

# YOUNGSTOWN STATE UNIVERSITY

## CONTENTS

	<i>Page</i>
<i>Message from President Anderson</i> .....	1
<b><i>Financial Report</i></b>	
<i>Report of Independent Auditors</i> .....	2
<i>Management's Discussion and Analysis</i> .....	4
<b><i>Basic Financial Statements</i></b>	
<i>Youngstown State University Statements of Net Assets</i> .....	18
<i>The Youngstown State University Foundation</i> <i>Statements of Financial Position</i> .....	19
<i>Youngstown State University Statements of</i> <i>Revenues, Expenses and Changes in Net Assets</i> .....	20
<i>The Youngstown State University Foundation</i> <i>Statements of Activities and Change in Net Assets</i> .....	21
<i>Youngstown State University Statements of Cash Flows</i> .....	22
<i>Notes to Financial Statements</i> .....	24
<b><i>Board of Trustees</i></b> .....	48
<b><i>Principal Administrators</i></b> .....	49
<b><i>Schedule of Expenditures of Federal Awards</i></b> .....	50
<b><i>Notes to Schedule of Expenditures of Federal Awards</i></b> .....	52
<b><i>Internal Controls and Compliance</i></b>	
<b><i>Report of Independent Auditors on Internal Control over Financial Reporting</i></b> <b><i>and on Compliance and Other Matters Based on an Audit of Financial Statements</i></b> <b><i>Performed in Accordance with Government Auditing Standards</i></b> .....	53
<b><i>Report of Independent Auditors on Compliance That Could Have A</i></b> <b><i>Direct and Material Effect on Each Major Program and on Internal Control</i></b> <b><i>Over Compliance in Accordance with Circular A-133</i></b> .....	55
<b><i>Schedule of Findings and Questioned Costs</i></b> .....	57

# YOUNGSTOWN STATE UNIVERSITY

## MESSAGE FROM PRESIDENT ANDERSON

October 12, 2012

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

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

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

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

Sincerely,



Cynthia E. Anderson  
President

## REPORT OF INDEPENDENT AUDITORS

To the Board of Trustees  
Youngstown State University  
Youngstown, Ohio

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of Youngstown State University (the "University"), a component unit of the State of Ohio, as of and for the years ended June 30, 2012 and 2011, which collectively comprise of the University's basic financial statements as listed in the table of contents. These financial statements are the responsibility of University's management. Our responsibility is to express our opinions on these financial statements based on our audits. We did not audit the financial statements of the Youngstown State University Foundation. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the University for the discretely presented component unit, is based solely on the report of the other auditors.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2012 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit and the audit of the other auditors were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of Youngstown State University. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

  
Crowe Horwath LLP

Columbus, Ohio  
October 12, 2012

# YOUNGSTOWN STATE UNIVERSITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

### Introduction

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

Founded in 1908 under the sponsorship of the Young Men's Christian Association, the University was originally established as the School of Law of the Youngstown Association School. The University was re-chartered in 1921 as the Youngstown Institute of Technology, in 1928 as Youngstown College, and in 1955 as Youngstown University. The University joined the Ohio system of higher education in 1967 and became Youngstown State University. The University is located on a 140 acre campus near downtown Youngstown, Ohio and is at the center of a metropolitan area of 603,000 people, located equidistant (approximately 60 miles) from both Pittsburgh and Cleveland. The University consists of six undergraduate colleges and the School of Graduate Studies and Research. Fall 2012 enrollment is 13,813.

### Using the Financial Statements

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

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

# **YOUNGSTOWN STATE UNIVERSITY**

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

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

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

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

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

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

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

# YOUNGSTOWN STATE UNIVERSITY

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

### The Statements of Net Assets

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

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

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

### Assets

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

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

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

## **YOUNGSTOWN STATE UNIVERSITY**

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

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

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

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

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

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



**YOUNGSTOWN STATE UNIVERSITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)**

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

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

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

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

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

See Note 7 for additional information on capital assets.

**YOUNGSTOWN STATE UNIVERSITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)**

**Liabilities**

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

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

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

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

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