary to the Board</i>

PRINCIPAL ADMINISTRATORS AS OF JUNE 30, 2010

David C. Sweet	<i>President</i>
Cynthia E. Anderson	<i>Vice President for Student Affairs and President Elect</i>
Richard Marsico	<i>Interim Chief Technology Officer</i>
Eugene Grilli	<i>Vice President for Finance & Administration</i>
Ikram Khawaja	<i>Provost and Vice President for Academic Affairs</i>
George E. McCloud	<i>Special Assistant for University Advancement</i>

YOUNGSTOWN STATE UNIVERSITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2010

Program Title	CFDA #	Pass Through Number	Research and Development Cluster	Student Financial Assistance Cluster	Other Expenditures	Total Expenditures
10 Department of Agriculture (USDA)						
Fund for Rural America - Research, Education, and Extension Activities						
Pass-Through Entity University of Toledo	10.224	R-300-100193-400B	\$ 17,728	\$ -	\$ -	\$ 17,728
Total Department of Agriculture (USDA)			17,728	-	-	17,728
12 Department of Defense (DOD)						
Basic and Applied Scientific Research						
Pass-Through Entity Consortium for Oceanographic Research and Applied Scientific Research	12.300	NA06SEC4690002	-	-	21,854	21,854
Basic Scientific Research - Combating Weapons of Mass Destruction						
Pass-Through Entity Office of Naval Research	12.351	HDTRA108-10014	405,795	-	-	405,795
Basic Scientific Research						
Pass-Through Entity Army Research Lab	12.431	W91NF07-10642	930,603	-	-	930,603
Basic, Applied, and Advanced Research in Science and Engineering						
Pass-Through Entity University of Southern Mississippi	12.630	W91B2T-09-2-0019	7,201	-	-	7,201
Total Department of Defense (DOD)			1,343,598	-	21,854	1,365,452
14 Department of Housing and Urban Development (HUD)						
Community Development Block Grants/Entitlement Grants						
Pass-Through Entity Youngstown Community Development Agency	14.218	B-05-MC-39-0023	-	-	15	15
Community Development Block Grants/State's Program						
Pass-Through Entity Youngstown Community Development Agency	14.228	B-05-MC-39-0023	-	-	25,000	25,000
Emergency Shelter Grants Program						
Pass-Through Entity Youngstown Community Development Agency	14.231	S-08-MC-39-0023	-	-	29,108	29,108
Supportive Housing Program						
Pass-Through Entity Youngstown Community Development Agency	14.235	-	-	-	21,380	21,380
Community Outreach Partnership Center Program						
Pass-Through Entity Youngstown Community Development Agency	14.511	-	-	-	51,274	51,274
Total Department of Housing and Urban Development (HUD)			-	-	126,777	126,777
16 Department of Justice (DOJ)						
Edward Byrne Memorial Formula Grant Program						
Pass-Through Entity Ohio Office of Criminal Justice Services	16.579	2004-DG-E0V-V6628	-	-	60,563	60,563
Community Capacity Development Office						
Pass-Through Entity Ohio Office of Criminal Justice Services	16.595	-	-	-	110,470	110,470
Anti-Gang Initiative						
Pass-Through Entity Youngstown Police Department	16.744	2007-P-S-P SN-339	-	-	16,167	16,167
Law Enforcement Task Force						
Pass-Through Entity Ohio Office of Criminal Justice Services	*	-	-	-	3,286	3,286
Total Department of Justice (DOJ)			-	-	190,486	190,486
17 Department of Labor (DOL)						
WIA Youth Activities						
Pass-Through Entity State of Ohio - Department of Development	17.259	08-222	-	-	50,633	50,633
Total Department of Labor (DOL)			-	-	50,633	50,633
20 Department of Transportation (DOT)						
University Transportation Centers Program						
Pass-Through Entity Youngstown Community Development Agency	20.701	-	358,186	-	-	358,186
Total Department of Transportation (DOT)			358,186	-	-	358,186
43 National Aeronautics and Space Administration (NASA)						
Aerospace Education Services Program						
Pass-Through Entity Youngstown Community Development Agency	43.001	-	14,316	-	5,253	19,569
Total National Aeronautics and Space Administration (NASA)			14,316	-	5,253	19,569
47 National Science Foundation (NSF)						
Engineering Grants						
Pass-Through Entity Youngstown Community Development Agency	47.041	-	15,760	-	-	15,760
Mathematical and Physical Sciences						
Pass-Through Entity Youngstown Community Development Agency	47.049	-	77,759	-	-	77,759
Biological Sciences						
Pass-Through Entity Youngstown Community Development Agency	47.074	-	63,332	-	-	63,332
Education and Human Resources						
Pass-Through Entity Youngstown Community Development Agency	47.076	-	34,211	-	124,323	158,534
Education and Human Resources						
Pass-Through Entity Ohio State University	47.076	HRD-0331560	-	-	27,276	27,276
Trans-NSF Recovery Act Research Support - ARRA Funding						
Pass-Through Entity Youngstown Community Development Agency	47.082	-	31,407	-	-	31,407
Total National Science Foundation (NSF)			222,469	-	151,599	374,068
59 Small Business Administration (SBA)						
Small Business Development Centers						
Pass-Through Entity Small Business Development Centers of Ohio	59.037	N/A	-	-	127,861	127,861
Total Small Business Administration (SBA)			-	-	127,861	127,861
81 Department of Energy						
Renewable Energy Research and Development						
Pass-Through Entity Youngstown Community Development Agency	81.087	-	101,590	-	-	101,590
Total Department of Energy			101,590	-	-	101,590

YOUNGSTOWN STATE UNIVERSITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONT.) FOR THE YEAR ENDED JUNE 30, 2010

Program Title	CFDA #	Pass Through Number	Research and Development Cluster	Student Financial Assistance Cluster	Other Expenditures	Total Expenditures
84 Department of Education (DOE)						
Federal Supplemental Educational Opportunity Grants	84.007		\$ -	\$ 629,094	\$ -	\$ 629,094
Federal Family Education Loan Program (see Note 2)	84.032		-	84,339,658	-	84,339,658
Federal Work Study Program	84.033		-	544,962	-	544,962
Federal Work Study Program - ARRA Funding	84.033		-	134,477	-	134,477
Federal Perkins Loan Program (see Note 2)	84.038		-	2,895,550	-	2,895,550
TRIO - Upward Bound	84.047		-	-	234,667	234,667
Vocational Education - Basic Grants to States	84.048		-	-	115,853	115,853
Federal Pell Grant Program	84.063		-	27,765,588	-	27,765,588
Fund for the Improvement of Postsecondary Education	84.116Z		-	-	15,162	15,162
Business and International Education Projects	84.153A		-	-	49,705	49,705
Fund for the Improvement of Education	84.215		-	-	4,320	4,320
Federal Direct Student Loan Program (see Note 2)	84.268		-	6,400,338	-	6,400,338
Academic Competitiveness Grants	84.375		-	508,945	-	508,945
National Science and Mathematics Access to Retain Talent Grant (SMART)	84.376		-	357,097	-	357,097
State Fiscal Stabilization Fund (SFSF) - Education State Grants, ARRA Funding						
Pass-Through Entity Ohio Board of Regents	84.394		-	-	6,717,130	6,717,130
Vocational Education - Basic Grants to States						
Pass-Through Entity State of Ohio Department of Education	84.048	319G-P-SL-NT-07CG	-	-	7,744	7,744
Fund for the Improvement of Postsecondary Education						
Pass-Through Entity CUNY Research Foundation	84.116B	P 116B 060012	-	-	1,996	1,996
Twenty-First Century Community Learning Centers						
Pass-Through Entity State of Ohio Department of Education	84.287	USAS 599	-	-	398,515	398,515
Twenty-First Century Community Learning Centers						
Pass-Through Entity Youngstown City Schools	84.287	S287C050035	-	-	193,633	193,633
Twenty-First Century Community Learning Centers						
Pass-Through Entity Austintown City Schools	84.287	S287C050035	-	-	2,152	2,152
Subtotal Twenty-First Century Community Learning Centers			-	-	594,300	594,300
Mathematics and Science Partnerships						
Pass-Through Entity State of Ohio Department of Education	84.366	Public Law 107-110	-	-	87,781	87,781
Total Department of Education (DOE)			-	123,575,709	7,965,107	131,540,816
93 Department of Health and Human Services						
Community Services Block Grant Discretionary Awards						
Pass-Through Entity National Youth Sports Program	93.570	N/A	-	-	236	236
Child Welfare Services State Grants						
Pass-Through Entity State of Ohio Do JFS	93.645	G-89-06-1249	-	-	7,347	7,347
Foster Care - Title IV-E						
Pass-Through Entity State of Ohio Do JFS	93.658	G-89-06-1249	-	-	49,388	49,388
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847		9,257	-	-	9,257
Total Department of Health and Human Services			9,257	-	56,971	66,228
94 Corporation for National and Community Service						
Learn and Serve America School and Community Based Programs						
Pass-Through Entity Youngstown City Schools	94.004	P O9924569	-	-	9,315	9,315
Learn and Serve America Higher Education						
Pass-Through Entity Ohio Campus Compact	94.005	N/A	-	-	14,746	14,746
Total Corporation for National and Community Service			-	-	24,061	24,061
Corporation for Public Broadcasting (CPB)						
CPB Community Service Grant FY09	*	N/A	-	-	140,944	140,944
Total Corporation for Public Broadcasting (CPB)			-	-	140,944	140,944
Total Federal Expenditures			\$ 2,067,145	\$ 123,575,709	\$ 8,861,546	\$ 134,504,401

* - CFDA # is not available N/A - Pass Through number is not available

YOUNGSTOWN STATE UNIVERSITY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2010

Note 1 – Basis of Accounting

This schedule includes the federal awards activity of Youngstown State University and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements. Catalog of Federal Domestic Assistance (CFDA) numbers are presented for those programs for which such numbers were available. All programs are presented by federal agency. Pass-through programs are also presented by the entity through which the University received the federal award.

Note 2 – Loans

Federal Family Education Loan Program

The University participates in the Federal Family Education Loan Program (84.032) which includes Stafford Loans and Supplemental Loans for Students. The University originates but does not provide funding for Federal Family Education Loans (“FFELs”). The \$84,339,658 presented on the Schedule of Expenditures of Federal Awards represents the value of new FFELs awarded by outside lenders during the year.

Federal Direct Loan Program

The University participates in the Federal Direct Student Loan Program (84.268) which includes Stafford Loans and Supplemental Loans for Students. The University originates but does not provide funding for Federal Direct Loans (FDSL’S). The \$6,400,338 presented on the Schedule of Expenditures of Federal Awards (84.268) represents the value of new FDSL’S processed by the University.

Federal Perkins Loan Program

The \$2,895,550 presented on the Schedule of Expenditures of Federal Awards for the Federal Perkins Loan Program (84.038) represents the outstanding balance of loans for which the government imposes continuing compliance requirements. New loans and the administrative cost allowance disbursed under the Federal Perkins Loan Program for the fiscal year ended June 30, 2010 totaled \$292,511.

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

To the Board of Trustees
Youngstown State University
Youngstown, Ohio

We have audited the financial statements of the business-type activities and discretely presented component units of Youngstown State University (the “University”) as of and for the year ended June 30, 2010, and have issued our report thereon dated the same date as this report. Our report was modified to include a reference to other auditors. We conducted our audit 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. Other auditors audited the financial statements of the Youngstown State University Foundation, as described in our report on Youngstown State University’s financial statements. The financial statements of the Youngstown State University Foundation were not audited in accordance with Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University's internal control over financial reporting as a basis for designing our auditing procedures 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 University’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University’s internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free of 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 determination of financial statement amounts. 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*.

We noted certain matters that we reported to management of the University in a separate letter dated October 15, 2010.

This report is intended solely for the information and use of management, Board of Trustees, others within the entity, federal awarding agencies and pass-through entities and the Office of the State Auditor of Ohio and is not intended to be and should not be used by anyone other than these specified parties.

Crowe Horwath LLP

Crowe Horwath LLP

Columbus, Ohio
October 15, 2010

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT
AND MATERIAL EFFECT ON TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Trustees
Youngstown State University
Youngstown, Ohio

Compliance

We have audited the compliance of Youngstown State University (the “University”) with the types of compliance requirements described in the U.S. Office of Management and Budget (“OMB”) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the University’s major programs for the year ended June 30, 2010. The University’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs are the responsibility of the University’s management. Our responsibility is to express an opinion on the University’s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Our audit does not provide a legal determination of the University’s compliance with those requirements.

In our opinion, the University complied, in all material respects, with the requirements referred to above that have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which are described in the accompanying schedule of findings and questioned costs as item 2010-01.

Internal Control Over Compliance

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the University's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance*, is a deficiency, or combination of deficiencies, internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of finding and questioned costs as items 2010-01. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The University's responses to the findings identified in our report are described in the accompanying schedule of findings and questioned costs. We did not audit the University's responses and, accordingly, we express no opinion on the responses.

We noted certain other matters that we have reported to management in a separate letter dated October 15, 2010.

This report is intended solely for the information and use of the Board of Trustees, management, the Office of the Auditor of State of Ohio, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Crowe Horwath LLP

Columbus, Ohio
October 15, 2010

YOUNGSTOWN STATE UNIVERSITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unqualified

Internal control over financial reporting:

Material weakness(es) identified?

_____ Yes X No

Significant deficiencies identified not
considered to be material weaknesses?

_____ Yes X None Reported

Noncompliance material to financial statements
noted?

_____ Yes X No

Type of auditor's report issued on compliance for major programs: Unqualified

Federal Awards

Internal Control over major programs:

Material weakness(es) identified?

_____ Yes X No

Significant deficiencies identified not
considered to be material weaknesses?

 X Yes _____ None Reported

Any audit findings disclosed that are required to be
reported in accordance with Section .510(a) of
OMB Circular A-133?

 X Yes _____ No

YOUNGSTOWN STATE UNIVERSITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2010

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
	Student Financial Aid Cluster:
84.007	Federal Supplemental Educational Opportunity Grants
84.032	Federal Family Education Loans
84.033	Federal Work-Study Program
84.038	Federal Perkins Loan Program
84.063	Federal Pell Grant Program
84.268	Federal Direct Loans Program
84.375	Academic Competitiveness Grants
84.376	National Science and Mathematics Access to Retain Talent Grants
84.287	Twenty-First Century Community Learning Centers
84.394 ARRA	State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act (Education Stabilization Fund)
	Research and Development Cluster:
10.224	Fund for Rural America – Research, Education, and Extension Activities
12.351	Basic Scientific Research - Combating Weapons of Mass Destruction
12.431	Basic Scientific Research
12.630	Basic, Applied, and Advanced Research in Science Engineering
20.701	University Transportation Centers Program
43.001	Aerospace Education Services Program
47.041	Engineering Grants
47.049	Mathematical and Physical Sciences
47.074	Biological Sciences
47.076	Education and Human Resources
47.082 ARRA	Trans-NSF Recovery Act Research Support
81.087	Renewable Energy Research and Development
93.847	Diabetes, Digestive, and Kidney Diseases Extramural Research

Dollar threshold used to distinguish between Type A and Type B programs: \$327,861

Auditee qualified as low-risk auditee? X Yes No

Section II - Financial Statement Findings

There were no findings for the year ended June 30, 2010.

YOUNGSTOWN STATE UNIVERSITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2010

Section III - Federal Award Findings

Finding 2010-01

Federal Program
Information:

Federal Perkins Loan Program, CFDA #84.038

Criteria:

34 CFR 674.43 – “Billing procedures. (c) The institution shall send a final demand letter within 15 days after the second overdue notice. This letter must inform the borrower that unless the institution receives a payment of request for deferment, postponement, or cancellation within 30 days of the date of the letter, it will refer the account for collection within 30 days of the date of the letter, it will refer to account collection or litigation, and will report the default to a credit bureau.”

Condition:

The University’s system was not set up appropriately to ensure that the required notices, especially the final demand notice, were sent to borrowers in accordance with federal regulations.

Context:

During testing, it was noted a change in the billing cycle date was made which caused the University to be out of compliance with federal regulations when sending final demand notices to borrowers.

Recommendation:

We recommend management review its system set up related to default notices to ensure all correspondence is being sent to borrowers in accordance with federal regulations.

Management Response:

Management agrees with this finding.

Corrective Action Plan:

The system set up in the Perkins Campus Loan Manager software was changed on November 2, 2010 to ensure that billing statements and due diligence notifications are being sent to borrowers in accordance with federal regulations.

Section IV - Prior Year Audit Findings

There were no findings for the year ended June 30, 2009.



YOUNGSTOWN STATE UNIVERSITY

**YOUNGSTOWN STATE UNIVERSITY
INTERCOLLEGIATE ATHLETICS DEPARTMENT**

**Report of Independent Accountants on
Applying Agreed-Upon Procedures**
June 30, 2010

YOUNGSTOWN STATE UNIVERSITY
INTERCOLLEGIATE ATHLETICS DEPARTMENT
Youngstown, Ohio

AGREED-UPON PROCEDURES
REQUIRED BY THE NCAA
June 30, 2010

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INDEPENDENT ACCOUNTANTS' REPORT ON
THE APPLICATION OF AGREED-UPON PROCEDURES

Dr. Cynthia Anderson, President
Youngstown State University
Youngstown, Ohio

We have performed the procedures enumerated below, which were agreed to by management of Youngstown State University (the "University"), solely to assist the University in evaluating whether the accompanying Statement of Revenues and Expenses of the University is in compliance with the National Collegiate Athletic Association ("NCAA") Bylaw 6.2.3.1 for the year ended June 30, 2010. Management of the University is responsible for the Statement of Revenues and Expenses ("Statement") and the University's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representations regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Agreed-Upon Procedures Related to the Statement of Revenues and Expenses

The procedures that we performed and our findings are as follows:

Procedures Related to the Accounting Records

1. We obtained the Statement of Revenues and Expenses (the "Statement") of the Intercollegiate Athletics Department (the "Athletics Department") for the year ended June 30, 2010, as prepared by management as well as shown on page 6. Additionally, we obtained the supporting worksheets and agreed each of the revenue and expense amounts on the Statement to management's worksheets, noting no exceptions.
2. We agreed all amounts on management's worksheets to the University's June 30, 2010 general ledger, noting no exceptions.
3. We compared revenues and expenses appearing on the Statement to budgeted amounts and prior year amounts and obtained explanations for all variances greater than \$50,000 and 10 percent. All variances were explained by management. We have read the schedule and explanations provided by management at the Athletic Department and the University's General Accounting Office of the 5 items that met the criteria for budget to actual and 12 items that met the criteria for actual to actual.
4. We obtained a summary of football ticket revenues. We agreed football ticket revenues per the performance sales and gate sales reports for all games to the general ledger, noting the schedule was \$1,993 (.695% of football ticket revenues) higher than the June 30, 2010 general ledger.

(Continued)

5. We obtained a summary of basketball ticket revenues. We agreed basketball ticket revenues from the summary to supporting schedules for three games and agreed the ticket revenue to the general ledger, noting the schedule was \$224 (.195% of basketball revenues) higher than the June 30, 2010 general ledger.
6. We agreed the guarantee revenues (away games) and Expenses (home games) to the signed contracts and other supporting documentation, noting no exceptions.
7. We did not identify any contributions of cash, services or goods which were received directly by the University's Athletics Department and that constituted 10 percent or greater of all contributions received by the University's Athletics Department.
8. We agreed the Federal Work Study support recorded by the Athletics Department in the Statement with federal appropriations and/or other supporting documentation, noting no exceptions.
9. We agreed the University's direct institutional support recorded by the Athletics Department in the Statement to the General Fund Allocation approved by the Board of Trustees for the year, noting no exceptions.
10. We obtained the NCAA/Conference Distributions reports and agreed it to the Statement, noting no exceptions. We inquired of the General Accounting Office if there were any agreements related to the University's participation in revenues from tournaments during the year ended June 30, 2010 and we were informed there were none.
11. We obtained the agreement with Clear Channel Broadcasting, Inc. related to the University's participation in revenues from radio, including rights fees paid by Clear Channel and agreed to the radio revenues, noting no exceptions.
12. We selected 1 program sales, concessions, novelty sales and parking cash receipt and agreed revenue receipt to supporting documentation maintained by the University, noting no exception.
13. We obtained and inspected the agreements related to the University's participation in revenues from royalties, advertisements and sponsorships. We selected 5 revenue receipts and agreed them to the supporting agreements as well as the total to the Statement, noting no exceptions.
14. We obtained an understanding of the agreement between the University and persons conducting Century Cage Camp held during the year ended June 30, 2010.
15. We selected 2 sports-camp participant cash receipts and agreed the receipt to supporting registration forms, noting no exceptions.
16. We selected 2 sports-camp expenses and agreed the expense to the supporting documentation (for example, invoices) and agreed that the expense was for camp related activity, noting no exceptions.
17. We obtained and read the endowment agreement to gain an understanding of the relevant terms and conditions. We compared and agreed the classification and use of endowment and investment income reported in the Statement for the year ended June 30, 2010 to the uses of income defined within the related endowment agreement, noting no exceptions.
18. We selected 2 operating revenue receipts and agreed the revenue receipts to supporting documentation maintained by the University, noting no exceptions.

(Continued)

19. We selected 10 student athletes who received institutional financial aid during the year ended June 30, 2010 and agreed the award amount per the student's account detail to the related award letter. For 2 students in our selection, we noted that the award letter did not agree to the student's account detail within the system. In both instances, there were additional lab fees or book fees incurred by the student in excess of the original award. Based upon inquiry, the Assistant Director of Athletics indicated she had authorized the additional funds to be applied to their scholarship. However, this authorization was not documented.
20. We obtained a listing of coaches employed by the University. We selected coaches for football, men's basketball, and three other coaches and obtained the related contracts. We obtained the W-2's for the coaches selected above and agreed amounts appearing in the W-2's to the related expenses in the Statement. Because the W-2's are for the year ended December 31, 2009, and the salaries and benefit expense per the Statement are for the fiscal year ended June 30, 2010, the total compensation per the W-2's did not agree with the salaries and benefits expense per the Statement.
21. We agreed the financial terms and conditions associated with the above coaches' salaries, benefits and bonuses to the related expense recorded by the University in the Statement, noting no exceptions. There were no payments to third party coaches.
22. We obtained a listing of administrative employees of the Athletics Department. We selected 5 administrative employees of the Athletics Department and obtained the W-2's for the employees selected and agreed the amounts appearing in the W-2's to the related expenses in the Statement. Because the W-2's are for the year ended December 31, 2009, and the salaries and benefit expense per the Statement are for the fiscal year ended June 30, 2010, the total compensation per the W-2's did not agree with the salaries and benefits expense per the Statement.
23. We agreed the salaries, benefits and bonuses paid by the University for the administrative employees selected above to the related expense recorded by the University in the Statement, noting no exceptions. There were no payments to third party administrative employees.
24. We obtained copies of the University's recruiting and travel policies. We read the policies and agreed them to the NCAA policies, noting no exceptions. We selected a sample of 2 recruiting expense transactions and 11 team travel expense transactions and agreed the expense transaction to supporting documentation maintained by the University, no exceptions noted.
25. We selected 6 equipment, uniform and/or supplies expense transactions and agreed the expense transaction to supporting documentation maintained by the University, noting no exceptions.
26. We selected 5 fundraising, marketing and/or promotion expense transactions and agreed them to supporting documentation, noting no exceptions.
27. We selected 9 facilities, maintenance and rental expense transactions and agreed the expense transactions to supporting documentation maintained by the University, noting no exceptions.
28. We selected 1 spirit group expense transaction and agreed the expense transaction to supporting documentation maintained by the University, noting no exceptions.
29. We selected 1 medical expense and insurance expense transaction and agreed the expense transaction to supporting documentation maintained by the University, noting no exceptions.
30. We selected 1 membership and dues expense transaction and agreed the expense transaction to supporting documentation maintained by the University, noting no exceptions.
31. We selected 3 other expense transactions and agreed the expense transactions to supporting documentation maintained by the University, noting no exceptions.
32. We selected 1 severance payment and agreed the expense to supporting documentation maintained by the University, noting no exceptions.

(Continued)

33. There was no information provided by the University to perform the agreed-upon procedures on student fees, compensation and benefits provided by a third-party, indirect facilities and administrative support. Management indicated there were no such transactions during the reporting period.

Procedures Related to the Internal Accounting Controls

34. We obtained an understanding of the University's procedures for gathering information on the nature and extent of the affiliated and outside organization's activities for or on behalf of the University's intercollegiate athletic programs. We noted that the University receives an external audited report of the Penguin Club "an outside organization" on an annual basis.

Procedures Related to the Penguin Club

35. We obtained the list of outside programs and related financial activities for the year ended June 30, 2010, which is included on page 8 of this report. Management represented that the Penguin Club was the only "outside organization" which had expenses for or on behalf of the University's Intercollegiate Athletics Program.
36. We agreed the Penguin Club's revenues and expenses on page 7 of this report to a confirmation obtained directly from the Penguin Club, noting no exceptions.
37. We agreed the Penguin Club's expenses incurred on behalf of the University's Intercollegiate Athletics Program on page 8 to a confirmation obtained directly from the Penguin Club, noting no exceptions.
38. We received the audited financial statements of the Penguin Club for the year ended June 30, 2010, which reflected an unqualified opinion.
39. We noted the amounts included on pages 7 and 8 of this report are not included in the Statement.

Procedures Related to the Athletics Assets

40. We obtained a schedule of intercollegiate athletics capitalized assets, additions and improvements of facilities summarized by type.
41. We agreed the schedule to the University's general ledger.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the compliance of the accompanying Statement of Revenues and Expenses of Youngstown State University's Intercollegiate Athletics Department with the NCAA Bylaw 6.2.3.1. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the University's management and governing boards, and is not intended to be and should not be used by anyone other than these specified parties.

Crowe Horwath LLP

Crowe Horwath LLP

Columbus, Ohio
December 8, 2010

Youngstown State University
Intercollegiate Athletics Department
Statement of Revenue and Expenses
For the Year Ended June 30, 2010

	Unrestricted Auxiliary					Plant, Endowment & Quasi- Endowment	Total
	Football	Basketball	Other Sports	Non-Program Specific	Restricted		
Revenue							
Ticket Sales	\$ 286,948	\$ 115,038	\$ -	\$ -	\$ -	\$ -	\$ 401,986
Guarantees	340,000	155,000	-	-	-	-	495,000
Contributions	-	-	-	-	635,804	154,204	790,008
Direct State or Other Government Support	-	-	-	-	5,590	-	5,590
Direct Institutional Support	59,093	-	9,445	8,437,145	-	-	8,505,683
NCAA/Conference Distributions	126,384	71,133	325,965	-	62,438	-	585,920
Broadcast Television, Radio, and Internet Rights	-	-	-	46,545	-	-	46,545
Program Sales & Concessions	90,997	32,348	-	51,280	-	-	174,625
Royalties, Licensing, Advertisements and Sponsorships	606,818	68,925	-	25,741	-	-	701,484
Sports-Camp Revenues	-	-	-	235,290	-	-	235,290
Endowment and Investment Income	-	-	-	-	1,233	56,728	57,961
Other	44,895	-	-	196,955	17,895	-	259,745
Subtotal Revenue	1,555,135	442,444	335,410	8,992,956	722,960	210,932	12,259,837
Expenses							
Athletic Student Aid	1,115,737	489,935	1,615,259	81,308	173,066	-	3,475,305
Guarantees	53,000	7,500	-	-	-	-	60,500
Coaching Salaries, Benefits & Bonuses Paid by the University	1,322,560	770,653	798,386	-	-	-	2,891,599
Support Staff/Administrative Salaries, Benefits & Bonuses Paid by the University	-	-	7,185	1,932,093	68,028	-	2,007,306
Recruiting	72,640	113,804	49,005	-	5,215	-	240,664
Team Travel	370,709	216,107	312,537	-	87,628	-	986,981
Equipment, Uniforms & Supplies	142,843	45,368	110,427	128,962	153,115	4,092	584,807
Fund Raising, Marketing & Promotion	14,573	22,627	980	124,687	16,822	-	179,689
Sports Camp Expenses	-	-	-	224,023	-	-	224,023
Direct Facilities, Maintenance & Rental	-	-	40,165	332,285	207,477	209,315	789,242
Spirit Groups	-	-	-	24,339	-	-	24,339
Medical Expenses & Medical Insurance	-	-	-	45,000	2,064	-	47,064
Membership & Dues	-	-	-	20,237	1,035	-	21,272
Other Operating Expenses	147,550	125,572	42,698	246,806	12,160	(24,248)	550,538
Subtotal Expenses	3,239,612	1,791,566	2,976,642	3,159,740	726,610	189,159	12,083,329
Revenues (Less Than) in Excess of Expenses	(1,684,477)	(1,349,122)	(2,641,232)	5,833,216	(3,650)	21,773	176,508
Transfer out to/(in from) other funds	(220)	234	8,570	360	(8,944)	(5,000)	(5,000)
Transfers for Capital improvements	-	-	-	113,000	-	2,540,371	2,653,371
Mandatory transfers for indebtedness	-	-	-	154,871	-	-	154,871
Net transfer out to (in from)	(220)	234	8,570	268,231	(8,944)	2,535,371	2,803,242
Revenues (Less Than) in Excess of Expenses, Transfers and Reserve	\$ (1,684,257)	\$ (1,349,356)	\$ (2,649,802)	\$ 5,564,985	\$ 5,294	\$ (2,513,598)	\$ (2,626,734)

Youngstown State University
Schedule of Intercollegiate Athletics Program
Support by Booster Organization
For the Year Ended June 30, 2010

Booster Organization	Beginning Net <u>Assets</u>	<u>Revenues</u>	<u>Expenses</u>	Ending Net <u>Assets</u>
The Penguin Club, Inc.	<u>\$ 792,060</u>	<u>\$ 551,332</u>	<u>\$ 371,695</u>	<u>\$ 971,697</u>

Youngstown State University
Schedule of Financial Activities of the Penguin Club
For the Year Ended June 30, 2010

Booster Organization

Century Kingbird Tickets	\$	145,280
Miscellaneous Expense		111,692
Scholarship Recognition		16,439
Sports Banquets		13,920
Executive Director Expenses		7,748
Car Lease		6,073
Membership Drive Expense		<u>630</u>
Total	\$	<u>301,783</u>

The background of the page is a faded, light-colored photograph of a large, multi-story brick building, likely a university hall, with a prominent central tower. The building is set against a clear sky, and there are green trees and a lawn in the foreground. The entire image is framed by a thin, light brown border.

WYSU-FM
Youngstown State
University Radio

FINANCIAL REPORT
AND
SCHEDULE OF NONFEDERAL
FINANCIAL SUPPORT

for the Years Ended
June 30, 2010 and 2009

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

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REPORT OF INDEPENDENT AUDITORS

To the Board of Trustees
Youngstown State University
Youngstown, Ohio

We have audited the accompanying financial statements of the business-type activities of WYSU-FM, Youngstown State University Radio (“Station”) as of and for the years ended June 30, 2010 and 2009, as listed in the table of contents. These financial statements are the responsibility of Station’s management. Our responsibility is to express our 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of the Station are intended to present the financial position, the changes in financial position and cash flows, of only that portion of the activities of Youngstown State University that is attributable to the transactions of the Station. They do not purport to, and do not, present fairly the financial position of Youngstown State University as of June 30, 2010 and 2009, and the changes in its financial position and its cash flows, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Station as of June 30, 2010 and 2009 and the respective changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis (MD&A) on pages 3 through 8 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2010 consideration of the University'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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Station's 2010 basic financial statements. The supplementary information included in the Schedule of Nonfederal Financial Support is presented for purposes of additional analysis and are not a required part of the 2010 basic financial statements. The Schedule of Nonfederal Financial Support have been subjected to the auditing procedures applied in the audit of the 2010 basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the 2010 basic financial statements taken as a whole.



Crowe Horwath LLP

Columbus, Ohio
November 13, 2010

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis section of the WYSU-FM Youngstown State University Radio (WYSU-FM or the Station) Financial Report presents a discussion and analysis of the financial performance of the Station, a noncommercial public radio station operated by Youngstown State University (the University or YSU), during the fiscal year ended June 30, 2010 with comparative information for the fiscal years ended June 30, 2009 and 2008. This discussion has been prepared by management and should be read in conjunction with the financial statements and the accompanying notes that follow.

Introduction

The University owns and operates WYSU-FM, a 50,000 watt radio station that serves the Mahoning and Shenango Valley regions with fine arts, news and information programming from its studios in Cushwa Hall. The Station broadcasts a mix of news and classical music programs on its main analog channel, HD1 (digital) channel, and an Internet stream. WYSU-FM also broadcasts all classical music on its HD2 channel and second Internet stream. The Station broadcasts at 88.5 MHz in Youngstown, Ohio, 90.1 MHz in Ashtabula, Ohio, and 97.5 MHz in New Wilmington, Pennsylvania.

WYSU-FM is a non-commercial, listener-supported, community-based public radio station committed to being the region's leading source for quality programming. It provides trusted in-depth news, engaging conversation and music that stimulates the mind and spirit. As one of YSU's most visible daily representatives to the community, WYSU-FM also strives to be a valuable ambassador to the community, providing a forum to promote the artistic and intellectual activities of the University.

Since 1969, public radio WYSU 88.5 FM has been northeast Ohio's and western Pennsylvania's source for the best in news and information programming, music, and entertainment. WYSU-FM is a charter National Public Radio (NPR) affiliate station. Every week, thousands of listeners tune to the Station for its eclectic and innovative non-commercial program schedule, including engaging news and information, great entertainment, and superb classical, jazz, and folk music – together providing a provocative, culturally rich, and intellectually stimulating journey for WYSU-FM listeners.

Using the Financial Statements

The Station's financial report includes three basic financial statements: the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets, and the Statement of Cash Flows. These financial statements are prepared in accordance with the financial reporting format required by the Governmental Accounting Standards Board's (GASB) Statements No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* and No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, as amended by GASB Statements No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus* and No. 38, *Certain Financial Statement Note Disclosures*. These statements establish standards for external financial reporting for public colleges and universities

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

and require that financial statements be presented on a basis to focus on the financial condition of the Station, the results of operations, and cash flows of the Station as a whole. Key presentation elements include:

- Assets and liabilities are categorized as either current or noncurrent. Current assets and liabilities will be consumed or fulfilled within one year.
- Revenues and expenses are categorized as either operating or non-operating. Significant recurring sources of the Station's revenues, including the general appropriation from the University and membership revenue are considered non-operating as defined by GASB Statement No. 35.
- Capital assets are reported net of accumulated depreciation.

Financial and Other Station Highlights

- Stable financial position and audience numbers
- Achievement of membership goals for both Fall 2009 and Spring 2010 fund drives
- Receipt of a \$100,000 capital gift to be used for a new facility for the Station
- Secured media partners to broadcast local news, local and regional business reports, and in-depth news stories for the first time in the Station's history

The Statements of Net Assets

These statements present the financial position of the Station at the end of the fiscal year and include all assets and liabilities of the Station. The difference between total assets and total liabilities - net assets - is an indicator of the current financial condition of the Station.

A summary of the Station's assets, liabilities, and net assets follows:

	<u>June 30, 2010</u>	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Assets			
Current assets	\$ 1,102,796	\$ 1,019,862	\$ 947,646
Other noncurrent assets	127,760	118,580	139,600
Capital assets, net	228,101	173,821	217,604
Total Assets	<u>1,458,657</u>	<u>1,312,263</u>	<u>1,304,850</u>
Liabilities			
Current liabilities	131,052	139,581	43,089
Noncurrent liabilities	77,814	73,999	68,802
Total Liabilities	<u>208,866</u>	<u>213,580</u>	<u>111,891</u>
Total Net Assets	<u>\$ 1,249,791</u>	<u>\$ 1,098,683</u>	<u>\$ 1,192,959</u>
Net Assets			
Invested in capital assets, net of related debt	\$ 228,101	\$ 173,821	\$ 217,604
Restricted	228,436	119,256	140,276
Unrestricted	793,254	805,606	835,079
Total Net Assets	<u>\$ 1,249,791</u>	<u>\$ 1,098,683</u>	<u>\$ 1,192,959</u>

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

Current assets consist primarily of cash and cash equivalents, but also include investments, pledges, accounts, and interest receivable. Current assets increased \$82,934 or 8% from fiscal year 2009 to 2010 primarily due to the receipt of a significant capital gift. Unspent receipts from the Corporation for Public Broadcasting (CPB) grant accounted for the majority of the \$72,216 or 8% increase from fiscal year 2008 to fiscal year 2009. Other noncurrent assets, which represent endowment investments, increased \$9,180 or 8% from fiscal year 2009 to fiscal year 2010 as investment performance improved over the prior year. Previous unfavorable market conditions caused declines in the carrying value of investments from fiscal year 2008 to fiscal year 2009 resulting in a decrease of \$21,020 or 15%. Net capital assets increased \$54,280 or 31% as WYSU-FM is in the process of installing a new primary antenna, which is expected to be operational in fiscal year 2011. Continued depreciation of existing assets accounted for the \$43,783 or 20% decrease in net capital assets between fiscal years 2008 and 2009. Refer to Notes 2-4 for additional information about cash and cash equivalents, investments, and capital assets.

Liabilities consisting of accounts payable, deferred revenue, and compensated absences decreased \$4,714 or 2% between fiscal years 2009 and 2010. No significant changes were noted in any of the individual categories. More significant changes occurred in liabilities between fiscal years 2008 and 2009. Total liabilities increased \$101,689 or 91% resulting from a combination of increases in deferred revenue and compensated absences and a decrease in accounts payable. Deferred revenue increased due to fiscal year 2009 CPB grant receipts being unexpended at June 30, 2009. This grant has a two-year grant period that crosses fiscal years. The Station expended the 2009 grant in 2010, the second year of the grant period. Compensated absences noted a slight increase stemming from employees' accrued sick leave. Accounts payable decreased as a result of fiscal year 2008 including a \$28,909 payable for the final payment on an equipment purchase. Refer to Notes 5 and 6 for additional information about deferred revenue and long-term liabilities.

Overall, the Station's net assets increased \$151,108 or 14% from \$1,098,683 at June 30, 2009 to \$1,249,791 at June 30, 2010. This increase was primarily due to increases in restricted expendable net assets and the net amount invested in capital assets. The increase in restricted expendable net assets resulted from a \$100,000 capital gift designated for a new facility for the Station. Net assets invested in capital assets experienced a \$54,280 or 31% increase as current year additions exceeded current year depreciation. The \$12,352 decrease in unrestricted net assets reflects the excess of membership and fundraising expenses over revenue during 2010.

Total net assets decreased \$94,276 or 8% from June 30, 2008 to June 30, 2009. This resulted from a \$43,783 decrease in the net amount invested in capital assets, a \$21,020 decrease in restricted funds, and a \$29,473 decrease in unrestricted funds. The 20% decrease in net assets invested in capital assets, net of related debt from fiscal year 2008 to 2009 was due to depreciation exceeding additions. Restricted net assets consisted primarily of the endowment fund where changes are driven by investment performance, which was negative in fiscal year 2009. The net decrease in unrestricted net assets was primarily due to a combination of excess underwriting revenue over expenses and membership expenses in excess of revenue.

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

The Statements of Revenues, Expenses, and Changes in Net Assets

These statements present the operating results and the non-operating revenues and expenses of the Station. The revenues and expenses are reported as either operating or non-operating. Operating revenues are generated by an annual Community Service Grant from CPB (a portion of which is restricted) and through an annual grant from the eTech Ohio Commission (eTech Ohio), which is administered by the State of Ohio. In addition, in-kind support is received from eTech Ohio and includes support for transmission of Radio Reading Service Programming. Operating revenues also include contributions from area businesses (program underwriting). Operating expenses are incurred to vendors and employees for providing goods or services for the overall operations of the Station. Net non-operating revenues include the general appropriation from the University, donated facilities and administrative support from the University, membership revenue, net revenue from fund raising, and net investment income.

A summary of the Station's revenues, expenses, and changes in net assets follows:

	June 30, 2010	June 30, 2009	June 30, 2008
Total Operating Revenues	\$ 370,407	\$ 233,742	\$ 437,756
Total Operating Expenses	1,213,404	1,180,007	1,150,699
Operating Loss	(842,997)	(946,265)	(712,943)
Net Non-operating Revenues	894,103	851,989	812,246
Gain (Loss) before other revenue, expenses, and changes	51,106	(94,276)	99,303
Total other revenue, expenses, and changes	100,002	-	6
Total increase (decrease) in Net Assets	151,108	(94,276)	99,309
Net Assets at the beginning of the year	1,098,683	1,192,959	1,093,650
Net Assets at the end of the year	\$ 1,249,791	\$ 1,098,683	\$ 1,192,959

Between fiscal year 2009 and fiscal year 2010, total operating revenues increased \$136,665 or 58%. Operating revenue from the CPB grant increased \$140,944 or 100% as the Station's 2009 grant award, which had been deferred in fiscal year 2009, was recognized in fiscal year 2010, the second year of the two-year grant period. In addition, CPB distributed additional funds to WYSU-FM from a federal fiscal stabilization grant in the amount of \$11,539 during fiscal year 2010. In-kind contributions increased slightly while the e-Tech Ohio grant and underwriting revenue both decreased. The cost of services provided by e-Tech Ohio increased during fiscal year 2010, thus increasing in-kind contributions by \$5,963 or 6% while continued budget cuts at the State of Ohio contributed to the \$8,255 or 24% decrease in the e-Tech Ohio grant. The \$1,987 or 2% decrease in underwriting revenues was primarily the result of sponsors suspending or slightly reducing support. Despite the slight decrease in underwriting revenue, thirteen new underwriters were contracted throughout fiscal year 2010, representing an increase of 6% in the number of underwriters. This brought the overall number of sponsors with a history of underwriting with WYSU-FM to 216, with 44 supporting the Station during fiscal year 2010.

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

Total operating revenues decreased \$204,014 or 47% between fiscal year 2008 and fiscal year 2009. Operating revenue from the CPB grant decreased \$138,043 or 100% as recognition of the fiscal year 2009 grant was deferred to the second year of the two-year grant period. In-kind contributions from e-Tech Ohio decreased \$30,341 or 23% from fiscal year 2008 to 2009 due to budget cuts at the State of Ohio. Underwriting revenue decreased \$32,302 or 25% due to three main factors. First, the Station received two large one-time gifts in fiscal year 2008. Similar gifts were not received in fiscal year 2009. Second, several large underwriters migrated their support to membership to participate in the Station's Foundation Matching Challenge program that gives foundations the opportunity to match pledges made during a specific period of the Station's on-air membership drive. Third, poor economic conditions caused some underwriters to cut back on their support to WYSU-FM.

Total operating expenses increased \$33,397 or 3% between fiscal years 2009 and 2010. Program services accounted for the majority of this change, increasing \$38,431 or 6% while support services decreased \$5,034 or 1%. In the program services category, program information realized the greatest increase as WYSU-FM was able to fund a one-year half-time IT/operations position from its membership fund as a temporary solution to the staffing vacancy that was open since September 2008. The Station plans to hire a full-time Assistant Engineering position in IT and operations during fiscal year 2011. In the support services category, depreciation decreased whereas salaries increased.

Between fiscal years 2008 and 2009, total operating expenses increased \$29,308 or 3%. This was due to combined decreases in program services of \$42,870 or 6% and increases in support services of \$72,178 or 15%. In the program services category, program information realized the largest decrease, primarily due to reductions in salary and fringe expenses resulting from a staffing vacancy. Operating expenses in the broadcasting and programming and production categories decreased as well, resulting from the impact of State budget cuts on the in-kind support from eTech Ohio. In the support services category, management and general, fund raising and membership development, and clerical expenses all increased primarily due to salary and fringe expenses as fiscal year 2008 staffing vacancies were filled during the entire 2009 fiscal year.

Net non-operating revenues increased \$42,114 or 5% between fiscal years 2009 and 2010. Donated facilities and administrative support from the University increased \$19,632 or 14% to support increases in salaries and operating costs. Investment income increased \$29,706 or 185% primarily due to an increase in the fair value of investments.

Slight increases in net non-operating revenues occurred between fiscal years 2008 and 2009 primarily due to an increase in the general appropriation from the University, which increased \$30,771 or 7% from fiscal year 2008 to fiscal year 2009. The fiscal year 2009 appropriation was more in line with prior years. The fiscal year 2008 appropriation was unusually low due to staffing vacancies. In addition, membership income increased \$6,415 or 3%. The number of contributing members increased while the donation amount per member remained consistent.

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

Total other revenues, expenses, and changes increased \$100,002 or 100% between fiscal years 2009 and 2010. During fiscal year 2010, WYSU-FM received a \$100,000 capital gift toward a new facility for the Station. No capital gifts were received in fiscal year 2009.

Economic Factors for the Future

Looking to the future, management believes that the Station is well positioned to continue its favorable financial position and level of excellence in service to its constituents. Due to the continued support of the University's Board of Trustees and administration, the generous loyalty of WYSU-FM's listener-members, and the support of businesses, non-profit organizations, and foundations, WYSU-FM maintained stability during the national economic recession.

WYSU-FM is a thinly-staffed radio station serving an economically troubled market. In spite of those built-in challenges, the Station is attempting to provide more programming on more media platforms, as well as more audience services. Adding additional programming staff is not an option at this time, and significantly increasing the Station's income is also unlikely. To circumvent these obstacles and to continue to move forward, WYSU-FM's goal of providing increased local news and information services both on-air and on-line, the Station has sought out media partners. These partners include the YSU journalism program, the local newspaper *The Vindicator*, and the local business paper *The Business Journal*. In just the past year, these partnerships have allowed WYSU-FM to broadcast local news headline segments three times every weekday morning, a local and regional business report every weekday evening, and a number of in-depth news stories placed locally within national network news magazines for the first time in the Station's history.

A crucial element to the Station's future will continue to be its relationships with its members and underwriters as work continues toward providing quality programming. WYSU-FM's income streams remained relatively stable in fiscal year 2010. Even though both membership and underwriting revenues were slightly down in fiscal year 2010, the Station achieved its membership fundraising goals for both the fall 2009 and spring 2010 fund drives. Each of these on-air drives raised over \$106,900 for the Station. The Station's underwriting program continues to expand and develop, contracting new sponsors each year. WYSU-FM anticipates modest growth in underwriting revenue during the upcoming fiscal years.

The Station's management and development staff plan to actively expand and develop its major and planned giving programs in fiscal year 2011. These efforts were bolstered in fiscal year 2010 by the receipt of a major gift. WYSU-FM continues to expand its off-air presence in the community through the sponsoring or co-sponsoring of numerous concerts, speakers and events, and with the ongoing implementation of a multi-faceted, focused marketing plan.

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

STATEMENTS OF NET ASSETS AT JUNE 30, 2010 AND 2009

	2010	2009
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,067,747	\$ 997,097
Investments	17,956	4,940
Interest receivable	449	523
Accounts receivable (net of allowance of \$1,293 in 2010 and \$2,169 in 2009)	6,179	5,834
Pledges receivable (net of allowance of \$3,055 in 2010 and \$754 in 2009)	10,465	11,468
Total Current Assets	1,102,796	1,019,862
Noncurrent Assets		
Endowment investments	127,760	118,580
Capital assets, net	228,101	173,821
Total Noncurrent Assets	355,861	292,401
Total Assets	1,458,657	1,312,263
LIABILITIES		
Current Liabilities		
Accounts payable	-	2,845
Deferred revenue	127,147	130,569
Compensated absences	3,905	6,167
Total Current Liabilities	131,052	139,581
Noncurrent Liabilities		
Compensated absences	77,814	73,999
Total Noncurrent Liabilities	77,814	73,999
Total Liabilities	208,866	213,580
NET ASSETS		
Invested in capital assets, net of related debt	228,101	173,821
Restricted:		
Nonexpendable	127,760	118,580
Expendable	100,676	676
Unrestricted	793,254	805,606
Total Net Assets	\$ 1,249,791	\$ 1,098,683

See accompanying notes to financial statements.

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
REVENUES		
Operating Revenues		
Corporation for Public Broadcasting grant	\$ 140,944	\$ -
In-kind contributions	109,624	103,661
eTech Ohio Commission grant	25,516	33,771
Underwriting revenue	94,323	96,310
Total Operating Revenues	370,407	233,742
EXPENSES		
Operating Expenses		
Program Services:		
Programming and production	405,751	392,916
Broadcasting	196,613	195,516
Program information	45,105	20,988
Traffic and continuity	10,872	10,490
Support Services:		
Management and general	272,592	263,733
Fund raising and membership development	95,569	94,633
Underwriting	53,854	48,667
Clerical	69,010	73,168
Depreciation	64,038	79,896
Total Operating Expenses	1,213,404	1,180,007
Operating Loss	(842,997)	(946,265)
NON-OPERATING REVENUES (EXPENSES)		
General appropriation from the University	498,132	500,125
Donated facilities and administrative support from the University	162,155	142,523
Membership revenue	222,597	224,006
Net (expenses) revenue from fund raising	(2,411)	1,411
Investment gain (loss), net of investment expense	13,630	(16,076)
Net Non-operating Revenues	894,103	851,989
Gain (Loss) before other revenues, expenses, and changes	51,106	(94,276)
OTHER REVENUES, EXPENSES, AND CHANGES		
Capital grants and gifts	100,000	-
Additions to the principal of endowments	2	-
Total other revenues, expenses, and changes	100,002	-
Total increase (decrease) in Net Assets	151,108	(94,276)
NET ASSETS		
Net Assets at the beginning of the year	1,098,683	1,192,959
Net Assets at the end of the year	\$ 1,249,791	\$ 1,098,683

See accompanying notes to financial statements.

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
Cash Flows from Operating Activities		
Receipts from Corporation for Public Broadcasting grant	\$ 136,329	\$ 129,405
Receipts from eTech Ohio Commission grant	25,516	33,771
Business and underwriting support	94,326	93,020
Payments to suppliers	(337,859)	(352,291)
Payments to employees	(412,410)	(405,514)
Payments for benefits	(127,765)	(118,580)
Total Cash Flows Used in Operating Activities	(621,863)	(620,189)
Cash Flows from Noncapital Financing Activities		
General appropriation from the University	498,132	500,125
Membership receipts	223,600	219,815
Fundraising receipts	5,480	6,460
Payments for fundraising	(7,891)	(5,049)
Total Cash Flows Provided by Noncapital Financing Activities	719,321	721,351
Cash Flows from Investing Activities		
Interest on investments	4,526	5,327
Purchase of investments	(13,016)	(4,940)
Total Cash Flows (Used in) Provided by Investing Activities	(8,490)	387
Cash Flows from Capital Financing Activities		
Capital grants and gifts	100,000	-
Purchase of capital assets	(118,318)	(36,113)
Total Cash Flows Used in Capital Financing Activities	(18,318)	(36,113)
Net Increase in Cash & Cash Equivalents	70,650	65,436
Cash and Cash Equivalents - Beginning of year	997,097	931,661
Cash and Cash Equivalents - End of year	\$ 1,067,747	\$ 997,097
Reconciliation of Operating Loss to Net Cash Flows from Operating Activities		
Operating loss	\$ (842,997)	\$ (946,265)
Adjustments to reconcile operating loss to cash flows used in operating activities:		
Depreciation	64,038	79,896
Donated facilities and administrative support from the University	162,155	142,523
Changes in assets and liabilities:		
Accounts receivable, net	(345)	1,968
Accounts payable, compensated absences, and deferred revenue	(4,714)	101,689
Cash Flows Used in Operating Activities	\$ (621,863)	\$ (620,189)

See accompanying notes to financial statements.

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Note 1 – Organization and Summary of Significant Accounting Policies

Organization and Basis of Presentation

WYSU-FM Youngstown State University Radio (WYSU-FM or the Station) is operated as a department of the Division of University Advancement at Youngstown State University (the University or YSU) and is subject to the policies established by the University's Board of Trustees. The Station reports annually to the Corporation for Public Broadcasting (CPB).

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the GASB.

Under the provisions of GASB Statement No. 35, resources are classified for accounting and reporting purposes into the following four net asset categories:

- Invested in capital assets, net of related debt - Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.
- Restricted Nonexpendable - Net assets subject to externally imposed stipulations that they be maintained permanently by the Station. Such assets include the Station's permanent endowment fund.
- Restricted Expendable - Net assets whose use by the Station is subject to externally imposed stipulations that can be fulfilled by actions of the Station pursuant to those stipulations or that expire by the passage of time.
- Unrestricted - Net assets that are not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of management, Board of Trustees, Board of Regents or may otherwise be limited by contractual agreements with outside parties. Substantially all unrestricted net assets are designated for Station programs, initiatives, and capital programs.

Summary of Significant Accounting Policies

The accompanying financial statements have been prepared on the accrual basis. The Station reports as a Business Type Activity, as defined by GASB Statement No. 35. Business Type Activities are those that are financed in whole or in part by fees charged to external parties.

The Station has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The Station has elected to not apply FASB pronouncements issued after the applicable date.

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2010

Cash Equivalents - The Station considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents are stated at cost, which approximates fair value and excludes amounts restricted by board designation or whose use is limited.

Accounts Receivable - Accounts receivable consist of underwriting charges for various Station programs. Also included are amounts due from private sources in connection with reimbursement of allowable expenditures under the applicable Station grants and contracts. Accounts are recorded net of allowance for uncollectible accounts.

Pledges Receivable - The Station receives pledges and bequests of financial support from corporations, foundations, and individuals. Revenue is recognized when a pledge representing an unconditional promise to pay is received and all eligibility requirements have been met. In the absence of a conditional pledge, revenue is recognized when the gift is received. Pledges are recorded net of an allowance for uncollectible amounts.

Investments - In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments are reported at fair value based on quoted market prices. Changes in unrealized gains (losses) on the carrying value of investments are reported as a component of investment income in the Statement of Revenues, Expenses, and Changes in Net Assets.

Endowment Policy - The University Endowment Fund consists of 80 named funds, which includes the Station's endowment. Each named fund is assigned a number of shares in the University Endowment Fund based on the value of the gifts to that named fund. Investments are managed by The Youngstown State University Foundation (YSUF). The University's policy is to distribute realized gains and investment income monthly, based on each fund's pro-rata share to the total endowment shares.

Capital Assets - Capital assets are comprised of equipment and stated at cost or fair value at date of gift. The University's capitalization threshold for equipment is \$5,000. Depreciation is computed using the straight-line method over the estimated useful life of the asset. The estimated useful life for equipment is 3 to 7 years. The antenna and tower are depreciated over 10 years.

When capital assets are sold, or otherwise disposed of, the carrying value of such assets and any accumulated depreciation is removed from asset accounts and net assets-invested in capital assets. The costs of normal maintenance and repairs that do not add to the value of the capital asset or materially extend the capital asset's life are expensed when incurred.

Deferred Revenue - Deferred revenue includes amounts received from grants and contract sponsors that have not yet been earned.

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2010

Compensated Absences - Accumulated unpaid vacation, personal and sick leave benefits have been accrued in accordance with GASB Statement No. 16, *Accounting for Compensated Absences*. The Station uses the termination method to accrue sick leave compensated absences on the balance sheet.

General Appropriation from the University - The general appropriation represents support from the University for salaries and operating expenses not provided through other sources.

Donated Facilities and Administrative Support - Donated facilities and administrative support represent the Station's allocated amounts of institutional support and donated facilities and is recorded as non-operating revenue and expenses in the Statement of Revenue, Expenses, and Changes in Net Assets. Administrative support is based on the Station's pro-rata share of the University's total salaries, wages, and administrative expenses. Donated facilities are the Station's pro-rata share of the University's total plant expenses along with calculated occupancy costs.

Income taxes - The Internal Revenue Service has ruled that the University's income is generally exempt from Federal income taxes under Section 115 of the Internal Revenue code. The University is subject to tax on unrelated business income.

Measurement Focus and Financial Statement Presentation - Operating revenues and expenses result from providing programming, production, and broadcasting support for the Station. The principal operating revenues include two grants, one from the CPB and one from the eTech Ohio Commission, along with underwriting revenue from area businesses. Principal operating expenses include programming, production, broadcasting, fundraising, and management services and support. The principal non-operating revenues are the general appropriation from the University and membership support.

Release of Restricted Funds - When an expense is incurred for purposes for which both restricted and unrestricted resources are available, it is the Station's policy to apply restricted resources first, then unrestricted resources as needed.

Management's Estimates - The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses during the reporting period. Disclosure of contingent assets and liabilities at the date of the financial statements may also be affected. Actual results could differ from these estimates.

Note 2 – Cash and Cash Equivalents

For financial statement presentation purposes, cash in banks has been combined with the University's cash equivalents and temporary investments in repurchase agreements, and certificates of deposit.

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2010

The aggregate cost of repurchase agreements, which approximates fair value, included in the University's cash and cash equivalents is \$1,191,429 and \$722,277 at June 30, 2010 and 2009, respectively.

Depository funds held in the name of the University are secured by a pool of securities with a value of at least 105% of the total value of monies on deposit at the depository bank. During fiscal year 2009, the University entered into a continuing deposit security agreement with its depository bank to ensure continuous collateralization of its deposits. All collateral, both specific and pooled, is held by the Federal Reserve Bank or by a designated trustee as agent for the public depositories used by the University.

The University's cash and cash equivalents at June 30, 2010 and 2009 consist of the following:

	2010	2009
Carrying Amount (Cash and cash equivalents)	<u>\$ 52,906,489</u>	<u>\$ 37,131,710</u>
FDIC Insured	\$ 250,000	\$ 250,000
Uninsured but collateralized by pools of securities pledged by the depository banks	37,614,320	21,521,074
Uninsured but assets held in name of YSU not pledged as collateral elsewhere	<u>14,937,916</u>	<u>14,875,716</u>
Bank Balance	<u>\$ 52,802,236</u>	<u>\$ 36,646,790</u>

The difference in carrying amount and bank balance is caused by items in transit and outstanding checks.

The Station's cash and cash equivalents are included in these totals and were \$1,067,747 and \$997,097 at June 30, 2010 and 2009, respectively.

Credit risk for deposits is the risk that, in the event of a bank failure, the University's deposits may not be returned to the University. At June 30, 2010, all uncollateralized or uninsured deposits of the University are exposed to credit risk. The University's investment policy and asset allocation guidelines facilitate the management and monitoring of credit risk.

Note 3 - Investments

The University's investment policy authorizes the University to invest endowed University funds in compliance with provisions of the Ohio Revised Code including House Bill 524, Section 3345.05 of the Ohio Revised Code, and all other applicable laws and regulations.

In accordance with the Policies of the Board of Trustees of the University, investment types are not specifically limited but shall be made with care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2010

Furthermore, investments shall be managed for the use and benefit of the University in a diversified portfolio that focuses, over time, on the preservation of capital, minimization of cost and risk, and maintenance of required levels of liquidity in the overall portfolio to meet cash flow requirements.

The University utilizes an investment advisor and investment managers for endowment funds. The University's endowment funds, which includes WYSU-FM's endowment fund, are managed by YSUF under the provisions of an agreement. The Station's investments represent a portion of the University's total investments. University investments held by YSUF were \$5,061,734 as of June 30, 2010 and \$4,526,017 as of June 30, 2009.

As of June 30, 2010, the Station had the following investments and maturities using the segmented time distribution method:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
Common Stock	\$ 89,820	\$ 89,820	\$ -	\$ -	\$ -
Corporate Bonds	18,543	-	9,145	9,398	-
Preferred Stock	9,907	7,244	-	-	2,663
U.S. Government Bonds	10,862	7,235	2,166	-	1,461
Other Securities	16,584	3,503	13,081	-	-
	<u>\$ 145,716</u>	<u>\$ 107,802</u>	<u>\$ 24,392</u>	<u>\$ 9,398</u>	<u>\$ 4,124</u>

All callable stocks were assumed to mature in less than one year.

As of June 30, 2010, investments had the following quality credit ratings:

Investment Type	Fair Value	Aaa	Aa	A	Baa	Unrated
Corporate Bonds	\$ 18,543	\$ -	\$ 1,442	\$ 17,101	\$ -	\$ -
U.S. Government Bonds	10,862	10,862	-	-	-	-
	<u>\$ 29,405</u>	<u>\$ 10,862</u>	<u>\$ 1,442</u>	<u>\$ 17,101</u>	<u>\$ -</u>	<u>\$ -</u>

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University's investment policy and asset allocation guidelines facilitate the management and monitoring of its exposure to fair value losses arising from increasing interest rates.

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University's investment policy and asset allocation guidelines contain provisions to manage credit risk.

Custodial Credit Risk - Custodial credit risk is the risk that in the event of the failure of the counterparty to a transaction, the University will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. Investments that are both unregistered and uninsured are exposed to custodial credit risk if investments are held by the

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2010

counterparty, or are held by the counterparty's trust department or agent but not in the name of the University. At June 30, 2010 the University had no exposure to custodial credit risk. The University does not address custodial credit risk in its investment policy and asset allocation guidelines.

Foreign Currency Risk - Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. At June 30, 2010, the University had no material exposure to foreign currency risk. The University does not address foreign currency risk in its investment policy and asset allocation guidelines.

Note 4 – Capital Assets

Capital assets activity for the year ended June 30, 2010 was as follows:

Capital Assets	Beginning Balance	Additions	Reductions	Transfers	Ending Balance
Nondepreciable assets:					
Construction-in-progress	\$ -	\$ 118,318	\$ -	\$ -	\$ 118,318
Depreciable assets:					
Antenna and tower	300,166	-	-	-	300,166
Studio and broadcast equipment	404,504	-	-	-	404,504
Total cost	<u>704,670</u>	<u>118,318</u>	<u>-</u>	<u>-</u>	<u>822,988</u>
Less: Accumulated depreciation	530,849	64,038	-	-	594,887
Capital assets, net	<u>\$ 173,821</u>	<u>\$ 54,280</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 228,101</u>

Capital assets activity for the year ended June 30, 2009 was as follows:

Capital Assets	Beginning Balance	Additions	Reductions	Transfers	Ending Balance
Nondepreciable assets:					
Construction-in-progress	\$ 28,909	\$ -	\$ -	\$ (28,909)	\$ -
Depreciable assets:					
Antenna and tower	300,166	-	-	-	300,166
Studio and broadcast equipment	339,482	36,113	-	28,909	404,504
Total cost	<u>668,557</u>	<u>36,113</u>	<u>-</u>	<u>-</u>	<u>704,670</u>
Less: Accumulated depreciation	450,953	79,896	-	-	530,849
Capital assets, net	<u>\$ 217,604</u>	<u>\$ (43,783)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 173,821</u>

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2010

Note 5 – Deferred Revenue

Deferred revenue at June 30, 2010 and 2009 consists of the following:

	2010	2009
Corporation for Public Broadcasting grant	\$ 124,790	\$ 129,405
Underwriting agreements	2,357	1,164
Total deferred revenue	<u>\$ 127,147</u>	<u>\$ 130,569</u>

Note 6 – Long Term Liabilities

Long-term liability activity for the year ended June 30, 2010 was as follows:

	Beginning Balance	Net Additions	Ending Balance	Current Portion
Compensated absences	\$ 80,166	\$ 1,553	\$ 81,719	\$ 3,905

Long-term liability activity for the year ended June 30, 2009 was as follows:

	Beginning Balance	Net Additions	Ending Balance	Current Portion
Compensated absences	\$ 73,535	\$ 6,631	\$ 80,166	\$ 6,167

Note 7 - Related Party

YSUF is a legally separate nonprofit organization exempt from federal income tax and classified as a public charity. YSUF is devoted to the support, expansion and development of educational programs at the University that are useful and beneficial to the students and the community. Under the terms of an agreement with the University, YSUF serves as an investment manager for the University, and therefore the Station's, endowments. Proceeds are forwarded to the Station on an as needed basis to satisfy the individual endowment purpose. The management services are provided at no charge and investments are made in a manner consistent with the YSUF funds.

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

SCHEDULE OF NONFEDERAL FINANCIAL SUPPORT FOR THE YEAR ENDED JUNE 30, 2010

Direct Income	\$	945,022
Indirect Administrative Support		162,155
In-Kind Contributions of Services and Other Intangibles		<u>109,624</u>
Total Nonfederal Financial Support	\$	<u>1,216,801</u>

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

To the Board of Trustees
Youngstown State University
Youngstown, Ohio

We have audited the financial statements of the business-type activities of WSYU-FM, Youngstown State University Radio (“Station”) as of and for the year ended June 30, 2010, and have issued our report thereon dated the same date as this report. We conducted our audit 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.

As discussed in Note 1, the financial statements of the Station are intended to present the financial position, the changes in financial position and cash flows, of only that portion of the activities of Youngstown State University that is attributable to the transactions of the Station. They do not purport to, and do not, present fairly the financial position of Youngstown State University as of June 30, 2010, and the changes in its financial position and its cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Station's internal control over financial reporting as a basis for designing our auditing procedures 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 Station's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Station's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Station's financial statements are free of 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 determination of financial statement amounts. 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*.

This report is intended solely for the information and use of management, the Board of Trustees, others within the entity, the State of Ohio Office of the Auditor and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



Crowe Horwath LLP

Columbus, Ohio
November 13, 2010



YOUNGSTOWN STATE UNIVERSITY



Dave Yost • Auditor of State

YOUNGSTOWN STATE UNIVERSITY

MAHONING COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 25, 2011**