

YOUNGSTOWN STATE UNIVERSITY
Youngstown, Ohio

SINGLE AUDIT REPORT
June 30, 2008 and 2007



Mary Taylor, CPA
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, 2007 through June 30, 2008. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 8, 2009

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**Youngstown State University
Single Audit Report**

June 30, 2008 and 2007

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YOUNGSTOWN STATE UNIVERSITY

Message from President Sweet

October 13, 2008

At the start of fiscal year 2008, it was clear that YSU faced four major challenges. The first was to achieve full ten-year accreditation from the Higher Learning Commission of the North Central Association of Colleges and Universities. Second, was to negotiate successor agreements with the faculty and staff bargaining units. Third, was to meet the goal of the Centennial Capital Campaign. The final challenge was to engage in a significant celebration of the Youngstown State University centennial. It is a tribute to the hard work and dedication of the employees of the most efficiently staffed public university in Ohio, as documented by the Ohio Board of Regents, that YSU met and exceeded the expectations of all four challenges.

Fiscal year 2008 was also a year of significant achievements that advanced the goals and objectives set forth in the Universities Centennial Strategic Plan, Enrollment Management Plan, Technology Master Plan, Centennial Campus Master Plan, and the Centennial Capital Campaign. A full report on the 2008 Institutional Annual Plan in addressing the Centennial Strategic Plan's ten critical issues is available at the YSU website (<http://www.ysu.edu/president/index.shtml>). Among the additional highlights of fiscal year 2008 are:

- Fall semester enrollment increased from 13,497 in 2007 to 13,712 in 2008. Enrollment has increased approximately 16.3% since Fall 2000.
- Minority enrollment increased from 2338 in Fall 2007 to 2449 in Fall 2008, a 4.7% increase. In Fall 2008, minority enrollment represented nearly 18% of total University enrollment compared to approximately 11% in Fall 2000.
- Successful inaugural years of the two new colleges, the College of Science, Technology, Engineering, and Mathematics(STEM) and the College of Liberal Arts and Social Sciences(CLASS).
- The final modules of the \$12 million administrative computer system, the central part of the Technology Master Plan were successfully implemented.
- The award of several significant grants including a \$2.1 million Third Frontier grant to establish a Center for Excellence in Advanced Materials Analysis and \$1.7 million to establish 21st Century Community Learning Centers at two local school districts.
- The graduation of the first class of forty students of the Youngstown Early College, a partnership with the Youngstown City School District, including four students who graduated with associates degrees in addition to their high school diploma.
- Completion of property acquisition, in partnership with the city of Youngstown and the Diocese of Youngstown, for the new building to house the Williamson College of Business Administration, a key component of the Centennial Campus Master Plan. This project will revitalize and extend the southern edge of the campus and reinforce our link to downtown Youngstown.

The key challenge for fiscal year 2009 will be to reposition Youngstown State University within the evolving higher education environment described Chancellor Eric Fingerhut's *Strategic Plan for Higher Education (2008-2017)*. This plan includes the establishment of a community college to serve the Mahoning Valley and the opportunity for YSU to develop new academic programs to contribute to the economic revitalization of the region.

Sincerely,



David C. Sweet
President



Crowe Horwath LLP
Member Horwath International

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, 2008, 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 38%, 46%, 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. The financial statements of the University as of June 30, 2007, were audited by other auditors whose report dated October 15, 2007, expressed an unqualified opinion on those statements.

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. 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 audit and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit 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, 2008 and the respective 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.

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 14, 2008 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. Our audit and the audit of the other auditors were made for the purpose of forming an opinion on the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Crowe Horwath LLP". The signature is written in a cursive, flowing style.

Crowe Horwath LLP

Columbus, Ohio
October 14, 2008

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, 2008 with comparative information for the fiscal years ended June 30, 2007 and 2006. 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 is an urban, state-supported institution that has as its mission to provide open access to high-quality education through a broad range of affordable certificate, associate, baccalaureate, and graduate programs. 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 2008 enrollment is 13,712.

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

YOUNGSTOWN STATE UNIVERSITY

Management's Discussion and Analysis (cont.)

- 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

- Increased enrollment
- Healthy Senate Bill 6 ratios
- Continued progress on major planning initiatives including enrollment management, technology, and the campus master plan
- Substantial implementation of the Enterprise Resource Planning (ERP) System to replace all administrative and financial information systems within the University
- Attainment of the Centennial Campaign goal
- Ratification of two major employment contracts with the two largest unions, faculty and classified
- Ten year accreditation renewal by the Higher Learning Commission
- Successful completion of an early retirement incentive program
- Movement toward establishment of a community college in the Youngstown metropolitan area

YOUNGSTOWN STATE UNIVERSITY

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, 2008</u>	<u>June 30, 2007</u>	<u>June 30, 2006</u>
Assets			
Current assets	\$ 35,463,157	\$ 39,091,090	\$ 29,766,825
Capital assets, net	152,253,091	156,013,424	160,912,963
Other assets	54,929,545	42,137,140	34,617,676
Total Assets	<u>242,645,793</u>	<u>237,241,654</u>	<u>225,297,464</u>
Liabilities			
Current liabilities	25,661,556	24,420,755	23,020,653
Noncurrent liabilities	28,267,141	29,221,380	30,888,229
Total Liabilities	<u>53,928,697</u>	<u>53,642,135</u>	<u>53,908,882</u>
Total Net Assets	<u>\$ 188,717,096</u>	<u>\$ 183,599,519</u>	<u>\$ 171,388,582</u>
Net Assets			
Invested in capital assets, net of related debt	133,658,779	135,740,831	138,839,999
Restricted	28,813,345	25,753,454	16,353,678
Unrestricted	26,244,972	22,105,234	16,194,905
Total Net Assets	<u>\$ 188,717,096</u>	<u>\$ 183,599,519</u>	<u>\$ 171,388,582</u>

Assets

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

	<u>June 30, 2008</u>	<u>June 30, 2007</u>	<u>June 30, 2006</u>
Cash and cash equivalents	\$ 10,087,635	\$ 14,036,063	\$ 11,074,605
Investments	51,136,829	39,375,689	36,879,369
Accounts, loans and pledges receivable, net	26,021,233	24,334,420	13,503,715
Capital assets, net	152,253,091	156,013,424	160,912,963
Other	3,147,005	3,482,058	2,926,812
Total Assets	<u>\$ 242,645,793</u>	<u>\$ 237,241,654</u>	<u>\$ 225,297,464</u>

Cash and cash equivalents decreased \$3.9 million or 28% from fiscal year 2007 to fiscal year 2008; whereas investments increased \$11.7 million or 30%, respectively. Contributors to the combined net increase of \$7.8 million or 13% include increased enrollment and fundraising activities, including over \$3 million for the new Williamson College of Business.

YOUNGSTOWN STATE UNIVERSITY

Management's Discussion and Analysis (cont.)

Cash and cash equivalents increased \$2.9 million or 27% from fiscal year 2006 to fiscal year 2007; whereas investments increased \$2.5 million or 7%, respectively. Contributors to the combined net increase of \$5.4 million or 11% included increased enrollment and higher tuition; containment of operating expenses; favorable investment market; and increased fundraising activities. Asset allocations for cash and cash equivalents and investments were in line with the strategic targets set forth in the University's asset allocation guidelines.

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.

Net accounts, loans and pledges receivable increased \$1.7 million or 7% from fiscal year 2007 to fiscal year 2008 due to a \$1.5 million increase in student accounts receivable primarily due to processing changes and timing issues related to a new system implementation; a \$600,000 decrease in grants and contracts receivable due to timing of payments; and a \$700,000 increase in state capital appropriations receivable due to increased capital activity in June.

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

At June 30, 2008, the University had \$152,253,091 in capital assets, net of accumulated depreciation. Depreciation totaled \$9,165,568, \$9,141,030, and \$8,816,031 in fiscal years 2008, 2007, and 2006 respectively. The improvements to buildings category was new in fiscal year 2007 and only applies to assets added in fiscal years 2007 and 2008. Details of net capital assets are shown below.

	June 30, 2008	June 30, 2007	June 30, 2006
Land	\$ 14,183,175	\$ 13,527,705	\$ 13,380,116
Buildings	96,463,245	100,877,714	121,103,113
Improvements to buildings	25,154,213	25,530,838	-
Improvements other than buildings	8,252,565	6,961,158	6,287,958
Construction-in-progress	2,157,216	1,895,250	11,815,023
Moveable equipment and furniture	5,107,774	6,257,407	7,303,979
Vehicles	120,173	133,896	163,267
Historical treasures	381,115	297,513	297,513
Capital leased assets	433,615	531,943	561,994
Total	<u>\$ 152,253,091</u>	<u>\$ 156,013,424</u>	<u>\$ 160,912,963</u>

Major capital activity during fiscal year 2008 included completion of the University Plaza project, which includes street renovations and repairs. Several new projects commenced including instructional space upgrades in Maag Library, Beeghly Center gym renovations, renovations to the pedestrian bridge that crosses Wick Avenue, and architectural design of the new college of business. These projects are reflected in construction in progress at June 30, 2008.

YOUNGSTOWN STATE UNIVERSITY

Management's Discussion and Analysis (cont.)

Major capital activity during fiscal year 2007 included substantial completion of an energy management system; completion of masonry restoration projects, and completion of the M-8 lot and Spring Street East portion of the East Campus Gateway project. Major capital activity during fiscal year 2006 included the completion of the West Campus Gateway project, including the Andrews Recreation and Wellness Center and Bookstore renovation and expansion; the completion of the Chiller Steamline project; the inception of an energy management system; and continuation of the East Campus Gateway project. More detailed information about the University's capital assets is presented in Note 7 to the financial statements.

Liabilities

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

	<u>June 30, 2008</u>	<u>June 30, 2007</u>	<u>June 30, 2006</u>
Accounts and construction payable	\$ 3,087,373	\$ 1,616,458	\$ 1,427,637
Payroll liabilities	8,202,197	8,734,992	8,901,927
Note payable	8,098,830	8,962,133	9,796,000
Bonds and capital leases payable, net	10,504,762	11,435,839	12,366,550
Deferred revenue	10,271,317	10,355,435	8,765,906
Compensated absences	9,217,788	8,959,219	8,990,506
Refundable advance	2,783,915	2,734,413	2,793,698
Other	1,762,515	843,646	866,658
Total Liabilities	<u>\$ 53,928,697</u>	<u>\$ 53,642,135</u>	<u>\$ 53,908,882</u>

Total liabilities at June 30, 2008 remained consistent with total liabilities at June 30, 2007. Accounts and construction payables increased \$1.5 million or 91% due to timing of payments and increased year end activity including increased capital activity in June for projects such as the college of business architect fees, Beeghly Center gym renovations, and the pedestrian bridge over Wick Avenue. Payroll liabilities decreased slightly due to changes in the frequency of retirement filings and remittances. Debt reduction during fiscal year 2008 totaled \$1.8 million. At June 30, 2008, the University had \$18.4 million in principal debt (bonds and note) outstanding compared to \$20.2 million at June 30, 2007 and \$21.9 million at June 30, 2006. Subsequent to June 30, 2008, the University and the classified union resolved a grievance surrounding personal days. The impact of this settlement is reflected in compensated absences for current employees and in other liabilities for terminated employees.

Total liabilities at June 30, 2007 remained consistent with total liabilities at June 30, 2006. Debt reduction during fiscal year 2007 totaled \$1.76 million; whereas deferred revenue increased \$1.6 million due to increased grant activity.

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.

YOUNGSTOWN STATE UNIVERSITY

Management's Discussion and Analysis (cont.)

Net Assets

The following table summarizes categories of net assets at:

	<u>June 30, 2008</u>	<u>June 30, 2007</u>	<u>June 30, 2006</u>
Invested in capital assets, net of related debt	\$ 133,658,779	\$ 135,740,831	\$ 138,839,999
Restricted	28,813,345	25,753,454	16,353,678
Unrestricted	26,244,972	22,105,234	16,194,905
Total	<u>\$ 188,717,096</u>	<u>\$ 183,599,519</u>	<u>\$ 171,388,582</u>

Overall the University's net assets increased \$5.1 million or 3% from \$183.6 million at June 30, 2007 to \$188.7 million at June 30, 2008. This resulted primarily from a \$2 million decrease in the net amount invested in capital assets, a \$3 million increase in restricted funds and a \$4.1 million increase in unrestricted funds.

Restricted net assets, including expendable and nonexpendable funds, totaled \$28.8 million at June 30, 2008 compared to \$25.8 million at June 30, 2007, an increase of \$3 million or 12%. Restricted expendable net assets totaled \$23.3 million at June 30, 2008 compared to \$19.8 million at June 30, 2007, an increase of \$3.5 million or 17%, largely due to capital pledges and funds for the purpose of constructing a new business college and a new indoor athletic practice facility. Capital gift revenue for these projects totaling \$3.5 million is included in capital grants and gifts in the Statement of Revenues, Expenses, and Changes in Net Assets. Current Funds include grants and sponsored programs and gifts, including scholarship donations, program support and scholarship pledges. Revenues are included in private gifts. The following table summarizes restricted expendable net assets at:

	<u>June 30, 2008</u>	<u>June 30, 2007</u>	<u>June 30, 2006</u>
Current funds	\$ 8,655,246	\$ 8,033,675	\$ 6,362,872
Plant funds	14,559,507	11,745,616	4,650,793
Loan funds	64,966	64,429	66,166
Total	<u>\$ 23,279,719</u>	<u>\$ 19,843,720</u>	<u>\$ 11,079,831</u>

Unrestricted net assets totaled \$26.2 million at June 30, 2008 compared to \$22.1 million at June 30, 2007, an increase of \$4.1 million or 19%. Current funds increased largely due to a year end excess in the general operating fund of \$3 million compared to \$2.3 million in fiscal year 2007 and to one-time vacancy savings of \$550,000 resulting from the early retirement incentive program. Plant funds increased \$2.8 million largely due to auxiliary enterprise transfers of year-end excesses to plant reserves for future capital projects; transfers from current funds to a property acquisition fund to support the continued implementation of the Campus Master Plan including the acquisition of property for the new college of business and the development of the Smokey Hollow and West of 5th neighborhoods; and the establishment of an information technology replacement fund designated for the replacement of mission-critical equipment and an emergency equipment reserve.

YOUNGSTOWN STATE UNIVERSITY

Management's Discussion and Analysis (cont.)

The following table summarizes unrestricted net assets at:

	<u>June 30, 2008</u>	<u>June 30, 2007</u>	<u>June 30, 2006</u>
Current funds	\$ 9,901,011	\$ 8,889,218	\$ 4,122,451
Operating reserves	8,101,807	7,820,696	7,538,575
Plant funds	8,223,499	5,377,012	4,513,423
Loan funds	18,655	18,308	20,456
Total	<u>\$ 26,244,972</u>	<u>\$ 22,105,234</u>	<u>\$ 16,194,905</u>

Effective in fiscal year 2006, year end general carryforward funds are segregated into allocated funds that require approved spending plans prior to expenditure. Auxiliary year end carryforward funds have, and continue to be, transferred to plant reserve funds.

Overall Analysis of Fiscal Year 2007 Versus 2006

The most significant factors affecting the increase in net assets for fiscal year 2007 included Centennial Campaign fund raising activities and an increase in year-end current operating funds.

YOUNGSTOWN STATE UNIVERSITY

Management's Discussion and Analysis (cont.)

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:

	<u>June 30, 2008</u>	<u>June 30, 2007</u>	<u>June 30, 2006</u>
Operating Revenues			
Net tuition, fees and other student charges	\$ 75,926,793	\$ 74,939,644	\$ 67,801,731
Auxiliary enterprises	17,942,172	16,904,112	15,617,059
Grants and contracts	14,956,810	13,717,515	13,807,232
Other	1,770,358	1,746,145	1,269,415
Total Operating Revenues	<u>110,596,133</u>	<u>107,307,416</u>	<u>98,495,437</u>
Operating Expenses	<u>183,199,697</u>	<u>173,205,585</u>	<u>168,597,834</u>
Operating Loss	<u>(72,603,564)</u>	<u>(65,898,169)</u>	<u>(70,102,397)</u>
Nonoperating Revenues (Expenses)			
State appropriations	45,789,045	42,912,623	42,256,300
Gifts, grants, and contracts	23,519,750	22,972,761	20,024,534
Investment income	2,696,471	3,981,962	1,550,845
Other nonoperating expenses, net	<u>(2,533,133)</u>	<u>(2,575,260)</u>	<u>(1,897,913)</u>
Net Nonoperating Revenues	<u>69,472,133</u>	<u>67,292,086</u>	<u>61,933,766</u>
Gain (Loss) Before Other Revenues, Expenses, and Changes	(3,131,431)	1,393,917	(8,168,631)
Other Revenues, Expenses, and Changes			
State capital appropriations	4,387,182	2,101,533	3,870,015
Capital grants and gifts	3,788,839	8,691,475	103,757
Other	72,987	24,012	50,035
Total Other Revenues, Expenses, and Changes	<u>8,249,008</u>	<u>10,817,020</u>	<u>4,023,807</u>
Increase (Decrease) in Net Assets	5,117,577	12,210,937	(4,144,824)
Net Assets at Beginning of Year	<u>183,599,519</u>	<u>171,388,582</u>	<u>175,533,406</u>
Net Assets at End of the Year	<u>\$ 188,717,096</u>	<u>\$ 183,599,519</u>	<u>\$ 171,388,582</u>

YOUNGSTOWN STATE UNIVERSITY

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, 2008</u>	<u>June 30, 2007</u>	<u>June 30, 2006</u>
Net tuition, fees and other student charges	\$ 75,926,793	\$ 74,939,644	\$ 67,801,731
Auxiliary enterprises	17,942,172	16,904,112	15,617,059
Gifts, grants, and contracts	42,338,386	45,405,763	33,985,558
State appropriations	45,789,045	42,912,623	42,256,300
Investment income	2,696,471	3,981,962	1,550,845
Other revenue	1,945,148	1,995,452	1,858,363
State capital appropriations	4,387,182	2,101,533	3,870,015
Total Revenues	<u>\$ 191,025,197</u>	<u>\$ 188,241,089</u>	<u>\$ 166,939,871</u>

Overall, the University's total net revenue increased \$2.8 million or 1.5% in fiscal year 2008 and increased \$21.3 million or 12.8% in fiscal year 2007. The majority of the University's revenue, 64% in fiscal year 2008, 63% in fiscal year 2007, and 67% in fiscal year 2006, is attributed to State appropriations and net tuition and fees. Combined, these two revenue streams increased \$3.9 million in fiscal year 2008 and \$7.8 million in fiscal year 2007.

State appropriations increased \$2.9 million or 7% from fiscal year 2007 to fiscal year 2008. The increase was primarily due to a \$2.7 million increase in state share of instruction resulting from an overall increase in state funding for higher education intended to compensate for not raising tuition for in-state undergraduate students. Investment income decreased \$1.3 million or 32% primarily due to a decrease in net carrying value of investments resulting from unfavorable market conditions. State capital appropriations revenue increased \$2.3 million from fiscal year 2007 to fiscal year 2008 due to increased activity in June.

From fiscal year 2006 to fiscal year 2007, net tuition, fees, and other student charges increased \$7.1 million primarily due to 5.75% increase in mandatory fees and increased FTE of 2.8%. State capital appropriations decreased \$1.8 million from fiscal year 2006 to fiscal year 2007 primarily due to a decrease in the number of capital projects.

YOUNGSTOWN STATE UNIVERSITY

Management's Discussion and Analysis (cont.)

Expenses

Operating expenses can be displayed in two formats: natural classification and functional classification. The table below summarizes both formats.

Functional Classification	Natural Classification				2008	2007	2006
	Compensation	Operating	Scholarships	Depreciation	Total Functional	Total Functional	Total Functional
Instruction and departmental research	\$ 59,939,250	\$ 5,659,924	\$ 34,952	\$ -	\$ 65,634,126	\$ 64,653,983	\$ 62,665,700
Separately budgeted research	673,819	382,479	-	-	1,056,298	857,873	955,945
Public service	2,905,007	1,671,137	306	-	4,576,450	4,066,571	4,565,405
Academic support	10,104,846	3,851,120	7,476	-	13,963,442	12,663,922	11,355,057
Student services	7,136,034	1,339,520	2,678	-	8,478,232	8,424,276	8,015,148
Institutional support	20,244,129	8,193,660	18,649	-	28,456,438	24,876,490	26,654,373
Operation and maintenance of plant	6,955,653	7,922,068	224	-	14,877,945	13,781,770	13,482,934
Scholarships	-	448,376	12,634,198	-	13,082,574	12,621,523	10,917,454
Auxiliary enterprises	8,628,764	12,057,560	3,222,300	-	23,908,624	22,118,147	21,169,787
Depreciation	-	-	-	9,165,568	9,165,568	9,141,030	8,816,031
Total Natural Expenses - 2008	<u>\$ 116,587,502</u>	<u>\$ 41,525,844</u>	<u>\$ 15,920,783</u>	<u>\$ 9,165,568</u>	<u>\$ 183,199,697</u>	<u>\$ 173,205,585</u>	<u>\$ 168,597,834</u>
Total Natural Expenses - 2007	<u>\$ 111,461,799</u>	<u>\$ 37,498,839</u>	<u>\$ 15,103,917</u>	<u>\$ 9,141,030</u>			
Total Natural Expenses - 2006	<u>\$ 111,851,125</u>	<u>\$ 34,109,976</u>	<u>\$ 13,820,702</u>	<u>\$ 8,816,031</u>			

Overall operating expenses increased \$10 million or 5.8% between fiscal year 2008 and fiscal year 2007. Significant contributors to the increase include:

- \$1.6 million increase in ERIP OPERS purchases and retirement related payouts
- \$1 million increase in utilities, particularly steam
- \$900,000 increase resulting from employee related legal and grievance settlements
- Increase in Auxiliary revenue, resulting in increased expenditures
- Increase in financial aid expenditures
- Increase volume of grant activity

Overall operating expenses increased \$4.6 million or 2.7% between fiscal year 2007 and fiscal year 2006. This increase was consistent with budgeted targets.

Total operating and non-operating expenses were \$185,907,620, \$176,030,151 and \$171,084,695 in fiscal years 2008, 2007 and 2006, respectively.

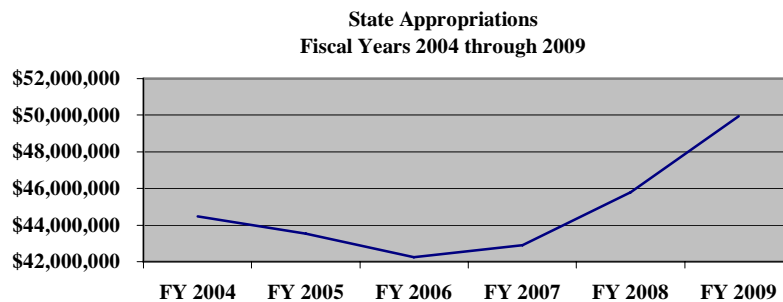
YOUNGSTOWN STATE UNIVERSITY

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, 2008 was 4.1 compared to 3.7 at June 30, 2007 and 2.9 at June 30, 2006. The increases in the composite score are primarily due to the result of pledges for the Centennial Campaign.

A crucial element to the University's future will continue to be its relationship with the State as work continues toward providing quality education at an affordable price. The University's fiscal year 2009 budget reflects a 9.1% increase in state support. Amended Substitute House Bill 119 (HB119), the state of Ohio's biennial operating budget bill for fiscal years 2008 and 2009, allocated an additional \$96 million in direct state support for higher education, of which the University's share in fiscal year 2009 is projected to be approximately \$4.2 million or 9.1% above fiscal year 2008 state support. Amended Substitute House Bill 119 prohibits state colleges and universities from increasing in-state undergraduate tuition. Not only does YSU fully comply with this legislation, the University also will not raise graduate tuition or the non-resident surcharge for fiscal year 2009 even though these charges are exempt from the state tuition cap.



Note: Graph includes five years actual plus budgeted amount for fiscal year 2009

The University has committed to an early retirement incentive program in fiscal years 2011 and 2012 for its eligible Ohio Public Employees Retirement System members. Costs of the program are not determinable at this time but are expected to be offset by savings.

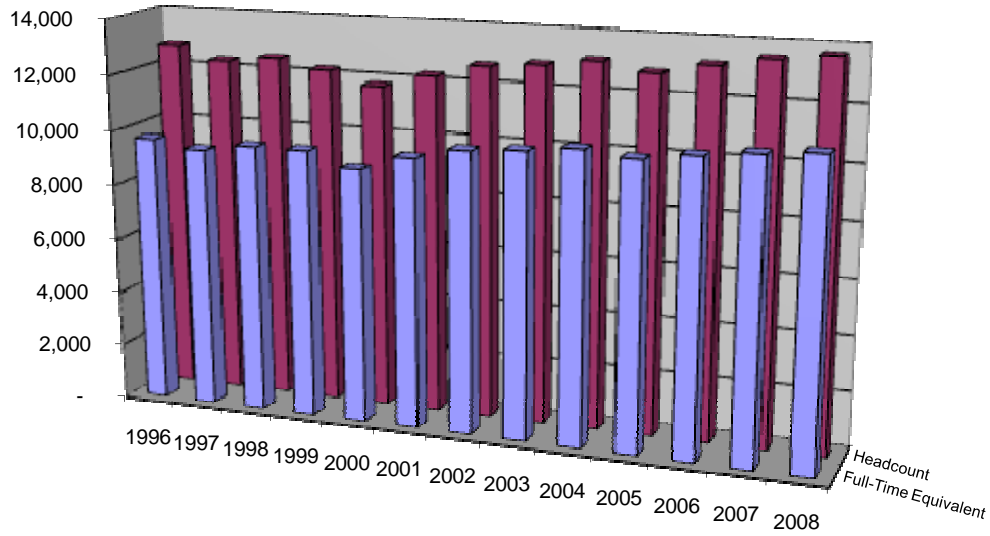
The various investments in stocks, securities, mutual funds and other investments are exposed to a variety of uncertainties, including interest rate, market and credit risks. Subsequent to June 30, 2008, significant activity has occurred in financial markets. The demise of Lehman Brothers, the takeover of Freddie Mac and Fannie Mae and the enactment of the Economic Stabilization Act of 2008 are only some aspects of the tremendous upheaval that has occurred. Due to the level of risk associated with certain investments, it is possible that changes in the values of investments could occur in the near term.

YOUNGSTOWN STATE UNIVERSITY

Management's Discussion and Analysis (cont.)

The University's enrollment has stabilized:

**Fall Term Enrollment Trends
1996 through 2008**



	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
■ Full-Time Equivalent	9,714	9,462	9,729	9,733	9,203	9,766	10,171	10,311	10,518	10,332	10,590	10,796	10,953
■ Headcount	12,801	12,324	12,533	12,222	11,787	12,250	12,698	12,858	13,101	12,812	13,183	13,497	13,712

YOUNGSTOWN STATE UNIVERSITY

Statements of Net Assets at June 30, 2008 and 2007

	June 30, 2008	June 30, 2007
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 10,087,635	\$ 14,036,063
Investments	5,165,565	3,824,674
Restricted investments	-	331,757
Interest receivable	367,201	405,909
Accounts receivable, net	8,479,122	6,974,212
Pledges receivable, net	3,865,515	6,145,655
Pledges receivable - Youngstown State University Foundation	4,200,000	3,825,000
Loans receivable, net	527,595	597,050
Inventories	1,803,531	1,971,734
Prepaid expenses and deferred charges	966,993	979,036
Total Current Assets	35,463,157	39,091,090
Noncurrent Assets		
Investments	40,167,782	29,620,480
Endowments and other restricted investments	5,803,482	5,598,778
Pledges receivable, net	6,723,240	4,962,176
Loans receivable, net	2,225,761	1,830,327
Deposits on land	9,280	125,379
Nondepreciable capital assets	16,721,506	15,720,468
Depreciable capital assets, net	135,531,585	140,292,956
Total Noncurrent Assets	207,182,636	198,150,564
Total Assets	242,645,793	237,241,654
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	2,272,754	1,243,605
Construction payable	814,619	372,853
Payroll liabilities	8,202,197	8,734,992
Bonds payable	945,000	900,000
Note payable	893,778	863,303
Capital leases payable	97,193	88,100
Compensated absences	402,183	1,018,821
Deferred revenue	10,271,317	10,355,435
Other liabilities	1,762,515	843,646
Total Current Liabilities	25,661,556	24,420,755
Noncurrent Liabilities		
Bonds payable, net	9,179,613	10,104,602
Note payable	7,205,052	8,098,830
Capital leases payable	282,956	343,137
Compensated absences	8,815,605	7,940,398
Refundable advance	2,783,915	2,734,413
Total Noncurrent Liabilities	28,267,141	29,221,380
Total Liabilities	53,928,697	53,642,135
NET ASSETS		
Invested in capital assets, net of related debt	133,658,779	135,740,831
Restricted:		
Nonexpendable	5,533,626	5,909,734
Expendable	23,279,719	19,843,720
Unrestricted	26,244,972	22,105,234
Total Net Assets	\$ 188,717,096	\$ 183,599,519

See accompanying notes to financial statements.

THE YOUNGSTOWN STATE UNIVERSITY FOUNDATION

Statements of Financial Position at June 30, 2008 and 2007

	June 30, 2008	June 30, 2007
ASSETS		
Cash and cash equivalents	\$ 4,696,870	\$ 4,360,499
Accrued interest receivable	773,795	831,508
Due from University Housing Corporation	113,002	112,645
Prepaid insurance	5,663	11,841
Property acquired for resale to Youngstown State University	-	77,900
Investments - at market value:		
Common stock	96,937,834	104,623,471
Preferred stock	4,797,643	5,787,942
Fixed income securities:		
U.S. Government and Agencies	36,138,265	36,226,657
Corporate	13,210,785	14,994,201
Temporary cash investments	3,353,057	1,504,537
	154,437,584	163,136,808
Contribution receivable from remainder trusts	1,485,920	1,406,644
Cash surrender value of insurance policies	55,539	60,450
Due from Youngstown State University	45,765	-
Office furniture and equipment, at cost, less accumulated depreciation of \$33,767 in 2008 and \$33,235 in 2007	5,237	867
TOTAL ASSETS	161,619,375	169,999,162
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	25,097	26,189
Retirement benefits payable	33,601	36,504
Grant commitments to Youngstown State University for scholarship awards	4,200,000	3,825,000
Total Liabilities	4,258,698	3,887,693
 Net Assets		
Unrestricted:		
Designated by Board for endowment	117,222,160	126,189,253
Undesignated	1,592,585	1,472,672
	118,814,745	127,661,925
Temporarily restricted	2,184,497	2,084,576
Permanently restricted	36,361,435	36,364,968
Total Net Assets	157,360,677	166,111,469
TOTAL LIABILITIES AND NET ASSETS	\$ 161,619,375	\$ 169,999,162

See accompanying notes to financial statements.

UNIVERSITY HOUSING CORPORATION

Statements of Financial Position at July 31, 2008 and 2007

	July 31, 2008	July 31, 2007
ASSETS		
Current Assets		
Cash	\$ 227,557	\$ 471,637
Accounts receivable, net	7,442	32,285
Accounts receivable - Youngstown State University	-	14,934
Interest receivable	11,893	15,476
Investments	3,772,088	3,324,291
Prepaid expenses	26,059	30,305
Total Current Assets	4,045,039	3,888,928
Property, Facilities, and Equipment, net	15,651,725	16,267,002
Bond issue costs, net	329,559	343,434
TOTAL ASSETS	20,026,323	20,499,364
LIABILITIES AND NET DEFICIT		
Liabilities		
Current Liabilities		
Accounts payable	23,624	29,895
Accounts payable - Youngstown State University	9,766	-
Capital lease payable, current portion	11,269	23,977
Accrued bond interest payable	98,390	68,646
Bonds payable, current portion	130,000	100,000
Prepaid rent	60,678	42,320
Due to Ambling Company	9,626	9,626
Security deposits	70,475	77,838
Other accruals	5,862	77,703
Total Current Liabilities	419,690	430,005
Long-Term Debt		
Bonds payable	21,025,000	21,430,000
Interest rate swap	1,021,121	429,618
Loan payable - Youngstown State University Foundation	113,912	121,592
Capital lease payable	-	18,067
Total Long-Term Debt	22,160,033	21,999,277
Total Liabilities	22,579,723	22,429,282
Unrestricted Net Deficit	(2,553,400)	(1,929,918)
TOTAL LIABILITIES AND NET DEFICIT	\$ 20,026,323	\$ 20,499,364

See accompanying notes to financial statements.

YOUNGSTOWN STATE UNIVERSITY

Statements of Revenues, Expenses, and Changes in Net Assets For the Years Ended June 30, 2008 and 2007

	June 30, 2008	June 30, 2007
REVENUES		
Operating Revenues		
Tuition, fees, and other student charges (net of scholarship allowance of \$18,454,704 in 2008 and 17,102,380 in 2007)	\$ 75,926,793	\$ 74,939,644
Federal grants and contracts	6,157,145	5,113,858
State grants and contracts	7,989,387	7,882,092
Local grants and contracts	30,186	296,557
Private grants and contracts	780,092	425,008
Sales and services	491,741	299,550
Auxiliary enterprises	17,942,172	16,904,112
Other operating revenues	1,278,617	1,446,595
Total Operating Revenues	110,596,133	107,307,416
EXPENSES		
Operating Expenses		
Instruction and departmental research	65,634,126	64,653,983
Separately budgeted research	1,056,298	857,873
Public service	4,576,450	4,066,571
Academic support	13,963,442	12,663,922
Student services	8,478,232	8,424,276
Institutional support	28,456,438	24,876,490
Operation and maintenance of plant	14,877,945	13,781,770
Scholarships	13,082,574	12,621,523
Auxiliary enterprises	23,908,624	22,118,147
Depreciation	9,165,568	9,141,030
Total Operating Expenses	183,199,697	173,205,585
Operating Loss	(72,603,564)	(65,898,169)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	45,789,045	42,912,623
Federal grants	15,064,188	13,154,156
Private gifts	8,455,562	9,818,605
Unrestricted investment income, net of investment expense	2,932,295	3,152,088
Restricted investment income (loss), net of investment expense	(235,824)	829,874
Interest on capital asset-related debt	(816,969)	(885,336)
Other nonoperating expenses, net	(1,716,164)	(1,689,924)
Net Nonoperating Revenues	69,472,133	67,292,086
Gain (Loss) Before Other Revenues, Expenses, and Changes	(3,131,431)	1,393,917
OTHER REVENUES, EXPENSES, AND CHANGES		
State capital appropriations	4,387,182	2,101,533
Capital grants and gifts	3,788,839	8,691,475
Additions to the principal of endowments	72,987	24,012
Total Other Revenues, Expenses, and Changes	8,249,008	10,817,020
Increase (Decrease) In Net Assets	5,117,577	12,210,937
NET ASSETS		
Net Assets at Beginning of the Year	183,599,519	171,388,582
Net Assets at End of the Year	\$ 188,717,096	\$ 183,599,519

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, 2008 and 2007

	June 30, 2008			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains (losses) and other support:				
Contributions	\$ 330,024	\$ 779,908	\$ 3,996,831	\$ 5,106,763
Investment earnings	6,537,991	55,885	-	6,593,876
Net realized gain (loss) on sale of investments	611,527	13,255	(157,226)	467,556
Net unrealized (loss) on long-term investments	(9,647,131)	(124,736)	(3,922,414)	(13,694,281)
Increase in value of deferred gifts	-	-	79,276	79,276
Net assets released from restrictions	624,391	(624,391)	-	-
Total revenues, (losses) gains and other support	<u>(1,543,198)</u>	<u>99,921</u>	<u>(3,533)</u>	<u>(1,446,810)</u>
Expenditures and other distributions:				
Administrative expenditures	652,617	-	-	652,617
Distribution to Youngstown State University:				-
Grants for property	15,335	-	-	15,335
Scholarships and other	6,618,885	-	-	6,618,885
Benefits for retired Youngstown University faculty	17,145	-	-	17,145
Total Expenditures	<u>7,303,982</u>	<u>-</u>	<u>-</u>	<u>7,303,982</u>
Change in Net Assets	(8,847,180)	99,921	(3,533)	(8,750,792)
Net Assets at Beginning of the Year	<u>127,661,925</u>	<u>2,084,576</u>	<u>36,364,968</u>	<u>166,111,469</u>
NET ASSETS	<u>\$ 118,814,745</u>	<u>\$ 2,184,497</u>	<u>\$ 36,361,435</u>	<u>\$ 157,360,677</u>

	June 30, 2007			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains (losses) and other support:				
Contributions	\$ 393,522	\$ 353,171	\$ 2,353,683	\$ 3,100,376
Investment earnings	6,172,602	39,665	-	6,212,267
Net realized gain on sale of investments	1,724,789	27,647	109,564	1,862,000
Net unrealized gain on long-term investments	12,745,296	146,392	3,074,557	15,966,245
Increase in value of deferred gifts	-	-	76,647	76,647
Net assets released from restrictions	109,733	(109,733)	-	-
Total revenues, gains (losses) and other support	<u>21,145,942</u>	<u>457,142</u>	<u>5,614,451</u>	<u>27,217,535</u>
Expenditures and other distributions:				
Administrative expenditures	631,818	-	-	631,818
Distribution to Youngstown State University:				
Grants for property	86,834	-	-	86,834
Scholarships and other	5,911,654	-	-	5,911,654
Benefits for retired Youngstown University faculty	17,334	-	-	17,334
Total Expenditures	<u>6,647,640</u>	<u>-</u>	<u>-</u>	<u>6,647,640</u>
Change in Net Assets	14,498,302	457,142	5,614,451	20,569,895
Net Assets at Beginning of the Year	<u>113,163,623</u>	<u>1,627,434</u>	<u>30,750,517</u>	<u>145,541,574</u>
NET ASSETS	<u>\$ 127,661,925</u>	<u>\$ 2,084,576</u>	<u>\$ 36,364,968</u>	<u>\$ 166,111,469</u>

See accompanying notes to financial statements.

UNIVERSITY HOUSING CORPORATION

Statements of Activities For the Years Ended July 31, 2008 and 2007

	<u>July 31, 2008</u>	<u>July 31, 2007</u>
Revenue:		
Rental income	\$ 2,277,627	\$ 2,214,370
Interest income	163,681	173,436
Other income	105,401	123,237
Total Revenue	<u>2,546,709</u>	<u>2,511,043</u>
Expenses:		
Administrative	35,933	40,845
Contract services	70,304	56,525
Interest expense	915,683	866,782
Bond fees	78,895	278,792
Depreciation and amortization expense	722,433	577,171
Loss on disposal of property, facilities, and equipment	8,100	-
Bad debt expense	44,878	75,382
Management fees	114,312	114,312
Advertising costs	19,033	26,001
Payroll and payroll-related	181,073	148,735
Accounting and legal	37,923	46,310
Repairs and maintenance	105,749	116,331
Insurance and taxes	46,653	46,951
Unit utilities expense	197,719	155,920
Total Expenses	<u>2,578,688</u>	<u>2,550,057</u>
Increase in Unrestricted net deficit before other items	(31,979)	(39,014)
Fair value of interest rate swap adjustment	(591,503)	(64,404)
Increase in Unrestricted net deficit	<u>(623,482)</u>	<u>(103,418)</u>
Unrestricted Net Deficit at Beginning of Year	<u>(1,929,918)</u>	<u>(1,826,500)</u>
UNRESTRICTED NET DEFICIT AT END OF YEAR	<u>\$ (2,553,400)</u>	<u>\$ (1,929,918)</u>

See accompanying notes to financial statements.

YOUNGSTOWN STATE UNIVERSITY

Statements of Cash Flows For the Years Ended June 30, 2008 and 2007

	June 30, 2008	June 30, 2007
Cash Flows from Operating Activities		
Student tuition and fees	\$ 74,065,888	\$ 75,069,030
Federal, state, and local grants and contracts	14,654,100	11,587,762
Private grants and contracts	798,141	472,065
Sales and services of educational and other departmental activities	18,409,220	18,525,454
Payments to suppliers	(41,716,996)	(39,222,590)
Payments to employees	(86,229,918)	(83,699,459)
Payments for benefits	(30,631,809)	(27,915,300)
Payments for scholarships	(13,082,574)	(12,621,522)
Student loans issued	(628,074)	(407,586)
Student loans collected	280,005	577,464
Student loan interest and fees collected	8,220	39,377
Other receipts, net	1,243,003	1,407,215
Total Cash Flows Used In Operating Activities	(62,830,794)	(56,188,090)
Cash Flows from Noncapital Financing Activities		
Federal grants	15,373,924	12,494,956
State educational appropriations	45,789,045	42,912,623
Private gifts	8,102,658	7,376,838
Additions to the principal of endowments	72,987	24,012
Other nonoperating expenses	(1,689,082)	(1,689,924)
Total Cash Flows Provided by Noncapital Financing Activities	67,649,532	61,118,505
Cash Flows from Investing Activities		
Proceeds from sale of investments	70,712,165	55,269,305
Purchase of investments	(82,473,305)	(57,765,625)
Interest on investments	2,735,179	3,853,392
Total Cash Flows Provided By (Used In) Investing Activities	(9,025,961)	1,357,072
Cash Flows from Capital and Related Financing Activities		
State capital appropriations	3,680,006	2,014,349
Private capital gifts and grants	3,995,413	1,569,777
Purchase of capital assets	(4,760,814)	(4,243,462)
Principal payments on capital debt	(1,858,852)	(1,785,213)
Interest payments on capital debt	(796,958)	(881,480)
Total Cash Flows Used In Capital and Related Financing Activities	258,795	(3,326,029)
Net Increase (Decrease) in Cash and Cash Equivalents	(3,948,428)	2,961,458
Cash and Cash Equivalents, Beginning of Year	14,036,063	11,074,605
Cash and Cash Equivalents, End of Year	\$ 10,087,635	\$ 14,036,063

See accompanying notes to financial statements.

YOUNGSTOWN STATE UNIVERSITY

Statements of Cash Flows (cont.) For the Years Ended June 30, 2008 and 2007

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

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Operating loss	\$ (72,603,564)	\$ (65,898,171)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	9,165,568	9,141,030
Provision for bad debts	408,890	964,214
Gifts in kind	92,522	22,708
Changes in assets and liabilities:		
Accounts receivable, net	(1,306,049)	(1,796,041)
Loans receivable, net	(375,463)	169,880
Inventories	168,203	(102,436)
Prepaid expenses and deferred charges	12,043	(266,026)
Accounts payable	1,029,149	191,678
Accrued and other liabilities	403,456	(173,168)
Deferred revenue	(84,118)	1,589,529
Compensated absences	258,569	(31,287)
Net Cash Flows Used In Operating Activities	<u><u>\$ (62,830,794)</u></u>	<u><u>\$ (56,188,090)</u></u>
Noncash Transactions		
Additional capital leases	<u><u>\$ 44,461</u></u>	<u><u>\$ 152,250</u></u>
Gifts in kind	<u><u>\$ 184,617</u></u>	<u><u>\$ 81,808</u></u>

See accompanying notes to financial statements.

YOUNGSTOWN STATE UNIVERSITY

Notes to Financial Statements For the Year Ended June 30, 2008

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, 2008

- 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 programs, 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. When an expense is incurred that can be paid using either restricted or unrestricted resources the University's policy is to first apply the expense towards restricted resources, and then towards unrestricted resources.

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.

YOUNGSTOWN STATE UNIVERSITY

Notes to Financial Statements (cont.) For the Year Ended June 30, 2008

Endowment Policy – The University Endowment Fund consists of 79 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 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 and average cost for the warehouse.

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

YOUNGSTOWN STATE UNIVERSITY

Notes to Financial Statements (cont.) For the Year Ended June 30, 2008

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

Compensated Absences – Accumulated unpaid vacation 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 share of instruction 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.

YOUNGSTOWN STATE UNIVERSITY

Notes to Financial Statements (cont.) For the Year Ended June 30, 2008

Adoption of New Accounting Pronouncements – Adoption of New Accounting Pronouncements: In fiscal year 2008, the provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and Statement No. 50, *Pension Disclosures* – an amendment of GASB Statements No. 25 and No. 27, became effective. Statement No. 45 establishes standards for the measurement, recognition, and display of other postemployment benefit expenses/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of employers subject to governmental accounting standards. This statement was implemented prospectively. Statement No. 50 more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information by pension plans and by employers that provide pension benefits. Adopting these statements had no effect on the University financial statements because of the types of benefit plans in which the University participates.

Newly Issued Accounting Pronouncements - In November 2006, GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. The statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participation in pollution remediation activities such as site assessments and cleanups. The University will be required to implement this statement in fiscal year 2009. Management has not yet determined the impact that GASB Statement No. 49 will have on the University's financial statements and disclosures.

In June 2007, GASB issued 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. This Statement is to establish accounting and financial reporting requirements for intangible assets to reduce inconsistencies. The University will be required to implement this statement in fiscal year 2010. Management has not yet determined the impact that GASB Statement No. 51 will have on the University's financial statements and disclosures.

In November, 2007, GASB issued Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*. The Statement established consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments also are required to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value. The University will be required to implement this statement in fiscal 2009. Management has not yet determined the impact that GASB Statement No. 52 will have on the University's financial statements and disclosures.

In June 2008, GASB issues Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local Governments.

YOUNGSTOWN STATE UNIVERSITY

Notes to Financial Statements (cont.) For the Year Ended June 30, 2008

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. The University will be required to implement this statement in fiscal 2010. Management has not yet determined the impact that GASB Statement No. 49 will have on the University's financial statements and disclosures.

In November, 2007, GASB issued Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*. The Statement established consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments also are required to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value. The University will be required to implement this statement in fiscal 2009. Management has not yet determined the impact that GASB Statement No. 52 will have on the University's financial statements and disclosures

Reclassification – Certain reclassifications have been made to the 2007 amounts to conform with the 2008 presentation.

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 \$45,789,045, including \$42,643,263 of State share of instruction and \$3,145,782 in challenge funds in fiscal year 2008, compared to State appropriations of \$42,912,623, including \$39,905,252 in State share of instruction and \$3,001,871 in challenge funds in fiscal year 2007. The State share of instruction is student based and determined annually by the Ohio Board of Regents.

Capital appropriations from the State totaled \$4,387,182 in fiscal year 2008 and \$2,101,533 in fiscal year 2007 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.

YOUNGSTOWN STATE UNIVERSITY

Notes to Financial Statements (cont.) For the Year Ended June 30, 2008

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.

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 \$2,097,728 and \$369,054 at June 30, 2008 and 2007, 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. Subsequent to June 30, 2008, 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, 2008 and 2007 consist of the following:

	2008	2007
Carrying Amount (Cash and cash equivalents)	<u>\$ 10,087,635</u>	<u>\$14,036,063</u>
FDIC Insured	\$ 118,295	\$ 117,893
Uninsured but collateralized by pools of securities pledged by the depository banks	3,086,280	1,919,177
Uninsured but assets held in name of YSU not pledged as collateral elsewhere	<u>6,824,458</u>	<u>13,596,796</u>
Bank Balance	<u>\$ 10,029,033</u>	<u>\$15,633,866</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 \$18,295 as of June 30, 2008 and \$17,893 as of June 30, 2007, which approximates market. These deposits, including interest on the investments, are retained in the trust for payment of principal and interest on the related outstanding indebtedness.

YOUNGSTOWN STATE UNIVERSITY

Notes to Financial Statements (cont.) For the Year Ended June 30, 2008

Subsequent to June 30, 2008, on September 19, 2008, the United States Treasury Department announced a temporary guarantee program for money market funds whereby the United States Treasury will guarantee the share price of any publicly offered eligible money market mutual fund that applies for and pays a fee to participate in the program. The temporary guarantee program has an initial three month term and the Secretary has the option to renew the program up through September 18, 2009. Both of the University's primary money market mutual funds, totaling \$1,305,753 at June 30, 2008, are participating in the program.

Also subsequent to June 30, 2008, the FDIC limit was increased from \$100,000 to \$250,000 as part of the Federal Emergency Economic Stabilization Act enacted in October 2008.

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, 2008, 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 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 investment advisors for non-endowment and endowment funds. The University's endowment funds and a fund for the Indoor Athletic Facility are managed by the Youngstown State University Foundation (see Note 17).

The University has implemented GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, which requires certain reporting changes for the disclosure of deposits and investment risk.

YOUNGSTOWN STATE UNIVERSITY

Notes to Financial Statements (cont.) For the Year Ended June 30, 2008

As of June 30, 2008, the University had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
U.S. Government Obligations	\$ 9,202,409	\$ 354,456	\$ 7,388,612	\$ 1,459,341	\$ -
Corporate Bonds	16,775,392	678,270	10,690,981	4,505,557	900,584
Foreign Bonds	822,034	-	317,739	504,295	-
U.S. Government Bonds	18,041,272	1,982,637	2,270,834	2,397,789	11,390,012
Preferred and Common Stock	5,746,580	5,687,030	-	-	59,550
Other Securities	549,142	549,142	-	-	-
Total	<u>\$ 51,136,829</u>	<u>\$ 9,251,535</u>	<u>\$ 20,668,166</u>	<u>\$ 8,866,982</u>	<u>\$ 12,350,146</u>

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

As of June 30, 2008, investments had the following quality credit ratings as rated by Moody's:

Investment Type	Fair Value	Aaa	Aa	A	Baa	Unrated
Corporate Bonds	\$ 16,775,392	\$ 8,330,335	\$ 2,903,605	\$ 2,797,389	\$ 2,516,419	\$ 227,644
Foreign Bonds	822,034	-	242,577	229,850	349,607	-
U.S. Government Bonds	18,041,272	3,389,913	-	-	-	14,651,359
Total	<u>\$ 35,638,698</u>	<u>\$ 11,720,248</u>	<u>\$ 3,146,182</u>	<u>\$ 3,027,239</u>	<u>\$ 2,866,026</u>	<u>\$ 14,879,003</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 counterparty, or are held by the counterparty's trust department or agent but not in the name of the University. At June 30, 2008, 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, 2008, the University had no exposure to foreign currency risk. The University does not address foreign currency risk in its investment policy and asset allocation guidelines.

YOUNGSTOWN STATE UNIVERSITY

Notes to Financial Statements (cont.) For the Year Ended June 30, 2008

Note 5 – Accounts and Loans Receivable

Accounts and loans receivable at June 30, 2008 and 2007 consist of the following:

	2008	2007
Accounts Receivable		
Student accounts	\$ 5,393,055	\$ 3,832,622
Grants and contracts	3,013,552	3,647,260
State capital appropriations	1,157,137	449,961
Other receivables	1,107,402	1,007,820
Subtotal	<u>10,671,146</u>	<u>8,937,663</u>
Less: Allowance for doubtful accounts	<u>(2,192,024)</u>	<u>(1,963,451)</u>
Accounts receivable, net	<u>\$ 8,479,122</u>	<u>\$ 6,974,212</u>
Loans receivable - student notes	\$ 3,466,070	\$ 3,090,607
Less: Allowance for doubtful accounts	<u>(712,714)</u>	<u>(663,230)</u>
Loans receivable, net	<u>\$ 2,753,356</u>	<u>\$ 2,427,377</u>

Note 6 – Pledges Receivable

Unconditional promises to give to the University recorded as pledges receivable at June 30, 2008 and June 30, 2007 were as follows:

	2008	2007
Total pledges receivable	\$ 16,610,155	\$ 17,378,390
Less: allowance for doubtful accounts	(611,897)	(673,065)
present value discount	<u>(1,209,503)</u>	<u>(1,772,494)</u>
Pledges receivable, net	14,788,755	14,932,831
Less: current portion	<u>(8,065,515)</u>	<u>(9,970,655)</u>
Pledges receivable, noncurrent portion	<u>\$ 6,723,240</u>	<u>\$ 4,962,176</u>

Pledges have been discounted to net present value using June 30, 2008 U.S. Treasury Note rates of 3.375% (5-year) and 3.875% (10-year) in fiscal year 2008 and 4.875% (5-year) in fiscal year 2007.

YOUNGSTOWN STATE UNIVERSITY

Notes to Financial Statements (cont.) For the Year Ended June 30, 2008

Note 7 – Capital Assets

Capital assets activity for the year ended June 30, 2008 was as follows:

	Beginning Balance	Additions	Reductions and Transfers	Ending Balance
Nondepreciable assets:				
Land	\$ 13,527,705	\$ 539,371	\$ 116,099	\$ 14,183,175
Construction-in-progress	1,895,250	2,157,216	(1,895,250)	2,157,216
Historical treasures	297,513	56,936	26,666	381,115
Depreciable assets:				
Buildings	229,650,028	-	-	229,650,028
Improvements to buildings	27,420,375	175,440	824,136	28,419,951
Improvements other than buildings	23,692,411	1,253,910	819,483	25,765,804
Moveable equipment and furniture	27,274,917	1,048,549	(970,171)	27,353,295
Vehicles	983,448	43,526	(37,602)	989,372
Capital leases	909,841	44,461	-	954,302
Total cost	<u>325,651,488</u>	<u>5,319,409</u>	<u>(1,116,639)</u>	<u>329,854,258</u>
Less accumulated depreciation:				
Buildings	128,772,314	4,414,469	-	133,186,783
Improvements to buildings	1,889,537	1,376,201	-	3,265,738
Improvements other than buildings	16,731,253	781,986	-	17,513,239
Moveable equipment and furniture	21,017,510	2,392,874	(1,164,863)	22,245,521
Vehicles	849,552	57,249	(37,602)	869,199
Capital leases	377,898	142,789	-	520,687
Total accumulated depreciation	<u>169,638,064</u>	<u>9,165,568</u>	<u>(1,202,465)</u>	<u>177,601,167</u>
Capital assets, net	<u>\$ 156,013,424</u>	<u>\$ (3,846,159)</u>	<u>\$ 85,826</u>	<u>\$ 152,253,091</u>

Capital assets activity for the year ended June 30, 2007 was as follows:

	Beginning Balance	Additions	Reductions and Transfers	Ending Balance
Nondepreciable assets:				
Land	\$ 13,380,116	\$ 175,652	\$ (28,063)	\$ 13,527,705
Construction-in-progress	11,815,023	1,291,181	(11,210,954)	1,895,250
Historical treasures	297,513	-	-	297,513
Depreciable assets:				
Buildings	246,346,638	36,849	(16,733,459)	229,650,028
Improvements to buildings	-	1,452,983	25,967,392	27,420,375
Improvements other than buildings	22,242,592	110,063	1,339,756	23,692,411
Moveable equipment and furniture	26,178,447	1,073,716	22,754	27,274,917
Vehicles	1,028,427	30,932	(75,911)	983,448
Capital leases	790,186	152,250	(32,595)	909,841
Total cost	<u>322,078,942</u>	<u>4,323,626</u>	<u>(751,080)</u>	<u>325,651,488</u>
Less accumulated depreciation:				
Buildings	125,243,525	4,622,649	(1,093,860)	128,772,314
Improvements to buildings	-	795,677	1,093,860	1,889,537
Improvements other than buildings	15,954,634	776,619	-	16,731,253
Moveable equipment and furniture	18,874,468	2,703,481	(560,439)	21,017,510
Vehicles	865,160	60,303	(75,911)	849,552
Capital leases	228,192	182,301	(32,595)	377,898
Total accumulated depreciation	<u>161,165,979</u>	<u>9,141,030</u>	<u>(668,945)</u>	<u>169,638,064</u>
Capital assets, net	<u>\$ 160,912,963</u>	<u>\$ (4,817,404)</u>	<u>\$ (82,135)</u>	<u>\$ 156,013,424</u>

YOUNGSTOWN STATE UNIVERSITY

Notes to Financial Statements (cont.) For the Year Ended June 30, 2008

Note 8 – Accrued and Other Liabilities

Accrued and other liabilities at June 30, 2008 and 2007 consist of the following:

	2008	2007
Payroll liabilities:		
Accrued compensation and benefits	\$ 5,821,083	\$ 5,760,416
Accrued health care benefits and insurance payable	743,315	1,046,009
Retirement system contribution payable	1,637,799	1,928,567
Subtotal	<u>8,202,197</u>	<u>8,734,992</u>
Other liabilities:		
Deposits held in custody	1,090,369	532,576
Interest payable	167,984	185,366
Other liabilities	504,162	125,704
Subtotal	<u>1,762,515</u>	<u>843,646</u>
Totals	<u>\$ 9,964,712</u>	<u>\$ 9,578,638</u>

Commitments for contracts in process representing estimated amounts of expenses ultimately to result, if unperformed contracts in process at June 30, 2008 are completed, totaled \$6,621,141 and included \$4,190,560 in State capital appropriations compared to \$4,041,552 and \$2,375,591 at June 30, 2007, respectively. These amounts do not constitute expenses incurred or liabilities.

Note 9 – Bonds

Bonds Payable

Bonds payable consist of General Receipts Bonds, Series 1997 and Series 1998. The Series 1997 Bonds were issued May 15, 1997. The proceeds were used for the construction of a stadium club, stadium loges and press box improvement. The Series 1998 Bonds were issued January 28, 1998 for the purpose of advance refunding the Series 1989 Bonds, Series 1994 Bonds and the retirement of the 1996A Bonds. There were no bonds outstanding at June 30, 2008 that were considered defeased.

Details of the outstanding Bonds Payable are as follows:

	Stated Interest Rate	Maturity Through	Original Principal
1997 - Term Bonds, fixed	6.25%	2017	\$ 200,000
1998 - Serial Bonds, fixed	4.3%-4.7%	2012	\$ 11,920,000
1998 - Term Bonds, fixed	4.75%	2016	\$ 5,030,000

The indebtedness created through all issues of the General Receipts Bonds is bound by the provision of the 1989 original Trust Indenture and subsequent supplemental indentures.

YOUNGSTOWN STATE UNIVERSITY

Notes to Financial Statements (cont.) For the Year Ended June 30, 2008

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.

In lieu of a bond reserve fund, the University has elected, as permitted by the trust agreements, to purchase an insurance policy and surety bond equal to the maximum annual debt service as a guarantee of principal and interest payments.

Fiscal Year	Principal	Interest	Total
2009	\$ 945,000	\$ 458,338	\$ 1,403,338
2010	985,000	415,917	1,400,917
2011	1,025,000	370,507	1,395,507
2012	1,075,000	322,029	1,397,029
2013	1,130,000	270,284	1,400,284
2014-2018	5,105,000	503,577	5,608,577
Totals	<u>\$ 10,265,000</u>	<u>\$ 2,340,652</u>	<u>\$ 12,605,652</u>

Maturities of bonds payable for the fiscal years subsequent to June 30, 2008 are as follows:

Fiscal Year	General Receipts		Total
	Series 1997	Series 1998	
2009	\$ 10,000	\$ 935,000	\$ 945,000
2010	10,000	975,000	985,000
2011	10,000	1,015,000	1,025,000
2012	10,000	1,065,000	1,075,000
2013	15,000	1,115,000	1,130,000
2014-2018	75,000	5,030,000	5,105,000
Totals	<u>\$ 130,000</u>	<u>\$ 10,135,000</u>	<u>\$ 10,265,000</u>

Bond Anticipation Note

Subsequent to June 30, 2008, the Board of Trustees passed a resolution to approve bond anticipation notes to finance, on an interim basis, a portion of the cost of construction, equipping and furnishing the new Williamson College of Business Administration building and paying related costs including costs of issuance, totaling in the aggregate not to exceed \$7,000,000. The bond anticipation notes are anticipated to be closed by October 30, 2008.

Note 10 – Note 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.

YOUNGSTOWN STATE UNIVERSITY

Notes to Financial Statements (cont.) For the Year Ended June 30, 2008

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 in fiscal year 2006 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
2009	\$ 893,778	\$ 285,888	\$ 1,179,666
2010	925,328	254,338	1,179,666
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
2014-2016	3,303,103	235,897	3,539,000
Totals	<u>\$ 8,098,830</u>	<u>\$ 1,338,500</u>	<u>\$ 9,437,330</u>

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.

Note 11 – Leases

Capital Lease Obligations

The University leases mailroom equipment including two postage machines and an address printer, 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 two postage machines and address printer bear interest at 7.60%. 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, 2008 and 2007, was \$433,615 and \$531,943, respectively.

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

Year Ending June 30,	Postage Machines and Address Printer	Insert and Folding System	Shape-based Feature	Steinway Pianos	Total
2009	\$ 17,460	\$ 9,735	\$ 1,404	\$ 85,773	\$ 114,372
2010	17,460	9,735	1,404	85,773	114,372
2011	-	9,735	585	85,773	96,093
2012	-	9,735	-	85,774	95,509
2013	-	811	-	-	811
Total future minimum lease payments	<u>34,920</u>	<u>39,751</u>	<u>3,393</u>	<u>343,093</u>	<u>421,157</u>
Less amount representing interest	<u>2,804</u>	<u>5,829</u>	<u>303</u>	<u>32,072</u>	<u>41,008</u>
Total obligations under capital leases	<u>\$ 32,116</u>	<u>\$ 33,922</u>	<u>\$ 3,090</u>	<u>\$ 311,021</u>	<u>\$ 380,149</u>

YOUNGSTOWN STATE UNIVERSITY

Notes to Financial Statements (cont.) For the Year Ended June 30, 2008

Operating Lease Obligations

The University has an operating lease for the purpose of classroom and general office purposes. The University, in its third renewal option which ends June 30, 2009, has future minimum payments of \$159,005.

Note 12 – Compensated Absences

During fiscal year 2006, the University's Board of Trustees authorized the implementation of the Youngstown State University Early Retirement Incentive Plan (ERIP) for its eligible employees who are members of the Ohio Public Employees Retirement System (OPERS). Provisions of the ERIP are based on Ohio Revised Code, Section 145.297, Ohio Administrative Rule 145-2-42. The plan was effective from March 1, 2006 through December 31, 2007. The latest benefit effective date for participating employees who were eligible to retire by December 31, 2007 was March 1, 2008. Participation was open to all eligible members of OPERS employed at the University as of the first day of the ERIP period. The University paid the cost (as determined by OPERS) of the lesser of two (2) years of service credit or one-fifth (1/5) of each member's total service credit for eligible members of OPERS who participate. Of the original estimated 185 eligible employees, 133 participated. The cumulative three year total for the 133 participants was \$5,464,830.

During fiscal year 2008, the University recorded \$2,587,550 of ERIP OPERS purchases compared to \$1,112,970 in fiscal year 2007. These purchases are reflected in institutional support on the Statement of Revenues, Expenses, and Changes in Net Assets for the respective fiscal periods. Current year payouts totaled \$2,980,396 compared to \$1,412,725 in the prior year. There was no unpaid balance at June 30, 2008. The unpaid balance of \$392,846 at June 30, 2007 is reflected in the current portion of the compensated absences liability for fiscal year 2007. Amounts recorded were based on actual purchases and estimates utilizing OPERS's benefit estimator and based on assumptions that everyone who signed the irrevocable form would indeed retire as of that date.

Subsequent to June 30, 2008, the University's Board of Trustees authorized the implementation of an early retirement incentive program for all eligible employees who are members of OPERS. The plan will be in effect from January 1, 2011 through December 31, 2011, with mandatory retirement dates between April 1, 2011 and December 31, 2011. The University will purchase two (2) years of service credit for eligible employees, unless a lesser amount is provided under OPERS regulations (i.e. twenty percent (20%) of employee's service credit of record). The University will abide by the rules as established by OPERS except as otherwise specified in the Agreement between the University and the Association of Classified Employees (ACE). An eligible employee will provide the University with not less than six (6) months irrevocable written notice specifying the date upon which he/she will retire hereunder. Eligibility will be limited to the first one hundred (100) employees with the greatest service credit as determined by OPERS who sign up unless the University and ACE agree to increase the number of participants.

YOUNGSTOWN STATE UNIVERSITY

Notes to Financial Statements (cont.) For the Year Ended June 30, 2008

Note 13 – Long-Term Liabilities

Long-term liability activity (see also notes 9-12) for the year ended June 30, 2008 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds payable					
General receipts bonds principal	\$ 11,165,000	\$ -	\$ 900,000	\$ 10,265,000	\$ 945,000
Less: unamortized bond discount and issue cost	(160,398)	-	(20,011)	(140,387)	-
Bonds payable, net	11,004,602	-	879,989	10,124,613	945,000
Note payable	8,962,133	-	863,303	8,098,830	893,778
Capital leases payable	431,237	44,461	95,549	380,149	97,193
Compensated absences	8,959,219	651,415	392,846	9,217,788	402,183
Refundable advance	2,734,413	54,754	5,252	2,783,915	-
Total long-term liabilities	<u>\$ 32,091,604</u>	<u>\$ 750,630</u>	<u>\$ 2,236,939</u>	<u>\$ 30,605,295</u>	<u>\$ 2,338,154</u>

Long-term liability activity for the year ended June 30, 2007 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds payable					
General receipts bonds principal	\$ 12,030,000	\$ -	\$ 865,000	\$ 11,165,000	\$ 900,000
Less: unamortized bond discount and issue cost	(181,033)	-	(20,635)	(160,398)	-
Bonds payable, net	11,848,967	-	844,365	11,004,602	900,000
Note payable	9,796,000	-	833,867	8,962,133	863,303
Capital leases payable	517,583	-	86,346	431,237	88,100
Compensated absences	8,990,506	-	31,287	8,959,219	1,018,821
Refundable advance	2,793,698	41,001	100,286	2,734,413	-
Total long-term liabilities	<u>\$ 33,946,754</u>	<u>\$ 41,001</u>	<u>\$ 1,896,151</u>	<u>\$ 32,091,604</u>	<u>\$ 2,870,224</u>

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 (STRS). 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.

YOUNGSTOWN STATE UNIVERSITY

Notes to Financial Statements (cont.) For the Year Ended June 30, 2008

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 equal to 10.5% of earned compensation. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment 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 to STRS Ohio, generally on a semi-monthly basis. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

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

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 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 and OPERS employee 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						
Fiscal Year	STRS		OPERS		OPERSLE	
	Traditional	ARP	Traditional	ARP	Traditional	ARP
1/1/08-6/30/08	10.0%	10.0%	10.0%	10.0%	10.1%	10.1%
1/1/07-6/30/07	10.0%	10.0%	9.5%	9.5%	10.1%	10.1%
1/1/06-12/31/06	10.0%	10.0%	9.0%	9.0%	10.1%	10.1%
7/1/05-12/31/05	10.0%	10.0%	8.5%	8.5%	10.1%	10.1%

YOUNGSTOWN STATE UNIVERSITY

Notes to Financial Statements (cont.) For the Year Ended June 30, 2008

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

Employer Contribution Rate								
Fiscal Year	STRS			OPERS			OPERSLE	
	Traditional	ARP		Traditional	ARP		Traditional	ARP
		STRS	ARP		OPERS	ARP		
1/1/08-6/30/08	14.00%	3.50%	10.50%	14.00%	0.77%	13.77%	17.40%	17.40%
8/1/07-12/31/07	14.00%	3.50%	10.50%	13.77%	0.54%	13.77%	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%
1/1/06-12/31/06	14.00%	3.50%	10.50%	13.54%	0.00%	13.54%	16.93%	16.93%
7/1/05-12/31/05	14.00%	3.50%	10.50%	13.31%	0.00%	13.31%	16.70%	16.70%

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		
2008	\$ 5,222,301	\$ 192,108	\$ 577,352	\$ 4,884,650	\$ 15,207	\$ 444,063	\$ 184,960	\$ -
2007	\$ 5,164,584	\$ 188,184	\$ 464,551	\$ 4,414,602	\$ -	\$ 455,492	\$ 165,764	\$ -
2006	\$ 5,062,128	\$ 169,332	\$ 515,193	\$ 4,169,825	\$ -	\$ 428,625	\$ 160,211	\$ -

The OPERS employee contributions to the ARP totaled \$310,402 and the STRS employee contributions to the ARP totaled \$549,859.

Note 15 - Postretirement Benefits

Ohio Public Employees Retirement System

Ohio Public Employees Retirement System provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12 Disclosure *Information on Postemployment Benefits other than Pension Benefits by State and Local Governmental Employers*. A portion of the University's contribution to OPERS is set aside for the funding of postretirement health care. The portion used to fund health care was 5.0% from 1/1/07-6/30/07 and 6.0% from 7/1/07-12/31/07, 4.5% in 2006, and 4.0% in 2005.

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

YOUNGSTOWN STATE UNIVERSITY

Notes to Financial Statements (cont.) For the Year Ended June 30, 2008

Summary of Assumptions:

- **Actuarial review** – The assumptions and calculations below were based on OPERS' latest actuarial review performed as of December 31, 2006.
- **Funding method** – An individual entry age actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability.
- **Assets valuation method** – All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted to reflect 25.0% of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor.
- **Investment return** – The investment assumption rate for 2006 was 6.50%.
- **Active employee total payroll** – An annual increase of 4.0% compounded annually is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. In addition, annual pay increases over and above the 4.0% base increase were assumed to range from 0.50% to 6.30%.
- **Health care** – Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 0.5% to 5% for the next 8 years. In subsequent years, (9 and beyond) health care costs were assumed to increase at 4% (the projected wage inflation rate). The Traditional Pension and Combined Plans had 374,979 active contributing participants as of December 31, 2007. The number of active contributing participants for both plans used in the December 31, 2006 actuarial valuation was 362,130. The portion of the University's 2008, 2007, and 2006 contributions to OPERS used to fund postretirement benefits was \$1,860,851, \$1,522,713, and \$1,301,175, respectively. The actuarial value of the Retirement System's net assets available for payment of benefits at December 31, 2006 (the latest date information is available) was \$12.0 billion.

The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$30.7 billion and \$18.7 billion, respectively.

State Teachers Retirement System

The State Teachers Retirement System (STRS Ohio) provides access to health care coverage to retirees, spouses, and dependents. Coverage includes hospitalization, physician fees, prescription drugs, and partial reimbursement of Medicare Part B premiums. Pursuant to the Ohio Revised Code, the State Teachers 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 pay a portion of the health care cost in the form of a monthly premium.

YOUNGSTOWN STATE UNIVERSITY

Notes to Financial Statements (cont.) For the Year Ended June 30, 2008

A portion of the University's contribution to STRS is set aside for the funding of postretirement health care. The portion used to fund health care was 1.0% in 2008, 2007 and 2006. Benefits are advance-funded, using an entry age normal actuarial cost method to determine the present value of benefit liabilities and normal cost.

Eligible benefit recipients at June 30, 2007 (the latest date information is available) were 122,934. The portion of the University's 2008, 2007 and 2006 contributions to STRS used to fund postretirement benefits was \$373,021, \$368,186, and \$358,454, respectively.

The health care reserve fund within the employers' trust fund from which payments for health care benefits are paid had a balance of \$4.1 billion at June 30, 2007.

Health care benefits paid by the plan were \$265,558,000 for the fiscal year ended June 30, 2007.

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.

The University is self-insured for a major portion of employee health care benefits.

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:

	2008	2007
Liability at beginning of fiscal year	\$ 1,000,000	\$ 1,008,160
Current year claims including changes in estimates	7,694,039	7,258,243
Claim payments	<u>(7,848,039)</u>	<u>(7,266,403)</u>
Liability at end of fiscal year	<u>\$ 846,000</u>	<u>\$ 1,000,000</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.

YOUNGSTOWN STATE UNIVERSITY

Notes to Financial Statements (cont.) For the Year Ended June 30, 2008

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.

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.

Note 17 – Component Units

Youngstown State University Foundation (YSUF) and University Housing Corporation (UHC) are nonprofit organizations that report under FASB standards, including FASB Statement No. 117, *Financial Reporting for Not-For-Profit Organizations*. 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 \$5,184,100 for the fiscal year ended June 30, 2008 and \$4,851,450 for the fiscal year ended June 30, 2007. Financial support from YSUF has been committed for fiscal year 2009 in the amount of \$5,581,550 and is reflected in deferred revenue on the University's Statement of Net Assets at June 30, 2008. At June 30, 2008 and June 30, 2007, \$4,200,000 and \$3,825,000, respectively, was due from YSUF and is included in pledges receivable on the University's Statement of Net Assets at June 30, 2008. In addition, rental income from YSUF of \$10,560 in fiscal year 2008 and \$10,560 in fiscal year 2007 was recorded and is reflected in the University's Statements of Revenues, Expenses and Changes in Net Assets.

YOUNGSTOWN STATE UNIVERSITY

Notes to Financial Statements (cont.) For the Year Ended June 30, 2008

Under the terms of an agreement with the University, the Foundation serves as an investment manager for the University's endowments and Athletic Facility (WATTS Center) trusts. 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, 2008 and June 30, 2007 was \$6,355,200 and \$5,930,535, respectively. The management services are provided at no charge and investments are made in a manner consistent with the YSUF funds.

The Foundation acts in an agent capacity by receiving monies from various donors for the benefit of Youngstown State University entities and remitting to these entities the monies collected. The amounts collected and remitted to the various entities by the Foundation in 2008 and 2007 amounted to \$261,513 and \$199,713, respectively.

UHC

UHC opened the University Student Courtyard Apartments in Fall 2003. The complex has 130 housing units for 408 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.

UHC Property

Property, facilities and equipment as of July 31, 2008 and 2007 are as follows:

	2008	2007
Buildings	\$ 17,108,042	\$ 17,442,241
Other capital asset	1,441,836	1,022,457
Total cost	<u>18,549,878</u>	<u>18,464,698</u>
Less accumulated depreciation:	<u>(2,898,153)</u>	<u>(2,197,696)</u>
Property, facilities and equipment, net	<u>\$ 15,651,725</u>	<u>\$ 16,267,002</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 JPMorgan Chase Bank as Remarketing Agent based on the weekly tax-exempt index as determined by JPMorgan Chase Bank, and are due at various dates until 2033. At July 31, 2008 and 2007, these variable interest rates were set at 4.63% and 3.6%, respectively, with an average weekly rate of 3.0% during fiscal year 2008 and 3.6% during fiscal year 2007. The bonds are secured by the assignment of incomes and revenues of the University Courtyard Project.

YOUNGSTOWN STATE UNIVERSITY

Notes to Financial Statements (cont.) For the Year Ended June 30, 2008

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 (\$1,742,041 at July 31, 2008 and 2007). 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.

Maturities of the bonds are as follows:

Year ending July 31,	Amount
2009	\$ 130,000
2010	175,000
2011	220,000
2012	270,000
2013	325,000
Thereafter	20,035,000
Total	<u>\$ 21,155,000</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 \$20,525,000 at July 31, 2008 and \$20,625,000 at July 31, 2007. 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 2008 and 2007 the 1-Month USD-LIBOR-BBA Index ranged from 2.38% to 5.32% (2.46% at July 31, 2008) and 5.32% to 5.42% (5.32% at July 31, 2007), respectively.

The fair value of the swap agreement at July 31, 2008 and 2007 was \$1,021,121 and \$429,618, 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, 2008 and 2007, the amount due to the Foundation from UHC is \$113,002 and \$112,645, respectively.

YOUNGSTOWN STATE UNIVERSITY

Notes to Financial Statements (cont.) For the Year Ended June 30, 2008

Board of Trustees

John L. Pogue, Chairperson	<i>Attorney Harrington, Hoppe & Mitchell, Ltd.</i>
Donald Cagigas	<i>President and Chief Professional Officer Youngstown/Mahoning Valley United Way</i>
Millicent S. Counts	<i>Executive Director United Methodist Community Center</i>
Larry D. DeJane, Vice Chair	<i>Mayor City of Salem</i>
Dr. Sudershan K. Garg	<i>Physician Blood & Cancer Center, Inc.</i>
Harry Meshel	<i>Former Ohio State Senator and Former Chair of the Ohio Democratic Party</i>
Dr. Dianne Bitonte Miladore	<i>Physician Member of the Clinical Faculty at Northeast Ohio Universities College of Medicine</i>
Erienne Raib	<i>Student Trustee</i>
Scott R. Schulick	<i>Vice President Butler Wick Trust Co.</i>
Dr. H. S. Wang	<i>Ophthalmologist Eye Care Associates, Inc.</i>
Franklin S. Bennett, Jr.	<i>Secretary to the Board</i>

Principal Administrators

David C. Sweet	<i>President</i>
Cynthia E. Anderson	<i>Vice President for Student Affairs</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, 2008

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-300-100193-40013	\$ 1,338	\$ –	\$ –	\$ 1,338
Total Department of Agriculture (USDA)			1,338	–	–	1,338
12 Department of Defense (DOD)						
Basic and Applied Scientific Research						
Pass-Through Entity Consortium for Oceanographic Research and Applied Scientific Research	12.300	NA06SEC4690002	–	–	15,036	15,036
Basic Scientific Research - Combating Weapons of Mass Destruction						
Pass-Through Entity Office of Naval Research	12.351	HDTRA1-08-1-0014	67,984	–	–	67,984
Basic Scientific Research						
Pass-Through Entity Army Research Lab	12.431	W911NF-07-1-0642	404,873	–	–	404,873
Air Force Defense Research Sciences Program	12.800		177,880	–	–	177,880
Total Department of Defense (DOD)			650,737	–	15,036	665,773
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	–	–	1,909	1,909
Community Development Block Grants/State's Program						
Pass-Through Entity Youngstown Community Development Agency	14.228	B-05-MC-39-0023	–	–	20,192	20,192
Supportive Housing Program	14.235		–	–	42,875	42,875
Community Outreach Partnership Center Program	14.511		–	–	22,227	22,227
Demolition and Revitalization of Severely Distressed Public Housing						
Pass-Through Entity Youngstown Metropolitan Housing Authority	14.866	OH12URD0021102	–	–	11,923	11,923
Total Department of Housing and Urban Development (HUD)			–	–	99,126	99,126
16 Department of Justice (DOJ)						
Community Capacity Development Office	16.595		–	–	207,773	207,773
Anti-Gang Initiative						
Pass-Through Entity Youngstown Police Department	16.744	2007-PS-PSN-339	–	–	9	9
Total Department of Justice (DOJ)			–	–	207,782	207,782
17 Department of Labor (DOL)						
WIA Adult Program						
Pass-Through Entity State of Ohio DoJFS	17.258	AA-16048-07-55-A-39	–	–	28,379	28,379
Incentive Grants - WIA Section 503						
Pass-Through Entity State of Ohio – Department of Development	17.267	ECDD06-142	–	–	222,252	222,252
Total Department of Labor (DOL)			–	–	250,631	250,631
20 Department of Transportation (DOT)						
University Transportation Centers Program	20.701		188,476	–	–	188,476
Total Department of Transportation (DOT)			188,476	–	–	188,476
43 National Aeronautics and Space Administration (NASA)						
Aerospace Education Services Program	43.001		37,469	–	–	37,469
Total of National Aeronautics and Space Administration (NASA)			37,469	–	–	37,469
45 National Endowment for the Humanities (NEH)						
Promotion of the Arts-Grants to Organizations and Individuals						
Pass-Through Entity National Endowment for the Arts	45.024	07-5100-8160	–	–	10,457	10,457
Total National Endowment for the Humanities (NEH)			–	–	10,457	10,457

YOUNGSTOWN STATE UNIVERSITY

Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2008

Program Title	CFDA #	Pass Through Number	Research and Development Cluster	Student Financial Assistance Cluster	Other Expenditures	Total Expenditures
47 National Science Foundation (NSF)						
Engineering Grants	47.041		32,273	-	-	32,273
Mathematical and Physical Sciences	47.049		400,164	-	-	400,164
Biological Sciences	47.074		121,136	-	-	121,136
Education and Human Resources	47.076		-	-	4,608	4,608
Education and Human Resources						
Pass-Through Entity Ohio State University	47.076	HRD-0331560	-	-	22,995	22,995
Total National Science Foundation (NSF)			553,573	-	27,603	581,176
59 Small Business Administration (SBA)						
Small Business Development Center						
Pass-Through Entity Small Business Development Centers of Ohio	59.037	N/A	-	-	119,514	119,514
Total Small Business Administration (SBA)			-	-	119,514	119,514
84 Department of Education (DOE)						
Federal Supplemental Educational Opportunity Grants	84.007		-	585,578	-	585,578
Federal Family Education Loan Program (see Note 2)	84.032		-	57,098,868	-	57,098,868
Federal Work Study Program	84.033		-	602,316	-	602,316
Federal Perkins Loan Program (see Note 2)	84.038		-	3,291,512	-	3,291,512
TRIO – Upward Bound	84.047		-	-	239,310	239,310
Vocational Education - Basic Grants to States	84.048		-	-	6,961	6,961
Federal Pell Grant Program	84.063		-	15,065,038	-	15,065,038
Business and International Education Projects	84.153A		-	-	78,699	78,699
Fund for the Improvement of Education	84.215		-	-	979	979
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334		-	-	7,008	7,008
Academic Competitiveness Grants	84.375		-	354,795	-	354,795
National Science and Mathematics Access to Retain Talent Grant (SMART)	84.376		-	198,000	-	198,000
Vocational Education – Basic Grants to States						
Pass-Through Entity State of Ohio Department of Education	84.048	319G-PSL-NT-07CG	-	-	79,816	79,816
Fund for the Improvement of Postsecondary Education						
Pass-Through Entity Brigham Young University	84.116	05-0136	-	-	20,169	20,169
Pass-Through Entity CUNY Research Foundation	84.116B	P116B060012	-	-	1,174	1,174
Fund for the Improvement of Education						
Pass-Through Entity Youngstown-Warren Regional Chamber	84.215k	U215K050295	-	-	2,750	2,750
Tech-Prep Education						
Pass-Through Entity State of Ohio Department of Education	84.243	Y243A060035	-	-	102,664	102,664
Twenty-First Century Community Learning Centers						
Pass-Through Entity Girard City Schools	84.287C	S287C050035	-	-	6,008	6,008
Twenty-First Century Community Learning Centers						
Pass-Through Entity Mahoning County Educational Service Center	84.287	N/A	-	-	1,350	1,350
Twenty-First Century Community Learning Centers						
Pass-Through Entity State of Ohio Department of Education	84.287	USAS 599	-	-	322,927	322,927
Twenty-First Century Community Learning Centers						
Pass-Through Entity Youngstown City Schools	84.287	S287C050035	-	-	156,051	156,051
Twenty-First Century Community Learning Centers						
Pass-Through Entity Austintown City Schools	84.287	S287C050035	-	-	11,267	11,267
Subtotal Twenty-First Century Community Learning Centers			-	-	491,595	491,595
Reading First State Grants						
Pass-Through Entity Cleveland State University	84.357	WIP-00328	-	-	65,335	65,335
Mathematics and Science Partnerships						
Pass-Through Entity State of Ohio Department of Education	84.366	PublicLaw 107-110	-	-	1,112,341	1,112,341
Improving Teacher Quality State Grants						
Pass-Through Entity Ohio Board of Regents	84.367	S367B070030A	-	-	73,875	73,875
Total Department of Education (DOE)			-	77,196,107	2,288,684	79,484,791

YOUNGSTOWN STATE UNIVERSITY

Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2008

Program Title	CFDA #	Pass Through Number	Research and Development Cluster	Student Financial Assistance Cluster	Other Expenditures	Total Expenditures
93 Department of Health and Human Services (HHS)						
Temporary Assistance for Needy Families						
Pass-Through Entity Youngstown City Schools	93.558	019.SPCC 9802	-	-	61,353	61,353
Community Services Block Grant – Discretionary Awards	93.570		-	-	2,156	2,156
Refugee and Entrant Assistance – Wilson/Fish Program						
Pass-Through Entity Stony Brook University	93.583	1052682-2-38502	24,715	-	-	24,715
Adoption Opportunities						
Pass-Through Entity NE Ohio Adoption Services	93.652	N/A	-	-	11,165	11,165
Microbiology and Infectious Diseases Research	93.856		6,183	-	-	6,183
Total Department of Health and Human Services (HHS)			30,898	-	74,674	105,572
Corporation for Public Broadcasting (CPB)						
WYSU-FM Audience Service Challenge Grant Phase II	*	N/A	-	-	5,000	5,000
CPB Community Service Grant 05-07	*	N/A	-	-	120,685	120,685
Total Corporation for Public Broadcasting (CPB)			-	-	125,685	125,685
Total Federal Expenditures			\$ 1,462,491	\$ 77,196,107	\$ 3,219,192	\$ 81,877,790

* - 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, 2008

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 which includes Stafford Loans and Supplemental Loans for Students. The University originates but does not provide funding for Federal Family Education Loans (FFELs). The \$57,090,868 presented on the Schedule of Expenditures of Federal Awards (84.032) represents the value of new FFELs awarded by outside lenders during the year.

Federal Perkins Loan Program

The amount 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, 2008 totaled \$628,143.



Crowe Horwath LLP
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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, 2008, 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting 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 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 14, 2008.

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

Columbus, Ohio
October 14, 2008



Crowe Horwath LLP
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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE 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 are applicable to its major federal program for the year ended June 30, 2008. 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 are applicable to its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The 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, 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 *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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 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.

We noted certain other matters that we have reported to management in a separate letter dated October 14, 2008.

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 14, 2008

YOUNGSTOWN STATE UNIVERSITY

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2008

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

Federal Awards

Internal Control over major programs:

Material weakness(es) identified? _____ Yes X No

Significant deficiencies identified not
considered to be material weaknesses? _____ Yes X None
Reported

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

Any audit findings disclosed that are required to be
reported in accordance with Section .510(a) of
OMB Circular A-133? _____ Yes X No

YOUNGSTOWN STATE UNIVERSITY

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2008

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
84.375	Academic Competitiveness Grants
84.376	National Science and Mathematics Access to Retain Talent Grants
	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
12.800	Air Force Defense Research Sciences Program
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
93.583	Refugee and Entrant Assistance – Wilson/Fish Program
93.856	Microbiology and Infectious Diseases Research
84.366	Mathematics and Science Partnerships

Dollar threshold used to distinguish between Type A and Type B programs: \$644,622

Auditee qualified as low-risk auditee? X Yes No

Section II - Financial Statement Findings

There were no findings for the year ended June 30, 2008.

Section III - Federal Award Findings

There were no findings for the year ended June 30, 2008.

YOUNGSTOWN STATE UNIVERSITY

Summary Schedule of Prior Audit Findings For the Year Ended June 30, 2008

Finding 07-01

Grant revenue is not being deferred appropriately by the University in accordance with the specifications of the contract.

Status: Appropriate corrective action has been taken.

Finding 07-02

The University does not have sufficient internal controls in place around Period of Availability to ensure that expenditures are recorded in the proper period.

Status: Appropriate corrective action has been taken.

Finding 07-03

Not every procurement action is supported by documentation of cost or price analysis in the procurement files.

Status: Appropriate corrective action has been taken.

Finding 07-04

Entities are required to ensure its vendors are not suspended or debarred by reviewing the *Excluded Parties List System* maintained by the General Services Administration, collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity.

Status: Appropriate corrective action has been taken.

**YOUNGSTOWN STATE UNIVERSITY
INTERCOLLEGIATE ATHLETICS DEPARTMENT**

**Report of Independent Accountants on
Applying Agreed-Upon Procedures
June 30, 2008**

YOUNGSTOWN STATE UNIVERSITY
INTERCOLLEGIATE ATHLETICS DEPARTMENT

AGREED-UPON PROCEDURES
REQUIRED BY THE NCAA
June 30, 2008

CONTENTS

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

Dr. David Sweet, 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 for the year ended June 30, 2008. Management of the University is responsible for the Statement of Revenues and Expenses ("Statement") and the Statement'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 Accounts. 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, 2008, 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 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.
4. We identified two 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. We agreed each of the selected contributions to supporting documentation maintained by the University, noting no exceptions.
5. We selected a sample of 1 operating revenue receipt and agreed the revenue receipt to supporting documentation maintained by the University, noting no exceptions.
6. 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 football summary, noting no exceptions.
7. We obtained a summary of basketball ticket revenues. We agreed basketball ticket revenues from the summary to supporting schedules for three games, noting no exceptions.
8. We agreed the guarantee revenues (away games) and expenditures (home games) to the signed contracts and other supporting documentation, noting no exceptions.
9. We agreed the Federal Work Study support recorded by the Athletics Department with federal appropriations and/or other supporting documentation, noting no exceptions.
10. We agreed the General Fund Allocation in the Statement to the amount approved by the Board of Trustees for the year, noting no exceptions.
11. We obtained the detail of NCAA revenue sharing and agreed it to the Statement and to the NCAA distribution reports, noting no exceptions.
12. 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 the total radio revenues to the Statement, noting no exceptions.
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 selected 2 sports-camp participant cash receipts and noted neither check copy nor participant application was retained by the University. The University has since updated the record retention section of the Youth Camp/Clinic Manual to include youth camp registrations.

15. We selected 3 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.
16. We selected a sample of 10 student athletes who received institutional financial aid during the year ended June 30, 2008 and agreed the award amount per the student's account detail to the related award letter, noting no exceptions.
17. We obtained a listing of coaches employed by the University and other third parties that are not included in the University's general ledger. We selected coaches for football, men's and women's basketball, and a selection of two other coaches and obtained the related contracts. We obtained the W-2's and 1099's for the coaches selected above and agreed amounts appearing in the W-2's and 1099's to the related expenses in the Statement. Because the W-2's are for the year ended December 31, 2007, and the salaries and benefit expense per the Statement are for the fiscal year ended June 30, 2008, the total compensation per the W-2's did not agree with the salaries and benefits expense per the Statement as expected.
18. 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 third party coaches.
19. We obtained a listing of administrative employees of the Athletics Department and other third parties that are not included in the University's general ledger. We selected 5 administrative employees of the Athletics Department and obtained the W-2's and 1099's for the employees selected and agreed the amounts appearing in the W-2's and 1099's to the related expenses in the Statement. Because the W-2's are for the year ended December 31, 2007, and the salaries and benefit expense per the Statement are for the fiscal year ended June 30, 2008, the total compensation per the W-2's did not agree with the salaries and benefits expense per the Statement as expected.
20. 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 third party administrative employees.
21. We noted there were no athletics employees receiving severance payments by the University during the reporting period.
22. We obtained copies of the University's recruiting and travel policies. We read the policies and agreed them to the NCAA policies, noting they are consistent. 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, noting no exceptions.

23. We selected a sample of 6 equipment, uniform and/or supplies expense transactions and agreed the expense transaction to supporting documentation maintained by the University, noting no exceptions.
24. We selected a sample of 3 fundraising, marketing and/or promotion expense transactions and agreed them to supporting documentation, noting no exceptions.
25. We selected a sample of 3 facilities, maintenance and rental expense transactions and agreed the expense transaction to supporting documentation maintained by the University, noting no exceptions.
26. We selected a sample of 1 spirit group expense transactions and agreed the expense transaction to supporting documentation maintained by the University, noting no exceptions.
27. We selected a sample of 1 medical expense and insurance expense transactions and agreed the expense transaction to supporting documentation maintained by the University, noting no exceptions.
28. We selected a sample of 1 memberships and dues expense transactions and agreed the expense transaction to supporting documentation maintained by the University, noting no exceptions.
29. We selected a sample of 8 other expense transactions and agreed the expense transaction to supporting documentation maintained by the University, noting no exceptions.

Procedures Related to the Internal Accounting Controls

30. We obtained an understanding of the general control environment which included the following: (1) departmental organization, (2) control consciousness of department employees, (3) competency of personnel, (4) adequate safeguarding and control of department records and assets, and (5) controls over interactions with information technology department.
31. 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 found that the University receives an external audited report on an annual basis.

Procedures Related to the Penguin Club

32. We obtained the list of outside programs and related financial activities for the year ended June 30, 2008, which is included on page 7 of this report. Management represented that the Penguin Club was the only "outside organization" which had expenditures for or on behalf of the University's Intercollegiate Athletics Program. The Penguin Club's related financial activities for the year ended June 30, 2008 are shown in Schedules 2 and 3.
-

33. We agreed the Penguin Club's revenues and expenses to a confirmation obtained directly from the Penguin Club, noting no exceptions.
34. We noted the amounts included in Schedules 2 and 3 are not included in Schedule 1.
35. We received the audited financial statements of the Penguin Club for the year ended June 30, 2008, which reflected an unqualified opinion.

Procedures Related to the Athletics Assets

36. We were informed by management that the Intercollegiate Athletics Department follows the University's policies and procedures for acquiring, approving, depreciating and disposing of assets. Capital assets are stated at cost or fair value at date of gift. The University's capitalization threshold for equipment, furniture, and vehicles is \$5,000, and for 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 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 are 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.

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. 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 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 10, 2008

Schedule 1
 Youngstown State University
 Intercollegiate Athletics Department
 Statement of Revenue and Expenses
 For the Year Ended June 30, 2008 (Unaudited)

	Unrestricted Auxiliary				Restricted	Designated	Plant Endowment & Quasi-Endowment	Total
	Football	Basketball	Other Sports	Non-Program Specific				
Revenue								
Ticket Sales	\$ 481,464	\$ 141,178	\$ 5,052	\$	\$	\$	\$	\$ 627,694
Guarantees	650,000	68,000						718,000
Contributions		218	32,884		481,678		590,627	1,105,407
Direct State or Other Government Support					9,088			9,088
Direct Institutional Support				7,064,739	3,029			7,067,768
NCAA/Conference Distributions	114,130	60,140	261,424	1,648	60,800			498,142
Broadcast Television, Radio, & Internet Rights				46,335				46,335
Program Sales & Concessions	173,684	35,823	236	75,363				285,106
Royalties, Licensing, Advertisements & Sponsorships	606,615	70,775		36,898				714,288
Sports-Camp Revenues				309,946				309,946
Endowment & Investment Income					1,635		5,922	7,557
Other	29,366			195,553	(10,119)			214,800
Subtotal Revenue	2,055,259	376,134	299,596	7,730,482	546,111		596,549	11,604,131
Expenses								
Athletic Student Aid	1,051,236	535,424	1,516,634	79,529	144,337			3,327,160
Guarantees	118,000	9,083						127,083
Coaching Salaries, Benefits & Bonuses Paid by the University	751,758	667,316	698,847	39,846				2,157,767
Support Staff/ Administrative Salaries, Benefits & Bonuses Paid by the University	23,333			1,771,796	73,247			1,868,376
Recruiting	54,270	83,989	40,665	222	6,082			185,228
Team Travel	201,967	165,264	338,059	799	94,749			800,838
Equipment, Uniforms & Supplies	79,136	42,351	75,886	154,343	99,760	27,056	2,714	481,246
Fund Raising, Marketing & Promotion	9,434	17,766	2,091	183,224	38,065			250,580
Sports Camp Expenses				292,312				292,312
Direct Facilities, Maintenance & Rental		1,287	55,831	116,437	69,356	12,944	6,782	262,637
Spirit Groups				24,170				24,170
Medical Expenses & Medical Insurance				45,000	67			45,067
Membership & Dues				20,745				20,745
Other Operating Expenses	184,735	111,714	55,583	252,763	40,855		(301)	645,349
Subtotal Expenses	2,473,869	1,634,194	2,783,596	2,981,186	566,518	40,000	9,195	10,488,558
Revenues (Less Than) in Excess of Expenditures	(418,610)	(1,258,060)	(2,484,000)	4,749,296	(20,407)	(40,000)	587,354	1,115,573
Transfer out to/(in from) other funds	40,611	7,354	4,289	26,762	(52,253)		(26,763)	
Transfers for Capital improvements				403,744			(403,744)	
Mandatory transfers for indebtedness				157,289				157,289
	40,611	7,354	4,289	587,795	(52,253)		(430,507)	157,289
Revenues (Less Than) in Excess of Expenditures, Transfers & Reserve	\$ (459,221)	\$ (1,265,414)	\$ (2,488,289)	\$ 4,161,501	\$ 31,846	\$ (40,000)	\$ 1,017,861	\$ 958,284

Schedule 2
 Youngstown State University
 Schedule of Intercollegiate Athletics Program
 Support by Booster Organization
 For the Year Ended June 30, 2008 (Unaudited)

Booster Organization	Beginning Fund Balance	Adjustments	Revenues	Expenses	Ending Fund Balance
The Penguin Club, Inc.	\$ 622,885	\$ -	\$ 643,428	\$ 507,449	\$ 758,864

Schedule 3
Youngstown State University
Schedule of Financial Activities of the Penguin Club
For the Year Ended June 30, 2008 (Unaudited)

Booster Organization

Miscellaneous Expense	\$ 180,697
Century Kingbird Tickets	201,530
Membership Drive Expense	2,455
Sports Banquets	15,794
Athletic Awards	8,298
Scholarship Recognitions	17,530
Executive Director Expenses	4,374
Car Lease	<u>8,725</u>
 Total	 <u><u>\$ 439,403</u></u>



WYSU-FM
Youngstown State
University Radio

FINANCIAL REPORT
AND
SCHEDULE OF NONFEDERAL
FINANCIAL SUPPORT

for the Years Ended
June 30, 2008 and 2007

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WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

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Crowe Horwath LLP
Member Horwath International

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 year ended June 30, 2008, 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 audit. The financial statements of the Station as of June 30, 2008, were audited by other auditors whose report dated December 18, 2007, expressed an unqualified opinion on those statements.

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. 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 audit provides 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, 2008 and 2007, 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, based on our audit, 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, 2008 and the respective 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.

The Management's Discussion and Analysis (MD&A) on pages 3 through 9 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 December 9, 2008 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 conducted for the purpose of forming opinions on the financial statements that collectively comprise the Station's 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 basic financial statements. The Schedule of Nonfederal Financial Support have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Crowe Horwath LLP". The signature is written in a cursive, flowing style.

Crowe Horwath LLP

Columbus, Ohio
December 9, 2008

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

MANAGEMENT'S DISCUSSION AND ANALYSIS

This 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, 2008 with comparative information for the fiscal years ended June 30, 2007 and June 30, 2006. 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 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, on its HD 1 (digital) channel, and on an Internet stream; and also broadcasts all classical music on its HD 2 channel and second Internet stream. The Station broadcasts at 88.5 MHz in Youngstown, Ohio at 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 Youngstown State University'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-FM 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 GASB 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

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

reporting for public colleges and universities 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, membership revenue, and underwriting support, 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
- Growth in underwriting and membership activity
- Achievement of membership goals for both Fall 2007 and Spring 2008 Fund Drives

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, 2008</u>	<u>June 30, 2007</u>	<u>June 30, 2006</u>
Assets			
Current assets	\$ 947,646	\$ 859,113	\$ 785,860
Other noncurrent assets	139,600	152,604	136,672
Capital assets, net	217,604	242,936	115,358
Total Assets	<u><u>1,304,850</u></u>	<u><u>1,254,653</u></u>	<u><u>1,037,890</u></u>
Liabilities			
Current liabilities	43,089	81,726	13,339
Noncurrent liabilities	68,802	79,277	64,705
Total Liabilities	<u>111,891</u>	<u>161,003</u>	<u>78,044</u>
Total Net Assets	<u><u>\$ 1,192,959</u></u>	<u><u>\$ 1,093,650</u></u>	<u><u>\$ 959,846</u></u>
Net Assets			
Invested in capital assets, net of related debt	217,604	242,936	115,358
Restricted	140,276	185,798	272,889
Unrestricted	835,079	664,916	571,599
Total Net Assets	<u><u>\$ 1,192,959</u></u>	<u><u>\$ 1,093,650</u></u>	<u><u>\$ 959,846</u></u>

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

2008 Versus 2007

Current assets, consisting primarily of cash and cash equivalents, increased \$88,533 or 10% from fiscal year 2007 to fiscal year 2008 primarily due to increases in underwriting support and membership receipts. Noncurrent assets which represent endowment investments decreased \$13,004 or 9% largely due to a decrease in the carrying value of investments resulting from unfavorable market conditions. Net capital assets decreased \$25,332 or 10% due to the disposal of a piece of broadcasting equipment coupled with the continued depreciation of existing assets. Refer to notes 2-4 for additional information about cash and cash equivalents, investments, and capital assets.

Current and noncurrent liabilities consist of accounts payable, deferred revenue on underwriting contracts, and compensated absences. In total, liabilities decreased \$49,112 or 31% from fiscal year 2007 to fiscal year 2008. The decline was primarily due to the prior year including a \$27,802 payable due back to the granting agency, as a result of the project coming in under budget.

Overall, the Station's net assets increased \$99,309 or 9% from \$1,093,650 at June 30, 2007 to \$1,192,959 at June 30, 2008. This increase was primarily due to an increase in unrestricted net assets. Unrestricted net assets increased \$170,163 or 26% due to current year underwriting revenues and membership income exceeding related expenses. Net assets invested in capital assets, net of related debt decreased due to the sum of current year capital asset disposals and depreciation outweighing current year additions.

Restricted net assets including nonexpendable and expendable net assets totaled \$140,276 at June 30, 2008 compared to \$185,798 at June 30, 2007, a decrease of \$45,522 or 25%. Restricted nonexpendable net assets represent the Station's endowment, which decreased \$13,004 or 9% from fiscal year 2007 to fiscal year 2008 due to decreases in realized gains and increases in unrealized losses. Restricted expendable net assets decreased \$32,518 or 98% as the annual Corporation for Public Broadcasting (CPB) grant was expended in full in fiscal year 2008, whereas a portion of the prior year grant was not fully expended until after June 30, 2007.

2007 Versus 2006

Current assets increased \$73,253 or 9% from fiscal year 2006 to fiscal year 2007 due to increases in the general appropriation from the University and investment income. In addition, more resources remained in the Station's membership fund due to increased operational support from the University. Net capital assets increased \$127,578 or 111% in fiscal year 2007 due to the purchase of a Transmitter System and a Generator.

Total liabilities remained fairly consistent between fiscal years 2006 and 2007. There were slight increases in both accounts payable and compensated absences.

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

Overall, the Station's net assets increased \$133,804 or 14% from June 30, 2006 to June 30, 2007. This increase is largely due to increases in both the invested in capital assets, net of related debt and unrestricted net asset categories. Net assets invested in capital assets, net of related debt increased due to the purchase of a Transmitter System and a Generator. Unrestricted net assets increased \$93,317 or 16% primarily due to membership income exceeding related expenses. In addition, WYSU-FM received capital grants in fiscal year 2006 for the purchase of the transmitter. Similar grants were not received in fiscal year 2007, thus causing restricted expendable net assets to decrease by \$103,023 or 76%.

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 generally reported as either operating or non-operating. Operating revenues are generated by an annual Community Service Grant from the Corporation for Public Broadcasting 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, subscription and 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:

	<u>June 30, 2008</u>	<u>June 30, 2007</u>	<u>June 30, 2006</u>
Total operating revenues	\$ 437,756	\$ 454,475	\$ 461,917
Total operating expenses	<u>1,150,699</u>	<u>1,292,292</u>	<u>1,185,809</u>
Operating loss	(712,943)	(837,817)	(723,892)
Net Non-operating revenues	<u>812,246</u>	<u>865,614</u>	<u>767,751</u>
Gain before other revenue, expenses, and changes	99,303	27,797	43,859
Total other revenue, expenses, and changes	<u>6</u>	<u>106,007</u>	<u>72,500</u>
Increase in Net Assets	99,309	133,804	116,359
Net Assets at the beginning of the year	<u>1,093,650</u>	<u>959,846</u>	<u>843,487</u>
Net Assets at the end of the year	<u>\$ 1,192,959</u>	<u>\$ 1,093,650</u>	<u>\$ 959,846</u>

2008 Versus 2007

Total operating revenues decreased slightly between fiscal years 2007 and 2008. The \$16,719 or 4% decrease resulted from a combined decline in in-kind contributions from e-Tech Ohio coupled with an increase in underwriting revenue. Increases were achieved in both underwriting income and in the number of underwriters. Underwriting income

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

increased 37% while the number of underwriters increased 13%. Twenty-two new underwriters were contracted throughout the fiscal year, bringing the total number of underwriting sponsors to 189.

Total operating expenses decreased \$141,593 or 11% between fiscal years 2007 and 2008. Of the decrease, \$111,263 or 14% was attributed to declines in program services while \$30,330 or 6% was attributed to a decrease in support services. In the program service category, programming and production and broadcasting expenses showed the greatest decreases. As in-kind contributions from e-Tech Ohio declined the Station's pro-rata share of e-Tech Ohio's operating expenses decreased as expected. These expenses are split between the programming and production and broadcasting categories. In the support services category, the fundraising and membership development and underwriting categories showed the greatest declines. These decreases primarily stem from reductions in salary and fringe expenses due to employment changes and temporary staffing vacancies.

Net non-operating revenues decreased \$53,368 or 6% largely due to a combination of a net decrease in the support from the University, unfavorable investment market conditions, and increases in subscription and membership revenue. The \$46,498 or 9% decrease in the general appropriation from the university was largely due to decreased compensation resulting from staffing vacancies. The \$18,797 or 16% increase in donated facilities and administrative support resulted from increased University costs. The \$8,881 or 4% increase in subscription and membership income was the result of a combination of factors, including the growth and maturation of WYSU-FM's news and information audience, the implementation of a comprehensive station marketing plan, and the establishment of several high-profile community partnerships. The \$5,763 decrease in net revenue from fundraising activities was due to decreased fundraising efforts resulting from staffing vacancies. The \$28,785 decrease in net investment income for the endowment fund resulted from unfavorable market conditions.

Total other revenues, expenses, and changes decreased \$106,001 or 100% primarily due to decreases in capital gifts and grants. The Station received a radio conversion grant, a capital grant for their generator, and an award from e-Tech Ohio for the WYSU-FM transmitter project in fiscal year 2007, but did not receive any similar capital grants in fiscal year 2008 as these projects were complete.

2007 Versus 2006

Total operating revenues remained fairly consistent between fiscal years 2006 and 2007. The \$97,863 or 13% increase in net non-operating revenues between fiscal years 2006 and 2007 was primarily due to increases in the general appropriation from the University and investment income.

Total operating expenses increased \$106,483 or 9% between fiscal years 2006 and 2007. Of the increase between fiscal year 2006 and fiscal year 2007, \$85,418 or 12% was attributed to increases in program services while support services increased \$21,065 or 4%. In the

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

program service category, broadcasting expenses showed the greatest increase, \$50,582 or 24%, due to increases in in-kind expenses and maintenance and repair expenses. In the support services category, clerical expenses increased \$10,513 or 19% due to increases in salaries and fringes. Depreciation expense increased \$18,179 or 40% due to additional depreciation resulting from the new Transmitter System.

Between fiscal year 2006 and fiscal year 2007, total other revenues, expenses, and changes increased \$33,507 or 46% primarily due to a grant from eTech Ohio in fiscal year 2007.

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. The Station's healthy financial position is reflected in its upgraded capital assets and stable unrestricted net asset balances.

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. A continued decline in economic conditions may impact WYSU-FM in the future. Fortunately, income streams remained stable or even increased in fiscal year 2008. Of special note is that WYSU-FM achieved its membership goals for both the fall 2007 and spring 2008 fund drives. Both of these on-air drives raised over \$100,000 for the Station.

The station also filled a crucial development staff position in June 2008 that had been open since August 2007. This will allow for greater attention to all four prongs of development: membership, underwriting, marketing, and special events.

Audience numbers were positive in fiscal year 2008. The WYSU-FM weekly audience increased by 3,200 people during the survey periods for fiscal year 2008. This increase came primarily from growth in the "fringe" audience, those for whom WYSU-FM is not their primary station. Loyalty of the "core" audience did remain solid and consistent. The news and information format accounts for 61% of all listening to the station; and the classical music format accounts for 31% of all listening.

Due to the steady support of Youngstown State University, the perceived value of the station by the community, and the productive work and inspired commitment of the station's small staff, the Station had a strong year in fiscal year 2008 and has established goals for continued success in fiscal year 2009.

Following are WYSU-FM's Fiscal Year 2009 Priority Statements:

- Expand listenership in the traditional audience and reach new audiences by building awareness, marketing, and outreach efforts through the implementation of fall and spring billboard campaigns; expanding trades, media sponsorships, and partnerships; and full realization of a WYSU-FM "speaker's bureau."

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

- Secure, enhance, and expand the broadcast service by renewing the antenna site lease, installing a new antenna for the 88.5 signal, and redesigning the public website.
- Secure, enhance, and expand audience service by more effective cross-promotion of programming across formats and program delivery systems, by expanding and refining training of air staff, and by refining and expanding local public affairs programs.
- Continue to develop infrastructure by expanding and upgrading the ENCO Audio Delivery System, engaging a consultant to create a new facilities financing and development plan, and upgrading computer/network infrastructure.

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

STATEMENTS OF NET ASSETS AT JUNE 30, 2008 AND 2007

	2008	2007
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 931,661	\$ 846,013
Interest receivable	906	853
Accounts receivable (net of allowance of \$3,397 in 2008 and \$1,342 in 2007)	7,802	5,550
Pledges receivable (net of allowance of \$2,963 in 2008 and \$7,076 in 2007)	7,277	6,697
Total Current Assets	947,646	859,113
Noncurrent Assets		
Endowment investments	139,600	152,604
Capital assets, net	217,604	242,936
Total Noncurrent Assets	357,204	395,540
Total Assets	1,304,850	1,254,653
 LIABILITIES		
Current Liabilities		
Accounts payable	31,934	64,878
Deferred revenue	6,422	9,098
Compensated absences	4,733	7,750
Total Current Liabilities	43,089	81,726
Noncurrent Liabilities		
Compensated absences	68,802	79,277
Total Noncurrent Liabilities	68,802	79,277
Total Liabilities	111,891	161,003
 NET ASSETS		
Invested in capital assets, net of related debt	217,604	242,936
Restricted:		
Nonexpendable	139,600	152,604
Expendable	676	33,194
Unrestricted	835,079	664,916
Total Net Assets	\$ 1,192,959	\$ 1,093,650

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, 2008 AND 2007

	2008	2007
REVENUES		
Operating Revenues		
Corporation for Public Broadcasting grant	\$ 138,043	\$ 130,420
In-Kind contributions	134,002	192,092
eTech Ohio Commission grant	37,099	38,400
Underwriting revenue	128,612	93,563
Total Operating Revenues	437,756	454,475
EXPENSES		
Operating Expenses		
Program Services:		
Programming and production	400,063	461,066
Broadcasting	206,058	259,837
Program information	47,151	42,561
Traffic and continuity	9,508	10,579
Support Services:		
Management and general	253,828	236,935
Fund raising and membership development	56,093	81,431
Underwriting	33,691	69,721
Clerical	57,606	66,094
Depreciation	86,701	64,068
Total Operating Expenses	1,150,699	1,292,292
Operating Loss	(712,943)	(837,817)
NON-OPERATING REVENUES (EXPENSES)		
General appropriation from the University	469,354	515,852
Donated facilities and administrative support from the University	137,279	118,482
Subscription and membership revenue	217,591	208,710
Net (expenses) revenue from fund raising	(5,066)	697
Investment (loss) income, net of investment expense	(6,912)	21,873
Net Non-operating Revenues	812,246	865,614
Gain before other revenues, expenses, and changes	99,303	27,797
OTHER REVENUES, EXPENSES, AND CHANGES		
Capital grants and gifts	-	105,991
Additions to the principal of endowments	6	16
Total other revenues, expenses, and changes	6	106,007
Total increase in Net Assets	99,309	133,804
NET ASSETS		
Net Assets at the beginning of the year	1,093,650	959,846
Net Assets at the end of the year	\$ 1,192,959	\$ 1,093,650

See accompanying notes to financial statements.

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Corporation for Public Broadcasting grant	\$ 106,294	\$ 175,832
Receipts from eTech Ohio Commission grant	37,099	38,400
Business & underwriting support	124,623	101,057
Payments to suppliers	(301,142)	(346,448)
Payments to employees	(374,729)	(391,659)
Payments for benefits	(132,472)	(131,794)
Total Cash Flows Used in Operating Activities	(540,327)	(554,612)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
General appropriation from the University	469,354	515,852
Membership receipts	217,011	211,693
Fundraising receipts	2,675	33,238
Payments for fundraising	(7,740)	(32,541)
Total Cash Flows Provided By Noncapital Financing Activities	681,300	728,242
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	5,853	6,004
Purchase of investments	191	-
Total Cash Flows Provided by Investing Activities	6,044	6,004
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Grant for capital purchases	-	105,991
Purchase of capital assets	(61,369)	(191,646)
Total Cash Flows Used in Capital Financing Activities	(61,369)	(85,655)
NET INCREASE IN CASH & CASH EQUIVALENTS	85,648	93,979
Cash & Cash Equivalents - Beginning of year	846,013	752,034
Cash & Cash Equivalents - End of year	\$ 931,661	\$ 846,013
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating loss	\$ (712,943)	\$ (837,817)
Adjustments to reconcile operating loss to cash flows used in operating activities:		
Depreciation	86,701	64,068
Donated facilities & administrative support from the University	137,279	118,482
Changes in assets & liabilities:		
Accounts receivable, net	(2,252)	17,696
Accounts payable and compensated absences	(49,112)	82,959
CASH FLOWS USED IN OPERATING ACTIVITIES	\$ (540,327)	\$ (554,612)

See accompanying notes to financial statements.

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

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.

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.
- 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 and initiatives, capital programs, and operating reserves.

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2008

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. When an expense is incurred that can be paid using either restricted or unrestricted resources the Station's policy is to first apply the expense towards restricted resources, and then toward unrestricted resources.

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 79 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.

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2008

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.

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.

Compensated Absences - Accumulated unpaid vacation 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. Institutional 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 Corporation of Public Broadcasting 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.

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2008

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 deposits.

The aggregate cost of repurchase agreements, which approximates fair value, included in cash and cash equivalents is \$2,097,728 and \$369,054 at June 30, 2008 and 2007, 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 public monies on deposit at the depository bank. Subsequent to June 30, 2008 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, 2008 and 2007 consist of the following:

	<u>2008</u>	<u>2007</u>
YSU Carrying Amount (Cash and cash equivalents)	<u>\$ 10,087,635</u>	<u>\$ 14,036,063</u>
FDIC Insured	\$ 118,295	\$ 117,893
Uninsured but collateralized by pools of securities pledged by the depository banks	3,086,280	1,919,177
Uninsured but assets held in name of YSU not pledged as collateral elsewhere	<u>6,824,458</u>	<u>13,596,796</u>
Bank Balance	<u>\$ 10,029,033</u>	<u>\$ 15,633,866</u>

The Station's cash and cash equivalents are included in these totals and were \$931,661 and \$846,013 at June 30, 2008 and 2007, respectively.

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 \$18,925 as of June 30, 2008 and \$17,893 as of June 30, 2007, which approximates market. These deposits, including interest on the investments, are retained in the trust for payment of principal and interest on the related outstanding indebtedness.

On September 19, 2008, the United States Treasury Department announced a temporary guarantee program for money market funds whereby the U.S. Treasury will guarantee the share price of any publicly offered eligible money market mutual fund that applies for and pays a fee to participate in the program. The temporary guarantee program has an initial three month term and the Secretary has the option to renew the program up through

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2008

September 18, 2009. On November 24, 2008, the United States Treasury Department announced an extension of the Treasury's Temporary Guarantee Program for Money Market Funds until April 30, 2009 to support ongoing stability in this market. Both of the University's primary money market mutual funds, totaling \$1,305,753 at June 30, 2008, are participating in the program. Also, the FDIC limit was increased from \$100,000 to \$250,000 as part of the Emergency Economic Stabilization Act enacted in October 2008.

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, 2008, 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 utilizes investment advisors 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. The total University investments held by YSUF were \$5,218,351 as of June 30, 2008 and \$5,930,535 as of June 30, 2007.

The University has implemented GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, which requires certain reporting changes for the disclosure of deposits and investment risk.

As of June 30, 2008 the Station had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
Common Stock	\$ 83,653	\$ 83,653	\$ -	\$ -	\$ -
Corporate Bonds	8,137	1,341	2,054	3,911	831
Preferred Stock	6,935	5,342	-	-	1,593
U.S. Government Bonds	40,875	-	-	28,029	12,846
	<u>\$ 139,600</u>	<u>\$ 90,336</u>	<u>\$ 2,054</u>	<u>\$ 31,940</u>	<u>\$ 15,270</u>

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

As of June 30, 2008, investments had the following quality credit ratings:

Investment Type	Fair Value	Aaa	Aa	A	Baa	Unrated
Corporate Bonds	\$ 8,137	\$ 1,259	\$ 831	\$ 4,706	\$ 1,341	\$ -
U.S. Government Bonds	40,875	40,875	-	-	-	-
	<u>\$ 49,012</u>	<u>\$ 42,134</u>	<u>\$ 831</u>	<u>\$ 4,706</u>	<u>\$ 1,341</u>	<u>\$ -</u>

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2008

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 counterparty, or are held by the counterparty's trust department or agent but not in the name of the University. At June 30, 2008 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, 2008, the University had no 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, 2008 was as follows:

Capital Assets	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable assets:				
Construction-in-progress	\$ -	\$ 28,909	\$ -	\$ 28,909
Depreciable assets:				
Building, antenna, and tower	330,471	-	30,305	300,166
Studio and broadcast equipment	307,022	32,460	-	339,482
	637,493	61,369	30,305	668,557
Less: Accumulated depreciation	394,557	86,701	30,305	450,953
Capital assets, net	<u>\$ 242,936</u>	<u>\$ (25,332)</u>	<u>\$ -</u>	<u>\$ 217,604</u>

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NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2008

Capital assets activity for the year ended June 30, 2007 was as follows:

Capital Assets	Beginning Balance	Additions	Reductions	Ending Balance
Depreciable assets:				
Building, antenna, and tower	\$ 170,048	\$ 160,423	\$ -	\$ 330,471
Studio and broadcast equipment	275,799	31,223	-	307,022
	445,847	191,646	-	637,493
Less: Accumulated depreciation	330,489	64,068	-	394,557
Capital assets, net	<u>\$ 115,358</u>	<u>\$ 127,578</u>	<u>\$ -</u>	<u>\$ 242,936</u>

Note 5 – Long Term Liabilities

Long-term liability activity for the year ended June 30, 2008 was as follows:

	Beginning Balance	Net Additions	Ending Balance	Current Portion
Compensated absences	<u>\$ 87,027</u>	<u>\$ (13,492)</u>	<u>\$ 73,535</u>	<u>\$ 4,733</u>

Long-term liability activity for the year ended June 30, 2007 was as follows:

	Beginning Balance	Net Additions	Ending Balance	Current Portion
Compensated absences	<u>\$ 70,181</u>	<u>\$ 16,846</u>	<u>\$ 87,027</u>	<u>\$ 7,750</u>

Note 6 - 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's, 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, 2008

Direct Income	\$ 858,568
Indirect Administrative Support	137,279
In-Kind Contributions of Services and Other Intangibles	<u>134,002</u>
Total Nonfederal Financial Support	<u>\$ 1,129,849</u>



Crowe Horwath LLP
Member Horwath International

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, 2008, 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, 2008 and 2007, 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.

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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting 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 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.

A handwritten signature in black ink that reads "Crowe Horwath LLP". The signature is written in a cursive, flowing style.

Crowe Horwath LLP

Columbus, Ohio
December 9, 2008



YOUNGSTOWN STATE UNIVERSITY



Mary Taylor, CPA
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 20, 2009