

YOUNGSTOWN STATE UNIVERSITY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	June 30, 2012	June 30, 2011
OPERATING REVENUES		
Tuition, fees, and other student charges (net of scholarship allowance of \$22,847,852 in 2012 and \$24,518,482 in 2011)	\$ 88,491,653	\$ 85,801,400
Federal grants and contracts	5,252,707	7,929,223
State grants and contracts	4,327,817	5,488,810
Local grants and contracts	252,137	419,063
Private grants and contracts	367,809	316,024
Sales and services	500,879	612,890
Auxiliary enterprises	22,105,338	19,330,455
Other operating revenues	1,965,401	1,778,267
Total Operating Revenues	123,263,741	121,676,132
OPERATING EXPENSES		
Instruction	69,553,141	75,383,754
Research	2,952,974	3,449,484
Public service	5,568,710	5,345,054
Academic support	13,441,001	15,163,078
Student services	8,607,040	9,485,179
Institutional support	28,284,064	34,944,804
Operation and maintenance of plant	14,616,937	16,299,957
Scholarships	21,033,400	23,478,751
Auxiliary enterprises	27,715,348	27,439,060
Depreciation and amortization	10,547,344	9,468,764
Total Operating Expenses	202,319,959	220,457,885
Operating Loss	(79,056,218)	(98,781,753)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	39,347,845	39,992,134
Federal appropriations	-	6,728,718
Federal grants	30,462,830	33,100,968
Private gifts	7,756,999	7,029,261
Unrestricted investment income, net of investment expense	1,012,197	3,250,947
Restricted investment income, net of investment expense	348,505	975,531
Interest on capital asset-related debt	(2,668,571)	(1,288,226)
Other nonoperating expenses, net	(1,034,815)	(2,914,138)
Net Nonoperating Revenues	75,224,990	86,875,195
Loss Before Other Revenues, Expenses, and Changes	(3,831,228)	(11,906,558)
OTHER REVENUES, EXPENSES, AND CHANGES		
State capital appropriations	133,552	998,881
Capital grants and gifts	1,578,453	4,082,194
Additions to the principal of endowments	471,494	14,636
Contribution of capital to UHC	-	(3,042,902)
Total Other Revenues, Expenses, and Changes	2,183,499	2,052,809
Change In Net Assets	(1,647,729)	(9,853,749)
NET ASSETS		
Net Assets at Beginning of the Year	193,503,218	203,356,967
Net Assets at End of the Year	\$ 191,855,489	\$ 193,503,218

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, 2012 AND 2011

	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

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

See accompanying notes to financial statements.

YOUNGSTOWN STATE UNIVERSITY

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Cash Flows from Operating Activities		
Student tuition and fees	\$ 85,920,639	\$ 83,912,743
Federal, state, and local grants and contracts	10,827,845	13,908,062
Private grants and contracts	385,457	328,329
Sales and services of educational and other departmental activities	21,842,914	19,275,826
Payments to suppliers	(43,256,497)	(45,581,291)
Payments to employees	(98,895,013)	(96,403,527)
Payments for benefits	(33,831,672)	(40,467,061)
Payments for scholarships	(21,078,014)	(22,476,613)
Student loans issued	(372,916)	(186,337)
Student loans collected	416,121	363,504
Student loan interest and fees collected	47,518	42,714
Other receipts, net	1,930,847	1,728,120
Total Cash Flows Used In Operating Activities	<u>(76,062,771)</u>	<u>(85,555,531)</u>
Cash Flows from Noncapital Financing Activities		
Federal grants	30,435,698	33,128,856
Federal educational appropriations	-	6,729,144
State educational appropriations	39,347,845	39,992,134
Direct lending receipts	88,926,750	90,919,514
Direct lending disbursements	(88,899,773)	(90,919,514)
Private gifts	7,613,586	7,177,329
Additions to the principal of endowments	471,494	14,636
Other nonoperating expenses	(1,037,174)	(2,914,138)
Total Cash Flows Provided by Noncapital Financing Activities	<u>76,858,426</u>	<u>84,127,961</u>
Cash Flows from Investing Activities		
Proceeds from sale of investments	27,109,070	39,527,101
Purchase of investments	(20,154,452)	(44,269,317)
Interest on investments	1,463,880	4,205,887
Total Cash Flows Provided By (Used In) Investing Activities	<u>8,418,498</u>	<u>(536,329)</u>
Cash Flows from Capital and Related Financing Activities		
State capital appropriations	224,516	1,539,320
Private capital gifts and grants	3,148,883	5,248,822
Payment to UHC for University Courtyard Apartments	(17,214,945)	-
Purchase of capital assets	(12,256,213)	(24,815,119)
Principal payments on capital debt	(2,203,521)	(2,411,378)
Bond proceeds	19,006,093	-
Bond issue cost	(200,586)	(248,490)
Interest payments on capital debt	(2,726,675)	(1,329,146)
Total Cash Flows Used In Capital and Related Financing Activities	<u>(12,222,448)</u>	<u>(22,015,991)</u>
Change in Cash and Cash Equivalents	(3,008,295)	(23,979,890)
Cash and Cash Equivalents, Beginning of Year	<u>28,926,599</u>	<u>52,906,489</u>
Cash and Cash Equivalents, End of Year	<u>\$ 25,918,304</u>	<u>\$ 28,926,599</u>

YOUNGSTOWN STATE UNIVERSITY
STATEMENTS OF CASH FLOWS (CONT.)
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

Reconciliation of Operating Loss to Net Cash Used in Operating Activities

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Operating loss	\$ (79,056,218)	\$ (98,781,753)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	10,547,344	9,468,764
Provision for bad debts	1,823,413	867,900
Gifts in kind	142,785	110,497
Changes in assets and liabilities:		
Accounts receivable, net	(1,012,558)	(1,844,320)
Loans receivable, net	26,169	169,734
Inventories	266,773	(16,165)
Prepaid expenses and deferred charges	(522,125)	(2,099)
Accounts payable	239,423	(377,676)
Accrued and other liabilities	(4,206,284)	2,254,062
Deferred revenue	(1,278,927)	323,609
Compensated absences	(3,032,566)	2,271,916
Net Cash Flows Used In Operating Activities	<u>\$ (76,062,771)</u>	<u>\$ (85,555,531)</u>
Noncash Transaction		
Purchase of University Courtyard Apartments through bond financing	<u>\$ -</u>	<u>\$ 17,214,945</u>

See accompanying notes to financial statements.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

Note 1 – Organization and Summary of Significant Accounting Policies

Organization and Basis of Presentation

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

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

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

The University, together with Kent State University and The University of Akron, created a consortium to establish and govern Northeastern Education Television of Ohio, Inc. (NETO), which operates Western Reserve Public Media which is made up of two separately licensed public television stations (WNEO and WEAO). These organizations are legally separate from the University; accordingly, their financial activity is not included within the accompanying financial statements.

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

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

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2012

- Restricted Expendable – Net assets whose use by the University is subject to externally imposed stipulations that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time.
- Unrestricted – Net assets that are not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of management, Board of Trustees, Board of Regents or may otherwise be limited by contractual agreements with outside parties. Substantially all unrestricted net assets are designated for academic and research programs and initiatives, capital projects, and operating reserves.

Summary of Significant Accounting Policies

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

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

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

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

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

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

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2012

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

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

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

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

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

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

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

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

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2012

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

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

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.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2012

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

Newly Issued Accounting Pronouncements – As of June 30, 2012, the GASB issued the following statements not yet implemented by the University:

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

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEAR ENDED JUNE 30, 2012

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

- 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 Statements 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.

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 2011 amounts to conform with the fiscal year 2012 presentation. These reclassifications had no effect on the total net assets or change in net assets.

Note 2 – State Support

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

State appropriations totaled \$39,347,845 in fiscal year 2012, compared to \$39,992,134 in fiscal year 2011. The State Share of Instruction (SSI) is determined annually by the Ohio Board of Regents (OBR). The fiscal year 2010-11 biennium marked the first time that SSI formula allocations were, in part, based on successful course completions. During fiscal year 2011, the University received \$6,728,718 in American Recovery and Reinvestment Act (ARRA) funds as a