

AGENDA ITEM: C.1.b.

AGENDA TOPIC: Financial Report for the Years Ended June 30, 2014 and 2013

CONTACT(S): Dennis Obyc, Crowe Horwath LLP and Neal McNally, Interim Vice President for Finance and Administration

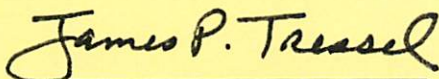
BACKGROUND: The University's Financial Statements for the years ended June 30, 2014 and 2013 were audited by Crowe Horwath LLP. The University has contracted with Crowe Horwath LLP for audit services for the five year period July 1, 2012 through June 30, 2017. The University's financial position is reflected in its Senate Bill 6 (SB6) composite scores. The Audited Senate Bill 6 Ratios and Composite Score are attached to the FY 2014 Financial Report.

SUMMARY AND ANALYSIS:

- The University received an unqualified or clean opinion from the auditors.
- The University's SB6 composite score for the year ended June 30, 2014 improved from 3.3 at June 30, 2013 to 3.5 at June 30, 2014 due to an increase in the net income ratio.
- Although the University's operating loss for the two years was consistent at \$77.6 million, the change in net position (net income) increased from \$.7 million in fiscal year 2013 to \$2.6 million in fiscal year 2014. The positive change was partially attributed to an increase in investment income due to unrealized gains in equities and an increase in state capital appropriations income due to increased state capital activity.

RESOLUTION: N/A – DISCUSSION ITEM ONLY

REVIEWED AS TO FORM AND CONTENT:



James P. Tressel, President

**Audited Senate Bill 6 Ratios and Composite Score
For Year Ended June 30, 2014**

Background

Senate Bill 6 provides a formalized structure for monitoring the financial health of state Colleges and Universities in Ohio. SB6 rules require certain quarterly reports to be filed with the Ohio Board of Regents, annual unaudited and audited reports to be filed with the Auditor of State, and the use of ratio analysis to quantify an institution's financial health.

The SB6 factors are determined by the range in which each component ratio falls. The component ratios include the viability, primary reserve, and net income ratios:

- The **viability** ratio measures the capability of the University to satisfy debt obligations by dividing expendable funds by plant debt.
- The **primary reserve** ratio measures the financial strength of an institution by comparing expendable funds to total operating expenses plus interest on long term debt. This ratio receives the heaviest weight in the composite score.
- The **net income** ratio indicates whether total activities resulted in a surplus or a deficit and indicates whether the institution is living within available resources by dividing the change in total net assets by total revenues.

The composite score is then calculated by weighting and adding the three component ratio factors. Calculations from audited financial statements are required to be reported annually. The maximum composite score is 5 and the threshold for **fiscal watch is 1.75**.

Senate Bill 6 Ratios and Composite Score

For FY14, YSU met all interim and annual financial reporting requirements as of 10-31-14 and maintained a positive SB6 Composite Score of 3.5. The calculation for FY14 follows:

SB6 Factor Ranges						Factor	Weight	Score
0	1	2	3	4	5			
<0	0 to .299	.30 to .599	.60 to .999	1.0 to 2.499	=>2.50	3	0.3	0.9
Viability Ratio								
			0.747					
0	1	2	3	4	5			
<-.10	-.10 to .049	.05 to .099	.10 to .249	.25 to .499	=>.50	4	0.5	2.0
Primary Reserve Ratio								
				0.262				
0	1	2	3	4	5			
<-.05	-.05 to -.001	0 to .009	.01 to .029	.03 to .049	=>.05	3	0.2	0.6
Net Income Ratio								
YSU Composite Score for FY14								3.5

<u>Five Year Comparison</u>	<u>FY14</u>	<u>FY13</u>	<u>FY12</u>	<u>FY11</u>	<u>FY10</u>
Net Factor Scores:					
Viability Ratio	0.9	0.9	0.9	0.6	0.9
Primary Reserve Ratio	2.0	2.0	1.5	1.5	2.0
Net Income Ratio	0.6	0.4	0.2	0.2	0.8
SB6 Composite Score	3.5	3.3	2.6	2.3	3.7

Youngstown

STATE UNIVERSITY

FINANCIAL REPORT
*For the Years Ended
June 30, 2014 and 2013*



This report is subject to review and acceptance by the Auditor of State's office, and the requirements of Ohio Revised Code Section 117.25 are not met until the auditor of State certifies this report. This process will be completed by the Auditor of State in a reasonable timeframe and reports are subject to change if the Auditor of State determines that modification of a report is necessary to comply with required accounting or auditing standards or OMB Circular A-133.

YOUNGSTOWN STATE UNIVERSITY

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YOUNGSTOWN STATE UNIVERSITY

MESSAGE FROM PRESIDENT TRESSEL

October 15, 2014

As we reflect on the many challenges and accomplishments of this past year, “change” and “resilience” have been the operative words. The determination, dedication and hard work of our campus community, at every level, has been abundantly evident as Youngstown State University (YSU) navigates some challenging waters. Several significant leadership changes, at the highest levels (including the office of the President) and the major budget shortfall have been met with courage, insight and thoughtfulness. We all need to remind ourselves that in spite of these issues, our students, faculty and staff continue to excel in their important work. Let me offer just a few examples.

One of the most compelling indicators of YSU’s continuing journey toward fulfilling our missions to insure academic excellence, student success and service to our community is the fact that Youngstown State University awarded 2,147 degrees in the 2013-14 academic year—the most in nearly three decades. While we did see a predicted decline in overall enrollment for Fall 2014, this year’s class of 1,717 freshmen students boasts an average ACT test score of 21.05 and a high school grade point average of 3.12, both of which are the highest at any time in the University’s history.

The Youngstown State University Foundation, which annually provides millions of dollars in scholarships to thousands of YSU students, is among the top third of university endowments in the nation and is the largest endowment among public universities in Northeast Ohio.

The Youngstown State University Chapter of the Institute of Industrial Engineers is one of only 36 university chapters nationwide to receive IIE’s Gold Award for 2014. Only four universities in the Great Lake region were deemed Gold for the 2014 academic year – YSU, Ohio State, Michigan and Purdue. IIE is the world’s largest professional society dedicated solely to the support of the industrial engineering profession and individuals involved with improving quality and productivity.

Youngstown State University’s new *Launch Lab*, an initiative that combines engineering and art, was among the programs highlighted by President Obama at the first White House *Maker Faire* in June of this year. Martin Abraham, Dean of the College of Science, Technology, Engineering and Mathematics, was invited to attend the Faire, which features makers, innovators and entrepreneurs across America using cutting-edge tools to bring life to ideas.

Youngstown State University accounting students continued their winning ways at the Beta Alpha Psi (BAP) Midwest Region competition, placing first in the Best Practices competition at the meeting in Indianapolis in late March. YSU’s BAP teams have now placed first or second in Midwest Regional Best Practices competitions for the last seven consecutive years.

YOUNGSTOWN STATE UNIVERSITY

MESSAGE FROM PRESIDENT TRESSEL (CONT.)

For the second consecutive year, graduates of Youngstown State University's Beeghly College of Education lead the state of Ohio in achieving 100 percent passing rates on licensure exams. All 206 YSU teacher education students who completed the program between September 2012 and September 2013 passed state licensure exams tests, according to the second annual Ohio Educator Preparation Performance Report. In addition, all 19 YSU students who completed the principal preparation program passed their licensure exams as well.

Youngstown State University is included among *Forbes* magazine's America's Top Colleges; YSU ranks among the top third of similar universities and colleges nationally in *Washington Monthly's* College Guide and Rankings; and YSU places 21st among nearly 400 post-secondary institutions in Ohio for providing the greatest lifetime return on investment. The list was compiled using information from the National Center for Educational Statistics, Integrated Post-Secondary Education Data System, PayScale and the Carnegie Foundation.

Youngstown State University's alumni publication, *YSU Magazine – A Magazine for Alumni and Friends*, won a top national award in the 2013 Collegiate Advertising Awards competition. YSU's entry was chosen for a Gold Award in the university magazine series category for schools with enrollments between 10,001 and 20,000 students. Our Division of Student Affairs has been named one of the 30+ Promising Places to Work in Student Affairs. The national list was developed by *Diverse: Issues In Higher Education* magazine and the American College Personnel Association and is based on a national study conducted by the Center for Inclusion, Diversity and Academic Success, iDEAS. For the fourth year in a row YSU was again named a Tree Campus USA by the Arbor Foundation and was named to the President's Higher Education Community Service Honor Roll.

For the fifth consecutive year, *G.I. Jobs* magazine named YSU a "Military Friendly School." We also just completed construction on the \$1.25 million YSU Veterans Resource center on Wick Avenue. The 6,000-square-foot, two-story center will help improve and expand services to military veterans and service members transitioning to student life at YSU.

These are but a few of the "bragging points" we have on our list of accomplishments from this past year. Suffice to say that in all areas of academic and student support, YSU continues to accomplish more with less. Hard work and innovation are deeply rooted cultural attributes of the Valley, and they are at the very core of the successes we continue to realize at Youngstown State University.

Sincerely yours,



James P. Tressel
President

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 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, 2014 and 2013, 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, which represents the entire discretely presented component unit. 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. 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 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 discretely presented component unit of the University, as of June 30, 2014 and 2013, 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.

Emphasis of Matter

As discussed in Note 16 to the financial statements, the 2013 financial statements of the discretely presented component unit have been restated to correct a misstatement. Our opinions are not modified with respect to this matter.

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 5 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 basic 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The Message from President Tressel, Board of Trustees and Principal Administrators are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on them.

Crowe Horwath LLP

Crowe Horwath LLP

Columbus, Ohio
October 15, 2014

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis section of Youngstown State University's (YSU or University) Financial Report presents a discussion and analysis of the financial performance of the University during the fiscal year ended June 30, 2014 with comparative information for the fiscal years ended June 30, 2013 and June 30, 2012. 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 2014, three 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.

Youngstown State University traces its beginnings to a commercial law course offered by the Young Men's Christian Association (YMCA) in 1908. The YMCA had offered high school level and vocational courses since 1888, but wanted to meet the college-level needs of area residents in a society undergoing rapid industrialization and urbanization. The YMCA offered courses on law, business and engineering; and in 1910, even instituted a School of Law that granted no degree, but prepared students to take the bar exam. In 1916, the YMCA incorporated all of its education work under the Youngstown Association School. By the early 1920's the Ohio Board of Education granted the School of Law the power to confer the Bachelor of Science in Law degree and in 1924 the School of Commerce and Finance the right to confer the bachelor's degree in commercial science. The YMCA also offered courses to prepare teachers for certification, a program that evolved by 1927 into a separate school named Youngstown College and recognized by the State Department of Education. Throughout the 1920s, the schools of law and commercial science were called the Youngstown Institute of Technology, which began a move from downtown to the present location with the purchase of several mansions owned by the Wicks.

In 1931, the YMCA constructed its first building, the present-day Jones Hall, and appointed Howard Jones as the educational director. By the mid-1930s, the Board of Directors decided to incorporate with the official name of Youngstown College separate from the other YMCA educational efforts; they appointed Howard Jones as the first president, a position he held until 1966. In 1944, the trustees of the YMCA transferred control of the institution to the members of the Corporation of Youngstown College, and in 1955 the corporation was rechartered as The Youngstown University. The University joined the Ohio system of higher education in September 1967 as Youngstown State University.

Dana's Musical Institute, founded in nearby Warren in 1869, became Dana's Musical Institute of Youngstown College in 1941. In 1946, the Engineering Department, organized several years before, became the William Rayen School of Engineering; two years later, the Business Administration Department became the School of Business Administration; and in 1981 the

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

school name was changed to the Warren P. Williamson, Jr. School of Business Administration. In 1960, the Education Department became the School of Education. The Graduate School and College of Applied Science and Technology were created in 1968, and, in 1974, the College of Fine and Performing Arts was established. In 1972, Youngstown State University, with the University of Akron and Kent State University formed a consortium to sponsor the Northeastern University's College of Medicine, which enrolled its first students in 1975. In 1991 the engineering technology departments separated from the College of Applied Science and Technology and joined the new College of Engineering and Technology; the remaining departments formed the new College of Health and Human Services. In 2007, the Rayen College of Engineering and Technology incorporated the science and mathematics departments from the College of Arts and Sciences. This reorganization linked science, technology, engineering and mathematics on one hand, and the humanities and social sciences on the other.

Youngstown State University now consists of the School of Graduate Studies and Research and six undergraduate colleges: the Williamson College of Business Administration; the Beeghly College of Education; the College of Fine and Performing Arts; the Bitonte College of Health and Human Services; the College of Liberal Arts and Social Sciences; and the College of Science, Technology, Engineering, and Mathematics. Degrees offered range from associate, bachelor's, and master's to a doctorate in educational leadership and the Doctor of Physical Therapy.

The University is located on a 145-acre campus near downtown Youngstown, Ohio and is equidistant (approximately 60 miles) from both Pittsburgh and Cleveland. Fall 2014 enrollment is 12,551.

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.

During fiscal year 2014, the University adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The provisions of this Statement were effective for periods beginning after December 15, 2012. This Statement established 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

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

outflows of resources or inflows of resources certain items that were previously reported as assets and liabilities. The principal effect of the adoption of this GASB Statement was the requirement in GASB 65 for the expensing of debt issuance costs. The University has reflected this accounting change retroactively as required by the GASB guidance.

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 a 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 16. Management's Discussion and Analysis focuses on the University and does not include the component unit.

Financial and Other University Highlights

- Hired the University's ninth President, Mr. James P. Tressel
- Continued decline in enrollment
- Continued decline in State support
- Continued healthy Senate Bill 6 ratios
- Continued spending containment
- Continued renovations of academic buildings
- Completed an outdoor athletic facility

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

The Statements of Net Position

The Statement of Net Position presents the financial position of the University at the end of the fiscal year and includes all assets (current and noncurrent), liabilities (current and noncurrent), deferred inflows of resources, deferred outflows of resources, and net position (the difference between total assets, deferred outflows, total liabilities, and deferred inflows) of the University. Current assets are classified as such if they are available to satisfy current liabilities, which are generally defined as being due within one year of the date of the Statement of Net Position. Net position is one indicator of the financial condition of the University, while the change in net position is an indicator of whether the overall financial condition has improved or worsened during the year.

A summarized comparison of the University's assets, liabilities, deferred inflows, and net position at June 30, 2014, 2013, and 2012 is as follows. Due to the adoption of GASB 65, June 30, 2013, and 2012 are restated.

	June 30, 2014	June 30, 2013	June 30, 2012
Assets			
Current assets	\$ 66,718,238	\$ 68,038,365	\$ 67,998,180
Capital assets, net	201,160,882	201,197,373	198,967,315
Other assets	29,900,130	31,284,004	31,027,763
Total Assets	<u>297,779,250</u>	<u>300,519,742</u>	<u>297,993,258</u>
Liabilities			
Current liabilities	23,369,754	26,017,851	22,232,197
Noncurrent liabilities	79,389,827	82,465,934	84,452,709
Total Liabilities	<u>102,759,581</u>	<u>108,483,785</u>	<u>106,684,906</u>
Deferred Inflows	<u>382,500</u>	<u>-</u>	<u>-</u>
Total Net Position	<u>\$ 194,637,169</u>	<u>\$ 192,035,957</u>	<u>\$ 191,308,352</u>
Net Position			
Net investment in capital assets	\$ 133,638,628	\$ 133,918,811	\$ 134,915,944
Restricted	29,377,651	28,154,243	27,256,853
Unrestricted	31,620,890	29,962,903	29,135,555
Total Net Position	<u>\$ 194,637,169</u>	<u>\$ 192,035,957</u>	<u>\$ 191,308,352</u>

Current assets include unrestricted and restricted cash and cash equivalents, investments that mature within one year, receivables, inventories and other short-term assets. Noncurrent assets include unrestricted investments that mature in more than one year, as well as cash and cash equivalents and investments that are restricted by donors or external parties as to their use. Receivables deemed to be collectible in more than one year are also included as noncurrent. Current assets decreased \$1.3 million in 2014 and remained flat from fiscal year 2012 to fiscal year 2013.

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

Current liabilities include all liabilities that are payable within the next fiscal year. Unearned revenues, principally from summer programs, are also presented as current liabilities. Liabilities that are due to be paid beyond the next fiscal year are reported as noncurrent liabilities. Current liabilities decreased \$2.6 million in fiscal year 2014 and increased \$3.8 million from fiscal year 2012 to fiscal year 2013.

Deferred inflows are the acquisition of net assets that are applicable to future reporting periods. At the beginning of fiscal year 2014, the University entered into a ten year service concession agreement with a food service provider and received an upfront amount of \$425,000. The unamortized amount at June 30, 2014 was \$382,500. See Note 1 for additional information. The University had no deferred outflows at June 30, 2014.

Assets

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

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Cash and cash equivalents	\$ 16,762,273	\$ 22,898,563	\$ 25,918,304
Investments	60,725,589	55,039,561	51,146,119
Accounts, loans and pledges receivable, net	15,237,373	17,945,418	18,197,442
Capital assets, net	201,160,882	201,197,373	198,967,315
Other	3,893,133	3,438,827	3,764,078
Total Assets	<u>\$ 297,779,250</u>	<u>\$ 300,519,742</u>	<u>\$ 297,993,258</u>

Cash and cash equivalents decreased \$6.1 million or 27% from fiscal year 2013 to fiscal year 2014. The net decrease resulted from a combination of decreased enrollment and state funding, and the spending of prior year's bond proceeds on capital projects. Deposits held by Trustee totaled \$3.7 million at June 30, 2014 compared to \$7.2 million at June 30, 2013. Investments increased \$5.7 million or 10% from fiscal year 2013 to fiscal year 2014. The increase was due to a favorable investment environment. Endowment principal and operating reserves are included in noncurrent assets and are invested in long-term maturities. 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 15% from fiscal year 2013 to fiscal year 2014. Net accounts decreased \$1.2 million or 12% largely due to decreased enrollment. Net pledges decreased \$1.8 million or 29% due to payments on pledges for the WCBA Building. See Notes 5 and 6 for additional information.

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 \$13.3 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.

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

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. Internal policies and procedures and collection efforts were reviewed 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.

At June 30, 2014, the University had \$201,160,882 in capital assets, net of accumulated depreciation. Depreciation totaled \$11,243,549, \$10,444,021 and \$10,452,082 in fiscal years 2014, 2013, and 2012 respectively. Details of net capital assets are shown below.

	June 30, 2014	June 30, 2013	June 30, 2012
Land	\$ 15,692,070	\$ 15,686,564	\$ 15,457,264
Buildings, net	120,052,098	125,083,004	130,490,412
Improvements to buildings, net	34,065,430	31,240,519	24,438,181
Improvements other than buildings, net	17,270,296	12,758,004	12,055,358
Construction in progress	6,577,088	8,523,237	8,826,015
Moveable equipment and furniture, net	6,636,913	7,024,231	6,901,000
Vehicles, net	231,521	246,348	227,950
Historical treasures	635,466	635,466	570,466
Capital leased assets, net	-	-	669
Total Capital Assets, net	<u>\$ 201,160,882</u>	<u>\$ 201,197,373</u>	<u>\$ 198,967,315</u>

Major capital activity during fiscal year 2014 included the completion of an outdoor athletic facility and interior renovations in Cushwa and DeBartolo Halls. The second phase of improvements in DeBartolo Hall started during Spring semester and work continued on campus-wide elevator upgrades and concrete replacement. The Veteran's Resource Center is scheduled to be completed during the Fall semester. These projects are included in construction in progress at June 30, 2014.

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 in Cushwa and DeBartolo Halls, two of YSU's academic buildings, which were scheduled to be completed in August 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 was scheduled in early fiscal year 2013.

See Note 7 for additional information on capital assets.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

Liabilities

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

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Accounts and construction payable	\$ 5,056,206	\$ 5,657,067	\$ 4,266,084
Payroll liabilities	7,573,736	8,491,849	7,851,257
Notes payable	2,240,037	3,303,103	4,329,923
Bonds and capital leases payable, net	68,498,512	70,293,249	72,048,760
Unearned revenue	5,418,952	7,099,828	4,802,290
Compensated absences	9,896,456	9,917,913	9,032,479
Refundable advance	2,628,561	2,635,179	2,684,953
Other	1,447,121	1,085,597	1,669,160
Total Liabilities	<u>\$ 102,759,581</u>	<u>\$ 108,483,785</u>	<u>\$ 106,684,906</u>

Total liabilities decreased \$5.7 million or 5.3% from fiscal year 2013 to fiscal year 2014. Notes, Bonds, and Capital Lease payables decreased \$2.9 million due to scheduled debt service payments. Unearned revenue decreased \$1.7 million due primarily from certain fiscal year 2013 advance payments not repeating in fiscal year 2014.

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.

See Note 8 for a further breakout of payroll and other liabilities. See Notes 9-12 for more detailed information about the University's debt and long-term liabilities, and compensated absences.

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

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:

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Net investment in capital assets	\$ 133,638,628	\$ 133,918,811	\$ 134,915,944
Restricted-nonexpendable	8,155,510	7,162,823	6,535,407
Restricted-expendable	21,222,141	20,991,420	20,721,446
Unrestricted	31,620,890	29,962,903	29,135,555
Total Net Position	<u>\$ 194,637,169</u>	<u>\$ 192,035,957</u>	<u>\$ 191,308,352</u>

Overall, the University's total net position increased \$2.6 million or 1.4% from \$192.0 million at June 30, 2013 to \$194.6 million at June 30, 2014. This resulted from excess revenue over expenses and includes a \$.3 million decrease in the net investment in capital assets, a \$1.2 million increase in restricted net position and \$1.7 million increase in unrestricted net position.

Overall, the University's total net position remained relatively flat, increasing \$.7 million or .4% from \$191.3 million at June 30, 2012 to \$192.0 million at June 30, 2013. The slight increase resulted from excess revenues over expenses and included a \$1 million decrease in the net investment in capital assets, a \$.9 increase in restricted net position, and \$.8 million increase in unrestricted net position.

The net investment 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 decrease of \$.3 million was due to spending \$3.1 million for capital projects financed with bond proceeds, \$2.9 million reduction in outstanding debt, net capital additions of \$11.2 million, and current year depreciation of \$11.2 million. Outstanding plant debt was \$70,738,549 and unspent bond proceeds were \$3,011,291 at June 30, 2014 compared to \$73,596,352 and \$6,095,020 at June 30, 2013.

The overall decrease in net investment in capital assets of \$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 depreciation of \$10.4 million. Outstanding plant debt was \$73,596,352 and unspent bond proceeds were \$6,095,020 at June 30, 2013 compared to \$76,378,683 and \$12,075,282 at June 30, 2012.

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 2014 and 2013.

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

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:

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Current funds	\$ 9,625,741	\$ 8,423,655	\$ 7,166,503
Plant funds	11,390,029	12,372,096	13,359,692
Quasi-Endowments	147,644	137,377	131,963
Loan funds	<u>58,727</u>	<u>58,292</u>	<u>63,288</u>
Total Restricted Expendable Net Position	<u>\$ 21,222,141</u>	<u>\$ 20,991,420</u>	<u>\$ 20,721,446</u>

Total restricted expendable net position was \$21.2 million at June 30, 2014 compared to \$21.0 million at June 30, 2013. Current restricted funds include grants and sponsored programs, and gifts which include scholarship donations and program support. These funds increased \$1.2 million from \$8.4 million at June 30, 2013 to \$9.6 million at June 30, 2014. Plant funds primarily include donations and pledges for construction or renovation. Approximately \$9.8 of the \$11.4 million balance at June 30, 2014 related to gifts which have been internally designated for future debt service attributed to those projects.

Total restricted expendable net position was \$21.0 million at June 30, 2013 compared to \$20.7 million at June 30, 2012. Current funds increased \$1.2 million from \$7.2 million at June 30, 2012 to \$8.4 million at June 30, 2013, largely due to a \$1 million multi-year pledge for a Center for Health and Welfare. Approximately \$10.6 million of the \$12.4 million balance at June 30, 2013 related to gifts which have been 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:

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Current funds	\$ 8,780,693	\$ 7,979,549	\$ 7,356,124
Operating reserves	8,692,753	8,772,753	8,670,049
Plant funds	14,126,396	13,188,674	13,084,030
Loan funds	<u>21,048</u>	<u>21,927</u>	<u>25,352</u>
Total Unrestricted Net Position	<u>\$ 31,620,890</u>	<u>\$ 29,962,903</u>	<u>\$ 29,135,555</u>

Total unrestricted net position was \$31.6 million at June 30, 2014 compared to \$29.9 million at June 30, 2013. The increase of \$1.7 million from fiscal year 2013 to fiscal year 2014 reflects generally the excess of revenues over expense during fiscal year 2014 from non-capital asset activity.

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 \$.8 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.

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

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:

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Operating Revenues			
Net tuition, fees and other student charges	\$ 87,064,562	\$ 88,938,239	\$ 88,491,653
Auxiliary enterprises	22,804,151	22,070,093	22,105,338
Grants and contracts	8,466,912	9,469,577	10,200,470
Other	<u>2,300,536</u>	<u>2,216,714</u>	<u>2,466,280</u>
Total Operating Revenues	120,636,161	122,694,623	123,263,741
Operating Expenses	<u>198,300,930</u>	<u>200,324,473</u>	<u>202,241,086</u>
Operating Loss	(77,664,769)	(77,629,850)	(78,977,345)
Nonoperating Revenues (Expenses)			
State appropriations	37,712,282	38,480,351	39,347,845
Gifts, grants, and contracts	34,368,531	36,186,489	38,219,829
Investment income	5,481,254	3,635,834	1,360,702
Other	<u>(4,422,670)</u>	<u>(5,433,031)</u>	<u>(3,703,386)</u>
Net Nonoperating Revenues	<u>73,139,397</u>	<u>72,869,643</u>	<u>75,224,990</u>
Loss Before Other Revenues, Expenses, and Changes	(4,525,372)	(4,760,207)	(3,752,355)
Other Revenues, Expenses, and Changes			
State capital appropriations	4,195,720	2,904,410	133,552
Capital grants and gifts	2,482,221	2,466,376	1,578,453
Other	<u>448,643</u>	<u>117,026</u>	<u>471,494</u>
Total Other Revenues, Expenses, and Changes	<u>7,126,584</u>	<u>5,487,812</u>	<u>2,183,499</u>
Change in Net Position	2,601,212	727,605	(1,568,856)
Net Position at Beginning of the Year	192,035,957	191,308,352	192,877,208
Net Position at End of the Year	<u>\$ 194,637,169</u>	<u>\$ 192,035,957</u>	<u>\$ 191,308,352</u>

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

Revenues

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

	June 30, 2014	June 30, 2013	June 30, 2012
Net tuition, fees, and other student charges	\$ 87,064,562	\$ 88,938,239	\$ 88,491,653
Gifts, grants and contracts	45,317,664	48,122,442	49,998,752
State appropriations	37,712,282	38,480,351	39,347,845
Auxiliary enterprises	22,804,151	22,070,093	22,105,338
Investment income	5,481,254	3,635,834	1,360,702
State capital appropriations	4,195,720	2,904,410	133,552
Other revenue	3,146,602	2,700,309	3,375,359
Total Revenues	\$ 205,722,235	\$ 206,851,678	\$ 204,813,201

Overall, the University's total revenues decreased \$1.1 million or .5% between fiscal year 2014 and fiscal year 2013. The majority of the University's revenue, 61% in fiscal year 2014 and 62% in fiscal year 2013 is attributed to State appropriations, and net tuition and fees. Combined, these two revenue streams decreased \$2.6 million from fiscal year 2013 to fiscal year 2014.

Net tuition, fees and other student charges decreased \$1.9 million or 2% from fiscal year 2013 to fiscal year 2014 due to a combination of increased tuition and fees and decreased enrollment. Gifts, grants, and contracts decreased \$2.8 million or 6% over the prior year primarily due to a \$1.7 million decrease in Pell Grants resulting from decreased enrollment and a \$.9 million decrease in federal grant activity. Combined capital grants and gifts remained relatively flat in fiscal year 2013 and fiscal year 2014; however, capital gifts decreased \$.9 million due to the prior year including gifts and pledges relating to an outdoor athletic facility and a Veteran's Resource Center and capital grants increased \$.9 million due to the current year including new grants in the STEM College for equipment. Investment income increased \$1.8 million or 51% primarily due to unrealized gains in equities.

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 from fiscal year 2012 to fiscal year 2013.

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 \$1.9 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

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

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.

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.

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Compensation	\$ 122,144,817	\$ 121,308,570	\$ 126,365,366
Operations	43,490,982	45,142,640	41,496,195
Scholarships	21,403,818	23,399,981	23,911,055
Depreciation and Amortization	11,261,313	10,473,282	10,468,470
Total Operating Expenses	<u>\$ 198,300,930</u>	<u>\$ 200,324,473</u>	<u>\$ 202,241,086</u>

Total operating expenses decreased \$2 million or 1% between fiscal year 2014 and fiscal year 2013. Total compensation increased slightly from \$121.3 million in fiscal year 2013 to \$122.1 million in fiscal year 2014. Salary and wages remained relatively flat at \$92.5 million in fiscal year 2014 and \$92.6 million in fiscal year 2013 despite a 2% contractual compensation increase, reflective of strategic elimination of staff vacancies and efforts to control and reduce personnel costs. Fringe benefits increased approximately \$900,000 or 3% from \$28.7 million to \$29.6 million due to a combination of increased health care claims and increased employee healthcare contributions. Operations expenses decreased \$1.7 million or 4% due to continued spending containment.

A large portion of all aid is classified as scholarship allowance on the Statement of Revenues, Expenses and changes in Net Position. Therefore, the \$2 million decrease in scholarships expense is a partial reflection of a \$1.7 million decrease in federal financial aid for Pell grant recipients and a \$1.7 million increase in support from YSUF. Overall, the University disbursed \$43.8 million to students in both fiscal years 2014 and 2013, including \$24.3 million and \$26.0 million in Federal Pell grants, respectively.

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.

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

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 and non-operating expenses for the University were \$203,121,023, \$206,124,073 and \$206,382,057, in fiscal years 2014, 2013 and 2012, respectively.

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

Economic Factors for the Future

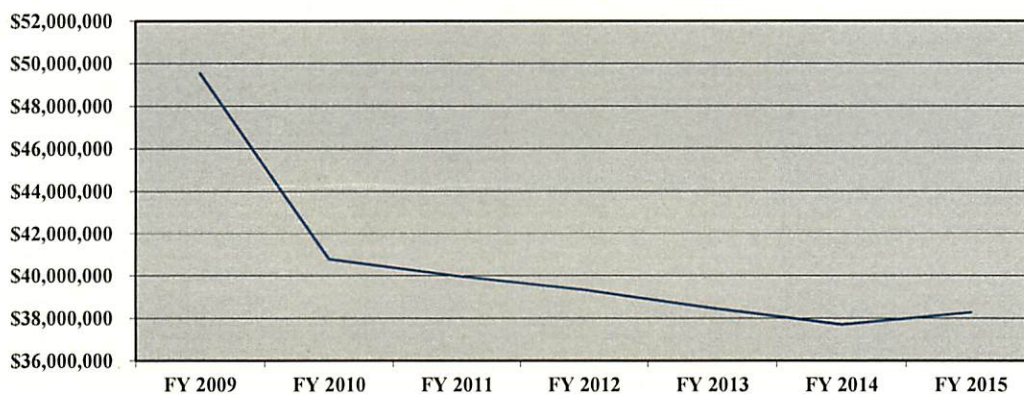
Looking to the future, management believes the University is well-positioned to continue its favorable financial condition and level of excellence in service to students. The University's healthy financial position is reflected in its Senate Bill 6 (SB6) composite scores. These scores are required to 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, 2014 was 3.5 compared to 3.3 at June 30, 2013 and 2.6 at June 30, 2012. The increase in the composite score in fiscal year 2014 reflects the effect of the increase in 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. However, a marginal \$500,000 increase in the University State Appropriations is expected for fiscal year 2015.

Declines in state funding support have been partially offset by an increase in tuition and fees of 2.4% in both fiscal year 2014 and 2015. 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 six years actual data for State Appropriations plus the budgeted amount for fiscal year 2015. Fiscal years 2010 and 2011 do not include federal stimulus funds.

**State Appropriations
Fiscal Years 2009 through 2015**

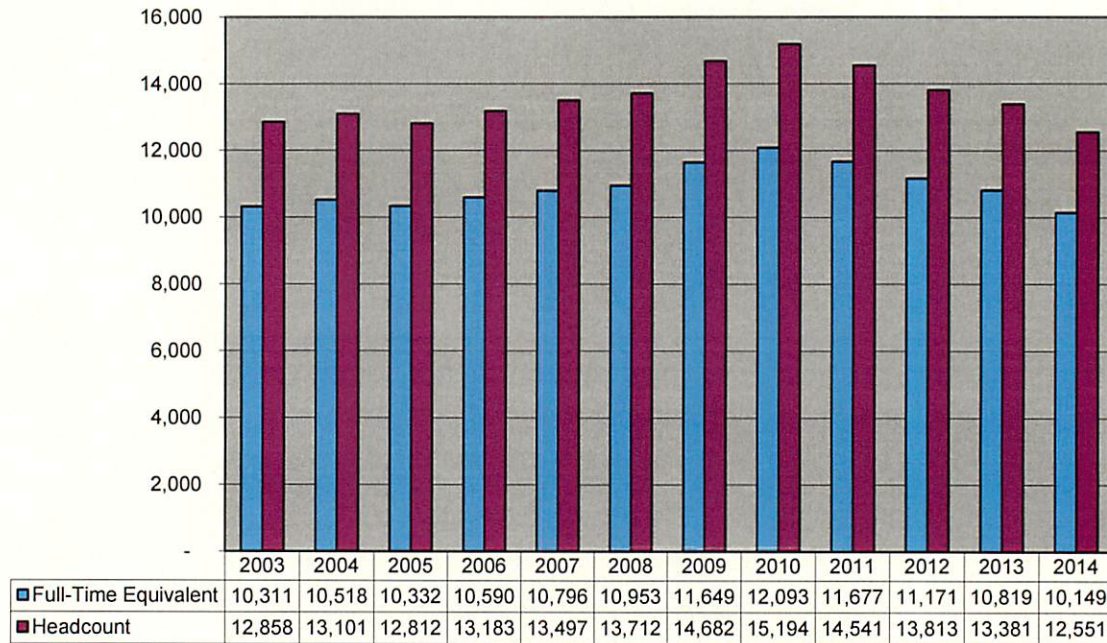


YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

The following graph reflects fall enrollment trends.

**Fall Semester Enrollment Trends
2003 through 2014**



For the past three years, YSU's full-time equivalent (FTE) enrollment levels decrease by an average of 3.6% per year. It is important to note, however, that even with this decline, Fall 2013 enrollment remained approximately 1% above the 20-year average. This three-year downward trend is expected to continue for one more year, as shown in the chart below, before beginning to stabilize in Fall 2015 and beyond.

With the higher admittance standards that were implemented in Fall 2013, the University has already begun to see improved student continuation and retention results. These results and their cumulative effect, combined with new enrollment initiatives that have already been initiated, will make for a more optimistic enrollment picture beyond 2014.

YOUNGSTOWN STATE UNIVERSITY
STATEMENTS OF NET POSITION AT JUNE 30, 2014 AND 2013

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 16,762,273	\$ 22,898,563
Investments	35,414,416	29,631,200
Restricted investments	281,476	-
Interest receivable	102,084	119,083
Accounts receivable, net	8,597,917	9,822,573
Pledges receivable, net	1,839,740	2,368,109
Loans receivable, net	435,703	398,728
Inventories	1,657,629	1,767,566
Prepaid expenses and unearned charges	1,627,000	1,032,543
Total Current Assets	<u>66,718,238</u>	<u>68,038,365</u>
Noncurrent Assets		
Investments	17,056,568	18,369,540
Endowments and other restricted investments	7,973,129	7,038,821
Pledges receivable, net	2,324,067	3,515,580
Loans receivable, net	2,039,946	1,840,428
Other noncurrent assets	205,005	222,770
Cash surrender value of life insurance	301,415	296,865
Nondepreciable capital assets	22,904,624	24,845,267
Depreciable capital assets, net	178,256,258	176,352,106
Total Noncurrent Assets	<u>231,061,012</u>	<u>232,481,377</u>
Total Assets	<u>297,779,250</u>	<u>300,519,742</u>
LIABILITIES AND NET POSITION		
Current Liabilities		
Accounts payable	3,269,184	3,176,441
Construction pay able	1,787,022	2,480,626
Payroll liabilities	7,573,736	8,491,849
Bonds payable	1,790,000	1,735,000
Notes payable	1,100,593	1,063,067
Compensated absences	983,146	885,443
Unearned revenue	5,418,952	7,099,828
Other liabilities	1,447,121	1,085,597
Total Current Liabilities	<u>23,369,754</u>	<u>26,017,851</u>
Noncurrent Liabilities		
Bonds payable, net	66,708,512	68,558,249
Notes payable	1,139,444	2,240,036
Compensated absences	8,913,310	9,032,470
Refundable advance	2,628,561	2,635,179
Total Noncurrent Liabilities	<u>79,389,827</u>	<u>82,465,934</u>
Total Liabilities	<u>102,759,581</u>	<u>108,483,785</u>
DEFERRED INFLOWS	<u>382,500</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	133,638,628	133,918,811
Restricted - Nonexpendable	8,155,510	7,162,823
Restricted - Expendable	21,222,141	20,991,420
Unrestricted	31,620,890	29,962,903
Total Net Position	<u>\$ 194,637,169</u>	<u>\$ 192,035,957</u>

See accompanying notes to financial statements.

THE YOUNGSTOWN STATE UNIVERSITY FOUNDATION

STATEMENTS OF FINANCIAL POSITION AT JUNE 30, 2014 AND 2013

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
ASSETS		
Cash and cash equivalents	\$ 195,297	\$ 2,923,229
Accrued interest receivable	2,658	66,851
Prepaid insurance	3,977	8,316
Property acquired for resale to Youngstown State University	95,341	61,321
Investments-at fair value		
Common stock	33,601,589	42,550,036
Preferred stock	-	889,310
Mutual funds	117,299,649	25,115,807
Hedge funds	61,560,393	-
Alternative investments	12,090,268	-
Fixed income securities		
U.S. Government and Agencies	-	209,205
Corporate	656,625	22,635,356
Temporary cash investments	8,551,292	114,328,828
	<u>233,759,816</u>	<u>205,728,542</u>
Contribution receivable from remainder trusts	669,486	585,975
Cash surrender value of insurance policies	6,285	-
Office furniture and equipment, at cost, less accumulated depreciation of \$47,686 in 2014 and \$43,392 in 2013	15,287	19,581
TOTAL ASSETS	<u><u>\$ 234,748,147</u></u>	<u><u>\$ 209,393,815</u></u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 12,276	\$ 4,398
Grant commitments to Youngstown State University for scholarship awards	7,394,304	5,144,741
TOTAL LIABILITIES	<u>7,406,580</u>	<u>5,149,139</u>
NET ASSETS		
Unrestricted		
Designated by Board for endowment	165,441,034	150,585,496
Undesignated	(790,494)	269,320
	<u>164,650,540</u>	<u>150,854,816</u>
Temporarily restricted	1,981,323	2,748,261
Permanently restricted	60,709,704	50,641,599
TOTAL NET ASSETS	<u><u>227,341,567</u></u>	<u><u>204,244,676</u></u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 234,748,147</u></u>	<u><u>\$ 209,393,815</u></u>

See accompanying notes to financial statements.

YOUNGSTOWN STATE UNIVERSITY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	June 30, 2014	June 30, 2013
OPERATING REVENUES		
Tuition, fees, and other student charges (net of scholarship allowance of \$22,427,278 in 2014 and 20,440,155 in 2013)	\$ 87,064,562	\$ 88,938,239
Federal grants and contracts	3,056,136	4,140,201
State grants and contracts	4,884,522	4,753,190
Local grants and contracts	208,966	184,663
Private grants and contracts	317,288	391,523
Sales and services	419,693	525,596
Auxiliary enterprises	22,804,151	22,070,093
Other operating revenues	1,880,843	1,691,118
Total Operating Revenues	120,636,161	122,694,623
OPERATING EXPENSES		
Instruction	67,123,276	68,182,874
Research	1,933,865	2,877,032
Public service	4,670,516	4,964,058
Academic support	14,978,678	14,014,648
Student services	9,018,683	8,525,638
Institutional support	25,668,789	26,986,977
Operation and maintenance of plant	16,411,586	15,356,351
Scholarships	17,126,520	20,586,195
Auxiliary enterprises	30,107,704	28,357,418
Depreciation and amortization	11,261,313	10,473,282
Total Operating Expenses	198,300,930	200,324,473
Operating Loss	(77,664,769)	(77,629,850)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	37,712,282	38,480,351
Federal grants	24,807,884	26,478,422
Private gifts	9,560,647	9,708,067
Unrestricted investment income, net of investment expense	4,337,195	2,830,320
Restricted investment income, net of investment expense	1,144,059	805,514
Interest on capital asset-related debt	(3,360,561)	(3,105,933)
Other nonoperating expenses, net	(1,062,109)	(2,327,098)
Net Nonoperating Revenues	73,139,397	72,869,643
Loss Before Other Revenues, Expenses, and Changes	(4,525,372)	(4,760,207)
OTHER REVENUES, EXPENSES, AND CHANGES		
State capital appropriations	4,195,720	2,904,410
Capital grants and gifts	2,482,221	2,466,376
Other	448,643	117,026
Total Other Revenues, Expenses, and Changes	7,126,584	5,487,812
Change In Net Position	2,601,212	727,605
NET POSITION		
Net Position at Beginning of the Year	192,035,957	191,855,489
Restatement for adoption of GASB 65		(547,137)
Net Position at Beginning of the Year, as restated	192,035,957	191,308,352
Net Position at End of the Year	\$ 194,637,169	\$ 192,035,957

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, 2014 AND 2013

	June 30, 2014			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
REVENUES, GAINS AND OTHER SUPPORT:				
Contributions	\$ 144,032	\$ 31,373	\$ 3,073,031	\$ 3,248,436
Investment earnings	2,850,798	25,388	-	2,876,186
Net realized gain on sale of investments	3,490,154	70,593	1,233,440	4,794,187
Net unrealized gain on long-term investments	17,791,368	147,176	4,659,708	22,598,252
Increase in value of deferred gifts	-	-	83,511	83,511
Donor reclassifications	-	(1,018,415)	1,018,415	-
Net assets released from restrictions	23,053	(23,053)	-	-
TOTAL REVENUES, GAINS AND OTHER SUPPORT	24,299,405	(766,938)	10,068,105	33,600,572
EXPENDITURES AND OTHER DISTRIBUTIONS:				
Administrative expenditures	1,906,506	-	-	1,906,506
Distribution to Youngstown State University:				
Grants for property	-	-	-	-
Scholarships and other	8,594,900	-	-	8,594,900
Benefits for retired Youngstown University faculty	2,275	-	-	2,275
TOTAL EXPENDITURES AND OTHER DISTRIBUTIONS	10,503,681	-	-	10,503,681
CHANGE IN NET ASSETS	13,795,724	(766,938)	10,068,105	23,096,891
Net Assets at Beginning of the Year	150,854,816	2,748,261	50,641,599	204,244,676
NET ASSETS	\$ 164,650,540	\$ 1,981,323	\$ 60,709,704	\$ 227,341,567

	June 30, 2013			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
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
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	-	-	59,214	59,214
Donor directed reclassifications	-	-	-	-
Net assets released from restrictions	252,636	(252,636)	-	-
TOTAL REVENUES, GAINS AND OTHER SUPPORT	21,229,434	338,331	5,114,001	26,681,766
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	5,114,001	18,305,371
Net Assets at Beginning of the Year	138,001,777	2,409,930	46,858,101	187,269,808
Prior period adjustment	-	-	(1,330,503)	(1,330,503)
Net Assets at Beginning of the Year, as restated	138,001,777	2,409,930	45,527,598	185,939,305
NET ASSETS	\$ 150,854,816	\$ 2,748,261	\$ 50,641,599	\$ 204,244,676

See accompanying notes to financial statements.

YOUNGSTOWN STATE UNIVERSITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Cash Flows from Operating Activities		
Student tuition and fees	\$ 85,754,058	\$ 87,058,941
Federal, state, and local grants and contracts	8,337,937	9,841,012
Private grants and contracts	328,401	429,128
Sales and services of educational and other departmental activities	23,583,237	22,261,899
Payments to suppliers	(45,629,635)	(44,168,749)
Payments to employees	(93,460,353)	(91,964,333)
Payments for benefits	(29,600,103)	(27,848,653)
Payments for scholarships	(17,194,143)	(20,592,885)
Student loans issued	(649,621)	(408,025)
Student loans collected	440,751	347,045
Student loan interest and fees collected	67,561	46,535
Other receipts, net	1,757,992	1,808,479
Total Cash Flows Used In Operating Activities	<u>(66,263,918)</u>	<u>(63,189,606)</u>
Cash Flows from Noncapital Financing Activities		
Federal grants	24,727,107	26,422,174
State educational appropriations	37,712,282	38,480,351
Direct lending receipts	76,485,875	81,096,490
Direct lending disbursements	(76,494,907)	(81,098,908)
Private gifts	7,775,730	10,264,828
Other	448,643	117,026
Other nonoperating expenses	(1,059,909)	(2,327,098)
Total Cash Flows Provided by Noncapital Financing Activities	<u>69,594,821</u>	<u>72,954,863</u>
Cash Flows from Investing Activities		
Proceeds from sale of investments	13,105,897	19,119,656
Purchase of investments	(18,791,925)	(23,013,098)
Interest on investments	5,498,253	3,645,690
Total Cash Flows Used In Investing Activities	<u>(187,775)</u>	<u>(247,752)</u>
Cash Flows from Capital and Related Financing Activities		
State capital appropriations	4,526,242	1,592,635
Private capital gifts and grants	4,335,092	3,516,966
Purchase of capital assets	(11,900,663)	(11,737,926)
Principal payments on capital debt	(2,798,066)	(2,712,626)
Interest payments on capital debt	(3,442,023)	(3,196,295)
Total Cash Flows Used In Capital and Related Financing Activities	<u>(9,279,418)</u>	<u>(12,537,246)</u>
Change in Cash and Cash Equivalents	(6,136,290)	(3,019,741)
Cash and Cash Equivalents, Beginning of Year	<u>22,898,563</u>	<u>25,918,304</u>
Cash and Cash Equivalents, End of Year	<u>\$ 16,762,273</u>	<u>\$ 22,898,563</u>

YOUNGSTOWN STATE UNIVERSITY

STATEMENTS OF CASH FLOWS (CONT.) FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

Reconciliation of Operating Loss to Net Cash Used in Operating Activities

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Operating loss	\$ (77,664,769)	\$ (77,629,850)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	11,261,313	10,473,282
Provision for bad debts	2,017,286	3,199,800
Gifts in kind	97,881	15,490
Changes in assets and liabilities:		
Accounts receivable, net	(1,071,714)	(1,626,276)
Loans receivable, net	(214,160)	(74,160)
Inventories	109,938	39,316
Prepaid expenses and unearned charges	(594,458)	543,684
Accounts payable	92,743	519,829
Accrued and other liabilities	(546,289)	76,386
Unearned revenue	269,768	387,459
Compensated absences	(21,457)	885,434
Net Cash Flows Used In Operating Activities	<u><u>\$ (66,263,918)</u></u>	<u><u>\$ (63,189,606)</u></u>

See accompanying notes to financial statements.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

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 16 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:

- Net investment 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.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

- 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.

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 Position.

Endowment Policy – The University Endowment Fund consists of 97 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. The University's policy is to limit annual distributions to no greater than accumulated income earned. Distributions greater than the accumulated income earned require written justification and Board of Trustees' approval.

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.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

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 the net investment 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

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.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

Deferred Outflows and Inflows of Resources – Deferred outflows represent the consumption of resources that are applicable to a future reporting period, but do not require and further exchange of goods or services. Deferred inflows of resources in the University's financial statements consist of the unamortized service concession arrangement.

Service Concession Arrangement – The University has an agreement with a food service provider which is a service concession arrangement. During fiscal year 2014, the University received funds toward dining hall renovations that are contingent upon the University utilizing the services of the food service provider over a ten year period. The amounts received are being amortized over the life of the contract arrangement. Under GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which became effective in the year ended June 30, 2013, service concession arrangements are to be reported as deferred inflows or outflows. The unamortized amount is reflected as a deferred inflow of resources on the Statement of Net Position.

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 YEARS ENDED JUNE 30, 2014 AND 2013

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 2014, the provisions of the following GASB Statements became effective:

- 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. See the *Restatement* section below for the effect of the adoption of GASB 65.
- 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. 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 adoption of GASB statements 66 and 70 had no significant impact on the University's financial condition, operating results or financial statements.

Newly Issued Accounting Pronouncements – As of June 30, 2014, the GASB issued the following statements not yet implemented by the University:

- 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

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

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. 71, *Pension Transition of Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68*, issued November 2013. The provisions of this Statement should be applied simultaneously with the provisions of Statement 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

The University has not yet determined the effect these Statements will have on the University's financial statements and disclosures. However, management does believe the adoption of GASB 68 will significantly decrease the University's net position. This Statement will require the liabilities for underfunded pension liabilities to be reported on the Statement of Net Position.

Restatement – Due to the University's adoption of GASB 65, net position was restated at July 1, 2012. With the adoption of GASB 65, bond issuance costs are expensed and no longer amortized annually. The following is a reconciliation of the total net position as previously reported at July 1, 2012 to the restated net position.

	Total Net Position
Net position at July 1, 2012, as previously reported	\$ 191,855,489
Adoptioin of GASB 65	(547,137)
Net position at July 1, 2012, as restated for adoption of GASB 65	<u>\$ 191,308,352</u>

The effect of this change on the fiscal year 2013 Statement of Changes in Revenue, Expenses and Net Position was a decrease of \$57,280 in amortization expense and a corresponding increase in the change in net position.

Reclassification – Certain reclassifications have been made to the fiscal year 2013 amounts to conform with the fiscal year 2014 presentation. These reclassifications had no effect on the total net position or change in net position.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

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 \$37,712,282 in fiscal year 2014, compared to \$38,480,351 in fiscal year 2013. The State Share of Instruction (SSI) is determined annually by the Ohio Board of Regents (OBOR).

Capital appropriations from the State totaled \$4,195,720 in fiscal year 2014 and \$2,904,410 in fiscal year 2013 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 \$2,586,357 and \$4,240,019 at June 30, 2014 and 2013, 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.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

Cash and Cash Equivalents at June 30, 2014 and June 30, 2013 consist of the following:

	2014	2013
Carrying Amount (Cash and cash equivalents)	\$ 16,762,273	\$ 22,898,563
FDIC Insured	\$ 5,815,682	\$ 846,001
Uninsured but collateralized by pools of securities pledged by the depository banks	7,639,356	12,507,044
Uninsured but assets held in name of YSU not pledged as collateral elsewhere	4,194,116	11,346,182
Bank Balance	\$ 17,649,154	\$ 24,699,227

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 \$3,656,287 as of June 30, 2014 and \$7,166,021 as of June 30, 2013, 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. During fiscal year 2014, the University opened a Star Ohio Plus account. These deposits totaled \$5,003,888 at June 30, 2014 and are federally insured.

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, 2014, 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 manager for non-endowment funds. The University's endowment funds were managed by the Youngstown State University Foundation until the agreement was terminated by YSUF in November 2013 (see Note 16).

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

As of June 30, 2014, the University had the following investments and maturities using the segmented time distribution method:

Investment Type	Fair Value	Investment maturities (in years)			
		Less than 1	1-5	6-10	More than 10
U.S. Government Obligations	\$ 9,672,919	\$ 1,584,061	\$ 7,881,043	\$ 184,577	\$ 23,238
Corporate Bonds	8,641,793	685,431	6,762,194	1,184,037	10,131
U.S. Government Bonds	1,965,627	-	569,078	864,727	531,822
Bond Mutual Funds	13,971,974	13,971,974	-	-	-
Preferred and Common Stock	6,331,274	6,331,274	-	-	-
Equity Mutual Funds	20,142,002	20,142,002	-	-	-
Totals	<u>\$60,725,589</u>	<u>\$42,714,742</u>	<u>\$ 15,212,315</u>	<u>\$ 2,233,341</u>	<u>\$ 565,191</u>

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

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

Investment Type	Fair Value	Investment maturities (in years)			
		Less than 1	1-5	6-10	More than 10
U.S. Government Obligations	\$ 9,203,450	\$ 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
Bond Mutual Funds	13,964,185	13,964,185	-	-	-
Preferred and Common Stock	5,414,203	5,414,203	-	-	-
Equity Mutual Funds	14,529,836	14,529,836	-	-	-
Totals	<u>\$55,039,561</u>	<u>\$35,631,133</u>	<u>\$ 15,018,525</u>	<u>\$ 3,616,829</u>	<u>\$ 773,074</u>

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

As of June 30, 2014, investments had the following quality credit ratings:

Investment Type	Fair Value	Aaa	Aa	A	Baa	Unrated
Corporate Bonds	\$ 8,641,793	\$ 2,342,309	\$ 760,144	\$ 2,004,809	\$ 3,258,689	\$ 275,842
U.S. Government Bonds	1,965,627	1,448,148	517,479	-	-	-
Bond Mutual Funds	13,971,974	7,090,138	1,372,308	934,280	888,798	3,686,450
Totals	<u>\$24,579,394</u>	<u>\$10,880,595</u>	<u>\$ 2,649,931</u>	<u>\$ 2,939,089</u>	<u>\$ 4,147,487</u>	<u>\$ 3,962,292</u>

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	-	-	-
Bond Mutual Funds	13,964,185	7,369,742	1,371,586	990,559	939,318	3,292,980
Totals	<u>\$25,892,072</u>	<u>\$11,109,711</u>	<u>\$ 2,756,596</u>	<u>\$ 3,677,738</u>	<u>\$ 4,541,019</u>	<u>\$ 3,807,008</u>

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

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, 2014, \$6,007,541 or 10% of the University’s portfolio was held in an intermediate term bond fund and \$3,339,497 or 6% was held in a short-term bond fund. As of June 30, 2013, \$5,964,481 or 11% of the University’s portfolio was held in an intermediate bond 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, 2014 and 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, 2014 and 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, 2014 and June 30, 2013 consist of the following:

	2014	2013
Accounts receivable		
Student accounts	\$ 9,935,733	\$ 10,980,633
Grants and contracts	1,611,473	1,804,110
State appropriations	1,038,576	1,369,098
Other receivables	1,958,449	1,775,590
Subtotal	14,544,231	15,929,431
Less: Allowance for doubtful accounts	5,946,314	6,106,858
Accounts receivable, net	<u>\$ 8,597,917</u>	<u>\$ 9,822,573</u>
Loans receivable - student notes	\$ 3,148,968	\$ 2,941,105
Less: Allowance for doubtful accounts	673,319	701,949
Loans receivable, net	<u>\$ 2,475,649</u>	<u>\$ 2,239,156</u>

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

Note 6 – Pledges Receivable

Unconditional promises to give to the University recorded as pledges receivable at June 30, 2014 and June 30, 2013 were as follows:

	2014	2013
Total Pledges receivable	\$ 4,521,565	\$ 6,411,404
Less: Allowance for doubtful accounts	190,394	297,077
Present value discount	167,364	230,638
Pledges receivable, net	<u>4,163,807</u>	<u>5,883,689</u>
Less: current portion	1,839,740	2,368,109
Pledges receivable, noncurrent portion	<u>\$ 2,324,067</u>	<u>\$ 3,515,580</u>

Pledges have been discounted to net present value using June 30, 2014 U.S. Treasury Note rates of 1.62% (5-year) and 2.12% (7-year) in fiscal year 2014 and 1.375% (5-year) and 1.875 (7-year) in fiscal year 2013.

Note 7 – Capital Assets

Capital assets activity for the year ended June 30, 2014 was as follows:

	Beginning Balance	Additions	Reductions	Transfers	Ending Balance
Nondepreciable assets:					
Land	\$ 15,686,564	\$ 33,800	\$ 28,294	\$ -	\$ 15,692,070
Construction in progress	8,523,237	4,632,206	37,077	(6,541,278)	6,577,088
Historical treasures	635,466	-	-	-	635,466
Depreciable assets:					
Buildings	279,943,243	158,115	-	-	280,101,358
Improvements to buildings	41,368,195	2,343,872	-	2,006,441	45,718,508
Improvements other than buildings	29,397,426	1,734,340	1,000,000	4,427,720	34,559,486
Moveable equipment and furniture	30,952,908	2,336,616	804,703	107,117	32,591,938
Vehicles	1,212,443	77,727	68,504	-	1,221,666
Total cost	<u>407,719,482</u>	<u>11,316,676</u>	<u>1,938,578</u>	<u>-</u>	<u>417,097,580</u>
Less accumulated depreciation:					
Buildings	154,860,239	5,189,021	-	-	160,049,260
Improvements to buildings	10,127,676	1,525,402	-	-	11,653,078
Improvements other than buildings	16,639,422	1,649,768	1,000,000	-	17,289,190
Moveable equipment and furniture	23,928,677	2,786,804	760,456	-	25,955,025
Vehicles	966,095	92,554	68,504	-	990,145
Total accumulated depreciation	<u>206,522,109</u>	<u>11,243,549</u>	<u>1,828,960</u>	<u>-</u>	<u>215,936,698</u>
Capital assets, net	<u>\$ 201,197,373</u>	<u>\$ 73,127</u>	<u>\$ 109,618</u>	<u>\$ -</u>	<u>\$ 201,160,882</u>

Projects completed and transferred from Construction in progress during fiscal year 2014 included the DeBartolo Hall and Cushwa Hall Renovations and the construction of an outdoor athletic facility.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

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	<u>401,025,966</u>	<u>13,301,975</u>	<u>6,608,459</u>	<u>-</u>	<u>407,719,482</u>
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	<u>202,058,651</u>	<u>10,444,021</u>	<u>5,980,563</u>	<u>-</u>	<u>206,522,109</u>
Capital assets, net	<u>\$ 198,967,315</u>	<u>\$ 2,857,954</u>	<u>\$ 627,896</u>	<u>\$ -</u>	<u>\$ 201,197,373</u>

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.

Note 8 – Payroll and Other Liabilities

Payroll and other liabilities at June 30, 2014 and 2013 consist of the following:

	2014	2013
Payroll liabilities:		
Accrued compensation	\$ 5,100,483	\$ 5,685,309
Accrued benefits	174,899	157,641
Accrued health care benefits and insurance payable	1,123,691	1,093,467
Retirement system contribution payable	1,174,663	1,555,432
Totals	<u>\$ 7,573,736</u>	<u>\$ 8,491,849</u>
Other liabilities:		
Deposits held in custody	445,654	337,263
Interest payable	192,133	213,858
Other liabilities	809,334	534,476
Totals	<u>\$ 1,447,121</u>	<u>\$ 1,085,597</u>

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

Encumbrances representing estimated amounts of expenses ultimately to result, if unperformed contracts in process at June 30, 2014 are completed, totaled \$7.1 million compared to \$6.9 million at June 30, 2013. 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%	1.74%	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				<u>\$ 17,600,000</u>

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

In March 2010, the University issued \$25,335,000 of General Receipts Bonds (Taxable Build America Bonds), Series 2010 to provide funding to pay costs associated with facilities planning for the University's College of Science, Technology, Engineering and Mathematics (STEM), convert the old college of business building for use as a laboratory, office and classroom space, renovate Kilcawley Center, reconfigure and replace campus parking facilities, begin construction 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.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

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	3.750%	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				\$ 25,535,000

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

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 Indenture 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, 2014 follow (also see Note 12):

Fiscal Year	General Receipts Bonds		
	Principal	Interest	Total
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	3,334,196	5,884,196
2019	2,650,000	3,213,390	5,863,390
2020-2024	14,955,000	14,001,692	28,956,692
2025-2029	18,615,000	9,541,009	28,156,009
2030-2034	23,590,000	3,540,810	27,130,810
Totals	<u>\$ 68,470,000</u>	<u>\$ 44,197,730</u>	<u>\$ 112,667,730</u>

NOTE: Expected future federal subsidies for the BABs is \$6,833,414

Federal subsidies received by the University were \$497,407 in fiscal year 2014 and \$512,683 in fiscal year 2013. These are reported as non-operating federal grant revenue. Interest expense on indebtedness was \$3,360,561 in fiscal year 2014 and 3,105,933 in fiscal year 2013. On construction-related debt, net interest cost of \$330,615 was capitalized in fiscal year 2014, and \$662,766 in fiscal year 2013.

Note 10 – Notes Payable

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

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

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

Details of the installment schedule follows (also see Note 12):

Fiscal Year	Principal	Interest	Total
2015	\$ 1,100,593	\$ 79,073	\$ 1,179,666
2016	1,139,444	40,222	1,179,666
Totals	<u>\$ 2,240,037</u>	<u>\$ 119,295</u>	<u>\$ 2,359,332</u>

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

Note 11 – 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 a second operating lease for a vehicle which ends June 18, 2015 and a third operating lease for the usage of mailroom equipment which ends April 30, 2016 and bears interest at 9.904%. Lease payments totaled \$193,061 in both fiscal years 2014 and 2013.

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

Year Ending June 30,	Classroom	Vehicle	Mailroom Equipment	Total
2015	\$ 159,005	\$ 5,816	\$ 34,056	\$ 198,877
2016	-	-	28,380	28,380
Total future minimum lease payments	159,005	5,816	62,436	227,257
Less amount representing maintenance	-	-	20,218	20,218
Less amount representing interest	-	-	3,756	3,756
Total obligations under operating leases	<u>\$ 159,005</u>	<u>\$ 5,816</u>	<u>\$ 38,462</u>	<u>\$ 203,283</u>

Note 12 – Long-Term Liabilities

Long-term liability activity (also see Notes 9-11) for the year ended June 30, 2014 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds payable					
General receipts bonds principal	\$ 70,205,000	\$ -	\$ 1,735,000	\$ 68,470,000	\$ 1,790,000
Unamortized premium/discount	88,249	-	59,737	28,512	-
Bonds payable, net	70,293,249	-	1,794,737	68,498,512	1,790,000
Note payable	3,303,103	-	1,063,066	2,240,037	1,100,593
Compensated absences	9,917,913	16,616	38,073	9,896,456	983,146
Refundable advance	2,635,179	42,150	48,768	2,628,561	-
Total long-term liabilities	<u>\$ 86,149,444</u>	<u>\$ 58,766</u>	<u>\$ 2,944,644</u>	<u>\$ 83,263,566</u>	<u>\$ 3,873,739</u>

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

Long-term liability activity 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
Unamortized 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	<u>\$ 88,900,072</u>	<u>\$ 921,551</u>	<u>\$ 3,672,179</u>	<u>\$ 86,149,444</u>	<u>\$ 3,683,510</u>

Note 13 - 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 Street, Columbus, OH, 43215-4642 or by calling (614) 222-5601 or 1-800-222-PERS (7377), and the STRS Ohio report by

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

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
1/1/14-6/30/14	11.0%	11.0%	10.0%	10.0%	13.0%	13.0%
7/1/13-12/31/13	11.0%	11.0%	10.0%	10.0%	12.6%	12.6%
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%
7/1/11-12/31/11	10.0%	10.0%	10.0%	10.0%	11.6%	11.6%

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		
7/1/13-6/30/14	14.00%	4.50%	9.50%	14.00%	0.77%	13.23%	18.10%	18.10%
7/1/11-6/30/13	14.00%	3.50%	10.50%	14.00%	0.77%	13.23%	18.10%	18.10%

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		
2014	\$ 5,249,937	\$ 306,628	\$ 670,222	\$ 4,887,943	\$ 41,718	\$ 716,792	\$ 272,422	\$ -
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	\$ -

The OPERS employee contributions to the ARP totaled \$541,793 and the STRS Ohio employee contributions to the ARP totaled \$762,362.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

Note 14 – Other Post-employment Benefits (OPEB)

The Ohio Revised Code provides the statutory authority for public employers to fund post-retirement 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 2014, 2013 and 2012. The portion of the University's 2014, 2013 and 2012 contributions to STRS Ohio used to fund post-employment benefits was \$374,996, \$369,890 and \$398,644, 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 1.0% during calendar year 2013 and 4.0% during calendar years 2012 and 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 1.0% during calendar year 2013 and 6.05% during calendar years 2012 and 2011. The portion of the University's 2014, 2013 and 2012 contributions to OPERS used to fund post-retirement benefits was \$361,468, \$1,449,088, and \$1,706,795, respectively. Effective January 1, 2014, the portion of employer contributions allocated to health care was raised to 2% for both plans. 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.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

Note 15 – 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 (also see Note 8) at June 30, 2014, June 30, 2013, and June 30, 2012 were as follows:

	2014	2013	2012
Liability at beginning of fiscal year	\$ 1,065,342	\$ 958,717	\$ 2,133,325
Current year claims including changes in estimates	13,199,498	10,655,411	13,192,651
Claim payments	(13,172,067)	(10,548,786)	(14,367,259)
Liability at end of fiscal year	<u>\$ 1,092,773</u>	<u>\$ 1,065,342</u>	<u>\$ 958,717</u>

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

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

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 16 – Component Unit

Youngstown State University Foundation (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.

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.

During the year ended June 30, 2014, YSUF discovered an error in the valuation of the contribution receivable from remainder trusts in prior years. This resulted in the restatement of the beginning of year June 30, 2013 contribution receivable from remainder trust balance to reflect a decrease of \$1,330,503 and a corresponding decrease in permanently restricted net assets. It also had the effect of decreasing the increase in value of restricted gifts by \$46,365 for the year ended June 30, 2013 with a corresponding decrease in the change in permanently restricted net assets.

YSUF investments consist of the following at June 30, 2014 and 2013:

	2014	2013
Common stock	\$ 33,601,589	\$ 42,550,036
Preferred stock	-	889,310
Mutual funds	117,299,649	25,115,807
Hedge funds	61,560,393	-
Alternative investments	12,090,268	-
Fixed income securities	656,625	22,844,561
Temporary cash investments	8,551,292	114,328,828
Total investments	<u>\$ 233,759,816</u>	<u>\$ 205,728,542</u>

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

Financial support from YSUF was \$6,859,781 for the fiscal year ended June 30, 2014 and \$5,157,940 for the fiscal year ended June 30, 2013. Financial support from YSUF has been committed for fiscal year 2015 in the amount of \$7,394,304. In addition, rental income from YSUF of \$13,000 for the fiscal year ended June 30, 2014 and \$13,076 for the fiscal year ended June 30, 2013 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 served 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. As of June 30, 2014, the Foundation no longer served as investment manager for the University's endowments. Fair value of such investments held by YSUF at June 30, 2013 was \$7,986,988. The management services were provided at no charge and investments made in a manner consistent with the YSUF funds.

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

YOUNGSTOWN STATE UNIVERSITY

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James B. Greene	<i>Retired Executive Compco Industries</i>
Dr. John R. Jakubek	<i>Anesthesiologist Bel-Park Anesthesia Associates, Inc. and St. Elizabeth Boardman Health Center</i>
Harry Meshel	<i>Former Ohio State Senator and Former Chair of the Ohio Democratic Party</i>
Bryce Miner	<i>Student Trustee</i>
James "Ted" Roberts	<i>Principal and President Roth, Blair, Roberts, Strasfeld & Lodge</i>
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YOUNGSTOWN STATE UNIVERSITY

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Vacant	<i>Vice President for University Advancement</i>
Jack P. Fahey	<i>Vice President for Student Affairs</i>
Neal P. McNally	<i>Interim Vice President for Finance & Administration</i>
Dr. Martin A. Abraham	<i>Interim Provost and Vice President for Academic Affairs</i>

Youngstown
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