

**YOUNGSTOWN STATE UNIVERSITY**

**SINGLE AUDIT REPORT**

June 30, 2009 and 2008





Mary Taylor, CPA  
Auditor of State

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

We have reviewed the *Report of Independent Auditors* of the Youngstown State University, Mahoning County, prepared by Crowe Horwath LLP, for the audit period July 1, 2008 through June 30, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

January 14, 2010

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# YOUNGSTOWN STATE UNIVERSITY

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# YOUNGSTOWN STATE UNIVERSITY

## Message from President Sweet

October 15, 2009

Fiscal Year 2009 was marked by the accomplishment of three major milestones.

First, we started the fiscal year with the good news delivered on July 7, 2008 that Youngstown State University was officially reaccredited for a full ten years by the Higher Learning Commission—the gold seal for higher education.

Second, we successfully concluded celebrating our Centennial Year, a year-long series of events that recognized our proud past and promising future.

Third, we completed the Centennial Capital Campaign raising more than \$50 million, exceeding our initial \$43 million goal. It is by far the largest and most successful fund-raising campaign in our 100-year history.

These accomplishments occurred during a year that was the most difficult in a decade of fiscally challenging years. A mid-year state budget cut was successfully addressed without employee layoffs. The FY2010 budget, with its decline in state support, was developed through a three month planning process in which funding was provided for new initiatives.

Additional highlights of fiscal year 2009 include:

- Fall semester enrollment increased from 13,712 in 2008 to 14,682 in 2009. Enrollment has increased 24.5% since 2000.
- Minority enrollment increased from 2,449 in Fall 2008 to 2,884 in Fall 2009, a 17.8% increase. Minority enrollment has increased 125% since Fall 2000.
- The Board of Trustees approved a plan to dramatically reduce the out-of-state surcharge for undergraduate students in eight counties in Western Pennsylvania. As a result, Fall 2009 enrollment from those counties increased 21.3%.
- As part of the first full year of implementation of the state's Strategic Plan for Higher Education, the Board of Trustees formally recognized four Centers of Excellence—Materials Science and Engineering, Applied Chemical Biology, International Business, and the Rich Center for the Study and Treatment of Autism.
- YSU faculty and staff secured more than \$9 million in competitive external grants, the highest amount in University history. In addition, four faculty research projects totaling \$2.2 million were funded by federal agencies. The \$11.7 million in external research support represents a 72% increase over the previous year.
- Ground was broken and construction started on the new building for the Williamson College of Business Administration; an agreement was approved with a private developer to provide apartment style student housing north of campus, the first phase of which will open in Fall 2010; and an architect was selected for the WATTS Indoor Athletic Facility.

Fiscal year 2010 is a transitional year for Youngstown State University. A new president will be selected. YSU will begin planning for its evolution to an Urban Research University in the face of the anticipated growth of the newly established Eastern Gateway Community College. Despite the challenges posed by the fiscal environment in Ohio, I am confident that YSU will emerge stronger than ever to serve our students, the city, region, and the state.

Sincerely,



David C. Sweet  
President



Crowe Horwath LLP  
Independent Member Crowe Horwath International

## REPORT OF INDEPENDENT AUDITORS

To the Board of Trustees  
Youngstown State University  
Youngstown, Ohio

We have audited the accompanying financial statements of the business-type activities and discretely presented component units of Youngstown State University (the "University"), a component unit of the State of Ohio, as of June 30, 2009 and 2008, which collectively comprise of the University's basic financial statements as listed in the table of contents. These financial statements are the responsibility of University's management. Our responsibility is to express our opinions on these financial statements based on our audit. We did not audit the financial statements of the Youngstown State University Foundation, which represents 33%, 42%, and 5%, respectively, of the total assets, net assets, and revenue of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the University for the discretely presented component unit, is based on the report of the other auditors.

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

In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and discretely presented component units of the University as of June 30, 2009 and 2008 and the respective changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2009 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the University, taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. Our audit and the audit of the other auditors were made for the purpose of forming an opinion on the basic financial statements taken as a whole.

*Crowe Horwath LLP*  
Crowe Horwath LLP

Columbus, Ohio  
October 16, 2009

# 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, 2009 with comparative information for the fiscal years ended June 30, 2008 and 2007. This discussion has been prepared by management and should be read in conjunction with the financial statements and the accompanying notes that follow.

### Introduction

Youngstown State University is an urban, state-supported institution that has as its mission to provide open access to high-quality education through a broad range of affordable certificate, associate, baccalaureate, and graduate programs. Founded in 1908 under the sponsorship of the Young Men's Christian Association, the University was originally established as the School of Law of the Youngstown Association School. The University was re-chartered in 1921 as the Youngstown Institute of Technology, in 1928 as Youngstown College, and in 1956 as Youngstown University. The University joined the Ohio system of higher education in 1967 and became Youngstown State University. The University is located on a 140 acre campus near downtown Youngstown, Ohio and is at the center of a metropolitan area of 600,000 people, located equidistant (approximately 60 miles) from both Pittsburgh and Cleveland. The University consists of six undergraduate colleges and the School of Graduate Studies and Research. Fall 2009 enrollment is 14,682.

### Using the Financial Statements

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

- Assets and liabilities are categorized as either current or noncurrent. Current assets and liabilities will be consumed or fulfilled within one year.
- Revenues and expenses are categorized as either operating or nonoperating. Significant recurring sources of the University's revenues, including State of Ohio (State) appropriations, certain grants, gifts and investment income are considered nonoperating, as defined by GASB Statement No. 35.

# YOUNGSTOWN STATE UNIVERSITY

## Management's Discussion and Analysis (cont.)

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

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

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

### **Financial and Other University Highlights**

- Increased enrollment
- Healthy Senate Bill 6 ratios
- Continued progress on major planning initiatives including enrollment management, technology, and the campus master plan
- Exceeded Centennial Campaign goal
- Ratification of the employment contract with the professional administrative union
- Commitment to an early retirement incentive program
- Ground breaking on a new College of Business Administration building designed to meet the standards of the Leadership in Energy and Environmental Design (LEED) U.S. Green building council Rating System.

# YOUNGSTOWN STATE UNIVERSITY

## Management's Discussion and Analysis (cont.)

### The Statements of Net Assets

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

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

	<u>June 30, 2009</u>	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Assets			
Current assets	\$ 71,550,640	\$ 31,263,157	\$ 35,266,090
Capital assets, net	153,744,647	152,253,091	156,013,424
Other assets	40,875,288	54,929,545	42,137,140
Total Assets	<u>266,170,575</u>	<u>238,445,793</u>	<u>233,416,654</u>
Liabilities			
Current liabilities	24,476,078	21,461,556	20,595,755
Noncurrent liabilities	48,722,741	28,267,141	29,221,380
Total Liabilities	<u>73,198,819</u>	<u>49,728,697</u>	<u>49,817,135</u>
Total Net Assets	<u>\$ 192,971,756</u>	<u>\$ 188,717,096</u>	<u>\$ 183,599,519</u>
Net Assets			
Invested in capital assets, net of related debt	135,344,607	133,658,779	135,740,831
Restricted	27,402,215	28,813,345	25,753,454
Unrestricted	30,224,934	26,244,972	22,105,234
Total Net Assets	<u>\$ 192,971,756</u>	<u>\$ 188,717,096</u>	<u>\$ 183,599,519</u>

### Assets

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

	<u>June 30, 2009</u>	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Cash and cash equivalents	\$ 37,131,710	\$ 10,087,635	\$ 14,036,063
Investments	49,407,254	51,136,829	39,375,689
Accounts, loans and pledges receivable, net	21,557,852	21,821,233	20,509,420
Capital assets, net	153,744,647	152,253,091	156,013,424
Other	4,329,112	3,147,005	3,482,058
Total Assets	<u>\$ 266,170,575</u>	<u>\$ 238,445,793</u>	<u>\$ 233,416,654</u>

Cash and cash equivalents increased \$27 million or 268% from fiscal year 2008 to fiscal year 2009; whereas investments decreased \$1.7 million or 3%, respectively. The net increase in cash and cash equivalents was primarily due to deposits held in trust for projects funded by a bond anticipation note and bond proceeds, which totaled \$20.7 million at June 30, 2009. Projects include constructing and equipping a state-of-the art business school to be named the Williamson College of Business Administration (WCBA), land acquisition, and renovations and replacement of portions of the existing Wick Pollock Inn. In addition, the University received \$1.5 million in

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## Management's Discussion and Analysis (cont.)

pledge and gifts receipts for the new WCBA building. Investments were shifted to shorter maturities to limit long term credit risk due to low interest rates.

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

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

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

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

At June 30, 2009, the University had \$153,744,647 in capital assets, net of accumulated depreciation. Depreciation totaled \$8,887,750, \$9,165,568, and \$9,141,030 in fiscal years 2009, 2008, and 2007 respectively. Details of net capital assets are shown below.

	<u>June 30, 2009</u>	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Land	\$ 14,759,695	\$ 14,183,175	\$ 13,527,705
Buildings	92,695,336	96,463,245	100,877,714
Improvements to buildings	24,979,605	25,154,213	25,530,838
Improvements other than buildings	7,913,670	8,252,565	6,961,158
Construction-in-progress	6,866,680	2,157,216	1,895,250
Moveable equipment and furniture	5,705,127	5,107,774	6,257,407
Vehicles	153,161	120,173	133,896
Historical treasures	381,115	381,115	297,513
Capital leased assets	290,258	433,615	531,943
Total	<u>\$ 153,744,647</u>	<u>\$ 152,253,091</u>	<u>\$ 156,013,424</u>

Major capital activity during fiscal year 2009 included completion of the renovations to Maag Library's lower level, the Beeghly Center gym floor, and the pedestrian bridge that crosses Wick Avenue. The University also installed a \$1.5 million campus-wide emergency communication and alarm system. The University broke ground on the new WCBA building

# YOUNGSTOWN STATE UNIVERSITY

## Management's Discussion and Analysis (cont.)

and began the second phase of the West Campus Gateway Project (street renovations). In addition, the University began renovations to Coffelt Hall and renovations to roofs on several campus buildings including Ward Beecher, Jones Hall, and Beeghly Center. These projects are reflected in construction in progress at June 30, 2009.

Major capital activity during fiscal year 2008 included completion of the University Plaza project, which includes street renovations and repairs. Projects included in construction in progress at June 30, 2008 included instructional space upgrades in Maag Library, Beeghly Center gym renovations, renovations to the pedestrian bridge, and architectural design of the new WCBA building. More detailed information about the University's capital assets is presented in Note 7 to the financial statements.

### 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, 2009</u>	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Accounts and construction payable	\$ 4,963,653	\$ 3,087,373	\$ 1,616,458
Payroll liabilities	9,462,169	8,202,197	8,734,992
Note payable	7,505,052	8,098,830	8,962,133
Bonds and capital leases payable, net	31,484,985	10,504,762	11,435,839
Deferred revenue	6,343,493	6,071,317	6,530,435
Compensated absences	9,750,176	9,217,788	8,959,219
Refundable advance	2,818,624	2,783,915	2,734,413
Other	870,667	1,762,515	843,646
Total Liabilities	<u>\$ 73,198,819</u>	<u>\$ 49,728,697</u>	<u>\$ 49,817,135</u>

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

Total liabilities at June 30, 2008 remained consistent with total liabilities at June 30, 2007. Accounts and construction payables increased \$1.5 million or 91% due to timing of payments and increased year end activity including increased capital activity in June for projects such as the college of business architect fees, Beeghly Center gym renovations, and the pedestrian bridge over Wick Avenue. Payroll liabilities decreased slightly due to changes in the frequency of retirement filings and remittances. Debt reduction during fiscal year 2008 totaled \$1.8 million.

# YOUNGSTOWN STATE UNIVERSITY

## Management's Discussion and Analysis (cont.)

Subsequent to June 30, 2008, the University and the classified union resolved a grievance surrounding personal days. The impact of this settlement is reflected in compensated absences for current employees and in other liabilities for terminated employees.

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

### Net Assets

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

	<u>June 30, 2009</u>	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Invested in capital assets, net of related debt	\$ 135,344,607	\$ 133,658,779	\$ 135,740,831
Restricted-nonexpendable	4,793,426	5,533,626	5,909,734
Restricted-expendable	22,608,789	23,279,719	19,843,720
Unrestricted	30,224,934	26,244,972	22,105,234
Total	<u>\$ 192,971,756</u>	<u>\$ 188,717,096</u>	<u>\$ 183,599,519</u>

Overall, the University's net assets increased \$4.3 million or 2.3% from \$188.7 million at June 30, 2008 to \$193 million at June 30, 2009. This resulted from a \$1.7 million increase in the net amount invested in capital assets, a \$1.4 million decrease in restricted funds and a \$4 million increase in unrestricted funds.

Net assets invested in capital assets, net of related debt consists of capital assets net of accumulated depreciation and reduced by outstanding balances of bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets, and increased by unspent borrowings at year-end. At June 30, 2009, outstanding plant debt was \$38,990,037 and unspent bond and note proceeds were \$19,655,845.

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 negative in 2009 and 2008.

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

	<u>June 30, 2009</u>	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Current funds	\$ 6,592,745	\$ 8,655,246	\$ 8,033,675
Plant funds	15,945,951	14,559,507	11,745,616
Loan funds	70,093	64,966	64,429
Total	<u>\$ 22,608,789</u>	<u>\$ 23,279,719</u>	<u>\$ 19,843,720</u>

# YOUNGSTOWN STATE UNIVERSITY

## Management's Discussion and Analysis (cont.)

Current restricted funds include grants and sponsored programs and gifts, including scholarship donations and program support. These funds decreased \$2 million or 24% from \$8.6 million at June 30, 2008 to \$6.6 million at June 30, 2009. Plant funds primarily include donations and pledges for construction or renovation. These funds increased \$1.4 million or 9% largely due to capital gifts for the purpose of constructing the new WCBA building and a new indoor athletic facility. Capital revenue for these projects totaling \$1.3 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, 2009</u>	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Current funds	\$ 13,223,254	\$ 9,901,011	\$ 8,889,218
Operating reserves	8,483,288	8,101,807	7,820,696
Plant funds	8,487,152	8,223,499	5,377,012
Loan funds	31,240	18,655	18,308
Total	<u>\$ 30,224,934</u>	<u>\$ 26,244,972</u>	<u>\$ 22,105,234</u>

Of the current year \$4,254,660 increase in net assets resulting from excess revenue over expenses, approximately \$4 million was in unrestricted net assets.

### Overall Analysis of Fiscal Year 2008 Versus 2007

The most significant factors affecting the increase in net assets for fiscal year 2008 included the Centennial Campaign fund raising activities and an increase in year end current operating funds.

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## Management's Discussion and Analysis (cont.)

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

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

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

	<u>June 30, 2009</u>	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Operating Revenues			
Net tuition, fees and other student charges	\$ 78,501,679	\$ 75,926,793	\$ 74,939,644
Auxiliary enterprises	18,278,628	17,942,172	16,904,112
Grants and contracts	15,321,734	14,956,810	13,717,515
Other	1,763,090	1,770,358	1,746,145
Total Operating Revenues	<u>113,865,131</u>	<u>110,596,133</u>	<u>107,307,416</u>
Operating Expenses	<u>191,821,118</u>	<u>183,199,697</u>	<u>173,205,585</u>
Operating Loss	<u>(77,955,987)</u>	<u>(72,603,564)</u>	<u>(65,898,169)</u>
Nonoperating Revenues (Expenses)			
State appropriations	49,553,329	45,789,045	42,912,623
Gifts, grants, and contracts	24,730,734	23,519,750	22,972,761
Investment income	1,635,623	2,696,471	3,981,962
Other nonoperating expenses, net	<u>(2,178,748)</u>	<u>(2,533,133)</u>	<u>(2,575,260)</u>
Net Nonoperating Revenues	<u>73,740,938</u>	<u>69,472,133</u>	<u>67,292,086</u>
Gain (Loss) Before Other Revenues, Expenses, and Changes	(4,215,049)	(3,131,431)	1,393,917
Other Revenues, Expenses, and Changes			
State capital appropriations	6,981,619	4,387,182	2,101,533
Capital grants and gifts	1,463,895	3,788,839	8,691,475
Other	24,195	72,987	24,012
Total Other Revenues, Expenses, and Changes	<u>8,469,709</u>	<u>8,249,008</u>	<u>10,817,020</u>
Increase in Net Assets	4,254,660	5,117,577	12,210,937
Net Assets at Beginning of Year	<u>188,717,096</u>	<u>183,599,519</u>	<u>171,388,582</u>
Net Assets at End of the Year	<u>\$ 192,971,756</u>	<u>\$ 188,717,096</u>	<u>\$ 183,599,519</u>

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## Management's Discussion and Analysis (cont.)

### Revenues

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

	<u>June 30, 2009</u>	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Net tuition, fees and other student charges	\$ 78,501,679	\$ 75,926,793	\$ 74,939,644
Auxiliary enterprises	18,278,628	17,942,172	16,904,112
Gifts, grants and contracts	41,540,558	42,338,386	45,405,763
State appropriations	49,553,329	45,789,045	42,912,623
Investment income	1,635,623	2,696,471	3,981,962
Other revenue	2,013,475	1,945,148	1,995,452
State capital appropriations	6,981,619	4,387,182	2,101,533
Total Revenues	<u>\$ 198,504,911</u>	<u>\$ 191,025,197</u>	<u>\$ 188,241,089</u>

Overall, the University's total net revenue increased \$7.5 million or 3.9% in fiscal year 2009 and increased \$2.8 million or 1.5% in fiscal year 2008. The majority of the University's revenue, 65% in fiscal year 2009, 64% in fiscal year 2008, and 63% in fiscal year 2007 is attributed to State appropriations and net tuition and fees. Combined, these two revenue streams increased \$6.3 million in fiscal year 2009 and \$3.9 million in fiscal year 2008.

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

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

# YOUNGSTOWN STATE UNIVERSITY

## Management's Discussion and Analysis (cont.)

### Expenses

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

Functional Classification	Natural Classification				2009	2008	2007
	Compensation	Operating	Scholarships	Depreciation and Amortization	Total Functional	Total Functional	Total Functional
Instruction and departmental research	\$ 65,995,399	\$ 5,567,604	\$ 31,596	\$ -	\$ 71,594,599	\$ 65,634,126	\$ 64,653,983
Separately budgeted research	695,327	843,670	-	-	1,538,997	1,056,298	857,873
Public service	2,913,210	1,559,812	480	-	4,473,502	4,576,450	4,066,571
Academic support	11,201,774	3,330,474	7,047	-	14,539,295	13,963,442	12,663,922
Student services	7,513,697	1,221,671	1,981	-	8,737,349	8,478,232	8,424,276
Institutional support	17,372,107	7,035,639	-	-	24,407,746	28,456,438	24,876,490
Operation and maintenance of plant	7,149,041	7,810,783	-	-	14,959,824	14,877,945	13,781,770
Scholarships	-	468,769	17,371,058	-	17,839,827	13,082,574	12,621,523
Auxiliary enterprises	9,348,522	12,286,298	3,170,775	-	24,805,595	23,908,624	22,118,147
Depreciation and amortization				8,924,384	8,924,384	9,165,568	9,141,030
Total Natural Expenses - 2009	<u>\$ 122,189,077</u>	<u>\$ 40,124,720</u>	<u>\$ 20,582,937</u>	<u>\$ 8,924,384</u>	<u>\$ 191,821,118</u>	<u>\$ 183,199,697</u>	<u>\$ 173,205,585</u>
Total Natural Expenses - 2008	<u>\$ 116,587,502</u>	<u>\$ 41,525,844</u>	<u>\$ 15,920,783</u>	<u>\$ 9,165,568</u>			
Total Natural Expenses - 2007	<u>\$ 111,461,799</u>	<u>\$ 37,498,839</u>	<u>\$ 15,103,917</u>	<u>\$ 9,141,030</u>			

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

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

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

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

Total operating and non-operating expenses were \$194,250,251, \$185,907,620 and \$176,030,151 in fiscal years 2009, 2008 and 2007, respectively.

# YOUNGSTOWN STATE UNIVERSITY

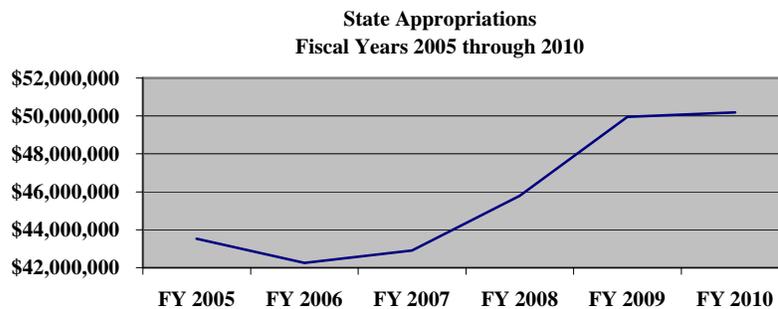
## Management's Discussion and Analysis (cont.)

### Economic Factors for the Future

Looking to the future, management believes the University is well-positioned to continue its favorable financial condition and level of excellence in service to students. The University's healthy financial position is reflected in its Senate Bill 6 (SB6) composite scores. These scores are required to be calculated by Ohio legislation and provide a formalized structure for monitoring the financial health of the State's colleges and universities. These ratios, calculated annually, assess viability, financial strength and net income. The overall maximum score is 5 and the threshold for fiscal watch is 1.75. The University's SB6 composite score for the year ended June 30, 2009 was 3.8 compared to 4.1 at June 30, 2008 and 3.7 at June 30, 2007.

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

For Youngstown State University, state operating appropriations for fiscal year 2010 are expected to be \$3 million less than in the 2009 fiscal year. Additional funding reductions during fiscal year 2010 and into fiscal year 2011 are probable and contingent upon the state of Ohio's future economic performance.



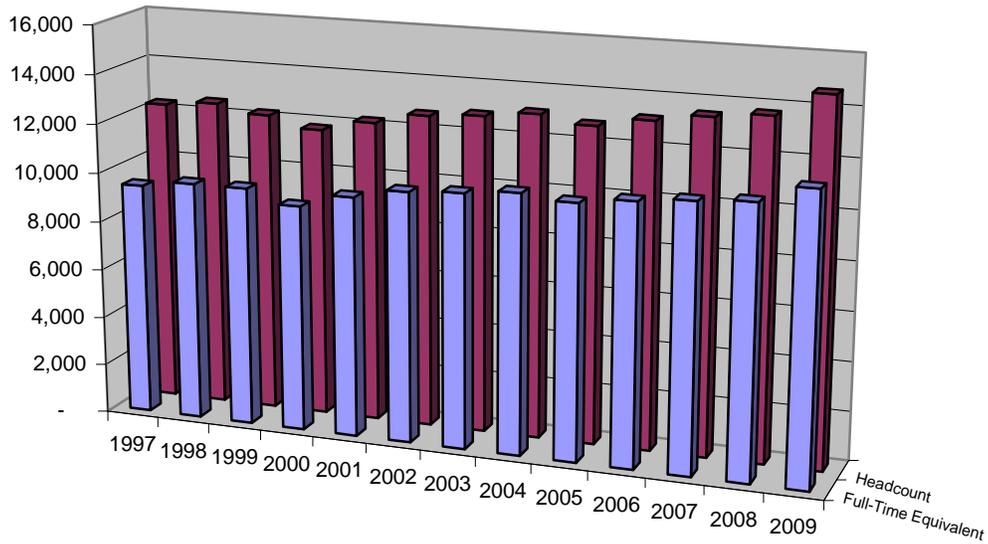
Note: Graph includes five years actual plus budgeted amount for fiscal year 2010

# YOUNGSTOWN STATE UNIVERSITY

## Management's Discussion and Analysis (cont.)

The University's enrollment is trending upward:

**Fall Term Enrollment Trends  
1997 through 2009**



	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
■ Full-Time Equivalent	9,462	9,729	9,733	9,203	9,766	10,171	10,311	10,518	10,332	10,590	10,796	10,953	11,649
■ Headcount	12,324	12,533	12,222	11,787	12,250	12,698	12,858	13,101	12,812	13,183	13,497	13,712	14,682

On a positive note, the University's enrollment for the 2009 fall semester was 14,682 students, the highest level in 17 years. Because student tuition and fees comprise approximately two-thirds of operating revenues, enrollment growth positions the University to withstand the state funding reductions described above.

**YOUNGSTOWN STATE UNIVERSITY**  
**Statements of Net Assets at June 30, 2009 and 2008**

	<b>June 30, 2009</b>	<b>June 30, 2008</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 37,131,710	\$ 10,087,635
Investments	18,513,404	5,165,565
Restricted investments	61,121	-
Interest receivable	258,901	367,201
Accounts receivable, net	10,332,540	8,479,122
Pledges receivable, net	1,652,402	3,865,515
Loans receivable, net	464,503	527,595
Inventories	2,026,382	1,803,531
Prepaid expenses and deferred charges	1,109,677	966,993
<b>Total Current Assets</b>	<b>71,550,640</b>	<b>31,263,157</b>
<b>Noncurrent Assets</b>		
Investments	25,573,016	40,167,782
Endowments and other restricted investments	5,259,713	5,803,482
Pledges receivable, net	6,758,419	6,723,240
Loans receivable, net	2,349,988	2,225,761
Unamortized bond issue cost	662,167	-
Deposits on land	271,985	9,280
Nondepreciable capital assets	22,007,490	16,721,506
Depreciable capital assets, net	131,737,157	135,531,585
<b>Total Noncurrent Assets</b>	<b>194,619,935</b>	<b>207,182,636</b>
<b>Total Assets</b>	<b>266,170,575</b>	<b>238,445,793</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable	1,540,698	2,272,754
Construction payable	3,422,955	814,619
Payroll liabilities	9,462,169	8,202,197
Bonds payable	1,150,000	945,000
Notes payable	950,328	893,778
Capital leases payable	102,053	97,193
Compensated absences	633,715	402,183
Deferred revenue	6,343,493	6,071,317
Other liabilities	870,667	1,762,515
<b>Total Current Liabilities</b>	<b>24,476,078</b>	<b>21,461,556</b>
<b>Noncurrent Liabilities</b>		
Bonds payable, net	30,052,028	9,179,613
Notes payable	6,554,724	7,205,052
Capital leases payable	180,904	282,956
Compensated absences	9,116,461	8,815,605
Refundable advance	2,818,624	2,783,915
<b>Total Noncurrent Liabilities</b>	<b>48,722,741</b>	<b>28,267,141</b>
<b>Total Liabilities</b>	<b>73,198,819</b>	<b>49,728,697</b>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	135,344,607	133,658,779
Restricted:		
Nonexpendable	4,793,426	5,533,626
Expendable	22,608,789	23,279,719
Unrestricted	30,224,934	26,244,972
<b>Total Net Assets</b>	<b>\$ 192,971,756</b>	<b>\$ 188,717,096</b>

See accompanying notes to financial statements.

# THE YOUNGSTOWN STATE UNIVERSITY FOUNDATION

## Statements of Financial Position at June 30, 2009 and 2008

	<b>June 30, 2009</b>	<b>June 30, 2008</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 6,213,412	\$ 4,696,870
Accrued interest receivable	555,903	773,795
Due from University Housing Corporation	113,148	113,002
Prepaid insurance	16,896	5,663
Property acquired for resale to Youngstown State University	27,901	-
Investments - at market value:		
Common stock	84,113,537	96,937,834
Preferred stock	4,154,978	4,797,643
Fixed income securities:		
U.S. Government and Agencies	24,979,761	36,138,265
Corporate	17,656,320	13,210,785
Temporary cash investments	2,505,801	3,353,057
	133,410,397	154,437,584
Contribution receivable from remainder trusts	1,572,088	1,485,920
Cash surrender value of insurance policies	54,195	55,539
Due from Youngstown State University	45,765	45,765
Office furniture and equipment, at cost, less accumulated depreciation of \$33,767 in 2008 and \$33,235 in 2007	3,881	5,237
<b>TOTAL ASSETS</b>	<b>142,013,586</b>	<b>161,619,375</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable	21,798	25,097
Retirement benefits payable	30,557	33,601
Grant commitments to Youngstown State University for scholarship awards	4,064,000	4,200,000
<b>Total Liabilities</b>	<b>4,116,355</b>	<b>4,258,698</b>
<b>Net Assets</b>		
Unrestricted:		
Designated by Board for endowment	100,435,548	117,222,160
Undesignated	2,555,043	1,592,585
	102,990,591	118,814,745
Temporarily restricted	2,099,557	2,184,497
Permanently restricted	32,807,083	36,361,435
<b>Total Net Assets</b>	<b>137,897,231</b>	<b>157,360,677</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 142,013,586</b>	<b>\$ 161,619,375</b>

See accompanying notes to financial statements.

# UNIVERSITY HOUSING CORPORATION

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## Statements of Financial Position at July 31, 2009 and 2008

	July 31, 2009	July 31, 2008
<b>ASSETS</b>		
Current Assets		
Cash	\$ 265,914	\$ 227,557
Accounts receivable, net	5,865	7,442
Interest receivable	-	11,893
Investments	3,609,507	3,772,088
Prepaid expenses	57,037	26,059
Total Current Assets	3,938,323	4,045,039
Property, Facilities, and Equipment, net	15,232,098	15,651,725
Bond issue costs, net	315,682	329,559
	\$ 19,486,103	\$ 20,026,323
<b>LIABILITIES AND NET DEFICIT</b>		
Liabilities		
Current Liabilities		
Accounts payable	27,286	23,624
Accounts payable - Youngstown State University	-	9,766
Capital lease payable, current portion	-	11,269
Accrued bond interest payable	70,345	98,390
Bonds payable, current portion	175,000	130,000
Prepaid rent	71,947	60,678
Due to Ambling Company	9,626	9,626
Security deposits	69,422	70,475
Other accruals	12,030	5,862
Total Current Liabilities	435,656	419,690
Long-Term Debt		
Bonds payable	20,850,000	21,025,000
Interest rate swap	1,468,541	1,021,121
Loan payable - Youngstown State University Foundation	103,771	113,912
Total Long-Term Debt	22,422,312	22,160,033
Total Liabilities	22,857,968	22,579,723
Unrestricted Net Deficit	(3,371,865)	(2,553,400)
	\$ 19,486,103	\$ 20,026,323

See accompanying notes to financial statements.

# YOUNGSTOWN STATE UNIVERSITY

## Statements of Revenues, Expenses, and Changes in Net Assets For the Years Ended June 30, 2009 and 2008

	June 30, 2009	June 30, 2008
<b>REVENUES</b>		
<b>Operating Revenues</b>		
Tuition, fees, and other student charges (net of scholarship allowance of \$17,222,193 in 2009 and \$18,454,704 in 2008)	\$ 78,501,679	\$ 75,926,793
Federal grants and contracts	6,106,335	6,157,145
State grants and contracts	8,572,805	7,989,387
Local grants and contracts	117,446	30,186
Private grants and contracts	525,148	780,092
Sales and services	460,041	491,741
Auxiliary enterprises	18,278,628	17,942,172
Other operating revenues	1,303,049	1,278,617
<b>Total Operating Revenues</b>	<b>113,865,131</b>	<b>110,596,133</b>
<b>EXPENSES</b>		
<b>Operating Expenses</b>		
Instruction and departmental research	71,594,599	65,634,126
Separately budgeted research	1,538,997	1,056,298
Public service	4,473,502	4,576,450
Academic support	14,539,295	13,963,442
Student services	8,737,349	8,478,232
Institutional support	24,407,746	28,456,438
Operation and maintenance of plant	14,959,824	14,877,945
Scholarships	17,839,827	13,082,574
Auxiliary enterprises	24,805,595	23,908,624
Depreciation and amortization	8,924,384	9,165,568
<b>Total Operating Expenses</b>	<b>191,821,118</b>	<b>183,199,697</b>
<b>Operating Loss</b>	<b>(77,955,987)</b>	<b>(72,603,564)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State appropriations	49,553,329	45,789,045
Federal grants	17,761,757	15,064,188
Private gifts	6,968,977	8,455,562
Unrestricted investment income, net of investment expense	2,223,193	2,932,295
Restricted investment income (loss), net of investment expense	(587,570)	(235,824)
Interest on capital asset-related debt	(788,265)	(816,969)
Other nonoperating expenses, net	(1,390,483)	(1,716,164)
<b>Net Nonoperating Revenues</b>	<b>73,740,938</b>	<b>69,472,133</b>
<b>Loss Before Other Revenues, Expenses, and Changes</b>	<b>(4,215,049)</b>	<b>(3,131,431)</b>
<b>OTHER REVENUES, EXPENSES, AND CHANGES</b>		
State capital appropriations	6,981,619	4,387,182
Capital grants and gifts	1,463,895	3,788,839
Additions to the principal of endowments	24,195	72,987
<b>Total Other Revenues, Expenses, and Changes</b>	<b>8,469,709</b>	<b>8,249,008</b>
<b>Increase In Net Assets</b>	<b>4,254,660</b>	<b>5,117,577</b>
<b>NET ASSETS</b>		
<b>Net Assets at Beginning of the Year</b>	<b>188,717,096</b>	<b>183,599,519</b>
<b>Net Assets at End of the Year</b>	<b>\$ 192,971,756</b>	<b>\$ 188,717,096</b>

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, 2009 and 2008

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

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

See accompanying notes to financial statements.

# UNIVERSITY HOUSING CORPORATION

## Statements of Activities for the Years Ended July 31, 2009 and 2008

	<u>July 31, 2009</u>	<u>July 31, 2008</u>
Revenue:		
Rental income	\$ 2,320,685	\$ 2,277,627
Interest income	115,990	163,681
Other income	66,185	105,401
Total Revenue	<u>2,502,860</u>	<u>2,546,709</u>
Expenses:		
Administrative	44,030	35,933
Contract services	78,202	70,304
Interest expense	1,252,241	915,683
Bond fees	95,732	78,895
Depreciation and amortization expense	606,433	722,433
Loss on disposal of property, facilities, and equipment	-	8,100
Bad debt expense	20,188	44,878
Management fees	114,312	114,312
Advertising costs	21,010	19,033
Payroll and payroll-related	181,503	181,073
Accounting and legal	62,450	37,923
Repairs and maintenance	124,850	105,749
Insurance and taxes	42,739	46,653
Unit utilities expense	230,215	197,719
Total Expenses	<u>2,873,905</u>	<u>2,578,688</u>
Increase in unrestricted net deficit before other items	(371,045)	(31,979)
Fair value of interest rate swap adjustment	(447,420)	(591,503)
Increase in unrestricted net deficit	<u>(818,465)</u>	<u>(623,482)</u>
Unrestricted Net Deficit at Beginning of Year	<u>(2,553,400)</u>	<u>(1,929,918)</u>
UNRESTRICTED NET DEFICIT AT END OF YEAR	<u>\$ (3,371,865)</u>	<u>\$ (2,553,400)</u>

See accompanying notes to financial statements.

# YOUNGSTOWN STATE UNIVERSITY

## Statements of Cash Flows For the Years Ended June 30, 2009 and 2008

	<b>June 30, 2009</b>	<b>June 30, 2008</b>
<b>Cash Flows from Operating Activities</b>		
Student tuition and fees	\$ 77,804,633	\$ 74,065,888
Federal, state, and local grants and contracts	14,479,509	14,654,100
Private grants and contracts	513,994	798,141
Sales and services of educational and other departmental activities	19,028,857	18,409,220
Payments to suppliers	(44,533,672)	(41,716,996)
Payments to employees	(90,712,785)	(86,229,918)
Payments for benefits	(29,725,441)	(30,631,809)
Payments for scholarships	(17,774,609)	(13,082,574)
Student loans issued	(311,050)	(628,074)
Student loans collected	255,879	280,005
Student loan interest and fees collected	9,796	8,220
Other receipts, net	1,262,737	1,243,003
<b>Total Cash Flows Used In Operating Activities</b>	<b>(69,702,152)</b>	<b>(62,830,794)</b>
<b>Cash Flows from Noncapital Financing Activities</b>		
Federal grants	17,948,105	15,373,924
State educational appropriations	49,553,329	45,789,045
Private gifts	8,426,524	8,102,658
Additions to the principal of endowments	24,195	72,987
Other nonoperating expenses	(1,376,434)	(1,689,082)
<b>Total Cash Flows Provided by Noncapital Financing Activities</b>	<b>74,575,719</b>	<b>67,649,532</b>
<b>Cash Flows from Investing Activities</b>		
Proceeds from sale of investments	88,719,685	70,712,165
Purchase of investments	(86,990,110)	(82,473,305)
Interest on investments	1,743,923	2,735,179
<b>Total Cash Flows Provided By (Used In) Investing Activities</b>	<b>3,473,498</b>	<b>(9,025,961)</b>
<b>Cash Flows from Capital and Related Financing Activities</b>		
State capital appropriations	5,515,992	3,680,006
Private capital gifts and grants	2,282,544	3,995,413
Purchase of capital assets	(8,028,562)	(4,760,814)
Principal payments on capital debt	(11,270,970)	(1,858,852)
Notes payable proceeds	315,000	-
Bonds payable proceeds	31,255,000	-
Bond issue cost	(698,801)	-
Interest payments on capital debt	(673,193)	(796,958)
<b>Total Cash Flows Provided By Capital and Related Financing Activities</b>	<b>18,697,010</b>	<b>258,795</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>27,044,075</b>	<b>(3,948,428)</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>10,087,635</b>	<b>14,036,063</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 37,131,710</b>	<b>\$ 10,087,635</b>

# YOUNGSTOWN STATE UNIVERSITY

## Statements of Cash Flows (cont.) For the Years Ended June 30, 2009 and 2008

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

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Operating loss	\$ (77,955,987)	\$ (72,603,564)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	8,924,384	9,165,568
Provision for bad debts	262,639	408,890
Gifts in kind	112,324	92,522
Changes in assets and liabilities:		
Accounts receivable, net	(1,007,265)	(1,306,049)
Loans receivable, net	(85,687)	(375,463)
Inventories	(222,851)	168,203
Prepaid expenses and deferred charges	(142,684)	12,043
Accounts payable	(732,056)	1,029,149
Accrued and other liabilities	340,467	403,456
Deferred revenue	272,176	(84,118)
Compensated absences	532,388	258,569
<b>Net Cash Flows Used In Operating Activities</b>	<u><u>\$ (69,702,152)</u></u>	<u><u>\$ (62,830,794)</u></u>
<b>Noncash Transactions</b>		
Additional capital leases	<u><u>\$ -</u></u>	<u><u>\$ 44,461</u></u>
Gifts in kind	<u><u>\$ 117,437</u></u>	<u><u>\$ 184,617</u></u>

See accompanying notes to financial statements.

# YOUNGSTOWN STATE UNIVERSITY

## Notes to Financial Statements For the Year Ended June 30, 2009

### Note 1 – Organization and Summary of Significant Accounting Policies

#### **Organization and Basis of Presentation**

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

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

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

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

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

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

# YOUNGSTOWN STATE UNIVERSITY

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## Notes to Financial Statements (cont.) For the Year Ended June 30, 2009

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

### Summary of Significant Accounting Policies

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

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

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, 2009

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

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

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

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

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

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

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

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

# YOUNGSTOWN STATE UNIVERSITY

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## Notes to Financial Statements (cont.) For the Year Ended June 30, 2009

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 balance sheet.

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

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

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

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

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

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## Notes to Financial Statements (cont.) For the Year Ended June 30, 2009

Adoption of New Accounting Pronouncements – In fiscal year 2009, the provisions of the following GASB Statements became effective:

GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. Statement No. 49 addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participation in pollution remediation activities such as site assessments and cleanups.

GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*. Statement No. 52 establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments also are required to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value.

GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into GASB's authoritative literature. The "GAAP hierarchy" consists of the sources of accounting principles used in the preparation of financial statements of state and local governmental entities that are presented in conformity the GAAP, and the framework for selecting those principles. The GASB is responsible for establishing GAAP for state and local governments. Previously, the GAAP hierarchy was set forth in the American Institute of Certified Public Accountants' (AICPA) Statement on Auditing Standards No. 69, *The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles*, rather than in the authoritative literature of the GASB.

GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*. Statement No. 56 incorporates into GASB authoritative literature certain accounting and financial reporting guidance presented in the AICPA's Statements on Auditing Standards. This statement establishes accounting and financial reporting standards for related party transactions, going concern considerations, and subsequent events. The presentation of principles used in the *preparation* of financial statements is more appropriately included in accounting and financial reporting standards rather than in the auditing literature. This Statement does not establish new accounting standards but rather incorporates the existing guidance (to the extent appropriate in a governmental environment) into the GASB standards.

Adoption of these statements had no effect on the University's financial statements.

Newly Issued Accounting Pronouncements - In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. Governments possess many different types of assets that may be considered intangible assets, including easements, water rights, timber rights, patents, trademarks, and computer software. This Statement establishes

# YOUNGSTOWN STATE UNIVERSITY

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## Notes to Financial Statements (cont.) For the Year Ended June 30, 2009

accounting and financial reporting requirements for intangible assets to reduce inconsistencies. The University will be required to implement this statement in fiscal year 2010.

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local Governments. Derivative instruments are often complex financial arrangements used by governments to manage specific risks or to make investments. By entering into these arrangements, governments receive and make payments based on market prices without actually entering into the related financial or commodity transactions. Derivative instruments associated with changing financial and commodity prices result in changing cash flows and fair values that can be used as effective risk management or investments tools. Derivative instruments, however, also can expose governments to significant risks and liabilities. Common types of derivative instruments used by governments include interest rate and commodity swaps, interest rate locks, options (caps, floors, and collars), swap options, forward contracts, and futures contracts. The University will be required to implement this statement in fiscal year 2010.

Management has not yet determined the impact that GASB Statement No. 51 and 53 will have on the University's financial statements and disclosures.

Reclassification – Certain reclassifications have been made to the 2008 amounts to conform with the 2009 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 \$49,553,329, including \$46,776,871 of State share of instruction and \$2,776,458 in challenge funds in fiscal year 2009, compared to State appropriations of \$45,789,045, including \$42,643,263 in State share of instruction and \$3,145,782 in challenge funds in fiscal year 2008. The State share of instruction is student based and determined annually by the Ohio Board of Regents.

Capital appropriations from the State totaled \$6,981,619 in fiscal year 2009 and \$4,387,182 in fiscal year 2008 and included funding for equipment and the construction/major renovations of plant facilities.

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

# YOUNGSTOWN STATE UNIVERSITY

## Notes to Financial Statements (cont.) For the Year Ended June 30, 2009

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 \$722,277 and \$2,097,728 at June 30, 2009 and 2008, respectively.

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

Cash and Cash Equivalents at June 30, 2009 and 2008 consist of the following:

	<b>2009</b>	<b>2008</b>
Carrying Amount (Cash and cash equivalents)	<u>\$ 37,131,710</u>	<u>\$ 10,087,635</u>
FDIC Insured	\$ 250,000	\$ 118,295
Uninsured but collateralized by pools of securities pledged by the depository banks	21,521,074	3,086,280
Uninsured but assets held in name of YSU not pledged as collateral elsewhere	<u>14,875,716</u>	<u>6,824,458</u>
Bank Balance	<u>\$ 36,646,790</u>	<u>\$ 10,029,033</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 \$20,734,747 as of June 30, 2009 and \$18,295 as of June 30, 2008, 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.

# YOUNGSTOWN STATE UNIVERSITY

## Notes to Financial Statements (cont.) For the Year Ended June 30, 2009

During fiscal year 2009, the FDIC limit was increased from \$100,000 to \$250,000 as part of the Federal Emergency Economic Stabilization Act enacted in October 2008.

Credit risk for deposits is the risk that, in the event of a bank failure, the University's deposits may not be returned to the University. At June 30, 2009, all uncollateralized or uninsured deposits of the University are exposed to credit risk. The University's investment policy and asset allocation guidelines facilitate the management and monitoring of credit risk.

### **Note 4 – Investments**

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

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

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

As of June 30, 2009, 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	\$ 8,337,726	\$ -	\$ 7,084,430	\$ 1,134,680	\$ 118,616
Corporate Bonds	10,549,052	190,347	7,591,529	2,399,784	367,392
Foreign Bonds	537,202	-	255,536	281,666	-
U.S. Government Bonds	7,410,130	-	1,989,203	1,779,893	3,641,034
Preferred and Common Stock	21,244,960	21,169,180	-	-	75,780
Other Securities	1,328,184	667,143	661,041	-	-
Totals	<u>\$ 49,407,254</u>	<u>\$ 22,026,670</u>	<u>\$ 17,581,739</u>	<u>\$ 5,596,023</u>	<u>\$ 4,202,822</u>

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

# YOUNGSTOWN STATE UNIVERSITY

## Notes to Financial Statements (cont.) For the Year Ended June 30, 2009

As of June 30, 2009, investments had the following quality credit ratings as rated by Moody's:

Investment Type	Fair Value	Aaa	Aa	A	Baa	Unrated
Corporate Bonds	\$ 10,549,052	\$ 4,445,743	\$ 891,188	\$ 3,079,330	\$ 2,029,945	\$ 102,846
Foreign Bonds	537,202	-	127,262	125,275	284,665	-
U.S. Government Bonds	7,410,130	7,410,130	-	-	-	-
Totals	<u>\$ 18,496,384</u>	<u>\$ 11,855,873</u>	<u>\$ 1,018,450</u>	<u>\$ 3,204,605</u>	<u>\$ 2,314,610</u>	<u>\$ 102,846</u>

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

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

**Custodial Credit Risk** - Custodial credit risk is the risk that in the event of the failure of the counterparty to a transaction, the University will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. Investments that are both unregistered and uninsured are exposed to custodial credit risk if investments are held by the counterparty, or are held by the counterparty's trust department or agent but not in the name of the University. At June 30, 2009, 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, 2009, the University had no exposure to foreign currency risk. The University does not address foreign currency risk in its investment policy and asset allocation guidelines.

### **Note 5 – Accounts and Loans Receivable**

Accounts and loans receivable at June 30, 2009 and 2008 consist of the following:

	2009	2008
Accounts Receivable		
Student accounts	\$ 5,775,153	\$ 5,393,055
Grants and contracts	3,044,275	3,013,552
State capital appropriations	2,622,764	1,157,137
Other receivables	979,199	1,107,402
Subtotal	<u>12,421,391</u>	<u>10,671,146</u>
Less: Allowance for doubtful accounts	<u>(2,088,851)</u>	<u>(2,192,024)</u>
Accounts receivable, net	<u>\$ 10,332,540</u>	<u>\$ 8,479,122</u>
Loans receivable - student notes	\$ 3,551,757	\$ 3,466,070
Less: Allowance for doubtful accounts	<u>(737,266)</u>	<u>(712,714)</u>
Loans receivable, net	<u>\$ 2,814,491</u>	<u>\$ 2,753,356</u>

# YOUNGSTOWN STATE UNIVERSITY

## Notes to Financial Statements (cont.) For the Year Ended June 30, 2009

### Note 6 – Pledges Receivable

Unconditional promises to give to the University recorded as pledges receivable at June 30, 2009 and June 30, 2008 were as follows:

	2009	2008
Total pledges receivable	\$ 9,930,059	\$ 12,410,155
Less: allowance for doubtful accounts	(493,911)	(611,897)
present value discount	<u>(1,025,327)</u>	<u>(1,209,503)</u>
Pledges receivable, net	8,410,821	10,588,755
Less: current portion	<u>(1,652,402)</u>	<u>(3,865,515)</u>
Pledges receivable, noncurrent portion	<u><u>\$ 6,758,419</u></u>	<u><u>\$ 6,723,240</u></u>

Pledges have been discounted to net present value using June 30, 2009 U.S. Treasury Note rates of 2.625% (5-year) and 3.250% (7-year) in fiscal year 2009 and 3.375% (5-year) and 3.875% (10-year) in fiscal year 2008.

### Note 7 – Capital Assets

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

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

# YOUNGSTOWN STATE UNIVERSITY

## Notes to Financial Statements (cont.) For the Year Ended June 30, 2009

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

	Beginning Balance	Additions	Reductions	Transfers	Ending Balance
Nondepreciable assets:					
Land	\$ 13,527,705	\$ 655,470	\$ -		\$ 14,183,175
Construction-in-progress	1,895,250	2,157,216	-	(1,895,250)	2,157,216
Historical treasures	297,513	56,936	-	26,666	381,115
Depreciable assets:					
Buildings	229,650,028	-	-	-	229,650,028
Improvements to buildings	27,420,375	175,440	-	824,136	28,419,951
Improvements other than buildings	23,692,411	1,253,910	-	819,483	25,765,804
Moveable equipment and furniture	27,274,917	1,048,549	1,195,136	224,965	27,353,295
Vehicles	983,448	43,526	37,602	-	989,372
Capital leases	909,841	44,461	-	-	954,302
Total cost	<u>325,651,488</u>	<u>5,435,508</u>	<u>1,232,738</u>	<u>-</u>	<u>329,854,258</u>
Less accumulated depreciation:					
Buildings	128,772,314	4,414,469	-	-	133,186,783
Improvements to buildings	1,889,537	1,376,201	-	-	3,265,738
Improvements other than buildings	16,731,253	781,986	-	-	17,513,239
Moveable equipment and furniture	21,017,510	2,392,874	1,164,863	-	22,245,221
Vehicles	849,552	57,249	37,602	-	869,199
Capital leases	377,898	142,789	-	-	520,687
Total accumulated depreciation	<u>169,638,064</u>	<u>9,165,568</u>	<u>1,202,465</u>	<u>-</u>	<u>177,601,167</u>
Capital assets, net	<u>\$ 156,013,424</u>	<u>\$ (3,730,060)</u>	<u>\$ 30,273</u>	<u>\$ -</u>	<u>\$ 152,253,091</u>

### **Note 8 – Accrued and Other Liabilities**

Accrued and other liabilities at June 30, 2009 and 2008 consist of the following:

	2009	2008
Payroll liabilities:		
Accrued compensation and benefits	\$ 6,303,894	\$ 5,821,083
Accrued health care benefits and insurance payable	1,503,459	743,315
Retirement system contribution payable	1,654,816	1,637,799
Subtotal	<u>9,462,169</u>	<u>8,202,197</u>
Other liabilities:		
Deposits held in custody	528,393	1,090,369
Interest payable	195,641	167,984
Other liabilities	146,633	504,162
Subtotal	<u>870,667</u>	<u>1,762,515</u>
Totals	<u>\$ 10,332,836</u>	<u>\$ 9,964,712</u>

Encumbrances representing estimated amounts of expenses ultimately to result, if unperformed contracts in process at June 30, 2009 are completed, totaled \$23,606,267 and included \$8,802,627 in State capital appropriations compared to \$6,621,141 and \$4,190,560 at June 30, 2008, respectively. Encumbrances relating to the new WCBA building totaled \$19,239,144 including \$7,516,588 in State capital appropriations and \$11,722,556 supported by bond proceeds. These amounts do not constitute expenses incurred or liabilities.

# YOUNGSTOWN STATE UNIVERSITY

## Notes to Financial Statements (cont.) For the Year Ended June 30, 2009

### Note 9 – Bonds

In March 2009, the University issued \$31,255,000 of General Receipts Bonds, Series 2009 to acquire, construct and equip the new Williamson College of Business Administration 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 refunded follow:

Refunding		Refunded	
Issue	Amount	Issue	Amount
Series 2009	\$ 125,000	Series 1997	\$ 120,000
Series 2009	\$ 9,465,000	Series 1998	\$ 9,200,000

The General Receipts Bonds, Series 1997 were called at 101% and the General Receipts Bonds, Series 1998 were called at 100.5%. The University recorded a loss of \$172,034 on the refunding.

The refunding debt issued during the year will result in a decrease in future debt service payments of \$13,935 for the General Receipts Bonds, Series 1997 and \$303,100 for the General Receipts Bonds, Series 1998, due to lower interest rates. The net economic gain (difference between the present value of the old and new debt service payments) to the University will be \$10,205 on the General Receipts Bonds, Series 1997 and \$257,007 on the General Receipts Bonds, Series 1998.

In October 2008, the University issued the BAN for the purpose of financing a portion of the costs of constructing, equipping, and furnishing the new Williamson College of Business Administration building and to pay the related costs of issuance of the notes. The \$7,000,000 principal had a stated interest rate of 3.5%, a yield rate of 2.5%, and was refunded on April 15, 2009 using a portion of the General Receipts Series 2009 Bonds.

# YOUNGSTOWN STATE UNIVERSITY

## Notes to Financial Statements (cont.) For the Year Ended June 30, 2009

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	3.000%	1.150%	2010	\$1,150,000
Serial Bond	3.000%	1.700%	2011	1,090,000
Serial Bond	3.000%	2.200%	2012	1,120,000
Serial Bond	3.000%	2.550%	2013	1,160,000
Serial Bond	3.250%	3.000%	2014	1,200,000
Serial Bond	3.750%	3.400%	2015	1,235,000
Serial Bond	4.000%	3.700%	2016	1,290,000
Serial Bond	4.000%	4.000%	2017	1,335,000
Serial Bond	4.125%	4.200%	2018	860,000
Serial Bond	4.375%	4.400%	2019	885,000
Serial Bond	4.500%	4.600%	2020	925,000
Serial Bond	4.625%	4.750%	2021	965,000
Serial Bond	4.750%	4.900%	2022	1,010,000
Term Bond	5.000%	5.080%	2024	2,170,000
Serial Bond	5.125%	5.180%	2025	1,170,000
Term Bond	5.250%	5.340%	2030	6,815,000
Term Bond	5.500%	5.540%	2034	6,875,000
Total				\$31,255,000

The indebtedness created through all issues of the General Receipts Bonds was bound by the provision of the 1989 original Trust Indenture and supplemental indentures. In March 2009, the original Trust Indenture was amended and restated. 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 is guaranteed under a municipal bond insurance policy.

Maturities of bonds payable and debt service for fiscal years subsequent to June 30, 2009 follow:

Fiscal Year	General Receipts Bonds, Series 2009		
	Principal	Interest	Total
2010	\$ 1,150,000	\$ 1,421,558	\$ 2,571,558
2011	1,090,000	1,387,953	2,477,953
2012	1,120,000	1,354,806	2,474,806
2013	1,160,000	1,320,609	2,480,609
2014	1,200,000	1,283,721	2,483,721
2015-2019	5,605,000	5,726,111	11,331,111
2020-2024	5,070,000	4,622,996	9,692,996
2025-2029	6,480,000	3,170,522	9,650,522
2030-2034	8,380,000	1,200,314	9,580,314
Totals	\$ 31,255,000	\$ 21,488,590	\$ 52,743,590

Interest expense on indebtedness was \$824,899 in fiscal year 2009 and \$816,969 in fiscal year 2008. On construction-related debt, interest cost of \$343,675, net of \$84,427 of interest earned on invested proceeds, was capitalized fiscal year 2009.

# YOUNGSTOWN STATE UNIVERSITY

## Notes to Financial Statements (cont.) For the Year Ended June 30, 2009

### **Note 10 – Notes Payable**

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

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

Fiscal Year	Principal	Interest	Total
2010	\$ 925,328	\$ 254,338	\$ 1,179,666
2011	957,992	221,674	1,179,666
2012	991,809	187,857	1,179,666
2013	1,026,820	152,846	1,179,666
2014	1,063,067	116,600	1,179,667
2015-2016	2,240,036	119,297	2,359,333
Totals	<u>\$ 7,205,052</u>	<u>\$ 1,052,612</u>	<u>\$ 8,257,664</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.

During fiscal year 2009, the University purchased property on an installment basis at a cost of \$315,000. The second installment of \$25,000 is due in fiscal year 2010, and the final installment of \$275,000 in fiscal year 2011.

### **Note 11 – Leases**

#### **Capital Lease Obligations**

The University leases mailroom equipment including two postage machines and an address printer, an inserting and folding system, and a shape-based feature for the mailroom equipment as well as sixty-eight Steinway pianos under capital lease agreements. The two postage machines and address printer bear interest at 7.60%. The insert and folding system bears interest at 7.84%. The shape-based feature bears interest at 7.627%. The Steinway pianos bear interest at 4.05%. The net book value of capital leased assets included in net Capital Assets in the Statements of Net Assets at June 30, 2009 and 2008, was \$290,258 and \$433,615, respectively.

# YOUNGSTOWN STATE UNIVERSITY

## Notes to Financial Statements (cont.) For the Year Ended June 30, 2009

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

Year Ending June 30,	Postage Machines and Address Printer	Insert and Folding System	Shape-based Feature	Steinway Pianos	Total
2010	\$ 17,460	\$ 9,735	\$ 1,404	\$ 85,773	\$ 114,372
2011	-	9,735	585	85,773	96,093
2012	-	9,735	-	85,774	95,509
2013	-	811	-	-	811
Total future minimum lease payments	17,460	30,016	1,989	257,320	306,785
Less amount representing interest	798	3,429	109	19,492	23,828
Total obligations under capital leases	<u>\$ 16,662</u>	<u>\$ 26,587</u>	<u>\$ 1,880</u>	<u>\$ 237,828</u>	<u>\$ 282,957</u>

### Operating Lease Obligations

The University has an operating lease for the purpose of classroom and general office purposes. The University, in its fourth renewal option which ends June 30, 2010, has future minimum payments of \$159,005.

### Note 12 – Compensated Absences

During fiscal year 2008, the University recorded \$2,587,550 of ERIP OPERS purchases. These purchases are reflected in institutional support on the Statement of Revenues, Expenses, and Changes in Net Assets. There was no unpaid balance at June 30, 2008. Amounts recorded were based on actual purchases and estimates utilizing OPERS's benefit estimator and based on assumptions that everyone who signed the irrevocable form would indeed retire as of that date.

During fiscal year 2009, the University's Board of Trustees authorized the implementation of an early retirement incentive program for all eligible employees who are members of OPERS. The effective period for eligibility determination is from January 1, 2011 through December 31, 2011. The University will purchase two (2) years of service credit for eligible employees, unless a lesser amount is provided under OPERS regulations (i.e. twenty percent (20%) of employee's service credit of record). The University will abide by the rules as established by OPERS except as otherwise specified in the Agreement between the University and the Association of Classified Employees (ACE). An eligible employee will provide the University with not less than six (6) months irrevocable written notice specifying the date upon which he/she will retire hereunder. Eligibility will be limited to the first one hundred (100) employees with the greatest service credit as determined by OPERS who sign up unless the University and ACE agree to increase the number of participants.

# YOUNGSTOWN STATE UNIVERSITY

## Notes to Financial Statements (cont.) For the Year Ended June 30, 2009

### Note 13 – Long-Term Liabilities

Long-term liability activity (also see notes 9-12) for the year ended June 30, 2009 was as follows:

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

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

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

### Note 14 - Retirement Plans

#### Basic Retirement Benefits

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

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

# YOUNGSTOWN STATE UNIVERSITY

## Notes to Financial Statements (cont.) For the Year Ended June 30, 2009

(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 Defined Benefit 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 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](http://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 and OPERS and contribute to one of the ARPs formed as Section 401(a) defined contribution plans. The legislation, as amended, requires employees and employers to contribute to the ARPs at the same rates as STRS and OPERS employee contributions.

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

Employee Contribution Rate						
Period	STRS		OPERS		OPERSLE	
	Traditional	ARP	Traditional	ARP	Traditional	ARP
1/1/08-6/30/09	10.0%	10.0%	10.0%	10.0%	10.1%	10.1%
1/1/07-12/31/07	10.0%	10.0%	9.5%	9.5%	10.1%	10.1%
7/1/06-12/31/06	10.0%	10.0%	9.0%	9.0%	10.1%	10.1%

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

Employer Contribution Rate								
Period	STRS			OPERS			OPERSLE	
	Traditional	ARP		Traditional	ARP		Traditional	ARP
		STRS	ARP		OPERS	ARP		
1/1/09-6/30/09	14.00%	3.50%	10.50%	14.00%	0.77%	13.23%	17.63%	17.63%
1/1/08-12/31/08	14.00%	3.50%	10.50%	14.00%	0.77%	13.23%	17.40%	17.40%
8/1/07-12/31/07	14.00%	3.50%	10.50%	13.77%	0.54%	13.23%	17.17%	17.17%
1/1/07-7/31/07	14.00%	3.50%	10.50%	13.77%	0.00%	13.77%	17.17%	17.17%
7/1/06-12/31/06	14.00%	3.50%	10.50%	13.54%	0.00%	13.54%	16.93%	16.93%

# YOUNGSTOWN STATE UNIVERSITY

## Notes to Financial Statements (cont.) For the Year Ended June 30, 2009

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		
2009	\$ 5,492,942	\$ 201,701	\$ 626,715	\$ 4,765,059	\$ 29,323	\$ 552,116	\$ 186,484	\$ -
2008	\$ 5,222,301	\$ 192,108	\$ 577,352	\$ 4,884,650	\$ 15,207	\$ 444,063	\$ 184,960	\$ -
2007	\$ 5,164,584	\$ 188,184	\$ 564,551	\$ 4,414,602	\$ -	\$ 455,492	\$ 165,764	\$ -

The OPERS employee contributions to the ARP totaled \$413,856 and the STRS employee contributions to the ARP totaled \$596,872.

### **Note 15 - Postretirement Benefits**

#### **State Teachers Retirement System**

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 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 2009, 2008 and 2007. The portion of the University's 2009, 2008 and 2007 contributions to STRS used to fund post-employment benefits was \$392,353, \$373,021 and \$368,186, 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 health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pension*. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

# YOUNGSTOWN STATE UNIVERSITY

## Notes to Financial Statements (cont.) For the Year Ended June 30, 2009

The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. OPERS' Post Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion used to fund post employment benefits was 7.0% in 2008, 5.0% from 1/1/07-6/30/07 and 6.0% from 7/1/07-12/31/07, and 4.5% in 2006. The portion of the University's 2009, 2008 and 2007 contributions to OPERS used to fund post retirement benefits was \$2,569,717, \$1,860,851 and \$1,522,713. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

### **Note 16 – Contingencies and Risk Management**

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

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

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

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

	2009	2008
Liability at beginning of fiscal year	\$ 846,000	\$ 1,000,000
Current year claims including changes in estimates	11,032,337	7,694,039
Claim payments	(10,392,752)	(7,848,039)
Liability at end of fiscal year	<u>\$ 1,485,585</u>	<u>\$ 846,000</u>

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

# YOUNGSTOWN STATE UNIVERSITY

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## Notes to Financial Statements (cont.) For the Year Ended June 30, 2009

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.

### **Note 17 – Component Units**

Youngstown State University Foundation (YSUF) and University Housing Corporation (UHC) are nonprofit organizations that report under FASB standards, including FASB Statement No. 117, *Financial Reporting for Not-For-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. With the exception of necessary presentation adjustments, no modifications have been made to YSUF's or UHC's financial information in the University's financial report for these differences.

#### **YSUF**

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

Annually, the University files an application for funds from YSUF, subject to approval by the trustees of YSUF. Financial support from YSUF was \$5,581,550 for the fiscal year ended June 30, 2009 and \$5,184,100 for the fiscal year ended June 30, 2008. Financial support from YSUF

# YOUNGSTOWN STATE UNIVERSITY

## Notes to Financial Statements (cont.) For the Year Ended June 30, 2009

has been committed for fiscal year 2010 in the amount of \$5,500,000. An installment payment is made on June 30 of each year with the balance to be paid by June 30 of the following year in quarterly installment payments. Amounts reflected in deferred revenue were \$1,436,000 and \$1,381,550 at June 30, 2009 and June 30, 2008, respectively. In addition, rental income from YSUF of \$10,560 in both fiscal years 2009 and 2008 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 Athletic Facility (WATTS Center) trusts. Proceeds are forwarded to the University on an as needed basis to satisfy the individual endowment purposes. Fair value of such investments held by YSUF at June 30, 2009 and June 30, 2008 was \$5,893,649 and \$6,355,200, respectively. The management services are provided at no charge and investments are made in a manner consistent with the YSUF funds.

### UHC

UHC opened the University Student Courtyard Apartments in Fall 2003. The complex has 130 housing units for 408 students and staff. This unique public-private partnership includes YSUF, University Housing Corporation (UHC), the City of Youngstown, Mahoning County, and Ambling Companies, Inc., a national leader in developing student housing communities. UHC is a tax-exempt organization.

Because resources are only used by, or for the benefit of the University, UHC is considered a component unit of the University.

### UHC Property

Property, facilities and equipment as of July 31, 2009 and 2008 are as follows:

	2009	2008
Buildings	\$ 17,108,042	\$ 17,108,042
Other capital asset	1,614,765	1,441,836
Total cost	18,722,807	18,549,878
Less accumulated depreciation:	(3,490,709)	(2,898,153)
Property, facilities and equipment, net	<u>\$ 15,232,098</u>	<u>\$ 15,651,725</u>

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

In May 2002, UHC issued \$22,040,000 of County of Mahoning, Ohio Adjustable Rate Housing Revenue Bonds Series 2002 (Series 2002 Bonds). The proceeds were used to finance the construction, site improvements, furnishing and equipping of the University Courtyard Project. The bonds bear interest at a variable rate determined weekly by JPMorgan Chase Bank as Remarketing Agent based on the weekly tax-exempt index as determined by JPMorgan Chase Bank, and are due at various dates until 2033. The Remarketing Agent changed from JPMorgan Chase Bank to NatCity Investments Inc./PNC in February 2009. At July 31, 2009 and 2008,

# YOUNGSTOWN STATE UNIVERSITY

## Notes to Financial Statements (cont.) For the Year Ended June 30, 2009

these variable interest rates were set at 0.40% and 4.63%, respectively, with an average weekly rate of 2.82% during fiscal year 2009 and 3.0% during fiscal year 2008. The bonds are secured by the assignment of incomes and revenues of the University Courtyard Project.

The Series 2002 Bonds were issued pursuant to a Trust Indenture dated May 1, 2002 between Mahoning County (County) and the Trustee. Under the terms of the current Reimbursement Agreement dated May 30, 2007, UHC entered into an alternate, five year, Irrevocable Direct Pay Letter of Credit Agreement with a bank, with a stated expiration date of September 16, 2012. Under the terms of the Reimbursement Agreement, UHC maintains a debt service reserve fund at the maximum amount (\$1,759,558 at July 31, 2009 and \$1,742,041 at July 31, 2008). The Foundation provides a conditional full guaranty of the Letter of Credit only under conditions which would indicate a failure of the Project to attain a sustained cash flow sufficient to maintain service of the debt as outlined in the Letter of Credit Agreement.

Maturities of the bonds are as follows:

Year ending July 31,	Amount
2010	\$ 175,000
2011	220,000
2012	270,000
2013	325,000
2014	385,000
Thereafter	19,650,000
Total	<u>\$ 21,025,000</u>

UHC's objectives of its derivative instruments include managing the risk of increased debt service resulting from rising market interest rates, the risk of decreased surplus returns resulting from falling interest rates, and the management risk of an increase in the fair value of outstanding fixed rate obligations resulting from declining market interest rates. Consistent with its interest rate risk management objectives, UHC entered into an interest rate swap in May 2002 with a notional amount of \$20,395,000 at July 31, 2009 and \$20,525,000 at July 31, 2008. The swap agreement effectively changes UHC's interest rate exposure on its floating rate bonds to a fixed rate of 3.97%. The interest swap rate agreement matures in May 2012.

Under terms of the interest rate swap agreement, UHC makes payments calculated at a fixed rate of 3.97% to the counterparty of the swap. In return, the counterparty makes payments to UHC equal to 67% of 1-Month USD-LIBOR-BBA Index. Only the net difference in payments is exchanged with the counterparty. During fiscal years 2009 and 2008 the 1-Month USD-LIBOR-BBA Index ranged from 0.28% to 4.59% (0.28% at July 31, 2009) and 2.38% to 5.82% (2.46% at July 31, 2008), respectively.

The fair value of the swap agreement at July 31, 2009 and 2008 was \$1,468,541 and \$1,021,121, respectively, and is recorded as a liability on UHC's Statement of Financial Position.

# YOUNGSTOWN STATE UNIVERSITY

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## Notes to Financial Statements (cont.) For the Year Ended June 30, 2009

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

UHC also entered into an agreement with the Foundation to loan UHC funds to pay for initial organizational and legal costs. Under the terms of the agreement, UHC will repay the Foundation principal plus interest at prime rate. At June 30, 2009 and 2008, the amount due to the Foundation from UHC is \$113,148 and \$113,002, respectively.

# YOUNGSTOWN STATE UNIVERSITY

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# YOUNGSTOWN STATE UNIVERSITY

## Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2009

Program Title	CFDA #	Pass Through Number	Research and Development Cluster	Student Financial Assistance Cluster	Other Expenditures	Total Expenditures
<b>10 Department of Agriculture (USDA)</b>						
Fund for Rural America – Research, Education, and Extension Activities						
Pass-Through Entity University of Toledo	10.224	R-300-100193-40013	\$ 22,403	\$ –	\$ –	\$ 22,403
Total Department of Agriculture (USDA)			22,403	–	–	22,403
<b>12 Department of Defense (DOD)</b>						
Basic and Applied Scientific Research						
Pass-Through Entity Consortium for Oceanographic Research and Applied Scientific Research	12.300	NA06SEC4690002	–	–	7,087	7,087
Basic Scientific Research - Combating Weapons of Mass Destruction						
Pass-Through Entity Office of Naval Research	12.351	HDTRA1-08-1-0014	262,754	–	–	262,754
Basic Scientific Research						
Pass-Through Entity Army Research Lab	12.431	W911NF-07-1-0642	562,834	–	–	562,834
Total Department of Defense (DOD)			825,588	–	7,087	832,675
<b>14 Department of Housing and Urban Development (HUD)</b>						
Community Development Block Grants/Entitlement Grants						
Pass-Through Entity Youngstown Community Development Agency	14.218	B-05-MC-39-0023	–	–	24,388	24,388
Community Development Block Grants/State's Program						
Pass-Through Entity Youngstown Community Development Agency	14.228	B-05-MC-39-0023	–	–	44,955	44,955
Emergency Shelter Grants Program						
Pass-Through Entity Youngstown Community Development Agency	14.231	S-08-MC-39-0023	–	–	21,049	21,049
Supportive Housing Program	14.235		–	–	20,381	20,381
Community Outreach Partnership Center Program	14.511		–	–	45,630	45,630
Demolition and Revitalization of Severely Distressed Public Housing						
Pass-Through Entity Youngstown Metropolitan Housing Authority	14.866	OH12URD0021102	–	–	10,025	10,025
Total Department of Housing and Urban Development (HUD)			–	–	166,428	166,428
<b>16 Department of Justice (DOJ)</b>						
Community Capacity Development Office	16.595		–	–	163,568	163,568
Law Enforcement Task Force	*		–	–	2,096	2,096
Total Department of Justice (DOJ)			–	–	165,664	165,664
<b>17 Department of Labor (DOL)</b>						
WIA Adult Program						
Pass-Through Entity State of Ohio DoJFS	17.258	AA-16048-07-55-A-39	–	–	31,991	31,991
WIA Youth Activities						
Pass-Through Entity State of Ohio – Department of Development	17.259	08-222	–	–	66,342	66,342
Incentive Grants - WIA Section 503						
Pass-Through Entity State of Ohio – Department of Development	17.267	ECDD06-142	–	–	(263)	(263)
Total Department of Labor (DOL)			–	–	98,070	98,070
<b>20 Department of Transportation (DOT)</b>						
University Transportation Centers Program	20.701		246,125	–	–	246,125
Total Department of Transportation (DOT)			246,125	–	–	246,125
<b>43 National Aeronautics and Space Administration (NASA)</b>						
Aerospace Education Services Program	43.001		50,063	–	–	50,063
Total of National Aeronautics and Space Administration (NASA)			50,063	–	–	50,063
<b>45 National Endowment for the Humanities (NEH)</b>						
Promotion of the Arts-Grants to Organizations and Individuals						
Pass-Through Entity National Endowment for the Arts	45.024	07-5100-8160	–	–	288	288
Total National Endowment for the Humanities (NEH)			–	–	288	288

# YOUNGSTOWN STATE UNIVERSITY

## Schedule of Expenditures of Federal Awards (cont.) For the Year Ended June 30, 2009

Program Title	CFDA #	Pass Through Number	Research and Development Cluster	Student Financial Assistance Cluster	Other Expenditures	Total Expenditures
<b>47 National Science Foundation (NSF)</b>						
Engineering Grants	47.041		50,579	-	-	50,579
Mathematical and Physical Sciences	47.049		199,485	-	-	199,485
Biological Sciences	47.074		39,945	-	-	39,945
Education and Human Resources	47.076		-	-	203,198	203,198
Education and Human Resources						
Pass-Through Entity Ohio State University	47.076	HRD-0331560	-	-	23,711	23,711
Total National Science Foundation (NSF)			290,009	-	226,909	516,918
<b>59 Small Business Administration (SBA)</b>						
Small Business Development Center						
Pass-Through Entity Small Business Development Centers of Ohio	59.037	N/A	-	-	181,873	181,873
Total Small Business Administration (SBA)			-	-	181,873	181,873
<b>84 Department of Education (DOE)</b>						
Federal Supplemental Educational Opportunity Grants	84.007		-	697,103	-	697,103
Federal Family Education Loan Program (see Note 2)	84.032		-	68,283,999	-	68,283,999
Federal Work Study Program	84.033		-	463,654	-	463,654
Federal Perkins Loan Program (see Note 2)	84.038		-	3,330,757	-	3,330,757
TRIO - Upward Bound	84.047		-	-	233,129	233,129
Vocational Education - Basic Grants to States	84.048		-	-	3,685	3,685
Federal Pell Grant Program	84.063		-	17,758,562	-	17,758,562
Fund for the Improvement of Postsecondary Education	84.116Z		-	-	136,596	136,596
Business and International Education Projects	84.153A		-	-	77,012	77,012
Fund for the Improvement of Education	84.215		-	-	74,617	74,617
Academic Competitiveness Grants	84.375		-	384,197	-	384,197
National Science and Mathematics Access to Retain Talent Grant (SMART)	84.376		-	244,000	-	244,000
Vocational Education - Basic Grants to States						
Pass-Through Entity State of Ohio Department of Education	84.048	319G-PSL-NT-07CG	-	-	108,840	108,840
Fund for the Improvement of Postsecondary Education						
Pass-Through Entity CUNY Research Foundation	84.116B	P116B060012	-	-	26,747	26,747
Tech-Prep Education						
Pass-Through Entity State of Ohio Department of Education	84.243	Y243A060035	-	-	9,352	9,352
Twenty-First Century Community Learning Centers						
Pass-Through Entity Girard City Schools	84.287C	S287C050035	-	-	5,331	5,331
Twenty-First Century Community Learning Centers						
Pass-Through Entity State of Ohio Department of Education	84.287	USAS 599	-	-	400,370	400,370
Twenty-First Century Community Learning Centers						
Pass-Through Entity Youngstown City Schools	84.287	S287C050035	-	-	187,310	187,310
Twenty-First Century Community Learning Centers						
Pass-Through Entity Austintown City Schools	84.287	S287C050035	-	-	7,111	7,111
Subtotal Twenty-First Century Community Learning Centers			-	-	594,791	594,791
Reading First State Grants						
Pass-Through Entity Cleveland State University	84.357	WIP-00328	-	-	86,183	86,183
Mathematics and Science Partnerships						
Pass-Through Entity State of Ohio Department of Education	84.366	PublicLaw 107-110	-	-	785,508	785,508
Improving Teacher Quality State Grants						
Pass-Through Entity Ohio Board of Regents	84.367	S367B070030A	-	-	7,918	7,918
Total Department of Education (DOE)			-	91,162,272	2,149,709	93,311,981
<b>90 Elections Assistance Commission</b>						
Help America Vote College Program	90.400		-	-	22,835	22,835
Total Elections Assistance Commission			-	-	22,835	22,835
<b>93 Department of Health and Human Services</b>						
Child Welfare Services State Grants						
Pass-Through Entity State of Ohio DoJFS	93.645	G-89-06-1249	-	-	1,008	1,008
Foster Care-Title IV-E						
Pass-Through Entity State of Ohio DoJFS	93.658	G-89-06-1249	-	-	5,432	5,432
Total Department of Health and Human Services			-	-	6,440	6,440
<b>Corporation for Public Broadcasting (CPB)</b>						
CPB Community Service Grant FY09	*	N/A	-	-	-	-
Total Corporation for Public Broadcasting (CPB)			-	-	-	-
Total Federal Expenditures			\$ 1,434,188	\$ 91,162,272	\$ 3,025,303	\$ 95,621,763

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

# YOUNGSTOWN STATE UNIVERSITY

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## Notes to Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2009

### Note 1 – Basis of Accounting

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

### Note 2 – Loans

#### **Federal Family Education Loan Program**

The University participates in the Federal Family Education Loan Program which includes Stafford Loans and Supplemental Loans for Students. The University originates but does not provide funding for Federal Family Education Loans (“FFELs”). The \$68,283,999 presented on the Schedule of Expenditures of Federal Awards (84.032) represents the value of new FFELs awarded by outside lenders during the year.

#### **Federal Perkins Loan Program**

The amount presented on the Schedule of Expenditures of Federal Awards for the Federal Perkins Loan Program (84.038) represents the outstanding balance of loans for which the government imposes continuing compliance requirements. New loans and the administrative cost allowance disbursed under the Federal Perkins Loan Program for the fiscal year ended June 30, 2009 totaled \$295,125.



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees  
Youngstown State University  
Youngstown, Ohio

We have audited the financial statements of the business-type activities and discretely presented component units of Youngstown State University (the “University”) as of and for the year ended June 30, 2009, and have issued our report thereon dated the same date as this report. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Youngstown State University Foundation, as described in our report on Youngstown State University’s financial statements. The financial statements of the Youngstown State University Foundation were not audited in accordance with Government Auditing Standards.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity’s financial statements that is more than inconsequential will not be prevented or detected by the entity’s internal control.

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

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

#### Compliance and Other Matters

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

We noted certain matters that we reported to management of the University in a separate letter dated October 16, 2009.

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

*Crowe Horwath LLP*

Crowe Horwath LLP

Columbus, Ohio  
October 16, 2009



Crowe Horwath LLP  
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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Trustees  
Youngstown State University  
Youngstown, Ohio

**Compliance**

We have audited the compliance of Youngstown State University (the “University”) with the types of compliance requirements described in the U.S. Office of Management and Budget (“OMB”) *Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2009. The University’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs are the responsibility of the University’s management. Our responsibility is to express an opinion on the University’s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the University’s compliance with those requirements.

In our opinion, the University complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2009.

## Internal Control Over Compliance

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

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

We noted certain other matters that we have reported to management in a separate letter dated October 16, 2009.

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*

Crowe Horwath LLP

Columbus, Ohio  
October 16, 2009

# YOUNGSTOWN STATE UNIVERSITY

## Schedule of Findings and Questioned Costs For the Year Ended June 30, 2009

### Section I - Summary of Auditor's Results

#### *Financial Statements*

Type of auditor's report issued:

Unqualified

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_\_\_ Yes      X   No

Significant deficiencies identified not  
considered to be material weaknesses?

\_\_\_\_\_ Yes      X   None Reported

Noncompliance material to financial statements  
noted?

\_\_\_\_\_ Yes      X   No

#### Federal Awards

Internal Control over major programs:

Material weakness(es) identified?

\_\_\_\_\_ Yes      X   No

Significant deficiencies identified not  
considered to be material weaknesses?

\_\_\_\_\_ Yes      X   None Reported

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

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

\_\_\_\_\_ Yes      X   No

# YOUNGSTOWN STATE UNIVERSITY

## Schedule of Findings and Questioned Costs (cont.) For the Year Ended June 30, 2009

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
	Student Financial Aid Cluster:
84.007	Federal Supplemental Educational Opportunity Grants
84.032	Federal Family Education Loans
84.033	Federal Work-Study Program
84.038	Federal Perkins Loan Program
84.063	Federal Pell Grant Program
84.375	Academic Competitiveness Grants
84.376	National Science and Mathematics Access to Retain Talent Grants

Dollar threshold used to distinguish between Type A and Type B programs: \$720,210

Auditee qualified as low-risk auditee?                        X   Yes             No

### Section II - Financial Statement Findings

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

### Section III - Federal Award Findings

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

### Section IV – Prior Year Audit Findings

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



**Youngstown State University**

**YOUNGSTOWN STATE UNIVERSITY  
INTERCOLLEGIATE ATHLETICS DEPARTMENT**

**Report of Independent Accountants on  
Applying Agreed-Upon Procedures**  
June 30, 2009

YOUNGSTOWN STATE UNIVERSITY  
INTERCOLLEGIATE ATHLETICS DEPARTMENT  
Youngstown, Ohio

AGREED-UPON PROCEDURES  
REQUIRED BY THE NCAA  
June 30, 2009

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

Dr. David Sweet, President  
Youngstown State University  
Youngstown, Ohio

We have performed the procedures enumerated below, which were agreed to by management of Youngstown State University (the "University"), solely to assist the University in evaluating whether the accompanying Statement of Revenues and Expenses of the University is in compliance with the National Collegiate Athletic Association ("NCAA") Bylaw 6.2.3 for the year ended June 30, 2009. 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, 2009, as prepared by management as well as shown on page 6. Additionally, we obtained the supporting worksheets and agreed each of the revenue and expense amounts on the Statement to management's worksheets, noting no exceptions.
2. We agreed all amounts on management's worksheets to the University's June 30, 2009 general ledger, noting no exceptions.

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(Continued)

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 4 items that met the criteria for budget to actual and 9 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 \$3,108 (.008% of football ticket revenues) higher than the June 30, 2009 general ledger.
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 \$933 (.007% of basketball revenues) lower than the June 30, 2009 general ledger.
6. We agreed the guarantee revenues (away games) and expenditures (home games) to the signed contracts and other supporting documentation, noting no exceptions.
7. We did not identify any contributions of cash, services or goods which were received directly by the University's Athletics Department and that constituted 10 percent or greater of all contributions received by the University's Athletics Department.
8. We agreed the Federal Work Study support recorded by the Athletics Department with federal appropriations and/or other supporting documentation, noting no exceptions.
9. We agreed the University's direct institutional support recorded by the Athletics Department in the Statement to the General Fund Allocation approved by the Board of Trustees for the year, noting no exceptions.
10. We obtained the NCAA/Conference Distributions reports and agreed it to the Statement, noting no exceptions. We inquired of the General Accounting Office if there were any agreements related to the University's participation in revenues from tournaments during the year ended June 30, 2009 and we were informed there were none.
11. We obtained the agreement with Clear Channel Broadcasting, Inc. related to the University's participation in revenues from radio, including rights fees paid by Clear Channel and agreed to the radio revenues, noting no exceptions.
12. We selected 1 program sales, concessions, novelty sales and parking cash receipt and agreed revenue receipt to supporting documentation maintained by the University, noting no exception.
13. We obtained and inspected the agreements related to the University's participation in revenues from royalties, advertisements and sponsorships. We selected 5 revenue receipts and agreed them to the supporting agreements as well as the total to the Statement, noting no exceptions.

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(Continued)

14. We obtained an understanding of the agreement between the University and persons conducting Century Cage Camp held during the year ended June 30, 2009.
15. We selected 2 sports-camp participant cash receipts and agreed the receipt to supporting registration forms, noting no exceptions.
16. We selected 3 sports-camp expenses and agreed the expense to the supporting documentation (for example, invoices) and agreed that the expense was for camp related activity, noting no exceptions.
17. We obtained and read the endowment agreement to gain an understanding of the relevant terms and conditions. We compared and agreed the classification and use of endowment and investment income reported in the Statement for the year ended June 30, 2009 to the uses of income defined within the related endowment agreement, noting no exceptions.
18. We selected 2 operating revenue receipts and agreed the revenue receipts to supporting documentation maintained by the University, noting no exceptions.
19. We selected 10 student athletes who received institutional financial aid during the year ended June 30, 2009 and agreed the award amount per the student's account detail to the related award letter, noting no exceptions.
20. We obtained a listing of coaches employed by the University. We selected coaches for football, men's basketball, and three other coaches and obtained the related contracts. We obtained the W-2's for the coaches selected above and agreed amounts appearing in the W-2's to the related expenses in the Statement. Because the W-2's are for the year ended December 31, 2008, and the salaries and benefit expense per the Statement are for the fiscal year ended June 30, 2009, the total compensation per the W-2's did not agree with the salaries and benefits expense per the Statement.
21. We agreed the financial terms and conditions associated with the above coaches' salaries, benefits and bonuses to the related expense recorded by the University in the Statement, noting no exceptions. There were no payments to third party coaches.
22. We obtained a listing of administrative employees of the Athletics Department. We selected 5 administrative employees of the Athletics Department and obtained the W-2's for the employees selected and agreed the amounts appearing in the W-2's to the related expenses in the Statement. Because the W-2's are for the year ended December 31, 2008, and the salaries and benefit expense per the Statement are for the fiscal year ended June 30, 2009, the total compensation per the W-2's did not agree with the salaries and benefits expense per the Statement.
23. We agreed the salaries, benefits and bonuses paid by the University for the administrative employees selected above to the related expense recorded by the University in the Statement, noting no exceptions. There were no payments to third party administrative employees.

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(Continued)

24. We obtained copies of the University's recruiting and travel policies. We read the policies and agreed them to the NCAA policies, noting they are consistent. We selected a sample of 2 recruiting expense transactions and 11 team travel expense transactions and agreed the expense transaction to supporting documentation maintained by the University, noting one recruiting expense that was improperly classified. This expense was reclassified in preparation of the Statement from recruiting to team travel.
25. We selected 8 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 6 fundraising, marketing and/or promotion expense transactions and agreed them to supporting documentation, noting no exceptions.
27. We selected 4 facilities, maintenance and rental expense transactions and agreed the expense transactions to supporting documentation maintained by the University, noting no exceptions.
28. We selected 1 spirit group expense transaction and agreed the expense transaction to supporting documentation maintained by the University, noting no exceptions.
29. We selected 1 medical expense and insurance expense transaction and agreed the expense transaction to supporting documentation maintained by the University, noting no exceptions.
30. We selected 1 membership and dues expense transaction and agreed the expense transaction to supporting documentation maintained by the University, noting no exceptions.
31. We selected 3 other expense transactions and agreed the expense transactions to supporting documentation maintained by the University, noting no exceptions.
32. 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 severance payments. Management indicated there were no such transactions during the reporting period.

#### **Procedures Related to the Internal Accounting Controls**

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

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(Continued)

### **Procedures Related to the Penguin Club**

34. We obtained the list of outside programs and related financial activities for the year ended June 30, 2009, which is included on page 8 of this report. Management represented that the Penguin Club was the only "outside organization" which had expenditures for or on behalf of the University's Intercollegiate Athletics Program.
35. We agreed the Penguin Club's revenues and expenses on page 7 of this report to a confirmation obtained directly from the Penguin Club, noting no exceptions.
36. We agreed the Penguin Club's expenses incurred on behalf of the University's Intercollegiate Athletics Program on page 8 to a confirmation obtained directly from the Penguin Club, noting no exceptions.
37. We received the audited financial statements of the Penguin Club for the year ended June 30, 2009, which reflected an unqualified opinion.
38. We noted the amounts included on pages 7 and 8 of this report are not included in the Statement.

### **Procedures Related to the Athletics Assets**

39. We obtained a schedule of intercollegiate athletics capitalized assets, additions and improvements of facilities summarized by type.
40. 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. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

*Crowe Horwath LLP*  
Crowe Horwath LLP

Columbus, Ohio  
December 16, 2009

Youngstown State University  
Intercollegiate Athletics Department  
Statement of Revenue and Expenses  
For the Year Ended June 30, 2009

	Unrestricted Auxiliary				Restricted	Plant, Endowment & Quasi- Endowment	Total
	Football	Basketball	Other Sports	Non-Program Specific			
<b>Revenue</b>							
Ticket Sales	\$ 370,531	\$ 138,994	\$ -	\$ -	\$ -	\$ -	\$ 509,525
Guarantees	670,000	132,000	-	-	-	-	802,000
Contributions	-	-	10,040	-	597,865	75,239	683,144
Direct State or Other Government Support	-	-	-	-	7,442	-	7,442
Direct Institutional Support	-	-	-	7,345,098	-	-	7,345,098
NCAA/Conference Distributions	118,244	61,626	288,727	-	60,255	-	528,852
Broadcast Television, Radio, and Internet Rights	-	-	-	53,173	-	-	53,173
Program Sales & Concessions	83,624	34,275	-	58,788	-	-	176,687
Royalties, Licensing, Advertisements and Sponsorships	647,948	78,576	-	26,849	-	-	753,373
Sports-Camp Revenues	-	-	-	270,949	-	-	270,949
Endowment and Investment Income	-	-	-	-	1,422	3,116	4,538
Other	<u>48,248</u>	<u>-</u>	<u>-</u>	<u>230,118</u>	<u>8,073</u>	<u>-</u>	<u>286,439</u>
<b>Subtotal Revenue</b>	<b>1,938,595</b>	<b>445,471</b>	<b>298,767</b>	<b>7,984,975</b>	<b>675,057</b>	<b>78,355</b>	<b>11,421,220</b>
<b>Expenses</b>							
Athletic Student Aid	1,052,961	501,163	1,520,179	85,133	162,014	-	3,321,450
Guarantees	32,000	8,500	-	-	-	-	40,500
Coaching Salaries, Benefits & Bonuses Paid by the University	830,931	731,743	809,809	-	-	-	2,372,483
Support Staff/ Administrative Salaries, Benefits & Bonuses Paid by the University	-	-	-	1,856,890	67,757	-	1,924,647
Recruiting	53,389	101,797	41,974	-	50	-	197,210
Team Travel	387,835	174,136	315,759	98	95,608	-	973,436
Equipment, Uniforms & Supplies	81,229	61,017	112,974	237,817	147,676	74,666	715,379
Fund Raising, Marketing & Promotion	9,333	21,924	2,201	161,030	21,669	842	216,999
Sports Camp Expenses	-	-	-	302,118	-	-	302,118
Direct Facilities, Maintenance & Rental	-	-	34,008	164,106	84,350	59,496	341,960
Spirit Groups	-	-	-	25,588	-	-	25,588
Medical Expenses & Medical Insurance	-	-	-	40,000	2,076	-	42,076
Membership & Dues	-	-	-	21,985	-	-	21,985
Other Operating Expenses	<u>159,318</u>	<u>121,368</u>	<u>42,752</u>	<u>251,474</u>	<u>86,787</u>	<u>(11,613)</u>	<u>650,086</u>
<b>Subtotal Expenses</b>	<b>2,606,996</b>	<b>1,721,648</b>	<b>2,879,656</b>	<b>3,146,239</b>	<b>667,987</b>	<b>123,391</b>	<b>11,145,917</b>
<b>Revenues (Less Than) in Excess of Expenditures</b>	<b>(668,401)</b>	<b>(1,276,177)</b>	<b>(2,580,889)</b>	<b>4,838,736</b>	<b>7,070</b>	<b>(45,036)</b>	<b>275,303</b>
Transfer out to/(in from) other funds	-	6,905	-	3,481	(6,055)	-	4,331
Transfers for Capital improvements	-	-	-	140,000	-	(140,000)	-
Mandatory transfers for indebtedness	<u>-</u>	<u>-</u>	<u>-</u>	<u>156,384</u>	<u>-</u>	<u>-</u>	<u>156,384</u>
	-	6,905	-	299,865	(6,055)	(140,000)	160,715
<b>Revenues (Less Than) in Excess of Expenditures, Transfers &amp; Reserve</b>	<b>\$ (668,401)</b>	<b>\$ (1,283,082)</b>	<b>\$ (2,580,889)</b>	<b>\$ 4,538,871</b>	<b>\$ 13,125</b>	<b>\$ 94,964</b>	<b>\$ 114,588</b>

Youngstown State University  
Schedule of Intercollegiate Athletics Program  
Support by Booster Organization  
For the Year Ended June 30, 2009

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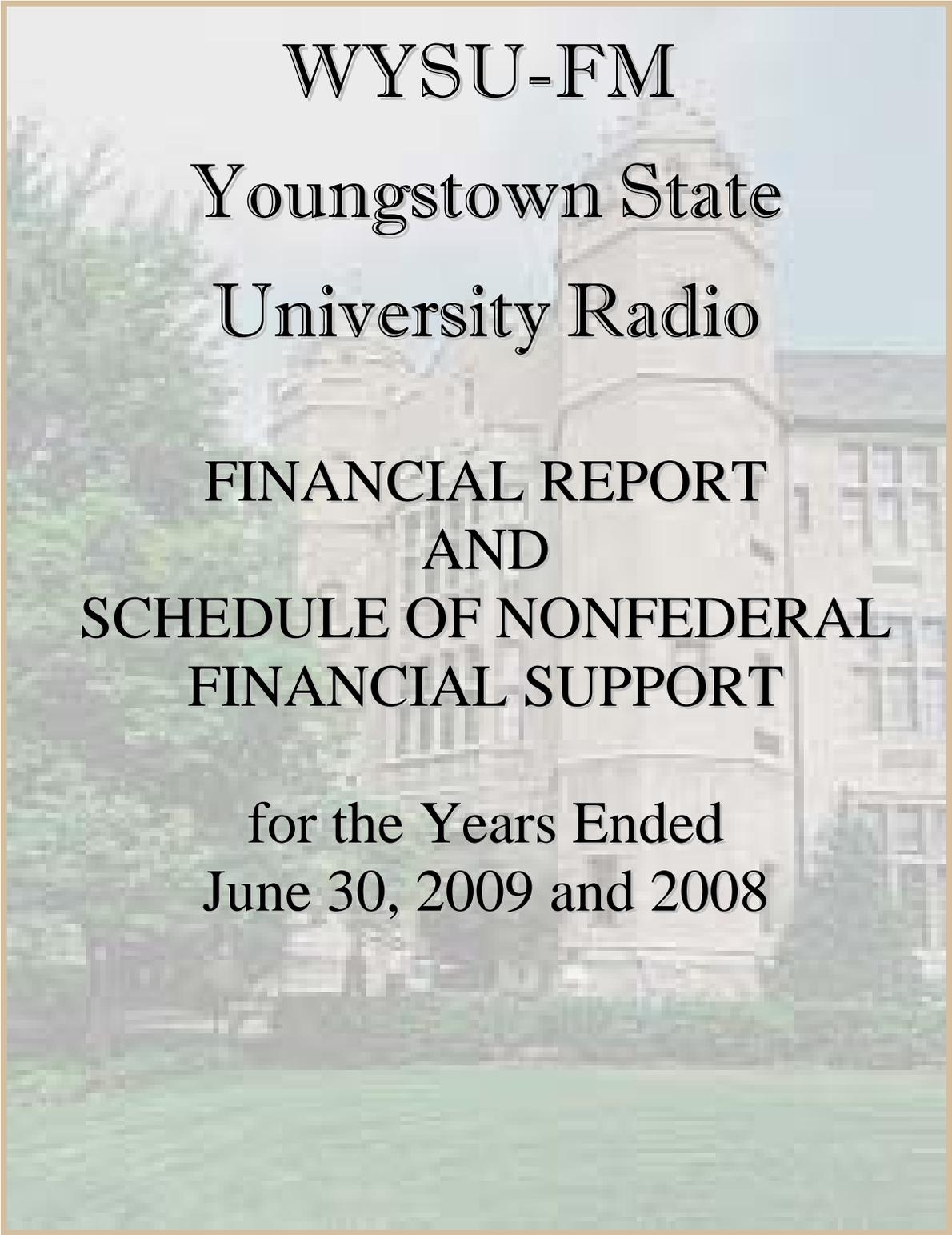
<b>Booster Organization</b>	<b>Beginning Net <u>Assets</u></b>	<b><u>Revenues</u></b>	<b><u>Expenses</u></b>	<b>Ending Net <u>Assets</u></b>
The Penguin Club, Inc.	<u>\$ 758,864</u>	<u>\$ 585,179</u>	<u>\$ 551,983</u>	<u>\$ 792,060</u>

Youngstown State University  
Schedule of Financial Activities of the Penguin Club  
For the Year Ended June 30, 2009

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**Booster Organization**

Miscellaneous Expense	\$	253,029
Century Kingbird Tickets		169,685
Membership Drive Expense		3,569
Sports Banquets		16,037
Athletic Awards		10,483
Scholarship Recognitions		14,311
Executive Director Expenses		5,109
Car Lease		<u>8,340</u>
Total	\$	<u>480,563</u>

The background of the page is a faded, light-colored photograph of a large, multi-story brick building, likely a university building, with a prominent central tower. The building is surrounded by green trees and a lawn. The text is overlaid on this background.

WYSU-FM  
Youngstown State  
University Radio

FINANCIAL REPORT  
AND  
SCHEDULE OF NONFEDERAL  
FINANCIAL SUPPORT

for the Years Ended  
June 30, 2009 and 2008

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# WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

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Crowe Horwath LLP  
Independent Member Crowe Horwath International

## REPORT OF INDEPENDENT AUDITORS

To the Board of Trustees  
Youngstown State University  
Youngstown, Ohio

We have audited the accompanying financial statements of the business-type activities of WYSU-FM, Youngstown State University Radio (“Station”) as of and for the years ended June 30, 2009 and 2008, as listed in the table of contents. These financial statements are the responsibility of Station’s management. Our responsibility is to express our opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of the Station are intended to present the financial position, the changes in financial position and cash flows, of only that portion of the activities of Youngstown State University that is attributable to the transactions of the Station. They do not purport to, and do not, present fairly the financial position of Youngstown State University as of June 30, 2009 and 2008, and the changes in its financial position and its cash flows, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Station as of June 30, 2009 and 2008 and the respective changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis (MD&A) on pages 3 through 9 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2009 consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing results of our audit.

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

*Crowe Horwath LLP*  
Crowe Horwath LLP

Columbus, Ohio  
December 11, 2009

# WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

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## 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, 2009 with comparative information for the fiscal years ended June 30, 2008 and 2007. This discussion has been prepared by management and should be read in conjunction with the financial statements and the accompanying notes that follow.

### Introduction

Youngstown State University owns and operates WYSU-FM, a 50,000 watt radio station that serves the Mahoning and Shenango Valley regions with fine arts, news and information programming from its studios in Cushwa Hall. The Station broadcasts a mix of news and classical music programs on its main analog channel, 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, membership revenue, and underwriting support, are considered non-operating as defined by GASB Statement No. 35.
- Capital assets are reported net of accumulated depreciation.

### Financial and Other Station Highlights

- Stable financial position and audience numbers
- Achievement of membership goals for both Fall 2008 and Spring 2009 fund drives
- Complete redesign of the WYSU-FM website
- Upgraded computer/network infrastructure and audio delivery system
- Initiation of a digital music management system and increased awareness of HD2 channel
- Creation of a WYSU-FM Speakers' Bureau

### 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, 2009	June 30, 2008	June 30, 2007
Assets			
Current assets	\$ 1,019,862	\$ 947,646	\$ 859,113
Other noncurrent assets	118,580	139,600	152,604
Capital assets, net	173,821	217,604	242,936
Total Assets	<u>1,312,263</u>	<u>1,304,850</u>	<u>1,254,653</u>
Liabilities			
Current liabilities	139,581	43,089	81,726
Noncurrent liabilities	73,999	68,802	79,277
Total Liabilities	<u>213,580</u>	<u>111,891</u>	<u>161,003</u>
Total Net Assets	<u>\$ 1,098,683</u>	<u>\$ 1,192,959</u>	<u>\$ 1,093,650</u>
Net Assets			
Invested in capital assets, net of related debt	\$ 173,821	\$ 217,604	\$ 242,936
Restricted	119,256	140,276	185,798
Unrestricted	805,606	835,079	664,916
Total Net Assets	<u>\$ 1,098,683</u>	<u>\$ 1,192,959</u>	<u>\$ 1,093,650</u>

# WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

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## 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 \$72,216 or 8% from fiscal year 2008 to fiscal year 2009 primarily due to unspent receipts from the Corporation for Public Broadcasting (CPB) grant. Underwriting support and membership receipts accounted for the majority of the \$88,533 or 10% increase from fiscal year 2007 to fiscal year 2008. Other noncurrent assets, which represent endowment investments, decreased \$21,020 or 15% from fiscal year 2008 to fiscal 2009 and decreased \$13,004 or 9% from fiscal year 2007 to fiscal year 2008. The declines were due to decreases in the carrying value of investments resulting from unfavorable market conditions. Net capital assets decreased \$43,783 or 20% between fiscal years 2008 and 2009 and decreased \$25,332 or 10% from fiscal year 2007 to 2008 due to continued depreciation of existing assets. In addition, a piece of equipment was disposed of during fiscal year 2008. Refer to Notes 2-4 for additional information about cash and cash equivalents, investments, and capital assets.

Current and noncurrent liabilities consist of accounts payable, deferred revenue, and compensated absences. Current liabilities increased \$96,492 or 224% from fiscal year 2008 to fiscal year 2009. The large increase resulted from a combination of an increase in deferred revenue and a decrease in accounts payable. Deferred revenue increased due to fiscal year 2009 CPB grant receipts being unexpended at June 30<sup>th</sup>. This grant has a two-year grant period that crosses fiscal years. The Station plans to expend the 2009 grant in the second year of the grant period. Accounts payable decreased as a result of fiscal year 2008 including a \$28,909 payable for the final payment on an equipment purchase. Noncurrent liabilities, consisting of compensated absences, noted a slight increase of \$5,197 or 8% between fiscal years 2008 and 2009 stemming from increases in employees' accrued sick leave. In total, liabilities decreased \$49,112 or 31% from fiscal year 2007 to fiscal year 2008. The decline was primarily due to the prior year including a \$27,802 payable due back to the granting agency, as a result of the project coming in under budget. Refer to Note 5 for additional information about long-term liabilities.

Overall, the Station's net assets decreased \$94,276 or 8% from \$1,192,959 at June 30, 2008 to \$1,098,683 at June 30, 2009. This resulted from a \$43,783 decrease in the net amount invested in capital assets, a \$21,020 decrease in restricted funds, and a \$29,473 decrease in unrestricted funds. Net assets invested in capital assets, net of related debt consists of capital assets net of accumulated depreciation. The 20% decrease from fiscal year 2008 to 2009 was due to current year depreciation exceeding current year additions. Restricted net assets consist primarily of the endowment fund where changes are driven by investment performance, which was negative in fiscal year 2009. The net decrease in unrestricted net assets was primarily due to a combination of excess underwriting revenue over expenses and membership expenses in excess of revenue.

Total net assets increased \$99,309 or 9% from June 30, 2007 to June 30, 2008. This increase was primarily due to an increase in unrestricted net assets which resulted from underwriting revenues and membership income exceeding related expenses. Net assets invested in capital assets, net of related debt decreased due to the sum of current year capital asset disposals and depreciation exceeding current year additions. Total restricted net assets decreased \$45,522 between fiscal year 2007 and fiscal year 2008. Restricted nonexpendable net assets represent the Station's endowment fund which experienced negative investment performance. Restricted

# WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

expendable net assets decreased \$32,518 as the annual CPB grant was expended in full in fiscal year 2008, whereas a portion of the prior year grant was not fully expended until after June 30, 2007.

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

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

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

	<u>June 30, 2009</u>	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Total Operating Revenues	\$ 233,742	\$ 437,756	\$ 454,475
Total Operating Expenses	<u>1,180,007</u>	<u>1,150,699</u>	<u>1,292,292</u>
Operating Loss	(946,265)	(712,943)	(837,817)
Net Non-operating Revenues	<u>851,989</u>	<u>812,246</u>	<u>865,614</u>
(Loss) Gain before other revenue, expenses, and changes	(94,276)	99,303	27,797
Total other revenue, expenses, and changes	<u>-</u>	<u>6</u>	<u>106,007</u>
Total (decrease) increase in Net Assets	(94,276)	99,309	133,804
Net Assets at the beginning of the year	<u>1,192,959</u>	<u>1,093,650</u>	<u>959,846</u>
Net Assets at the end of the year	<u>\$ 1,098,683</u>	<u>\$ 1,192,959</u>	<u>\$ 1,093,650</u>

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

# WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

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## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

Despite the decrease in underwriting revenue, new underwriter acquisition showed favorable performance. Fourteen new underwriters were contracted throughout fiscal year 2009, representing an increase of 7% in the number of underwriters. This brought the overall number of sponsors with a history of underwriting with WYSU to 203, with 56 supporting the station during fiscal year 2009.

Slight decreases in total operating revenues occurred between fiscal years 2007 and 2008. The \$16,719 or 4% decrease resulted from a combined decline in in-kind contributions from e-Tech Ohio coupled with an increase in underwriting revenue. Increases were achieved in both underwriting income and in the number of underwriters. Underwriting income increased 37% while the number of underwriters increased 13%. Twenty-two new underwriters were contracted throughout the fiscal year, bringing the total number of underwriting sponsors to 189.

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

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

Slight increases in net non-operating revenues occurred between fiscal years 2008 and 2009 primarily due to an increase in the general appropriation from the University, which increased \$30,771 or 7% from fiscal year 2008 to fiscal year 2009. The fiscal year 2009 appropriation was more in line with prior years. The fiscal year 2008 appropriation was unusually low due to staffing vacancies. In addition, membership income increased \$6,415 or 3%. The number of contributing members increased while the donation amount per member remained consistent. Between fiscal years 2007 and 2008, net non-operating revenues decreased \$53,368 or 6% largely due to a combination of a net decrease in the support from the University, unfavorable investment market conditions, and increases in subscription and membership revenue.

# WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

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## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

Total other revenues, expenses, and changes decreased \$106,001 or 100% between fiscal years 2007 and 2008 due to decreases in capital gifts and grants. The Station received a radio conversion grant, a capital grant for their generator, and an award from e-Tech Ohio for the WYSU-FM transmitter project in fiscal year 2007, but did not receive any similar capital grants in fiscal year 2008 or fiscal year 2009 as these projects were complete.

### **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 Youngstown State Board of Trustees and administration, the generous loyalty of WYSU-FM's listener-members, and the support of businesses, non-profit organizations, and foundations, WYSU-FM maintained stability during the national economic recession.

A crucial element to the Station's future will continue to be its relationships with its members and underwriters as work continues toward providing quality programming. WYSU-FM's income streams remained relatively stable in fiscal year 2009. The Station achieved its membership fundraising goals for both the fall 2008 and spring 2009 fund drives. Each of these on-air drives raised over \$103,000 for the Station. Even though underwriting revenues were down in fiscal year 2009, the Station's underwriting program continues to expand and develop. WYSU-FM anticipates a recovery, and possible modest growth, in underwriting revenue during the upcoming fiscal years, despite the on-going difficult economic and competitive conditions.

The Station's management and development staff continue to explore the possibility of establishing major and planned giving programs. The development staff will particularly focus on raising additional revenues for the station through community events during the upcoming fiscal years. Also, WYSU-FM continues to expand its off-air presence in the community through the sponsoring or co-sponsoring of numerous concerts, speakers and events, and the on-going implementation of a focused marketing plan.

The Station had a strong year in fiscal year 2009 and has established goals for continued success in 2010.

The following are WYSU-FM's Priority Goals for Fiscal Year 2010:

- Determine the Station's public service and public relations values to YSU
- Expand collaboration and partnership opportunities with other media entities
- Build a partnership with the YSU's Journalism Department to provide a regional news service

# **WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO**

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)**

- Enhance visibility and profile of WYSU-FM throughout the listening area, with a specific focus on the Youngstown/Warren Metro Survey Area
- Implement a year-long (October 2009 – October 2010) celebration of WYSU's 40<sup>th</sup> year of broadcasting
- Fill a staff position that has been vacant since September 2008

# WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

## STATEMENTS OF NET ASSETS AT JUNE 30, 2009 AND 2008

	2009	2008
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 997,097	\$ 931,661
Investments	4,940	-
Interest receivable	523	906
Accounts receivable (net of allowance of \$2,169 in 2009 and \$3,397 in 2008)	5,834	7,802
Pledges receivable (net of allowance of \$754 in 2009 and \$2,963 in 2008)	11,468	7,277
<b>Total Current Assets</b>	1,019,862	947,646
<b>Noncurrent Assets</b>		
Endowment investments	118,580	139,600
Capital assets, net	173,821	217,604
<b>Total Noncurrent Assets</b>	292,401	357,204
<b>Total Assets</b>	1,312,263	1,304,850
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable	2,845	31,934
Deferred revenue	130,569	6,422
Compensated absences	6,167	4,733
<b>Total Current Liabilities</b>	139,581	43,089
<b>Noncurrent Liabilities</b>		
Compensated absences	73,999	68,802
<b>Total Noncurrent Liabilities</b>	73,999	68,802
<b>Total Liabilities</b>	213,580	111,891
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	173,821	217,604
Restricted:		
Nonexpendable	118,580	139,600
Expendable	676	676
Unrestricted	805,606	835,079
<b>Total Net Assets</b>	\$ 1,098,683	\$ 1,192,959

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, 2009 AND 2008

	2009	2008
<b>REVENUES</b>		
<b>Operating Revenues</b>		
Corporation for Public Broadcasting grant	\$ -	\$ 138,043
In-kind contributions	103,661	134,002
eTech Ohio Commission grant	33,771	37,099
Underwriting revenue	96,310	128,612
<b>Total Operating Revenues</b>	233,742	437,756
<b>EXPENSES</b>		
<b>Operating Expenses</b>		
Program Services:		
Programming and production	392,916	400,063
Broadcasting	195,516	206,058
Program information	20,988	47,151
Traffic and continuity	10,490	9,508
Support Services:		
Management and general	263,733	253,828
Fund raising and membership development	94,633	56,093
Underwriting	48,667	33,691
Clerical	73,168	57,606
Depreciation	79,896	86,701
<b>Total Operating Expenses</b>	1,180,007	1,150,699
<b>Operating Loss</b>	(946,265)	(712,943)
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
General appropriation from the University	500,125	469,354
Donated facilities and administrative support from the University	142,523	137,279
Subscription and membership revenue	224,006	217,591
Net revenue (expenses) from fund raising	1,411	(5,066)
Investment loss, net of investment expense	(16,076)	(6,912)
<b>Net Non-operating Revenues</b>	851,989	812,246
<b>(Loss) Gain before other revenues, expenses, and changes</b>	(94,276)	99,303
<b>OTHER REVENUES, EXPENSES, AND CHANGES</b>		
Additions to the principal of endowments	-	6
<b>Total other revenues, expenses, and changes</b>	-	6
Total (decrease) increase in Net Assets	(94,276)	99,309
<b>NET ASSETS</b>		
Net Assets at the beginning of the year	1,192,959	1,093,650
<b>Net Assets at the end of the year</b>	\$ 1,098,683	\$ 1,192,959

See accompanying notes to financial statements.

# WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Corporation for Public Broadcasting grant	\$ 129,405	\$ 106,294
Receipts from eTech Ohio Commission grant	33,771	37,099
Business and underwriting support	93,020	124,623
Payments to suppliers	(352,291)	(301,142)
Payments to employees	(405,514)	(374,729)
Payments for benefits	(118,580)	(132,472)
<b>Total Cash Flows Used in Operating Activities</b>	<b>(620,189)</b>	<b>(540,327)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
General appropriation from the University	500,125	469,354
Membership receipts	219,815	217,011
Fundraising receipts	6,460	2,675
Payments for fundraising	(5,049)	(7,740)
<b>Total Cash Flows Provided By Noncapital Financing Activities</b>	<b>721,351</b>	<b>681,300</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on investments	5,327	5,853
Purchase of investments	(4,940)	191
<b>Total Cash Flows Provided by Investing Activities</b>	<b>387</b>	<b>6,044</b>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>		
Purchase of capital assets	(36,113)	(61,369)
<b>Total Cash Flows Used in Capital Financing Activities</b>	<b>(36,113)</b>	<b>(61,369)</b>
<b>NET INCREASE IN CASH &amp; CASH EQUIVALENTS</b>		
Cash and Cash Equivalents - Beginning of year	931,661	846,013
Cash and Cash Equivalents - End of year	\$ 997,097	\$ 931,661
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating loss	\$ (946,265)	\$ (712,943)
Adjustments to reconcile operating loss to cash flows used in operating activities:		
Depreciation	79,896	86,701
Donated facilities and administrative support from the University	142,523	137,279
Changes in assets and liabilities:		
Accounts receivable, net	1,968	(2,252)
Accounts payable and compensated absences	101,689	(49,112)
<b>CASH FLOWS USED IN OPERATING ACTIVITIES</b>	<b>\$ (620,189)</b>	<b>\$ (540,327)</b>

See accompanying notes to financial statements.

# WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

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## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

### Note 1 – Organization and Summary of Significant Accounting Policies

#### **Organization and Basis of Presentation**

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

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

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

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

# WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

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## NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2009

### 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.

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

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

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

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

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

# WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

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## NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2009

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

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

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

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

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

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

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

Measurement Focus and Financial Statement Presentation - Operating revenues and expenses result from providing programming, production, and broadcasting support for the Station. The principal operating revenues include two grants, one from the 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.

# WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

## NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2009

### Note 2 – Cash and Cash Equivalents

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

The aggregate cost of repurchase agreements, which approximates fair value, included in cash and cash equivalents is \$722,277 and \$2,097,728 at June 30, 2009 and 2008, 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, 2009 and 2008 consist of the following:

	<u>2009</u>	<u>2008</u>
Carrying Amount (cash and cash equivalents)	<u>\$ 37,131,710</u>	<u>\$ 10,087,635</u>
FDIC Insured	\$ 250,000	\$ 118,295
Uninsured but collateralized by pools of securities pledged by the depository banks	21,521,074	3,086,280
Uninsured but assets held in name of YSU not pledged as collateral elsewhere	<u>14,875,716</u>	<u>6,824,458</u>
Bank Balance	<u>\$ 36,646,790</u>	<u>\$ 10,029,033</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 \$997,097 and \$931,661 at June 30, 2009 and 2008, respectively.

During fiscal year 2009, the FDIC limit was increased from \$100,000 to \$250,000 as part of the Federal Emergency Economic Stabilization Act enacted in October 2008.

Credit risk for deposits is the risk that, in the event of a bank failure, the University's deposits may not be returned to the University. At June 30, 2009, 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.

# WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

## NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2009

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

The University utilizes investment advisors for endowment funds. The University's endowment funds, which includes WYSU-FM's endowment fund, are managed by YSUF under the provisions of an agreement. The Station's investments represent a portion of the University's total investments. University investments held by YSUF were \$4,526,017 as of June 30, 2009 and \$5,218,351 as of June 30, 2008.

As of June 30, 2009 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	\$ 68,903	\$ 68,903	\$ -	\$ -	\$ -
Corporate Bonds	11,705	-	2,187	8,677	841
Preferred Stock	6,992	4,924	-	-	2,068
U.S. Government Bonds	20,663	-	10,463	7,445	2,755
Other Securities	15,257	-	15,257	-	-
	<u>\$ 123,520</u>	<u>\$ 73,827</u>	<u>\$ 27,907</u>	<u>\$ 16,122</u>	<u>\$ 5,664</u>

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

As of June 30, 2009, investments had the following quality credit ratings as rated by Moody's:

Investment Type	Fair Value	Aaa	Aa	A	Baa	Unrated
Corporate Bonds	\$ 11,705	\$ -	\$ 1,257	\$ 10,448	\$ -	\$ -
U.S. Government Bonds	20,663	20,663	-	-	-	-
	<u>\$ 32,368</u>	<u>\$ 20,663</u>	<u>\$ 1,257</u>	<u>\$ 10,448</u>	<u>\$ -</u>	<u>\$ -</u>

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

# WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

## NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2009

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, 2009 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, 2009, the University had no exposure to foreign currency risk. The University does not address foreign currency risk in its investment policy and asset allocation guidelines.

### **Note 4 – Capital Assets**

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

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

# WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

## NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2009

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

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

### **Note 5 – Long Term Liabilities**

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

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

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

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

### **Note 6 - Related Party**

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

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## SCHEDULE OF NONFEDERAL FINANCIAL SUPPORT FOR THE YEAR ENDED JUNE 30, 2009

Direct Income	\$	860,751
Indirect Administrative Support		142,523
In-Kind Contributions of Services and Other Intangibles		<u>103,661</u>
Total Nonfederal Financial Support	\$	<u><u>1,106,935</u></u>

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees  
Youngstown State University  
Youngstown, Ohio

We have audited the financial statements of the business-type activities of WSYU-FM, Youngstown State University Radio (“Station”) as of and for the year ended June 30, 2009, 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, 2009, and the changes in its financial position and its cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

#### Compliance and Other Matters

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

We noted certain matters that we reported to management of the Station in a separate letter dated December 11, 2009.

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*

Crowe Horwath LLP

Columbus, Ohio  
December 11, 2009



**YOUNGSTOWN STATE UNIVERSITY**



**Mary Taylor, CPA**  
Auditor of State

**YOUNGSTOWN STATE UNIVERSITY**

**MAHONING COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 28, 2010**