YOUNGSTOWN STATE UNIVERSITY

SINGLE AUDIT REPORT

June 30, 2013 and 2012

Dave Yost · Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Youngstown State University, Mahoning County, prepared by Crowe Horwath LLP, for the audit period July 1, 2012 through June 30, 2013. 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.

Dave Yost
Auditor of State

January 8, 2014

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YOUNGSTOWN STATE UNIVERSITY

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October 14, 2013

FY 2013 will surely be recognized in the annals of Youngstown State University as a year filled with very significant challenges, accomplishments and changes. Under the able leadership of my predecessor, Dr. Cynthia A. Anderson, and her team, the University weathered significant financial setbacks caused by falling enrollment and cuts in state funding, and remains an invaluable and vibrant educational resource for our community, the state of Ohio and the nation.

The list of accolades and achievements I can report to you fills me with pride and assures me that our future bodes well in spite of the challenges facing our university in particular and higher education in general. Consider a few of these:

- Siemens Corp. provided a generous in-kind grant for state-of-the-art product lifecycle management software and training to YSU's College of Science, Technology, Engineering and Mathematics. The in-kind grant is a core component in the continuing efforts of the new National Additive Manufacturing Innovation Institute in downtown Youngstown to prepare a modern workforce in the Cleveland-Pittsburgh TechBelt and throughout the United States.

- *Forbes* magazine has included Youngstown State University as one of America's Top Colleges for 2013.

  YSU ranks among the top third of similar universities and colleges nationally in Washington Monthly's 2013 College Guide and Rankings.

  YSU placed 21st among nearly 400 post-secondary institutions in Ohio for providing the greatest lifetime return on investment in a report released by *AffordableCollegesOnline.org.*

  A study by OnlineCollegesDatabase.org ranked YSU's Beeghly College of Education as one of the nation's top 40 schools for teacher education.

  edCetera, an education technology blog, cited YSU as one of 10 schools nationwide for its use of cutting edge technology.

- YSU raised a record $10 million in private support from alumni, corporations, foundations and friends in the 2012-13 fiscal year. The previous record was $6.4 million in fiscal year 2007-08.

  Nearly 3,000 students received $1.7 million in additional scholarship funding in the 2013-14 academic year thanks to increased support from the YSU Foundation. The Foundation, under a new distribution plan approved earlier this year, allocated $6.8 million to YSU for student scholarships, up from $5.1 million the previous year. That's a 33 percent boost in funding.

- YSU launched a renewed effort in distance education, introducing seven new online master's and bachelor's degrees that students can take from the comfort of their own homes or offices starting this fall semester. Programs starting this fall semester are: Master of Business Administration, Master of Science in Engineering Management, Master of Science in Criminal Justice, Master of Science in Respiratory Care, Master of Science in Teacher Education, Early Childhood Education, Bachelor of Science in Public Health and Bachelor of Science in Applied Science in Allied Health

- For the fourth consecutive year, YSU was named to the President's Higher Education Community Service Honor Roll, the highest federal recognition a college or university can receive for its commitment to volunteering, service-learning and civic engagement.

- The Youngstown State University English Festival celebrated its 35th year this past spring and welcomed its 100,000th student participant.

- The new home of YSU's Business College, Williamson Hall, featuring cutting-edge energy-efficient design and systems, was awarded LEED Gold certification by the U.S. Green Building Council, the first building on the YSU campus to earn the Gold standard.

As we begin a new chapter in YSU's storied history, I am confident that we are well positioned to meet the formidable challenges that face us because of our budget situation. As I have told the University community on several occasions, I do believe we have a very good strategic plan that was developed under Dr. Anderson's leadership, a plan that has all of the elements to move us in the right direction to serve our students and our community with valuable programs and services. Adding an "overlay" to that plan to emphasize three key "drivers" to help focus and energize our strategic plan (enrollment, engagement and excellence), I believe will solidify the tactical work of meeting the plan's most important goals.

After three months on the job, I know we have the right people here to accomplish important advances for our students and our community, and I am inspired by the Penguin pride, loyalty and "can-do" culture that is at the heart of this great University.

Sincerely yours,

Randy J. Dunn
President

Crowe Horwath LLP
Independent Member Crowe Horwath International

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Youngstown State University
Youngstown, Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component unit of the Youngstown State University (the "University"), a component unit of the State of Ohio, as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of the Youngstown State University Foundation. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the University for the discretely presented component unit, is based solely on the report of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of Youngstown State University Foundation were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 the aggregate discretely presented component unit of the University, as of June 30, 2013 and 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A) on pages 6 through 19 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's financial statements. The schedule of expenditures of federal awards as required by *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* are presented for purposes of additional analysis and are not a required part of the financial statements.

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

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards,* we have also issued our report dated October 14, 2013 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

Crowe Horwath LLP

Crowe Horwath LLP

Columbus, Ohio
October 14, 2013

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, 2013 with comparative information for the fiscal years ended June 30, 2012 and June 30, 2011. This discussion has been prepared by management and should be read in conjunction with the financial statements and the accompanying notes that follow.

During fiscal year 2013, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,* and certain other new GASB statements became effective. Please see *Adoption of New Accounting Pronouncements* in Note 1 of the financial statements for further details.

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 2013 enrollment is 13,381.

Using the Financial Statements

The University's financial report includes three basic financial statements: the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, 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*, as amended by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus;* 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) 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. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus,* The Youngstown State University Foundation (YSUF or Foundation) is treated as component unit of the University. The Foundation is discretely presented in this report by presentation of the individual financial statements immediately following the University's respective GASB financial statements. Additional information on component units is contained in Note 17. Management's Discussion and Analysis focuses on the University and does not include the component unit.

Complete financial statements for the Youngstown State University Foundation can be obtained from The Youngstown State University Foundation, 606 Wick Avenue, Youngstown, Ohio 44502.

Financial and Other University Highlights

- Announced the hiring of the University's eighth President, Dr. Randy Dunn
- Continued decline in enrollment
- Continued decline in State support
- Continued healthy Senate Bill 6 ratios
- Decreased health care costs resulting from changes in the health care benefit plans
- Completed renovation of the Pollock House
- Continued implementation of a Strategic Planning Initiative focusing on four Cornerstones: Accounting and Sustainability, Student Success, Urban Research University Transition, and Regional Engagement
- Awarded LEED Gold certification by the U.S. Green Building Council for the new Williamson College of Business Administration building which features cutting-edge energy-effective design and systems

- Awarded an Engineering Excellence Award in two categories – Building/Technology Systems and Energy – from the American Council of Engineering Companies of Ohio along with LEED Silver certification by the U.S. Green Building Council for the new Watson and Tressel Training Site

The Statements of Net Position

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 position – is an indicator of the current financial condition of the University.

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

	June 30, 2013	June 30, 2012	June 30, 2011
Assets			
Current assets	$ 68,038,365	$ 67,998,180	$ 96,018,091
Capital assets, net	201,197,373	198,967,315	198,498,179
Other assets	31,773,861	31,574,900	35,186,161
Total Assets	301,009,599	298,540,395	329,702,431
Liabilities			
Current liabilities	26,017,851	22,232,197	46,809,016
Noncurrent liabilities	82,465,934	84,452,709	89,390,197
Total Liabiltities	108,483,785	106,684,906	136,199,213
Total Net Position	$ 192,525,814	$ 191,855,489	$ 193,503,218
Net Position			
Invested in capital assets	$ 134,408,668	$ 135,463,081	$ 140,443,646
Restricted	28,154,243	27,256,853	26,280,372
Unrestricted	29,962,903	29,135,555	26,779,200
Total Net Position	$ 192,525,814	$ 191,855,489	$ 193,503,218

Assets

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

	June 30, 2013	June 30, 2012	June 30, 2011
Cash and cash equivalents	$ 22,898,563	$ 25,918,304	$ 28,926,599
Investments	55,039,561	51,146,119	58,100,738
Accounts, loans and pledges receivable, net	17,945,418	18,197,442	20,899,105
Bond proceeds receivable	-	-	19,006,093
Capital assets, net	201,197,373	198,967,315	198,498,179
Other	3,928,684	4,311,215	4,271,717
Total Assets	$ 301,009,599	$ 298,540,395	$ 329,702,431

Cash and cash equivalents decreased $3 million or 12% from fiscal year 2012 to fiscal year 2013. The net decrease resulted from a combination of decreased enrollment and state funding, reduction of operating expenses through cost containment measures, and the spending of prior year's bond proceeds on capital projects. Deposits held by Trustee totaled $7.2 million at June 30, 2013 compared to $13.1 million at June 30, 2012. Investments increased $3.9 million or 8% from fiscal year 2012 to fiscal year 2013 due to a favorable market environment. 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.

Overall, net accounts, loans, and pledges receivable remained fairly consistent at June 30, 2013 compared to June 30, 2012. Although gross student accounts receivable remained flat, there was a notable increase in the allowance for doubtful accounts, primarily due to the projected uncollectability of accounts resulting from the return of Title IV funds. Management is reviewing internal policies and procedures and collection efforts to minimize and manage the risk of bad debt. Net pledges receivable increased slightly over the prior year due to a combination of payments on pledges for the WCBA Building and the WATTS Indoor Athletic Facility; and new pledges for a Veterans Resource Center, an outdoor athletic facility and a Center of Health and Welfare.

Cash and cash equivalents decreased $3 million or 10% from fiscal year 2011 to fiscal year 2012; whereas investments decreased $7 million or 12%. Decreased enrollment, reduced state funding, and elimination of the federal stimulus funding contributed to the overall decrease. In addition, there was $6.9 million of prior year bond proceeds spent on capital projects and $2.7 million in Early Retirement Incentive Program (ERIP) payments. Refer to Notes 3 and 4 for additional information on cash and cash equivalents, and investments.

Overall, net accounts, loans and pledges receivable decreased $2.7 million or 13% from fiscal year 2011 to fiscal year 2012. Gross student accounts receivables increased $1.4 million primarily due to the impact of tuition increases. Federal grants and contracts decreased $1.1 million the result of a decrease in year end activity compared to the prior year. The $1.1 million increase in the allowance for doubtful accounts reflects the continued impact of Title IV federal financial aid changes. Net pledges decreased $1.7 million largely due to payment of pledges for the WCBA Building and the WATTS Indoor Athletic Center. See Notes 5 and 6 for additional information on net accounts, loans, and pledges receivable.

At June 30, 2013, the University had $201,197,373 in capital assets, net of accumulated depreciation. Depreciation totaled $10,444,021, $10,452,082, and $9,385,589 in fiscal years 2013, 2012, and 2011 respectively. Details of net capital assets are shown below.

	June 30, 2013	June 30, 2012	June 30, 2011
Land	$ 15,686,564	$ 15,457,264	$ 15,443,959
Buildings, net	125,083,004	130,490,412	124,511,560
Improvements to buildings, net	31,240,519	24,438,181	25,143,095
Improvements other than buildings, net	12,758,004	12,055,358	8,209,081
Construction in progress	8,523,237	8,826,015	16,786,160
Moveable equipment and furniture, net	7,024,231	6,901,000	7,701,938
Vehicles, net	246,348	227,950	226,492
Historical treasures	635,466	570,466	457,218
Capital leased assets, net	-	669	18,676
Total Capital Assets, net	$ 201,197,373	$ 198,967,315	$ 198,498,179

Major capital activity during fiscal year 2013 included completion of the Pollock House renovation, home to YSU's President. Construction continued on an outdoor athletic facility that includes a new soccer field, track, and softball field. Interior renovations began on Cushwa and Debartolo Halls, two of YSU's academic buildings, which are scheduled to be completed by the start of Fall semester in August. A second phase of improvements in DeBartolo Hall will take place next summer. These three projects are included in construction in progress at June 30, 2013.

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

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

See Note 7 for additional information on capital assets.

Liabilities

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

	June 30, 2013	June 30, 2012	June 30, 2011
Accounts and construction payable	$ 5,657,067	$ 4,266,084	$ 5,729,657
Payable to University Housing Corporation	-	-	17,214,945
Payroll liabilites	8,491,849	7,851,257	11,195,521
Notes payable	3,303,103	4,329,923	5,321,732
Bonds and capital leases payable, net	70,293,249	72,048,760	73,334,860
Unearned revenue	7,099,828	4,802,290	6,081,217
Compensated absences	9,917,913	9,032,479	12,065,045
Refundable advance	2,635,179	2,684,953	2,741,340
Other	1,085,597	1,669,160	2,514,896
Total Liabilities	$ 108,483,785	$ 106,684,906	$ 136,199,213

Total liabilities increased $1.8 million or 1.7% from fiscal year 2012 to fiscal year 2013. Accounts and construction payable increased $1.4 million over the prior year primarily due to increased year end activity for renovations on academic buildings. Payroll liabilities increased largely due to timing of payment of retirement liabilities. Notes and Bonds payable decreased $2.8 million due to scheduled debt service payments. Unearned revenue increased $2.3 million due to amounts received from grants and contract sponsors that have not yet been earned and from gifts that have not met eligibility requirements. Compensated absences increased largely due to an increase in estimated accrued sick leave balances. Other liabilities decreased approximately $600,000 due to payment of the prior year's unpaid costs associated with the Faculty Severance Plan.

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

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.

Net Position

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

	June 30, 2013	June 30, 2012	June 30, 2011
Invested in capital assets	$ 134,408,668	$ 135,463,081	$ 140,443,646
Restricted-nonexpendable	7,162,823	6,535,407	5,980,963
Restricted-expendable	20,991,420	20,721,446	20,299,409
Unrestricted	29,962,903	29,135,555	26,779,200
Total Net Position	$ 192,525,814	$ 191,855,489	$ 193,503,218

Overall, the University's total net position remained relatively flat compared to the prior year. The net position was $192.5 million at June 30, 2013 compared to $191.9 million at June 30, 2012. The slight increase resulted from excess revenues over expenses and includes a $1.1 million decrease in the net amount invested in capital assets, a $900,000 increase in restricted net position, and an $800,000 increase in unrestricted net position.

The amount invested in capital assets consists of capital assets net of accumulated depreciation and reduced by outstanding balances of bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets and increased by unspent borrowings at year end. The overall decrease of $1.1 million from fiscal year 2012 to fiscal year 2013 was due to the spending of $6 million for capital projects financed with bond proceeds a $2.8 million reduction in outstanding debt, net capital additions of $12.7 million and current year depreciation of $10.4 million. Outstanding plant debt was $73,596,352 and unspent bond proceeds were $6,095,020 compared to $76,378,683 and $12,075,282 at June 30, 2012.

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

The overall decrease of net position invested in capital assets of $5 million from fiscal year 2011 to fiscal year 2012 was largely due to the spending of $7.6 million for capital projects financed with bond proceeds, a $2.3 million reduction in outstanding debt, net capital assets additions of $10.9 million and depreciation of $10.5 million. Outstanding plant debt was $76,378,683 and unspent bond proceeds were $12,075,282 at June 30, 2012 compared to $78,656,592 and $19,690,217 at June 30, 2011.

Restricted non-expendable net position consists primarily of endowment funds held by the University. Changes in this category are driven primarily by investment performance, which was positive in both fiscal years 2013 and 2012.

Restricted expendable net position is 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 position at:

	June 30, 2013	June 30, 2012	June 30, 2011
Current funds	$ 8,423,655	$ 7,166,503	$ 6,525,880
Plant funds	12,372,096	13,359,692	13,651,000
Quasi-Endowments	137,377	131,963	56,963
Loan funds	58,292	63,288	65,566
Total Restricted Expendable Net Position	$ 20,991,420	$ 20,721,446	$ 20,299,409

Total restricted expendable net position was $21 million at June 30, 2013 compared to $20.7 million at June 30, 2012. Current restricted funds include grants and sponsored programs and gifts, including scholarship donations and program support. These funds increased slightly from $7.2 million at June 30, 2012 to $8.4 million at June 30, 2013. Plant funds primarily include donations and pledges for construction or renovation. Approximately $10.6 million of the $12.4 million balance at June 30, 2013 relates to gifts which have been internally designated for future debt service attributed to those projects.

Total restricted expendable net position was $20.7 million at June 30, 2012 compared to $20.3 million at June 30, 2011. Current restricted funds increased slightly from $6.5 million at June 30, 2011 to $7.1 million at June 30, 2012. Approximately $10.5 million of the $13.4 million plant fund balance at June 30, 2012 related to gifts which were internally designated for future debt service attributed to those projects.

Unrestricted net position is not subject to externally imposed restrictions and is designated for future operations, plant construction and maintenance, and debt service. The following table summarizes unrestricted net position at:

	June 30, 2013	June 30, 2012	June 30, 2011
Current funds	$ 7,979,549	$ 7,356,124	$ 6,143,978
Operating reserves	8,772,753	8,670,049	8,549,683
Plant funds	13,188,674	13,084,030	12,058,242
Loan funds	21,927	25,352	27,297
Total Unrestricted Net Position	$ 29,962,903	$ 29,135,555	$ 26,779,200

Total unrestricted net position was $29.9 million at June 30, 2013 compared to $29.1 million at June 30, 2012. The increase of approximately $800,000 from fiscal year 2012 to fiscal year 2013 reflects generally the excess of revenues over expenses during fiscal year 2013 from non capital asset activity.

Total unrestricted net position was $29.1 million at June 30, 2012 compared to $26.8 million at June 30, 2011. The $2.3 million increase reflects generally the excess of revenues over expenses during fiscal year 2012 from non capital asset activity.

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

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 position follows:

	June 30, 2013	June 30, 2012	June 30, 2011
Operating Revenues			
Net tuition, fees and other student charges	$ 88,938,239	$ 88,491,653	$ 85,801,400
Auxiliary enterprises	22,070,093	22,105,338	19,330,455
Grants and contracts	10,249,636	10,200,470	14,153,120
Other	2,216,714	2,466,280	2,391,157
Total Operating Revenues	123,474,682	123,263,741	121,676,132
Operating Expenses	200,381,753	202,319,959	220,457,885
Operating Loss	(76,907,071)	(79,056,218)	(98,781,753)
Nonoperating Revenues (Expenses)			
Federal and state appropriations	38,480,351	39,347,845	46,720,852
Gifts, grants, and contracts	36,186,489	38,219,829	40,130,229
Investment income	3,635,834	1,360,702	4,226,478
Other	(5,433,031)	(3,703,386)	(4,202,364)
Net Nonoperating Revenues	72,869,643	75,224,990	86,875,195
Loss Before Other Revenues, Expenses, and Changes	(4,037,428)	(3,831,228)	(11,906,558)
Other Revenues, Expenses, and Changes			
State capital appropriations	2,904,410	133,552	998,881
Capital grants and gifts	1,686,317	1,578,453	4,082,194
Other	117,026	471,494	14,636
Contribution of capital to UHC	-	-	(3,042,902)
Total Other Revenues, Expenses, and Changes	4,707,753	2,183,499	2,052,809
Change in Net Position	670,325	(1,647,729)	(9,853,749)
Net Position at Beginning of the Year	191,855,489	193,503,218	203,356,967
Net Position at End of the Year	$ 192,525,814	$ 191,855,489	$ 193,503,218

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:

	June 30, 2013	June 30, 2012	June 30, 2011
Net tuition, fees, and other student charges	$ 88,938,239	$ 88,491,653	$ 85,801,400
Gifts, grants and contracts	48,239,468	50,470,246	58,380,179
State appropriations	38,480,351	39,347,845	39,992,134
Federal appropriations	-	-	6,728,718
Auxiliary enterprises	22,070,093	22,105,338	19,330,455
Investment income	3,635,834	1,360,702	4,226,478
Other revenue	2,583,283	2,903,865	2,660,784
State capital appropriations	2,904,410	133,552	998,881
Total Revenues	$ 206,851,678	$ 204,813,201	$ 218,119,029

Overall, the University's total revenues increased $2 million or 1% between fiscal year 2013 and fiscal year 2012. The majority of the University's revenue, 62% in both fiscal years 2013 and 2012 is attributed to State appropriations, and net tuition and fees. Combined, these two revenue streams decreased $420,000 in fiscal year 2013 from fiscal year 2012.

Net tuition, fees and other student charges remained relatively flat from fiscal year 2012 to fiscal year 2013 due to a combination of increased tuition and fees, and decreased enrollment. Gifts, grants, and contracts decreased $2.2 million or 4% over the prior year primarily due to a combination of a decrease in federal grant activity, including a $4 million decrease in Pell Grants due to decreased enrollment, an increase in state grant activity, including increased state support for the Ohio College Opportunity Grants and a $1 million multi-year pledge for a Center for Health and Welfare. Capital gifts and grants increased slightly from $1.6 million in fiscal year 2012 to $1.7 million in fiscal year 2013. Current year activity included $1.1 million in pledges and gifts for an outdoor athletic facility and a Veterans Resource Center. Investment income increased $2.3 million or 167% primarily due to unrealized gains in equities. State Capital Appropriations increased $2.8 million from fiscal year 2012 to fiscal year 2013 due to the prior year's capital activity being financed with bond proceeds and gifts.

Overall, the University's total revenues decreased $13.3 million or 6% between fiscal year 2012 and fiscal year 2011. The majority of the University's revenue, 62% in fiscal year 2012 and 61% in fiscal year 2011 was attributed to Federal and State appropriations, and net tuition and fees. Combined, these two revenue streams decreased $4.7 million in fiscal year 2012 from fiscal year 2011.

Net tuition, fees and other student charges increased $2.7 million or 3%, due to increased tuition and mandatory fees. Gifts, grants, and contracts decreased $7.9 million or 14% over the prior year primarily due to a combination of a $2.7 million decrease in federal grant activity including a $1 million decrease due to elimination of the Academic Competitiveness and the National SMART federal aid grants, a $2.6 million decrease in Pell Grants due to decreased enrollment, a $1.2 million decrease in Ohio College Opportunity Grants due to decreased enrollment and an overall decrease in state funding, and a $1.4 million decrease in gifts due to completion of fundraising for the WATTS Center. Combined, Federal and State appropriations decreased $7.4 million from fiscal year 2011 to fiscal year 2012. The University received $6.7 million in Federal stimulus funds as a pass through the State Share of Instruction (SSI) to offset reductions in State appropriation in both fiscal years 2011 and 2010; whereas these funds were not received in fiscal year 2012. The $2.8 million increase in Auxiliary Enterprises resulted mainly from first year activity of the University Courtyard Apartments. Investment income decreased $2.9 million or 68% primarily due to a lower asset base and lower interest yields on fixed income investments compared to the prior year. State Capital appropriations decreased $.9 million or 87% from fiscal year 2011 to fiscal year 2012, primarily due to utilization of bond proceeds and gifts for capital projects. Approximately $10.1 million in Capital appropriations has been re-appropriated for future projects.

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 Position. The table below summarizes the natural classification.

	June 30, 2013	June 30, 2012	June 30, 2011
Compensation	$ 121,308,570	$ 126,365,366	$ 139,775,937
Operations	45,142,640	41,496,195	44,852,343
Scholarships	23,399,981	23,911,055	26,360,841
Depreciation and Amortization	10,530,562	10,547,343	9,468,764
Total Operating Expenses	$ 200,381,753	$ 202,319,959	$ 220,457,885

Total operating expenses decreased $1.9 million or 1% between fiscal year 2013 and fiscal year 2012. The $5.1 million or 4% decrease in compensation included a $3 million decrease salaries and wages and a $2.1 million decrease in fringe benefits. Personnel costs were lower in fiscal year 2013 compared to fiscal year 2012 largely due to the continued impact of an early retirement incentive plan (ERIP) and a faculty severance plan which resulted in staff and faculty vacancies. In addition, there were no contractual compensation increases in fiscal year 2013 and health care costs decreased $3 million due to reduced claims and increased employee contributions. Operations expenses increased $3.6 million or 9% primarily due to increased bad debt and utility costs. The increase in bad debt is attributed to the projected uncollectability of student accounts resulting from the return of Title IV funds. Despite unit costs increases in utilities, consumption per square foot has been controlled by energy conservation efforts.

A large portion of all financial aid is classified as scholarship allowance on the Statement of Revenues, Expenses and Changes in Net Position. Therefore, the $.5 million decrease in scholarship expense between fiscal year 2013 and fiscal year 2012 is a partial reflection of a combination of a $4 million decrease in federal financial aid for Pell grant recipients and $.5 million increase in state supported aid, primarily the Ohio College Opportunity Grants. Overall, the University disbursed $43.8 million to students in fiscal year 2013, including $26 million in Federal Pell grants compared to $46.8 million and $29.9 million in fiscal year 2012, respectively.

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

The $2.4 million decrease in scholarship expense between fiscal year 2012 and fiscal year 2011 was a partial reflection of a combination of a $2.6 million decrease in federal financial aid for Pell grant recipients, a $1.2 million reduction in state supported aid, and a $.5 million increase in scholarship donations. Overall, the University disbursed $46.8 million to students in fiscal year 2012, including $29.9 million in Federal Pell grants compared to $50.9 million and $34 million in fiscal year 2011, respectively.

Total operating and non-operating expenses were $206,181,353, $206,460,930, and $227,972,778, in fiscal years 2013, 2012 and 2011, 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

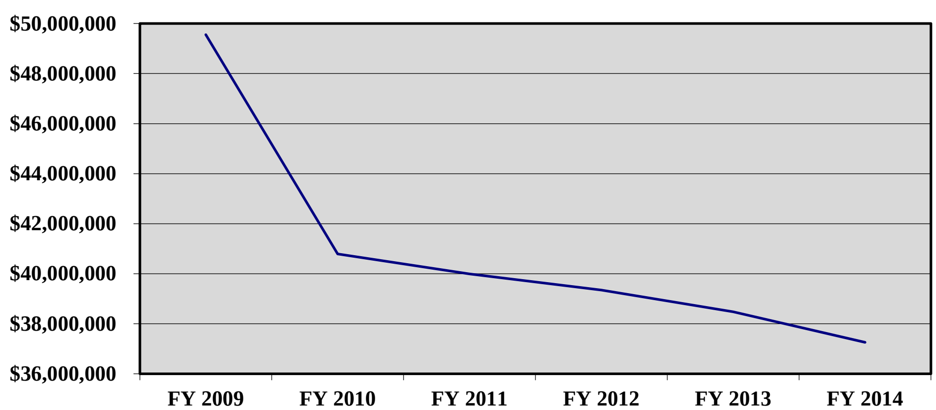
Looking to the future, management believes the University is well-positioned to continue its favorable financial condition and level of excellence in service to students. The University's healthy financial position is reflected in its Senate Bill 6 (SB6) composite scores. These scores are required to 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, 2013 was 3.3 compared to 2.6 at June 30, 2012 and 2.3 at June 30, 2011. The increase in the composite score in fiscal year 2013 reflects the effect of the increase in unrestricted net position and the reduction of long term debt.

Despite interim increases in state funding during the fiscal years 2010-2011 biennium that were funded by a one-time infusion of $619 million federal stimulus dollars from the American Recovery & Reinvestment Act, the trend in state funding over the past decade has been decidedly negative. Consequently, a structural deficit in the state's higher education budget continues to result in declines in state funding appropriations. A further reduction to the University's state appropriations of $1.1 million is expected for fiscal year 2014.

The reduction in state funding support was partially offset by an increase in tuition and fees of 3.5% for fiscal year 2013 and 2.4% in fiscal year 2014. However, the University's enrollment levels have steadily fallen each year since fiscal year 2012, creating additional budgetary challenges and uncertainty about the future.

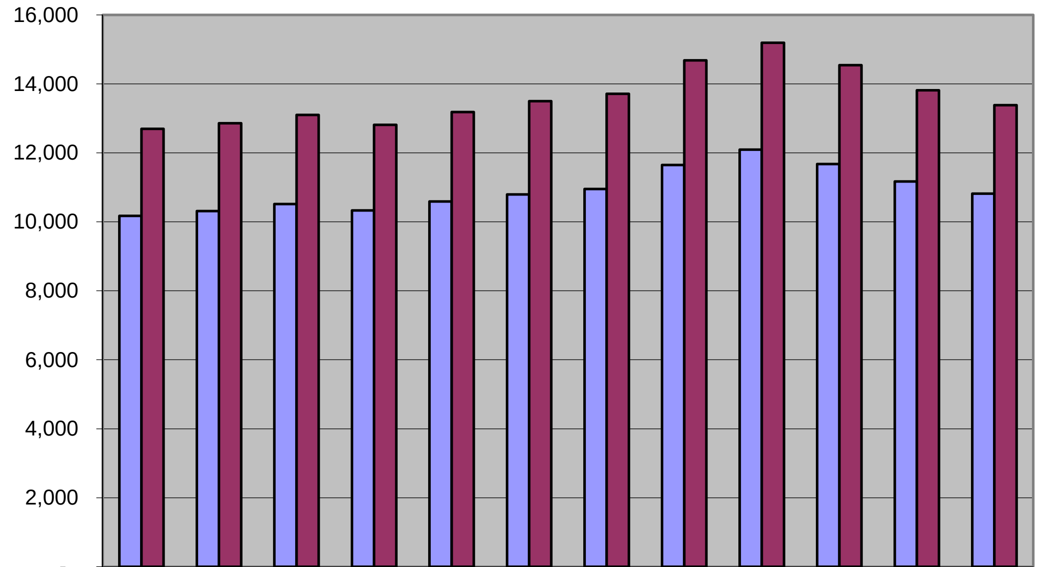
The following graph reflects five years actual data for State Appropriations plus the budgeted amount for fiscal year 2014. Fiscal years 2010 and 2011 do not include federal stimulus funds.

State Appropriations
Fiscal Years 2009 through 2014



The following graph reflects fall enrollment trends.

**Fall Semester Enrollment Trends
2002 through 2013**



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Full-Time Equivalent	10,171	10,311	10,518	10,332	10,590	10,796	10,953	11,649	12,093	11,677	11,171	10,819
Headcount	12,698	12,858	13,101	12,812	13,183	13,497	13,712	14,682	15,194	14,541	13,813	13,381

The continued reductions in state funding and enrollment necessitate the University to take actions to mitigate enrollment and tuition pressure by increasing retention efforts, out of state recruitment and investing resources in web-based programs. The University continues to control operating expenses, especially personnel costs.

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

YOUNGSTOWN STATE UNIVERSITY

Statements of Net Position at June 30, 2013 and 2012

	June 30, 2013	June 30, 2012
ASSETS		
Current Assets		
Cash and cash equivalents	$ 22,898,563	$ 25,918,304
Investments	29,631,200	25,454,058
Restricted investments	-	58,909
Interest receivable	119,083	128,939
Accounts receivable, net	9,822,573	10,334,135
Pledges receivable, net	2,368,109	2,335,406
Loans receivable, net	398,728	385,320
Inventories	1,767,566	1,806,882
Prepaid expenses and unearned charges	1,032,543	1,576,227
Total Current Assets	68,038,365	67,998,180
Noncurrent Assets		
Investments	18,369,540	19,248,586
Endowments and other restricted investments	7,038,821	6,384,566
Pledges receivable, net	3,515,580	3,303,096
Loans receivable, net	1,840,428	1,839,485
Unamortized bond issue cost	712,627	799,167
Cash surrender value of life insurance	296,865	-
Nondepreciable capital assets	24,845,267	24,853,745
Depreciable capital assets, net	176,352,106	174,113,570
Total Noncurrent Assets	232,971,234	230,542,215
Total Assets	301,009,599	298,540,395
LIABILITIES AND NET POSITION		
Current Liabilities		
Accounts payable	3,176,441	2,656,612
Construction payable	2,480,626	1,609,472
Payroll liabilities	8,491,849	7,851,257
Bonds payable	1,735,000	1,685,000
Notes payable	1,063,067	1,026,820
Capital leases payable	-	806
Compensated absences	885,443	930,780
Unearned revenue	7,099,828	4,802,290
Other liabilities	1,085,597	1,669,160
Total Current Liabilities	26,017,851	22,232,197
Noncurrent Liabilities		
Bonds payable, net	68,558,249	70,362,954
Notes payable	2,240,036	3,303,103
Compensated absences	9,032,470	8,101,699
Refundable advance	2,635,179	2,684,953
Total Noncurrent Liabilities	82,465,934	84,452,709
Total Liabilities	108,483,785	106,684,906
NET POSITION		
Invested in capital assets	134,408,668	135,463,081
Restricted - Nonexpendable	7,162,823	6,535,407
Restricted - Expendable	20,991,420	20,721,446
Unrestricted	29,962,903	29,135,555
Total Net Position	$ 192,525,814	$ 191,855,489

See accompanying notes to financial statements.

Statements of Financial Position at June 30, 2013 and 2012

	June 30, 2013	June 30, 2012
ASSETS		
Cash and cash equivalents	$ 2,923,229	$ 5,419,999
Accrued interest receivable	66,851	266,224
Prepaid insurance	8,316	12,655
Property acquired for resale to Youngstown State University	61,321	43,931
Investments-at fair value		
Common stock	42,550,036	139,186,976
Preferred stock	889,310	4,733,018
Mutual funds	25,115,807	-
Fixed income securities		
U.S. Government and Agencies	209,205	5,618,905
Corporate	22,635,356	33,209,361
Temporary cash investments	114,328,828	2,049,234
	205,728,542	184,797,494
Contribution receivable from remainder trusts	1,962,843	1,857,264
Cash surrender value of insurance policies	-	22,323
Office furniture and equipment, at cost, less accumulated depreciation of $43,392 in 2013 and $40,086 in 2012	19,581	15,366
TOTAL ASSETS	$ 210,770,683	$ 192,435,256
LIABILITIES AND NET ASSETS		
Accounts payable	$ 4,398	$ 7,508
Grant commitments to Youngstown State University for scholarship awards	5,144,741	5,157,940
TOTAL LIABILITIES	5,149,139	5,165,448
NET ASSETS		
Unrestricted		
Designated by Board for endowment	150,585,496	135,491,552
Undesignated	269,320	2,510,225
	150,854,816	138,001,777
Temporarily restricted	2,748,261	2,409,930
Permanently restricted	52,018,467	46,858,101
TOTAL NET ASSETS	205,621,544	187,269,808
TOTAL LIABILITIES AND NET ASSETS	$ 210,770,683	$ 192,435,256

See accompanying notes to financial statements.

YOUNGSTOWN STATE UNIVERSITY

Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended June 30, 2013 and 2012

	June 30, 2013	June 30, 2012
OPERATING REVENUES		
Tuition, fees, and other student charges (net of scholarship allowance of $20,440,155 in 2013 and $22,847,852 in 2012)	$ 88,938,239	$ 88,491,653
Federal grants and contracts	4,333,700	5,252,707
State grants and contracts	5,321,145	4,327,817
Local grants and contracts	184,663	252,137
Private grants and contracts	410,128	367,809
Sales and services	525,596	500,879
Auxiliary enterprises	22,070,093	22,105,338
Other operating revenues	1,691,118	1,965,401
Total Operating Revenues	123,474,682	123,263,741
OPERATING EXPENSES		
Instruction	68,182,874	71,365,454
Research	2,877,032	3,001,098
Public service	4,964,058	5,668,665
Academic support	14,014,648	13,698,874
Student services	8,525,638	8,780,164
Institutional support	26,986,977	25,712,030
Operation and maintenance of plant	15,356,351	14,797,582
Scholarships	20,586,195	21,033,400
Auxiliary enterprises	28,357,418	27,715,348
Depreciation and amortization	10,530,562	10,547,344
Total Operating Expenses	200,381,753	202,319,959
Operating Loss	(76,907,071)	(79,056,218)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	38,480,351	39,347,845
Federal grants	26,478,422	30,462,830
Private gifts	9,708,067	7,756,999
Unrestricted investment income, net of investment expense	2,830,320	1,012,197
Restricted investment income, net of investment expense	805,514	348,505
Interest on capital asset-related debt	(3,105,933)	(2,668,571)
Other nonoperating expenses, net	(2,327,098)	(1,034,815)
Net Nonoperating Revenues	72,869,643	75,224,990
Loss Before Other Revenues, Expenses, and Changes	(4,037,428)	(3,831,228)
OTHER REVENUES, EXPENSES, AND CHANGES		
State capital appropriations	2,904,410	133,552
Capital grants and gifts	1,686,317	1,578,453
Additions to the principal of endowments	117,026	471,494
Total Other Revenues, Expenses, and Changes	4,707,753	2,183,499
Change In Net Position	670,325	(1,647,729)
NET POSITION		
Net Position at Beginning of the Year	191,855,489	193,503,218
Net Position at End of the Year	$ 192,525,814	$ 191,855,489

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, 2013 and 2012

	June 30, 2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT:				
Contributions	$ 574,191	$ 365,000	$ 1,288,690	$ 2,227,881
Investment earnings	6,038,444	39,515	-	6,077,959
Liquidating dividends	-	-	-	-
Net realized gain on sale of investments	12,377,901	67,626	2,083,295	14,528,822
Net unrealized gain on long-term investments	1,986,262	118,826	1,682,802	3,787,890
Increase in value of deferred gifts	-	-	105,579	105,579
Net assets released from restrictions	252,636	(252,636)	-	-
TOTAL REVENUES, GAINS AND OTHER SUPPORT	21,229,434	338,331	5,160,366	26,728,131
EXPENDITURES AND OTHER DISTRIBUTIONS:				
Administrative expenditures	914,899	-	-	914,899
Distribution to Youngstown State University:				
Grants for property	267	-	-	267
Scholarships and other	7,457,894	-	-	7,457,894
Benefits for retired Youngstown University faculty	3,335	-	-	3,335
TOTAL EXPENDITURES AND OTHER DISTRIBUTIONS	8,376,395	-	-	8,376,395
Change in Net Assets	12,853,039	338,331	5,160,366	18,351,736
Net Assets at Beginning of the Year	138,001,777	2,409,930	46,858,101	187,269,808
NET ASSETS	$ 150,854,816	$ 2,748,261	$ 52,018,467	$ 205,621,544

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

See accompanying notes to financial statements.

YOUNGSTOWN STATE UNIVERSITY

Statements of Cash Flows
For the Years Ended June 30, 2013 and 2012

	June 30, 2013	June 30, 2012
Cash Flows from Operating Activities		
Student tuition and fees	$ 87,058,941	$ 85,920,639
Federal, state, and local grants and contracts	10,602,466	10,887,963
Private grants and contracts	447,733	393,225
Sales and services of educational and other departmental activities	22,261,899	22,692,085
Payments to suppliers	(44,168,749)	(43,256,497)
Payments to employees	(91,964,333)	(98,895,013)
Payments for benefits	(27,848,653)	(33,831,672)
Payments for scholarships	(20,592,885)	(21,078,014)
Student loans issued	(408,025)	(372,916)
Student loans collected	347,045	416,121
Student loan interest and fees collected	46,535	47,518
Other receipts, net	1,808,479	1,930,847
Total Cash Flows Used In Operating Activities	(62,409,547)	(75,145,714)
Cash Flows from Noncapital Financing Activities		
Federal grants	26,422,174	30,435,698
State educational appropriations	38,480,351	39,347,845
Direct lending receipts	81,096,490	88,926,750
Direct lending disbursements	(81,098,908)	(88,899,773)
Private gifts	10,264,828	6,696,529
Additions to the principal of endowments	117,026	471,494
Other nonoperating expenses	(2,327,098)	(1,037,174)
Total Cash Flows Provided by Noncapital Financing Activities	72,954,863	75,941,369
Cash Flows from Investing Activities		
Proceeds from sale of investments	19,119,656	27,109,070
Purchase of investments	(23,013,098)	(20,154,452)
Interest on investments	3,645,690	1,463,880
Total Cash Flows Provided By (Used In) Investing Activities	(247,752)	8,418,498
Cash Flows from Capital and Related Financing Activities		
State capital appropriations	1,592,635	224,516
Private capital gifts and grants	2,736,907	3,148,883
Payment to UHC for University Courtyard Apartments	-	(17,214,945)
Purchase of capital assets	(11,737,926)	(12,256,213)
Principal payments on capital debt	(2,712,626)	(2,203,521)
Bond proceeds	-	19,006,093
Bond issue cost	-	(200,586)
Interest payments on capital debt	(3,196,295)	(2,726,675)
Total Cash Flows Used In Capital and Related Financing Activities	(13,317,305)	(12,222,448)
Change in Cash and Cash Equivalents	(3,019,741)	(3,008,295)
Cash and Cash Equivalents, Beginning of Year	25,918,304	28,926,599
Cash and Cash Equivalents, End of Year	$ 22,898,563	$ 25,918,304

YOUNGSTOWN STATE UNIVERSITY

Statements of Cash Flows (cont.)
For the Years Ended June 30, 2013 and 2012

Reconciliation of Operating Loss to Net Cash Used in Operating Activities

	June 30, 2013	June 30, 2012
Operating loss	$ (76,907,071)	$ (79,056,218)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	10,530,562	10,547,344
Provision for bad debts	3,199,800	1,823,413
Gifts in kind	15,490	142,785
Changes in assets and liabilities:		
Accounts receivable, net	(1,626,276)	(1,012,558)
Loans receivable, net	(74,160)	26,169
Inventories	39,316	266,773
Prepaid expenses and deferred charges	543,684	(522,125)
Accounts payable	519,829	239,423
Accrued and other liabilities	76,386	(4,206,284)
Unearned revenue	387,459	(361,870)
Compensated absences	885,434	(3,032,566)
Net Cash Flows Used In Operating Activities	$ (62,409,547)	$ (75,145,714)

See accompanying notes to financial statements.

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*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, the University's financial statements are included, as a discretely presented component unit, in the State of Ohio's (State) Comprehensive Annual Financial Report. In accordance with GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, the Youngstown State University Foundation's (YSUF or Foundation) financial statements are included, as a discretely presented component unit, in the University's financial report by presentation of the individual financial statements of the entity immediately following the University's respective GASB financial statements. See Note 17 for additional information regarding the University's component unit.

The University's 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. 63, resources are classified for accounting and reporting purposes into the following four net position categories:

- Invested in capital assets – 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 – Resources subject to externally imposed stipulations that they be maintained permanently by the University. Such assets include the University's permanent endowment funds.

- Restricted Expendable – Resources whose use by the University is subject to externally imposed stipulations that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time.

- Unrestricted – Resources that are not subject to externally imposed stipulations. Unrestricted resources 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 resources 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.

<u>Budget Process</u> – The operating budget for General Fund and Auxiliaries 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.

<u>Cash Equivalents</u> – 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.

<u>Investments</u> – 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 Position.

Endowment Policy – The University Endowment Fund consists of 92 named funds. Each named fund is assigned a number of shares in the University Endowment Fund based on the value of the gifts to that named fund. Investments are managed by the Foundation. The University's policy is to distribute realized gains and investment income monthly, based on each fund's pro-rata share to the total endowment shares.

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

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

Accounts Receivable – Accounts receivable consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. Also included are amounts due from federal, state, and local governments, or private sources, in connection with reimbursement of allowable expenses 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 position 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:

Classification	Estimated Life
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

Unearned Revenue – Unearned revenue includes tuition and fee revenues billed or received prior to the end of the current fiscal year end, but related to the period after the current fiscal year. Also included are amounts received from grants and contract sponsors that have not yet been earned and other resources received before the eligibility requirements are met.

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

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 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 – In fiscal year 2013, the provisions of the following GASB Statements became effective:

- GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, issued November 2010. The provisions of this Statement are effective for periods beginning after December 15, 2011. This Statement addresses how to account for and report service concession arrangements (SCAs), a type of public-private or public-public partnership into which state and local governments are increasingly entering.

- GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, issued November 2010. The provisions of this Statement are effective for periods beginning after June 15, 2012. This Statement is designed to improve financial reporting for government entities by amending the requirements of Statement No. 14, *The Financial Reporting Entity* and Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, to better meet user needs and to address reporting entity issues that have arisen since those Statements were issued in 1991 and 1999, respectively.

- GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* issued December 2010. The provisions of this Statement are effective for periods beginning after December 15, 2011. This Statement is intended to enhance the usefulness of its Codification by incorporating guidance the previously could only be found in certain Financial Accounting Standards Board and American Institute of Certified Public Accountants pronouncements.

- GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, issued June 2011. The provisions of this Statement are effective for periods beginning after December 15, 2011. This Statement is intended to improve financial reporting by providing citizens and other users of state and local government financial reports with information about how past transactions will continue to impact a government's financial statements in the future. In addition, the pronouncement does change the name of the Statement of Net Assets to the Statement of Net Position. A corresponding change has been made to the Statement of Revenues, Expenses and Changes in Net Position.

The adoption of these GASB statements had no significant impact on the University's financial condition, operating results or financial statements. In addition, because the University had no deferred outflows or deferred inflows at June 30, 2013, it has elected not to present these captions on the Statement of Net Position.

Newly Issued Accounting Pronouncements – As of June 30, 2013, the GASB issued the following statements not yet implemented by the University:

- GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities,* issued March 2012. The provisions of this Statement are effective for periods beginning after December 15, 2012. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

- GASB Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62,* issued March 2012. The provisions of this Statement are effective for periods beginning after December 15, 2012. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions,* and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

- GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27,* issued June 2012. The provisions of this Statement are effective for periods beginning after June 15, 2014. This Statement is intended to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities.

- GASB Statement No. 69, *Government Combinations and Disposals of Government Operations,* issued January 2013. The requirements of this Statement are effective for periods beginning after December 15, 2013. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations include a variety of transactions referred to as mergers, acquisitions, and transfers of operations.

- GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees,* issued April 2013. The provisions of this Statement are effective for periods beginning after June 15, 2013. This Statement specifies the information required to be disclosed by the governments that extend nonexchange financial guarantees. In addition, this Statement requires new information to be disclosed by governments that receive nonexchange financial guarantees.

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 2012 amounts to conform with the fiscal year 2013 presentation. These reclassifications had no effect on the total net position or change in net position.

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 Position.

State appropriations totaled $38,480,351 in fiscal year 2013, compared to $39,347,845 in fiscal year 2012. The State Share of Instruction (SSI) is determined annually by the Ohio Board of Regents (OBOR).

Capital appropriations from the State totaled $2,904,410 in fiscal year 2013 and $133,552 in fiscal year 2012 and included funding for equipment and the construction/major renovations of plant facilities.

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

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

Outstanding debt issued by OPFC is not included on the University's Statement of Net Position. 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 $4,240,019 and $2,240,736 at June 30, 2013 and 2012, 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, 2013 and 2012 consist of the following:

	2013	2012
Carrying Amount (Cash and cash equivalents)	$ 22,898,563	$ 25,918,304
FDIC Insured	$ 846,001	$ 875,865
Uninsured but collateralized by pools of securities pledged by the depository banks	12,507,044	15,857,196
Uninsured but assets held in name of YSU not pledged as collateral elsewhere	11,346,182	10,827,643
Bank Balance	$ 24,699,227	$ 27,560,704

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 $7,166,021 as of June 30, 2013 and $13,293,310 as of June 30, 2012, 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, 2013, all uncollateralized or uninsured deposits of the University are exposed to credit risk. The University's investment policy and asset allocation guidelines facilitate the management and monitoring of credit risk.

Note 4 – Investments

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

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

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

As of June 30, 2013, the University had the following investments and maturities using the segmented time distribution method:

		Investment maturities (in years)			
Investment Type	Fair Value	Less than 1	1-5	6-10	More than 10
U.S. Government Obligations	$ 9,203,450	$ 1,082,708	$ 7,544,158	$ 536,027	$ 40,557
Corporate Bonds	9,435,130	637,846	7,221,969	1,539,788	35,527
U.S. Government Bonds	2,492,757	2,355	252,398	1,541,014	696,990
Preferred and Common Stock	33,805,771	33,805,771	-	-	-
Other Securities	102,453	102,453	-	-	-
Totals	$ 55,039,561	$ 35,631,133	$ 15,018,525	$ 3,616,829	$ 773,074

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

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

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

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

As of June 30, 2013, investments had the following quality credit ratings:

Investment Type	Fair Value	Aaa	Aa	A	Baa	Unrated
Corporate Bonds	$ 9,435,130	$ 1,754,126	$ 878,096	$ 2,687,179	$ 3,601,701	$ 514,028
U.S. Government Bonds	2,492,757	1,985,843	506,914	-	-	-
Totals	$ 11,927,887	$ 3,739,969	$ 1,385,010	$ 2,687,179	$ 3,601,701	$ 514,028

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

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

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. As of June 30, 2013, $5,964,481 or 11% of the University's portfolio is held in a bond fund. As of June 30, 2012, $6,668,039 or 13% of the University's portfolio is held in a bond fund and $5,267,296 or 10% is held in a bond index fund. 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, 2013, 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, 2013, the University had no material exposure to foreign currency risk. The University does not address foreign currency risk in its investment policy and asset allocation guidelines.

Note 5 – Accounts and Loans Receivable

Accounts and loans receivable at June 30, 2013 and June 30, 2012 consist of the following:

	2013	2012
Accounts receivable		
Student accounts	$ 10,980,633	$ 10,903,448
Grants and contracts	1,804,110	2,374,574
State appropriations	1,369,098	57,323
Other receivables	1,775,590	1,737,770
Subtotal	15,929,431	15,073,115
Less: Allowance for doubtful accounts	6,106,858	4,738,980
Accounts receivable, net	$ 9,822,573	$ 10,334,135
Loans receivable - student notes	$ 2,941,105	$ 2,872,799
Less: Allowance for doubtful accounts	701,949	647,994
Loans receivable, net	$ 2,239,156	$ 2,224,805

Note 6 – Pledges Receivable

Unconditional promises to give to the University recorded as pledges receivable at June 30, 2013 and June 30, 2012 were as follows:

	2013	2012
Total Pledges receivable	$ 6,411,404	$ 6,022,508
Less: Allowance for doubtful accounts	297,077	280,427
Present value discount	230,638	103,579
Pledges receivable, net	5,883,689	5,638,502
Less: current portion	2,368,109	2,335,406
Pledges receivable, noncurrent portion	$ 3,515,580	$ 3,303,096

Pledges have been discounted to net present value using June 30, 2013 U.S. Treasury Note rates of 1.375% (5-year) and 1.875% (7-year) in fiscal year 2013 and 0.75% (5-year) and 1.0% (7-year) in fiscal year 2012.

Note 7 – Capital Assets

Capital assets activity for the year ended June 30, 2013 was as follows:

	Beginning Balance	Additions	Reductions	Transfers	Ending Balance
Nondepreciable assets:					
Land	$ 15,457,264	$ 229,300	$ -	$ -	$ 15,686,564
Construction in progress	8,826,015	5,888,206	360,801	(5,830,183)	8,523,237
Historical treasures	570,466	65,000	-	-	635,466
Depreciable assets:					
Buildings	280,639,465	48,483	744,705	-	279,943,243
Improvements to buildings	33,211,954	3,539,509	2,154	4,618,886	41,368,195
Improvements other than buildings	28,404,040	1,360,375	1,000,250	633,261	29,397,426
Moveable equipment and furniture	32,682,489	2,064,647	4,412,425	618,197	30,952,908
Vehicles	1,194,112	106,455	88,124	-	1,212,443
Capital leases	40,161	-	-	(40,161)	-
Total cost	401,025,966	13,301,975	6,608,459	-	407,719,482
Less accumulated depreciation:					
Buildings	150,149,053	5,204,516	493,330	-	154,860,239
Improvements to buildings	8,773,773	1,356,058	2,155	-	10,127,676
Improvements other than buildings	16,348,682	1,290,740	1,000,000	-	16,639,422
Moveable equipment and furniture	25,781,489	2,504,650	4,396,954	39,492	23,928,677
Vehicles	966,162	88,057	88,124	-	966,095
Capital leases	39,492	-	-	(39,492)	-
Total accumulated depreciation	202,058,651	10,444,021	5,980,563	-	206,522,109
Capital assets, net	$ 198,967,315	$ 2,857,954	$ 627,896	$ -	$ 201,197,373

The Pollock House, which is home to YSU's President, was completed and transferred from Construction in progress to Improvements to buildings in fiscal year 2013.

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

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

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

Note 8 – Payroll and Other Liabilities

Payroll and other liabilities at June 30, 2013 and 2012 consist of the following:

	2013	2012
Payroll liabilities:		
Accrued compensation	$ 5,685,309	$ 5,407,986
Accrued benefits	157,641	198,390
Accrued health care benefits and insurance payable	1,093,467	982,364
Retirement system contribution payable	1,555,432	1,262,517
Totals	$ 8,491,849	$ 7,851,257
Other liabilities:		
Faculty Severance Plan	$ -	$ 803,957
Deposits held in custody	337,263	362,611
Interest payable	213,858	234,514
Other liabilities	534,476	268,078
Totals	$ 1,085,597	$ 1,669,160

In March 2010, the University's Board of Trustees approved a Faculty Severance Plan to be administered by Educators Preferred Corporation. The plan was voluntary and was a one-time offer to full-time faculty who had fifteen or more years of full-time service with YSU as of the end of the 2010 Spring semester, or who were eligible to retire between December 2010 and August 14, 2011. Faculty who met the eligibility requirement could elect to either resign or retire with an effective date between December 2010 and August 14, 2011.

Encumbrances representing estimated amounts of expenses ultimately to result, if unperformed contracts in process at June 30, 2013 are completed, totaled $6.9 million compared to $5.6 million at June 30, 2012. These amounts do not constitute expenses incurred or liabilities.

Note 9 – Bonds

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

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	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				$ 18,135,000

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 construct the WATTS Center, relocate certain existing outdoor athletic facilities and pay the costs of issuance of the Series 2010 Bonds. In September 2011, approximately $9.9 million was re-allocated from the Kilcawley Center project to Academic building renovation projects.

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

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			$ 25,335,000

* 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	3.250%	3.000%	2014	$ 1,200,000
Serial Bond	3.750%	3.400%	2015	1,235,000
Serial Bond	4.000%	3.700%	2016	1,290,000
Serial Bond	4.000%	4.000%	2017	1,335,000
Serial Bond	4.125%	4.200%	2018	860,000
Serial Bond	4.375%	4.400%	2019	885,000
Serial Bond	4.500%	4.600%	2020	925,000
Serial Bond	4.625%	4.750%	2021	965,000
Serial Bond	4.750%	4.900%	2022	1,010,000
Term Bond	5.000%	5.080%	2024	2,170,000
Serial Bond	5.125%	5.180%	2025	1,170,000
Term Bond	5.250%	5.340%	2030	6,815,000
Term Bond	5.500%	5.540%	2034	6,875,000
Total				$ 26,735,000

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 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, 2013 follow (also see Note 13):

	General Receipts Bonds		
Fiscal Year	Principal	Interest	Total
2014	$ 1,735,000	$ 3,656,039	$ 5,391,039
2015	1,790,000	3,597,033	5,387,033
2016	1,865,000	3,528,252	5,393,252
2017	2,455,000	3,441,348	5,896,348
2018	2,550,000	3,334,195	5,884,195
2019-2023	14,370,000	14,718,655	29,088,655
2024-2028	17,770,000	10,560,678	28,330,678
2029-2034	27,670,000	5,017,567	32,687,567
Totals	$ 70,205,000	$ 47,853,767	$ 118,058,767

NOTE: Expected future federal subsidies for the BABs is $7,369,414

Federal subsidies received by the University were $512,683 in fiscal year 2013 and $535,999 in fiscal year 2012. These are reported as non-operating federal grant revenue. Interest expense on indebtedness was $3,105,933 in fiscal year 2013 and $2,668,571 fiscal year 2012. On construction-related debt, net interest cost of $662,766 was capitalized in fiscal year 2013, and $1,123,283 in fiscal year 2012.

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.

Details of the installment schedule follows (also see Note 13):

Fiscal Year	Principal	Interest	Total
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	$ 3,303,103	$ 235,897	$ 3,539,000

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 – Operating Lease

The University, in its sixth renewal option which ends June 30, 2015, has as an operating lease for the purpose of classroom and general office purposes. The University has another operating lease for the usage of mailroom equipment which ends April 30, 2016 and bears interest at 9.904%.

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

Year Ending June 30,	Classroom	Mailroom Equipment	Total
2014	$ 159,005	$ 34,056	$ 193,061
2015	159,005	34,056	193,061
2016	-	28,380	28,380
Total future minimum lease payments	318,010	96,492	414,502
Less amount representing maintenance	-	31,246	31,246
Less amount representing interest	-	8,558	8,558
Total obligations under operating leases	$ 318,010	$ 56,688	$ 374,698

Note 12 – Compensated Absences

During fiscal year 2009, the University's Board of Trustees authorized the development of a limited Early Retirement Incentive Program (ERIP) for all eligible employees who are members of the Ohio Public Employees Retirement System (OPERS). The effective period for eligibility determination in the planned ERIP was January 1, 2011 through December 31, 2011. The University purchased up to two (2) years of service credit for eligible employees who voluntarily participated. The University abided by the rules as established by (OPERS) except as otherwise specified in labor agreements. Expenses of $833,711 in fiscal year 2012 are reflected in the Statement of Revenues, Expenses and Changes in Net Position. Also see Note 13.

Note 13 – Long-Term Liabilities

Long-term liability activity (also see Notes 9-12) for the year ended June 30, 2013 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds payable					
General receipts bonds principal	$ 71,890,000	$ -	$ 1,685,000	$ 70,205,000	$ 1,735,000
Unamoritized premium/discount	157,954	-	69,705	88,249	-
Bonds payable, net	72,047,954	-	1,754,705	70,293,249	1,735,000
Note payable	4,329,923	-	1,026,820	3,303,103	1,063,067
Capital leases payable	806	-	806	-	-
Compensated absences	9,032,479	885,434	-	9,917,913	885,443
Refundable advance	2,684,953	36,117	85,891	2,635,179	-
Other liabilities	803,957	-	803,957	-	-
Total long-term liabilities	$ 88,900,072	$ 921,551	$ 3,672,179	$ 86,149,444	$ 3,683,510

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

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

Note 14 - Retirement Plans

Basic Retirement Benefits

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

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

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

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

Alternative Retirement Plan

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

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 fiscal years follow:

Employee Contribution Rate						
Period	STRS		OPERS		OPERSLE	
	Traditional	ARP	Traditional	ARP	Traditional	ARP
1/1/13-6/30/13	10.0%	10.0%	10.0%	10.0%	12.6%	12.6%
1/1/12-12/31/12	10.0%	10.0%	10.0%	10.0%	12.1%	12.1%
1/1/11-12/31/11	10.0%	10.0%	10.0%	10.0%	11.6%	11.6%
7/1/10-12/31/10	10.0%	10.0%	10.0%	10.0%	11.1%	11.1%

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

Employer Contribution Rate								
Period	STRS			OPERS			OPERSLE	
	Traditional	ARP		Traditional	ARP		Traditional	ARP
		STRS	ARP		OPERS	ARP		
1/1/11-6/30/13	14.00%	3.50%	10.50%	14.00%	0.77%	13.23%	18.10%	18.10%
7/1/10-12/31/10	14.00%	3.50%	10.50%	14.00%	0.77%	13.23%	17.87%	17.87%

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		
2013	$ 5,178,454	$ 215,196	$ 645,879	$ 4,847,954	$ 41,891	$ 719,884	$ 262,764	$ -
2012	$ 5,581,018	$ 226,206	$ 684,577	$ 5,495,523	$ 42,946	$ 734,723	$ 224,091	$ -
2011	$ 5,795,702	$ 213,889	$ 641,948	$ 5,557,471	$ 39,352	$ 682,041	$ 217,456	$ -

The OPERS employee contributions to the ARP totaled $544,131 and the STRS Ohio employee contributions to the ARP totaled $615,122.

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 2013, 2012 and 2011. The portion of the University's 2013, 2012 and 2011 contributions to STRS Ohio used to fund post-employment benefits was $369,890, $398,644 and $413,979, respectively.

Ohio Public Employees Retirement System

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

OPERS' Post Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0% during calendar years 2012 and 2011, 5.5% from 1/1/10-2/28/10 and 5.0% from 3/1/10-12/31/10. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% during calendar years 2012 and 2011, 4.73% from 1/1/10-2/28/10 and 4.23% from 3/1/10-12/31/10. The portion of the University's 2013, 2012 and 2011 contributions to OPERS used to fund post retirement benefits was $1,449,088, $1,706,795, and $2,039,931. 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) at June 30, 2013 and June 30, 2012 were as follows:

	2013	2012	2011
Liability at beginning of fiscal year	$ 958,717	$ 2,133,325	$ 1,513,811
Current year claims including changes in estimates	10,655,411	13,192,651	16,907,723
Claim payments	(10,548,786)	(14,367,259)	(16,288,209)
Liability at end of fiscal year	$ 1,065,342	$ 958,717	$ 2,133,325

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 Position.

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

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

Note 17 – Component Unit

Youngstown State University Foundation (YSUF) is a nonprofit organization that reports under FASB standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. With the exception of necessary presentation adjustments, no modifications have been made to YSUF's financial information in the University's financial report for these differences.

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

Financial support from YSUF was $5,157,940 for the fiscal year ended June 30, 2013 and $4,762,500 for the fiscal year ended June 30, 2012. Financial support from YSUF has been committed for fiscal year 2014 in the amount of $6,859,781. Amounts reflected in unearned revenue were $1,622,214 at June 30, 2013. In addition, rental income from YSUF of $13,076 for the fiscal year ended June 30, 2013 and $10,630 for the fiscal year ended June 30, 2012 was recorded and is reflected in the University's Statements of Revenues, Expenses and Changes in Net Position.

Under the terms of an agreement with the University, the Foundation serves as an investment manager for the University's endowments and on occasion funds related to specific capital fundraising projects of a more long term nature. Proceeds are forwarded to the University on an as needed basis to satisfy the individual endowment purposes. Fair value of such investments held by YSUF at June 30, 2013 and June 30, 2012 was $7,986,988 and $7,016,626, respectively. The management services are provided at no charge and investments are made in a manner consistent with the YSUF funds.

YOUNGSTOWN STATE UNIVERSITY

Board of Trustees
As of June 30, 2013

YOUNGSTOWN STATE UNIVERSITY

Principal Administrators
As of June 30, 2013

Dr. Cynthia E. Anderson	*President*
R. Scott Evans	*Vice President for University Advancement*
Jack Fahey	*Vice President for Student Affairs*
Eugene Grilli	*Vice President for Finance & Administration*
Dr. Ikram Khawaja	*Provost and Vice President for Academic Affairs*

	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	11.469	NA12SEC0080019	$ -	$ -	$ 13,000	$ 13,000
	Total Department of Commerce (DOC)			-	-	13,000	13,000
12	**Department of Defense (DOD)**						
	Basic Scientific Research						
	Pass-Through Entity Army Research Lab	12.431	W911NF-10-2-0090	187,898	-	-	187,898
	Total Department of Defense (DOD)			187,898	-	-	187,898
14	**Department of Housing and Urban Development (HUD)**						
	Community Development Block Grants/Entitlement Grants						
	Pass-Through Entity Youngstown Community Development Agency	14.218	B-12-MC-39-0023	-	-	15,000	15,000
	Emergency Solutions Grant Program						
	Pass-Through Entity Youngstown Community Development Agency	14.231	E-12-MC39-0023	-	-	12,496	12,496
	Pass-Through Entity Youngstown Community Development Agency	14.231	S-11-MC-39-0023	-	-	4,846	4,846
	Supportive Housing Program	14.235		-	-	84,628	84,628
	Homelessness Prevention and Rapid Re-Housing Program - **ARRA Funding**						
	Pass-Through Entity Youngstown Community Development Agency	14.257	S-09-MY-39-0023	-	-	6,590	6,590
	Total Department of Housing and Urban Development (HUD)			-	-	123,560	123,560
16	**Department of Justice (DOJ)**						
	Community Capacity Development Office	16.595		-	-	(111)	(111)
	Total Department of Justice (DOJ)			-	-	(111)	(111)
20	**Department of Transportation (DOT)**						
	University Transportation Centers Program	20.701		355,674	-	-	355,674
	Highway Planning and Construction						
	Pass-Through Entity Ohio Department of Transportation	20.205	E120618	28,109	-	-	28,109
	Pass-Through Entity Ohio Department of Transportation	20.205	E120696	43,212	-	-	43,212
	Total Department of Transportation (DOT)			426,995	-	-	426,995
43	**National Aeronautics and Space Administration (NASA)**						
	Science	43.001		-	-	6,000	6,000
	Science	43.001		349	-	-	349
	Total National Aeronautics and Space Administration (NASA)			349	-	6,000	6,349
47	**National Science Foundation (NSF)**						
	Engineering Grants						
	Pass-Through Entity university of Akron	47.041	EEC-1161732	9,117	-	-	9,117
	Mathematical and Physical Sciences	47.049		90,355	-	-	90,355
	Mathematical and Physical Sciences						
	Pass-Through Entity Case Western Reserve University	47.049	DMR-0423914	54,701	-	-	54,701
	Biological Sciences	47.074		48,012	-	-	48,012
	Office of International and Integrative Activities						
	Pass-Through Entity US Civilian Research & Development Foundation	47.079	RUC1-2989-ST-10	3,017	-	-	3,017
	Trans-NSF Recovery Act Research Support - **ARRA Funding**	47.082		6,282	-	-	6,282
	Trans-NSF Recovery Act Research Support - **ARRA Funding**						
	Pass-Through Entity Ohio University	47.082	UT15760	23,127	-	-	23,127
	Total National Science Foundation (NSF)			234,611	-	-	234,611
59	**Small Business Administration (SBA)**						
	Small Business Development Center						
	Pass-Through Entity Small Business Development Centers of Ohio	59.037	N/A	-	-	212,394	212,394
	Total Small Business Administration (SBA)			-	-	212,394	212,394
66	**Environmental Protection Agency (EPA)**						
	Brownfields Assessment and Clean Up Cooperative Agreements - **ARRA Funding**						
	Pass-Through Entity Ohio Department of Development	66.818	12-046ADMN	-	-	193,499	193,499
	Total Environmental Protection Agency (EPA)			-	-	193,499	193,499
81	**Department of Energy**						
	Emission Control Research and Development						
	Pass-Through Entity National Energy Technology Laboratory	81.UNK	DE-FE0004000	69,031	-	-	69,031
	Conservation Research and Development	81.086		732,920	-	-	732,920
	Renewable Energy Research and Development	81.087		143,593	-	-	143,593
	Electricity Delivery and Energy Reliability, Research, Development and Analysis						
	Pass-Through Entity University of Minnesota - **ARRA Funding**	81.122	DE-OE0000427	10,646	-	-	10,646
	Total Department of Energy			956,190	-	-	956,190

YOUNGSTOWN STATE UNIVERSITY

Schedule of Expenditures of Federal Awards (CONT.)
For the Year Ended June 30, 2013

	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		-	459,640	-	459,640
	Federal Work Study Program	84.033		-	528,542	-	528,542
	Federal Perkins Loan Program (see Note 2)	84.038		-	2,734,045	-	2,734,045
	TRIO – Upward Bound	84.047		-	-	234,266	234,266
	Career and Technical Education -- Basic Grants to States						
	Pass-Through Entity Ohio Board of Regents	84.048	V048A110035-11B	-	-	6,500	6,500
	Federal Pell Grant Program	84.063		-	25,965,739	-	25,965,739
	Fund for the Improvement of Postsecondary Education	84.116Z		-	-	11,991	11,991
	Business and International Education Projects	84.153A		-	-	64,289	64,289
	Federal Direct Student Loans (see Note 2)	84.268		-	81,098,261	-	81,098,261
	Twenty-First Century Community Learning Centers						
	Pass-Through Entity State of Ohio Department of Education	84.287	USAS 599	-	-	387,991	387,991
	Pass-Through Entity Youngstown City Schools	84.287	S287C050035	-	-	(8)	(8)
	Transition Program for Students with Intellectual Disabilities into Higher Education						
	Pass-Through Entity The Ohio State University	84.407A	60027994	-	-	326	326
	Total Department of Education (DOE)			-	110,786,227	705,355	111,491,582
93	**Department of Health and Human Services**						
	Nurse Anesthetist Traineeships	93.124		-	-	16,540	16,540
	Stephanie Tubbs Jones Child Welfare Services Program						
	Pass-Through Entity State of Ohio DoJFS	93.645	G-011-06-0068	-	-	1,856	1,856
	Pass-Through Entity State of Ohio DoJFS	93.645	G-1213-06-0147	-	-	4,147	4,147
	Foster Care-Title IV-E						
	Pass-Through Entity State of Ohio DoJFS	93.658	G-1213-06-0147	-	-	85,022	85,022
	Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847		27,697	-	-	27,697
	Total Department of Health and Human Services (HHS)			27,697	-	107,565	135,262
	Corporation for Public Broadcasting (CPB)						
	CPB Community Service Grant FY12						
	Pass- Through Corporation for Public Broadcasting	99.UNK	N/A	-	-	137,434	137,434
	Total Corporation for Public Broadcasting (CPB)			-	-	137,434	137,434
	Total Federal Expenditures			$ 1,833,740	$ 110,786,227	$ 1,498,696	$ 114,118,663

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

See accompanying notes to schedule of expenditures of federal awards.

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 $81,098,261 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, 2013.

Federal Perkins Loan Program

The $2,734,045 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, 2013 totaled $403,800.

Crowe Horwath LLP
Independent Member Crowe Horwath International

INDEPENDENT AUDITOR'S 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, in accordance with the 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, the financial statements of the business-type activities and discretely presented component unit of Youngstown State University (the "University") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated the same date as this report. Our report includes a reference to other auditors who 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.* This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

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 a 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.*

Purpose of this Report

The purpose of this report is solely 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 effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Crowe Horwath LLP

Crowe Horwath LLP

Columbus, Ohio
October 14, 2013

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE

To the Board of Trustees
Youngstown State University
Youngstown, Ohio

Report on Compliance for Each Major Federal Program

We have audited Youngstown State University's (the "University) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the University's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the University's compliance.

Opinion on Each Major Federal Program

In our opinion, the University complied, in all material respects, with the types of 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, 2013.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2013-01. Our opinion on each major federal program is not modified with respect to this matter.

The University's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. The University's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2013-01, that we consider to be a significant deficiency.

The University's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and corrective action plan. The University's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Crowe Horwath LLP

Crowe Horwath LLP

Columbus, Ohio
October 14, 2013

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

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: Unmodified

Federal Awards

Internal Control over major programs:

Material weakness(es) identified?	______ Yes	__X__ No
Significant deficiencies identified not considered to be material weaknesses?	__X__ Yes	______ None Reported

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

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
	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
84.287	Twenty-First Century Community Learning Centers
	Research and Development Cluster:
12.431	Basic Scientific Research
20.701	University Transportation Centers Program
20.205	Highway Planning and Construction
43.001	Science
47.041	Engineering Grants
47.049	Mathematical and Physical Sciences
47.074	Biological Sciences
47.079	Office of International and Integrative Activities
47.082 ARRA	Trans-NSF Recovery Act Research Support
81.UNK	Emission Control Research and Development
81.086	Conservation Research and Development
81.087	Renewable Energy Research and Development
81.122	Electricity Delivery and Energy Reliability, Research, Development and Analysis
93.847	Diabetes, Digestive, and Kidney Diseases Extramural Research

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

Auditee qualified as low-risk auditee? ___X___ Yes ________ No

Section II - Financial Statement Findings

There were no findings for the year ended June 30, 2013.

Section III - Federal Award Findings

Finding 2013-01

Federal Program Information:	Federal Direct Student Loans, CFDA #84.268
Criteria:	Dear Colleague Letter GEN 11-16 – Effective July 1, 2012, Federal Direct Subsidized Loans were no longer eligible for disbursement to students who qualified as a graduate student.

Section III - Federal Award Findings (Continued)

Finding 2013-01 (Continued)

Condition:	During testing, it was noted that a graduate student had been disbursed Federal Direct Subsidized Loans subsequent to July 1, 2012, the effective date of federal regulation changes.
Questioned Costs:	$121,390
Cause:	Controls were not in place to prevent Federal Direct Subsidized Loans from disbursing to students initially packaged as undergraduates who later had a change in status to the graduate level.
Recommendation:	We recommend management review the current system checks written to ensure that all potential eligibility changes are identified in accordance with the most recent regulation changes.
Management Response:	Management concurs with the finding. One graduate student was identified as receiving a subsidized loan disbursement during testing. We analyzed that student's record and the circumstances that led to the occurrence and identified thirty more. We immediately added subsidized loan disbursement rules to check grade level at the point of disbursement and block/prevent subsidized loans from disbursing to any graduate students account. We also added a query to our daily ad hoc Loan Errors report to identify graduate students packaged with subsidized loans. This additional control will allow us to catch and correct students packaged as undergraduates before graduate admissions processing. Even if human error occurs while reviewing the daily loan error report, the system disbursement rules serve as the main control that will prevent a subsidized loan from ever disbursing to a graduate student account in the future..
Corrective Action Plan:	The thirty one graduate students who received subsidized loan disbursements were corrected within two business days of the identification of the errors. The University was able to reallocate the majority of the loans to unsubsidized because most students accepted subsidized and unsubsidized loan types and had remaining unsubsidized loan eligibility. Students who only received subsidized loans were held harmless by replacing the improperly disbursed subsidized loan proceeds with institutional aid. The system controls and audit reports referenced in management's response were implemented on June 5, 2013 to prevent further occurrences. The Director of Financial Aid has overseen the implementation of the corrective action plan and will monitor compliance going forward.

Section IV - Prior Year Audit Findings

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

Youngstown State University

YOUNGSTOWN STATE UNIVERSITY
INTERCOLLEGIATE ATHLETICS DEPARTMENT

Independent Accountants' Report on
The Application of Agreed-Upon Procedures
June 30, 2013

YOUNGSTOWN STATE UNIVERSITY
INTERCOLLEGIATE ATHLETICS DEPARTMENT
Youngstown, Ohio

AGREED-UPON PROCEDURES
REQUIRED BY THE NCAA
June 30, 2013

CONTENTS

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

Dr. Randy Dunn, 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") Constitution 3.2.4.16 for the year ended June 30, 2013. The University's management is responsible for the Statement of Revenues and Expenses ("Statement") and the statement's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public 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, 2013, 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, 2013 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 Controller's Office of the 6 items that met the criteria for budget to actual and 13 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 $688 (.181% of football ticket revenues) lower than the June 30, 2013 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 $139 (.076% of basketball revenues) higher than the June 30, 2013 general ledger.

6. We obtained a summary of ticket revenues for other sports. We agreed other sport ticket revenues from the summary to the supporting schedules for all games and agreed the ticket revenue to the general ledger, noting no exceptions.

7. We agreed the guarantee revenues (away games) and expenses (home games) to the signed contracts and other supporting documentation, noting no exceptions.

8. 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.

9. 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.

10. 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.

11. We obtained the NCAA/Conference Distributions reports and agreed them to the Statement, noting no exceptions. We inquired of the Controller's Office if there were any agreements related to the University's participation in revenues from tournaments during the year ended June 30, 2013 and we were informed there were none.

12. We obtained the agreement with Clear Channel Broadcasting, Inc. related to the University's participation in revenues from radio, including rights fees paid by Clear Channel and agreed to the radio revenues, noting no exceptions.

13. 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 exceptions.

14. We obtained and inspected the agreements related to the University's participation in revenues from royalties, advertisements and sponsorships. We selected 7 revenue receipts and agreed them to the supporting agreements as well as the total to the Statement, noting no exceptions.

15. We obtained an understanding of the agreement between the University and persons conducting Century Cage Camp held during the year ended June 30, 2013 by reading the agreement.

16. We selected 10 sports-camp participant cash receipts and agreed the receipt to supporting registration forms. For two of our selections, we noted the revenue related to the year ended June 30, 2012 but was posted to the year ended June 30, 2013. No further exceptions noted.

17. We selected 2 sports-camp expenses and agreed the expense to the supporting documentation (for example, invoices) and agreed that the expense was for camp related activity, noting no exceptions.

18. We obtained and read 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, 2013 to the uses of income defined within the related endowment agreement, noting no exceptions.

19. We selected 3 operating revenue receipts and agreed the revenue receipts to supporting documentation maintained by the University, noting no exceptions.

(Continued)

20. We selected 10 student athletes who received institutional financial aid during the year ended June 30, 2013 and agreed the award amount per the student's account detail to the related award letter, noting no exceptions.

21. We obtained a listing of coaches employed by the University. We selected coaches for football, men's basketball, and women's basketball and two 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, 2012, and the salaries and benefit expense per the Statement are for the fiscal year ended June 30, 2013, the total compensation per the W-2's did not agree with the salaries and benefits expense per the Statement.

22. 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.

23. 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, 2012, and the salaries and benefit expense per the Statement are for the fiscal year ended June 30, 2013, the total compensation per the W-2's did not agree with the salaries and benefits expense per the Statement.

24. 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.

25. We obtained copies of the University's recruiting and travel policies. We read the policies and agreed them to the NCAA policies, noting no exceptions. We selected a sample of 3 recruiting expense transactions and 13 team travel expense transactions and agreed the expense transaction to supporting documentation maintained by the University, noting no exceptions.

26. We selected 8 equipment, uniform and/or supplies expense transactions and agreed the expense transaction to supporting documentation maintained by the University, noting no exceptions.

27. We selected 2 fundraising, marketing and/or promotion expense transactions and agreed them to supporting documentation, noting no exceptions.

28. We selected 3 facilities, maintenance and rental expense transactions and agreed the expense transactions to supporting documentation maintained by the University, noting no exceptions.

29. We selected 1 spirit group expense transaction and agreed the expense transaction to supporting documentation maintained by the University, noting no exceptions.

30. We selected 1 medical expense and insurance expense transaction and agreed the expense transaction to supporting documentation maintained by the University. For our selection, we noted a portion of the expenditure related to the year ended June 30, 2014 but was posted to the year ended June 30, 2013. No further exceptions noted.

31. We selected 1 membership and dues expense transaction and agreed the expense transaction to supporting documentation maintained by the University, noting no exceptions.

32. We selected 7 other expense transactions and agreed the expense transactions to supporting documentation maintained by the University, noting no exceptions.

33. We confirmed with management that there were no severance payments made by the University for the year ended June 30, 2013.

(Continued)

34. 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

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

Procedures Related to the Penguin Club

36. We obtained the list of outside programs and related financial activities for the year ended June 30, 2013, 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.

37. We agreed the Penguin Club's revenues and expenses on page 6 of this report to a confirmation obtained directly from the Penguin Club, noting no exceptions.

38. 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.

39. We received the reviewed financial statements of the Penguin Club for the year ended June 30, 2013, which reflected that no material modifications to the financial statements were required.

40. 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

41. We obtained a schedule of intercollegiate athletics capitalized assets, additions and improvements of facilities summarized by type.

42. 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. 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 19, 2013

Youngstown State University
Intercollegiate Athletics Department
Statement of Revenues and Expenses
For the Year Ended June 30, 2013

	Unrestricted Auxiliary						
	Football	Basketball	Other Sports	Non-Program Specific	Restricted	Plant, Endowment & Quasi-Endowment	Total
Revenue							
Ticket Sales	$ 380,671	$ 183,047	$ 4,770	$ -	$ -	$ -	$ 568,488
Guarantees	400,000	221,000	-	-	-	-	621,000
Contributions	-	-	-	-	634,213	576,417	1,210,630
Direct State or Other Government Support	-	-	-	-	7,233	-	7,233
Direct Institutional Support	-	-	-	10,081,265	-	-	10,081,265
NCAA/Conference Distributions	146,109	80,063	376,078	-	317,583	-	919,833
Broadcast Television, Radio, and Internet Rights	-	-	-	47,125	-	-	47,125
Program Sales & Concessions	4,745	2,483	-	30,868	-	-	38,096
Royalties, Licensing, Advertisements and Sponsorships	589,299	114,292	-	33,103	-	-	736,694
Sports-Camp Revenues	-	-	-	286,007	-	-	286,007
Endowment and Investment Income	-	-	-	-	1,430	3,741	5,171
Other	58,170	-	3,622	208,456	34,163	-	304,411
Subtotal Revenue	**1,578,994**	**600,885**	**384,470**	**10,686,824**	**994,622**	**580,158**	**14,825,953**
Expenses							
Athletic Student Aid	1,389,381	631,867	1,849,127	-	218,714	-	4,089,089
Guarantees	150,000	17,000	-	-	-	-	167,000
Coaching Salaries, Benefits & Bonuses Paid by the University	1,308,506	875,079	973,542	-	-	-	3,157,127
Support Staff/Administrative Salaries, Benefits & Bonuses Paid by the University	-	4,870	-	2,154,257	76,103	-	2,235,230
Recruiting	119,589	109,998	77,527	-	-	-	307,114
Team Travel	406,136	343,342	423,839	-	140,553	-	1,313,870
Equipment, Uniforms & Supplies	200,521	75,435	181,854	158,490	239,447	3,103	858,850
Fund Raising, Marketing & Promotion	11,650	38,806	1,793	125,946	17,021	2,825	198,041
Sports Camp Expenses	-	-	-	246,994	-	-	246,994
Direct Facilities, Maintenance & Rental	-	-	45,992	283,868	5,359	9,456	344,675
Spirit Groups	-	-	-	39,827	-	-	39,827
Medical Expenses & Medical Insurance	-	-	-	112,107	-	-	112,107
Membership & Dues	-	-	-	22,401	1,500	-	23,901
Other Operating Expenses	133,945	183,537	47,143	300,669	70,801	2,658	738,753
Subtotal Expenses	**3,719,728**	**2,279,934**	**3,600,817**	**3,444,559**	**769,498**	**18,042**	**13,832,578**
Revenues (Less Than) in Excess of Expenses	**(2,140,734)**	**(1,679,049)**	**(3,216,347)**	**7,242,265**	**225,124**	**562,116**	**993,375**
Transfer out to/(in from) other funds	-	436	5,202	-	(5,638)	-	-
Transfers for Capital improvements	-	-	-	-	-	(35,000)	(35,000)
Mandatory transfers for indebtedness	-	-	-	153,721	-	299,547	453,268
Net transfer out to (in from)	-	436	5,202	153,721	(5,638)	264,547	418,268
Revenues (Less Than) in Excess of Expenses and Transfers	**$ (2,140,734)**	**$ (1,679,485)**	**$ (3,221,549)**	**$ 7,088,544**	**$ 230,762**	**$ 297,569**	**$ 575,107**

Youngstown State University
Schedule of Intercollegiate Athletics Program
Support by Booster Organization
For the Year Ended June 30, 2013

Booster Organization	**Beginning Net Assets**	**Revenues**	**Expenses**	**Ending Net Assets**
The Penguin Club, Inc.	$ 1,145,830	$ 702,386	$ 482,994	$ 1,365,222

Booster Organization

Miscellaneous Expense	$ 174,768
Century Kingbird Tickets	154,803
Membership Drive Expense	3,137
Sports Banquets	10,624
Scholarship Recognition	37,531
Executive Director Expenses	8,161
Car Lease	3,640
Total	$ 392,664

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WYSU-FM

Youngstown State University Radio

FINANCIAL REPORT AND SCHEDULE OF NONFEDERAL FINANCIAL SUPPORT

for the Years Ended
June 30, 2013 and 2012

Contents

Crowe Horwath LLP
Independent Member Crowe Horwath International

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Youngstown State University
Youngstown, Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of WYSU-FM, Youngstown State University Radio (the "Station"), as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Station's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Station as of June 30, 2013 and 2012, and the changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

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, 2013 and 2012, and the changes in its financial position and its cash flows, for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this mater.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis ("MD&A") on pages 3 to 9 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Station's financial statements. The supplementary information included in the Schedule of Nonfederal Financial Support is presented for the purpose of additional analysis and is not a required part of the financial statements.

The Schedule of Nonfederal Financial Support is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Nonfederal Financial Support is fairly stated, in all material respects, in relation to the financial statements as a whole.

Report on Other Legal and Regulatory Requirements

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

Crowe Horwath LLP

Crowe Horwath LLP

Columbus, Ohio
December 2, 2013

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, 2013 with comparative information for the fiscal years ended June 30, 2012 and June 30, 2011. This discussion has been prepared by management and should be read in conjunction with the financial statements and the accompanying notes that follow.

During fiscal year 2013, the Government Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and certain other new GASB statements became effective. Please see *Adoption of New Accounting Pronouncements* in Note 1 of the financial statements for further details.

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 Position, the Statement of Revenues, Expenses and Changes in Net Position, 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*, as amended by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*; 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 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 nonoperating. Significant recurring sources of the Station's revenues, including the general appropriation from the University and membership revenue are considered nonoperating as defined by GASB Statement No. 35.
- Capital assets are reported net of accumulated depreciation.
- There are no deferred outflows or deferred inflows to present in accordance with GASB Statement No. 63.

Financial and Other Station Highlights

- Improved financial position
- Achievement of membership fundraising goals for both fund drives during fiscal year 2013
- Increase in membership revenue and substantial increase in average membership donation
- Hiring of full-time marketing/fund raising officer
- Significant progress in the planned move of Station facilities to YSU's Melnick Hall

The Statements of Net Position

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 position - is an indicator of the current financial condition of the Station.

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

	June 30, 2013	June 30, 2012	June 30, 2011
Assets			
Current assets	$ 1,761,326	$ 1,446,751	$ 1,296,279
Other noncurrent assets	164,768	151,257	148,296
Capital assets, net	130,181	154,620	213,586
Total Assets	2,056,275	1,752,628	1,658,161
Liabilities			
Current liabilities	169,568	156,147	141,763
Noncurrent liabilities	100,149	87,134	83,240
Total Liabilities	269,717	243,281	225,003
Total Net Position	$ 1,786,558	$ 1,509,347	$ 1,433,158
Net Position			
Invested in capital assets	$ 130,181	$ 154,620	$ 213,586
Restricted	565,444	352,145	348,972
Unrestricted	1,090,933	1,002,582	870,600
Total Net Position	$ 1,786,558	$ 1,509,347	$ 1,433,158

Current assets consist primarily of cash and cash equivalents, but also include investments, pledges, accounts, and interest receivable. Current assets increased $314,575 or 22% from fiscal year 2012 to fiscal year 2013 due to a significant capital gift given by one donor. The gift is designated for a new facility for the Station. Current assets increased $150,472 or 12% from fiscal year 2011 to fiscal year 2012 primarily due to unspent receipts from membership and underwriting income. Other noncurrent assets, which represent endowment investments, increased $13,511 or 9% from fiscal year 2012 to fiscal year 2013 and $2,961 or 2% from fiscal year 2011 to fiscal year 2012 as the carrying value of investments increased due to improved investment performance. Net capital assets decreased $24,439 or 16% from fiscal year 2012 to fiscal year 2013 and $58,966 or 28% between fiscal year 2011 and fiscal year 2012 due to the continued depreciation of existing assets. Refer to Notes 2-4 for additional information about cash and cash equivalents, investments, and capital assets.

Liabilities consisting of accounts payable, unearned revenue, and compensated absences increased $26,436 or 11% between fiscal year 2012 and fiscal year 2013. Compensated absences, particularly accrued vacation and sick time, accounted for the majority of this increase. Unearned revenue from an increase in the Station's Corporation for Public Broadcasting grant and accounts payable accounted for the majority of the increase of $18,278 or 8% between fiscal year 2011 and fiscal year 2012. Refer to Notes 5 and 6 for additional information about unearned revenue and long-term liabilities.

Overall the Station's net position increased $277,211 or 18% from $1,509,347 at June 30, 2012 to $1,786,558 at June 30, 2013. This resulted from excess revenues over expenses and includes an $88,351 increase in unrestricted net position, a $213,299 increase in restricted net position, and a $24,439 decrease in the net amount invested in capital assets. The 61% increase in restricted net position resulted from a $200,000 capital gift and an increase in the value of WYSU-FM's endowment. The 9% increase in unrestricted net position reflects the excess of membership and underwriting revenue over expenses during fiscal year 2013. The 16% decrease in net position invested in capital assets from fiscal year 2012 to fiscal year 2013 was due to depreciation expense.

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

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

These statements present the operating results and the nonoperating revenues and expenses of the Station. The revenues and expenses are reported as either operating or nonoperating. Operating revenues are generated by an annual Community Service Grant from CPB (a portion of which is restricted) and through an annual grant from the eTech Ohio Commission (eTech Ohio), which is administered by the State of Ohio. In addition, in-kind support is received from eTech Ohio and includes support for transmission of Radio Reading Service Programming. Operating revenues also include contributions from area businesses (program underwriting). Operating expenses are incurred to vendors and employees for providing goods or services for the overall operations of the Station. Net nonoperating 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 position follows:

	June 30, 2013	June 30, 2012	June 30, 2011
Total Operating Revenues	$ 388,826	$ 405,116	$ 368,409
Total Operating Expenses	1,308,063	1,321,303	1,307,803
Operating Loss	(919,237)	(916,187)	(939,394)
Net Nonoperating Revenues	996,448	992,376	1,022,761
Gain Before Other Revenue, Expenses, and Changes	77,211	76,189	83,367
Total Other Revenue, Expenses, and Changes	200,000	-	100,000
Change in Net Position	277,211	76,189	183,367
Net Position at Beginning of the Year	1,509,347	1,433,158	1,249,791
Net Position at End of the Year	$ 1,786,558	$ 1,509,347	$ 1,433,158

Total operating revenues decreased $16,290 or 4% between fiscal year 2012 and fiscal year 2013. Underwriting revenue decreased $22,746 or 19% and can be attributed to the migration of some of WYSU-FM's foundation support back to the membership category from the underwriting category, and a one-time underwriting grant received in fiscal year 2012 that was not continued into fiscal year 2013. The Station did acquire seven new underwriters throughout fiscal year 2013.

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

Total operating expenses decreased $13,240 or 1% between fiscal year 2012 and fiscal year 2013. This was due to combined increases in program services of $17,475 or 2% and decreases in support services of $30,715 or 5%. In the program services category, programming and production accounted for the greatest increase as staff duties shifted from other categories into programming and production. In the support services category, management and general expenses decreased primarily due to a decrease in the University's institutional support expense allocated to WYSU-FM. There was an increase in the fund raising and membership expenses and a decrease in underwriting due to changes in staff duties. Depreciation expense also decreased as the Station's capital assets are aging and more of these assets have become fully depreciated.

Between fiscal year 2011 and fiscal year 2012, total operating expenses increased $13,500 or 1%. This was due to the increase in program services of $43,079 or 6% coupled with the $29,579 or 5% decrease in support services. There were shifts in the various operating expense categories as staff duties changed. During fiscal year 2012, WYSU-FM initiated a committee-based operational philosophy and structure. Due to the staffing pressures the unit faced, management found it helpful for staff members to be involved on multiple committees, each responsible for different aspects of unit operations. Management believes that the cross-training and cross-involvement associated with the new committee structure had not only helped to create more well-rounded and better-informed team members, but also fostered enhanced ownership and expanded responsibilities within the unit. In addition to staffing changes, broadcasting expenses increased due to small equipment purchases as the Station upgraded outdated equipment. Depreciation expense also decreased due to the aging of WYSU-FM's equipment.

Between fiscal year 2012 and fiscal year 2013, net nonoperating revenues remained consistent. A decrease in donated facilities and administrative support was partially offset by increases in general appropriations from the University and net investment income. Donated facilities and administrative support decreased $24,097 or 13% due to a decrease in the University's institutional support allocated to WYSU-FM. General appropriations from the University increased $14,761 or 3% primarily due to increases in the Station's vacation and sick leave accruals. Net investment income increased $10,729 or 135% due to increases in unrealized gains stemming from improved market values.

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

Total other revenues, expenses, and changes increased $200,000 between fiscal year 2012 and fiscal year 2013. WYSU-FM received a $200,000 capital gift to be used toward a new facility for the Station. No capital gifts were received in fiscal year 2012. Total other revenues, expenses, and changes decreased $100,000 or 100% between fiscal year 2011 and fiscal year 2012.

Economic Factors for the Future

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

A crucial element to the Station's future will continue to be its relationships with its members and underwriters as work continues toward providing quality programming. The Station achieved its membership fundraising goals for both of its fiscal year 2013 fund drives. Each of the on-air drives during the fiscal year raised over $115,000 for the Station. When combining membership and underwriting income, WYSU-FM's two streams of direct public support, the Station experienced a decrease of 5% from fiscal year 2012 to fiscal year 2013. During fiscal year 2013, WYSU-FM added a full-time marketing/fundraising officer. As a member of the Station's development staff, this person will focus on enhancing non-traditional streams of support, station marketing and special events, planned giving and major gifts, and any upcoming capital campaigns.

Management's Discussion and Analysis (cont.)

The Station anticipates marketing to be a key growth area in the future based on the progress made during fiscal year 2013 with Keynote Media. Management believes that the Station's product is one that has high community value but there is a need to build awareness. The Station continues to expand its presence in the community through high-profile and effective community and media partnerships and sponsorships with many organizations. Some of these partnerships provide local news and regional business news. Others are charitable in nature. The Station also holds special events for its members including movie nights, concerts, and listener appreciation gatherings.

During fiscal year 2013, WYSU-FM contracted with University Station Alliance, a national public radio organization, to do an assessment of the Station in the areas of cost benefit analysis, quantitative worth, and governance. The report was positive and provided suggestions to enhance future success that include: expanding marketing and awareness building, expanding non-government related support, building partnerships, expanding local news operations, and making stakeholders more aware of the value of their investment in public radio. The public service and public relations value that the University receives from WYSU-FM is noteworthy. The quantitative worth study, as compiled by the University Station Alliance, estimated that the public service and public relations annual value to the University is approximately $2.1 million.

On a capital front, significant progress has been made for WYSU-FM, along with other YSU academic media-related departments, programs, and services, to move to Melnick Hall. The architectural drawings are complete and in the hands of YSU Facilities. The renovations will be funded by capital funds from the State of Ohio, bonds and donor gifts. WYSU-FM has already raised $400,000 for broadcast equipment and furnishings for this project.

Statements of Net Position at June 30, 2013 and 2012

	June 30, 2013	June 30, 2012
ASSETS		
Current Assets		
Cash and cash equivalents	$ 1,746,947	$ 1,426,491
Investments	-	6,212
Accounts receivable (net of allowance of $481 in 2013 and $1,529 in 2012)	4,081	7,766
Pledges receivable (net of allowance of $4,044 in 2013 and $2,241 in 2012)	10,298	6,282
Total Current Assets	1,761,326	1,446,751
Noncurrent Assets		
Endowment investments	164,768	151,257
Capital assets, net	130,181	154,620
Total Noncurrent Assets	294,949	305,877
Total Assets	2,056,275	1,752,628
LIABILITIES		
Current Liabilities		
Accounts payable	13,504	6,686
Unearned revenue	146,895	142,858
Compensated absences	9,169	6,603
Total Current Liabilities	169,568	156,147
Noncurrent Liabilities		
Compensated absences	100,149	87,134
Total Noncurrent Liabilities	100,149	87,134
Total Liabilities	269,717	243,281
NET POSITION		
Invested in capital assets	130,181	154,620
Restricted - Nonexpendable	164,768	151,257
Restricted - Expendable	400,676	200,888
Unrestricted	1,090,933	1,002,582
Total Net Position	$ 1,786,558	$ 1,509,347

See accompanying notes to financial statements.

Statements of Revenues, Expenses and Changes in Net Position for the Years Ended June 30, 2013 and 2012

	June 30, 2013	June 30, 2012
REVENUES		
Operating Revenues		
Corporation for Public Broadcasting grant	$ 137,223	$ 128,110
In-kind contributions	131,335	133,383
eTech Ohio Commission grant	25,746	26,355
Underwriting revenue	94,522	117,268
Total Operating Revenues	388,826	405,116
EXPENSES		
Operating Expenses		
Program Services		
Programming and production	458,326	437,377
Broadcasting	222,444	220,579
Program information	66,031	65,695
Traffic and continuity	6,460	12,135
Support Services		
Management and general	274,502	285,100
Fund raising and membership development	151,798	131,315
Underwriting	39,547	50,177
Clerical	64,516	59,959
Depreciation	24,439	58,966
Total Operating Expenses	1,308,063	1,321,303
Operating Loss	(919,237)	(916,187)
NONOPERATING REVENUES (EXPENSES)		
General appropriation from the University	585,686	570,925
Donated facilities and administrative support from the University	163,102	187,199
Membership revenue	231,984	227,496
Net expenses from fund raising	(3,000)	(1,191)
Investment gain, net of investment expense	18,676	7,947
Net Nonoperating Revenues	996,448	992,376
Gain Before Other Revenues, Expenses, and Changes	77,211	76,189
OTHER REVENUES, EXPENSES, AND CHANGES		
Capital grants and gifts	200,000	-
Total Other Revenues, Expenses, and Changes	200,000	-
Change in Net Position	277,211	76,189
NET POSITION		
Net Position at Beginning of the Year	1,509,347	1,433,158
Net Position at End of the Year	$ 1,786,558	$ 1,509,347

See accompanying notes to financial statements.

Statements of Cash Flows
for the Years Ended June 30, 2013 and 2012

	June 30, 2013	June 30, 2012
Cash Flows from Operating Activities		
Receipts from Corporation for Public Broadcasting grant	$ 137,504	$ 137,817
Receipts from eTech Ohio Commission grant	25,746	26,355
Business and underwriting support	102,413	112,918
Payments to suppliers	(389,664)	(315,784)
Payments to employees	(451,277)	(468,015)
Payments for benefits	(126,297)	(147,632)
Total Cash Flows Used in Operating Activities	(701,575)	(654,341)
Cash Flows from Noncapital Financing Activities		
General appropriation from the University	585,686	570,925
Membership receipts	227,967	238,972
Fundraising receipts	-	380
Payments for fundraising	(3,000)	(1,571)
Total Cash Flows Provided by Noncapital Financing Activities	810,653	808,706
Cash Flows from Investing Activities		
Interest on investments	5,166	5,438
(Purchase) sale of investments	6,212	(1,031)
Total Cash Flows Provided by Investing Activities	11,378	4,407
Cash Flows from Capital Financing Activities		
Capital grants and gifts	200,000	-
Total Cash Flows Provided by Capital Financing Activities	200,000	-
Change in Cash and Cash Equivalents	320,456	158,772
Cash and Cash Equivalents - Beginning of year	1,426,491	1,267,719
Cash and Cash Equivalents - End of year	$ 1,746,947	$ 1,426,491
Reconciliation of Operating Loss to Net Cash Flows from Operating Activities		
Operating loss	$ (919,237)	$ (916,187)
Adjustments to reconcile operating loss to cash flows used in operating activities:		
Depreciation	24,439	58,966
Donated facilities and administrative support from the University	163,102	187,199
Changes in assets and liabilities:		
Accounts receivable, net	3,685	(2,597)
Accounts payable, compensated absences, and unearned revenue	26,436	18,278
Cash Flows Used in Operating Activities	$ (701,575)	$ (654,341)

See accompanying notes to financial statements.

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 Government Accounting Standards Board (GASB).

Under the provisions of GASB Statement No. 63, resources are classified for accounting and reporting purposes into the following four net position categories:

- Invested in capital assets - 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 - Resources subject to externally imposed stipulations that they be maintained permanently by the Station. Such resources include the Station's permanent endowment fund.

- Restricted Expendable - Resources 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 - Resources that are not subject to externally imposed stipulations. Unrestricted resources 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 resources 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.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, issued June 2011 became effective for periods beginning after December 15, 2011. This Statement to improves financial reporting by providing citizens and other users of state and local government financial reports with information about how past transactions will continue to impact a government's financial statements in the future. In addition, the pronouncement does change the name of the Statement of Net Assets to the Statement of Net Position. A corresponding change has been made to the Statement of Revenues, Expenses and Changes in Net Position.

The adoption of this GASB statement had no significant impact on WYSU's financial condition, operating results or financial statements. In addition, because WYSU had no deferred outflows or deferred inflows at June 30, 2013, it has elected not to present these captions on the Statement of Net Position.

<u>Cash Equivalents</u> - 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.

<u>Investments</u> **-** 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 Position.

<u>Endowment Policy</u> **-** The University Endowment Fund consists of 92 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.

<u>Pledges Receivable</u> **-** 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.

<u>Accounts Receivable</u> - 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.

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 position 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.

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

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

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 nonoperating revenue and expenses in the Statement of Revenue, Expenses, and Changes in Net Position. 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 nonoperating 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. The aggregate cost of repurchase agreements, which approximates fair value, included in the University's cash and cash equivalents is $4,240,019 and $2,240,736 at June 30, 2013 and June 30, 2012, 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, 2013 and June 30, 2012 consist of the following:

	2013	2012
Carrying Amount (Cash and cash equivalents)	$ 22,898,563	$ 25,918,304
FDIC Insured	$ 846,001	$ 875,865
Uninsured but collateralized by pools of securities pledged by the depository banks	12,507,044	15,857,196
Uninsured but assets held in name of YSU not pledged as collateral elsewhere	11,346,182	10,827,643
Bank Balance	$ 24,699,227	$ 27,560,704

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 $1,746,947 and $1,426,491 at June 30, 2013 and June 30, 2012, 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, 2013 and 2012, all uncollateralized or uninsured deposits of the University are exposed to credit risk. The University's investment policy and asset allocation guidelines facilitate the management and monitoring of credit risk.

Note 3 - Investments

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

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

The University utilizes an investment advisor and investment managers for endowment funds. The University's endowment funds, which includes WYSU-FM's endowment fund, are managed by YSUF (see Note 7). The Station's investments represent a portion of the University's total investments. University investments held by YSUF were $6,966,749 as of June 30, 2013 and $6,380,445 as of June 30, 2012.

As of June 30, 2013, the Station had the following investments and maturities using the segmented time distribution method:

		Investment Maturities (in Years)			
Investment Type	Fair Value	Less than 1	1-5	6-10	More than 10
Common Stock	$ 124,565	$ 124,565	$ -	$ -	$ -
Corporate Bonds	12,522	-	12,522	-	-
Preferred Stock	13,181	13,181	-	-	-
U.S. Governmental Bonds	12,028	-	-	12,028	-
Other Securities	2,472	2,472	-	-	-
Totals	$ 164,768	$ 140,218	$ 12,522	$ 12,028	$ -

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

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

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

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

As of June 30, 2013, investments had the following quality credit ratings:

Investment Type	Fair Value	Aaa	Aa	A	Baa	Unrated
Corporate Bonds	$ 12,522	$ -	$ -	$ 4,608	$ 7,914	$ -
U.S. Government Bonds	12,028	-	12,028	-	-	-
Totals	$ 24,550	$ -	$ 12,028	$ 4,608	$ 7,914	$ -

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

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

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, 2013, 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, 2013 and 2012, the University had no material exposure to foreign currency risk. The University does not address foreign currency risk in its investment policy and asset allocation guidelines.

Note 4 – Capital Assets

Capital assets activity for the year ended June 30, 2013 was as follows:

Capital Assets	Beginning Balance	Additions	Reductions	Transfers	Ending Balance
Depreciable assets:					
Antenna and tower	$ 475,691	$ -	$ -	$ -	$ 475,691
Studio and broadcast equipment	404,504	-	21,294	-	383,210
Total cost	880,195	-	21,294	-	858,901
Less: Accumulated depreciation	725,575	24,439	21,294	-	728,720
Capital assets, net	$ 154,620	$ (24,439)	$ -	$ -	$ 130,181

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

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

Note 5 – Unearned Revenue

Unearned revenue at June 30, 2013 and June 30, 2012 consists of the following:

	2013	2012
Corporation for Public Broadcasting grant	$ 137,265	$ 137,434
Underwriting agreements	9,180	5,424
Other unearned revenue	450	-
Total unearned revenue	$ 146,895	$ 142,858

Note 6 – Long Term Liabilities

Long-term liability activity for the year ended June 30, 2013 was as follows:

	Beginning Balance	Net Additions	Ending Balance	Current Portion
Compensated absences	$ 93,737	$ 15,581	$ 109,318	$ 9,169

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

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

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.

Note 8 – Risk Management

WYSU-FM 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, 2013

Direct Income	$	1,143,104
Indirect Administrative Support		163,102
In-Kind Contributions of Services and Other Intangibles		118,411
Total Nonfederal Financial Support	$	1,424,617

Crowe Horwath LLP
Independent Member Crowe Horwath International

INDEPENDENT AUDITOR'S 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, in accordance with the 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, the financial statements of the business-type activities of WYSU-FM, Youngstown State University Radio (the "Station"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Station's basic financial statements, and have issued our report thereon dated the same date as this report.

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, 2013, and the changes in its financial position and its cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Station's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Station's internal control.

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 a 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

Purpose of this Report

The purpose of this report is solely 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 effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Crowe Horwath LLP

Crowe Horwath LLP

Columbus, Ohio
December 2, 2013

Youngstown State University

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 21, 2014

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