

UNIVERSITY HOUSING CORPORATION

Financial Report
for the Years Ended July 31, 2010 and 2009





Dave Yost • Auditor of State

Board of Directors
University Housing Corporation
One University Plaza
Youngstown, Ohio 44555

We have reviewed the *Report of Independent Auditors* of the University Housing Corporation, Mahoning County, prepared by Crowe Horwath LLP, for the audit period August 1, 2009 through July 31, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

January 10, 2011

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Crowe Horwath LLP
Independent Member Crowe Horwath International

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors
University Housing Corporation
Youngstown, Ohio

We have audited the accompanying statements of financial position of University Housing Corporation (the "Corporation") as of July 31, 2010 and 2009 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of July 31, 2010 and 2009 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2010 on our consideration of the Corporation'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.

Crowe Horwath LLP

Crowe Horwath LLP

Columbus, Ohio
October 15, 2010

UNIVERSITY HOUSING CORPORATION

STATEMENTS OF FINANCIAL POSITION

	July 31,	
	2010	2009
ASSETS		
Current Assets		
Cash	\$ 355,556	\$ 265,914
Accounts receivable, net	3,319	5,865
Interest receivable	8,476	-
Investments	3,935,556	3,609,507
Prepaid expenses	33,406	57,037
Total Current Assets	4,336,313	3,938,323
Property, Facilities, and Equipment	14,630,786	15,232,098
Other Assets		
Bond issue costs, net	301,806	315,682
TOTAL ASSETS	\$19,268,905	\$19,486,103
LIABILITIES & NET DEFICIT		
Liabilities		
Current Liabilities		
Accounts payable	\$ 1,620	\$ 27,286
Accrued bond interest payable	67,820	70,345
Bonds payable, current portion	220,000	175,000
Interest rate swap, current portion	669,800	-
Prepaid rent	24,921	71,947
Due to Ambling Companies	9,526	9,626
Security deposits	82,344	69,422
Other accruals	21,071	12,030
Total Current Liabilities	1,097,102	435,656
Long Term Debt		
Bonds payable	20,630,000	20,850,000
Interest rate swap	575,114	1,468,541
Loan payable - Youngstown State University Foundation	93,268	103,771
Total Long Term Debt	21,298,382	22,422,312
Total Liabilities	22,395,484	22,857,968
Unrestricted Net Deficit	(3,126,579)	(3,371,865)
TOTAL LIABILITIES & NET DEFICIT	\$19,268,905	\$19,486,103

See accompanying notes to financial statements.

UNIVERSITY HOUSING CORPORATION

STATEMENTS OF ACTIVITIES

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

See accompanying notes to financial statements.

UNIVERSITY HOUSING CORPORATION

STATEMENTS OF CASH FLOWS

	Year ended July 31,	
	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Decrease (Increase) in unrestricted net deficit	\$ 245,286	\$ (818,465)
Adjustments to reconcile change in unrestricted net deficit to net cash provided by operating activities:		
Depreciation and amortization	618,241	606,433
Fair value of interest rate swap adjustment	(223,627)	447,420
Changes in Assets and Liabilities:		
Accounts receivable, net	2,546	1,577
Interest receivable	(8,476)	11,893
Prepaid expenses	23,631	(30,978)
Accounts payable	(25,666)	3,662
Accrued bond interest payable	(2,525)	(28,045)
Prepaid rent	(47,026)	11,268
Due to Ambling Companies	(100)	-
Accounts receivable/payable-Youngstown State University	-	(9,766)
Security deposits	12,922	(1,053)
Other accruals	9,041	6,168
NET CASH PROVIDED BY OPERATING ACTIVITIES	604,247	200,114
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, facilities, and equipment	(3,054)	(172,928)
Purchases of investments	(3,578,461)	(3,517,166)
Sales of investments	3,252,413	3,679,747
NET CASH (USED IN) INVESTING ACTIVITIES	(329,102)	(10,347)
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan Payable - Youngstown State University Foundation	(10,503)	(10,141)
Principal payments on debt and capital lease	(175,000)	(141,269)
NET CASH (USED IN) FINANCING ACTIVITIES	(185,503)	(151,410)
NET INCREASE IN CASH	89,642	38,357
CASH AT BEGINNING OF YEAR	265,914	227,557
CASH AT END OF YEAR	\$ 355,556	\$ 265,914

See accompanying notes to financial statements.

UNIVERSITY HOUSING CORPORATION

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JULY 31, 2010 AND 2009

Note 1 – Organization

Nature of Business

University Housing Corporation (the Corporation) was formed on July 18, 2001 to further the educational mission of Youngstown State University (University) by developing and owning housing for the students, faculty and staff of the University. Its rental units are located in Youngstown, Ohio and house approximately 400 residents.

Management Agreement

The Corporation entered into a Management Agreement with Ambling Management Company (Ambling Management) to manage the operations of the student housing facility and act as its leasing agent. The current Management Agreement was effective August 1, 2008 and will expire at the end of fiscal year 2013. Under the Management Agreement, Ambling Management receives a monthly management fee of \$9,526. The Corporation owed Ambling Management \$9,526 at July 31, 2010 and 2009 for management fees, which are recorded in Due to Ambling Companies on the statement of financial position. In fiscal year 2010 and 2009, additional payments to Ambling Management included:

Reimbursement for:	2010	2009
Payroll and payroll related	\$181,336	\$183,160
Administrative expenses	4,336	4,760
Total	<u>\$185,672</u>	<u>\$187,920</u>

Note 2 – Summary of Significant Accounting Policies

Financial Statement Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with Accounting Standards

Codification (ASC) 958, *Financial Statements of Not-for-Profit Entities*. Under ASC 958, the Corporation is required to report information regarding its financial positions and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Revenue Recognition

The Corporation recognizes revenue for rent in the period that it is due from the tenant.

Cash

The Corporation considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Corporation maintains its cash balances in financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Corporation's deposits may at times exceed the insured limit.

Restrictions on Cash and Investments

Certain restrictions on cash and investments are required per the Reimbursement Agreement (see Note 6). The Reimbursement Agreement limits the use of some of these amounts to principal and interest payments on the bonds. As of July 31, 2010 and 2009, \$3,885,495 and \$3,477,155, respectively, of cash and investments were restricted for these purposes.

Property, Facilities and Equipment

Property, facilities and equipment are recorded at cost. Renewals and replacements of a routine nature are expensed, while those that extend or improve the life of existing properties are capitalized. The Corporation's capitalization threshold for furniture, fixtures and equipment is \$1,000; and for buildings and building improvements the threshold is \$25,000.

UNIVERSITY HOUSING CORPORATION

NOTES TO FINANCIAL STATEMENTS, (CONTINUED) YEARS ENDED JULY 31, 2010 AND 2009

Note 2 – Summary of Significant Accounting Policies, (continued)

Assets are depreciated by the straight-line method over their estimated useful lives once the assets have been placed into service (see Note 5). Leased equipment is amortized using the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment.

When applicable, the Corporation capitalizes interest in accordance with ASC 835, *Interest*, which requires the Corporation to capitalize interest costs of restricted tax-exempt borrowings less any interest earned on temporary investment of the proceeds of those borrowings from the date of borrowing until the specified qualifying assets acquired with those borrowings are ready for their intended use.

Financial Instruments

The carrying values of cash, accounts receivable, accounts payable, bonds payable and liabilities associated with the interest rate swap approximate their carrying values due to the short-term nature of these financial instruments. The carrying values of the Corporation's long-term obligations approximate fair value as changes in the fair value of the interest rate swap are included in the current year statement of activities.

Bond Issue Costs

The costs related to the issuance of bonds are capitalized and amortized using the straight-line method over the life of the bonds.

Security Deposits

Each tenant is required to pay a refundable security deposit. The security deposit or any portion thereof may be withheld for unpaid rent or damage in excess to normal wear and tear to the premises, common areas, major appliances

and furnishings. The security deposit is recorded as a liability on the statement of financial position.

Derivatives and Hedging Activities

The Corporation follows ASC 815, *Derivatives and Hedging*, which requires derivative financial instruments, such as interest rate swaps, to be recognized as assets or liabilities in the statement of financial position at fair value. Certain guidance adopted in fiscal 2010 requires disclosure for only the current and future periods.

The fair value of the interest rate swap reflects the present value of the future potential gains (losses), if settlement were to take place. The Corporation does not designate its derivative instrument as a hedging instrument, thus gains and losses on the derivative instrument are recognized in the statement of activities during the period of change (see Note 6).

Net Assets

The Corporation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Temporarily restricted net assets are those whose use has been limited by donor-imposed time or purpose restrictions. Permanently restricted net assets are net assets required by donor restriction or by law to be maintained by the Corporation in perpetuity. Unrestricted net assets are all other net assets.

Advertising Costs

The Corporation incurs advertising costs in the form of television, radio, newspaper and other print ads. Such costs are expensed as incurred.

UNIVERSITY HOUSING CORPORATION

NOTES TO FINANCIAL STATEMENTS, (CONTINUED)
YEARS ENDED JULY 31, 2010 AND 2009

Note 2 – Summary of Significant Accounting Policies, (continued)

Advertising costs charged to expense were \$16,556 in fiscal year 2010 and \$21,010 in fiscal year 2009.

Subsequent Events

Management has performed an analysis of the activities and transactions subsequent to July 31, 2010 to determine the need for any adjustments to and/or disclosures within the audited combined financial statements for the year ended July 31, 2010. Management has performed their analysis of subsequent events through October 15, 2010 the date the financial statements were issued.

Federal Income Taxes

The Corporation is a not-for-profit corporation as described in Section 501(c) (3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code.

Generally accepted accounting standards prescribe recognition thresholds and measurement attributes for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Tax benefits will be recognized only if the tax position is more-likely-than-not sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized will be the largest amount of tax benefit that is greater than 50% likely being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax benefit will be recorded. Management has concluded that they are unaware of any tax benefits or liabilities to be recognized at July 31, 2010 and 2009 and does not expect this to change in the next 12 months.

The Corporation would recognize interest and penalties related to unrecognized tax benefits in interest and income tax expense, respectively. The Corporation has no amounts accrued for interest or penalties as of July 31, 2010 and 2009. The Corporation is no longer subject to examination by taxing authorities for the years before 2007.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Note 3 – Accounts Receivable

Accounts receivable are recorded at net realizable value with an allowance for doubtful accounts of \$200 and \$700, respectively, at July 31, 2010 and 2009. The allowance is determined based on historical losses and recoveries. Uncollected balances are written off in the year turned over to collection. Recoveries are recorded in the year received. The Corporation does not accrue interest on any of its accounts receivable.

Note 4 – Investments

Investments consist of the following as of July 31, 2010 and 2009:

	July 31, 2010	July 31, 2009
Guaranteed Investment Contract:		
MBIA	\$1,742,041	\$1,742,041
Other investments:		
Government Obligation Fund	2,193,515	1,867,466
Total	<u>\$3,935,556</u>	<u>\$3,609,507</u>

UNIVERSITY HOUSING CORPORATION

NOTES TO FINANCIAL STATEMENTS, *(CONTINUED)* YEARS ENDED JULY 31, 2010 AND 2009

Note 4 – Investments, *(continued)*

The debt service reserve fund is invested in a guaranteed investment contract pursuant to a May 2002 agreement authorizing U.S. Bank (the trustee) to invest with MBIA, Inc. The investment agreement was modified and a custodial agreement enacted in July 2008 to appoint the trustee bank as custodian and collateral agent for the purpose of perfecting the trustee's security interest in collateral required as a result of the insurer's downgraded rating.

The guaranteed investment contract is recorded at contract value, which approximates fair value in the statements of financial position. MBIA pays interest at the rate of 5.8385% per annum.

Note 5 – Property, Facilities, and Equipment

Property, facilities and equipment are recorded at cost, net of accumulated depreciation. Recorded values as of July 31, 2010 and 2009 are as follows:

	July 31, 2010	July 31, 2009
Buildings	\$17,108,042	\$17,108,042
Other capital assets	1,617,819	1,614,765
Total cost	18,725,861	18,722,807
Less accumulated depreciation	<u>(4,095,075)</u>	<u>(3,490,709)</u>
Property, facilities and equipment, net	<u>\$14,630,786</u>	<u>\$15,232,098</u>

Note 6 – Long-Term Debt

In May 2002, the Corporation issued \$22,040,000 of County of Mahoning, Ohio Adjustable Rate Housing Revenue Bonds Series 2002 (Series 2002 Bonds). The proceeds were used to finance the construction, site improvements, furnishing and equipping of the University Courtyard Project.

The bonds bear interest at a variable rate determined weekly by the Remarketing Agent

based on the weekly tax-exempt index as determined by the Remarketing Agent, and are due at various dates until 2033. The Remarketing Agent is PNC Capital Markets. At July 31, 2010 and 2009, these variable interest rates were set at .29% and .40% respectively, with an average weekly rate of .28% during fiscal year 2010 and 2.82% during fiscal year 2009. The bonds are secured by the assignment of incomes and revenues of the University Courtyard Project.

The Series 2002 Bonds were issued pursuant to a Trust Indenture dated May 1, 2002 between Mahoning County (County) and the Trustee. Under the terms of the current Reimbursement Agreement dated May 30, 2007, the Corporation 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, the Corporation maintains a debt service reserve fund at the maximum amount (\$1,742,042 at July 31, 2010 and \$1,759,558 at July 31, 2009).

Under a Partial Assignment and Assumption of Collateral Documents and Guaranty dated May 30, 2007, the alternate letter of credit bank assumed a letter of credit guaranty of the Youngstown State University Foundation (Foundation or Guarantor) from the predecessor letter of credit bank. The original Guaranty Agreement for payment of the Series 2002 Bonds was dated May 1, 2002. The Foundation guarantees the maintenance of the debt service fund and replenishes any deficits on a semi-annual basis. No replenishments were required in fiscal years 2010 or 2009.

UNIVERSITY HOUSING CORPORATION

NOTES TO FINANCIAL STATEMENTS, (CONTINUED) YEARS ENDED JULY 31, 2010 AND 2009

Note 6 – Long-Term Debt, (continued)

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
2011	220,000
2012	270,000
2013	325,000
2014	385,000
2015	450,000
Thereafter	19,200,000
Total	\$20,850,000

The Corporation'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, the Corporation entered into an interest rate swap in May 2002 with a notional amount of \$20,220,000 at July 31, 2010 and \$20,395,000 at July 31, 2009.

An Intercreditor Agreement dated May 30, 2007 establishes the respective rights between the senior creditor for the swap with the junior creditor for the letter of credit.

The swap agreement effectively changes the Corporation'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, the Corporation makes payments calculated at a fixed rate of 3.97% to the counterparty of the swap. In return, the counterparty makes payments to the Corporation equal to 67% of the 1-Month USD-LIBOR-BBA Index. Only the net difference in payments is exchanged with the counterparty. During fiscal year 2010 and 2009 the 1-Month USD-LIBOR-BBA Index ranged from .23% to .35% (.30% at July 31, 2010) and .28% to 4.59% (.28% at July 31, 2009), respectively.

The fair value of the swap agreement at July 31, 2010 and 2009 was \$1,244,914 and \$1,468,541, respectively, and is recorded as a liability on the statements of financial position. The changes in fair value of the swap of \$-223,627 during fiscal year 2010 and \$447,420 during fiscal year 2009 are recorded as fair value of interest rate swap adjustment in the statements of activities.

Total bond-related interest paid was \$828,985 and \$1,246,825 in fiscal year 2010 and fiscal year 2009, respectively.

The Corporation has complied with all covenant requirements.

Note 7 – Leases

In May 2002, the Corporation entered into a 40-year lease with Youngstown State University for land to develop the Project. The lease contains a renewal option to extend the term for an additional 40 years. Future minimum annual lease payments are \$100 per year over the life of the lease. An October 2004 amendment provided for an additional payment of \$10,000 per month to offset electrical usage, adjusted annually in accordance with a prescribed annual reconciliation statement.

UNIVERSITY HOUSING CORPORATION

NOTES TO FINANCIAL STATEMENTS, (CONTINUED) YEARS ENDED JULY 31, 2010 AND 2009

Note 8 – Related Party Transactions

Periodically, Youngstown State University Foundation pays expenses on behalf of the Corporation. Amounts owed to the affiliate are payable upon demand and bear interest at Prime Rate on the beginning date of each loan and fixed thereafter. As of July 31, 2010 and 2009, the interest rates averaged 4.75% on the outstanding loan payable of \$93,268 and \$103,771 respectively. Principal and interest payments were \$14,859 and \$15,000 during fiscal year 2010 and 2009 respectively.

The University is committed to marketing the housing facility. In addition, the University annually awards housing scholarships to University students for a minimum of \$25,000.

Payments to the University during fiscal year 2010 and 2009 included:

	2010	2009
Telephone/internet	\$ 63,541	\$ 80,650
Electricity	120,000	80,000
Ground rent	100	100
Advertising	1,448	4,515
Total	\$ 185,089	\$ 165,265

Note 9 – Fair Value Measurements

The Corporation follows ASC 820, *Fair Value Measurements and Disclosures*. ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority; Level 2 inputs consist of observable inputs other than quoted prices for

identical assets; and Level 3 inputs have the lowest priority.

The Corporation uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Corporation measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available.

The fair values of money market funds that are readily marketable are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs).

The Corporation's derivative instrument consists of an interest rate swap. The fair value of the swap is determined based on the relative values of the fixed and floating portions of the interest rate contract.

The valuation model utilized involves current interest rates, projected yield curves and volatility factors to determine the fair value of the instrument as of the date of measurement. As such, significant fair value inputs can generally be verified and do not involve significant management judgments (Level 2 inputs). See Note 6 for further information.

The Corporation's guaranteed investment contract (GIC) is with MBIA, Inc. The fair value of the GIC is determined based on utilizing current rates of return available for similar contracts, with comparable credit risks and liquidity, as of the respective financial statement dates. As such, significant fair value inputs can generally be verified and do not involve significant management judgments (Level 2 inputs). See Note 4 for further information.

UNIVERSITY HOUSING CORPORATION

NOTES TO FINANCIAL STATEMENTS, *(CONTINUED)*
YEARS ENDED JULY 31, 2010 AND 2009

Note 9 – Fair Value Measurements, *(continued)*

Assets and liabilities measured at fair value as of July 31, 2010 and 2009 are summarized below:

July 31, 2010	Level 1	Level 2	Level 3
Assets:			
Money Market Funds	\$2,193,515	\$ -	\$ -
GIC	-	1,742,041	-
Liabilities:			
Interest rate swap	-	(1,244,914)	-

July 31, 2009	Level 1	Level 2	Level 3
Assets:			
Money Market Funds	\$1,867,466	\$ -	\$ -
GIC	-	1,742,041	-
Liabilities:			
Interest rate swap	-	(1,468,541)	-



UNIVERSITY HOUSING CORPORATION

BOARD OF TRUSTEES
at JULY 31, 2010

Dianne Bitonte Miladore, MD,
Trustee

*Physician and Member of the Clinical
Faculty of NEOUCOM*

Thomas J. Cavalier,
Secretary

*Managing Director
Stifel Nicolaus & Co., Inc.*

Larry Fauver,
Trustee

*Vice President
Mahoning/Trumbull AFL-CIO*

John L. Pogue,
President/Treasurer

Harrington, Hoppe and Mitchell, Ltd.

Richard Schiraldi,
Trustee

*Partner
Cohen & Company*

Janice E. Strasfeld,
Vice President

*Executive Director
The Youngstown Foundation*



Crowe Horwath LLP
Independent Member Crowe Horwath International

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

The Board of Directors
University Housing Corporation
Youngstown, Ohio

We have audited the financial statements of University Housing Corporation (the "Corporation") as of and for the year ended July 31, 2010, and have issued our report thereon dated the same date as this report. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Corporation'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 Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and 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 Corporation'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 Corporation in a separate letter dated October 15, 2010.

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

Crowe Horwath LLP

Crowe Horwath LLP

Columbus, Ohio
October 15, 2010

UTBIC



Mary Taylor, CPA
Auditor of State

UNIVERSITY HOUSING CORPORATION

MAHONING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 20, 2011**