

YOUNGSTOWN STATE UNIVERSITY

SINGLE AUDIT REPORT

June 30, 2012 and 2011



Dave Yost • Auditor of State

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

We have reviewed the *Report of Independent Auditors* of the Youngstown State University, Mahoning County, prepared by Crowe Horwath LLP, for the audit period July 1, 2011 through June 30, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

January 11, 2013

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YOUNGSTOWN STATE UNIVERSITY

MESSAGE FROM PRESIDENT ANDERSON

October 12, 2012

This past year was one full of significant challenges, innovations and accomplishments, undertaken with the resolute and thoughtful determination that are the hallmarks of Youngstown State University. As we witness a slowly progressing economic recovery here in the Valley, across the state and the nation, we are more mindful than ever of the vital role the University must play in supporting the success of our students and in providing the academic and research resources that will help guide us all toward a more productive and meaningful future.

In the midst of contending with a very challenging budget year that included a 15-percent cut in state funding and a 4-percent drop in enrollment in the Fall, through prudent management the University was able to balance the budget while maintaining and even enhancing services to students. To reach the goals that our strategic plan calls for—to evolve YSU into an urban research university of regional, national and international prominence—we will need to continue to sustain the kind of momentum and accomplishments which we realized in fiscal year 2012, a few of which I am proud to share.

- YSU added five new degree programs – Ph.D. in Materials Science and Engineering; Educational Specialist degree in School Psychology; Master of Respiratory Care; Bachelor of Arts in Dance Management; and Bachelor of Science in Dental Hygiene.
- For the third consecutive year, YSU was named to the President’s Higher Education Community Service Honor Roll and was designated a “Military Friendly School.”
- YSU played a leading role to bring the Pilot Institute for Manufacturing Innovation to Youngstown, and will be one of the few players at the table as this Institute moves forward. We have positioned ourselves as a significant center of research and education excellence, and our central involvement in this project is yet another indication of our evolution toward an urban research institution of distinction.
- While total overall giving was down over last fiscal year (total overall giving includes Major Gifts, Annual Fund, Planned Gifts and Special Projects), giving to the various scholarship and endowment funds went up. YSU saw an increase in the number of donors to the University, with faculty/staff giving reaching a record high in fiscal year 2012, raising our total to 4,403 donors. Additionally, the Annual Fund continues its seven-year upward trend.
- Over the summer, we welcomed a new Dean of the Beeghly College of Education, Charles Howell. We also brought on board our new Vice President for University Advancement, Scott Evans; our new Police Chief, John Beshara; our new Associate Vice President and Chief Technology officer, Ken Schindler; and our first Director of Distance Learning, Millie Rodriguez.
- YSU hosted numerous state, national and international conferences this year, including: the Sustainable Energy Forum, the 36th Annual Ohio Professional and Student Conference on Aging, the annual meeting of the East Lakes Division of the Association of American Geographers, and the Asia-Pacific Economic Cooperation Summit, among many others.
- And finally, please indulge me in offering just three examples of how our students excel on so many levels.
 - Jessica Valsi and Rochelle Beiersdorfer became the first YSU students ever to receive the prestigious Critical Language Scholarship from the U.S. Department of State. Rochelle studied in China, and Jessica in Turkey.
 - Brittany Chalfant graduated this spring and was offered a full scholarship to pursue a Master’s degree in chemical engineering at the Massachusetts Institute of Technology, the highest-ranked engineering school in the world.
 - Kathleen Smith earned national recognition as a 2012 Goldwater Scholarship Honorable Mention, one of the nation’s premier awards for undergraduate students.

While our economic position has been disappointing, most of our other institutional success indicators are positive, helping us realize our core values of academic excellence and student success, and ensuring that Youngstown State University stands ready to meet the challenges of the rapidly changing higher education landscape.

Sincerely,



Cynthia E. Anderson
President

REPORT OF INDEPENDENT AUDITORS

To the Board of Trustees
Youngstown State University
Youngstown, Ohio

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of Youngstown State University (the “University”), a component unit of the State of Ohio, as of and for the years ended June 30, 2012 and 2011, 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 audits. We did not audit the financial statements of the Youngstown State University Foundation. Those financial statements were audited by other auditors whose report thereon has 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 solely on the report of the other auditors.

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

In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and discretely presented component unit of the University as of June 30, 2012 and 2011 and the respective changes in its financial position and, where applicable, cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2012 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 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 the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A) on pages 4 through 17 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit and the audit of the other auditors were conducted for the purpose of forming an opinion on the basic financial statements 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 of Youngstown State University. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.


Crowe Horwath LLP

Columbus, Ohio
October 12, 2012

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, 2012 with comparative information for the fiscal years ended June 30, 2011 and June 30, 2010. This discussion has been prepared by management and should be read in conjunction with the financial statements and the accompanying notes that follow.

Introduction

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

Founded in 1908 under the sponsorship of the Young Men's Christian Association, the University was originally established as the School of Law of the Youngstown Association School. The University was re-chartered in 1921 as the Youngstown Institute of Technology, in 1928 as Youngstown College, and in 1955 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 603,000 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 2012 enrollment is 13,813.

Using the Financial Statements

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

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

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

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

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

In accordance with GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, The Youngstown State University Foundation (YSUF or Foundation) is treated as component unit of the University. The University Housing Corporation (UHC) was recognized as a component unit in fiscal year 2011, but not in fiscal year 2012. The University purchased the University Courtyard Apartments from UHC at the end of fiscal year 2011. Therefore, beginning in fiscal year 2012, the operations of UHC are reflected on the University's financial statements. The Foundation is discretely presented in this report by presentation of the individual financial statements immediately following the University's respective GASB financial statements. Additional information on component units is contained in Note 17. Management's Discussion and Analysis focuses on the University and does not include the component unit.

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

- Decreased enrollment
- Decreased State support and loss of Federal stimulus funds
- Continued healthy Senate Bill 6 ratios
- Reduced aggregate compensation and operating expenses through implementation of an early retirement incentive program (ERIP) and a faculty severance plan
- Decreased health care costs resulting from changes in the health care benefit plans
- Completed The Watson and Tressel Training Site (WATTS) Center, an indoor athletic facility
- Included University Courtyard Apartments operations
- Continued implemented a Strategic Planning Initiative focusing on four Cornerstones: Accounting and Sustainability, Student Success, Urban Research University Transition, and Regional Engagement

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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

The Statements of Net Assets

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

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

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Assets			
Current assets	\$ 67,998,180	\$ 96,018,091	\$ 91,214,072
Capital assets, net	198,967,315	198,498,179	173,062,942
Other assets	<u>31,574,900</u>	<u>35,186,161</u>	<u>40,517,945</u>
Total Assets	<u>298,540,395</u>	<u>329,702,431</u>	<u>304,794,959</u>
Liabilities			
Current liabilities	22,232,197	46,809,016	29,788,163
Noncurrent liabilities	<u>84,452,709</u>	<u>89,390,197</u>	<u>71,649,829</u>
Total Liabilities	<u>106,684,906</u>	<u>136,199,213</u>	<u>101,437,992</u>
Total Net Assets	<u>\$ 191,855,489</u>	<u>\$ 193,503,218</u>	<u>\$ 203,356,967</u>
Net Assets			
Invested in capital assets, net of related debt	135,463,081	140,443,646	142,454,074
Restricted	27,256,853	26,280,372	26,783,201
Unrestricted	<u>29,135,555</u>	<u>26,779,200</u>	<u>34,119,692</u>
Total Net Assets	<u>\$ 191,855,489</u>	<u>\$ 193,503,218</u>	<u>\$ 203,356,967</u>

Assets

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

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Cash and cash equivalents	\$ 25,918,304	\$ 28,926,599	\$ 52,906,489
Investments	51,146,119	58,100,738	53,358,522
Accounts, loans and pledges receivable, net	18,197,442	20,899,105	21,320,642
Bond proceeds receivable	-	19,006,093	-
Capital assets, net	198,967,315	198,498,179	173,062,942
Other	<u>4,311,215</u>	<u>4,271,717</u>	<u>4,146,364</u>
Total Assets	<u>\$ 298,540,395</u>	<u>\$ 329,702,431</u>	<u>\$ 304,794,959</u>

Cash and cash equivalents decreased \$3 million or 10% from fiscal year 2011 to fiscal year 2012; whereas investments decreased \$7 million or 12%. Decreased enrollment, reduced state funding, and elimination of the federal stimulus funding contributed to the overall decrease. In addition, there was \$6.9 million of prior year bond proceeds spent on capital projects and \$2.7 million in Early Retirement Incentive Program (ERIP) payments.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

Cash and cash equivalents decreased \$24 million or 45% from fiscal year 2010 to fiscal year 2011. The decrease was primarily due to the spending of \$16 million of prior year bond proceeds on capital projects, a \$1.5 million shift of cash equivalents to fund a new investment account, \$1.2 million in ERIP payments, and a \$2.1 million increase in healthcare costs. Deposits held by Trustee totaled \$20,237,638 June 30, 2011 compared to \$36,283,379 at June 30, 2010. Investments increased \$4.7 million or 9% from fiscal year 2010 to fiscal year 2011 due to the impact of the composition of the investment portfolio, shift of cash to the new investment fund, and purchases and sales activity. Investments were shifted to shorter maturities to limit long term credit risk due to low interest rates.

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

Overall, net accounts, loans and pledges receivable decreased \$2.7 million or 13% from fiscal year 2011 to fiscal year 2012. Gross student accounts receivables increased \$1.4 million primarily due to the impact of tuition increases. Federal grants and contracts decreased \$1.1 million the result of a decrease in year end activity compared to the prior year. The \$1.1 million increase in the allowance for doubtful accounts reflects the continued impact of Title IV federal financial aid changes. Net pledges decreased \$1.7 million largely due to payment of pledges for the WCBA Building and the WATTS Indoor Athletic Center.

Overall, net accounts, loans and pledges receivable decreased \$420,000 or 2% from fiscal year 2010 to fiscal year 2011. Gross student accounts receivable increased \$1.9 million primarily due to the impact of enrollment and tuition increases as well as procedures over Title IV federal financial aid. State capital appropriations decreased by \$500,000 as a result of the completion of the state funded portion of the new WCBA building project. Net pledges decreased by \$1.4 million due to the inflow of receipts from the Centennial Campaign. Net loans decreased \$200,000 because collections exceeded loan advances. The \$19,006,093 bond proceeds receivable relates to the purchase of the University Courtyard Apartments. The purchase was made in June 2011 through bond financing. The bonds proceeds were received in July 2011. See Notes 9 and 17 for details.

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

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

At June 30, 2012, the University had \$198,967,315 in capital assets, net of accumulated depreciation. Depreciation totaled \$10,452,082, \$9,385,589, and \$9,470,165 in fiscal years 2012, 2011, and 2010 respectively. Details of net capital assets are shown below.

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Land	\$ 15,457,264	\$ 15,443,959	\$ 15,070,329
Buildings, net	130,490,412	124,511,560	88,623,117
Improvements to buildings, net	24,438,181	25,143,095	25,610,498
Improvements other than buildings, net	12,055,358	8,209,081	8,391,114
Construction in progress	8,826,015	16,786,160	28,098,667
Moveable equipment and furniture, net	6,901,000	7,701,938	6,558,737
Vehicles, net	227,950	226,492	182,464
Historical treasures	570,466	457,218	381,115
Capital leased assets, net	669	18,676	146,901
Total Capital Assets, net	<u>\$ 198,967,315</u>	<u>\$ 198,498,179</u>	<u>\$ 173,062,942</u>

Major capital activity during fiscal year 2012 included the completion of the WATTS Indoor Athletic Center, and three parking-related projects, including phase 2 of the renovation to the M2 Parking Deck and two campus surface lots. In addition, the AstroTurf was replaced on Beede Field at Stambaugh Stadium. Construction continued on the Porter and Mary Pollock House, which will house the University's President. Completion is scheduled in early fiscal year 2013.

Major capital activity during fiscal year 2011 included the completion and grand opening of the new Williamson College of Business Administration (WCBA) building. The old Williamson Hall was converted to the Lincoln Building, where the Department of Mathematics is housed. In addition, YSU purchased the University Courtyard Apartments and completed the West Campus Concrete renovation project. Work continued on the WATTS Center, which is scheduled to be completed in early fiscal year 2012. Several Parking renovation projects are also in progress and reflected in construction in progress at June 30, 2011.

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

See Note 7 for additional information on capital assets.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

Liabilities

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

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Accounts and construction payable	\$ 4,266,084	\$ 5,729,657	\$ 9,791,870
Payable to UHC	-	17,214,945	-
Payroll liabilities	7,851,257	11,195,521	10,503,836
Notes payable	4,329,923	5,321,732	6,554,724
Bonds and capital leases payable, net	72,048,760	73,334,860	55,529,200
Deferred revenue	4,802,290	6,081,217	5,655,858
Compensated absences	9,032,479	12,065,045	9,793,129
Refundable advance	2,684,953	2,741,340	2,782,279
Other	1,669,160	2,514,896	827,096
Total Liabilities	<u>\$ 106,684,906</u>	<u>\$ 136,199,213</u>	<u>\$ 101,437,992</u>

Total liabilities at June 30, 2012 decreased \$29.5 million or 22% over fiscal year 2011. The \$17.2 million payable to UHC relates to the purchase of the University Courtyard Apartments and was paid in full in July 2011 when the proceeds from the General Receipts Bonds, Series 2011, issued in June 2011, were received. Payroll liabilities decreased \$3.3 million primarily due to an overall decrease in salaries and wages due to the impact of the ERIP and a significant decrease in health care expenses. Compensated absences decreased \$3 million due to payment of the \$1.8 million ERIP liability in full and a \$900,000 reduction in the vacation accrual also due to the impact of the ERIP and give backs by administration.

Total liabilities at June 30, 2011 increased \$34.8 million or 34% over fiscal year 2010. Overall, accounts and construction payables decreased \$4.1 million or 42% over the prior year primarily due to a decrease in payables due to the completion of the new WCBA building and Beeghly Center roof renovations, while year end activity increased for parking projects and AstroTurf replacement. The accounts payable UHC relates to the purchase of the University Courtyard Apartments from the University Housing Corporation. In June 2011, the University authorized, through Board Resolution, the issuance of General Receipts Bonds, Series 2011 in the amount of \$18,660,000. The bond proceeds, received in July 2011, were used to pay UHC in full. See Notes 9 and 17 for details. Payroll liabilities increase \$700,000 or 7% primarily due to increased health care costs. Compensated absences increased \$2.3 million or 23% over the past year primarily due to \$1.8 million in unpaid costs associated with the ERIP. Other liabilities increased \$1.7 million or 204% primarily due to \$1.56 million in unpaid costs associated with the Faculty Severance Plan.

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

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

Net Assets

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

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Invested in capital assets, net of related debt	\$ 135,463,081	\$ 140,443,646	\$ 142,454,074
Restricted-nonexpendable	6,535,407	5,980,963	5,230,061
Restricted-expendable	20,721,446	20,299,409	21,553,140
Unrestricted	29,135,555	26,779,200	34,119,692
Total Net Assets	<u>\$ 191,855,489</u>	<u>\$ 193,503,218</u>	<u>\$ 203,356,967</u>

Overall, the University's net assets decreased \$1.6 million or 1% from \$193.5 million at June 30, 2011 to \$191.9 million at June 30, 2012. This resulted from excess expenses over revenues and includes a \$5 million decrease in the net amount invested in capital assets, a \$1 million increase in restricted net assets, and a \$2.4 million increase in unrestricted net assets.

The University's net assets decreased \$9.8 million or 4.9% from \$203.4 million at June 30, 2010 to \$193.5 million at June 30, 2011. This resulted from excess expenses over revenues and includes a \$2 million decrease in the net amount invested in capital assets, a \$500,000 decrease in restricted net assets and a \$7.3 million decrease in unrestricted net assets.

Net assets invested in capital assets, net of related debt consists of capital assets net of accumulated depreciation and reduced by outstanding balances of bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets, and increased by unspent borrowings at year-end. The overall decrease of \$5 million in fiscal year 2012 was largely due to the spending of \$7.6 million for capital projects financed with bond proceeds, a \$2.3 million reduction in outstanding debt, net capital assets additions of \$10.9 million and current year depreciation of \$10.5 million. Outstanding plant debt was \$76,378,683 and unspent bond proceeds were \$12,075,282 at June 30, 2012 compared to \$78,656,592 and \$19,690,217 at June 30, 2011.

At June 30, 2011 capital assets increased \$25.4 million primarily due to construction in progress activity, the purchase of the University Courtyard Apartments, and depreciation expense of \$9.4 million. Outstanding plant debt was \$78,656,592 and unspent bond proceeds were \$19,690,217 compared to outstanding plant debt of \$62,083,924 and unspent bond and note proceeds of \$30,613,642 in fiscal year 2010.

Restricted non-expendable net assets consist primarily of endowment funds held by the University. Changes in this category are driven primarily by investment performance, which was positive in fiscal years 2012 and 2011.

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

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

The following table summarizes restricted expendable net assets at:

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Current funds	\$ 7,166,503	\$ 6,525,880	\$ 6,353,392
Plant funds	13,359,692	13,651,000	15,076,425
Quasi-Endowments	131,963	56,963	56,963
Loan funds	63,288	65,566	66,360
Total Restricted Expendable Net Assets	<u>\$ 20,721,446</u>	<u>\$ 20,299,409</u>	<u>\$ 21,553,140</u>

Current restricted funds include grants and sponsored programs and gifts, including scholarship donations and program support. These funds increased slightly from \$6.5 million at June 30, 2011 to \$7.1 million at June 30, 2012. Plant funds primarily include donations and pledges for construction or renovation. Approximately \$10.5 million of the \$13.4 million balance at June 30, 2012 relates to gifts which have been internally designated for future debt service attributed to those projects.

Current restricted funds include grants and sponsored programs and gifts, including scholarship donations and program support. These funds increased slightly from \$6.4 million at June 30, 2010 to \$6.5 million at June 30, 2011. Plant funds primarily include donations and pledges for construction or renovation. The net decrease of \$1.4 million or 9% was largely due to a combination of spending of capital gifts for the new WCBA building and the WATTS Center projects, funding of debt service attributed to the WCBA project, and an increase of gift funds for future debt service. Capital revenue for these projects totaling \$2.5 million is included in capital grants and gifts in the Statement of Revenues, Expenses, and Changes in Net Assets.

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

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Current funds	\$ 7,356,124	\$ 6,143,978	\$ 12,716,264
Operating reserves	8,670,049	8,549,683	8,522,683
Plant funds	13,084,030	12,058,242	12,853,071
Loan funds	25,352	27,297	27,674
Total Unrestricted Net Assets	<u>\$ 29,135,555</u>	<u>\$ 26,779,200</u>	<u>\$ 34,119,692</u>

The \$2.4 million increase in unrestricted net assets, reflects generally the excess of revenues over expenses during fiscal year 2012 from non capital asset activity. Unrestricted net assets are designated for future operations, plant construction and maintenance, and debt service.

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

Overall Analysis of Fiscal Year 2011 Versus 2010

The most significant factors affecting the decrease in net assets for fiscal year 2011 included the implementation of an early retirement incentive program (ERIP) and a faculty severance plan, spending of bond proceeds and capital gifts for the new WCBA building and WATTS Center, and the purchase of University Courtyard Apartments from UHC.

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, 2012</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Operating Revenues			
Net tuition, fees and other student charges	\$ 88,491,653	\$ 85,801,400	\$ 82,354,269
Auxiliary enterprises	22,105,338	19,330,455	18,986,335
Grants and contracts	10,200,470	14,153,120	13,449,823
Other	<u>2,466,280</u>	<u>2,391,157</u>	<u>2,195,520</u>
Total Operating Revenues	123,263,741	121,676,132	116,985,947
Operating Expenses	<u>202,319,959</u>	<u>220,457,885</u>	<u>205,485,037</u>
Operating Loss	(79,056,218)	(98,781,753)	(88,499,090)
Nonoperating Revenues (Expenses)			
Federal and state appropriations	39,347,845	46,720,852	47,508,169
Gifts, grants, and contracts	38,219,829	40,130,229	35,631,160
Investment income	1,360,702	4,226,478	4,343,765
Other	<u>(3,703,386)</u>	<u>(4,202,364)</u>	<u>(4,276,825)</u>
Net Nonoperating Revenues	<u>75,224,990</u>	<u>86,875,195</u>	<u>83,206,269</u>
Loss Before Other Revenues, Expenses, and Changes	(3,831,228)	(11,906,558)	(5,292,821)
Other Revenues, Expenses, and Changes			
State capital appropriations	133,552	998,881	10,614,635
Capital grants and gifts	1,578,453	4,082,194	5,036,783
Other	471,494	14,636	26,614
Contribution of capital to UHC	<u>-</u>	<u>(3,042,902)</u>	<u>-</u>
Total Other Revenues, Expenses, and Changes	<u>2,183,499</u>	<u>2,052,809</u>	<u>15,678,032</u>
Change in Net Assets	(1,647,729)	(9,853,749)	10,385,211
Net Assets at Beginning of the Year	193,503,218	203,356,967	192,971,756
Net Assets at End of the Year	<u>\$ 191,855,489</u>	<u>\$ 193,503,218</u>	<u>\$ 203,356,967</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, 2012</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Net tuition, fees, and other student charges	\$ 88,491,653	\$ 85,801,400	\$ 82,354,269
Gifts, grants and contracts	50,470,246	58,380,179	54,144,380
State appropriations	39,347,845	39,992,134	40,791,039
Federal appropriations	-	6,728,718	6,717,130
Auxiliary enterprises	22,105,338	19,330,455	18,986,335
Investment income	1,360,702	4,226,478	4,343,765
Other revenue	2,903,865	2,660,784	2,431,603
State capital appropriations	133,552	998,881	10,614,635
Total Revenues	<u>\$ 204,813,201</u>	<u>\$ 218,119,029</u>	<u>\$ 220,383,156</u>

Overall, the University's total net revenues decreased \$13.3 million or 6% in fiscal year 2012 and decreased \$2.3 million or 1% in fiscal year 2011. The majority of the University's revenue, 62% in fiscal year 2012, 61% in fiscal year 2011, and 59% in fiscal year 2010 is attributed to Federal and State appropriations and net tuition and fees. Combined, these two revenue streams decreased \$4.7 million in fiscal year 2012 and increased \$2.7 million in fiscal year 2011.

Net tuition, fees and other student charges increased \$2.7 million or 3%, due to increased tuition and mandatory fees. Gifts, grants, and contracts decreased \$7.9 million or 14% over the prior year primarily due to a combination of a \$2.7 million decrease in federal grant activity including a \$1 million decrease due to elimination of the Academic Competitiveness and the National SMART federal aid grants, a \$2.6 million decrease in Pell Grants due to decreased enrollment, a \$1.2 million decrease in Ohio College Opportunity Grants due to decreased enrollment and an overall decrease in state funding, and a \$1.4 million decrease in gifts due to completion of fundraising for the WATTS Center. Combined, Federal and State appropriations decreased \$7.4 million from fiscal year 2011 to fiscal year 2012. The University received \$6.7 million in Federal stimulus funds as a pass through the State Share of Instruction (SSI) to offset reductions in State appropriation in both fiscal years 2011 and 2010; whereas these funds were not received in fiscal year 2012. The \$2.8 million increase in Auxiliary Enterprises resulted mainly from first year activity of the University Courtyard Apartments. Investment income decreased \$2.9 million or 68% primarily due to a lower asset base and lower interest yields on fixed income investments compared to the prior year. State Capital appropriations decreased \$0.9 million or 87% from fiscal year 2011 to fiscal year 2012, primarily due to utilization of bond proceeds and gifts for current projects. Approximately \$10.1 million in Capital appropriations has been re-appropriated for future projects.

Overall, the University's total revenues decreased \$2.3 million or 1% in fiscal year 2011 and increased \$21.9 million or 11% in fiscal year 2010. The majority of the University's revenue, 61% in fiscal year 2011, 59% in fiscal year 2010, and 65% in fiscal year 2009 is attributed to Federal and State appropriations and net tuition and fees. Combined, these revenue streams increased \$2.7 million in fiscal year 2011 and \$1.8 million in fiscal year 2010.

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

During fiscal years 2011 and 2010, the University received \$6.7 million in stimulus funds as a pass through the State Share of Instruction (SSI) to offset reductions in State appropriations. These are recorded as Federal appropriations. Net tuition, fees and other student charges increased \$3.5 million or 4% due to the combination of increased enrollment and increased tuition and mandatory fees. Gifts, grants, and contracts increased \$4.2 million or 7.8% over the prior year mainly due to a \$4.7 million or 17% increase in Federal Pell grants, resulting from an increase in the number of eligible students. State capital appropriations decreased \$9.6 million or 91% from fiscal year 2010 to fiscal year 2011, primarily due to completion of the new WCBA building and other campus renovations.

Expenses

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

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Compensation	\$ 126,365,366	\$ 139,775,937	\$ 128,827,835
Operations	41,496,195	44,852,343	42,375,839
Scholarships	23,911,055	26,360,841	24,713,583
Depreciation and Amortization	10,547,343	9,468,764	9,567,780
Total Operating Expenses	<u>\$ 202,319,959</u>	<u>\$ 220,457,885</u>	<u>\$ 205,485,037</u>

Total operating expenses decreased \$18.1 million or 8% between fiscal year 2012 and fiscal year 2011. The \$13.4 million or 9.6% decrease in compensation included a \$5.2 million decrease salaries and wages, a \$2.3 million decrease in ERIP OPERS purchases, and a \$3.5 million decrease in health care costs resulting from changes in the health care benefit plans. Operations expenses decreased \$3.3 million or 7.5% due to a combination of current year spending containment and \$1.74 million in faculty severance plan payments in the prior year. Both the ERIP and faculty severance plan resulted in extraordinary levels of vacant staff and faculty positions.

A large portion of all aid is classified as scholarship allowance on the Statement of Revenues, Expenses and Changes in Net Assets; therefore the \$2.4 million decrease in scholarship expense is a partial reflection of a combination of a \$2.6 million decrease in federal financial aid for Pell grant recipients, a \$1.2 million reduction in state supported aid, and a \$.5 million increase in scholarship donations. Overall, the University disbursed \$46.8 million to students including \$29.9 million in Federal Pell grants compared to \$50.9 million and \$34 million in the prior year, respectively.

Overall operating expenses increased \$15 million or 7.38% between fiscal year 2011 and fiscal year 2010. Significant contributors to the increase included an increase of \$10.9 million or 8.5% in compensation including \$4.1 million in scheduled increases in salaries and wages, \$3.4 million in ERIP purchases and retirement related payouts, \$1.7 million in Faculty Severance Plan payout obligations and a \$2.7 million increase in health care costs. Operating expenses increased slightly by \$2.5 million or 5.8%.

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

A large portion of all aid is classified as scholarship allowance on the Statement of Revenues, Expenses and Changes in Net Assets; therefore, the \$1.6 million increase in scholarships expense is a partial reflection of a combination of a \$4.7 million increase in federal financial aid for Pell grant recipients, a reduction in state supported aid, and a \$1.3 million decrease in donation supported scholarships. Overall, the University disbursed \$50.9 million to students including \$34 million in Federal Pell grants compared to \$47.1 million and \$27.8 in the prior year.

Also reflected on the Statement of Revenues, Expenses and Changes in Net Assets in the Other Revenue, Expenses and Changes section is the \$3 million contribution of capital to UHC. UHC's Statement of Activities reflects this as a contribution of capital from YSU. Therefore, the combined results of the acquisition on the financial statements of the University and UHC reflect no net gain or loss on this transaction and the property is recorded by the University on the same historical cost basis as it was prior to the acquisition. See Notes 9 and 17 for details.

Total operating and non-operating expenses were \$206,460,930, 227,972,778, and \$209,997,945, in fiscal years 2012, 2011 and 2010, respectively. Fiscal year 2011 includes \$3,042,902 contribution of capital to UHC for the purchase of The University Courtyard Apartments.

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

Economic Factors for the Future

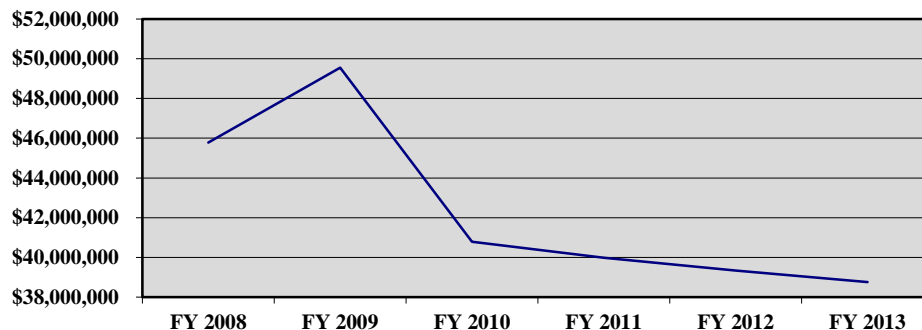
Looking to the future, management believes the University is well-positioned to continue its favorable financial condition and level of excellence in service to students. The University's healthy financial position is reflected in its Senate Bill 6 (SB6) composite scores. These scores are required to 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, 2012 was 2.6 compared to 2.3 at June 30, 2011 and 3.7 at June 30, 2010. The increase in the composite score in fiscal year 2012 reflects the effect of the increase in unrestricted net assets and the reduction of long term debt.

Despite interim increases in state funding during the fiscal years 2010-2011 biennium that were funded by a one-time infusion of \$619 million federal stimulus dollars from the American Recovery & Reinvestment Act, the trend in state funding over the past decade has been decidedly negative. Consequently, a structural deficit in the state's higher education budget has and continues to result in declines in state funding appropriations. A further reduction to the University's state appropriations of \$1 million is expected for fiscal year 2013.

The reduction in state funding support was partially offset by an increase in tuition and fees of 3.5% for fiscal year 2012 and fiscal year 2013. However, after several years of consistent enrollment growth, declines in enrollment levels in fiscal year 2012 and in the start of fiscal year 2013 has created additional budgetary challenges and uncertainty about the future.

The following graph reflects five years actual data plus the budgeted amount for fiscal year 2013. Fiscal years 2010 and 2011 do not include federal stimulus funds.

**State Appropriations
Fiscal Years 2008 through 2013**

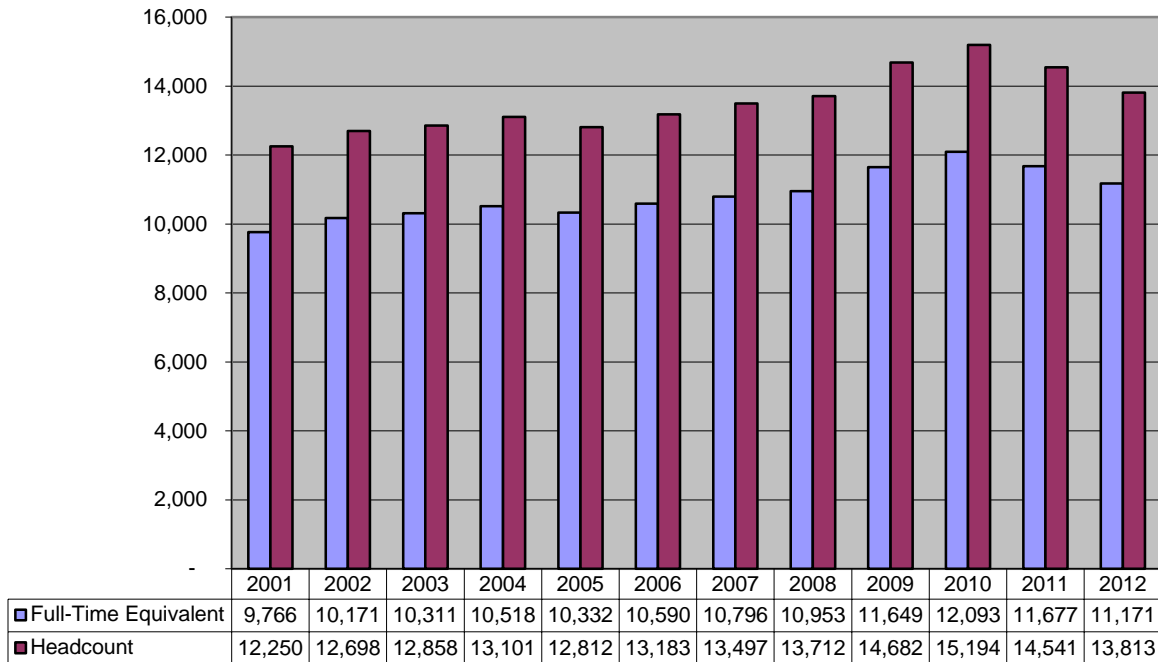


YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

The following graph reflects fall enrollment trends.

**Fall Semester Enrollment Trends
2001 through 2012**



The reduction in state funding and the decline in enrollments have prompted the University to take actions to control operating expenses, especially personnel costs. The unusually large number of staff vacancies, largely due to the ERIP for eligible OPERS employees, has presented the University opportunities to streamline operations and realign personnel resources, which has resulted in administrative efficiencies and long-term cost reductions. The University has also implemented a Faculty Severance Plan for eligible faculty.

The University has negotiated generally concessionary labor agreements with each of its four bargaining units. These labor agreements will help control compensation expenses, especially for health care insurance for which employee contributions will progressively increase each year through fiscal year 2014.

YOUNGSTOWN STATE UNIVERSITY

STATEMENTS OF NET ASSETS AT JUNE 30, 2012 AND 2011

	June 30, 2012	June 30, 2011
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 25,918,304	\$ 28,926,599
Investments	25,454,058	31,339,353
Restricted investments	58,909	70,249
Interest receivable	128,939	232,117
Accounts receivable, net	10,334,135	11,289,068
Bond proceeds receivable	-	19,006,093
Pledges receivable, net	2,335,406	1,604,697
Loans receivable, net	385,320	422,158
Inventories	1,806,882	2,073,655
Prepaid expenses and deferred charges	1,576,227	1,054,102
Total Current Assets	67,998,180	96,018,091
Noncurrent Assets		
Investments	19,248,586	20,983,550
Endowments and other restricted investments	6,384,566	5,707,586
Pledges receivable, net	3,303,096	5,709,711
Loans receivable, net	1,839,485	1,873,471
Unamortized bond issue cost	799,167	911,843
Nondepreciable capital assets	24,853,745	32,687,337
Depreciable capital assets, net	174,113,570	165,810,842
Total Noncurrent Assets	230,542,215	233,684,340
Total Assets	298,540,395	329,702,431
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	2,656,612	2,635,189
Payable to University Housing Corporation	-	17,214,945
Construction payable	1,609,472	3,094,468
Payroll liabilities	7,851,257	11,195,521
Bonds payable	1,685,000	1,120,000
Notes payable	1,026,820	991,809
Capital leases payable	806	91,712
Compensated absences	930,780	2,619,259
Deferred revenue	4,802,290	6,081,217
Other liabilities	1,669,160	1,764,896
Total Current Liabilities	22,232,197	46,809,016
Noncurrent Liabilities		
Bonds payable, net	70,362,954	72,122,342
Notes payable	3,303,103	4,329,923
Capital leases payable	-	806
Compensated absences	8,101,699	9,445,786
Refundable advance	2,684,953	2,741,340
Other liabilities	-	750,000
Total Noncurrent Liabilities	84,452,709	89,390,197
Total Liabilities	106,684,906	136,199,213
NET ASSETS		
Invested in capital assets, net of related debt	135,463,081	140,443,646
Restricted - Nonexpendable	6,535,407	5,980,963
Restricted - Expendable	20,721,446	20,299,409
Unrestricted	29,135,555	26,779,200
Total Net Assets	\$ 191,855,489	\$ 193,503,218

See accompanying notes to financial statements.

THE YOUNGSTOWN STATE UNIVERSITY FOUNDATION

STATEMENTS OF FINANCIAL POSITION AT JUNE 30, 2012 AND 2011

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
ASSETS		
Cash and cash equivalents	\$ 5,419,999	\$ 4,351,623
Accrued interest receivable	266,224	292,176
Due from University Housing Corporation	-	92,000
Prepaid insurance	12,655	5,142
Property acquired for resale to Youngstown State University	43,931	54,491
Investments-at fair value		
Common stock	139,186,976	132,856,637
Preferred stock	4,733,018	5,846,282
Fixed income securities		
U.S. Government and Agencies	5,618,905	5,691,399
Corporate	33,209,361	28,060,100
Temporary cash investments	<u>2,049,234</u>	<u>7,444,673</u>
	184,797,494	179,899,091
Contribution receivable from remainder trusts	1,857,264	1,756,945
Cash surrender value of insurance policies	22,323	36,087
Office furniture and equipment, at cost, less accumulated depreciation of \$40,086 in 2012 and \$37,358 in 2011	<u>15,366</u>	<u>2,921</u>
TOTAL ASSETS	<u>\$ 192,435,256</u>	<u>\$ 186,490,476</u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 7,508	\$ -
Grant commitments to Youngstown State University for scholarship awards	<u>5,157,940</u>	<u>3,570,000</u>
TOTAL LIABILITIES	<u>5,165,448</u>	<u>3,570,000</u>
NET ASSETS		
Unrestricted		
Designated by Board for endowment	135,491,552	133,432,668
Undesignated	<u>2,510,225</u>	<u>2,820,494</u>
	138,001,777	136,253,162
Temporarily restricted	2,409,930	2,242,833
Permanently restricted	<u>46,858,101</u>	<u>44,424,481</u>
TOTAL NET ASSETS	<u>187,269,808</u>	<u>182,920,476</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 192,435,256</u>	<u>\$ 186,490,476</u>

See accompanying notes to financial statements.

YOUNGSTOWN STATE UNIVERSITY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	June 30, 2012	June 30, 2011
OPERATING REVENUES		
Tuition, fees, and other student charges (net of scholarship allowance of \$22,847,852 in 2012 and \$24,518,482 in 2011)	\$ 88,491,653	\$ 85,801,400
Federal grants and contracts	5,252,707	7,929,223
State grants and contracts	4,327,817	5,488,810
Local grants and contracts	252,137	419,063
Private grants and contracts	367,809	316,024
Sales and services	500,879	612,890
Auxiliary enterprises	22,105,338	19,330,455
Other operating revenues	1,965,401	1,778,267
Total Operating Revenues	123,263,741	121,676,132
OPERATING EXPENSES		
Instruction	69,553,141	75,383,754
Research	2,952,974	3,449,484
Public service	5,568,710	5,345,054
Academic support	13,441,001	15,163,078
Student services	8,607,040	9,485,179
Institutional support	28,284,064	34,944,804
Operation and maintenance of plant	14,616,937	16,299,957
Scholarships	21,033,400	23,478,751
Auxiliary enterprises	27,715,348	27,439,060
Depreciation and amortization	10,547,344	9,468,764
Total Operating Expenses	202,319,959	220,457,885
Operating Loss	(79,056,218)	(98,781,753)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	39,347,845	39,992,134
Federal appropriations	-	6,728,718
Federal grants	30,462,830	33,100,968
Private gifts	7,756,999	7,029,261
Unrestricted investment income, net of investment expense	1,012,197	3,250,947
Restricted investment income, net of investment expense	348,505	975,531
Interest on capital asset-related debt	(2,668,571)	(1,288,226)
Other nonoperating expenses, net	(1,034,815)	(2,914,138)
Net Nonoperating Revenues	75,224,990	86,875,195
Loss Before Other Revenues, Expenses, and Changes	(3,831,228)	(11,906,558)
OTHER REVENUES, EXPENSES, AND CHANGES		
State capital appropriations	133,552	998,881
Capital grants and gifts	1,578,453	4,082,194
Additions to the principal of endowments	471,494	14,636
Contribution of capital to UHC	-	(3,042,902)
Total Other Revenues, Expenses, and Changes	2,183,499	2,052,809
Change In Net Assets	(1,647,729)	(9,853,749)
NET ASSETS		
Net Assets at Beginning of the Year	193,503,218	203,356,967
Net Assets at End of the Year	\$ 191,855,489	\$ 193,503,218

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, 2012 AND 2011

	June 30, 2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT:				
Contributions	\$ 610,595	\$ 78,300	\$ 1,562,827	\$ 2,251,722
Investment earnings	5,817,239	35,025	-	5,852,264
Liquidating dividends	32,232	-	-	32,232
Net realized gain on sale of investments	618,117	4,897	239,453	862,467
Net unrealized gain on long-term investments	1,243,166	106,999	531,021	1,881,186
Increase in value of deferred gifts	-	-	100,319	100,319
Donor directed reclassifications	-	-	-	-
Net assets released from restrictions	58,124	(58,124)	-	-
TOTAL REVENUES, GAINS AND OTHER SUPPORT	8,379,473	167,097	2,433,620	10,980,190
EXPENDITURES AND OTHER DISTRIBUTIONS:				
Administrative expenditures	745,604	-	-	745,604
Distribution to Youngstown State University:				
Grants for property	-	-	-	-
Scholarships and other	5,877,614	-	-	5,877,614
Benefits for retired Youngstown University faculty	7,640	-	-	7,640
TOTAL EXPENDITURES AND OTHER DISTRIBUTIONS	6,630,858	-	-	6,630,858
Change in Net Assets	1,748,615	167,097	2,433,620	4,349,332
Net Assets at Beginning of the Year	136,253,162	2,242,833	44,424,481	182,920,476
NET ASSETS	\$ 138,001,777	\$ 2,409,930	\$ 46,858,101	\$ 187,269,808

	June 30, 2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT:				
Contributions	\$ 368,098	\$ 119,750	\$ 1,526,556	\$ 2,014,404
Investment earnings	5,222,371	41,950	-	5,264,321
Liquidating dividends	509,461	-	-	509,461
Net realized gain on sale of investments	536,206	1,217	27,985	565,408
Net unrealized gain on long-term investments	23,173,216	479,223	5,806,462	29,458,901
Increase in value of deferred gifts	-	-	95,059	95,059
Donor directed reclassifications	-	(275,000)	275,000	-
Net assets released from restrictions	382,226	(382,226)	-	-
TOTAL REVENUES, GAINS AND OTHER SUPPORT	30,191,578	(15,086)	7,731,062	37,907,554
EXPENDITURES AND OTHER DISTRIBUTIONS:				
Administrative expenditures	514,235	-	-	514,235
Distribution to Youngstown State University:				
Grants for property	39,672	-	-	39,672
Scholarships and other	5,666,280	-	-	5,666,280
Benefits for retired Youngstown University faculty	11,595	-	-	11,595
TOTAL EXPENDITURES AND OTHER DISTRIBUTIONS	6,231,782	-	-	6,231,782
Change in Net Assets	23,959,796	(15,086)	7,731,062	31,675,772
Net Assets at Beginning of the Year	112,293,366	2,257,919	36,693,419	151,244,704
NET ASSETS	\$ 136,253,162	\$ 2,242,833	\$ 44,424,481	\$ 182,920,476

See accompanying notes to financial statements.

YOUNGSTOWN STATE UNIVERSITY

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	June 30, 2012	June 30, 2011
Cash Flows from Operating Activities		
Student tuition and fees	\$ 85,920,639	\$ 83,912,743
Federal, state, and local grants and contracts	10,827,845	13,908,062
Private grants and contracts	385,457	328,329
Sales and services of educational and other departmental activities	21,842,914	19,275,826
Payments to suppliers	(43,256,497)	(45,581,291)
Payments to employees	(98,895,013)	(96,403,527)
Payments for benefits	(33,831,672)	(40,467,061)
Payments for scholarships	(21,078,014)	(22,476,613)
Student loans issued	(372,916)	(186,337)
Student loans collected	416,121	363,504
Student loan interest and fees collected	47,518	42,714
Other receipts, net	1,930,847	1,728,120
Total Cash Flows Used In Operating Activities	(76,062,771)	(85,555,531)
Cash Flows from Noncapital Financing Activities		
Federal grants	30,435,698	33,128,856
Federal educational appropriations	-	6,729,144
State educational appropriations	39,347,845	39,992,134
Direct lending receipts	88,926,750	90,919,514
Direct lending disbursements	(88,899,773)	(90,919,514)
Private gifts	7,613,586	7,177,329
Additions to the principal of endowments	471,494	14,636
Other nonoperating expenses	(1,037,174)	(2,914,138)
Total Cash Flows Provided by Noncapital Financing Activities	76,858,426	84,127,961
Cash Flows from Investing Activities		
Proceeds from sale of investments	27,109,070	39,527,101
Purchase of investments	(20,154,452)	(44,269,317)
Interest on investments	1,463,880	4,205,887
Total Cash Flows Provided By (Used In) Investing Activities	8,418,498	(536,329)
Cash Flows from Capital and Related Financing Activities		
State capital appropriations	224,516	1,539,320
Private capital gifts and grants	3,148,883	5,248,822
Payment to UHC for University Courtyard Apartments	(17,214,945)	-
Purchase of capital assets	(12,256,213)	(24,815,119)
Principal payments on capital debt	(2,203,521)	(2,411,378)
Bond proceeds	19,006,093	-
Bond issue cost	(200,586)	(248,490)
Interest payments on capital debt	(2,726,675)	(1,329,146)
Total Cash Flows Used In Capital and Related Financing Activities	(12,222,448)	(22,015,991)
Change in Cash and Cash Equivalents	(3,008,295)	(23,979,890)
Cash and Cash Equivalents, Beginning of Year	28,926,599	52,906,489
Cash and Cash Equivalents, End of Year	\$ 25,918,304	\$ 28,926,599

YOUNGSTOWN STATE UNIVERSITY

STATEMENTS OF CASH FLOWS (CONT.) FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

Reconciliation of Operating Loss to Net Cash Used in Operating Activities

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Operating loss	\$ (79,056,218)	\$ (98,781,753)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	10,547,344	9,468,764
Provision for bad debts	1,823,413	867,900
Gifts in kind	142,785	110,497
Changes in assets and liabilities:		
Accounts receivable, net	(1,012,558)	(1,844,320)
Loans receivable, net	26,169	169,734
Inventories	266,773	(16,165)
Prepaid expenses and deferred charges	(522,125)	(2,099)
Accounts payable	239,423	(377,676)
Accrued and other liabilities	(4,206,284)	2,254,062
Deferred revenue	(1,278,927)	323,609
Compensated absences	(3,032,566)	2,271,916
Net Cash Flows Used In Operating Activities	<u><u>\$ (76,062,771)</u></u>	<u><u>\$ (85,555,531)</u></u>
Noncash Transaction		
Purchase of University Courtyard Apartments through bond financing	<u><u>\$ -</u></u>	<u><u>\$ 17,214,945</u></u>

See accompanying notes to financial statements.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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, graduate 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) financial statements are included, as a discretely presented component unit, in the University's financial report by presentation of the individual financial statements of the entity immediately following the University's respective GASB financial statements. The University Housing Corporation (UHC) was recognized as a component unit in fiscal year 2011, but not in fiscal year 2012. The University purchased the University Courtyard Apartments at the end of fiscal year 2011. Therefore, beginning in fiscal year 2012, the operations of UHC are reflected on the University's financial statements. See Note 17 for additional information regarding 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), which operates Western Reserve Public Media which is made up of two separately licensed public television stations (WNEO and WEAO). 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, outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets and unspent borrowings.
- 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.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2012

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

Summary of Significant Accounting Policies

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

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

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

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

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

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

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2012

Endowment Policy – The University Endowment Fund consists of 81 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.

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	40 to 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, 2012

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 other resources received before the eligibility requirements are met.

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

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

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

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

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

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

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2012

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

Adoption of New Accounting Pronouncements – GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions - an amendment of GASB Statement No. 53*, issued June 2011. The provisions of this Statement are effective for periods beginning after June 15, 2011. This Statement is intended to improve financial reporting by state and local governments by clarifying the circumstances in which hedge accounting continues to be applied when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The adoption of this guidance had no significant impact on the University's operating results or financial condition.

Newly Issued Accounting Pronouncements – As of June 30, 2012, the GASB issued the following statements not yet implemented by the University:

- GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, issued November 2010. The provisions of this Statement are effective for periods beginning after December 15, 2011. This Statement addresses how to account for and report service concession arrangements (SCAs), a type of public-private or public-public partnership into which state and local governments are increasingly entering.
- GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, issued November 2010. The provisions of this Statement are effective for periods beginning after June 15, 2012. This Statement is designed to improve financial reporting for government entities by amending the requirements of Statement No. 14, *The Financial Reporting Entity* and Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, to better meet user needs and to address reporting entity issues that have arisen since those Statements were issued in 1991 and 1999, respectively.
- GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* issued December 2010. The provisions of this Statement are effective for periods beginning after December 15, 2011. This Statement is intended to enhance the usefulness of its Codification by incorporating guidance the previously could only be found in certain Financial Accounting Standards Board and American Institute of Certified Public Accountants pronouncements.
- GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, issued June 2011. The provisions of this Statement are effective for periods beginning after December 15, 2011. This Statement is intended to improve financial reporting by providing citizens and other users of state and local

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2012

government financial reports with information about how past transaction will continue to impact a government's financial statements in the future.

- GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, issued March 2012. The provisions of this Statement are effective for periods beginning after December 15, 2012. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.
- GASB Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*, issued March 2012. The provisions of this Statement are effective for periods beginning after December 15, 2012. The objective of this Statements is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.
- GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, issued June 2012. The provisions of this Statement are effective for periods beginning after June 15, 2014. This Statement is intended to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities.

The University has not yet determined the effect these Statements will have on the University's financial statements and disclosures.

Reclassification – Certain reclassifications have been made to the fiscal year 2011 amounts to conform with the fiscal year 2012 presentation. These reclassifications had no effect on the total net assets or change in net assets.

Note 2 – State Support

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

State appropriations totaled \$39,347,845 in fiscal year 2012, compared to \$39,992,134 in fiscal year 2011. The State Share of Instruction (SSI) is determined annually by the Ohio Board of Regents (OBR). The fiscal year 2010-11 biennium marked the first time that SSI formula allocations were, in part, based on successful course completions. During fiscal year 2011, the University received \$6,728,718 in American Recovery and Reinvestment Act (ARRA) funds as a

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2012

pass through by OBR through the SSI. No funds were received during fiscal year 2012. These funds were intended to offset the reduction in SSI. These funds are reported as Federal appropriations and are also reflected as non operating revenues on the Statement of Revenues, Expenses, and Changes in Net Assets.

Capital appropriations from the State totaled \$133,552 in fiscal year 2012 and \$998,881 in fiscal year 2011 and included funding for equipment and the construction/major renovations of plant facilities.

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

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

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

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 \$2,240,736 and \$1,420,864 at June 30, 2012 and 2011, respectively.

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

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2012

Cash and Cash Equivalents at June 30, 2012 and 2011 consist of the following:

	2012	2011
Carrying Amount (Cash and cash equivalents)	<u>\$ 25,918,304</u>	<u>\$ 28,926,599</u>
FDIC Insured	\$ 875,865	\$ 769,448
Uninsured but collateralized by pools of securities pledged by the depository banks	15,857,196	21,994,973
Uninsured but assets held in name of YSU not pledged as collateral elsewhere	<u>10,827,643</u>	<u>6,593,008</u>
Bank Balance	<u>\$ 27,560,704</u>	<u>\$ 29,357,429</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 \$13,293,310 as of June 30, 2012 and \$20,237,638 as of June 30, 2011, which approximates market. These deposits, including interest on the investments, are retained in the trust for projects funded by bond proceeds and payment of principal and interest on outstanding indebtedness.

Credit risk for deposits is the risk that, in the event of a bank failure, the University's deposits may not be returned to the University. At June 30, 2012, 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 an investment advisor and investment managers for non-endowment and endowment funds. The University's endowment funds are managed by the Youngstown State University Foundation (see Note 17).

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2012

As of June 30, 2012, the University had the following investments and maturities using the segmented time distribution method:

Investment Type	Fair Value	Investment maturities (in years)			
		Less than 1	1-5	6-10	More than 10
U.S. Government Obligations	\$ 7,349,821	\$ 811,995	\$ 5,440,029	\$ 1,038,931	\$ 58,866
Corporate Bonds	10,419,256	839,074	6,808,512	2,734,226	37,444
U.S. Government Bonds	4,012,555	733	1,074,180	1,701,381	1,236,261
Preferred and Common Stock	29,157,392	29,157,392	-	-	-
Other Securities	207,095	102,615	104,480	-	-
Totals	\$51,146,119	\$30,911,809	\$ 13,427,201	\$ 5,474,538	\$ 1,332,571

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

As of June 30, 2011, the University had the following investments and maturities using the segmented time distribution method:

Investment Type	Fair Value	Investment maturities (in years)			
		Less than 1	1-5	6-10	More than 10
U.S. Government Obligations	\$ 7,758,537	\$ 1,841,464	\$ 5,145,920	\$ 653,264	\$ 117,889
Corporate Bonds	12,688,736	928,732	8,777,420	2,889,448	93,136
U.S. Government Bonds	4,202,482	3,151	126,200	1,881,207	2,191,924
Preferred and Common Stock	32,995,618	32,894,658	-	-	100,960
Other Securities	455,365	245,824	209,541	-	-
Totals	\$58,100,738	\$35,913,829	\$ 14,259,081	\$ 5,423,919	\$ 2,503,909

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

As of June 30, 2012, investments had the following quality credit ratings:

Investment Type	Fair Value	Aaa	Aa	A	Baa	Unrated
Corporate Bonds	\$ 10,419,256	\$ 3,168,108	\$ 761,502	\$ 3,103,391	\$ 2,839,002	\$ 547,253
U.S. Government Bonds	4,012,555	3,763,923	248,632	-	-	-
Totals	\$ 14,431,811	\$ 6,932,031	\$ 1,010,134	\$ 3,103,391	\$ 2,839,002	\$ 547,253

As of June 30, 2011, investments had the following quality credit ratings:

Investment Type	Fair Value	Aaa	Aa	A	Baa	Unrated
Corporate Bonds	\$ 12,688,736	\$ 4,839,024	\$ 1,674,825	\$ 3,536,296	\$ 2,597,839	\$ 40,752
U.S. Government Bonds	4,202,483	4,202,483	-	-	-	-
Totals	\$ 16,891,219	\$ 9,041,507	\$ 1,674,825	\$ 3,536,296	\$ 2,597,839	\$ 40,752

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.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2012

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As of June 30, 2012, \$6,668,039 or 13% of the University’s portfolio is held in a bond fund and \$5,267,296 or 10% is held in a bond index fund. As of June 30, 2011, \$9,114,763 or 16% of the University’s portfolio is held in a bond fund and \$5,637,330 or 10% is held in a bond index fund. 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, 2012, 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, 2012, the University had no material exposure to foreign currency risk. The University does not address foreign currency risk in its investment policy and asset allocation guidelines.

Note 5 – Accounts and Loans Receivable

Accounts and loans receivable at June 30, 2012 and June 30, 2011 consist of the following:

	2012	2011
Accounts receivable		
Student accounts	\$ 10,903,448	\$ 9,460,238
Grants and contracts	2,374,574	3,460,556
State and Federal appropriations	57,323	148,287
Other receivables	<u>1,737,770</u>	<u>1,850,147</u>
Subtotal	15,073,115	14,919,228
Less: Allowance for doubtful accounts	<u>4,738,980</u>	<u>3,630,160</u>
Accounts receivable, net	<u>\$ 10,334,135</u>	<u>\$ 11,289,068</u>
Loans receivable - student notes	\$ 2,872,799	\$ 2,898,968
Less: Allowance for doubtful accounts	<u>647,994</u>	<u>603,339</u>
Loans receivable, net	<u>\$ 2,224,805</u>	<u>\$ 2,295,629</u>

In fiscal year 2011, the University recorded \$19,006,093 in bond proceeds receivables, which relates to the purchase of the University Courtyard Apartments from University Housing Corporation, a related entity. See Notes 9 and 17 for details.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2012

Note 6 – Pledges Receivable

Unconditional promises to give to the University recorded as pledges receivable at June 30, 2012 and June 30, 2011 were as follows:

	2012	2011
Total Pledges receivable	\$ 6,022,508	\$ 8,095,267
Less: allowance for doubtful accounts	280,427	401,232
present value discount	103,579	379,627
Pledges receivable, net	<u>5,638,502</u>	<u>7,314,408</u>
Less: current portion	<u>2,335,406</u>	<u>1,604,697</u>
Pledges receivable, noncurrent portion	<u>\$ 3,303,096</u>	<u>\$ 5,709,711</u>

Pledges have been discounted to net present value using June 30, 2012 U.S. Treasury Note rates of 0.75% (5-year) and 1.0% (7-year) in fiscal year 2012 and 1.5% (5-year) and 2.375% (7-year) in fiscal year 2011.

Note 7 – Capital Assets

Capital assets activity for the year ended June 30, 2012 was as follows:

	Beginning Balance	Additions	Reductions	Transfers	Ending Balance
Nondepreciable assets:					
Land	\$ 15,443,959	\$ 16,220	\$ 2,915	\$ -	\$ 15,457,264
Construction in progress	16,786,160	5,937,411	-	(13,897,556)	8,826,015
Historical treasures	457,218	17,000	-	96,248	570,466
Depreciable assets:					
Buildings	269,155,937	732,650	49,134	10,800,012	280,639,465
Improvements to buildings	32,675,988	361,928	-	174,038	33,211,954
Improvements other than buildings	24,491,069	2,554,348	1,381,450	2,740,073	28,404,040
Moveable equipment and furniture	32,040,629	1,413,514	1,696,604	924,950	32,682,489
Vehicles	1,145,905	84,349	36,142	-	1,194,112
Capital leases	877,926	-	-	(837,765)	40,161
Total cost	<u>393,074,791</u>	<u>11,117,420</u>	<u>3,166,245</u>	<u>-</u>	<u>401,025,966</u>
Less accumulated depreciation:					
Buildings	144,644,377	5,521,627	16,951	-	150,149,053
Improvements to buildings	7,532,893	1,240,880	-	-	8,773,773
Improvements other than buildings	16,281,988	1,297,683	1,230,989	-	16,348,682
Moveable equipment and furniture	24,338,691	2,307,387	1,692,379	827,790	25,781,489
Vehicles	919,413	76,473	29,724	-	966,162
Capital leases	859,250	8,032	-	(827,790)	39,492
Total accumulated depreciation	<u>194,576,612</u>	<u>10,452,082</u>	<u>2,970,043</u>	<u>-</u>	<u>202,058,651</u>
Capital assets, net	<u>\$ 198,498,179</u>	<u>\$ 665,338</u>	<u>\$ 196,202</u>	<u>\$ -</u>	<u>\$ 198,967,315</u>

The WATTS Center was completed and transferred from Construction in progress to Buildings in fiscal year 2012.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2012

Capital assets activity for the year ended June 30, 2011 was as follows:

	Beginning Balance	Additions	Reductions	Transfers	Ending Balance
Nondepreciable assets:					
Land	\$ 15,070,329	\$ 421,232	\$ 47,602	\$ -	\$ 15,443,959
Construction in progress	28,098,667	14,591,497	-	(25,904,004)	16,786,160
Historical treasures	381,115	76,103	-	-	457,218
Depreciable assets:					
Buildings	229,352,488	16,165,548	631,830	24,269,731	269,155,937
Improvements to buildings	31,715,518	540,845	-	419,625	32,675,988
Improvements other than buildings	24,647,039	530,823	1,000,000	313,207	24,491,069
Moveable equipment and furniture	28,977,294	2,488,428	326,534	901,441	32,040,629
Vehicles	1,121,376	109,760	85,231	-	1,145,905
Capital leases	954,302	-	76,376	-	877,926
Total cost	<u>360,318,128</u>	<u>34,924,236</u>	<u>2,167,573</u>	<u>-</u>	<u>393,074,791</u>
Less accumulated depreciation:					
Buildings	140,729,371	4,504,065	589,059	-	144,644,377
Improvements to buildings	6,105,020	1,427,873	-	-	7,532,893
Improvements other than buildings	16,255,925	1,026,063	1,000,000	-	16,281,988
Moveable equipment and furniture	22,418,557	2,234,041	313,907	-	24,338,691
Vehicles	938,912	65,732	85,231	-	919,413
Capital leases	807,401	127,815	75,966	-	859,250
Total accumulated depreciation	<u>187,255,186</u>	<u>9,385,589</u>	<u>2,064,163</u>	<u>-</u>	<u>194,576,612</u>
Capital assets, net	<u>\$ 173,062,942</u>	<u>\$ 25,538,647</u>	<u>\$ 103,410</u>	<u>\$ -</u>	<u>\$ 198,498,179</u>

The new Williamson College of Business Administration building was completed and transferred from Construction in progress to Buildings in fiscal year 2011.

Note 8 – Payroll and Other Liabilities

Payroll and other liabilities at June 30, 2012 and 2011 consist of the following:

	2012	2011
Payroll liabilities:		
Accrued compensation	\$ 5,407,986	\$ 6,964,223
Accrued benefits	198,390	163,889
Accrued health care benefits and insurance payable	982,364	2,157,782
Retirement system contribution payable	1,262,517	1,909,627
Totals	<u>\$ 7,851,257</u>	<u>\$ 11,195,521</u>
Other liabilities:		
Faculty Severance Plan	\$ 803,957	\$ 1,560,000
Deposits held in custody	362,611	343,350
Interest payable	234,514	218,230
Other liabilities	268,078	393,316
Totals	<u>\$ 1,669,160</u>	<u>\$ 2,514,896</u>

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2012

In March 2010, the University's Board of Trustees approved a Faculty Severance Plan to be administered by Educators Preferred Corporation. The plan was voluntary and was a one-time offer to full-time faculty who had fifteen or more years of full-time service with YSU as of the end of the 2010 Spring semester, or who were eligible to retire between December 2010 and August 14, 2011. Faculty who met the eligibility requirement could elect to either resign or retire with an effective date between December 2010 and August 14, 2011. The related expense included in the Statement of Revenue, Expenses, and Changes in Net Assets at June 30, 2011 was \$1.74 million.

In addition, the University recorded a \$17,214,925 payable at June 30, 2011 relating to the purchase of the University Courtyard Apartments from University Housing Corporation, a related entity. The payable was paid in full upon receipt of the Series 2011 bond proceeds in July 2011. See Notes 9 and 17 for details.

Encumbrances representing estimated amounts of expenses ultimately to result, if unperformed contracts in process at June 30, 2012 are completed, totaled \$5,568,824 and included \$814,226 in State capital appropriations compared to \$6,943,905 and \$456,217 at June 30, 2011, respectively. Encumbrances at June 30, 2012 included commitments related to the auditorium and parking projects. These amounts do not constitute expenses incurred or liabilities.

Note 9 – Bonds

In June 2011, the Board of Trustees of Youngstown State University authorized through a Board resolution the issuance of General Receipts Bonds, Series 2011 in the amount of \$18,660,000. The \$19,006,093 in bond proceeds were received in July 2011. The Series 2011 Bonds were utilized to pay costs associated with acquiring the University Courtyard Apartments, any necessary related improvements thereto and to pay costs of issuing the Series 2011 Bonds. The University Courtyard Apartments were owned by the University Housing Corporation, which was recognized as a component unit of the University in fiscal year 2011.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2012

Details of the bonds payable for the General Receipts Bonds, Series 2011 as of June 30 follow:

Bond Component	Rate	Yield	Maturity Through	Original Principal
Serial Bond	2.00%	0.90%	2013	\$ 525,000
Serial Bond	3.00%	1.32%	2014	535,000
Serial Bond	3.00%	1.74%	2015	555,000
Serial Bond	4.00%	2.13%	2016	575,000
Serial Bond	4.00%	2.45%	2017	595,000
Serial Bond	5.00%	2.90%	2018	625,000
Serial Bond	5.00%	3.28%	2019	655,000
Serial Bond	5.00%	3.58%	2020	690,000
Serial Bond	3.50%	3.82%	2021	720,000
Serial Bond	3.75%	3.98%	2022	450,000
Serial Bond	5.00%	3.98%	2022	300,000
Serial Bond	4.00%	4.14%	2023	780,000
Term Bond	5.00%	4.55%	2026	2,570,000
Term Bond	5.00%	5.08%	2034	9,085,000
Total				<u>\$ 18,660,000</u>

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

In March 2010, the University issued \$25,335,000 of General Receipts Bonds (Taxable Build America Bonds), Series 2010 to provide funding to pay costs associated with facilities planning for the University's College of Science, Technology, Engineering and Mathematics (STEM), convert the old college of business building for use as a laboratory, office and classroom space, renovate Kilcawley Center, reconfigure and replace campus parking facilities, begin construction on the WATTS Center, relocate certain existing outdoor athletic facilities and pay the costs of issuance of the Series 2010 Bonds. In September 2011, approximately \$9.9 million was re-allocated from the Kilcawley Center project to Academic building renovation projects.

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

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2012

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

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

* Does not reflect impact of federal subsidies

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

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

Bond Component	Rate	Yield	Maturity Through	Original Principal
Serial Bond	3.0000%	2.550%	2013	\$ 1,160,000
Serial Bond	3.2500%	3.000%	2014	1,200,000
Serial Bond	3.7500%	3.400%	2015	1,235,000
Serial Bond	4.0000%	3.700%	2016	1,290,000
Serial Bond	4.0000%	4.000%	2017	1,335,000
Serial Bond	4.1250%	4.200%	2018	860,000
Serial Bond	4.3750%	4.400%	2019	885,000
Serial Bond	4.5000%	4.600%	2020	925,000
Serial Bond	4.6250%	4.750%	2021	965,000
Serial Bond	4.7500%	4.900%	2022	1,010,000
Term Bond	5.0000%	5.080%	2024	2,170,000
Serial Bond	5.1250%	5.180%	2025	1,170,000
Term Bond	5.2500%	5.340%	2030	6,815,000
Term Bond	5.5000%	5.540%	2034	6,875,000
Total				<u>\$ 27,895,000</u>

The indebtedness created through all issues of the General Receipts Bonds is bound by the Amended and Restated Trust Indenture dated as of March 1, 2009. The Series 2010 Bonds and Series 2011 Bonds are also bound by the First Supplemental Trust Indenture dated as of

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2012

February 2010; and in addition, the Series 2011 Bonds are also bound by the Second Supplemental Trust Indebtedness dated as of July 1, 2011. The University has complied with all covenant requirements.

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

Maturities of all bonds payable and debt service for fiscal years subsequent to June 30, 2012 follow:

Fiscal Year	General Receipts Bonds		Total
	Principal	Interest	
2013	\$ 1,685,000	\$ 3,706,215	\$ 5,391,215
2014	1,735,000	3,656,040	5,391,040
2015	1,790,000	3,597,033	5,387,033
2016	1,865,000	3,528,252	5,393,252
2017	2,455,000	3,441,348	5,896,348
2018-2022	13,815,000	15,391,341	29,206,341
2023-2027	16,985,000	11,518,374	28,503,374
2028-2032	21,435,000	6,128,759	27,563,759
2033-2034	10,125,000	592,620	10,717,620
Totals	<u>\$ 71,890,000</u>	<u>\$ 51,559,982</u>	<u>\$ 123,449,982</u>

NOTE: Expected future federal subsidies for the BABs is \$7,905,414

Federal subsidies received by the University were \$535,999 in fiscal year 2012 and \$558,333 in fiscal year 2011. These are reported as non-operating federal grant revenue. Interest expense on indebtedness was \$2,668,571 in fiscal year 2012 and \$1,288,226 fiscal year 2011. On construction-related debt, net interest cost of \$1,123,283 was capitalized in fiscal year 2012, and \$1,811,817 in fiscal year 2011.

Note 10 – Notes Payable

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

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

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2012

Details of the installment schedule follows:

Fiscal Year	Principal	Interest	Total
2013	\$ 1,026,820	\$ 152,846	\$ 1,179,666
2014	1,063,067	116,600	1,179,667
2015	1,100,593	79,073	1,179,666
2016	1,139,443	40,224	1,179,667
Totals	<u>\$ 4,329,923</u>	<u>\$ 388,743</u>	<u>\$ 4,718,666</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 an inserting and folding system for its mailroom under a capital lease agreement which bears interest at 7.84%. The net book value of capital leased assets included in net Capital Assets in the Statements of Net Assets at June 30, 2012 and 2011, was \$669 and \$18,676, respectively. Future minimum lease payments under the capital lease in fiscal year 2013 are \$811 including \$5 in interest.

Operating Lease Obligations

The University, in its fifth renewal option which ends June 30, 2013, has an operating lease for the purpose of classroom and general office purposes. The University has another operating lease for the usage of mailroom equipment which ends April 30, 2016 and bears interest at 9.904%.

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

Year Ending June 30,	Classroom	Mailroom Equipment	Total
2013	\$ 159,005	\$ 34,056	\$ 193,061
2014	-	34,056	34,056
2015	-	34,056	34,056
2016	-	28,380	28,380
Total future minimum lease payments	159,005	130,548	289,553
Less amount representing maintenance	-	42,274	42,274
Less amount representing interest	-	15,071	15,071
Total obligations under operating leases	<u>\$ 159,005</u>	<u>\$ 73,203</u>	<u>\$ 232,208</u>

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2012

Note 12 – Compensated Absences

During fiscal year 2009, the University's Board of Trustees authorized the development of a limited Early Retirement Incentive Program (ERIP) for all eligible employees who are members of the Ohio Public Employees Retirement System (OPERS). The effective period for eligibility determination in the planned ERIP was January 1, 2011 through December 31, 2011. The University purchased up to two (2) years of service credit for eligible employees who voluntarily participated. The University abided by the rules as established by (OPERS) except as otherwise specified in labor agreements. Expenses of \$833,711 in fiscal year 2012 and \$3,110,252 in fiscal year 2011 are reflected in the Statement of Revenues, Expenses and Changes in Net Assets.

Note 13 – Long-Term Liabilities

Long-term liability activity (also see notes 9-12) for the year ended June 30, 2012 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds payable					
General receipts bonds principal	\$ 73,010,000	\$ -	\$ 1,120,000	\$ 71,890,000	\$ 1,685,000
Unamortized premium/discount	232,342	-	74,388	157,954	-
Bonds payable, net	73,242,342	-	1,194,388	72,047,954	1,685,000
Note payable	5,321,732	-	991,809	4,329,923	1,026,820
Capital leases payable	92,518	-	91,712	806	806
Compensated absences	12,065,045	-	3,032,566	9,032,479	930,780
Refundable advance	2,741,340	31,027	87,414	2,684,953	-
Other liabilities	1,560,000	-	756,043	803,957	803,957
Total long-term liabilities	<u>\$ 95,022,977</u>	<u>\$ 31,027</u>	<u>\$ 6,153,932</u>	<u>\$ 88,900,072</u>	<u>\$ 4,447,363</u>

Long-term liability activity for the year ended June 30, 2011 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds payable					
General receipts bonds principal	\$ 55,440,000	\$ 18,660,000	\$ 1,090,000	\$ 73,010,000	\$ 1,120,000
Unamortized premium/discount	(91,704)	346,093	(22,047)	232,342	-
Bonds payable, net	55,348,296	19,006,093	1,067,953	73,242,342	1,120,000
Note payable	6,554,724	-	1,232,992	5,321,732	991,809
Capital leases payable	180,904	-	88,386	92,518	91,712
Compensated absences	9,793,129	3,631,188	1,359,272	12,065,045	2,619,259
Refundable advance	2,782,279	38,869	79,808	2,741,340	-
Other liabilities	-	1,740,000	180,000	1,560,000	810,000
Total long-term liabilities	<u>\$ 74,659,332</u>	<u>\$ 24,416,150</u>	<u>\$ 4,008,411</u>	<u>\$ 95,022,977</u>	<u>\$ 5,632,780</u>

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2012

Note 14 - Retirement Plans

Basic Retirement Benefits

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

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

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

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

Alternative Retirement Plan

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

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2012

Employee and Employer Contributions

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

Employee Contribution Rate						
Period	STRS		OPERS		OPERSLE	
	Traditional	ARP	Traditional	ARP	Traditional	ARP
1/1/12-6/30/12	10.0%	10.0%	10.0%	10.0%	12.1%	12.1%
1/1/11-12/31/11	10.0%	10.0%	10.0%	10.0%	11.6%	11.6%
1/1/10-12/31/10	10.0%	10.0%	10.0%	10.0%	11.1%	11.1%
7/1/09-12/31/09	10.0%	10.0%	10.0%	10.0%	10.1%	10.1%

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

Employer Contribution Rate								
Period	STRS			OPERS			OPERSLE	
	Traditional	ARP		Traditional	ARP		Traditional	ARP
		STRS	ARP		OPERS	ARP		
1/1/11-6/30/12	14.00%	3.50%	10.50%	14.00%	0.77%	13.23%	18.10%	18.10%
1/1/10-12/31/10	14.00%	3.50%	10.50%	14.00%	0.77%	13.23%	17.87%	17.87%
7/1/09-12/31/09	14.00%	3.50%	10.50%	14.00%	0.77%	13.23%	17.63%	17.63%

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		
2012	\$ 5,581,018	\$ 226,206	\$ 684,577	\$ 5,495,523	\$ 42,946	\$ 734,723	\$ 224,091	\$ -
2011	\$ 5,795,702	\$ 213,889	\$ 641,948	\$ 5,557,471	\$ 39,352	\$ 682,041	\$ 217,456	\$ -
2010	\$ 5,580,112	\$ 203,623	\$ 610,868	\$ 5,158,797	\$ 32,985	\$ 538,233	\$ 203,259	\$ -

The OPERS employee contributions to the ARP totaled \$555,362 and the STRS Ohio employee contributions to the ARP totaled \$651,979.

Note 15 – Other Postemployment Benefits (OPEB)

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

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2012

State Teachers Retirement System of Ohio

STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Pursuant to Chapter 3307 of the Ohio Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

Under Ohio Law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 1% of the covered payroll was allocated to post-employment health care for 2012, 2011 and 2010. The portion of the University's 2012, 2011 and 2010 contributions to STRS Ohio used to fund post-employment benefits was \$398,644, \$413,979 and \$398,579, respectively.

Ohio Public Employees Retirement System

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

OPERS' Post Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0% during calendar year 2011, 5.5% from 1/1/10-2/28/10 and 5.0% from 3/1/10-12/31/10, 7.0% from 1/1/09-3/31/09 and 5.5% from 4/1/09-12/31/09. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% during calendar year 2011, 4.73% from 1/1/10-2/28/10 and 4.23% from 3/1/10-12/31/10, 5.90% from 1/1/09-3/31/09 and 4.73% from 4/1/09-12/31/09. The portion of the University's 2012, 2011 and 2010 contributions to OPERS used to fund post retirement benefits was \$1,706,795, \$2,039,931, and \$2,188,584. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

Note 16 – Contingencies and Risk Management

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

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2012

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 was self-insured for all employee health care benefits. The self-insured plan includes stop loss provisions.

Liabilities for estimates of outstanding claims and claims incurred but not reported under self-insurance programs have been recorded. Changes in the self-insured health care liabilities included in accrued health care benefits payable (see Note 8) at June 30, 2012 and June 30, 2011 were as follows:

	2012	2011
Liability at beginning of fiscal year	\$ 2,133,325	\$ 1,513,811
Current year claims including changes in estimates	14,367,259	16,907,723
Claim payments	(15,541,867)	(16,288,209)
Liability at end of fiscal year	<u>\$ 958,717</u>	<u>\$ 2,133,325</u>

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

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

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

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2012

Note 17 – Component Unit

Youngstown State University Foundation (YSUF) is a nonprofit organization that reports under FASB standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. With the exception of necessary presentation adjustments, no modifications have been made to YSUF's financial information in the University's financial report for these differences. The University Housing Corporation (UHC) was recognized as a component unit in fiscal year 2011, but not in fiscal year 2012 due to the immaterial activity.

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.

Financial support from YSUF was \$4,762,500 for the fiscal year ended June 30, 2012 and \$4,519,000 for the fiscal year ended June 30, 2011. Financial support from YSUF has been committed for fiscal year 2013 in the amount of \$5,157,940. Amounts reflected in deferred revenue were \$1,192,500 at June 30, 2011. In addition, rental income from YSUF of \$10,630 for the fiscal year ended June 30, 2012 and \$10,560 for the fiscal year ended June 30, 2011 was recorded and is reflected in the University's Statements of Revenues, Expenses and Changes in Net Assets.

Under the terms of an agreement with the University, the Foundation serves as an investment manager for the University's endowments and on occasion funds related to specific capital fundraising projects of a more long term nature. 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, 2012 and June 30, 2011 was \$7,016,626 and \$6,306,642, respectively. The management services are provided at no charge and investments are made in a manner consistent with the YSUF funds.

UHC

In fiscal year 2011, the University acquired through bond financing, the University Courtyard Apartments and assumed UHC's contracts. The acquisition cost was approximately \$17.2 million. Because of the component unit relationship between the University and UHC, the acquisition of the University Courtyard Apartments was recognized by the University on the historical cost basis of UHC. Therefore, the University recorded the property at approximately

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2012

\$14.2 million, the net book value of the property by UHC prior to the acquisition. The resulting difference of \$3 million was reflected by the University as a contribution of capital to UHC.

The following details the transaction.

YSU Series 2011 Bond proceeds to UHC	\$ 18,442,000
UHC cash to YSU	<u>(1,227,055)</u>
Fair value of property	<u>\$ 17,214,945</u>
Buildings, net	\$ 13,801,372
Other capital assets, net	<u>288,317</u>
Property, facilities and equipment, net	14,089,689
Assets	276,756
Liabilities	<u>(194,403)</u>
Net book value of property	<u>\$ 14,172,042</u>
YSU contribution of capital to UHC	<u>\$ 3,042,903</u>

The \$3,042,902 was reflected on YSU's Statement of Revenues, Expenses and Changes in Net Assets as a contribution of capital to UHC; whereas it was reflected on UHC's Statement of Activities as a contribution of capital from YSU. Therefore, the combined results of the acquisition on the financial statements of the University and UHC reflected no net gain or loss on the transaction and the property was recorded by the University on the same historical cost basis as it was prior to the acquisition.

The proceeds from the sale were used by UHC to redeem the UHC's outstanding series 2002 bonds payable. Summarized fiscal year 2011 information for UHC follows:

As of July 31, 2011 (UHC's fiscal year end)	
Cash and investments	\$ 209,000
Unrestricted net assets	\$ 209,000
For the year ended July 31, 2011	
Revenue	\$ 2,388,000
Expenses	\$(2,705,000)
Interest rate swap	\$ 610,000
Contribution of capital from YSU	\$ 3,043,000

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2012

BOARD OF TRUSTEES AS OF JUNE 30, 2012

Delores Crawford	<i>Community Affairs Director WKBN</i>
David C. Deibel	<i>Owner and President Boardman Steel</i>
Dr. Sudershan K. Garg, Chair	<i>Associate Professor of Internal Medicine Northeastern Ohio Universities College of Medicine President Blood & Cancer Center, Inc. Hematologist/Oncologist St. Joseph Health Center and St. Elizabeth Health Center</i>
James B. Greene	<i>Retired Executive Compco Industries</i>
Dr. John R. Jakubek, Vice-Chair	<i>Anesthesiologist Bel-Park Anesthesia Associates, Inc. And St. Elizabeth Boardman Health Center</i>
Ryan Meditz	<i>Student Trustee</i>
Harry Meshel	<i>Former Ohio State Senator and Former Chair of the Ohio Democratic Party</i>
Joshua M. Prest	<i>Student Trustee</i>
Leonard D. Schiavone	<i>Partner and Treasurer Friedman & Rummell Co., LPA</i>
Scott R. Schulick	<i>Vice President - Investments Stifel, Nicolaus and Co., Inc.</i>
Carol S. Weimer	<i>Special Education Teacher Liberty High School</i>
Franklin S. Bennett, Jr.	<i>Secretary to the Board of Trustees</i>

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2012

PRINCIPAL ADMINISTRATORS AS OF JUNE 30, 2012

Dr. Cynthia E. Anderson	<i>President</i>
Jack Fahey	<i>Vice President for Student Affairs</i>
Eugene Grilli	<i>Vice President for Finance & Administration</i>
Dr. Ikram Khawaja	<i>Provost and Vice President for Academic Affairs</i>

Youngstown State University
Schedule of Expenditures of Federal Awards

June 30, 2012

Program Title	CFDA #	Pass Through Number	Research and Development Cluster	Student Financial Assistance Cluster	Other Expenditures	Total Expenditures
Department of Commerce (DOC)						
Congressionally Identified Awards and Projects						
Pass-Through Entity Consortium for Oceanographic Research and Applied Scientific Research	11.469	NA06SEC4690002	-	-	15,242	15,242
Total Department of Commerce (DOC)			-	-	15,242	15,242
Department of Defense (DOD)						
Basic Scientific Research						
Pass-Through Entity Army Research Lab	12.431	W911NF-10-2-0090	406,248	-	-	406,248
Basic, Applied, and Advanced Research in Science and Engineering						
Pass-Through Entity University of Southern Mississippi	12.630	W9132T-09-2-0019	266	-	-	266
Total Department of Defense (DOD)			406,514	-	-	406,514
Department of Housing and Urban Development (HUD)						
Community Development Block Grants/Entitlement Grants						
Pass-Through Entity Youngstown Community Development Agency	14.218	B-11-MC-39-0023	-	-	24,849	24,849
Emergency Solutions Grant Program						
Pass-Through Entity Youngstown Community Development Agency	14.231	S-11-MC-39-0023	-	-	19,694	19,694
Supportive Housing Program	14.235		-	-	76,493	76,493
Homelessness Prevention and Rapid Re-Housing Program - ARRA Funding						
Pass-Through Entity Youngstown Community Development Agency	14.257	S-09-MY-39-0023	-	-	18,709	18,709
Total Department of Housing and Urban Development (HUD)			-	-	139,745	139,745
Department of Justice (DOJ)						
Community Capacity Development Office						
Total Department of Justice (DOJ)	16.595		-	-	217,291	217,291
Department of Labor Employment and Training Administration						
WIA Youth Activities						
Pass-Through Entity Trumbull County Department of Job and Family Services	17.259	3073-2	-	-	2,736	2,736
Total Department of Labor Employment and Training Administration			-	-	2,736	2,736
Department of Transportation (DOT)						
University Transportation Centers Program						
Total Department of Transportation (DOT)	20.701		413,350	-	-	413,350
National Aeronautics and Space Administration (NASA)						
Aerospace Education Services Program						
Aerospace Education Services Program	43.001		-	-	5,108	5,108
Aerospace Education Services Program	43.001		24,059	-	-	24,059
Total National Aeronautics and Space Administration (NASA)			24,059	-	5,108	29,167
National Science Foundation (NSF)						
Engineering Grants						
Engineering Grants	47.041		18,821	-	-	18,821
Mathematical and Physical Sciences						
Mathematical and Physical Sciences	47.049		70,979	-	-	70,979
Mathematical and Physical Sciences						
Pass-Through Entity Ohio State University	47.049	CHE-05322560	322	-	-	322
Pass-Through Entity Harold Washington College	47.049	CHE-0629174	13,131	-	-	13,131
Pass-Through Entity Case Western Reserve University	47.049	DMR-0423914	17,445	-	-	17,445
Biological Sciences	47.074		60,778	-	-	60,778
Education and Human Resources	47.076		-	-	75,954	75,954
International Science and Engineering (OISE)						
Pass-Through Entity US Civilian Research & Development Foundation	47.079	RUC1-2989-ST-10	3,039	-	-	3,039
Trans-NSF Recovery Act Research Support - ARRA Funding						
Trans-NSF Recovery Act Research Support - ARRA Funding	47.082		36,861	-	-	36,861
Pass-Through Entity Ohio University	47.082	UT15760	-	-	20,981	20,981
Total National Science Foundation (NSF)			221,376	-	96,935	318,311
Small Business Administration (SBA)						
Small Business Development Center						
Pass-Through Entity Small Business Development Centers of Ohio	59.037	N/A	-	-	124,191	124,191
Total Small Business Administration (SBA)			-	-	124,191	124,191
Department of Energy						
Emission Control Research and Development						
Pass-Through Entity National Energy Technology Laboratory	81.UNK	DE-FE0004000	72,685	-	-	72,685
Conservation Research and Development	81.086		483,964	-	-	483,964
Renewable Energy Research and Development	81.087		472,523	-	-	472,523
Electricity Delivery and Energy Reliability, Research, Development and Analysis						
Pass-Through Entity University of Minnesota - ARRA Funding	81.122	DE-OE0000427	14,306	-	-	14,306
Total Department of Energy			1,043,478	-	-	1,043,478
Department of Education (DOE)						
Federal Supplemental Educational Opportunity Grants						
Federal Supplemental Educational Opportunity Grants	84.007		-	476,466	-	476,466
Federal Work Study Program	84.033		-	582,275	-	582,275
Federal Perkins Loan Program (see Note 2)	84.038		-	2,677,590	-	2,677,590

Youngstown State University
Schedule of Expenditures of Federal Awards

June 30, 2012

Program Title	CFDA #	Pass Through Number	Research and Development Cluster	Student Financial Assistance Cluster	Other Expenditures	Total Expenditures
TRIO – Upward Bound	84.047		–	–	249,064	249,064
Career and Technical Education -- Basic Grants to States						
Pass-Through Entity Ohio Board of Regents	84.048	V048A110035-11B	–	–	13,399	13,399
Federal Pell Grant Program	84.063		–	29,926,831	–	29,926,831
Fund for the Improvement of Postsecondary Education	84.116Z		–	–	83,059	83,059
Business and International Education Projects	84.153A		–	–	28,577	28,577
Federal Direct Student Loans (see Note 2)	84.268		–	88,900,420	–	88,900,420
Academic Competitiveness Grants	84.375		–	650	–	650
College Access Challenge Grant Program						
Pass-Through Entity NEO Council on Higher Education	84.378A	N/A	–	–	20,003	20,003
Twenty-First Century Community Learning Centers						
Pass-Through Entity State of Ohio Department of Education	84.287	USAS 599	–	–	592,445	592,445
Pass-Through Entity Youngstown City Schools	84.287	S287C050035	–	–	135,795	135,795
Total Department of Education (DOE)			–	122,564,232	1,122,342	123,686,574
Department of Health and Human Services						
Nurse Anesthetist Traineeships	93.124		–	–	21,908	21,908
Disabilities Prevention	93.184		–	–	51,953	51,953
Advanced Nursing Education Traineeships	93.358		–	–	17,110	17,110
Stephanie Tubbs Jones Child Welfare Services Program						
Pass-Through Entity State of Ohio DoJFS	93.645	G-89-06-1249	–	–	5,704	5,704
Foster Care-Title IV-E						
Pass-Through Entity State of Ohio DoJFS	93.658	G-89-06-1249	–	–	65,814	65,814
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847		39,949	–	–	39,949
Child Health and Human Development Extramural Research						
Pass-Through Entity University of Pittsburgh Medical Center	93.865	0003193	10,041	–	–	10,041
Total Department of Health and Human Services			49,990	–	162,489	212,479
Corporation for National and Community Service						
Learn and Serve America School and Community Based Programs						
Pass-Through Entity Youngstown City Schools	94.004	N/A	–	–	4,961	4,961
Learn and Serve America Higher Education						
Pass-Through Youngstown City Schools	94.005	N/A	–	–	2,000	2,000
Total Corporation for National and Community Service			–	–	6,961	6,961
Corporation for Public Broadcasting (CPB)						
CPB Community Service Grant FY11						
Pass- Through Corporation for Public Broadcasting	99.UNK	N/A	–	–	127,727	127,727
American Archive Content Inventory Project						
Pass-Through Corporation for Public Broadcasting	99.UNK	14224	–	–	172	172
Total Corporation for Public Broadcasting (CPB)			–	–	127,899	127,899
Total Federal Expenditures			\$ 2,158,767	\$ 122,564,232	\$ 2,020,939	\$ 126,743,938

N/A - Pass Through number is not available
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YOUNGSTOWN STATE UNIVERSITY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2012

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 Direct Loan Program

The University participates in the Federal Direct Student Loan Program (84.268). The University originates but does not provide funding for Federal Direct Loans (FDSL). The \$88,900,420 presented on the Schedule of Expenditures of Federal Awards represents the value of new FDSL processed by the University for the year ended June 30, 2012.

Federal Perkins Loan Program

The \$2,677,590 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, 2012 totaled \$372,140.

REPORT OF INDEPENDENT AUDITORS 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 unit of Youngstown State University (the “University”) as of and for the year ended June 30, 2012, and have issued our report thereon dated the same date as this report. Our report includes 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

Management of the University is responsible for establishing and maintaining effective 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 University’s internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the University in a separate letter dated October 12, 2012.

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, 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 12, 2012

REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON 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 Youngstown State University's (the "University") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2012. 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 each of its major federal programs is 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. 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

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

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

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

We noted certain matters that we reported to management of the University in a separate letter dated October 12, 2012.

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 12, 2012

YOUNGSTOWN STATE UNIVERSITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2012

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unqualified

Internal control over financial reporting:

Material weakness(es) identified?

_____ Yes X No

Significant deficiencies identified not
considered to be material weaknesses?

_____ Yes X None Reported

Noncompliance material to financial statements
noted?

_____ Yes X No

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

Federal Awards

Internal Control over major programs:

Material weakness(es) identified?

_____ Yes X No

Significant deficiencies identified not
considered to be material weaknesses?

_____ Yes X None Reported

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 (CONT.) FOR THE YEAR ENDED JUNE 30, 2012

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
84.033	Federal Work-Study Program
84.038	Federal Perkins Loan Program
84.063	Federal Pell Grant Program
84.268	Federal Direct Loans Program

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? X Yes No

Section II - Financial Statement Findings

There were no findings for the year ended June 30, 2012.

Section III - Federal Award Findings

There were no findings for the year ended June 30, 2012.

Section IV - Prior Year Audit Findings

There were no findings for the year ended June 30, 2011.



YOUNGSTOWN STATE UNIVERSITY

YOUNGSTOWN STATE UNIVERSITY
INTERCOLLEGIATE ATHLETICS DEPARTMENT
Youngstown, Ohio

AGREED-UPON PROCEDURES
REQUIRED BY THE NCAA
June 30, 2012

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**YOUNGSTOWN STATE UNIVERSITY
INTERCOLLEGIATE ATHLETICS DEPARTMENT**

**Report of Independent Accountants on
Applying Agreed-Upon Procedures**

June 30, 2012

YOUNGSTOWN STATE UNIVERSITY
INTERCOLLEGIATE ATHLETICS DEPARTMENT
Youngstown, Ohio

AGREED-UPON PROCEDURES
REQUIRED BY THE NCAA
June 30, 2012

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

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

We have performed the procedures enumerated below, which were agreed to by management of Youngstown State University (the "University"), solely to assist the University in evaluating whether the accompanying Statement of Revenues and Expenses of the University is in compliance with the National Collegiate Athletic Association ("NCAA") Bylaw 6.2.3.1 for the year ended June 30, 2012. Management of the University is responsible for the Statement of Revenues and Expenses ("Statement") and the University's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representations regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

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

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

Procedures Related to the Accounting Records

1. We obtained the Statement of Revenues and Expenses (the "Statement") of the Intercollegiate Athletics Department (the "Athletics Department") for the year ended June 30, 2012, as prepared by management as well as shown on page 5. Additionally, we obtained the supporting worksheets and agreed each of the revenue and expense amounts on the Statement to management's worksheets, noting no exceptions.
2. We agreed all amounts on management's worksheets to the University's June 30, 2012 general ledger, noting no exceptions.
3. We compared revenues and expenses appearing on the Statement to budgeted amounts and prior year amounts and obtained explanations for all variances greater than \$50,000 and 10 percent. All variances were explained by management. We have read the schedule and explanations provided by management at the Athletic Department and the University's General Accounting Office of the 5 items that met the criteria for budget to actual and 6 items that met the criteria for actual to actual.
4. We obtained a summary of football ticket revenues. We agreed football ticket revenues per the performance sales and gate sales reports for all games to the general ledger, noting the schedule was \$1,194 (.356% of football ticket revenues) lower than the June 30, 2012 general ledger.

(Continued)

5. We obtained a summary of basketball ticket revenues. We agreed basketball ticket revenues from the summary to supporting schedules for three games and agreed the ticket revenue to the general ledger, noting the schedule was \$134 (.10% of basketball revenues) lower than the June 30, 2012 general ledger.
6. We agreed the guarantee revenues (away games) and expenses (home games) to the signed contracts and other supporting documentation, noting no exceptions.
7. We identified 1 contribution of cash, services or goods which was received by the University's Athletics Department and that constituted 10 percent or greater of all contributions received by the University's Athletics Department. For each we agreed to check copies or other supporting documentation maintained by the university, noting no exceptions.
8. We agreed the Federal Work Study support recorded by the Athletics Department in the Statement with federal appropriations and/or other supporting documentation, noting no exceptions.
9. We agreed the University's direct institutional support recorded by the Athletics Department in the Statement to the General Fund Allocation approved by the Board of Trustees for the year, noting no exceptions.
10. We obtained the NCAA/Conference Distributions reports and agreed them to the Statement, noting no exceptions. We inquired of the General Accounting Office if there were any agreements related to the University's participation in revenues from tournaments during the year ended June 30, 2012 and we were informed there were none.
11. We obtained the agreement with Clear Channel Broadcasting, Inc. related to the University's participation in revenues from radio, including rights fees paid by Clear Channel and agreed to the radio revenues, noting no exceptions.
12. We selected 1 program sales, concessions, novelty sales and parking cash receipt and agreed revenue receipt to supporting documentation maintained by the University, noting no exception.
13. We obtained and inspected the agreements related to the University's participation in revenues from royalties, advertisements and sponsorships. We selected 7 revenue receipts and agreed them to the supporting agreements as well as the total to the Statement, noting no exceptions.
14. We obtained an understanding of the agreement between the University and persons conducting Century Cage Camp held during the year ended June 30, 2012.
15. We selected 10 sports-camp participant cash receipts and agreed the receipt to supporting registration forms, noting no exceptions.
16. We selected 2 sports-camp expenses and agreed the expense to the supporting documentation (for example, invoices) and agreed that the expense was for camp related activity, noting no exceptions.
17. We obtained and read the endowment agreements to gain an understanding of the relevant terms and conditions. We compared and agreed the classification and use of endowment and investment income reported in the Statement for the year ended June 30, 2012 to the uses of income defined within the related endowment agreement, noting no exceptions.
18. We selected 3 operating revenue receipts and agreed the revenue receipts to supporting documentation maintained by the University, noting no exceptions.
19. We selected 10 student athletes who received institutional financial aid during the year ended June 30, 2012 and agreed the award amount per the student's account detail to the related award letter, noting no exceptions.

(Continued)

20. We obtained a listing of coaches employed by the University. We selected coaches for football, women's basketball, and three other coaches and obtained the related contracts. We obtained the W-2's for the coaches selected above and compared amounts appearing in the W-2's to the related expenses in the Statement. Because the W-2's are for the year ended December 31, 2011, and the salaries and benefit expense per the Statement are for the fiscal year ended June 30, 2012, the total compensation per the W-2's did not agree with the salaries and benefits expense per the Statement.
21. We agreed the financial terms and conditions associated with the above coaches' salaries, benefits and bonuses to the related expense recorded by the University in the Statement, noting no exceptions. There were no coaches with salaries, benefits, or bonuses paid by a third party.
22. We obtained a listing of administrative employees of the Athletics Department. We selected 10 administrative employees of the Athletics Department and obtained the W-2's for the employees selected and compared the amounts appearing in the W-2's to the related expenses in the Statement. Because the W-2's are for the year ended December 31, 2011, and the salaries and benefit expense per the Statement are for the fiscal year ended June 30, 2012, the total compensation per the W-2's did not agree with the salaries and benefits expense per the Statement.
23. We agreed the salaries, benefits and bonuses paid by the University for the administrative employees selected above to the related expense recorded by the University in the Statement, noting no exceptions. There were no administrative employees with compensation and benefits paid by a third party.
24. We obtained copies of the University's recruiting and travel policies. We read the policies and agreed them to the NCAA policies, noting no exceptions. We selected a sample of 3 recruiting expense transactions and 13 team travel expense transactions and agreed the expense transaction to supporting documentation maintained by the University, noting no exceptions.
25. We selected 7 equipment, uniform and/or supplies expense transactions and agreed the expense transaction to supporting documentation maintained by the University, noting no exceptions.
26. We selected 2 fundraising, marketing and/or promotion expense transactions and agreed them to supporting documentation, noting no exceptions.
27. We selected 3 facilities, maintenance and rental expense transactions and agreed the expense transactions to supporting documentation maintained by the University, noting no exceptions.
28. We selected 1 spirit group expense transaction and agreed the expense transaction to supporting documentation maintained by the University, noting no exceptions.
29. We selected 1 medical expense and insurance expense transaction and agreed the expense transaction to supporting documentation maintained by the University, noting no exceptions.
30. We selected 1 membership and dues expense transaction and agreed the expense transaction to supporting documentation maintained by the University, noting no exceptions.
31. We selected 7 other expense transactions and agreed the expense transactions to supporting documentation maintained by the University, noting no exceptions.
32. We confirmed with management that there were no severance payments made by the University for the year ended June 30, 2012.
33. There was no information provided by the University to perform the agreed-upon procedures on student fees, compensation and benefits provided by a third-party, indirect facilities and administrative support, and games expense. Management indicated there were no such transactions/categories during the reporting period.

(Continued)

Procedures Related to the Internal Accounting Controls

- 34. We obtained an understanding of the University's procedures for gathering information on the nature and extent of the affiliated and outside organization's activities for or on behalf of the University's intercollegiate athletic programs. We noted that the University receives a review report from an external accountant that expresses limited assurance that there were no material modification that should be made to the annual financial statements of the Penguin Club for them to be in conformity with accounting principles generally accepted in the United States of America.

Procedures Related to the Penguin Club

- 35. We obtained the list of outside programs and related financial activities for the year ended June 30, 2012, which is included on page 7 of this report. Management represented that the Penguin Club was the only "outside organization" which had expenses for or on behalf of the University's Intercollegiate Athletics Program.
- 36. We agreed the Penguin Club's revenues and expenses on page 6 of this report to a confirmation obtained directly from the Penguin Club, noting no exceptions.
- 37. We agreed the Penguin Club's expenses incurred on behalf of the University's Intercollegiate Athletics Program on page 7 to a confirmation obtained directly from the Penguin Club, noting no exceptions.
- 38. We received the reviewed financial statements of the Penguin Club for the year ended June 30, 2012, which reflected that no material modifications to the financial statements were required.
- 39. We noted the amounts included on pages 6 and 7 of this report are not included in the Statement.

Procedures Related to the Athletics Assets

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

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

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

Crowe Horwath LLP
Crowe Horwath LLP

Columbus, Ohio
December 10, 2012

Youngstown State University
Intercollegiate Athletics Department
Statement of Revenues and Expenses
For the Year Ended June 30, 2012

	Unrestricted Auxiliary					Plant, Endowment & Quasi- Endowment	Total
	Football	Basketball	Other Sports	Non-Program Specific	Restricted		
Revenue							
Ticket Sales	\$ 335,020	\$ 137,010	\$ -	\$ -	\$ -	\$ -	\$ 472,030
Guarantees	600,000	168,000	-	-	-	-	768,000
Contributions	-	-	5,671	-	662,713	39,989	708,373
Direct State or Other Government Support	-	-	-	-	7,115	-	7,115
Direct Institutional Support	-	-	8,177	8,958,449	-	-	8,966,626
NCAA/Conference Distributions	150,727	78,288	386,463	-	66,649	-	682,127
Broadcast Television, Radio, and Internet Rights	-	-	-	52,214	-	-	52,214
Program Sales & Concessions	6,003	1,728	-	23,042	-	-	30,773
Royalties, Licensing, Advertisements and Sponsorships	632,321	77,950	-	33,959	-	-	744,230
Sports-Camp Revenues	-	-	-	229,514	-	-	229,514
Endowment and Investment Income	-	-	-	-	1,380	820	2,200
Other	<u>58,095</u>	<u>163</u>	<u>-</u>	<u>188,522</u>	<u>21,355</u>	<u>-</u>	<u>268,135</u>
Subtotal Revenue	1,782,166	463,139	400,311	9,485,700	759,212	40,809	12,931,337
Expenses							
Athletic Student Aid	1,303,316	526,532	1,726,884	-	201,413	-	3,758,145
Guarantees	135,000	7,500	-	-	-	-	142,500
Coaching Salaries, Benefits & Bonuses Paid by the University	1,262,346	818,374	922,521	-	-	-	3,003,241
Support Staff/Administrative Salaries, Benefits & Bonuses Paid by the University	-	-	5,603	2,109,083	76,123	-	2,190,809
Recruiting	87,685	117,620	50,453	-	725	-	256,483
Team Travel	335,870	303,837	430,120	-	71,590	-	1,141,417
Equipment, Uniforms & Supplies	152,352	42,905	113,294	175,025	79,808	47,003	610,387
Fund Raising, Marketing & Promotion	11,133	25,055	749	130,212	11,233	-	178,382
Sports Camp Expenses	-	-	-	179,694	-	-	179,694
Direct Facilities, Maintenance & Rental	-	-	35,073	183,293	23,846	900	243,112
Spirit Groups	-	-	-	49,692	-	-	49,692
Medical Expenses & Medical Insurance	-	-	-	112,107	133	-	112,240
Membership & Dues	-	-	-	22,666	750	-	23,416
Other Operating Expenses	<u>138,866</u>	<u>79,040</u>	<u>50,211</u>	<u>277,946</u>	<u>57,419</u>	<u>15,584</u>	<u>619,066</u>
Subtotal Expenses	3,426,568	1,920,863	3,334,908	3,239,718	523,040	63,487	12,508,584
Revenues (Less Than) in Excess of Expenses	(1,644,402)	(1,457,724)	(2,934,597)	6,245,982	236,172	(22,678)	422,753
Transfer out to/(in from) other funds	-	7,505	1,513	-	(9,918)	13,484	12,584
Transfers for Capital improvements	-	-	-	-	-	(25,000)	(25,000)
Mandatory transfers for indebtedness	-	-	-	149,984	-	-	149,984
Net transfer out to (in from)	-	7,505	1,513	149,984	(9,918)	(11,516)	137,568
Revenues (Less Than) in Excess of Expenses and Transfers	<u>\$ (1,644,402)</u>	<u>\$ (1,465,229)</u>	<u>\$ (2,936,110)</u>	<u>\$ 6,095,998</u>	<u>\$ 246,090</u>	<u>\$ (11,162)</u>	<u>\$ 285,185</u>

Youngstown State University
 Schedule of Intercollegiate Athletics Program
 Support by Booster Organization
 For the Year Ended June 30, 2012

Booster Organization	Beginning Net Assets	Revenues	Expenses	Ending Net Assets
The Penguin Club, Inc.	\$ 973,317	\$ 598,662	\$ 426,149	\$ 1,145,830

Youngstown State University
Schedule of Financial Activities of the Penguin Club
For the Year Ended June 30, 2012

Booster Organization

Miscellaneous Expense	\$ 147,090
Century Kingbird Tickets	145,287
Membership Drive Expense	11,820
Sports Banquets	14,449
Scholarship Recognition	12,700
Executive Director Expenses	4,176
Car Lease	<u>4,008</u>
Total	<u>\$ 339,530</u>

Youngstown State University
 Schedule of Financial Activities of the Penguin Club
 For the Year Ended June 30, 2012

Booster Organization	
\$ 147,080	Miscellaneous Expense
145,287	Contry Round Tickets
71,820	Membership Drive Expense
14,448	Spons. Banquets
12,700	Scholarship Recognition
4,178	Executive Director Expenses
<u>4,906</u>	Car Lease
\$ 238,519	Total



WYSU-FM
Youngstown State
University Radio

FINANCIAL REPORT
AND
SCHEDULE OF NONFEDERAL
FINANCIAL SUPPORT

for the Years Ended
June 30, 2012 and 2011

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

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REPORT OF INDEPENDENT AUDITORS

To the Board of Trustees
Youngstown State University
Youngstown, Ohio

We have audited the accompanying financial statements of the business-type activities of WYSU-FM, Youngstown State University Radio (the “Station”) as of and for the years ended June 30, 2012 and 2011 which comprise the Station’s basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Station’s management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

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, 2012 and 2011, and the changes in its financial position and its cash flows, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Station as of June 30, 2012 and 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2012 on our consideration of the Station'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 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 the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis ("MD&A") on pages 3 through 8 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that comprise the Station's 2012 financial statements. The supplementary information included in the Schedule of Nonfederal Financial Support is presented for purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Nonfederal Financial Support is fairly stated, in all material respects, in relation to the financial statements as a whole.


Crowe Horwath LLP

Columbus, Ohio
November 15, 2012

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis section of the WYSU-FM Youngstown State University Radio (WYSU-FM or the Station) Financial Report presents a discussion and analysis of the financial performance of the Station, a noncommercial public radio station operated by Youngstown State University (the University or YSU), during the fiscal year ended June 30, 2012 with comparative information for the fiscal years ended June 30, 2011 and 2010. This discussion has been prepared by management and should be read in conjunction with the financial statements and the accompanying notes that follow.

Introduction

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

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

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

Using the Financial Statements

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

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

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

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

Financial and Other Station Highlights

- Stable financial position and audience numbers
- Achievement of membership goal for Fall 2011 fund drive
- Substantial increase in underwriting revenue and strong underwriter acquisition activity
- Creation of a Disaster Response Plan
- Development of a committee-based operational philosophy and staffing structure

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:

	June 30, 2012	June 30, 2011	June 30, 2010
Assets			
Current assets	\$ 1,446,751	\$ 1,296,279	\$ 1,102,796
Other noncurrent assets	151,257	148,296	127,760
Capital assets, net	154,620	213,586	228,101
Total Assets	<u>1,752,628</u>	<u>1,658,161</u>	<u>1,458,657</u>
Liabilities			
Current liabilities	156,147	141,763	131,052
Noncurrent liabilities	87,134	83,240	77,814
Total Liabilities	<u>243,281</u>	<u>225,003</u>	<u>208,866</u>
Total Net Assets	<u>\$ 1,509,347</u>	<u>\$ 1,433,158</u>	<u>\$ 1,249,791</u>
Net Assets			
Invested in capital assets, net of related debt	\$ 154,620	\$ 213,586	\$ 228,101
Restricted	352,145	348,972	228,436
Unrestricted	1,002,582	870,600	793,254
Total Net Assets	<u>\$ 1,509,347</u>	<u>\$ 1,433,158</u>	<u>\$ 1,249,791</u>

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

Current assets consist primarily of cash and cash equivalents, but also include investments, pledges, accounts, and interest receivable. Current assets increased \$150,472 or 12% from fiscal year 2011 to 2012 primarily due to unspent receipts from membership and underwriting income. This, along with the receipt of a major capital gift in 2011, accounted for the majority of the \$193,483 or 18% increase between fiscal years 2010 and 2011. The same donor provided a significant capital gift in 2010. These gifts are designated for a new facility for the Station. Other noncurrent assets, which represent endowment investments, increased \$2,961 or 2% from fiscal year 2011 to 2012 and \$20,536 or 16% from fiscal year 2010 to 2011 as the carrying value of investments increased due to improved investment performance. Net capital assets decreased \$58,966 or 28% between fiscal years 2011 and 2012 due to the continued depreciation of existing assets. During fiscal year 2011, the Station installed a new broadcast antenna which increased WYSU-FM's coverage area by 43% and the number of potential listeners by 63%. Net capital assets decreased \$14,515 or 6% between fiscal years 2011 and 2010 as continued depreciation of existing assets was greater than the cost of the new antenna. Refer to Notes 2-4 for additional information about cash and cash equivalents, investments, and capital assets.

Liabilities consisting of accounts payable, deferred revenue, and compensated absences increased \$18,278 or 8% between fiscal years 2011 and 2012. Deferred revenue from an increase in the Station's Corporation for Public Broadcasting grant and accounts payable accounted for the majority of the increase. Compensated absences, particularly accrued vacation, accounted for the majority of the 16,137 or 8% increase between fiscal years 2010 and 2011. Refer to Notes 5 and 6 for additional information about deferred revenue and long-term liabilities.

Overall the Station's net assets increased \$76,189 or 5% from \$1,433,158 at June 30, 2011 to \$1,509,347 at June 30, 2012. This resulted from excess revenues over expenses and includes a \$131,982 increase in unrestricted funds, a \$3,173 increase in restricted funds, and a \$58,966 decrease in the net amount invested in capital assets. The 15% increase in unrestricted net assets reflects the excess of membership and underwriting revenue over expenses during fiscal year 2012. Net assets invested in capital assets decreased 28% as depreciation exceeded additions.

Total net assets increased \$183,367 or 15% from \$1,249,791 at June 30, 2010 to \$1,433,158 at June 30, 2011. This resulted from excess revenues over expenses and includes a \$120,536 increase in restricted funds, a \$77,346 increase in unrestricted funds and a \$14,515 decrease in the net amount invested in capital assets. The 53% increase in restricted net assets resulted from a \$100,000 capital gift and an increase in the value of WYSU-FM's endowment. The 10% increase in unrestricted net assets reflects the excess of membership and fundraising revenue over expenses during 2011. The 6% decrease in net assets invested in capital assets, net of related debt from fiscal year 2010 to 2011 was due to depreciation expense.

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

These statements present the operating results and the non-operating revenues and expenses of the Station. The revenues and expenses are reported as either operating or non-operating. Operating revenues are generated by an annual Community Service Grant from CPB (a portion

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

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

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

	June 30, 2012	June 30, 2011	June 30, 2010
Total operating revenues	\$ 405,116	\$ 368,409	\$ 370,407
Total operating expenses	1,321,303	1,307,803	1,213,404
Operating loss	(916,187)	(939,394)	(842,997)
Net non-operating revenues	992,376	1,022,761	894,103
Gain before other revenue, expenses, and changes	76,189	83,367	51,106
Total other revenue, expenses, and changes	-	100,000	100,002
Total increase in net assets	76,189	183,367	151,108
Net assets at the beginning of the year	1,433,158	1,249,791	1,098,683
Net assets at the end of the year	\$ 1,509,347	\$ 1,433,158	\$ 1,249,791

Between fiscal year 2011 and fiscal year 2012, total operating revenues increased \$36,707 or 10%, including underwriting revenue that increased \$31,855 or 37%. The Station acquired 17 new underwriters during fiscal year 2012, including contracts with two large foundations. The Station also received a one-time underwriting grant with Connect Ohio to educate state residents about the benefits of home-based broadband service and to encourage attendance at free computer/broadband training sessions.

Total operating revenues decreased \$1,998 or 1% between fiscal year 2010 and 2011. Operating revenue from the CPB grant decreased \$16,154 or 11% as the Station received additional funds from CPB in fiscal year 2010 from a federal fiscal stabilization grant. A similar grant was not received in fiscal year 2011. In-kind contributions increased \$23,060 or 21% primarily due to additional support from e-Tech Ohio to cover rises in the cost of services. Underwriting revenue decreased \$8,910 or 9% as a result of impacts from poor economic conditions and some of WYSU-FM's foundation support migrating from the underwriting category to the membership category.

Between fiscal years 2011 and 2012, total operating expenses increased \$13,500 or 1%. This was due to the increase in program services of \$43,079 or 6% coupled with the \$29,579 or 5% decrease in support services. There were shifts in the various operating expense categories as staff duties changed. During fiscal year 2012, WYSU-FM initiated a committee-based operational philosophy and structure. Due to the staffing pressures the unit faces, management found it helpful for staff members to be involved on multiple committees, each responsible for

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

different aspects of unit operations. Management believes that the cross-training and cross-involvement associated with the new committee structure has not only helped to create more well-rounded and better-informed team members, but has also fostered enhanced ownership and expanded responsibilities within the unit. In addition to staffing changes, broadcasting expenses increased due to small equipment purchases as the Station is upgrading outdated equipment. Depreciation expense also decreased due to the aging of WYSU-FM's equipment.

Total operating expenses increased \$94,399 or 8% between fiscal years 2010 and 2011. This was due to combined increases in program services of \$34,366 or 5% and increases in support services of \$60,033 or 11%. In the program services category, program information accounted for the greatest increase as the Station filled a full-time Assistant Engineering position in IT/operations during fiscal year 2011. This position provides critical support and leadership in information technological services for the Station. In the support services category, management and general expenses realized the greatest increase as expenses supported by e-Tech Ohio and Youngstown State University increased.

Net non-operating revenues decreased \$30,385 or 3% between fiscal years 2011 and 2012. The General Appropriation from the University increased \$20,704 or 4% due to negotiated increases in salaries and fringes, while the other line items in non-operating revenues decreased. Membership income decreased \$21,681 or 9% and the number of contributing members decreased by 6%. The decrease in membership income is primarily due to three contributing factors. Much of WYSU-FM's foundation support migrated from the membership category back to the underwriting category in fiscal year 2012. A large corporate contributor from fiscal year 2011 did not renew its membership in fiscal year 2012. Also, the general economic uncertainty which has affected the region and the WYSU-FM listeners contributed to the decrease. Donated facilities and administrative support decreased \$14,135 or 7% due to decreases in salaries at the University level. This decrease occurred as salaries for most employee groups on campus remained flat in FY'12 and from retirements due to an early retirement incentive plan. Investment income decreased \$17,243 or 68% primarily due to decreases in the market value of investments.

Between fiscal years 2010 and 2011, net non-operating revenues increased \$128,658 or 14%. The general appropriation from the University and donated facilities and administrative support both increased, \$52,089 and \$39,179 respectively, to support increases in salaries, fringes, and operating costs. Membership income increased \$26,580 or 12% primarily due to several large contributions from supporting foundations. Net investment income increased \$11,560 or 85% due to increases in unrealized gains stemming from improved market values.

Total other revenues, expenses, and changes decreased \$100,000 or 100% between fiscal years 2011 and 2012. No capital gifts were received in fiscal year 2012. During both fiscal year 2011 and 2010, WYSU-FM received a \$100,000 capital gift toward a new facility for the Station.

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

Economic Factors for the Future

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

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. The Station achieved its membership fundraising goal for its Fall 2011 fund drive, but fell short of the goal for the Spring 2012 fund drive. Despite this, the Spring 2012 fund drive was the second most successful spring drive in the Station's history. Each of the fiscal year 2012 on-air drives raised over \$108,500 for the Station. When combining membership and underwriting income, WYSU-FM's two streams of direct public support, the Station experienced an increase of 3% from fiscal year 2011 to 2012. WYSU-FM anticipates modest growth in membership and underwriting revenue during the upcoming fiscal years.

One way that WYSU-FM plans to increase support is by continuing to expand its local program offerings. During fiscal year 2012, the Station successfully launched the local roundtable talk show called *Looking Out*. This show examines how global issues directly impact those living in the Station's listening areas. It is offered over the traditional airwaves as well as podcasts and is available for streaming on the WYSU-FM website.

The Station continues to expand its presence in the community through high-profile and effective community and media partnerships and sponsorships with many organizations. Some of these partnerships provide local news and regional business news. Others are charitable in nature. The Station also holds special events for its members including movie nights, concerts, and listener appreciation gatherings.

Another way that WYSU-FM plans to serve YSU and the community is through the development of a Disaster Response Plan. This ensures continuous services during an emergency and to provide YSU and the community with an emergency information service were it to be needed. Adequate emergency preparedness requires the adoption of a well thought-out Station emergency plan and a commitment to keep the plan current and functional. The Disaster Response Plan details how WYSU-FM will respond to emergencies and assist YSU and community management organizations.

On a capital front, there are plans for WYSU-FM, along with other YSU academic media-related departments, programs, and services, to move to another existing location on campus in the near future. The YSU Board of Trustees chose an architectural firm for the renovations at its September 2012 meeting. The renovations will be funded by capital funds from the State of Ohio and from donor gifts. WYSU-FM has already received gifts totaling \$200,000 for this purpose.

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

STATEMENTS OF NET ASSETS AT JUNE 30, 2012 AND 2011

	2012	2011
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,426,491	\$ 1,267,719
Investments	6,212	5,181
Interest receivable	-	452
Accounts receivable (net of allowance of \$1,529 in 2012 and \$728 in 2011)	7,766	5,169
Pledges receivable (net of allowance of \$2,241 in 2012 and \$4,109 in 2011)	6,282	17,758
Total Current Assets	1,446,751	1,296,279
Noncurrent Assets		
Endowment investments	151,257	148,296
Capital assets, net	154,620	213,586
Total Noncurrent Assets	305,877	361,882
Total Assets	1,752,628	1,658,161
LIABILITIES		
Current Liabilities		
Accounts payable	6,686	-
Deferred revenue	142,858	134,454
Compensated absences	6,603	7,309
Total Current Liabilities	156,147	141,763
Noncurrent Liabilities		
Compensated absences	87,134	83,240
Total Noncurrent Liabilities	87,134	83,240
Total Liabilities	243,281	225,003
NET ASSETS		
Invested in capital assets, net of related debt	154,620	213,586
Restricted:		
Nonexpendable	151,257	148,296
Expendable	200,888	200,676
Unrestricted	1,002,582	870,600
Total Net Assets	\$ 1,509,347	\$ 1,433,158

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, 2012 AND 2011

	2012	2011
REVENUES		
Operating Revenues		
Corporation for Public Broadcasting grant	\$ 128,110	\$ 124,790
In-kind contributions	133,383	132,684
eTech Ohio Commission grant	26,355	25,522
Underwriting revenue	117,268	85,413
Total Operating Revenues	405,116	368,409
EXPENSES		
Operating Expenses		
Program Services		
Programming and production	437,377	416,988
Broadcasting	220,579	206,092
Program information	65,695	58,142
Traffic and continuity	12,135	11,485
Support Services		
Management and general	285,100	317,664
Fund raising and membership development	131,315	95,885
Underwriting	50,177	56,843
Clerical	59,959	72,982
Depreciation	58,966	71,722
Total Operating Expenses	1,321,303	1,307,803
Operating Loss	(916,187)	(939,394)
NON-OPERATING REVENUES (EXPENSES)		
General appropriation from the University	570,925	550,221
Donated facilities and administrative support from the University	187,199	201,334
Membership revenue	227,496	249,177
Net expenses from fund raising	(1,191)	(3,161)
Investment gain, net of investment expense	7,947	25,190
Net Non-operating Revenues	992,376	1,022,761
Gain Before Other Revenues, Expenses, and Changes	76,189	83,367
OTHER REVENUES, EXPENSES, AND CHANGES		
Capital grants and gifts	-	100,000
Total Other Revenues, Expenses, and Changes	-	100,000
Change in Net Assets	76,189	183,367
NET ASSETS		
Net Assets at the beginning of the year	1,433,158	1,249,791
Net Assets at the End of the Year	\$ 1,509,347	\$ 1,433,158

See accompanying notes to financial statements.

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
Cash Flows from Operating Activities		
Receipts from Corporation for Public Broadcasting grant	\$ 137,817	\$ 127,727
Receipts from eTech Ohio Commission grant	26,355	25,522
Business and underwriting support	112,918	91,243
Payments to suppliers	(315,784)	(310,304)
Payments to employees	(468,015)	(450,808)
Payments for benefits	(147,632)	(132,571)
Total Cash Flows Used in Operating Activities	(654,341)	(649,191)
Cash Flows from Noncapital Financing Activities		
General appropriation from the University	570,925	550,221
Membership receipts	238,972	241,884
Fundraising receipts	380	4,060
Payments for fundraising	(1,571)	(7,221)
Total Cash Flows Provided by Noncapital Financing Activities	808,706	788,944
Cash Flows from Investing Activities		
Interest on investments	5,438	4,651
(Purchase) sale of investments	(1,031)	12,775
Total Cash Flows Provided by Investing Activities	4,407	17,426
Cash Flows from Capital Financing Activities		
Capital grants and gifts	-	100,000
Purchase of capital assets	-	(57,207)
Total Cash Flows Provided by Capital Financing Activities	-	42,793
Change in Cash and Cash Equivalents	158,772	199,972
Cash and Cash Equivalents - Beginning of year	1,267,719	1,067,747
Cash and Cash Equivalents - End of year	\$ 1,426,491	\$ 1,267,719
Reconciliation of Operating Loss to Net Cash Flows from Operating Activities		
Operating loss	\$ (916,187)	\$ (939,394)
Adjustments to reconcile operating loss to cash flows used in operating activities:		
Depreciation	58,966	71,722
Donated facilities and administrative support from the University	187,199	201,334
Changes in assets and liabilities:		
Accounts receivable, net	(2,597)	1,010
Accounts payable, compensated absences, and deferred revenue	18,278	16,137
Cash Flows Used in Operating Activities	\$ (654,341)	\$ (649,191)

See accompanying notes to financial statements.

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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 Student Affairs at Youngstown State University (the University or YSU) and is subject to the policies established by the University's Board of Trustees. The Station reports annually to the Corporation for Public Broadcasting (CPB).

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

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

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

Summary of Significant Accounting Policies

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

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

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2012

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 and are discounted to net present value.

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

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

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

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

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2012

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

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

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

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

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

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

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

Note 2 – Cash and Cash Equivalents

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

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2012

The aggregate cost of repurchase agreements, which approximates fair value, included in the University's cash and cash equivalents is \$2,240,736 and \$1,420,864 at June 30, 2012 and 2011, respectively.

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

The University's cash and cash equivalents at June 30, 2012 and 2011 consist of the following:

	2012	2011
Carrying Amount (Cash and cash equivalents)	<u>\$ 25,918,304</u>	<u>\$ 28,926,599</u>
FDIC Insured	\$ 875,865	\$ 769,448
Uninsured but collateralized by pools of securities pledged by the depository banks	15,857,196	21,994,973
Uninsured but assets held in name of YSU not pledged as collateral elsewhere	<u>10,827,643</u>	<u>6,593,008</u>
Bank Balance	<u>\$ 27,560,704</u>	<u>\$ 29,357,429</u>

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

The Station's cash and cash equivalents are included in these totals and were \$1,426,491 and \$1,267,719 at June 30, 2012 and 2011, respectively.

Credit risk for deposits is the risk that, in the event of a bank failure, the University's deposits may not be returned to the University. At June 30, 2012, all uncollateralized or uninsured deposits of the University are exposed to credit risk. The University's investment policy and asset allocation guidelines facilitate the management and monitoring of credit risk.

Note 3 - Investments

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

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

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2012

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

The University utilizes an investment advisor and investment managers for endowment funds. The University's endowment funds, which includes WYSU-FM's endowment fund, are managed by YSUF (see Note 7). The Station's investments represent a portion of the University's total investments. University investments held by YSUF were \$6,380,445 as of June 30, 2012 and \$5,757,267 as of June 30, 2011.

As of June 30, 2012, the Station had the following investments and maturities using the segmented time distribution method:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
Common Stock	\$ 115,740	\$ 115,740	\$ -	\$ -	\$ -
Corporate Bonds	22,046	6,456	10,708	4,882	-
Preferred Stock	8,503	8,503	-	-	-
U.S. Governmental Bonds	6,141	-	-	6,141	-
Other Securities	5,039	2,520	2,519	-	-
	<u>\$ 157,469</u>	<u>\$ 133,219</u>	<u>\$ 13,227</u>	<u>\$ 11,023</u>	<u>\$ -</u>

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

As of June 30, 2011, the Station had the following investments and maturities using the segmented time distribution method:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
Common Stock	\$ 107,269	\$ 107,269	\$ -	\$ -	\$ -
Corporate Bonds	23,802	-	16,430	7,372	-
Preferred Stock	10,267	7,576	-	-	2,691
Other Securities	12,139	6,553	5,586	-	-
	<u>\$ 153,477</u>	<u>\$ 121,398</u>	<u>\$ 22,016</u>	<u>\$ 7,372</u>	<u>\$ 2,691</u>

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

As of June 30, 2012, investments had the following quality credit ratings:

Investment Type	Fair Value	Aaa	Aa	A	Baa	Unrated
Corporate Bonds	\$ 22,046	\$ -	\$ 1,233	\$ 13,908	\$ 6,905	\$ -
U.S. Government Bonds	6,141	-	6,141	-	-	-
	<u>\$ 28,187</u>	<u>\$ -</u>	<u>\$ 7,374</u>	<u>\$ 13,908</u>	<u>\$ 6,905</u>	<u>\$ -</u>

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2012

As of June 30, 2011, investments had the following quality credit ratings:

Investment Type	Fair Value	Aaa	Aa	A	Baa	Unrated
Corporate Bonds	\$ 23,802	\$ -	\$ 1,335	\$ 15,948	\$ 6,519	\$ -

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, 2012, 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, 2012, the University had no material exposure to foreign currency risk. The University does not address foreign currency risk in its investment policy and asset allocation guidelines.

Note 4 – Capital Assets

Capital assets activity for the year ended June 30, 2012 was as follows:

Capital Assets	Beginning Balance	Additions	Reductions	Transfers	Ending Balance
Depreciable assets:					
Antenna and tower	\$ 475,691	\$ -	\$ -	\$ -	\$ 475,691
Studio and broadcast equipment	404,504	-	-	-	404,504
Total cost	880,195	-	-	-	880,195
Less: Accumulated depreciation	666,609	58,966	-	-	725,575
Capital assets, net	<u>\$ 213,586</u>	<u>\$ (58,966)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 154,620</u>

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2012

Capital assets activity for the year ended June 30, 2011 was as follows:

Capital Assets	Beginning Balance	Additions	Reductions	Transfers	Ending Balance
Nondepreciable assets:					
Construction-in-progress	\$ 118,318	\$ -	\$ -	\$ (118,318)	\$ -
Depreciable assets:					
Antenna and tower	300,166	57,207	-	118,318	475,691
Studio and broadcast equipment	404,504	-	-	-	404,504
Total cost	822,988	57,207	-	-	880,195
Less: Accumulated depreciation	594,887	71,722	-	-	666,609
Capital assets, net	<u>\$ 228,101</u>	<u>\$ (14,515)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 213,586</u>

Note 5 – Deferred Revenue

Deferred revenue at June 30, 2012 and 2011 consists of the following:

	2012	2011
Corporation for Public Broadcasting grant	\$ 137,434	\$ 127,727
Underwriting agreements	5,424	6,727
Total deferred revenue	<u>\$ 142,858</u>	<u>\$ 134,454</u>

Note 6 – Long Term Liabilities

Long-term liability activity for the year ended June 30, 2012 was as follows:

	Beginning Balance	Net Additions	Ending Balance	Current Portion
Compensated absences	\$ 90,549	\$ 3,188	\$ 93,737	\$ 6,603

Long-term liability activity for the year ended June 30, 2011 was as follows:

	Beginning Balance	Net Additions	Ending Balance	Current Portion
Compensated absences	\$ 81,719	\$ 8,830	\$ 90,549	\$ 7,309

Note 7 - Related Party

YSUF is a legally separate nonprofit organization exempt from federal income tax and classified as a public charity. YSUF is devoted to the support, expansion and development of educational programs at the University that are useful and beneficial to the students and the community. Under the terms of an agreement with the University, YSUF serves as an investment manager for the University'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

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2012

Note 8 – Risk Management

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

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

SCHEDULE OF NONFEDERAL FINANCIAL SUPPORT FOR THE YEAR ENDED JUNE 30, 2012

Direct Income	\$ 947,030
Indirect Administrative Support	187,199
In-Kind Contributions of Services and Other Intangibles	<u>118,411</u>
Total Nonfederal Financial Support	<u>\$ 1,252,640</u>

REPORT OF INDEPENDENT AUDITORS 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 WYSU-FM, Youngstown State University Radio (the “Station”) as of and for the year ended June 30, 2012, 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, 2012, and the changes in its financial position and its cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

Management of the Station is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Station's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Station's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Station's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Station's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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


Crowe Horwath LLP

Columbus, Ohio
November 15, 2012



YOUNGSTOWN STATE UNIVERSITY

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Dave Yost • Auditor of State

YOUNGSTOWN STATE UNIVERSITY

MAHONING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JANUARY 24, 2013