

YOUNGSTOWN STATE UNIVERSITY

SINGLE AUDIT REPORT

June 30, 2011 and 2010



Dave Yost • Auditor of State

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

We have reviewed the *Report of Independent Auditors* of the Youngstown State University, Mahoning County, prepared by Crowe Horwath LLP, for the audit period July 1, 2010 through June 30, 2011. 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.

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Dave Yost
Auditor of State

January 10, 2012

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YOUNGSTOWN STATE UNIVERSITY

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YOUNGSTOWN STATE UNIVERSITY

MESSAGE FROM PRESIDENT ANDERSON

October 13, 2011

As we move into the second decade of the 21st century, Youngstown State University (YSU or University) is extremely well positioned to accelerate its evolution as a vital institution of higher learning where students can realize exceptional educational value through rigorous academics, internships and co-curricular programs. In spite of extraordinary financial challenges facing our region, the nation and the world, the University's legacy of focused determination and prudence continue to guide our leadership and planning. The following highlights of the many advances and accomplishments realized during fiscal year 2011 confirm that we continue on a course toward a bright future where we will continue to serve our students.

- *YSU 2020: The Strategic Plan of Youngstown State University* was completed and work is well underway toward its implementation. In Summer 2010, I convened 52-member steering committee—chaired by Provost Ikram Khawaja and Vice President for Finance and Administration Eugene Grilli—to develop a strategic plan to lead the University to the year 2020. The committee consisted of YSU trustees, administrators, faculty, staff, and students, as well as members of the community. The plan, approved in December 2010, addresses four cornerstones: Accountability and Sustainability, Student Success, Urban Research University Transition, and Regional Engagement.
- The University successfully negotiated new three-year contracts with its two largest employee unions, the Association of Classified Employees and the Youngstown State University chapter of the Ohio Education Association (faculty), realizing significant financial concessions to help address the University's budget challenges.
- The University's first Doctor of Philosophy (Ph.D.) received final approval by the Higher Learning Commission of the North Central Association of Colleges and Schools, YSU's institutional accrediting body. The new Ph.D. in materials science and engineering is designed specifically to grow the intellectual capital of the region, attracting businesses and fostering the creation of new regional start-ups.
- The Williamson College of Business Administration received accreditation by AACSB International, the highest standard of achievement for colleges of business. Less than 5% of all business programs worldwide have earned this prestigious accreditation.
- Following a rigorous two-year process, the Beeghly College of Education was granted a seven-year re-accreditation by the National Council for the Accreditation of Teacher Education Board, which is made up of some of the nation's top educators.
- The Watson and Tressel Training Site (WATTS) Center opened in August 2011 and will be dedicated in the coming months. Numerous physical plant upgrades and improvements were realized to the University's academic buildings, residence halls and parking facilities.

With our focus always centered on the success of our students and a commitment to academic excellence, Youngstown State University stands ready to navigate the challenges and meet the opportunities that lie ahead.

Sincerely,



Cynthia E. Anderson
President

REPORT OF INDEPENDENT AUDITORS

To the Board of Trustees
Youngstown State University
Youngstown, Ohio

We have audited the accompanying financial statements of the business-type activities and discretely presented component units of Youngstown State University (the “University”), a component unit of the State of Ohio, as of and for the years ended June 30, 2011 and 2010, which collectively comprise of the University’s basic financial statements as listed in the table of contents. These financial statements are the responsibility of University’s management. Our responsibility is to express our opinions on these financial statements based on our audits. We did not audit the financial statements of the Youngstown State University Foundation. Those financial statements were audited by other auditors whose report thereon 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 solely on the report of the other auditors.

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

In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and discretely presented component units of the University as of June 30, 2011 and 2010 and the respective changes in its financial position and its cash flows, where applicable, 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 17 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 13, 2011 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 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. 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. The schedule of expenditures of federal awards 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.

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

Crowe Horwath LLP

Columbus, Ohio
October 13, 2011

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, 2011 with comparative information for the fiscal years ended June 30, 2010 and 2009. This discussion has been prepared by management and should be read in conjunction with the financial statements and the accompanying notes that follow.

Introduction

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

Founded in 1908 under the sponsorship of the Young Men's Christian Association, the University was originally established as the School of Law of the Youngstown Association School. The University was re-chartered in 1921 as the Youngstown Institute of Technology, in 1928 as Youngstown College, and in 1955 as Youngstown University. The University joined the Ohio system of higher education in 1967 and became Youngstown State University. The University is located on a 140 acre campus near downtown Youngstown, Ohio and is at the center of a metropolitan area of 603,000 people, located equidistant (approximately 60 miles) from both Pittsburgh and Cleveland. The University consists of six undergraduate colleges and the School of Graduate Studies and Research. Fall 2011 enrollment is 14,541.

Using the Financial Statements

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

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

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

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

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

In accordance with GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, The Youngstown State University Foundation (YSUF or Foundation) 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. Management's Discussion and Analysis focuses on the University and does not include the component units.

Complete financial statements for the University Housing Corporation can be obtained from University Housing Corporation, c/o Youngstown State University, Vice President of Finance and Administration, One 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

- Hired the University's seventh President, Cynthia E. Anderson. Dr. Anderson is the first female and first graduate of YSU to attain this position.
- Increased enrollment
- Continued healthy Senate Bill 6 ratios
- Implemented an early retirement incentive program (ERIP) and a faculty severance plan
- Completed the new Williamson College of Business Administration (WCBA) building designed to meet the silver standards of the Leadership in Energy and Environmental Design (LEED) U.S. Green building council Rating System
- Substantial completion of The Watson and Tressel Training Site (WATTS) Center, an indoor athletic facility
- Authorized \$18,660,000 in General Receipts Bonds
- Purchased University Courtyard Apartments from UHC
- Implemented a Strategic Planning Initiative focusing on four Cornerstones: Accounting and Sustainability, Student Success, Urban Research University Transition, and Regional Engagement

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, 2011</u>	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Assets			
Current assets	\$ 96,018,091	\$ 91,214,072	\$ 71,550,640
Capital assets, net	198,498,179	173,062,942	153,744,647
Other assets	35,186,161	40,517,945	40,875,288
Total Assets	<u>329,702,431</u>	<u>304,794,959</u>	<u>266,170,575</u>
Liabilities			
Current liabilities	46,809,016	29,788,163	24,476,078
Noncurrent liabilities	89,390,197	71,649,829	48,722,741
Total Liabilities	<u>136,199,213</u>	<u>101,437,992</u>	<u>73,198,819</u>
Total Net Assets	<u>\$ 193,503,218</u>	<u>\$ 203,356,967</u>	<u>\$ 192,971,756</u>
Net Assets			
Invested in capital assets, net of related debt	140,443,646	142,454,074	135,344,607
Restricted	26,280,372	26,783,201	27,402,215
Unrestricted	26,779,200	34,119,692	30,224,934
Total Net Assets	<u>\$ 193,503,218</u>	<u>\$ 203,356,967</u>	<u>\$ 192,971,756</u>

Assets

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

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Cash and cash equivalents	\$ 28,926,599	\$ 52,906,489	\$ 37,131,710
Investments	58,100,738	53,358,522	49,407,254
Accounts, loans and pledges receivable, net	20,899,105	21,320,642	21,557,852
Bond proceeds receivable	19,006,093	-	-
Capital assets, net	198,498,179	173,062,942	153,744,647
Other	4,271,717	4,146,364	4,329,112
Total Assets	<u>\$ 329,702,431</u>	<u>\$ 304,794,959</u>	<u>\$ 266,170,575</u>

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

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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

investment fund, and purchases and sales activity. Investments were shifted to shorter maturities to limit long term credit risk due to low interest rates.

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

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

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

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

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

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

At June 30, 2011, the University had \$198,498,179 in capital assets, net of accumulated depreciation. Depreciation totaled \$9,385,589, \$9,470,165, and \$8,887,750, in fiscal years 2011, 2010, and 2009 respectively. Details of net capital assets are shown below.

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Land	\$ 15,443,959	\$ 15,070,329	\$ 14,759,695
Buildings, net	124,511,560	88,623,117	92,695,336
Improvements to buildings, net	25,143,095	25,610,498	24,979,605
Improvements other than buildings, net	8,209,081	8,391,114	7,913,670
Construction in progress	16,786,160	28,098,667	6,866,680
Moveable equipment and furniture, net	7,701,938	6,558,737	5,705,127
Vehicles, net	226,492	182,464	153,161
Historical treasures	457,218	381,115	381,115
Capital leased assets, net	18,676	146,901	290,258
Total Capital Assets, net	<u>\$ 198,498,179</u>	<u>\$ 173,062,942</u>	<u>\$ 153,744,647</u>

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

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

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

See Note 7 for additional information on capital assets.

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

Liabilities

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

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Accounts and construction payable	\$ 5,729,657	\$ 9,791,870	\$ 4,963,653
Payable to UHC	17,214,945	-	-
Payroll liabilities	11,195,521	10,503,836	9,462,169
Notes payable	5,321,732	6,554,724	7,505,052
Bonds and capital leases payable, net	73,334,860	55,529,200	31,484,985
Deferred revenue	6,081,217	5,655,858	6,343,493
Compensated absences	12,065,045	9,793,129	9,750,176
Refundable advance	2,741,340	2,782,279	2,818,624
Other	2,514,896	827,096	870,667
Total Liabilities	<u>\$ 136,199,213</u>	<u>\$ 101,437,992</u>	<u>\$ 73,198,819</u>

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

Total liabilities at June 30, 2010 increased \$28.2 million or 39% over fiscal year 2010. Accounts and construction payables increased \$4.8 million or 97% over the prior year primarily due to increased year end construction activity for the new WCBA building, the WATTS Center and Beeghly Center roof renovations. Payroll liabilities increased \$1 million or 11% due to the impact of an employee-related grievance settlement and an increase in the number of faculty participating in salary deferrals. In March 2010, the University issued General Receipts Bonds (Taxable Build America Bonds – Direct Payment) in the amount of \$25,335,000. Deferred revenue decreased over the prior year due to an increase in the proportion of summer term revenue recognized in June.

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

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

Net Assets

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

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Invested in capital assets, net of related debt	\$ 140,443,646	\$ 142,454,074	\$ 135,344,607
Restricted-nonexpendable	6,037,926	5,287,024	4,793,426
Restricted-expendable	20,242,446	21,496,177	22,608,789
Unrestricted	<u>26,779,200</u>	<u>34,119,692</u>	<u>30,224,934</u>
Total Net Assets	<u>\$ 193,503,218</u>	<u>\$ 203,356,967</u>	<u>\$ 192,971,756</u>

Overall, the University's net assets decreased \$9.9 million or 4.9% from \$203.4 million at June 30, 2010 to \$193.5 million at June 30, 2011. This resulted from excess expenses over revenues and includes a \$2 million decrease in the net amount invested in capital assets, a \$500,000 decrease in restricted funds and a \$7.3 million decrease 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, 2011 capital assets increased \$25.4 million primarily due to construction in progress activity and the purchase of the University Courtyard Apartments. Outstanding plant debt was \$78,656,592 and unspent bond proceeds were \$19,690,217 compared to outstanding plant debt of \$62,083,924 and unspent bond and note proceeds of \$30,613,642 in fiscal year 2010.

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

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

Restricted non-expendable net assets consist primarily of endowment funds held by the University. Changes in this category are driven primarily by investment performance, which was positive in fiscal years 2011 and 2010.

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

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, 2011</u>	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Current funds	\$ 6,525,880	\$ 6,353,392	\$ 6,592,745
Plant funds	13,651,000	15,076,425	15,945,951
Loan funds	65,566	66,360	70,093
Total Restricted Expendable Net Assets	<u>\$ 20,242,446</u>	<u>\$ 21,496,177</u>	<u>\$ 22,608,789</u>

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

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

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

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Current funds	\$ 6,143,978	\$ 12,716,264	\$ 13,223,254
Operating reserves	8,549,683	8,522,683	8,483,288
Plant funds	12,058,242	12,853,071	8,487,152
Loan funds	27,297	27,674	31,240
Total Unrestricted Net Assets	<u>\$ 26,779,200</u>	<u>\$ 34,119,692</u>	<u>\$ 30,224,934</u>

The \$7.3 million decrease in unrestricted net assets, reflects generally the excess of expenses over revenues during fiscal year 2011 from non capital asset activity. During fiscal year 2011, \$3.4 million in ERIP purchases and retirement related payouts and \$1.7 million in Faculty Severance Plan payout obligations are reflected as reductions of net assets. Funding of the programs is expected through future salary savings. Unrestricted net assets are designated for future operations, plant construction and maintenance, and debt service.

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

Overall Analysis of Fiscal Year 2010 Versus 2009

The most significant factors affecting the increase in net assets for fiscal year 2010 included the Centennial Campaign fund raising activities, and operating revenues in excess of expenses.

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, 2011</u>	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Operating Revenues			
Net tuition, fees and other student charges	\$ 85,801,400	\$ 82,354,269	\$ 78,501,679
Auxiliary enterprises	19,330,455	18,986,335	18,278,628
Grants and contracts	14,153,120	13,449,823	15,321,734
Other	2,391,157	2,195,520	1,763,090
Total Operating Revenues	<u>121,676,132</u>	<u>116,985,947</u>	<u>113,865,131</u>
Operating Expenses	<u>220,457,885</u>	<u>205,485,037</u>	<u>191,821,118</u>
Operating Loss	(98,781,753)	(88,499,090)	(77,955,987)
Nonoperating Revenues (Expenses)			
Federal and state appropriations	46,720,852	47,508,169	49,553,329
Gifts, grants, and contracts	40,130,229	35,631,160	24,730,734
Investment income	4,226,478	4,343,765	1,635,623
Other	(4,202,364)	(4,276,825)	(2,178,748)
Net Nonoperating Revenues	<u>86,875,195</u>	<u>83,206,269</u>	<u>73,740,938</u>
Loss Before Other Revenues, Expenses, and Changes	(11,906,558)	(5,292,821)	(4,215,049)
Other Revenues, Expenses, and Changes			
State capital appropriations	998,881	10,614,635	6,981,619
Capital grants and gifts	4,082,194	5,036,783	1,463,895
Other	14,636	26,614	24,195
Contribution of capital to UHC	(3,042,902)	-	-
Total Other Revenues, Expenses, and Changes	<u>2,052,809</u>	<u>15,678,032</u>	<u>8,469,709</u>
Increase (Decrease) in Net Assets	(9,853,749)	10,385,211	4,254,660
Net Assets at Beginning of the Year	203,356,967	192,971,756	188,717,096
Net Assets at End of the Year	<u>\$ 193,503,218</u>	<u>\$ 203,356,967</u>	<u>\$ 192,971,756</u>

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

Revenues

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

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Net tuition, fees, and other student charges	\$ 85,801,400	\$ 82,354,269	\$ 78,501,679
Gifts, grants and contracts	58,380,179	54,144,380	41,540,558
State appropriations	39,992,134	40,791,039	49,553,329
Federal appropriations	6,728,718	6,717,130	-
Auxiliary enterprises	19,330,455	18,986,335	18,278,628
Investment income	4,226,478	4,343,765	1,635,623
Other revenue	2,660,784	2,431,603	2,013,475
State capital appropriations	998,881	10,614,635	6,981,619
Total Revenues	<u>\$ 218,119,029</u>	<u>\$ 220,383,156</u>	<u>\$ 198,504,911</u>

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

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

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

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

Expenses

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

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Compensation	\$ 139,775,937	\$ 128,827,835	\$ 122,189,077
Operating	44,852,343	42,375,839	40,124,720
Scholarships	26,360,841	24,713,583	20,582,937
Depreciation and Amortization	9,468,764	9,567,780	8,924,384
Total Natural Expenses	<u>\$ 220,457,885</u>	<u>\$ 205,485,037</u>	<u>\$ 191,821,118</u>

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

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

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

Overall operating expenses increased \$13.6 million or 7.1% between fiscal year 2010 and fiscal year 2009. Significant contributors to the increase included an increase of \$6.6 million in compensation due to scheduled increases in salaries and wages, compensated absences, and a June 2010 arbitration settlement of approximately \$800,000. Operating expenses increased \$2.3 million largely due to an increase of \$1.3 million in bad debt expense.

A large portion of all aid is classified as scholarship allowance on the Statement of Revenues, Expenses and Changes in Net Assets; therefore the \$4.1 million increase in scholarships expense is a partial reflection of a combination of a significant increase in federal financial aid for Pell grant recipients, a reduction in state supported aid, and an increase in institutionally funded scholarships including the Scholarships for Excellence program. Overall, the University

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

disbursed \$47.1 million to students including \$27.8 million in Federal Pell grants compared to \$37.7 million and \$17.7 million in the prior year.

Total operating and non-operating expenses were \$227,972,778, \$209,997,945, and \$194,250,251 in fiscal years 2011, 2010 and 2009, respectively. Fiscal year 2011 includes \$3,042,902 contribution of capital to UHC for the purchase of The University Courtyard Apartments.

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, 2011 was 2.3 compared to 3.7 at June 30, 2010 and 3.8 at June 30, 2009. The decrease in the composite score reflects the \$9.9 million decrease in net assets and the additional long term debt issued by the University in fiscal year 2011. The decrease was expected and attainment of prior year levels is not anticipated in the near future.

Over the past two fiscal years, state funding for public colleges and universities was augmented by a one-time infusion of \$619 million in one-time federal stimulus dollars from the American Recovery & Reinvestment Act. While providing temporary relief, the federal dollars have not had the intended longer-term effect of stimulating Ohio's economy, as the State of Ohio has not been able to replace the one-time federal dollars with state dollars. Consequently, there remains a structural deficit in the state's higher education budget, resulting in a reduction in current year state funding appropriations to the University of approximately \$7 million or 15%.

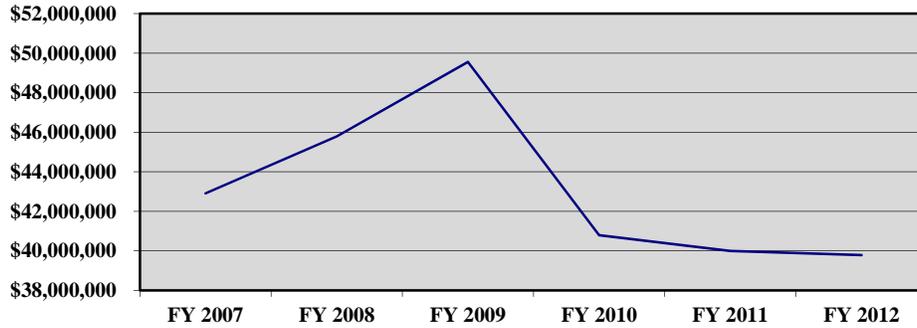
The reduction in state funding support has been partially offset by an increase in tuition and fees of 3.5% for the current fiscal year. However, after several years of consistent enrollment growth, the University's 2011 fall semester enrollment in fiscal year 2012 declined by more than 4%, creating additional budgetary challenges and uncertainty about the future.

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

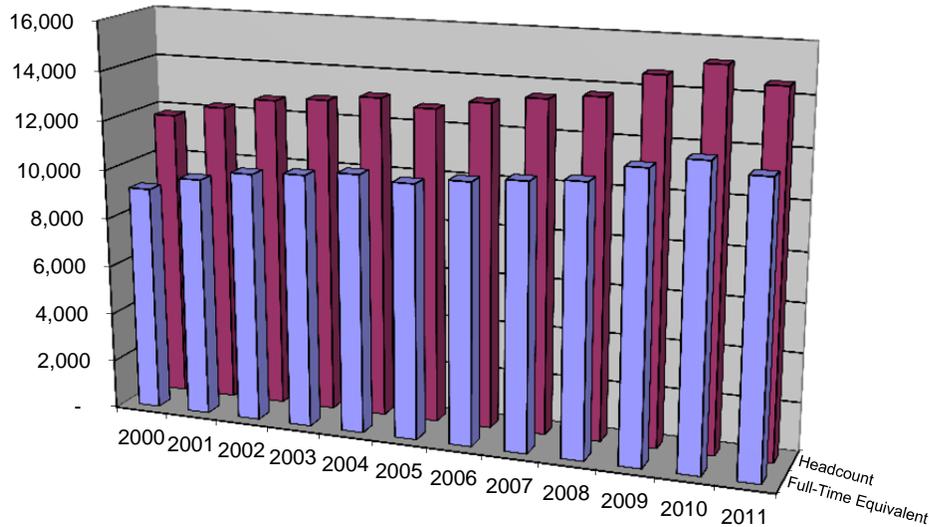
The following graph reflects five years actual data plus the budgeted amount for fiscal year 2012. Fiscal years 2010 and 2011 do not include federal stimulus funds.

**State Appropriations
Fiscal Years 2007 through 2012**



The following graph reflects fall enrollment trends.

**Fall Semester Enrollment Trends
2000 through 2011**



	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
■ Full-Time Equivalent	9,203	9,766	10,171	10,311	10,518	10,332	10,590	10,796	10,953	11,649	12,093	11,677
■ Headcount	11,787	12,250	12,698	12,858	13,101	12,812	13,183	13,497	13,712	14,682	15,194	14,541

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

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

Subsequent to June 30, 2011, the University negotiated new labor agreements with its two largest bargaining units. The new three-year contracts are concessionary in nature and include wage freezes for the next two years along with significant increases in cost-sharing requirements for employees enrolled in the University's healthcare plan.

YOUNGSTOWN STATE UNIVERSITY

STATEMENTS OF NET ASSETS AT JUNE 30, 2011 AND 2010

	June 30, 2011	June 30, 2010
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 28,926,599	\$ 52,906,489
Investments	31,339,353	21,422,074
Restricted investments	70,249	457,055
Interest receivable	232,117	211,526
Accounts receivable, net	11,289,068	10,067,223
Bond proceeds receivable	19,006,093	-
Pledges receivable, net	1,604,697	2,640,467
Loans receivable, net	422,158	435,814
Inventories	2,073,655	2,057,490
Prepaid expenses and deferred charges	1,054,102	1,015,934
Total Current Assets	96,018,091	91,214,072
Noncurrent Assets		
Investments	20,983,550	26,606,016
Endowments and other restricted investments	5,707,586	4,873,377
Pledges receivable, net	5,709,711	6,107,105
Loans receivable, net	1,873,471	2,070,033
Unamortized bond issue cost	911,843	859,158
Deposits on land	-	2,256
Nondepreciable capital assets	32,687,337	43,550,111
Depreciable capital assets, net	165,810,842	129,512,831
Total Noncurrent Assets	233,684,340	213,580,887
Total Assets	329,702,431	304,794,959
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	2,635,189	2,794,544
Payable to University Housing Corporation	17,214,945	-
Construction payable	3,094,468	6,997,326
Payroll liabilities	11,195,521	10,503,836
Bonds payable	1,120,000	1,090,000
Notes payable	991,809	1,232,992
Capital leases payable	91,712	88,384
Compensated absences	2,619,259	598,127
Deferred revenue	6,081,217	5,655,858
Other liabilities	1,764,896	827,096
Total Current Liabilities	46,809,016	29,788,163
Noncurrent Liabilities		
Bonds payable, net	72,122,342	54,258,296
Notes payable	4,329,923	5,321,732
Capital leases payable	806	92,520
Compensated absences	9,445,786	9,195,002
Refundable advance	2,741,340	2,782,279
Other liabilities	750,000	-
Total Noncurrent Liabilities	89,390,197	71,649,829
Total Liabilities	136,199,213	101,437,992
NET ASSETS		
Invested in capital assets, net of related debt	140,443,646	142,454,074
Restricted - Nonexpendable	6,037,926	5,287,024
Restricted - Expendable	20,242,446	21,496,177
Unrestricted	26,779,200	34,119,692
Total Net Assets	\$ 193,503,218	\$ 203,356,967

See accompanying notes to financial statements.

THE YOUNGSTOWN STATE UNIVERSITY FOUNDATION

STATEMENTS OF FINANCIAL POSITION AT JUNE 30, 2011 AND 2010

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
ASSETS		
Cash and cash equivalents	\$ 4,351,623	\$ 4,016,448
Accrued interest receivable	292,176	457,407
Due from University Housing Corporation	92,000	102,957
Prepaid insurance	5,142	11,020
Property acquired for resale to Youngstown State University	54,491	87,017
Investments-at fair value		
Common stock	132,856,637	100,033,746
Preferred stock	5,846,282	5,591,551
Fixed income securities		
U.S. Government and Agencies	5,691,399	11,784,497
Corporate	28,060,100	23,491,519
Temporary cash investments	7,444,673	7,310,829
	<u>179,899,091</u>	<u>148,212,142</u>
Contribution receivable from remainder trusts	1,756,945	1,661,886
Cash surrender value of insurance policies	36,087	42,829
Office furniture and equipment, at cost, less accumulated depreciation of \$37,358 in 2011 and \$36,142 in 2010	2,921	2,862
TOTAL ASSETS	<u><u>\$ 186,490,476</u></u>	<u><u>\$ 154,594,568</u></u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ -	\$ 22,508
Retirement benefits payable	-	27,356
Grant commitments to Youngstown State University for scholarship awards	3,570,000	3,300,000
TOTAL LIABILITIES	<u><u>3,570,000</u></u>	<u><u>3,349,864</u></u>
NET ASSETS		
Unrestricted		
Designated by Board for endowment	133,432,668	109,646,944
Undesignated	2,820,494	2,646,422
	<u>136,253,162</u>	<u>112,293,366</u>
Temporarily restricted	2,242,833	2,257,919
Permanently restricted	44,424,481	36,693,419
TOTAL NET ASSETS	<u><u>182,920,476</u></u>	<u><u>151,244,704</u></u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 186,490,476</u></u>	<u><u>\$ 154,594,568</u></u>

See accompanying notes to financial statements.

UNIVERSITY HOUSING CORPORATION

STATEMENTS OF FINANCIAL POSITION AT JULY 31, 2011 AND 2010

	June 30, 2011	June 30, 2010
ASSETS		
Current Assets		
Cash	\$ 51,036	\$ 355,556
Accounts receivable, net	-	3,319
Interest receivable	-	8,476
Intestments	158,247	3,935,556
Prepaid expenses	-	33,406
Total Current Assets	209,283	4,336,313
Property, Facilities, and Equipment	-	14,630,786
Bond issue costs, net	-	301,806
TOTAL ASSETS	\$ 209,283	\$ 19,268,905
 LIABILITIES AND NET ASSETS (DEFICIT)		
Liabilities		
Current Liabilities		
Accounts payable	\$ -	\$ 1,620
Accrued bond interest payable	-	67,820
Bonds payable, current portion	-	220,000
Interest rate swap	-	669,800
Prepaid rent	-	24,921
Due to Ambling Companies	-	9,526
Security deposits	-	82,344
Other accruals	-	21,071
Total Current Liabilities	-	1,097,102
 Long Term Debt		
Bonds payable	-	20,630,000
Interest rate swap	-	575,114
Loan payable - Youngstown State University Foundation	-	93,268
Total Long Term Debt	-	21,298,382
 Total Liabilities	 -	 22,395,484
 Unrestricted Net Assets (Deficit)	 209,283	 (3,126,579)
 TOTAL LIABILITIES AND NET (ASSETS) DEFICIT	 \$ 209,283	 \$ 19,268,905

See accompanying notes to financial statements.

YOUNGSTOWN STATE UNIVERSITY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	June 30, 2011	June 30, 2010
OPERATING REVENUES		
Tuition, fees, and other student charges (net of scholarship allowance of \$24,518,482 in 2011 and \$22,410,792 in 2010)	\$ 85,801,400	\$ 82,354,269
Federal grants and contracts	7,929,223	6,488,418
State grants and contracts	5,488,810	5,652,683
Local grants and contracts	419,063	749,263
Private grants and contracts	316,024	559,459
Sales and services	612,890	710,402
Auxiliary enterprises	19,330,455	18,986,335
Other operating revenues	1,778,267	1,485,118
Total Operating Revenues	121,676,132	116,985,947
OPERATING EXPENSES		
Instruction	75,383,754	72,020,288
Research	3,449,484	2,580,598
Public service	5,345,054	4,847,855
Academic support	15,163,078	15,107,969
Student services	9,485,179	9,392,281
Institutional support	34,944,804	27,886,914
Operation and maintenance of plant	16,299,957	15,602,967
Scholarships	23,478,751	21,684,642
Auxiliary enterprises	27,439,060	26,793,743
Depreciation and amortization	9,468,764	9,567,780
Total Operating Expenses	220,457,885	205,485,037
Operating Loss	(98,781,753)	(88,499,090)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	39,992,134	40,791,039
Federal appropriations	6,728,718	6,717,130
Federal grants	33,100,968	27,773,924
Private gifts	7,029,261	7,857,236
Unrestricted investment income, net of investment expense	3,250,947	3,776,792
Restricted investment income (loss), net of investment expense	975,531	566,973
Interest on capital asset-related debt	(1,288,226)	(733,251)
Other nonoperating expenses, net	(2,914,138)	(3,543,574)
Net Nonoperating Revenues	86,875,195	83,206,269
Loss Before Other Revenues, Expenses, and Changes	(11,906,558)	(5,292,821)
OTHER REVENUES, EXPENSES, AND CHANGES		
State capital appropriations	998,881	10,614,635
Capital grants and gifts	4,082,194	5,036,783
Additions to the principal of endowments	14,636	26,614
Contribution of capital to UHC	(3,042,902)	-
Total Other Revenues, Expenses, and Changes	2,052,809	15,678,032
Increase (Decrease) In Net Assets	(9,853,749)	10,385,211
NET ASSETS		
Net Assets at Beginning of the Year	203,356,967	192,971,756
Net Assets at End of the Year	\$ 193,503,218	\$ 203,356,967

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, 2011 AND 2010

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

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

See accompanying notes to financial statements.

UNIVERSITY HOUSING CORPORATION

STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED JULY 31, 2011 AND 2010

	July 31, 2011	July 31, 2010
Revenues		
Rental income	\$ 2,223,343	\$ 2,380,122
Interest income	98,884	101,427
Other income	65,794	69,017
Total Revenues	<u>2,388,021</u>	<u>2,550,566</u>
Expenses		
Administrative	38,007	41,930
Contract services	138,283	74,939
Interest expense	759,599	833,339
Bond fees	192,664	186,825
Depreciation and amortization expense	860,458	618,241
Bad debt expense	5,746	15,921
Management fees	104,786	114,312
Advertising costs	23,457	16,556
Payroll and payroll-related	156,385	183,928
Accounting and legal	56,405	42,444
Repairs and maintenance	103,755	107,807
Insurance and taxes	38,449	43,730
Unit utilities expense	227,081	248,935
Total Expenses	<u>2,705,075</u>	<u>2,528,907</u>
Increase (Decrease) in Unrestricted Net Assets before other items	(317,054)	21,659
Contribution of capital from Youngstown State University	3,042,902	-
Fair value of interest rate swap adjustment	610,014	223,627
Increase in Unrestricted Net Assets	<u>3,335,862</u>	<u>245,286</u>
Unrestricted Net Deficit at Beginning of Year	<u>(3,126,579)</u>	<u>(3,371,865)</u>
UNRESTRICTED NET ASSETS (DEFICIT) AT END OF YEAR	<u>\$ 209,283</u>	<u>\$ (3,126,579)</u>

See accompanying notes to financial statements.

YOUNGSTOWN STATE UNIVERSITY

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	June 30, 2011	June 30, 2010
Cash Flows from Operating Activities		
Student tuition and fees	\$ 83,912,743	\$ 79,798,669
Federal, state, and local grants and contracts	13,908,062	12,783,867
Private grants and contracts	328,329	511,409
Sales and services of educational and other departmental activities	19,275,826	19,511,617
Payments to suppliers	(45,581,291)	(43,208,686)
Payments to employees	(96,403,527)	(95,805,243)
Payments for benefits	(40,467,061)	(31,865,872)
Payments for scholarships	(22,476,613)	(21,721,900)
Student loans issued	(186,337)	(201,878)
Student loans collected	363,504	633,329
Student loan interest and fees collected	42,714	177,439
Other receipts, net	1,728,120	1,359,283
Total Cash Flows Used In Operating Activities	(85,555,531)	(78,027,966)
Cash Flows from Noncapital Financing Activities		
Federal grants	33,128,856	27,706,657
Federal educational appropriations	6,729,144	6,700,400
State educational appropriations	39,992,134	40,791,039
Direct lending receipts	90,919,514	6,337,078
Direct lending disbursements	(90,919,514)	(6,337,078)
Private gifts	7,177,329	7,898,834
Additions to the principal of endowments	14,636	26,614
Other nonoperating expenses	(2,914,138)	(3,545,127)
Total Cash Flows Provided by Noncapital Financing Activities	84,127,961	79,578,417
Cash Flows from Investing Activities		
Proceeds from sale of investments	39,527,101	26,009,607
Purchase of investments	(44,269,317)	(29,960,877)
Interest on investments	4,205,887	4,391,140
Total Cash Flows Provided By (Used In) Investing Activities	(536,329)	439,870
Cash Flows from Capital and Related Financing Activities		
State capital appropriations	1,539,320	12,548,673
Private capital gifts and grants	5,248,822	4,072,652
Purchase of capital assets	(24,815,119)	(24,944,360)
Principal payments on capital debt	(2,411,378)	(2,202,381)
Bonds payable proceeds	-	25,335,000
Bond issue cost	(248,490)	(294,605)
Interest payments on capital debt	(1,329,146)	(730,521)
Total Cash Flows Provided By (Used In) Capital and Related Financing Activities	(22,015,991)	13,784,458
Net Increase (Decrease) in Cash and Cash Equivalents	(23,979,890)	15,774,779
Cash and Cash Equivalents, Beginning of Year	52,906,489	37,131,710
Cash and Cash Equivalents, End of Year	\$ 28,926,599	\$ 52,906,489

YOUNGSTOWN STATE UNIVERSITY

STATEMENTS OF CASH FLOWS (CONT.) FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

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

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Operating loss	\$ (98,781,753)	\$ (88,499,090)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	9,468,764	9,567,780
Provision for bad debts	867,900	1,409,875
Gifts in kind	110,497	168,225
Changes in assets and liabilities:		
Accounts receivable, net	(1,844,320)	(2,207,632)
Loans receivable, net	169,734	483,055
Inventories	(16,165)	(31,108)
Prepaid expenses and deferred charges	(2,099)	93,743
Accounts payable	(377,676)	675,234
Accrued and other liabilities	2,254,062	956,634
Deferred revenue	323,609	(687,635)
Compensated absences	2,271,916	42,953
Net Cash Flows Used In Operating Activities	<u>\$ (85,555,531)</u>	<u>\$ (78,027,966)</u>

Supplemental disclosure of non-cash activities

Purchase of University Courtyard Apartments through bond financing	<u>\$ 17,214,945</u>	<u>\$ -</u>
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See accompanying notes to financial statements.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

Note 1 – Organization and Summary of Significant Accounting Policies

Organization and Basis of Presentation

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

In accordance with Governmental Accounting Standards Board (GASB) Statement No.14, *The Reporting Entity*, the University's financial statements are included, as a discretely presented component unit, in the State of Ohio's (State) Comprehensive Annual Financial Report. In accordance with GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, the Youngstown State University Foundation's (YSUF or Foundation) 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), which operates Western Reserve Public Media which is made up of two separately licensed public television stations (WNEO and WEAO). These organizations are legally separate from the University; accordingly, their financial activity is not included within the accompanying financial statements.

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

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

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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

Summary of Significant Accounting Policies

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

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

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

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

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

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

Endowment Policy – The University Endowment Fund consists of 81 named funds. Each named fund is assigned a number of shares in the University Endowment Fund based on the value of the gifts to that named fund. Investments are managed by the Foundation. The University's policy

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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

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

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

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

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

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

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

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

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

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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

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

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

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

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

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

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

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

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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

Adoption of New Accounting Pronouncements – GASB Statement No. 59, *Financial Instruments Omnibus*, issued June 2010. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2010. The objective of this Statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The adoption of this guidance had no significant impact on the University's operating results or financial condition.

Newly Issued Accounting Pronouncements – As of June 30, 2011, the GASB issued the following statements not yet implemented by the University:

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

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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

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

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

Reclassification – Certain reclassifications have been made to the fiscal year 2010 amounts to conform with the fiscal year 2011 presentation. These reclassifications had no effect on the total net assets or change in net assets.

Note 2 – State Support

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

State appropriations totaled \$39,992,134 in fiscal year 2011, compared to \$40,791,039 in fiscal year 2010. The State Share of Instruction (SSI) is determined annually by the Ohio Board of Regents (OBR). The fiscal year 2010-11 biennium marks the first time that SSI formula allocations will be in part based on successful course completions. During fiscal year 2011, the University also received \$6,728,718 in American Recovery and Reinvestment Act (ARRA) funds as a pass through by OBR through the SSI, compared to \$6,717,130 in fiscal year 2010. These funds were intended to offset the reduction in SSI. These funds are reported as Federal appropriations and are also reflected as non operating revenues on the Statement of Revenues, Expenses, and Changes in Net Assets.

Capital appropriations from the State totaled \$998,881 in fiscal year 2011 and \$10,614,635 in fiscal year 2010 and included funding for equipment and the construction/major renovations of plant facilities.

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

University facilities are not pledged as collateral for the revenue bonds. Instead, the bonds are supported by a pledge of monies in the Higher Education Bond Service Fund established in the custody of the Treasurer of State of Ohio. If sufficient monies are not available from this fund, a

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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 \$1,420,864 and \$1,191,429 at June 30, 2011 and 2010, 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, 2011 and 2010 consist of the following:

	2011	2010
Carrying Amount (Cash and cash equivalents)	<u>\$ 28,926,599</u>	<u>\$ 52,906,489</u>
FDIC Insured	\$ 769,448	\$ 482,123
Uninsured but collateralized by pools of securities pledged by the depository banks	21,994,973	38,133,954
Uninsured but assets held in name of YSU not pledged as collateral elsewhere	<u>6,593,008</u>	<u>14,186,159</u>
Bank Balance	<u>\$ 29,357,429</u>	<u>\$ 52,802,236</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 \$20,237,638 as of June 30, 2011 and \$36,283,379 as of June 30, 2010, which approximates market. These deposits, including interest on the investments, are retained in the trust for projects funded by bond proceeds and payment of principal and interest on outstanding indebtedness.

Credit risk for deposits is the risk that, in the event of a bank failure, the University's deposits may not be returned to the University. At June 30, 2011, all uncollateralized or uninsured deposits of the University are exposed to credit risk. The University's investment policy and asset allocation guidelines facilitate the management and monitoring of credit risk.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

Note 4 – Investments

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

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

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

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

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

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

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

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

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

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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

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

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

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

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, 2011, 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, 2011, the University had no material exposure to foreign currency risk. The University does not address foreign currency risk in its investment policy and asset allocation guidelines.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

Note 5 – Accounts and Loans Receivable

Accounts and loans receivable at June 30, 2011 and June 30, 2010 consist of the following:

	2011	2010
Accounts receivable		
Student accounts	\$ 9,460,238	\$ 7,575,435
Grants and contracts	3,460,556	3,580,175
State and Federal appropriations	148,287	705,456
Other receivables	1,850,147	1,579,796
Subtotal	14,919,228	13,440,862
Less: Allowance for doubtful accounts	3,630,160	3,373,639
Accounts receivable, net	<u>\$ 11,289,068</u>	<u>\$ 10,067,223</u>
Loans receivable - student notes	\$ 2,898,968	\$ 3,068,702
Less: Allowance for doubtful accounts	603,339	562,855
Loans receivable, net	<u>\$ 2,295,629</u>	<u>\$ 2,505,847</u>

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

Note 6 – Pledges Receivable

Unconditional promises to give to the University recorded as pledges receivable at June 30, 2011 and June 30, 2010 were as follows:

	2011	2010
Total Pledges receivable	\$ 8,095,267	\$ 9,823,810
Less: allowance for doubtful accounts	401,232	486,567
present value discount	379,627	589,671
Pledges receivable, net	7,314,408	8,747,572
Less: current portion	1,604,697	2,640,467
Pledges receivable, noncurrent portion	<u>\$ 5,709,711</u>	<u>\$ 6,107,105</u>

Pledges have been discounted to net present value using June 30, 2011 U.S. Treasury Note rates of 1.5% (5-year) and 2.375% (7-year) in fiscal year 2011 and 1.875% (5-year) and 2.5% (7-year) in fiscal year 2010.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

Note 7 – Capital Assets

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

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

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

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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

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

Note 8 – Payroll and Other Liabilities

Payroll and other liabilities at June 30, 2011 and 2010 consist of the following:

	2011	2010
Payroll liabilities:		
Accrued compensation	\$ 6,964,223	\$ 6,880,462
Accrued benefits	163,889	231,419
Accrued health care benefits and insurance payable	2,157,782	1,538,494
Retirement system contribution payable	1,909,627	1,853,461
Totals	<u>\$ 11,195,521</u>	<u>\$ 10,503,836</u>
Other liabilities:		
Faculty Severance Plan	\$ 1,560,000	\$ -
Deposits held in custody	343,350	409,751
Interest payable	218,230	237,103
Other liabilities	393,316	180,242
Totals	<u>\$ 2,514,896</u>	<u>\$ 827,096</u>

In March 2010, the University's Board of Trustees approved a Faculty Severance Plan to be administered by Educators Preferred Corporation. The plan is voluntary and is a one-time offer

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

to full-time faculty who have fifteen or more years of full-time service with YSU as of the end of the 2010 Spring semester, or who are eligible to retire between December 2010 and August 14, 2011. Faculty who meet the eligibility requirement can elect to either resign or retire with an effective date between December 2010 and August 14, 2011. The University recorded \$1.74 million expense in fiscal year 2011 in the Statement of Revenues, Expenses and changes in Net Assets. Of this amount, \$180,000 was paid to Educators Preferred Corporation and \$1.56 million is recorded as other liabilities in the Statement of Net Assets, \$810,000 as a current liability and \$750,000 as a noncurrent liability.

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

Encumbrances representing estimated amounts of expenses ultimately to result, if unperformed contracts in process at June 30, 2011 are completed, totaled \$6,943,905 and included \$456,217 in State capital appropriations compared to \$20,517,232 and \$1,761,729 at June 30, 2010, respectively. Encumbrances at June 30, 2011 included commitments related to the WATTS Center and parking projects. These amounts do not constitute expenses incurred or liabilities.

Note 9 – Bonds

In June 2011, the Board of Trustees of Youngstown State University authorized through a Board resolution the issuance of General Receipts Bonds, Series 2011 in the amount of \$18,660,000. The \$19,006,093 in bond proceeds were received in July 2011. The Series 2011 Bonds were utilized to pay costs associated with acquiring the University Courtyard Apartments, any necessary related improvements thereto and to pay costs of issuing the Series 2011 Bonds. The University Courtyard Apartments were owned by University Housing Corporation (a component unit of the University) prior to the purchase by the University in June 2011 (see Note 17).

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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

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

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

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

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

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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

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

* Does not reflect impact of federal subsidies

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

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

Bond Component	Rate	Yield	Maturity Through	Original Principal
Serial Bond	3.0000%	2.200%	2012	\$ 1,120,000
Serial Bond	3.0000%	2.550%	2013	1,160,000
Serial Bond	3.2500%	3.000%	2014	1,200,000
Serial Bond	3.7500%	3.400%	2015	1,235,000
Serial Bond	4.0000%	3.700%	2016	1,290,000
Serial Bond	4.0000%	4.000%	2017	1,335,000
Serial Bond	4.1250%	4.200%	2018	860,000
Serial Bond	4.3750%	4.400%	2019	885,000
Serial Bond	4.5000%	4.600%	2020	925,000
Serial Bond	4.6250%	4.750%	2021	965,000
Serial Bond	4.7500%	4.900%	2022	1,010,000
Term Bond	5.0000%	5.080%	2024	2,170,000
Serial Bond	5.1250%	5.180%	2025	1,170,000
Term Bond	5.2500%	5.340%	2030	6,815,000
Term Bond	5.5000%	5.540%	2034	6,875,000
Total				<u>\$ 29,015,000</u>

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

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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

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

Maturities of all bonds payable and debt service for fiscal years subsequent to June 30, 2011 follow:

Fiscal Year	General Receipts Bonds		Total
	Principal	Interest	
2012	\$ 1,120,000	\$ 3,662,100	\$ 4,782,100
2013	1,685,000	3,706,215	5,391,215
2014	1,735,000	3,656,040	5,391,040
2015	1,790,000	3,597,033	5,387,033
2016	1,865,000	3,528,252	5,393,252
2017-2021	13,285,000	16,021,487	29,306,487
2022-2026	16,255,000	12,409,015	28,664,015
2027-2031	20,445,000	7,327,540	27,772,540
2032-2034	14,830,000	1,314,400	16,144,400
Totals	<u>\$ 73,010,000</u>	<u>\$ 55,222,082</u>	<u>\$ 128,232,082</u>

NOTE: Expected future federal subsidies for the BABs is \$8,441,411.

During fiscal year 2011, the University received \$558,333 in federal subsidies. These are reported as a non-operating federal grant revenue. Interest expense on indebtedness was \$1,288,226 in fiscal year 2011 and \$733,251 fiscal year 2010. On construction-related debt, net interest cost of \$1,811,817 was capitalized in fiscal year 2011, and \$1,152,660 in fiscal year 2010.

Note 10 – Notes Payable

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

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

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

Details of the installment schedule follows:

Fiscal Year	Principal	Interest	Total
2012	\$ 991,809	\$ 187,857	\$ 1,179,666
2013	1,026,820	152,846	1,179,666
2014	1,063,067	116,600	1,179,667
2015	1,100,593	79,073	1,179,666
2016	1,139,443	40,224	1,179,667
Totals	<u>\$ 5,321,732</u>	<u>\$ 576,600</u>	<u>\$ 5,898,332</u>

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

Note 11 – Leases

Capital Lease Obligations

The University leases an inserting and folding system for its mailroom, as well as sixty-eight Steinway pianos under capital lease agreements. The inserting and folding system bears interest at 7.84%. 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, 2011 and 2010, was \$18,676 and \$146,901, respectively.

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

Year Ending June 30,	Insert and Folding System	Steinway Pianos	Total
2012	\$ 9,735	\$ 85,773	\$ 95,508
2013	811	-	811
Total future minimum lease payments	10,546	85,773	96,319
Less amount representing interest	467	3,334	3,801
Total obligations under capital leases	<u>\$ 10,079</u>	<u>\$ 82,439</u>	<u>\$ 92,518</u>

Operating Lease Obligations

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

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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

Year Ending June 30,	Classroom	Mailroom Equipment	Total
2012	\$ 159,005	\$ 34,056	\$ 193,061
2013	159,005	34,056	193,061
2014	-	34,056	34,056
2015	-	34,056	34,056
2016	-	31,218	31,218
Total future minimum lease payments	318,010	167,442	485,452
Less amount representing maintenance	-	54,221	54,221
Less amount representing interest	-	23,874	23,874
Total obligations under capital leases	\$ 318,010	\$ 89,347	\$ 407,357

Note 12 – Compensated Absences

During fiscal year 2009, the University's Board of Trustees authorized the development of a limited Early Retirement Incentive Program (ERIP) for all eligible employees who are members of the Ohio Public Employees Retirement System (OPERS). The effective period for eligibility determination in the planned ERIP is January 1, 2011 through December 31, 2011. The University will purchase up to two (2) years of service credit for eligible employees who voluntarily participate. The University will abide by the rules as established by (OPERS) except as otherwise specified in labor Agreements.

Note 13 – Long-Term Liabilities

Long-term liability activity (also see notes 9-12) for the year ended June 30, 2011 was as follows:

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

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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

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

Note 14 - Retirement Plans

Basic Retirement Benefits

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

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

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

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

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

making a written request to 275 East Broad Street, Columbus, Ohio, 43215-3771 or by calling (888) 227-7877, or by visiting the STRS Ohio web site at www.strsoh.org.

Alternative Retirement Plan

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

Employee and Employer Contributions

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

Employee Contribution Rate						
Period	STRS		OPERS		OPERSLE	
	Traditional	ARP	Traditional	ARP	Traditional	ARP
1/1/11-6/30/11	10.0%	10.0%	10.0%	10.0%	11.6%	11.6%
1/1/10-12/31/10	10.0%	10.0%	10.0%	10.0%	11.1%	11.1%
7/1/08-12/31/09	10.0%	10.0%	10.0%	10.0%	10.1%	10.1%

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

Employer Contribution Rate								
Period	STRS			OPERS			OPERSLE	
	Traditional	ARP		Traditional	ARP		Traditional	ARP
		STRS	ARP		OPERS	ARP		
1/11/11-6/30/11	14.00%	3.50%	10.50%	14.00%	0.77%	13.23%	18.10%	18.10%
1/1/10-12/31/10	14.00%	3.50%	10.50%	14.00%	0.77%	13.23%	17.87%	17.87%
1/1/09-12/31/09	14.00%	3.50%	10.50%	14.00%	0.77%	13.23%	17.63%	17.63%
7/1/08-12/31/08	14.00%	3.50%	10.50%	14.00%	0.77%	13.23%	17.40%	17.40%

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		
2011	\$ 5,795,702	\$ 213,889	\$ 641,948	\$ 5,557,471	\$ 39,352	\$ 682,041	\$ 217,456	\$ -
2010	\$ 5,580,112	\$ 203,623	\$ 610,868	\$ 5,158,797	\$ 32,985	\$ 538,233	\$ 203,259	\$ -
2009	\$ 5,492,942	\$ 201,701	\$ 626,715	\$ 4,765,059	\$ 29,323	\$ 552,116	\$ 186,484	\$ -

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

The OPERS employee contributions to the ARP totaled \$515,528 and the STRS Ohio employee contributions to the ARP totaled \$611,379.

The University recorded \$3,110,252 of expense in fiscal year 2011 in the Statement of Revenues, Expenses and Changes in Net Assets. Of this amount, \$1,267,156 was paid to OPERS and \$1,843,096 is included as part of the \$2,619,259 current portion of the compensated absences liability in the Statement of Net Assets.

Note 15 – Other Postemployment Benefits (OPEB)

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

State Teachers Retirement System of Ohio

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

Under Ohio Law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 1% of the covered payroll was allocated to post-employment health care for 2011, 2010 and 2009. The portion of the University's 2011, 2010 and 2009 contributions to STRS Ohio used to fund post-employment benefits was \$413,979, \$398,579, and \$392,353, respectively.

Ohio Public Employees Retirement System

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

OPERS' Post Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 5.5% from 1/1/10-2/28/10 and 5.0% from 3/1/10-12/31/10, 7.0% from 1/1/09-3/31/09 and 5.5% from 4/1/09-12/31/09 and 7.0% in 2008. The portion of employer contributions allocated to health care for members in the Combined Plan was 4.73% from 1/1/10-2/28/10 and 4.23% from 3/1/10-12/31/10, 5.90% from 1/1/09-3/31/09

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

and 4.73% from 4/1/09-12/31/09 and 5.90% in 2008. The portion of the University's 2011, 2010 and 2009 contributions to OPERS used to fund post retirement benefits was \$2,039,931, \$2,188,584, and \$2,569,717. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

Note 16 – Contingencies and Risk Management

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

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

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

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

	2011	2010
Liability at beginning of fiscal year	\$ 1,513,811	\$ 1,485,585
Current year claims including changes in estimates	16,907,723	13,837,046
Claim payments	<u>(16,288,209)</u>	<u>(13,808,820)</u>
Liability at end of fiscal year	<u>\$ 2,133,325</u>	<u>\$ 1,513,811</u>

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

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The University has joined with other state-assisted universities in Ohio to form an insurance pool for the acquisition of commercial property and casualty insurance. The University pays annual premiums to the pool for its property and casualty insurance coverage based on its percentage of the total insurance value to the pool. Future contributions will be adjusted based upon each university's loss history. The University had no significant reductions in coverage from the prior

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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. 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 \$4,519,000 for the fiscal year ended June 30, 2011 and \$5,500,000 for the fiscal year ended June 30, 2010. Financial support from YSUF has been committed for fiscal year 2012 in the amount of \$4,762,500. 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 \$1,192,500 and \$1,219,000 at June 30, 2011 and June 30, 2010, respectively. In addition, rental income from YSUF of \$10,560 in both fiscal years 2011 and 2010 was recorded and is reflected in the University's Statements of Revenues, Expenses and Changes in Net Assets.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

Under the terms of an agreement with the University, the Foundation serves as an investment manager for the University's endowments. Proceeds are forwarded to the University on an as needed basis to satisfy the individual endowment purposes. Fair value of such investments held by YSUF at June 30, 2011 and June 30, 2010 was \$6,306,642 and \$6,082,189, respectively. The management services are provided at no charge and investments are made in a manner consistent with the YSUF funds.

UHC

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

In May 2002, the University entered into a 40-year lease with UHC for land. The lease contained a renewal option to extend the term for an additional 40 years. Future minimum annual lease payments to YSU were \$100 per year over the life of the lease. An October 2004 amendment provided for an additional payment of \$10,000 per month to offset electrical usage, adjusted annually in accordance with a prescribed annual reconciliation statement. Total payments, including telephone/internet usage, to YSU were \$180,649 and \$185,089 in fiscal year 2011 and 2010, respectively.

In June 2011, the University acquired through bond financing, the University Courtyard Apartments and assumed UHC's contracts. The acquisition cost was approximately \$17.2 million. Because of the component unit relationship between the University and UHC, the acquisition of the University Courtyard Apartments is recognized by the University on the historical cost basis of UHC. Therefore, the University is recording the property at approximately \$14.2 million, the net book value of the property by UHC prior to the acquisition. The resulting difference of \$3 million is reflected by the University as a contribution of capital to UHC.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

The following details the transaction.

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

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

The proceeds from the sale were used by UHC to redeem the UHC's outstanding series 2002 bonds payable.

YOUNGSTOWN STATE UNIVERSITY

BOARD OF TRUSTEES AND PRINCIPAL ADMINISTRATORS FOR THE YEAR ENDED JUNE 30, 2011

BOARD OF TRUSTEES AS OF JUNE 30, 2011

Millicent S. Counts	<i>Former Executive Director United Methodist Community Center</i>
Delores Crawford	<i>Community Affairs Director WKBN</i>
David C. Deibel	<i>Owner and President Boardman Steel</i>
Dr. Sudershan K. Garg, Chair	<i>Physician Blood & Cancer Center, Inc.</i>
Dr. John R. Jakubek, Vice-Chair	<i>Anesthesiologist Bel-Par Anesthesia Associates, Inc.</i>
Ryan Meditz	<i>Student Trustee</i>
Harry Meshel	<i>Former Ohio State Senator and Former Chair of the Ohio Democratic Party</i>
Leonard Schiavone	<i>Attorney Friedman and Rummell Co., LPA</i>
Scott R. Schulick	<i>Vice President Butler Wick Corp.</i>
Carol Weimer	<i>Special Education Teacher Liberty High School</i>
Franklin S. Bennett, Jr.	<i>Secretary to the Board</i>

PRINCIPAL ADMINISTRATORS AS OF JUNE 30, 2011

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

YOUNGSTOWN STATE UNIVERSITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2011

Program Title	CFDA #	Pass Through Number	Research and Development Cluster	Student Financial Assistance Cluster	Other Expenditures	Total Expenditures
11 Department of Commerce (DOC)						
Congressionally Identified Awards and Projects						
Pass-Through Entity Consortium for Oceanographic Research and Applied Scientific Research	11469	NA06SEC4690002	-	-	4,818	4,818
Total Department of Commerce (DOC)			-	-	4,818	4,818
12 Department of Defense (DOD)						
Basic Scientific Research - Combating Weapons of Mass Destruction						
Pass-Through Entity Office of Naval Research	12351	HDTRA108-10014	117,664	-	-	117,664
Basic Scientific Research						
Pass-Through Entity Army Research Lab	12431	W91NF-10-2-0090	920,884	-	-	920,884
Basic, Applied, and Advanced Research in Science and Engineering						
Pass-Through Entity University of Southern Mississippi	12630	W9132T-09-2-0019	16,386	-	-	16,386
Total Department of Defense (DOD)			1,054,934	-	-	1,054,934
14 Department of Housing and Urban Development (HUD)						
Community Development Block Grants/Entitlement Grants						
Pass-Through Entity Youngstown Community Development Agency	14218	B-10-MC-39-0023	-	-	30,152	30,152
Emergency Shelter Grants Program						
Pass-Through Entity Youngstown Community Development Agency	14231	S-10-MC-39-0023	-	-	14,027	14,027
Supportive Housing Program						
Pass-Through Entity Youngstown Community Development Agency	14235	-	-	-	82,590	82,590
Homelessness Prevention and Rapid Re-Housing Program - ARRA Funding						
Pass-Through Entity Youngstown Community Development Agency	14257	S-09-MY-39-0023	-	-	27,595	27,595
Total Department of Housing and Urban Development (HUD)			-	-	154,364	154,364
16 Department of Justice (DOJ)						
Community Capacity Development Office						
Total Department of Justice (DOJ)	16595	-	-	-	268,080	268,080
17 Department of Labor (DOL)						
WIA Youth Activities						
Pass-Through Entity Trumbull County Job and Family Services	17259	3073	-	-	42,850	42,850
Total Department of Labor (DOL)			-	-	42,850	42,850
20 Department of Transportation (DOT)						
University Transportation Centers Program						
Total Department of Transportation (DOT)	20701	-	309,719	-	-	309,719
43 National Aeronautics and Space Administration (NASA)						
Aerospace Education Services Program						
Total National Aeronautics and Space Administration (NASA)	43001	-	-	-	11,496	11,496
47 National Science Foundation (NSF)						
Engineering Grants						
Engineering Grants	47041	-	63,506	-	-	63,506
Mathematical and Physical Sciences						
Pass-Through Entity CATACEL Corporation	47041	1P-10B958	51,088	-	-	51,088
Mathematical and Physical Sciences	47049	-	74,453	-	-	74,453
Biological Sciences						
Pass-Through Entity Ohio State University	47049	CHE-05322560	1,431	-	-	1,431
Pass-Through Entity Harold Washington College	47049	CHE-0629174	18,236	-	-	18,236
Pass-Through Entity Case Western Reserve University	47049	DMR-0423914	43,333	-	-	43,333
Biological Sciences	47074	-	68,203	-	-	68,203
Education and Human Resources	47076	-	12,225	-	168,643	180,868
International Science and Engineering (OISE)						
Pass-Through Entity US Civilian Research & Development Foundation Office of Cyberinfrastructure	47079	RUC1-2989-ST-10	2,323	-	-	2,323
Pass-Through Entity Ohio State University	47080	60023131	25,600	-	-	25,600
Trans-NSF Recovery Act Research Support - ARRA Funding	47082	-	36,462	-	-	36,462
Pass-Through Entity Ohio University	47082	UT15760	-	-	30,033	30,033
Total National Science Foundation (NSF)			396,860	-	198,676	595,536
59 Small Business Administration (SBA)						
Small Business Development Center						
Pass-Through Entity Small Business Development Centers of Ohio	59037	N/A	-	-	187,706	187,706
Total Small Business Administration (SBA)			-	-	187,706	187,706
81 Department of Energy						
Emission Control Research and Development						
Pass-Through Entity National Energy Technology Laboratory	81UNK	DE-FE0004000	67,919	-	-	67,919
Conservation Research and Development	81086	-	406,805	-	-	406,805
Renewable Energy Research and Development	81087	-	108,134	-	-	108,134
Total Department of Energy			1,492,858	-	-	1,492,858

YOUNGSTOWN STATE UNIVERSITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONT.) FOR THE YEAR ENDED JUNE 30, 2011

Program Title	CFDA #	Pass Through Number	Research and Development Cluster	Student Financial Assistance Cluster	Other Expenditures	Total Expenditures
84 Department of Education (DOE)						
Federal Supplemental Educational Opportunity Grants	84.007		-	489,322	-	489,322
Federal Work Study Program	84.033		-	560,698	-	560,698
Federal Perkins Loan Program (see Note 2)	84.038		-	2,721,572	-	2,721,572
TRIO - Upward Bound	84.047		-	-	275,335	275,335
Career and Technical Education - Basic Grants to States	84.048		-	-	4,087	4,087
Career and Technical Education - Basic Grants to States						
Pass-Through Entity State of Ohio Department of Education	84.048	319G-P.SL-NT-07CG	-	-	2,798	2,798
Federal Pell Grant Program	84.063		-	32,542,635	-	32,542,635
Fund for the Improvement of Postsecondary Education	84.116Z		-	-	170,998	170,998
Business and International Education Projects	84.153A		-	-	42,217	42,217
Federal Direct Student Loans (see Note 2)	84.268		-	90,903,600	-	90,903,600
Academic Competitiveness Grants	84.375		-	648,960	-	648,960
National Science and Mathematics Access to Retain Talent Grant (SMART)	84.376		-	334,315	-	334,315
District of Columbia Tuition Assistance Grant Program						
Pass-Through Entity District of Columbia	84.UNK	0034500	-	-	11,344	11,344
State Fiscal Stabilization Fund (SFSF) - Education State Grants, ARRA Funding						
Pass-Through Entity Ohio Board of Regents	84.394	235-644	-	-	5,863,672	5,863,672
State Fiscal Stabilization Fund (SFSF) - Government Services, ARRA Funding						
Pass-Through Entity Ohio Board of Regents	84.397	235-644	-	-	865,046	865,046
Twenty-First Century Community Learning Centers						
Pass-Through Entity State of Ohio Department of Education	84.287	USAS 599	-	-	793,732	793,732
Twenty-First Century Community Learning Centers						
Pass-Through Entity Youngstown City Schools	84.287	S287C050035	-	-	143,673	143,673
Twenty-First Century Community Learning Centers						
Pass-Through Entity Youngstown City Schools	84.287C	N/A	-	-	9,805	9,805
Subtotal Twenty-First Century Community Learning Centers			-	-	957,210	957,210
Mathematics and Science Partnerships						
Pass-Through Entity State of Ohio Department of Education	84.366	Public Law 107-110	-	-	1,575	1,575
Total Department of Education (DOE)			-	128,201,102	8,194,282	136,395,384
93 Department of Health and Human Services						
Disabilities Prevention	93.184		-	-	35,712	35,712
Stephanie Tubbs Jones Child Welfare Services Program						
Pass-Through Entity State of Ohio DoJFS	93.645	G-89-06-1249	-	-	3,188	3,188
Foster Care-Title IV-E						
Pass-Through Entity State of Ohio DoJFS	93.658	G-89-06-1249	-	-	59,537	59,537
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847		38,403	-	-	38,403
Child Health and Human Development Extramural Research						
Pass-Through Entity University of Pittsburgh Medical Center	93.865	0003193	11,638	-	-	11,638
Total Department of Health and Human Services			50,041	-	98,437	148,478
94 Corporation for National and Community Service						
Learn and Serve America School and Community Based Programs						
Pass-Through Entity Youngstown City Schools	94.004	PO9924569	-	-	10,685	10,685
Learn and Serve America Higher Education						
Pass-Through Entity Ohio Campus Compact	94.005	N/A	-	-	13,777	13,777
Total Corporation for National and Community Service			-	-	24,462	24,462
Corporation for Public Broadcasting (CPB)						
Community Service Grant FY10						
Pass-Through Corporation for Public Broadcasting (CPB)	99.UNK	N/A	-	-	124,790	124,790
Total Corporation for Public Broadcasting (CPB)			-	-	124,790	124,790
Total Federal Expenditures			\$ 3,304,412	\$ 128,201,102	\$ 9,319,961	\$ 140,825,475

N/A - Pass Through number is not available

YOUNGSTOWN STATE UNIVERSITY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2011

Note 1 – Basis of Accounting

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

Note 2 – Loans

Federal Direct Loan Program

The University participates in the Federal Direct Student Loan Program (84.268). The University originates but does not provide funding for Federal Direct Loans (FDSL). The \$90,903,600 presented on the Schedule of Expenditures of Federal Awards represents the value of new FDSL processed by the University for the year ended June 30, 2011.

Federal Perkins Loan Program

The \$2,721,572 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, 2011 totaled \$189,525.

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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, 2011, 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

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

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the University in a separate letter dated October 13, 2011.

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

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

Crowe Horwath LLP

Columbus, Ohio
October 13, 2011

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

To the Board of Trustees
Youngstown State University
Youngstown, Ohio

Compliance

We have audited the compliance of Youngstown State University (the “University”) with the types of compliance requirements described in the U.S Office of Management and Budget (“OMB”) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2011. The University’s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the University’s management. Our responsibility is to express an opinion on the University's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

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

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

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

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



Crowe Horwath LLP

Columbus, Ohio
October 13, 2011

YOUNGSTOWN STATE UNIVERSITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unqualified

Internal control over financial reporting:

Material weakness(es) identified?

_____ Yes X No

Significant deficiencies identified not
considered to be material weaknesses?

_____ Yes X None Reported

Noncompliance material to financial statements
noted?

_____ Yes X No

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

Federal Awards

Internal Control over major programs:

Material weakness(es) identified?

_____ Yes X No

Significant deficiencies identified not
considered to be material weaknesses?

_____ Yes X None Reported

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

_____ Yes X No

YOUNGSTOWN STATE UNIVERSITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2011

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
	Student Financial Aid Cluster:
84.007	Federal Supplemental Educational Opportunity Grants
84.033	Federal Work-Study Program
84.038	Federal Perkins Loan Program
84.063	Federal Pell Grant Program
84.268	Federal Direct Loans Program
84.375	Academic Competitiveness Grants
84.376	National Science and Mathematics Access to Retain Talent Grants
84.394 ARRA	State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act (Education Stabilization Fund)
84.397 ARRA	State Fiscal Stabilization Fund (SFSF) – Government Services, Recovery Act

Dollar threshold used to distinguish between Type A and Type B programs: \$378,731

Auditee qualified as low-risk auditee? X Yes No

Section II - Financial Statement Findings

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

Section III - Federal Award Findings

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

Section IV - Prior Year Audit Findings

Finding 2010-01

Federal Program Information:

Federal Perkins Loan Program, CFDA #84.038

Criteria:

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

Condition:

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

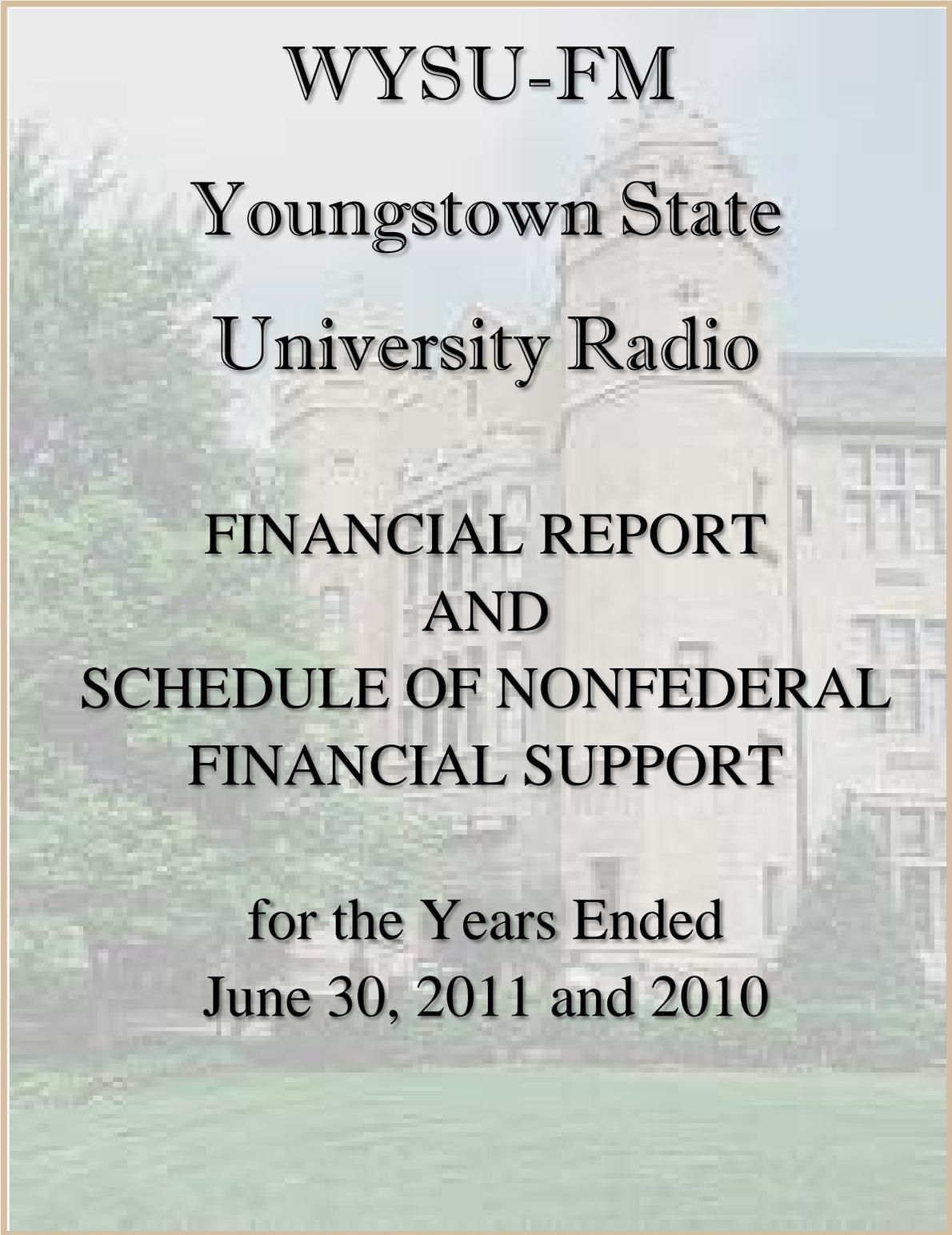
Status:

Corrected



YOUNGSTOWN STATE UNIVERSITY

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WYSU-FM
Youngstown State
University Radio

FINANCIAL REPORT
AND
SCHEDULE OF NONFEDERAL
FINANCIAL SUPPORT

for the Years Ended
June 30, 2011 and 2010

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

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REPORT OF INDEPENDENT AUDITORS

To the Board of Trustees
Youngstown State University
Youngstown, Ohio

We have audited the accompanying financial statements of the business-type activities of WYSU-FM, Youngstown State University Radio ("Station") as of and for the years ended June 30, 2011 and 2010, 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, 2011 and 2010, 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, 2011 and 2010 and the respective changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2011 on our consideration of Station's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Station's 2011 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 2011 basic financial statements. The Schedule of Nonfederal Financial Support have been subjected to the auditing procedures applied in the audit of the 2011 basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the 2011 basic financial statements taken as a whole.

Crowe Horwath LLP

Crowe Horwath LLP

Columbus, Ohio
November 28, 2011

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis section of the WYSU-FM Youngstown State University Radio (WYSU-FM or the Station) Financial Report presents a discussion and analysis of the financial performance of the Station, a noncommercial public radio station operated by Youngstown State University (the University or YSU), during the fiscal year ended June 30, 2011 with comparative information for the fiscal years ended June 30, 2010 and 2009. This discussion has been prepared by management and should be read in conjunction with the financial statements and the accompanying notes that follow.

Introduction

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

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

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

Using the Financial Statements

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

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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

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

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

Financial and Other Station Highlights

- Stable financial position and audience numbers
- Installation of a new broadcast antenna that increases WYSU-FM's coverage area
- Achievement of membership goals for both Fall 2010 and Spring 2011 fund drives
- Receipt of a \$100,000 capital gift to be used toward a new facility for the Station
- Expansion of program offerings and media partners

The Statements of Net Assets

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

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

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Assets			
Current assets	\$ 1,296,279	\$ 1,102,796	\$ 1,019,862
Other noncurrent assets	148,296	127,760	118,580
Capital assets, net	213,586	228,101	173,821
Total Assets	<u>1,658,161</u>	<u>1,458,657</u>	<u>1,312,263</u>
Liabilities			
Current liabilities	141,763	131,052	139,581
Noncurrent liabilities	83,240	77,814	73,999
Total Liabilities	<u>225,003</u>	<u>208,866</u>	<u>213,580</u>
Total Net Assets	<u>\$ 1,433,158</u>	<u>\$ 1,249,791</u>	<u>\$ 1,098,683</u>
Net Assets			
Invested in capital assets, net of related debt	\$ 213,586	\$ 228,101	\$ 173,821
Restricted	348,972	228,436	119,256
Unrestricted	870,600	793,254	805,606
Total Net Assets	<u>\$ 1,433,158</u>	<u>\$ 1,249,791</u>	<u>\$ 1,098,683</u>

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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 \$193,483 or 18% from fiscal year 2010 to 2011 primarily due to unspent receipts from membership and underwriting income and the receipt of a major capital gift. The same donor provided a significant capital gift in 2010 that accounted for the majority of the \$82,934 or 8% increase between fiscal years 2009 and 2010. These gifts are designated for a new facility for the Station. Other noncurrent assets, which represent endowment investments, increased \$20,536 or 16% from fiscal year 2010 to 2011 and \$9,180 or 8% from fiscal year 2009 to 2010 as the carrying value of investments increased due to improved investment performance. During fiscal year 2011, the Station installed a new broadcast antenna which increased WYSU-FM's coverage area by 43% and the number of potential listeners by 63%. Net capital assets increased \$54,280 or 31% between fiscal years 2009 and 2010 due to the antenna, but decreased \$14,515 or 6% between fiscal years 2011 and 2010 as continued depreciation of existing assets was greater than the cost of the new antenna. Refer to Notes 2-4 for additional information about cash and cash equivalents, investments, and capital assets.

Liabilities consisting of accounts payable, deferred revenue, and compensated absences increased \$16,137 or 8% between fiscal years 2010 and 2011. Compensated absences, particularly accrued vacation, accounted for the majority of the increase. Liabilities decreased \$4,714 or 2% between fiscal years 2009 and 2010. No significant changes were noted in any of the individual categories. Refer to Notes 5 and 6 for additional information about deferred revenue and long-term liabilities.

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

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

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

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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

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

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

	June 30, 2011	June 30, 2010	June 30, 2009
Total operating revenues	\$ 368,409	\$ 370,407	\$ 233,742
Total operating expenses	1,307,803	1,213,404	1,180,007
Operating loss	(939,394)	(842,997)	(946,265)
Net non-operating revenues	1,022,761	894,103	851,989
Gain (loss) before other revenue, expenses, and changes	83,367	51,106	(94,276)
Total other revenue, expenses, and changes	100,000	100,002	-
Total increase (decrease) in net assets	183,367	151,108	(94,276)
Net assets at the beginning of the year	1,249,791	1,098,683	1,192,959
Net assets at the end of the year	\$ 1,433,158	\$ 1,249,791	\$ 1,098,683

Total operating revenues decreased \$1,998 or 1% between fiscal year 2010 and 2011. Operating revenue from the CPB grant decreased \$16,154 or 11% as the Station received additional funds from CPB in fiscal year 2010 from a federal fiscal stabilization grant. A similar grant was not received in fiscal year 2011. In-kind contributions increased \$23,060 or 21% primarily due to additional support from e-Tech Ohio to cover rises in the cost of services. Underwriting revenue decreased \$8,910 or 9% as a result of two contributing factors. Underwriting support is susceptible to impacts from poor economic conditions and some of WYSU-FM's foundation support has migrated from the underwriting category to the membership category. The Station has a foundation component built into its semi-annual fund drives and several of WYSU-FM's supporting foundations that have provided underwriting support in the past, prefer to contribute under this program as opposed to underwriting. Despite the decrease in underwriting revenue, ten new underwriters were contracted throughout fiscal year 2011, representing an increase of 4% in the number of underwriters. This brought the overall number of sponsors with a history of underwriting with WYSU-FM to 226, with 45 supporting the Station during fiscal year 2011.

Between fiscal year 2009 and fiscal year 2010, total operating revenues increased \$136,665 or 58%. Operating revenue from the CPB grant increased \$140,944 or 100% as the Station's 2009 grant award, which had been deferred in fiscal year 2009, was recognized in fiscal year 2010, the second year of the two-year grant period. In addition, CPB distributed additional funds to WYSU-FM from a federal fiscal stabilization grant in the amount of \$11,539 during fiscal year 2010. In-kind contributions increased slightly while the e-Tech Ohio grant and underwriting

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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

revenue both decreased. The cost of services provided by e-Tech Ohio increased during fiscal year 2010, thus increasing in-kind contributions by \$5,963 or 6% while continued budget cuts at the State of Ohio contributed to the \$8,255 or 24% decrease in the e-Tech Ohio grant. The \$1,987 or 2% decrease in underwriting revenues was primarily the result of sponsors suspending or slightly reducing support.

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

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

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

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

Economic Factors for the Future

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

The installation of a new broadcast antenna was a central event for WYSU-FM during fiscal year 2011. There were short-term negatives that came from the event, but they were far outweighed

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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

by the long-term positives. The actual installation took longer than expected, leading to a disruption of service that lasted over three weeks in November. However, the Station was able to communicate with most of its constituents using multiple platforms leading to general understanding, patience, and sympathy from its audience. Most importantly, the new antenna has increased WYSU-FM's coverage area by 43%, especially in Carroll, Cuyahoga, Geauga, and Stark Counties in Ohio and Allegheny County in Pennsylvania. Also the number of potential listeners reached in the coverage area increased from 1,275,581 to 2,078,581, or 63%.

Conceptual designs, cost estimates, and the pursuit of additional capital funding are in progress for a new location for the Station. WYSU-FM has already received gifts totaling \$200,000 to be used for this purpose.

A crucial element to the Station's future will continue to be its relationships with its members and underwriters as work continues toward providing quality programming. The Station achieved its membership fundraising goals for both the fall 2010 and spring 2011 fund drives. Each of these on-air drives raised over \$114,700 for the Station. The Station's underwriting program continues to expand and develop, contracting new sponsors each year. WYSU-FM anticipates modest growth in membership and underwriting revenue during the upcoming fiscal years.

One way that WYSU-FM plans to increase support is by continuing to expand its local program offerings. It developed a local roundtable talk show called *Looking Out* that is relevant to the local radio audience as well as the global internet audience. The program examines how global issues directly impact those living in the Station's listening areas. It is offered over the traditional airwaves as well as podcasts and available for streaming on the WYSU-FM website. After several specials in 2010, the program will air on a weekly basis beginning in September 2011.

The Station continues to expand its presence in the community through high-profile and effective partnerships and sponsorships with many organizations. Some of these partnerships provide local news and regional business news. Others are charitable in nature, supporting local food banks, providing scholarships, and broadcasting radio reading services for the sight-impaired. WYSU also continued to produce the web program *Life on Life's Terms*. This program is hosted by minorities and targets individuals with substance abuse problems. WYSU-FM has sponsored events at YSU including the Hispanic Heritage Celebration, the Diversity Leadership Celebration, the Women's History Month Celebration, Nonviolence Week, and both the Fall and Spring Job Expos. The Station has also partnered with academic departments at YSU, Kent State University, and the University of Akron to provide high-quality, real-world journalism experiences for university students through the occasional placement of local and regional stories during WYSU-FM's network news magazines.

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STATEMENTS OF NET ASSETS AT JUNE 30, 2011 AND 2010

	2011	2010
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,267,719	\$ 1,067,747
Investments	5,181	17,956
Interest receivable	452	449
Accounts receivable (net of allowance of \$728 in 2011 and \$1,293 in 2010)	5,169	6,179
Pledges receivable (net of allowance of \$4,109 in 2011 and \$3,055 in 2010)	17,758	10,465
Total Current Assets	1,296,279	1,102,796
Noncurrent Assets		
Endowment investments	148,296	127,760
Capital assets, net	213,586	228,101
Total Noncurrent Assets	361,882	355,861
Total Assets	1,658,161	1,458,657
LIABILITIES		
Current Liabilities		
Deferred revenue	134,454	127,147
Compensated absences	7,309	3,905
Total Current Liabilities	141,763	131,052
Noncurrent Liabilities		
Compensated absences	83,240	77,814
Total Noncurrent Liabilities	83,240	77,814
Total Liabilities	225,003	208,866
NET ASSETS		
Invested in capital assets, net of related debt	213,586	228,101
Restricted:		
Nonexpendable	148,296	127,760
Expendable	200,676	100,676
Unrestricted	870,600	793,254
Total Net Assets	\$ 1,433,158	\$ 1,249,791

See accompanying notes to financial statements.

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STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
REVENUES		
Operating Revenues		
Corporation for Public Broadcasting grant	\$ 124,790	\$ 140,944
In-kind contributions	132,684	109,624
eTech Ohio Commission grant	25,522	25,516
Underwriting revenue	85,413	94,323
Total Operating Revenues	368,409	370,407
EXPENSES		
Operating Expenses		
Program Services		
Programming and production	416,988	405,751
Broadcasting	206,092	196,613
Program information	58,142	45,105
Traffic and continuity	11,485	10,872
Support Services		
Management and general	317,664	272,592
Fund raising and membership development	95,885	95,569
Underwriting	56,843	53,854
Clerical	72,982	69,010
Depreciation	71,722	64,038
Total Operating Expenses	1,307,803	1,213,404
Operating Loss	(939,394)	(842,997)
NON-OPERATING REVENUES (EXPENSES)		
General appropriation from the University	550,221	498,132
Donated facilities and administrative support from the University	201,334	162,155
Membership revenue	249,177	222,597
Net expenses from fund raising	(3,161)	(2,411)
Investment gain, net of investment expense	25,190	13,630
Net Non-operating Revenues	1,022,761	894,103
Gain before other revenues, expenses, and changes	83,367	51,106
OTHER REVENUES, EXPENSES, AND CHANGES		
Capital grants and gifts	100,000	100,000
Additions to the principal of endowments	-	2
Total other revenues, expenses, and changes	100,000	100,002
Total increase in Net Assets	183,367	151,108
NET ASSETS		
Net Assets at the beginning of the year	1,249,791	1,098,683
Net Assets at the end of the year	\$ 1,433,158	\$ 1,249,791

See accompanying notes to financial statements.

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
Cash Flows from Operating Activities		
Receipts from Corporation for Public Broadcasting grant	\$ 127,727	\$ 136,329
Receipts from eTech Ohio Commission grant	25,522	25,516
Business and underwriting support	91,243	94,326
Payments to suppliers	(310,304)	(337,859)
Payments to employees	(450,808)	(412,410)
Payments for benefits	(132,571)	(127,765)
Total Cash Flows Used in Operating Activities	(649,191)	(621,863)
Cash Flows from Noncapital Financing Activities		
General appropriation from the University	550,221	498,132
Membership receipts	241,884	223,600
Fundraising receipts	4,060	5,480
Payments for fundraising	(7,221)	(7,891)
Total Cash Flows Provided by Noncapital Financing Activities	788,944	719,321
Cash Flows from Investing Activities		
Interest on investments	4,651	4,526
Sale (purchase) of investments	12,775	(13,016)
Total Cash Flows Provided by (Used in) Investing Activities	17,426	(8,490)
Cash Flows from Capital Financing Activities		
Capital grants and gifts	100,000	100,000
Purchase of capital assets	(57,207)	(118,318)
Total Cash Flows Provided by (Used in) Capital Financing	42,793	(18,318)
Net Increase in Cash & Cash Equivalents	199,972	70,650
Cash and Cash Equivalents - Beginning of year	1,067,747	997,097
Cash and Cash Equivalents - End of year	\$ 1,267,719	\$ 1,067,747
Reconciliation of Operating Loss to Net Cash Flows from Operating Activities		
Operating loss	\$ (939,394)	\$ (842,997)
Adjustments to reconcile operating loss to cash flows used in operating activities:		
Depreciation	71,722	64,038
Donated facilities and administrative support from the University	201,334	162,155
Changes in assets and liabilities:		
Accounts receivable, net	1,010	(345)
Accounts payable, compensated absences, and deferred revenue	16,137	(4,714)
Cash Flows Used in Operating Activities	\$ (649,191)	\$ (621,863)

See accompanying notes to financial statements.

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

Note 1 – Organization and Summary of Significant Accounting Policies

Organization and Basis of Presentation

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

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

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

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

Summary of Significant Accounting Policies

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

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

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2011

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

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

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

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

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

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

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

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

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2011

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

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

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

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

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

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

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

Note 2 – Cash and Cash Equivalents

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

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2011

The aggregate cost of repurchase agreements, which approximates fair value, included in the University's cash and cash equivalents is \$1,420,864 and \$1,191,429 at June 30, 2011 and 2010, 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, 2011 and 2010 consist of the following:

	2011	2010
Carrying Amount (Cash and cash equivalents)	<u>\$ 28,926,599</u>	<u>\$ 52,906,489</u>
FDIC Insured	\$ 769,448	\$ 482,123
Uninsured but collateralized by pools of securities pledged by the depository banks	21,994,973	38,133,954
Uninsured but assets held in name of YSU not pledged as collateral elsewhere	<u>6,593,008</u>	<u>14,186,159</u>
Bank Balance	<u>\$ 29,357,429</u>	<u>\$ 52,802,236</u>

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

The Station's cash and cash equivalents are included in these totals and were \$1,267,719 and \$1,067,747 at June 30, 2011 and 2010, respectively.

Credit risk for deposits is the risk that, in the event of a bank failure, the University's deposits may not be returned to the University. At June 30, 2011, all uncollateralized or uninsured deposits of the University are exposed to credit risk. The University's investment policy and asset allocation guidelines facilitate the management and monitoring of credit risk.

Note 3 - Investments

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

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

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2011

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

The University utilizes an investment advisor and investment managers for endowment funds. The University's endowment funds, which includes WYSU-FM's endowment fund, are managed by YSUF (see Note 7). The Station's investments represent a portion of the University's total investments. University investments held by YSUF were \$5,757,267 as of June 30, 2011 and \$5,061,734 as of June 30, 2010.

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

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

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

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

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

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

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

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

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2011

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

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

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

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

Custodial Credit Risk - Custodial credit risk is the risk that in the event of the failure of the counterparty to a transaction, the University will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. Investments that are both unregistered and uninsured are exposed to custodial credit risk if investments are held by the counterparty, or are held by the counterparty's trust department or agent but not in the name of the University. At June 30, 2011 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, 2011, the University had no material exposure to foreign currency risk. The University does not address foreign currency risk in its investment policy and asset allocation guidelines.

Note 4 – Capital Assets

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

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

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2011

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

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

Note 5 – Deferred Revenue

Deferred revenue at June 30, 2011 and 2010 consists of the following:

	2011	2010
Corporation for Public Broadcasting grant	\$ 127,727	\$ 124,790
Underwriting agreements	6,727	2,357
Total deferred revenue	<u>\$ 134,454</u>	<u>\$ 127,147</u>

Note 6 – Long Term Liabilities

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

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

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

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

Note 7 - Related Party

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

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2011

Note 8 – Risk Management

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

WYSU-FM YOUNGSTOWN STATE UNIVERSITY RADIO

SCHEDULE OF NONFEDERAL FINANCIAL SUPPORT FOR THE YEAR ENDED JUNE 30, 2011

Direct Income	\$ 1,014,987
Indirect Administrative Support	201,334
In-Kind Contributions of Services and Other Intangibles	<u>127,566</u>
Total Nonfederal Financial Support	<u>\$ 1,343,887</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, 2011, 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, 2011, and the changes in its financial position and its cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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


Crowe Horwath LLP

Columbus, Ohio
November 28, 2011



YOUNGSTOWN STATE UNIVERSITY

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**YOUNGSTOWN STATE UNIVERSITY
INTERCOLLEGIATE ATHLETICS DEPARTMENT**

**Report of Independent Accountants on
Applying Agreed-Upon Procedures**
June 30, 2011

YOUNGSTOWN STATE UNIVERSITY
INTERCOLLEGIATE ATHLETICS DEPARTMENT
Youngstown, Ohio

AGREED-UPON PROCEDURES
REQUIRED BY THE NCAA
June 30, 2011

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

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

We have performed the procedures enumerated below, which were agreed to by management of Youngstown State University (the "University"), solely to assist the University in evaluating whether the accompanying Statement of Revenues and Expenses of the University is in compliance with the National Collegiate Athletic Association ("NCAA") Bylaw 6.2.3.1 for the year ended June 30, 2011. 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, 2011, as prepared by management as well as shown on page 5. Additionally, we obtained the supporting worksheets and agreed each of the revenue and expense amounts on the Statement to management's worksheets, noting no exceptions.
2. We agreed all amounts on management's worksheets to the University's June 30, 2011 general ledger, noting no exceptions.
3. We compared revenues and expenses appearing on the Statement to budgeted amounts and prior year amounts and obtained explanations for all variances greater than \$50,000 and 10 percent. All variances were explained by management. We have read the schedule and explanations provided by management at the Athletic Department and the University's General Accounting Office of the 6 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 \$439 (.136% of football ticket revenues) lower than the June 30, 2011 general ledger.

(Continued)

5. We obtained a summary of basketball ticket revenues. We agreed basketball ticket revenues from the summary to supporting schedules for three games and agreed the ticket revenue to the general ledger, noting the schedule was \$1,309 (1.21% of basketball revenues) higher than the June 30, 2011 general ledger.
6. We agreed the guarantee revenues (away games) and expenses (home games) to the signed contracts and other supporting documentation, noting no exceptions.
7. We identified 2 contributions of cash, services or goods which were received by the University's Athletics Department and that constituted 10 percent or greater of all contributions received by the University's Athletics Department. For each we agreed to check copies or other supporting documentation maintained by the university, noting no exceptions.
8. We agreed the Federal Work Study support recorded by the Athletics Department in the Statement with federal appropriations and/or other supporting documentation, noting no exceptions.
9. We agreed the University's direct institutional support recorded by the Athletics Department in the Statement to the General Fund Allocation approved by the Board of Trustees for the year, noting no exceptions.
10. We obtained the NCAA/Conference Distributions reports and agreed them to the Statement, noting no exceptions. We inquired of the General Accounting Office if there were any agreements related to the University's participation in revenues from tournaments during the year ended June 30, 2011 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 6 revenue receipts and agreed them to the supporting agreements as well as the total to the Statement, noting no exceptions.
14. We obtained an understanding of the agreement between the University and persons conducting Century Cage Camp held during the year ended June 30, 2011.
15. We selected 10 sports-camp participant cash receipts and agreed the receipt to supporting registration forms, noting no exceptions.
16. We selected 2 sports-camp expenses and agreed the expense to the supporting documentation (for example, invoices) and agreed that the expense was for camp related activity. For 1 expense in our selection, we noted the expenditure related to the year ended June 30, 2010 but was posted to the year ended June 30, 2011. No further exceptions were noted.
17. We obtained and read the endowment agreements to gain an understanding of the relevant terms and conditions. We compared and agreed the classification and use of endowment and investment income reported in the Statement for the year ended June 30, 2011 to the uses of income defined within the related endowment agreement, noting no exceptions.
18. We selected 2 operating revenue receipts and agreed the revenue receipts to supporting documentation maintained by the University, noting no exceptions.

(Continued)

19. We selected 10 student athletes who received institutional financial aid during the year ended June 30, 2011 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, women's basketball, and three other coaches and obtained the related contracts. We obtained the W-2's for the coaches selected above and compared amounts appearing in the W-2's to the related expenses in the Statement. Because the W-2's are for the year ended December 31, 2010, and the salaries and benefit expense per the Statement are for the fiscal year ended June 30, 2011, the total compensation per the W-2's did not agree with the salaries and benefits expense per the Statement.
21. We agreed the financial terms and conditions associated with the above coaches' salaries, benefits and bonuses to the related expense recorded by the University in the Statement, noting no exceptions. There were no coaches with salaries, benefits, or bonuses paid by a third party.
22. We obtained a listing of administrative employees of the Athletics Department. We selected 10 administrative employees of the Athletics Department and obtained the W-2's for the employees selected and compared the amounts appearing in the W-2's to the related expenses in the Statement. Because the W-2's are for the year ended December 31, 2010, and the salaries and benefit expense per the Statement are for the fiscal year ended June 30, 2011, the total compensation per the W-2's did not agree with the salaries and benefits expense per the Statement.
23. We agreed the salaries, benefits and bonuses paid by the University for the administrative employees selected above to the related expense recorded by the University in the Statement, noting no exceptions. There were no administrative employees with compensation and benefits paid by a third party.
24. We obtained copies of the University's recruiting and travel policies. We read the policies and agreed them to the NCAA policies, noting no exceptions. We selected a sample of 3 recruiting expense transactions and 11 team travel expense transactions and agreed the expense transaction to supporting documentation maintained by the University, no exceptions noted.
25. We selected 7 equipment, uniform and/or supplies expense transactions and agreed the expense transaction to supporting documentation maintained by the University, noting no exceptions.
26. We selected 2 fundraising, marketing and/or promotion expense transactions and agreed them to supporting documentation, noting no exceptions.
27. We selected 6 facilities, maintenance and rental expense transactions and agreed the expense transactions to supporting documentation maintained by the University, noting no exceptions.
28. We selected 1 spirit group expense transaction and agreed the expense transaction to supporting documentation maintained by the University, noting no exceptions.
29. We selected 1 medical expense and insurance expense transaction and agreed the expense transaction to supporting documentation maintained by the University, noting no exceptions.
30. We selected 1 membership and dues expense transaction and agreed the expense transaction to supporting documentation maintained by the University, noting no exceptions.
31. We selected 7 other expense transactions and agreed the expense transactions to supporting documentation maintained by the University, noting no exceptions.
32. We obtained support for all severance payments and agreed the expenses to supporting documentation maintained by the University, noting no exceptions.

(Continued)

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

Procedures Related to the Internal Accounting Controls

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

Procedures Related to the Penguin Club

35. We obtained the list of outside programs and related financial activities for the year ended June 30, 2011, which is included on page 7 of this report. Management represented that the Penguin Club was the only "outside organization" which had expenses for or on behalf of the University's Intercollegiate Athletics Program.
36. We agreed the Penguin Club's revenues and expenses on page 7 of this report to a confirmation obtained directly from the Penguin Club, noting no exceptions.
37. We agreed the Penguin Club's expenses incurred on behalf of the University's Intercollegiate Athletics Program on page 7 to a confirmation obtained directly from the Penguin Club, noting no exceptions.
38. We received the audited financial statements of the Penguin Club for the year ended June 30, 2011, which reflected an unqualified opinion.
39. We noted the amounts included on pages 6 and 7 of this report are not included in the Statement.

Procedures Related to the Athletics Assets

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

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

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

Crowe Horwath LLP

Crowe Horwath LLP

Columbus, Ohio
December 12, 2011

Youngstown State University
Intercollegiate Athletics Department
Statement of Revenues and Expenses
For the Year Ended June 30, 2011

	Unrestricted Auxiliary					Plant, Endowment & Quasi- Endowment	Total
	Football	Basketball	Other Sports	Non-Program Specific	Restricted		
Revenue							
Ticket Sales	\$ 358,998	\$ 108,420	\$ -	\$ -	\$ -	\$ -	\$ 467,418
Guarantees	450,000	156,000	-	-	-	-	606,000
Contributions	-	-	-	-	429,808	2,114,446	2,544,254
Direct State or Other Government Support	-	-	-	-	8,807	-	8,807
Direct Institutional Support	-	-	-	8,976,764	-	20,000	8,996,764
NCAA/Conference Distributions	143,075	73,714	357,808	-	64,313	-	638,910
Broadcast Television, Radio, and Internet Rights	-	-	-	53,577	-	-	53,577
Program Sales & Concessions	6,783	785	(1)	25,386	-	-	32,953
Royalties, Licensing, Advertisements and Sponsorships	625,251	78,725	-	29,176	-	-	733,152
Sports-Camp Revenues	-	-	-	220,020	-	-	220,020
Endowment and Investment Income	-	-	-	-	1,288	18,100	19,388
Other	<u>58,615</u>	<u>-</u>	<u>110</u>	<u>189,188</u>	<u>46,713</u>	<u>-</u>	<u>294,626</u>
Subtotal Revenue	1,642,722	417,644	357,917	9,494,111	550,929	2,152,546	14,615,869
Expenses							
Athletic Student Aid	1,109,670	503,488	1,684,725	100,165	160,108	-	3,558,156
Guarantees	138,000	7,500	3,000	-	-	-	148,500
Coaching Salaries, Benefits & Bonuses Paid by the University	1,354,014	811,994	905,589	-	-	-	3,071,597
Support Staff/Administrative Salaries, Benefits & Bonuses Paid by the University	-	-	5,147	2,047,252	82,560	-	2,134,959
Recruiting	82,058	92,933	52,023	-	104	-	227,118
Team Travel	365,771	186,391	364,382	-	109,821	-	1,026,365
Equipment, Uniforms & Supplies	222,264	83,369	97,180	157,732	99,471	5,801	665,817
Fund Raising, Marketing & Promotion	13,426	26,513	-	123,048	18,079	839	181,905
Sports Camp Expenses	-	-	-	224,948	-	-	224,948
Direct Facilities, Maintenance & Rental	-	-	36,627	335,656	145,429	14,204	531,916
Spirit Groups	-	-	-	43,356	-	-	43,356
Medical Expenses & Medical Insurance	-	-	-	47,250	-	-	47,250
Membership & Dues	-	-	-	21,330	2,650	-	23,980
Other Operating Expenses	<u>129,086</u>	<u>101,968</u>	<u>48,521</u>	<u>238,205</u>	<u>66,945</u>	<u>44,875</u>	<u>629,600</u>
Subtotal Expenses	3,414,289	1,814,156	3,194,194	3,338,942	685,167	65,719	12,515,467
Revenues (Less Than) in Excess of Expenses	(1,771,567)	(1,396,512)	(2,839,277)	6,155,169	(134,238)	2,086,827	2,100,402
Transfer out to/(in from) other funds	-	-	-	-	1,468	6,151	7,619
Transfers for Capital improvements	-	-	-	-	-	(216,768)	(216,768)
Mandatory transfers for indebtedness	<u>-</u>	<u>-</u>	<u>-</u>	<u>152,777</u>	<u>-</u>	<u>-</u>	<u>152,777</u>
Net transfer out to (in from)	<u>-</u>	<u>-</u>	<u>-</u>	<u>152,777</u>	<u>1,468</u>	<u>(210,617)</u>	<u>(56,372)</u>
Revenues (Less Than) in Excess of Expenses and Transfers	<u>\$ (1,771,567)</u>	<u>\$ (1,396,512)</u>	<u>\$ (2,839,277)</u>	<u>\$ 6,002,392</u>	<u>\$ (135,706)</u>	<u>\$ 2,297,444</u>	<u>\$ 2,156,774</u>

Youngstown State University
Schedule of Intercollegiate Athletics Program
Support by Booster Organization
For the Year Ended June 30, 2011

Booster Organization	Beginning Net Assets	Revenues	Expenses	Ending Net Assets
The Penguin Club, Inc.	<u>\$ 971,697</u>	<u>\$ 675,608</u>	<u>\$ 673,988</u>	<u>\$ 973,317</u>

Youngstown State University
Schedule of Financial Activities of the Penguin Club
For the Year Ended June 30, 2011

Booster Organization

Miscellaneous Expense	\$	403,958
Century Kingbird Tickets		149,676
Athletic Awards		13,767
Sports Banquets		13,393
Executive Director Expenses		7,149
Car Lease		4,008
Membership Drive Expense		<u>2,895</u>
Total	\$	<u>594,846</u>

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Dave Yost • Auditor of State

YOUNGSTOWN STATE UNIVERSITY

MAHONING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JANUARY 24, 2012