



**YOUNGSTOWN
STATE
UNIVERSITY**

FINANCIAL REPORT
*For the Years Ended
June 30, 2020 and 2019*



YOUNGSTOWN STATE UNIVERSITY

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YOUNGSTOWN STATE UNIVERSITY

MESSAGE FROM PRESIDENT TRESSEL

October 14, 2020

My message from last year's Annual Financial Report ended with this statement:

While challenges remain in the ever-evolving higher education landscape, especially with enrollment and its impact on the budget, we believe YSU is positioned well to build on our many strengths, to fulfill our potential, to facilitate positive change and to ensure the continued and expanding success of our students.

Three months after writing that, Covid-19 hit - and the world changed.

In a matter of two weeks, YSU transitioned all on-campus classes to online remote courses. In the Fall Semester, as the virus continued to spread, we instituted a plan limiting the number of students taking classes on campus, and we put into place dozens of protocols to keep our students, employees and campus community safe. We have worked closely with our governor, other public universities across Ohio, our employees, our students and our community to respond in an inclusive, transparent and collegial manner to the ever-changing circumstances.

Now, we move forward. While many of the difficulties and uncertainties that we have faced over the past few months are likely to continue, and possibly even multiply, it's important that we understand now, more than ever, that this moment also presents potential positive opportunities to us as an institution. It's time to step up, not back down.

And that brings us back to that concluding statement from last year's Financial Report message. It's as relevant today as it was back then. We are, in fact, despite everything that's happened, still in a position to build on our 112-year history as an institution that provides invaluable educational, cultural and economic benefits to the region. We are, even in the wake of this global pandemic, still positioned to provide the leadership to facilitate positive, long-lasting change across the Mahoning and Shenango valleys. And we certainly are, even as we face a future of many unknowns, still able to help our students become the scientists, entrepreneurs, doctors, innovators, teachers and law enforcement officers who will show us the way out of this turbulent time.

Sincerely yours,



James P. Tressel
President

Independent Auditor's Report

To the Board of Trustees
Youngstown State University

Report on the Financial Statements

We have audited the accompanying financial statements of Youngstown State University (the "University"), a component unit of the State of Ohio, and its discretely presented component unit as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise Youngstown State 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the financial position of Youngstown State University and its discretely presented component unit as of June 30, 2020 and the changes in their financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 16 to the financial statements, the COVID-19 pandemic has impacted the operations of the University. Our conclusion is not modified with respect to this matter.

To the Board of Trustees
Youngstown State University

Other Matters

Report on Prior Year Financial Statements and Restatement

The basic financial statements of Youngstown State University and its discretely presented component unit, as of and for the year ended June 30, 2019, were audited by a predecessor auditor, which expressed an unmodified opinion on Youngstown State University. The predecessor auditor's report was dated October 15, 2019.

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of the University's proportionate share of the net pension liability, the schedule of the University's pension contributions, the schedule of the University's proportionate share of the net OPEB liability, and the schedule of the University's OPEB contributions, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which 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 supplemental 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 basic financial statements, and other knowledge we obtained during our audit of the basic 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 an opinion on the financial statements that collectively comprise Youngstown State University's basic financial statements. The message from President Tressel, board of trustees, and executive officers, as listed in the table of contents, are presented for the purpose 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 it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2020 on our consideration of Youngstown State University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Youngstown State University's internal control over financial reporting and compliance.



October 14, 2020

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis section of Youngstown State University's (the University or YSU) Financial Report presents a discussion and analysis of the financial performance of the University during the fiscal year ended June 30, 2020 with comparative information for the fiscal years ended June 30, 2019 and June 30, 2018. This discussion has been prepared by management and should be read in conjunction with the financial statements and the accompanying notes that follow.

Introduction

An Institution of Opportunity: YSU inspires individuals, enhances futures, and enriches lives.

As a student-centered university, Youngstown State University's mission is to provide innovative lifelong learning opportunities that will inspire individuals, enhance futures and enrich lives. YSU inspires individuals by cultivating a curiosity for life-long learning; enhances the futures of our students by empowering them to discover, disseminate and apply their knowledge; and enriches the region by fostering collaboration and the advancement of civic, scientific, and technological development. YSU's culture of enrichment flourishes in our diverse, accessible, and quality education.

Youngstown State University is where students thrive in their educational and career pursuits, where scholarship creates innovative solutions, and where community engagement is a cornerstone of collaboration that collectively contribute to the sustainable prosperity of the region and beyond.

We - the faculty, staff, administrators, and students of Youngstown State University - hold the following values essential to achieving the University's mission:

- Centrality of Students – We put students first, fostering their holistic and lifelong success.
- Excellence and Innovation – We bring academic excellence and innovation to learning and life for all stakeholders.
- Integrity and Human Dignity – We root all behaviors, decisions and actions in the achievement of integrity, mutual respect, collegiality, equity and inclusion.
- Collegiality and Public Engagement – We embrace collaboration and create innovative partnerships to foster sustainability and enrich our university, our culture, and region.

The University started out as a single commercial law course offered by the local YMCA. Over a century later, it serves the Youngstown area with the same passion, and consists of the College of Graduate Studies and six undergraduate colleges: the Beeghly College of Education; the Bitonte College of Health and Human Services; the Cliffe College of Creative Arts and Communication; the College of Liberal Arts and Social Sciences; the College of Science, Technology, Engineering, and Mathematics; and the Williamson College of Business Administration. The University offers degrees at the undergraduate, graduate and doctoral levels.

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 2020 enrollment was 11,788.

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic, now known as COVID-19. In response to the COVID-19 pandemic, governments have taken preventative or protective actions, such as temporary closures of non-essential businesses and “shelter-at-home” guidelines for individuals. As a result, the global economy has been negatively affected, and the University’s operations were also impacted. Due to the “shelter-at-home” guidelines during April and May 2020, the University shifted to a remote online learning environment and sent students home.

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 2018, the University adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (OPEB)* and during fiscal year 2015, the University adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*. These statements significantly revised accounting for pension/OPEB costs and assets/liabilities.

Prior to GASBs 68 and 75, the accounting for pension/OPEB costs, was focused on a funding approach, which limited pension/OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each pension plan’s net pension/OPEB asset/liability.

Under the standards required by these statements, the net pension/OPEB asset/liability equals the University’s proportionate share of each pension/OPEB plan’s collective present value of estimated future pension/OPEB benefits attributable to employees’ past service minus plan assets available to pay these benefits. Pension/OPEB obligations, whether funded or unfunded, are part of the “employment exchange” – that is, the employee is trading his or her labor in exchange for wages, benefits and the promise of a future pension and OPEB. The unfunded portions of these pension/OPEB promises are a present obligation, part of a bargained-for benefit to the employee, and are reported by the University as liabilities since the benefit of the exchange was received.

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

The nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements. The University is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by the State statute. A change in these caps requires action by both Houses of the General Assembly, and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system against the public employer. State law operates to mitigate the obligation of the public employer to the employee because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension/OPEB asset/liabilities. Changes in pension/OPEB benefits, contribution rates, and return on investments affect the balances of the net pension/OPEB asset/liabilities, but are outside the control of the public employer. In the event that contributions, investment returns and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension/OPEB asset/liabilities are satisfied, these assets and liabilities are separately identified within the noncurrent asset and long-term liability sections of the Statement of Net Position.

In accordance with GASBs 68 and 75, the University's statements, prepared on an accrual basis of accounting, include an annual pension/OPEB expense for the proportionate share of each pension plan's *change* in net pension/OPEB asset/liability.

Overall key presentation elements of the financial statements include:

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

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

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 this component unit is contained in Note 15. Management's Discussion and Analysis focuses on the University and does not include the component unit.

The Statement 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), deferred outflows of resources, liabilities (current and noncurrent), deferred inflows of resources, and net position 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, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at June 30, 2020, 2019, and 2018 follows:

	June 30, 2020	June 30, 2019	June 30, 2018
Assets			
Current assets	\$ 61,921,355	\$ 72,959,245	\$ 78,278,611
Noncurrent assets			
Capital assets, net	219,966,440	216,581,791	215,994,991
Other assets	31,826,862	31,097,061	24,776,093
Total noncurrent assets	<u>251,793,302</u>	<u>247,678,852</u>	<u>240,771,084</u>
Total Assets	<u>313,714,657</u>	<u>320,638,097</u>	<u>319,049,695</u>
Deferred Outflows of Resources	27,832,781	43,471,234	38,025,661
Liabilities			
Current liabilities	26,164,070	26,222,716	25,854,525
Noncurrent liabilities	231,807,101	258,084,632	246,716,632
Total Liabilities	<u>257,971,171</u>	<u>284,307,348</u>	<u>272,571,157</u>
Deferred Inflows of Resources	32,373,740	21,335,124	26,870,366
Total Net Position	<u>\$ 51,202,527</u>	<u>\$ 58,466,859</u>	<u>\$ 57,633,833</u>
Net Position			
Net investment in capital assets	\$ 147,352,730	\$ 140,074,416	\$ 136,184,268
Restricted	29,338,685	32,333,899	31,793,379
Unrestricted	<u>(125,488,888)</u>	<u>(113,941,456)</u>	<u>(110,343,814)</u>
Total Net Position	<u>\$ 51,202,527</u>	<u>\$ 58,466,859</u>	<u>\$ 57,633,833</u>

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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

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 and investments that are restricted by donors or external parties as to their use. Also included are receivables deemed to be collectible in more than one year, capital assets and net OPEB assets. Current assets decreased \$11 million from fiscal year 2019 to fiscal year 2020 and decreased \$5.3 million from fiscal year 2018 to fiscal year 2019. Noncurrent assets increased \$4.1 million from fiscal year 2019 to fiscal year 2020 and increased \$6.9 million from fiscal year 2018 to fiscal year 2019.

Deferred outflows of resources include resources where the consumption is applicable to a future reporting period, but does not require further exchange of service. Deferred outflows which include items relating to pensions/OPEB decreased \$15.6 million from fiscal year 2019 to fiscal year 2020 and increased \$5.4 million from fiscal year 2018 to fiscal year 2019.

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 and include debt, compensated absences, and net pension/OPEB asset/liabilities. Current liabilities remained flat from fiscal year 2019 to fiscal year 2020 and increased \$0.4 million from fiscal year 2018 to fiscal year 2019. Noncurrent liabilities decreased \$26.3 million from fiscal year 2019 to fiscal year 2020 and increased \$11.4 million from fiscal year 2018 to fiscal year 2019.

Deferred inflows of resources represent the acquisition of resources that are applicable to a future reporting period. Deferred inflows of resources which include unamortized concession arrangements and items relating to pensions/OPEB increased \$11 million from fiscal year 2019 to fiscal year 2020 and decreased \$5.5 million from fiscal year 2018 to fiscal year 2019.

Assets

Assets primarily consist of cash and cash equivalents, investments, receivables and capital assets. The following table summarizes balances at:

	June 30, 2020	June 30, 2019	June 30, 2018
Cash and cash equivalents	\$ 5,791,497	\$ 17,124,401	\$ 24,301,741
Investments	68,470,267	67,727,713	63,866,375
Accounts, loans, and pledges receivable, net	12,615,556	12,287,432	13,200,765
Net OPEB asset	5,446,000	5,237,852	-
Capital assets, net	219,966,440	216,581,791	215,994,991
Other	1,424,897	1,678,908	1,685,823
Total Assets	<u>\$ 313,714,657</u>	<u>\$ 320,638,097</u>	<u>\$ 319,049,695</u>

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

Cash and cash equivalents decreased \$11.3 million or 66% from fiscal year 2019 to fiscal year 2020. This decrease was primarily due to an increase in capital project activity and the overall impact of the COVID-19 pandemic, including the timing of reimbursements of COVID-19 related expenses and adjustments to student accounts as well as loss of revenue from cancelled events and a reduction in state appropriations.

Investments increased \$0.7 million or 1% from fiscal year 2019 to fiscal year 2020. Although total investments remained flat, there was a slight shift in amounts invested in bond mutual funds and a slight increase in amounts in equity funds. Bond mutual funds decreased \$1 million or 7% whereas equity mutual funds increased \$1.4 million or 8% at June 30, 2020 as compared to June 30, 2019.

Overall accounts, net loans and pledges receivable, net increased \$0.3 million or 2.7% from fiscal year 2019 to fiscal year 2020. This increase was primarily due to an increase in net accounts receivable. Net accounts receivable increased \$.8 million from \$10.9 million at June 30, 2019 to \$11.7 million at June 30, 2020 primarily due to increased year end activity on capital projects funded from grants and state capital appropriations as well as unreimbursed uses of funds awarded under the Coronavirus, Aid, Relief, and Economic Security (CARES) Act.

Net OBEP assets increased \$0.2 million or 4% from fiscal year 2019 to fiscal year 2020.

Cash and cash equivalents decreased \$7.2 million or 30% from fiscal year 2018 to fiscal year 2019. The decrease was primarily due to an increase in cash used for various capital projects and an overall increase in cash used in operating activities. Deposits held by Trustees totaled \$17,028 at June 30, 2019 compared to \$24,870 at June 30, 2018.

Investments increased \$3.9 million or 6% from fiscal year 2018 to fiscal year 2019. This was primarily due to unrealized gains resulting from a favorable market environment.

Overall, net accounts, loans and pledges receivable decreased \$0.9 million from \$13.2 million at June 30, 2018 to \$12.3 million at June 30, 2019. Net accounts receivable decreased \$0.4 million from \$11.3 million at June 30, 2018 to \$10.9 million at June 30, 2019, primarily due to a decrease in year end activity on grants and capital projects combined with an increase in gifts raised by YSUF on behalf of YSU in the month of June over the prior year. Net loans decreased \$0.3 million from \$1.2 million at June 3, 2018 to \$0.9 million at June 30, 2019 due to the non-renewal of the Perkins Program by Congress. Net pledges remained relatively flat as new pledges are recorded by the Foundation in accordance with the development agreement.

Net OPEB assets increased \$5,237,852 or 100% from fiscal year 2018 to fiscal year 2019.

Refer to Note 3 for additional information on cash and cash equivalents, Note 4 for details on investments, Note 5 for information on accounts and loans receivable, and Note 6 for information on pledges receivable.

At June 30, 2020, the University had \$220 million in capital assets, net of accumulated depreciation. Depreciation totaled \$14.1 million, \$13.4 million, and \$12.7 million in fiscal years 2020, 2019, and 2018 respectively.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

Details of net capital assets are shown below.

	June 30, 2020	June 30, 2019	June 30, 2018
Land	\$ 17,789,943	\$ 17,637,005	\$ 16,358,867
Buildings, net	101,561,380	102,319,696	107,252,793
Improvements to buildings, net	67,462,490	62,955,911	59,966,356
Improvements other than buildings, net	22,284,712	19,794,706	19,500,754
Construction in progress	4,290,786	5,280,515	4,115,034
Moveable equipment and furniture, net	5,249,533	7,169,577	7,427,750
Vehicles, net	299,330	355,610	358,645
Historical treasures	943,288	943,288	890,503
Capital leases, net	84,978	125,483	124,289
Total Capital Assets, net	<u>\$ 219,966,440</u>	<u>\$ 216,581,791</u>	<u>\$ 215,994,991</u>

Major capital activity during fiscal year 2020 included completion of the multimedia center on the east side of Stambaugh Stadium and the North Central Parking Lot adjacent to the multimedia center. Also, an athletic field on the north side of campus was completed as well as an indoor tennis facility. The first phase of renovations were completed in the Cushwa Hall physical therapy department, and the second phase of renovations were completed in Meshel Hall. Additionally, the Bliss Hall entranceway was renovated as well as upgrades to the utility distribution system and roof repairs to the Cafaro House and Lyden House dormitories. Construction in progress includes the Excellence Training Center which is part of the Mahoning Valley Innovation & Commercialization Consortium, Ward Beecher Science Hall structural improvements, replacement of the Fok Hall roof and sections of the Ward Beecher roof, and renovations to the two pedestrian bridges on campus.

Major capital activity during fiscal year 2019 included completion of renovations to Ward Beecher Hall and the Natatorium as well as renovations to the dean's office in Bliss Hall and Beeghly Center South Plaza. Additionally, Jones Hall received facility upgrades and the Lincoln Building received upgrades to its instructional spaces. Utility distribution upgrades were made to various buildings across campus, and the Wick Avenue and Fifth Avenue parking decks were renovated. Construction in progress includes a multimedia center, renovations to Meshel Hall, Cushwa Hall Physical Therapy renovations, construction of the North Central Parking Lot, an athletic field, the Excellence Training Center, and an indoor tennis facility. During fiscal year 2019, the University was gifted several parcels of land totaling \$1.2 million for the purpose of constructing an athletic field, parking lots and for future expansion of the University.

Major capital activity during fiscal year 2018 included completion of the Barnes & Noble bookstore, the Cushwa Respiratory Care Lab, and improvements and development of the Campus Core and area's designated as gateways to YSU's campus. In addition, renovations took place in Meshel Hall's first and third floors, Ward Beecher Hall, and Bliss Hall Graduate offices. Repairs to the Fifth Avenue parking deck, replacement of the Jones Hall roof and upgrades to the underground steam and condensate lines originating at the Central Utility Plant were also completed. Construction in progress includes the Excellence Training Center, a multimedia center, academic area renovations, and upgrades including renovations to the Natatorium and Ward Beecher Hall and Jones Hall Facility Upgrades.

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

See Note 7 for additional information on capital assets.

Other assets remained flat from fiscal year 2019 to fiscal year 2020, and from fiscal year 2018 to fiscal year 2019.

Deferred Outflows/Inflows of Resources

Deferred outflows of resources represent the consumption of resources that are applicable to a future reporting period, but do not require further exchange of goods or services; whereas deferred inflows of resources represent the acquisition of resources that are applicable to a future reporting period. The following table summarizes balances at:

Deferred Outflows of Resources	June 30, 2020	June 30, 2019	June 30, 2018
Related to pension	\$ 20,224,223	\$ 38,407,114	\$ 33,308,150
Related to OPEB	5,929,505	3,260,281	2,788,887
Bond refunding	1,679,053	1,803,839	1,928,624
Total Deferred Outflows of Resources	<u>\$ 27,832,781</u>	<u>\$ 43,471,234</u>	<u>\$ 38,025,661</u>

Deferred Inflows of Resources	June 30, 2020	June 30, 2019	June 30, 2018
Service concession agreements	\$ 307,500	\$ 395,000	\$ 482,500
Related to pension	19,543,642	12,652,335	22,729,229
Related to OPEB	12,522,598	8,287,789	3,658,637
Total Deferred Inflows of Resources	<u>\$ 32,373,740</u>	<u>\$ 21,335,124</u>	<u>\$ 26,870,366</u>

Included in deferred outflows of resources and deferred inflows of resources are items relating to pensions, OPEB, bond refunding, and service concession agreements. Certain elements impacting the changes in the net pension/OPEB asset/liabilities have a longer term perspective than the current year, therefore to reduce volatility these elements are amortized over a closed period of specified duration. These include differences between expected and actual experience, changes of assumptions, net differences between projected and actual earnings of investments, and changes in the proportionate share of contributions. These elements can be reflected as either a deferred outflow of resources or a deferred inflow of resources.

Deferred outflows of resources decreased \$15.6 million or 36% from fiscal year 2019 to fiscal year 2020. Deferred outflows of resources related to pension decreased \$18.2 million or 47.3% primarily due to a combination of a \$9.7 million decrease in the net difference between projected and actual earnings on pension plan investments related to the OPERS plan; a \$7.7 million decrease in a change in assumptions, including \$3.5 million decrease related to the OPERS plan, and \$4.2 million increase related to the STRS Ohio plan; and a \$1.1 million decrease in differences between expected and actual experience in the STRS Ohio plan. Deferred outflows of resources related to OPEB increased \$2.7 million or 81.9% primarily due to a combination of a \$4.2 million increase in change in assumptions in the OPERS plan and a \$1.5 million decrease in the difference between projected and actual earnings on OPEB plan investments in the OPERS plan.

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

Deferred inflows of resources increased \$11 million or 51.7% from fiscal year 2019 to fiscal year 2020. Deferred inflows of resources related to pension increased \$6.9 million or 54.5% primarily due to a combination of a \$8.9 million increase in the net difference between projected and actual earnings on pension plan investments, including \$9.7 million increase related to the OPERS plan and \$.8 million decrease related to the STRS Ohio plan; and a \$1.6 million decrease in the proportionate share of contribution, including \$3.3 million decrease related to the STRS Ohio plan and \$1.7 million increase related to the OPERS plan. Deferred inflows of resources related to OPEB increased \$4.2 million or 51.1% primarily due to a combination of a \$2.9 million increase in the difference between expected and actual experience in the OPERS plan; a \$1.1 million decrease in a change in assumptions in the STRS Ohio plan; a \$1.4 million decrease in the net difference between projected and actual earnings on OPEB plan investments, including \$1.7 million increase related to the OPERS plan and \$.3 million decrease related to the STRS Ohio plan; and a \$1 million increase in the proportionate share of contribution in the OPERS plan.

Deferred outflows of resources increased \$5.4 million or 14.3% from fiscal year 2018 to fiscal year 2019. Deferred outflows of resources related to pension increased \$5.1 million primarily due to a combination of a \$9.7 million increase in the net difference between projected and actual earnings on pension plan investments related to the OPERS plan, a \$3.1 million decrease in changes in assumptions, including \$4.4 million decrease related to the OPERS plan and \$1.3 million increase related to the STRS Ohio plan, and a \$1.5 million decrease in differences between expected and actual experience in the STRS Ohio plan. Deferred outflows of resources related to OPEB increased \$0.5 million or 16.9% primarily due to a \$1.5 million increase in the net differences between projected and actual earnings on OPEB investments related to the OPERS plan and a \$1 million decrease in changes in assumptions in the OPERS plan.

Deferred inflows of resources decreased \$5.5 million or 20.6% from fiscal year 2018 to fiscal year 2019. Deferred inflows of resources related to pension decreased \$10.1 million primarily due to a \$7 million decrease in the net difference between projected and actual earnings on pension plan investments, including \$8.8 million decrease related to OPERS and \$1.8 million increase related to STRS Ohio plan, and \$3 million decrease in change in proportionate share of contribution, of which \$2.5 million related to the STRS Ohio plan. Deferred inflows of resources related to OPEB increased \$4.6 million primarily due to a \$6.1 million increase in changes in assumptions in the STRS Ohio plan and a \$2 million decrease in the net difference between projected and actual earnings on OPEB investments related to the OPERS plan.

See Note 13 for additional information on employee benefit plans.

During fiscal year 2015, the University entered into a ten year agreement with a food service beverage company for exclusive pouring rights and sponsorship program. The University received initial support funds in the amount of \$450,000 which are contingent upon the University utilizing the services of the beverage company over a ten year period. The unamortized amounts are reflected as Deferred Inflows of Resources in the Statement of Net Position.

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

Liabilities

Liabilities largely consist of accrued payroll and payroll withholdings, debt, unearned revenue, compensated absences, and net pension/OPEB asset/liability. The following table summarizes balances at:

	June 30, 2020	June 30, 2019	June 30, 2018
Accounts and construction payable	\$ 4,877,936	\$ 4,672,442	\$ 5,440,209
Payroll liabilities	8,150,854	8,732,941	8,943,359
Notes payable	13,919,024	14,692,269	15,017,057
Bonds payable, net	60,278,073	63,482,710	66,590,907
Unearned revenue	6,384,286	6,830,914	6,066,548
Compensated absences	6,996,865	7,529,370	8,295,752
Refundable advance	1,288,875	1,374,718	1,384,407
Other	2,053,012	1,452,859	1,382,030
Net pension liability	120,551,697	142,148,557	118,776,220
Net OPEB liability	33,470,549	33,390,568	40,674,668
Total Liabilities	<u>\$ 257,971,171</u>	<u>\$ 284,307,348</u>	<u>\$ 272,571,157</u>

Total liabilities decreased \$26.3 million or 9.3% from fiscal year 2019 to fiscal year 2020. Bonds payable decreased \$3.2 million due to scheduled debt service payments. The net pension liability decreased \$21.6 million. The OPERS net pension liability decreased \$22.6 million, whereas the STRS Ohio net pension liability increased \$1 million. The OPERS and STRS Ohio net pension liability balances were \$47.8 million and \$72.7 million at June 30, 2020 compared to \$70.4 million and \$71.7 million at June 30, 2019, respectively. The net OPERS OPEB liability remained flat at \$34.5 million at June 30, 2020 compared to \$33.4 at June 30, 2019.

Total liabilities increased \$11.7 million or 4.3% from fiscal year 2018 to fiscal year 2019. Bonds payable decreased \$3.1 million due to scheduled debt service payments. The net pension liability increased \$23.4 million. The OPERS net pension liability increased \$30.1 million; whereas the STRS Ohio net pension liability decreased \$6.7 million. The OPERS and STRS Ohio net pension liability balances were \$70.4 million and \$71.7 million at June 30, 2019 compared to \$40.3 million and \$78.4 million at June 30, 2018, respectively. The net OPEB liability decreased \$7.3 million or 17.9%. The OPERS net OPEB liability increased \$5.6 million; whereas the STRS Ohio net OPEB liability decreased \$12.9 million. The OPERS and STRS Ohio net OPEB liability balances were \$33.4 million and \$0 at June 30, 2019 compared to \$27.8 million and \$12.9 million at June 30, 2018, respectively.

See Note 8 for a further breakout of payroll and other liabilities, Notes 9 and 10 for detailed information about the University's debt, Note 12 for information on long-term liabilities, and Note 13 for information on employee benefit plans.

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

Net Position

Net position represents the residual interest in the University's assets after deferred outflows of resources are added, and liabilities and deferred inflows of resources are deducted. The reconciliation below presents the University's total net position removing the impact of the deferred inflows and outflows relating to pensions/OPEB as presented in the Statement of Net Position.

	June 30, 2020	June 30, 2019	June 30, 2018
Total Net Position	\$ 51,202,527	\$ 58,466,859	\$ 57,633,833
Add			
Deferred inflows of resources related to pension/OPEB	32,066,240	20,940,124	26,387,866
Net pension/OPEB liability	154,022,246	175,539,125	159,450,888
Subtract			
Deferred outflows of resources related to pension/OPEB	(26,153,728)	(41,667,395)	(36,097,037)
Net OPEB asset	(5,446,000)	(5,237,852)	-
Total Net Position without GASBs 68 and 75	<u>\$ 205,691,285</u>	<u>\$ 208,040,861</u>	<u>\$ 207,375,550</u>

The following tables summarize the categories of net position including segregation of the unrestricted net position relating to the impact of GASBs 68 and 75.

	June 30, 2020	June 30, 2019	June 30, 2018
Net investment in capital assets, net of related debt	\$ 147,352,730	\$ 140,074,416	\$ 136,184,268
Restricted, nonexpendable - endowments	5,534,526	5,470,553	5,435,363
Restricted, expendable - gifts, grants, and student loans	23,804,159	26,863,346	26,358,016
Unrestricted (without GASBs 68 and 75)	28,999,870	35,632,546	39,397,903
GASBs 68 and 75	(154,488,758)	(149,574,002)	(149,741,717)
Total Net Position	<u>\$ 51,202,527</u>	<u>\$ 58,466,859</u>	<u>\$ 57,633,833</u>

Overall, the University's total net position decreased \$7.2 million or 12.4% from \$58.4 million at June 30, 2019 to \$51.2 million at June 30, 2020. This resulted from an excess of expenses over revenues and includes a \$7.3 million increase in the net amount invested in capital assets, a \$3 million decrease in restricted net position, a \$6.6 million decrease in unrestricted net position excluding the impact of GASBs 68 and 75, and a \$4.9 million decrease in unrestricted net position attributed to the impact of GASBs 68 and 75.

Overall, the University's total net position increased \$0.8 million or 1.5% from \$57.6 million at June 30, 2018 to \$58.4 million at June 30, 2019. This resulted from an excess of revenue over expenses and includes a \$3.9 million increase in the net amount invested in capital assets, a \$0.5 million increase in restricted net position and a \$3.6 million decrease in unrestricted net position.

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

The net investment in capital assets consists of capital assets net of accumulated depreciation and deferred outflows of resources relating to bond refunding reduced by the outstanding balance of bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The increase of \$7.3 million from fiscal year 2019 to fiscal year 2020 was due to net capital additions of \$17.5 million, a \$4 million decrease in outstanding debt and current year depreciation and amortization of \$14.2 million. Outstanding debt was \$74.3 million at June 30, 2020 compared to \$78.3 million at June 30, 2019.

The increase of \$3.9 million from fiscal year 2018 to fiscal year 2019 was due to net capital additions of \$14 million, \$3.4 million decrease in outstanding debt and current year depreciation and amortization of \$13.5 million. Outstanding debt was \$78.3 million at June 30, 2019 compared to \$81.7 million at June 30, 2018.

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 fiscal years 2020, 2019, and 2018.

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.

Total restricted expendable net position was \$23.8 million at June 30, 2020 compared to \$26.9 million at June 30, 2019, an overall decrease of \$3.1 million or 11.4%. This decrease was primarily due to a \$1.1 million in COVID-19 related expenses that were not reimbursable until July 2020 when the Ohio Department of Higher Education granted emergency relief in the form of Coronavirus Relief Funds (CRF), a \$1.5 million net decrease in capital gifts designated for capital projects, including an athletic field, indoor tennis facility and a multimedia center; and a \$1.5 million decrease in capital gifts internally set aside for debt service. Non-capital funds totaled \$17.1 million at June 30, 2020 compared to \$17.9 million at June 30, 2019 whereas capital gift and grant funds totaled \$6.7 million at June 30, 2020 compared to \$9 million at June 30, 2019.

Total restricted expendable net position was \$26.9 million at June 30, 2019 compared to \$26.4 million at June 30, 2018, an overall increase of \$.5 million or 1.9%. Non-capital restricted funds increased \$0.8 million from \$17.1 million at June 30, 2018 to \$17.9 million at June 30, 2019; whereas restricted funds designated for capital purposes decreased \$0.3 million from \$9.3 million at June 30, 2018 to \$9 million at June 30, 2019. The \$0.8 million increase in non-capital funds was primarily due to gift revenue exceeding expenses. Approximately \$0.5 million of the increase was due to investment income on the University endowments exceeding the actual distributions based on spending policy. Undistributed investment appreciation and earnings totaled \$4.6 million at June 30, 2019 compared to \$4.1 million at June 30, 2018. The \$0.3 million net decrease in capital gifts designated for capital projects included a \$0.9 million increase in funds restricted to a new Student Success Center, \$0.5 million increase in a gift fund for an Athletic Complex, as well as a \$1.6 million decrease in capital gift funds internally designated for debt service. At June 30, 2019, the Student Success Center fund totaled \$1.6 million, the Athletic complex funds totaled \$1 million and the capital gifts set aside for debt service totaled \$3.6 million.

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

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

	June 30, 2020	June 30, 2019	June 30, 2018
Operating and designated funds	\$ 8,618,056	\$ 6,238,645	\$ 8,567,394
Operating reserves	7,786,754	7,786,754	7,754,000
Plant funds	12,572,675	21,584,741	23,054,075
Loan funds	22,385	22,406	22,434
Total without GASBs 68 and 75	28,999,870	35,632,546	39,397,903
GASBs 68 (Pension fund)	(119,871,116)	(116,393,778)	(108,197,299)
GASB 75 (OPEB fund)	(34,617,642)	(33,180,224)	(41,544,418)
Total Unrestricted Net Position	<u>\$ (125,488,888)</u>	<u>\$ (113,941,456)</u>	<u>\$ (110,343,814)</u>

Total unrestricted net position was (\$125.4) million at June 30, 2020 compared to (\$113.9) million at June 30, 2019. The decrease of \$11.5 million from fiscal year 2019 to fiscal year 2020 reflects an excess of expenses over revenues during fiscal year 2020 from noncapital activity. Total unrestricted net position without funds relating to pension/OPEB decreased \$6.6 million whereas the funds relating to pension/OPEB decreased \$4.9 million.

Operating and designated funds increased \$2.4 million from \$6.2 million at June 2019 to \$8.6 million at June 30, 2020; whereas plant funds decreased \$9 million from \$21.6 million to \$12.6 million. The \$9 million decrease in plant funds was due to a combination of a \$7.5 million decrease due to activity on capital projects, including an athletic field, indoor tennis facility, multimedia center and parking lot, as well as a \$1.5 million decrease in funds designated for future debt service.

The GASB 68 (Pension) fund decreased \$3.5 million from (\$116.4) million at June 30, 2019 to (\$119.9) million at June 30, 2020; whereas the GASB 75 (OPEB) fund decreased \$1.4 million from (\$33.2) million at June 30, 2019 to (\$34.6) million.

Total unrestricted net position was (\$113.9) million at June 30, 2019 compared to (\$110.3) million at June 30, 2018. The decrease of \$3.6 million from fiscal year 2018 to fiscal year 2019 reflects an excess of expenses over revenues during fiscal year 2019 from noncapital activity. Total unrestricted net position without funds relating to pension/OPEB decreased \$3.8 million whereas the funds relating to pension/OPEB decreased \$.2 million remaining flat at (\$149.6) million at June 30, 2019 compared to (\$149.7) million at June 30, 2018.

Operating and designated funds decreased \$2.4 million from \$8.6 million at June 30, 2018 to \$6.2 million at June 30, 2019; whereas plant funds decreased \$1.5 million from \$23.1 million to \$21.6 million, respectively.

The GASB 68 (Pension) fund decreased \$8.2 million from (\$108.2) million at June 30, 2018 to (\$116.4) million at June 30, 2019; whereas the GASB 75 (OPEB) fund increased \$8.3 million from (\$41.5) million at June 30, 2018 to (\$33.2) million at June 30, 2019.

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 non-operating revenues and expenses of the University. Annual State appropriations, while budgeted for operations, are considered non-operating revenues according to generally accepted accounting principles. Pell grants dispersed to students and scholarships supported by restricted gifts are considered operating expenses; whereas the revenues supporting the expenses are considered nonoperating.

A summary of revenues, expenses, and changes in net position follows:

	June 30, 2020	June 30, 2019	June 30, 2018
Operating Revenues			
Net tuition, fees and other student charges	\$ 81,330,058	\$ 79,930,380	\$ 80,328,208
Auxiliary enterprises	17,060,256	19,786,312	20,124,228
Grants and contracts	12,296,168	11,202,469	12,641,642
Other	2,963,247	3,058,609	3,397,130
Total Operating Revenues	<u>113,649,729</u>	<u>113,977,770</u>	<u>116,491,208</u>
Operating Expenses	<u>208,208,708</u>	<u>201,356,820</u>	<u>163,295,310</u>
Operating Loss	(94,558,979)	(87,379,050)	(46,804,102)
Nonoperating Revenues (Expenses)			
State appropriations	42,089,994	42,914,559	43,261,001
Federal appropriations	6,063,592	-	-
Gifts, grants, and contracts	31,513,479	32,177,910	31,434,047
Investment income	2,555,860	4,825,184	4,431,242
Other	(3,461,407)	(3,189,825)	(3,380,176)
Net Nonoperating Revenues	<u>78,761,518</u>	<u>76,727,828</u>	<u>75,746,114</u>
Gain/(Loss) Before Other Revenues, Expenses, and Changes	(15,797,461)	(10,651,222)	28,942,012
Other Revenues, Expenses, and Changes			
State capital appropriations	5,186,305	6,089,375	6,659,994
Capital grants and gifts	3,274,660	5,426,487	3,307,888
Other	72,164	(31,614)	274,323
Total Other Revenues, Expenses, and Changes	<u>8,533,129</u>	<u>11,484,248</u>	<u>10,242,205</u>
Change in Net Position	(7,264,332)	833,026	39,184,217
Net Position at Beginning of the Year, originally stated	58,466,859	57,633,833	61,957,254
Cumulative effect of GASB 75 implementation	-	-	(43,507,638)
Net Position at End of the Year	<u>\$ 51,202,527</u>	<u>\$ 58,466,859</u>	<u>\$ 57,633,833</u>

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

Revenues

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

	June 30, 2020	June 30, 2019	June 30, 2018
Net tuition, fees, and other student charges	\$ 81,330,058	\$ 79,930,380	\$ 80,328,208
Gifts, grants and contracts	47,084,307	48,806,866	47,383,577
State appropriations	42,089,994	42,914,559	43,261,001
Auxiliary enterprises	17,060,256	19,786,312	20,124,228
Federal appropriations	6,063,592	-	-
State capital appropriations	5,186,305	6,089,375	6,659,994
Other revenue	3,422,390	3,651,548	4,176,659
Investment income	2,555,860	4,825,184	4,431,242
Total Revenues	<u>\$ 204,792,762</u>	<u>\$ 206,004,224</u>	<u>\$ 206,364,909</u>

Overall, the University's total revenues decreased \$1.2 million between fiscal year 2019 and fiscal year 2020. The majority of the University's revenue, 60% in fiscal year 2020 and fiscal year 2019, is attributed to State appropriations, and net tuition and fees. Combined, these two revenue streams were \$123.4 million in fiscal year 2020 compared to \$122.8 million in fiscal year 2019.

Net tuition, fees and other student charges increased \$1.4 million or 1.8% from fiscal year 2019 to fiscal year 2020. Gross tuition and fees remained flat during fiscal year 2020 at \$110.9 million compared to \$110.8 million during fiscal year 2019, reflecting a combination of a 3.6% decrease in FTE enrollment, an increase in undergraduate tuition rates, and a \$1.1 million decrease for student adjustments due to COVID-19. Scholarship allowance was \$29.6 million in fiscal year 2020 compared to \$30.9 million in fiscal year 2019, a decrease of \$1.3 million. Gifts, grants, and contracts decreased \$1.7 million or 3.5% from fiscal year 2019 to fiscal year 2020 due to a \$0.6 million increase in grants and contracts, a \$1.2 million decrease in gifts and a \$1 million decrease in Pell grants due to the decrease in enrollment. State appropriations decreased slightly from fiscal year 2019 to fiscal year 2020. Fiscal year 2020 reflects a reduction of \$1.7 million in State support due to the impact of COVID-19. Auxiliary enterprises revenues decreased \$2.7 million or 13.9%, from fiscal year 2019 to fiscal year 2020 primarily due to the impact of COVID-19, including \$1.8 million decrease for housing, meal plan and parking fee adjustments. In addition, there was a \$0.4 million decrease in football guarantees and a \$0.5 million decrease in transportation fee due to the fact that the transportation fee was folded into the Penguin Tuition Promise in fiscal year 2019. Federal Appropriations in fiscal year 2020 totaled \$6.1 million, including \$6 million of Higher Education Emergency Relief Funds (HEERF) under the Coronavirus Aid, Relief, and Economic Security (CARES) Act and other grant revenue for the University's radio station. Investment income decreased \$2.2 million or 47% from fiscal year 2019 to fiscal year 2020 primarily due to significant unrealized losses resulting from market volatility due to the COVID-19 pandemic and State capital appropriations decreased \$0.9 million or 14.8% due to less activity on capital projects funds with state capital dollars.

See Note 16 for more information about the COVID-19 Pandemic.

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

Overall, the University's total revenues remained flat between fiscal year 2018 and fiscal year 2019. The majority of the University's revenue, 60% in fiscal year 2019 and fiscal year 2018, is attributed to State appropriations, and net tuition and fees. Combined, these two revenue streams were \$122.8 million in fiscal year 2019 compared to \$123.6 million in fiscal year 2018.

Net tuition, fees and other student charges decreased \$0.4 million or 0.5% from fiscal year 2018 to fiscal year 2019. This was due to a combination of a \$1.7 million increase in gross tuition and fees offset by a \$2.1 million increase in the scholarship allowance, resulting from the University's continued investment in merit-based aid. Gifts, grants, and contracts increased \$1.4 million or 3% from fiscal year 2018 to fiscal year 2019 primarily due to a \$1.7 million increase in gifts, including gifts for the construction of a student success center, a multimedia center and an athletic facilities complex, a \$0.4 million increase in Pell grants due to a combination of an increase in the number of students receiving Pell grants and a slight decrease in the average aid per student; and a \$0.6 million decrease in grants and contracts activity. Investment income increased \$0.4 million or 8.9% from fiscal year 2018 to fiscal year 2019 primarily due to unrealized gains resulting from a favorable market environment. State capital appropriations decreased \$0.6 million from fiscal year 2018 to fiscal year 2019 due to decreased activity on capital projects.

Expenses

Operating expenses can be displayed by either functional classification or natural classification. The functional classification can be found on the Statements of Revenues, Expenses, and Changes in Net Position. The University has no control over the pension/OPEB expenses attributed to the implementations of GASBs 68 and 75; therefore, these expenses are segregated for presentation purposes.

Following is a recap of total operating expenses by natural classification.

	June 30, 2020	June 30, 2019	June 30, 2018
Compensation	\$ 120,288,141	\$ 119,481,839	\$ 118,788,153
Operations	43,637,982	47,736,039	48,769,105
Scholarships	25,269,042	20,854,114	20,518,590
Depreciation and amortization	14,098,787	13,452,543	12,735,133
Operating Expenses without GASBs 68 and 75 accruals	203,293,952	201,524,535	200,810,981
GASBs 68 pension expense accruals	3,477,338	8,196,479	(35,552,451)
GASB 75 OPEB expense accrual	1,437,418	(8,364,194)	(1,963,220)
Total operating expenses	<u>\$ 208,208,708</u>	<u>\$ 201,356,820</u>	<u>\$ 163,295,310</u>

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

Following is a recap of total operating expenses by functional classification excluding the impact of GASBs 68, and 75.

	June 30, 2020	June 30, 2019	June 30, 2018
Instruction	\$ 65,507,499	\$ 65,918,879	\$ 64,538,138
Research	4,160,244	4,182,821	4,616,124
Public service	5,544,742	5,932,044	6,416,759
Academic support	17,336,886	16,004,260	15,149,971
Student services	11,964,339	11,255,563	10,742,141
Institutional support	19,324,042	22,531,265	23,465,417
Operation and maintenance of plant	15,465,790	16,133,509	17,455,934
Scholarships	25,295,390	16,111,355	16,028,918
Auxiliary enterprises	24,596,233	30,002,336	29,662,446
Depreciation and amortization	14,098,787	13,452,543	12,735,133
Total operating expenses	<u>\$ 203,293,952</u>	<u>\$ 201,524,575</u>	<u>\$ 200,810,981</u>

Excluding the impact of the pension and OPEB accruals, total operating expenses increased \$1.8 million or 0.9% from \$201.5 million during fiscal year 2019 to \$203.3 million during fiscal year 201. This net increase was due to increases of \$0.8 million in compensation, \$4.4 million in scholarships, and \$0.6 million in depreciation and amortization offset by a \$4.1 million decrease in operations.

Salaries and wages decreased \$1.2 million or 1.3% from \$90.2 million in fiscal year 2019 to \$89 million in fiscal year 2020; whereas fringe benefits increased \$2 million or 6.9% from \$29.3 million to \$31.3 million, respectively. Combined, student and non-faculty salaries and wages decreased \$1.3 million; whereas faculty salaries increased \$.1 million. Overall fringe benefits as a percentage of salaries and wages was 35.1% in fiscal year 2020 compared to 32.4% in fiscal year 2019. Depreciation and amortization increased \$.6 million or 4.8 % from \$13.5 million in fiscal year 2019 to \$14.1 million in fiscal year 2020, due to increases in capital asset additions.

A large portion of all aid is classified as scholarship allowance on the Statement of Revenues, Expenses and Changes in Net Position. Overall, the University disbursed \$54.8 million to students in fiscal year 2020 compared to \$51.7 million in fiscal year 2019, an increase of \$3.1 million. This net increase was primarily due to \$3.2 million in federal aid to students from the Higher Education Emergency Relief Fund (HEERF) because of COVID-19, an increase of \$.7 million in external support, and a decrease of \$1.1 million in federal Pell grants.

Operations decreased \$4.1 million or 8.5% from \$47.7 million in fiscal year 2020 to \$43.6 million in fiscal year 2019. The net decrease partially reflects the impact of COVID-19 and includes a \$1.5 million decrease in supplies, a \$1.1 million decrease in maintenance and repair activity, a \$1 million decrease in travel and business related expenses, a \$.5 million decrease in utilities, and a \$.5 million decrease in food service for residents, offset by \$.5 million increase in instructional computers. Note that for fiscal year 2020, the \$4.5 million athletic scholarships were reported as scholarship allowance and reduced auxiliary enterprises expenses; whereas in prior years, the athletic scholarships were reported as scholarship allowance and reduced functional classification of scholarship expense.

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

Pension expense attributed to GASBs 68 and 75 decreased \$4.7 million from \$8.2 million in fiscal year 2019 to \$3.5 million in fiscal year 2020; whereas OPEB expense attributed to GASBs 68 and 75 increased \$9.8 million from (\$8.4) million in fiscal year 2019 to \$1.4 million in fiscal year 2020, respectively. These expenses are the result of changes in the deferred outflow/inflows and liabilities related to pension/OPEB. The University has no control over the factors affecting these changes.

Salaries and wages increased \$0.3 million or 0.3% from \$89.9 million in fiscal year 2018 to \$90.2 million in fiscal year 2019; whereas fringe benefits increased \$0.4 million or 1.4% from \$28.9 million to \$29.3 million, respectively. Overall fringe benefits as a percentage of salaries and wages was 32.4% in fiscal year 2019 compared to 32.2% in fiscal year 2018. Depreciation and amortization increased \$0.7 million or 5.6% from \$12.7 million in fiscal year 2018 to \$13.4 million in fiscal year 2019. This increase was due to increases in capital asset additions.

A large portion of all aid is classified as scholarship allowance on the Statements of Revenues, Expenses and Changes in Net Position. Therefore, the net \$0.3 million increase in scholarship expense is a partial reflection of a \$0.4 million increase in federal financial aid for Pell grant recipients, a \$0.3 million increase in state support and a \$0.4 increase in external support. Overall, the University disbursed \$51.7 million to students in fiscal year 2019 compared to \$49.3 million in fiscal year 2018, including \$20.2 million and \$19.8 million in federal Pell grants, respectively.

Operations decreased \$1 million or 2% from \$48.7 million in fiscal year 2018 to \$47.7 million in fiscal year 2019. The decrease was largely due to the prior year including \$0.8 million in funding for the City of Youngstown's Wick Avenue Improvements and \$0.5 million in furnishings for the new Kilcawley Center annex, a space updated for student interactions and the Meshel Hall renovations. In addition, there was a \$0.3 million increase in academic information technology refresh, a \$0.3 million increase in faculty led study abroad travel and a \$0.5 million decrease in subaward activity. Overall, utilities remained relatively flat during fiscal year 2019 compared to fiscal year 2018.

Pension and OPEB expense attributed to GASBs 68 and 75 increased \$37.3 million from (\$37.5) million in fiscal year 2018 to (\$0.2) million in fiscal year 2019. These expenses are the result of changes in the deferred outflows/inflows and liabilities related to pensions/OPEB. The \$37.3 million increase is comprised of a \$43.8 million increase related to pensions and \$6.5 million decrease related to OPEB. OPERS pension/OPEB expense increased \$7.2 million and \$1 million, respectively; whereas STRS Ohio pension expense increased \$36.6 million and OPEB expense decreased \$7.5 million. OPERS pension/OPEB expense totaled \$13.2 million and \$5 million during fiscal year 2019 and fiscal year 2018, respectively; whereas STRS Ohio pension/OPEB expense totaled (\$13.4) million and (\$42.5) million, respectively. The STRS Ohio plan expenses are reflected as a reduction in Instruction on the Statements of Revenues, Expenses, and Changes in Net Position. The University has no control over the factors affecting these changes. See Note 13 for additional information on pension plans and other post employment benefits (OPEB).

Total operating and non-operating expenses for the University were \$212,057,094, \$205,171,198, and \$167,180,692 in fiscal years 2020, 2019 and 2018, respectively.

YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT.)

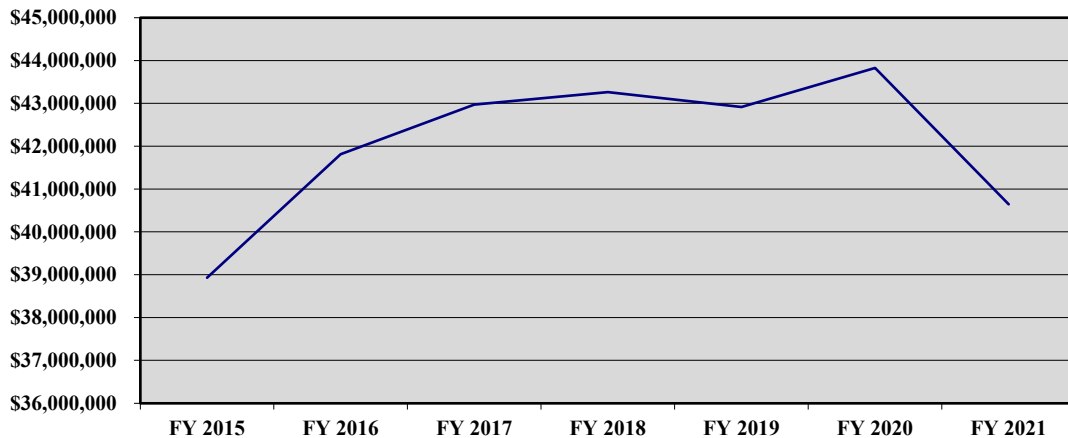
Economic Factors for the Future

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.

Based on the most recent estimate provided by the Ohio Department of Higher Education, State Share of Instruction (SSI) funding for the University for fiscal year 2021 is expected to be 3.4% below fiscal year 2020 funding levels. This reduction is largely attributable to the COVID-19 pandemic, which not surprisingly has negatively impacted state of Ohio tax receipts and, therefore, hindered the state's ability to fund higher education at previous levels. SSI funding levels for the fiscal years 2022 and 2023 biennium are not yet known at this time and will be governed by state budget legislation that is expected to be introduced in the Ohio Statehouse in February 2021. It is expected that the SSI formula allocation will continue to be tied to degrees awarded and course completions as the primary drivers of SSI funding. Datasets used in the formula are based on a three-year rolling average and are weighted to take into account various at-risk student characteristics. The SSI formula continues to factor in discipline and program costs and enrollment levels.

The following graph reflects six years actual data for State Appropriations plus the budgeted amount for fiscal year 2021.

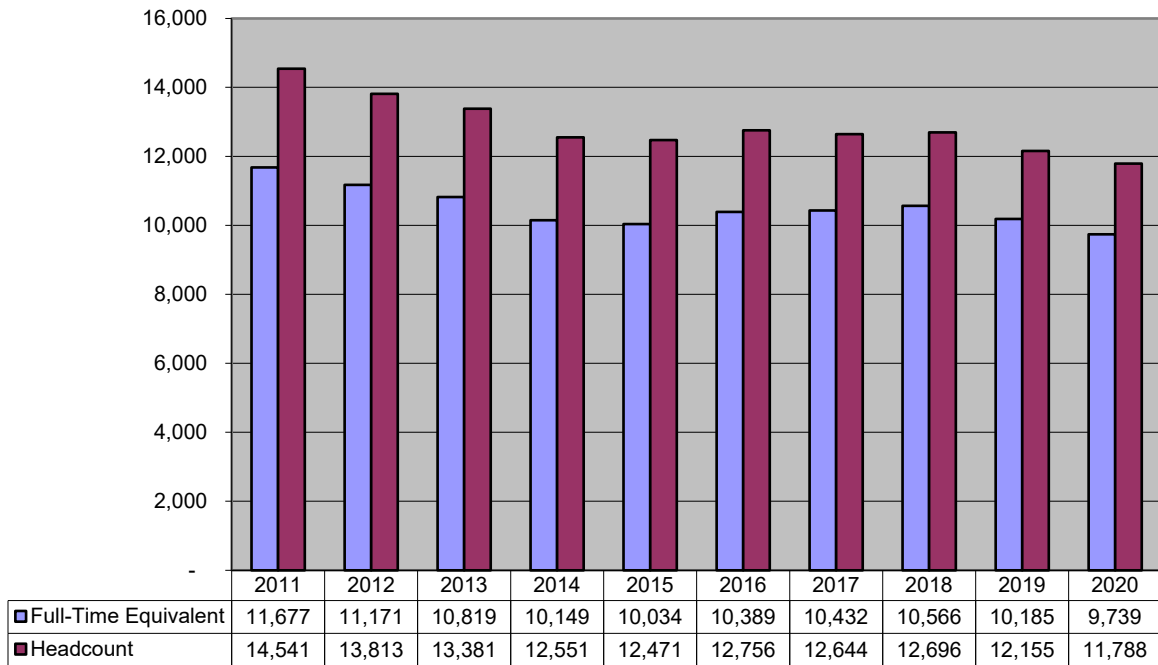
**State Appropriations
Fiscal Years 2015 through 2021**



YOUNGSTOWN STATE UNIVERSITY

MANAGEMENT’S DISCUSSION AND ANALYSIS (CONT.)

Fall Semester Enrollment Trends 2011 through 2020



Fall 2020 enrollments are 4.40% lower than the prior Fall semester on a full-time equivalency (FTE) basis. Following a five-year decline in FTE enrollments between Fall 2011 and 2015, YSU achieved three years of enrollment stability between Fall 2016 and Fall 2018 before these two consecutive setbacks. While the strong academic quality of the University’s new incoming student enrollments for Fall 2020 exceeded Fall 2019 and represents sustained progress, another decline during the worldwide COVID-19 Pandemic required dramatically different recruitment and enrollment strategies with adjustment to messaging about what YSU offers in terms of a high quality education at an affordable price.

The number of new Honors College freshmen for Fall 2020 was 337, which represents a 19.50% increase over Fall 2019, and further exemplifies YSU’s growth in the academic quality of our student body. The University experienced increases in new freshman for four consecutive years between Fall 2015 and Fall 2018, a 31% increase in that time, before dropping 9.35% in Fall 2020 and 15.65% during Fall 2019.

Freshman GPA averages were the highest in University history for the seventh straight year at 3.48 in spite of YSU’s shift to a test optional policy for undergraduate admission. Over half of our new freshmen, 55%, had a high school GPA of 3.5 or better. Efforts to widen the University’s appeal beyond its traditional footprint advanced for Fall 2020 along with an increase in students from out-of-state. Multicultural freshman decreased along with the number of Ohio counties represented in the freshman class. The University’s freshmen to sophomore retention rate increased slightly to 75.17% from 72.26% last year.

YOUNGSTOWN STATE UNIVERSITY

STATEMENTS OF NET POSITION AT JUNE 30, 2020 AND 2019

	June 30, 2020	June 30, 2019
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 5,791,497	\$ 17,124,401
Investments	41,965,248	42,402,576
Restricted investments	510,584	311,830
Interest receivable	111,273	155,889
Accounts receivable, net	11,712,016	10,912,312
Pledges receivable, net	170,203	177,667
Loans receivable, net	476,298	472,818
Inventories	89,880	111,782
Prepaid expenses and unearned charges	1,094,356	1,289,970
Total Current Assets	61,921,355	72,959,245
Noncurrent Assets		
Investments	15,581,112	14,768,775
Endowments and other restricted investments	10,413,323	10,244,532
Pledges receivable, net	154,267	296,107
Loans receivable, net	102,772	428,528
Other noncurrent assets	129,388	121,267
Net OPEB asset	5,446,000	5,237,852
Nondepreciable capital assets	23,024,017	23,860,808
Depreciable capital assets, net	196,942,423	192,720,983
Total Noncurrent Assets	251,793,302	247,678,852
Total Assets	313,714,657	320,638,097
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pension	20,224,223	38,407,114
Deferred outflows related to OPEB	5,929,505	3,260,281
Bond refunding	1,679,053	1,803,839
Total Deferred Outflows of Resources	27,832,781	43,471,234
LIABILITIES		
Current Liabilities		
Accounts payable	2,331,553	2,735,656
Construction payable	2,546,383	1,936,786
Payroll liabilities	8,150,854	8,732,941
Bonds payable	3,095,000	2,980,000
Notes payable	859,068	773,245
Capital lease payable	44,579	40,567
Compensated absences	795,001	875,981
Unearned revenue	6,384,286	6,830,914
Other liabilities	1,957,346	1,316,626
Total Current Liabilities	26,164,070	26,222,716
Noncurrent Liabilities		
Bonds payable, net	57,183,073	60,502,710
Notes payable	13,059,956	13,919,024
Capital lease payable	51,087	95,666
Compensated absences	6,201,864	6,653,389
Refundable advance	1,288,875	1,374,718
Net pension liability	120,551,697	142,148,557
Net OPEB liability	33,470,549	33,390,568
Total Noncurrent Liabilities	231,807,101	258,084,632
Total Liabilities	257,971,171	284,307,348
DEFERRED INFLOWS OF RESOURCES		
Service concession agreements	307,500	395,000
Deferred inflows related to pension	19,543,642	12,652,335
Deferred inflows related to OPEB	12,522,598	8,287,789
Total Deferred Inflows of Resources	32,373,740	21,335,124
NET POSITION		
Net investment in capital assets	147,352,730	140,074,416
Restricted, nonexpendable - endowments	5,534,526	5,470,553
Restricted, expendable - gifts, grants, and student loans	23,804,159	26,863,346
Unrestricted	(125,488,888)	(113,941,456)
Total Net Position	\$ 51,202,527	\$ 58,466,859

See accompanying notes to financial statements.

THE YOUNGSTOWN STATE UNIVERSITY FOUNDATION

STATEMENTS OF FINANCIAL POSITION AT JUNE 30, 2020 AND 2019

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
ASSETS		
Cash and cash equivalents	\$ 2,092,541	\$ 2,723,049
Investments	254,739,015	258,789,138
Pledges receivable, net	5,294,797	5,345,462
Pledges receivable for Youngstown State University, net	3,940,277	4,939,616
Prepaid expenses and other assets	957,443	1,582,430
Property and equipment, net	192,445	39,224
TOTAL ASSETS	<u>\$ 267,216,518</u>	<u>\$ 273,418,919</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 956,418	\$ 1,084,881
Grant commitments to Youngstown State University	9,987,574	8,545,274
Accrued liabilities and other	281,758	240,642
TOTAL LIABILITIES	<u>11,225,750</u>	<u>9,870,797</u>
 NET ASSETS		
Net assets without donor restrictions	143,733,963	152,970,226
Net assets with donor restrictions	112,256,805	110,577,896
TOTAL NET ASSETS	<u>255,990,768</u>	<u>263,548,122</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 267,216,518</u>	 <u>\$ 273,418,919</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, 2020 AND 2019

	June 30, 2020	June 30, 2019
OPERATING REVENUES		
Tuition, fees, and other student charges (net of scholarship allowance of \$29,581,588 in 2020 and \$30,888,809 in 2019)	\$ 81,330,058	\$ 79,930,380
Federal grants and contracts	5,115,766	4,980,497
State grants and contracts	6,128,576	5,057,381
Local grants and contracts	396,177	384,198
Private grants and contracts	655,649	780,393
Sales and services	458,986	590,165
Auxiliary enterprises	17,060,256	19,786,312
Other operating revenues	2,504,261	2,468,444
Total Operating Revenues	113,649,729	113,977,770
OPERATING EXPENSES		
Instruction	68,758,212	53,445,556
Research	4,183,300	4,377,528
Public service	5,666,888	6,878,611
Academic support	17,676,610	18,304,608
Student services	12,233,145	12,980,166
Institutional support	19,687,607	25,847,626
Operation and maintenance of plant	15,703,812	17,870,275
Scholarships	25,295,390	16,111,355
Auxiliary enterprises	24,904,957	32,088,552
Depreciation and amortization	14,098,787	13,452,543
Total Operating Expenses	208,208,708	201,356,820
Operating Loss	(94,558,979)	(87,379,050)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	42,089,994	42,914,559
Federal appropriations	6,063,592	-
Federal grants	19,655,799	20,686,800
Private gifts	11,857,680	11,491,110
Unrestricted investment income, net of investment expense	1,833,071	3,858,554
Restricted investment income, net of investment expense	722,789	966,630
Interest on capital asset-related debt	(3,495,938)	(3,604,468)
Other nonoperating revenues, net	34,531	414,643
Net Nonoperating Revenues	78,761,518	76,727,828
Loss Before Other Revenues, Expenses, and Changes	(15,797,461)	(10,651,222)
OTHER REVENUES, EXPENSES, AND CHANGES		
State capital appropriations	5,186,305	6,089,375
Capital grants and gifts	3,274,660	5,426,487
Other, net	72,164	(31,614)
Total Other Revenues, Expenses, and Changes	8,533,129	11,484,248
Change In Net Position	(7,264,332)	833,026
NET POSITION		
Net Position at Beginning of the Year	58,466,859	57,633,833
Net Position at End of the Year	\$ 51,202,527	\$ 58,466,859

THE YOUNGSTOWN STATE UNIVERSITY FOUNDATION

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	June 30, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT			
Contributions	\$ 3,446,644	\$ 8,002,384	\$ 11,449,028
In-kind donations	-	-	-
Investment earnings	1,837,174	910,358	2,747,532
Net realized gain on sale of investments	1,025,614	1,401,011	2,426,625
Net unrealized change in long-term investments	(3,203,185)	(3,469,196)	(6,672,381)
Reclassification due to management's reassessment of donor restrictions	-	-	-
Net assets released from restrictions	5,165,648	(5,165,648)	-
TOTAL REVENUES, GAINS AND OTHER SUPPORT	8,271,895	1,678,909	9,950,804
EXPENSES			
Distribution to Youngstown State University for scholarships and other programs	15,787,388	-	15,787,388
Administrative expenditures	1,720,770	-	1,720,770
TOTAL EXPENSES	17,508,158	-	17,508,158
INCREASE (DECREASE) IN NET ASSETS	(9,236,263)	1,678,909	(7,557,354)
Net Assets - Beginning of Year	152,970,226	110,577,896	263,548,122
Net Assets - End of Year	\$ 143,733,963	\$ 112,256,805	\$ 255,990,768
	June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT			
Contributions	\$ 2,604,323	\$ 13,716,937	\$ 16,321,260
In-kind donations	-	599,400	599,400
Investment earnings	1,203,677	735,234	1,938,911
Net realized gain on sale of investments	2,922,565	1,834,169	4,756,734
Net unrealized change in long-term investments	4,507,552	2,689,458	7,197,010
Reclassification due to management's reassessment of donor restrictions	(499,145)	499,145	-
Net assets released from restrictions	6,909,392	(6,909,392)	-
TOTAL REVENUES, GAINS AND OTHER SUPPORT	17,648,364	13,164,951	30,813,315
EXPENSES			
Distribution to Youngstown State University for scholarships and other programs	15,047,701	-	15,047,701
Administrative expenditures	1,943,239	-	1,943,239
TOTAL EXPENSES	16,990,940	-	16,990,940
INCREASE IN NET ASSETS	657,424	13,164,951	13,822,375
Net Assets - Beginning of Year	152,312,802	97,412,945	249,725,747
Net Assets - End of Year	\$ 152,970,226	\$ 110,577,896	\$ 263,548,122

See accompanying notes to financial statements.

YOUNGSTOWN STATE UNIVERSITY

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	June 30, 2020	June 30, 2019
Cash Flows from Operating Activities		
Student tuition and fees	\$ 81,855,274	\$ 79,677,972
Federal, state, and local grants and contracts	12,128,093	11,033,151
Private grants and contracts	691,292	604,550
Sales and services of educational and other departmental activities	16,537,842	20,249,044
Payments to suppliers	(43,315,573)	(52,632,427)
Payments to employees	(89,597,671)	(90,467,374)
Payments for benefits	(31,912,154)	(30,025,208)
Payments for scholarships	(24,932,145)	(16,121,596)
Other receipts, net	2,417,282	2,372,358
Total Cash Flows Used In Operating Activities	(76,127,760)	(75,309,530)
Cash Flows from Noncapital Financing Activities		
Federal grants	19,649,217	20,679,186
Federal educational appropriations	5,661,552	-
State educational appropriations	42,089,994	42,914,559
Direct lending receipts	52,916,027	52,485,546
Direct lending disbursements	(52,924,489)	(52,474,212)
Private gifts	12,003,365	11,175,424
Other	72,164	(31,614)
Other nonoperating expenses	(89,291)	239,398
Student loans collected	255,117	313,304
Student loan interest and fees collected	113,682	129,779
Total Cash Flows Provided by Noncapital Financing Activities	79,747,338	75,431,370
Cash Flows from Investing Activities		
Proceeds from sale of investments	20,699,468	20,491,005
Purchase of investments	(21,442,022)	(24,352,343)
Interest on investments	2,600,476	4,810,723
Total Cash Flows Provided by Investing Activities	1,857,922	949,385
Cash Flows from Capital and Related Financing Activities		
State capital appropriations	4,528,598	7,178,877
Private capital gifts and grants	2,947,663	4,339,127
Purchase of capital assets	(16,867,264)	(13,138,702)
Principal payments on capital debt	(3,793,812)	(3,222,852)
Interest payments on capital debt	(3,625,589)	(3,405,015)
Total Cash Flows Used In Capital and Related Financing Activities	(16,810,404)	(8,248,565)
Change in Cash and Cash Equivalents	(11,332,904)	(7,177,340)
Cash and Cash Equivalents, Beginning of Year	17,124,401	24,301,741
Cash and Cash Equivalents, End of Year	\$ 5,791,497	\$ 17,124,401

YOUNGSTOWN STATE UNIVERSITY

STATEMENTS OF CASH FLOWS (CONT.) FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

Reconciliation of Operating Loss to Net Cash Used in Operating Activities

	June 30, 2020	June 30, 2019
Operating loss	\$ (94,558,979)	\$ (87,379,050)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	14,098,787	13,452,543
Provision for bad debts	(6,722)	544,435
Gifts in kind	-	18,644
Changes in assets and liabilities:		
Accounts receivable, net	422,873	(795,567)
Inventories	21,902	99,001
Prepaid expenses and unearned charges	195,614	(60,891)
Net OPEB assets	(208,148)	5,237,852
Accounts payable	(404,103)	(456,892)
Accrued and other liabilities	163,063	(536,020)
Unearned revenue	(442,446)	738,364
Compensated absences	(532,505)	(766,382)
Net pension/OPEB asset	-	-
Net pension/OPEB liability	(21,516,879)	5,612,533
Deferred outflows-pensions and OPEB	15,513,667	(5,570,358)
Deferred inflows-pensions and OPEB	11,126,116	(5,447,742)
Net Cash Flows Used In Operating Activities	<u>\$ (76,127,760)</u>	<u>\$ (75,309,530)</u>

Noncash Investing and Financing Transactions

Capital Leases	<u>\$ -</u>	<u>\$ 37,000</u>
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See accompanying notes to financial statements.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

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 is a component unit of the State of Ohio. 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*, 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 15 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.

As required by the GASB, 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, reduced by outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.
- Restricted, nonexpendable – Resources subject to externally imposed stipulations that they be maintained permanently by the University. Such resources include the University's permanent endowment funds.
- Restricted, expendable – Resources whose use by the University is subject to externally imposed stipulations that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time.
- Unrestricted – Resources that are not subject to externally imposed stipulations. Unrestricted resources may be designated for specific purposes by action of management, Board of Trustees 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.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

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 required by the GASB. Business type activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

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 – 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. Restricted investments are comprised of endowment corpus and related spending funds.

Endowment Policy – Under Ohio law set forth in the Uniform Prudent Management of Institutional Funds Act (UPMIFA), as adopted in Ohio in 2009, the Board acts in a fiduciary capacity as trustee of its endowment funds. UPMIFA requires that the Board exercise its fiduciary duties prudently and consider both the charitable purposes and needs of the University and the purposes of the specific endowment regarding current expenditures and preservation of the purchasing power of the funds. The University Endowment Fund consists of 92 named funds. Each named fund is assigned a number of shares in the University Endowment Fund based on the value of the gifts to that named fund. The University's endowment spending policy states that annual distributions each fiscal year are set to 5% of the twelve-quarter average of the market value for the preceding twelve calendar quarters. In calculating the twelve-quarter average, census dates of March 31, June 30, September 30 and December 31 for the previous three years shall be used. Distributions greater than the calculated amount require written justification and Board of Trustees' approval.

Accounts Receivable – Accounts receivable consist of transactions relating to tuition and fees, auxiliary enterprise sales, grants and contracts, and miscellaneous sales and services. Accounts receivable are recorded net of allowance for uncollectible amounts.

Pledges Receivable – The University has a development services agreement with the Foundation. As part of the agreement, new pledges are recorded by the Foundation and payments on University pledges are collected by the Foundation and remitted to the University on a monthly basis. Prior to the agreement, the University received pledges and bequests of financial support from corporations, foundations, and individuals. Revenue is recognized when a gift 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 fair value.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

Capital Assets – Capital assets are stated at cost or acquisition 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	50 years
Improvements to buildings	10 to 50 years
Improvements other than buildings	15 years
Moveable equipment, furniture and vehicles	3 to 20 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 and sick leave benefits are recorded as required by the GASB. The University uses the termination method to accrue sick leave compensated absences on the Statement of Net Position. University employees earn vacation and sick leave benefits based, in part, on length of service. Vacation pay is fully vested when earned. Upon separation from service, employees are paid accumulated vacation and sick pay based upon the nature of separation (death, retirement, or termination). Certain limitations have been placed on the hours of vacation and sick leave that employees may accumulate and carry over for payment at death, retirement, or termination. Unused hours exceeding these limitations are forfeited.”

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. Congress did not renew the program after September 30, 2017 and no disbursements were permitted after June 30, 2018.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

Deferred Outflows of Resources – In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expenses) until then. The University reports deferred outflows of resources for refunding of bonds and certain pension-related and OPEB-related amounts, including changes in expected and actual experience, changes in assumptions, change in proportionate share of contribution and certain contributions made to the plan subsequent to the measurement date. See Note 13 for more detailed information on the pension-related and OPEB-related amounts.

Deferred Inflow of Resources – In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until then. The University reports deferred inflows of resources for service concession arrangements and certain pension-related and OPEB-related amounts, including changes in expected and actual experience, changes in assumptions, and the difference between projected and actual earnings of the plan's investments. See Note 13 for more detailed information on the pension-related and OPEB-related amounts.

Service Concession Arrangements – Service concession arrangements consist of an agreement with a food service provider and an agreement with a beverage company for exclusive pouring rights. Funds received are contingent upon utilization of services over a specified time period and are amortized over the term of the contract arrangement. Unamortized amounts are reflected as deferred inflows of resources on the Statement of Net Position.

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the State Teachers Retirement System of Ohio (STRS) and the Ohio Public Employees Retirement System (OPERS) Pension Plans and additions to/deductions from STRS'/OPERS' fiduciary net positions have been determined on the same basis as they are reported by STRS/OPERS. STRS/OPERS use the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized as expense when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Postemployment Benefit Costs – For purposes of measuring the net other postemployment benefit (OPEB) asset/liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net positions of the Pension Plans (STRS/OPERS) and additions to/deductions from STRS'/OPERS' fiduciary net positions have been determined on the same basis as they are reported by STRS/OPERS. STRS/OPERS use the economic resources measurement focus and the full accrual basis of accounting. For this purpose, STRS/OPERS recognize benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

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 – The accompanying financial statements have been prepared using the economic resource measurement focus, 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 and Federal appropriations are reported as non-operating revenues and expenses.

Scholarship Allowances and Student Aid – Tuition, fees, and other student charges are reflected net of scholarship allowances in the Statements of Revenues, Expenses, and Changes in Net Position. 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.

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

Management’s Estimates – The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and disclosures in the notes to financial statements. Actual results could differ from these estimates.

Adoption of New Accounting Pronouncements – In fiscal year 2020, the provisions of the following GASB Statement became effective:

- GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, issued May 2020. The requirements of this Statement are effective immediately. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provision in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later

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NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

Newly Issued Accounting Pronouncements – As of the report date, the GASB issued the following statements not yet implemented by the University:

- GASB Statement No. 84, *Fiduciary Activities*, issued January 2017. As a result of the adoption of GASB Statement No. 95, the requirements of this Statement are now effective for reporting periods beginning after December 15, 2019. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.
- GASB Statement No. 87, *Leases*, issued June 2017. As a result of the adoption of GASB Statement No. 95, the requirements of this Statement are now effective for reporting periods beginning after June 15, 2021. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments.
- GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, issued June 2018. As a result of GASB Statement No. 95, the requirements of this Statement are effective for reporting periods beginning after December 15, 2020. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.
- GASB Statement No. 90, *Majority Equity Interests-an amendment of GASB Statements No. 14 and No. 61*, issued August 2018. As a result of the adoption of GASB Statement No. 95, the requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units.
- GASB Statement No. 91, *Conduit Debt Obligations*, issued May 2019. As a result of the adoption of GASB Statement No. 95, the requirements of this Statement are effective for reporting periods beginning after December 15, 2021. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures.
- GASB Statement No. 92, *Omnibus 2020*, issued January 2020. As a result of the adoption of GASB Statement No. 95, the requirements of this Statement are effective for fiscal years beginning after June 15, 2022. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

- GASB Statement No. 93, *Replacement of Interbank Offered Rates*, issued March 2020. As a result of the adoption of GASB Statement No. 95, certain requirements of this Statement are now effective for reporting periods beginning after June 15, 2021. Some governments have entered into agreements in which variable payments made or received depend on an interbank offer rate. As a result of global reference rate reform, some rates are expected to cease to exist prompting governments to amend or replace financial instruments.
- GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, issued March 2020. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements.
- GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, issued May 2020. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements for government end users.
- GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans-an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, issued June 2020. The requirements of this Statement are effective for fiscal years beginning after June 15, 2021. The primary objectives of this Statement are to increase consistency and comparability related to the reporting of fiduciary component units; mitigate costs associated with the reporting of certain defined contribution pension plans; and enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans.

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

Note 2 – State and Federal Support

The University receives support from the State in the form of State appropriations and capital appropriations. As required by the GASB, these are reflected as non-operating revenues on the Statement of Revenues, Expenses, and Changes in Net Position.

State appropriations totaled \$42,089,994 in fiscal year 2020 compared to \$42,914,559 in fiscal year 2019. The State Share of Instruction (SSI) is determined annually by the Ohio Department of Higher Education.

Capital appropriations from the State totaled \$5,186,305 in fiscal year 2020 compared to \$6,089,375 in fiscal year 2019 and included funding for equipment and the construction/major renovations of plant facilities.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

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 Department of Higher Education.

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 Ohio Department of Higher Education 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.

See Footnote 16 for additional information on funding received from the Coronavirus Aid, Relief, and Economic Security (CARES) Act due to the COVID-19 pandemic.

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.

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. All collateral, both specific and pooled, is held by the Federal Reserve Bank or by a designated trustee as agent for the public depositories used by the University.

Cash and Cash Equivalents at June 30, 2020 and June 30, 2019 consist of the following:

	2020	2019
Carrying Amount	<u>\$ 5,791,497</u>	<u>\$ 17,124,401</u>
FDIC Insured	\$ 804,129	\$ 3,276,286
Uninsured but collateralized by pools of securities pledged by the depository banks	2,701,909	6,851,051
Uninsured but assets held in name of YSU not pledged as collateral elsewhere	<u>3,093,179</u>	<u>8,701,866</u>
Bank Balance	<u>\$ 6,599,217</u>	<u>\$ 18,829,203</u>

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

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 \$17,929 at June 30, 2020 and \$17,028 at June 30, 2019, 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. The University's Star Plus account deposits are federally insured and totaled \$54,129 at June 30, 2020 and \$2,526,286 at June 30, 2019.

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, 2020 and June 30, 2019, 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 investments measured and reported at fair value are classified according to the following hierarchy:

Level 1 – Investments reflect prices quoted in active markets.

Level 2 – Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active.

Level 3 – Investments reflect prices based upon unobservable sources.

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment's risk.

Assets classified in Level 1 of the fair value hierarchy are valued directly from a primary external pricing vendor. Level 2 inputs are valued using a matrix pricing model.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

As of June 30, 2020, the University had the following investments measured at fair value:

	Fair Value Measurement			Total
	Level 1	Level 2	Level 3	
U.S. Government Obligations	\$ -	\$ 5,777,611	\$ -	\$ 5,777,611
Corporate Bonds	-	9,067,834	-	9,067,834
U.S. Government Bonds	-	2,910,161	-	2,910,161
Bond Mutual Funds	13,040,417	-	-	13,040,417
Preferred Stock	-	204,511	-	204,511
Common Stock	7,179,059	-	-	7,179,059
Equity Mutual Funds	30,290,674	-	-	30,290,674
Totals	\$ 50,510,150	\$ 17,960,117	\$ -	\$ 68,470,267

As of June 30, 2019, the University had the following investments measured at fair value:

	Fair Value Measurement			Total
	Level 1	Level 2	Level 3	
U.S. Government Obligations	\$ -	\$ 5,768,916	\$ -	\$ 5,768,916
Corporate Bonds	-	9,143,311	-	9,143,311
Foreign Bonds	-	44,815	-	44,815
U.S. Government Bonds	-	2,649,055	-	2,649,055
Bond Mutual Funds	14,026,793	-	-	14,026,793
Preferred Stock	-	310,017	-	310,017
Common Stock	6,878,998	-	-	6,878,998
Equity Mutual Funds	28,905,808	-	-	28,905,808
Totals	\$ 49,811,599	\$ 17,916,114	\$ -	\$ 67,727,713

As of June 30, 2020, 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	\$ 5,777,611	\$ -	\$ 4,898,660	\$ 878,951	\$ -
Corporate Bonds	9,067,834	971,704	7,163,568	851,817	80,745
U.S. Government Bonds	2,910,161	-	104,605	1,538,877	1,266,679
Bond Mutual Funds	13,040,417	13,040,417	-	-	-
Preferred Stock	204,511	204,511	-	-	-
Common Stock	7,179,059	7,179,059	-	-	-
Equity Mutual Funds	30,290,674	30,290,674	-	-	-
Totals	\$ 68,470,267	\$ 51,686,365	\$ 12,166,833	\$ 3,269,645	\$ 1,347,424

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

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

As of June 30, 2019, 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	\$ 5,768,916	\$ 200,469	\$ 4,905,617	\$ 662,830	\$ -
Corporate Bonds	9,143,311	857,375	7,377,080	893,722	15,134
Foreign Bonds	44,815	-	44,815	-	-
U.S. Government Bonds	2,649,055	200,428	310,329	900,444	1,237,854
Bond Mutual Funds	14,026,793	14,026,793	-	-	-
Preferred Stock	310,017	310,017	-	-	-
Common Stock	6,878,998	6,878,998	-	-	-
Equity Mutual Funds	28,905,808	28,905,808	-	-	-
Totals	<u>\$ 67,727,713</u>	<u>\$ 51,379,888</u>	<u>\$ 12,637,841</u>	<u>\$ 2,456,996</u>	<u>\$ 1,252,988</u>

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

As of June 30, 2020, investments had the following quality credit ratings:

Investment Type	Fair Value	Aaa	Aa	A	Baa	Unrated
Corporate Bonds	\$ 9,067,834	\$ 1,776,133	\$ 711,537	\$ 3,685,771	\$ 2,435,432	\$ 458,961
U.S. Government Bonds	2,910,161	2,708,345	201,816	-	-	-
Bond Mutual Funds	13,040,417	5,042,571	1,532,712	1,244,029	4,540,909	680,196
Totals	<u>\$ 25,018,412</u>	<u>\$ 9,527,049</u>	<u>\$ 2,446,065</u>	<u>\$ 4,929,800</u>	<u>\$ 6,976,341</u>	<u>\$ 1,139,157</u>

As of June 30, 2019, investments had the following quality credit ratings:

Investment Type	Fair Value	Aaa	Aa	A	Baa	Unrated
Corporate Bonds	\$ 9,143,311	\$ 2,385,735	\$ 704,439	\$ 2,688,343	\$ 2,603,421	\$ 761,373
Foreign Bonds	44,815	44,815	-	-	-	-
U.S. Government Bonds	2,649,055	2,649,055	-	-	-	-
Bond Mutual Funds	14,026,793	6,475,719	1,761,034	1,091,305	4,260,635	438,100
Totals	<u>\$ 25,863,974</u>	<u>\$ 11,555,324</u>	<u>\$ 2,465,473</u>	<u>\$ 3,779,648</u>	<u>\$ 6,864,056</u>	<u>\$ 1,199,473</u>

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

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit quality, as commonly expressed in terms of credit ratings issued by nationally recognized statistical rating organizations such as Moody’s Investors Services, Standard & Poor’s or Fitch rating provides a current depiction of potential variable cash flows and credit risk. The University’s investment policy and asset allocation guidelines contain provisions to manage credit risk.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

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, 2020 and 2019, 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.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. As of June 30, 2020, \$5,577,910 or 8% of the University’s portfolio was held in an intermediate bond fund compared to \$5,389,907 or 8% at June 30, 2019.

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, 2020 and 2019, 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, 2020 and June 30, 2019 consist of the following:

	2020	2019
Accounts receivable		
Student accounts	\$ 6,629,274	\$ 7,420,998
Grants and contracts	2,470,082	1,934,214
State appropriations	1,649,876	992,169
Other receivables	4,072,524	4,124,045
Total Accounts receivable	14,821,756	14,471,426
Less: Allowance for doubtful accounts	3,109,740	3,559,114
Accounts receivable, net	<u>\$ 11,712,016</u>	<u>\$ 10,912,312</u>
Loans receivable		
Loans receivable - student notes	\$ 696,396	\$ 1,258,749
Less: Allowance for doubtful accounts	117,326	357,403
Loans receivable, net	579,070	901,346
Less: current portion	476,298	472,818
Loans receivable, noncurrent portion	<u>\$ 102,772</u>	<u>\$ 428,528</u>

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

Note 6 – Pledges Receivable

Unconditional promises to give to the University recorded as pledges receivable at June 30, 2020 and June 30, 2019 were as follows:

	2020	2019
Pledges receivable	\$ 341,747	\$ 514,045
Less: Allowance for doubtful accounts	15,900	24,050
Present value discount	1,377	16,221
Pledges receivable, net	<u>324,470</u>	<u>473,774</u>
Less: current portion	<u>170,203</u>	<u>177,667</u>
Pledges receivable, noncurrent portion	<u>\$ 154,267</u>	<u>\$ 296,107</u>

Pledges have been discounted to net present value using June 30, 2020 and June 30, 2019 U.S. Treasury Note rates of 0.29% (5-year) in fiscal year 2020 and 1.75% (5-year) and 1.875% (7-year) in fiscal year 2019.

Note 7 – Capital Assets

Capital assets activity for the year ended June 30, 2020 was as follows:

	Beginning Balance	Additions/ Transfers	Reductions	Ending Balance
Nondepreciable assets:				
Land	\$ 17,637,005	\$ 152,938	\$ -	\$ 17,789,943
Construction in progress	5,280,515	(989,729)	-	4,290,786
Historical treasures	943,288	-	-	943,288
Depreciable assets:				
Buildings	285,344,703	4,050,024	-	289,394,727
Improvements to buildings	87,057,527	8,011,412	-	95,068,939
Improvements other than buildings	42,354,204	5,010,098	-	47,364,302
Moveable equipment and furniture	40,437,937	1,165,608	40,161	41,563,384
Vehicles	1,410,497	83,085	-	1,493,582
Capital leases	208,813	-	-	208,813
Total cost	<u>480,674,489</u>	<u>17,483,436</u>	<u>40,161</u>	<u>498,117,764</u>
Less accumulated depreciation:				
Buildings	183,025,007	4,808,340	-	\$ 187,833,347
Improvements to buildings	24,101,616	3,504,833	-	27,606,449
Improvements other than buildings	22,559,498	2,520,092	-	25,079,590
Moveable equipment and furniture	33,268,360	3,085,652	40,161	36,313,851
Vehicles	1,054,887	139,365	-	1,194,252
Capital leases	83,330	40,505	-	123,835
Total accumulated depreciation	<u>264,092,698</u>	<u>14,098,787</u>	<u>40,161</u>	<u>278,151,324</u>
Capital assets, net	<u>\$ 216,581,791</u>	<u>\$ 3,384,649</u>	<u>\$ -</u>	<u>\$ 219,966,440</u>

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

Capital assets activity for the year ended June 30, 2019 was as follows:

	Beginning Balance	Additions/ Transfers	Reductions	Ending Balance
Nondepreciable assets:				
Land	\$ 16,358,867	\$ 1,278,138	\$ -	\$ 17,637,005
Construction in progress	4,115,034	1,703,181	537,700	5,280,515
Historical treasures	890,503	52,785	-	943,288
Depreciable assets:				
Buildings	285,499,361	-	154,658	285,344,703
Improvements to buildings	80,874,657	6,182,870	-	87,057,527
Improvements other than buildings	40,757,694	2,596,510	1,000,000	42,354,204
Moveable equipment and furniture	39,288,718	2,764,614	1,615,395	40,437,937
Vehicles	1,443,436	127,811	160,750	1,410,497
Capital leases	171,813	37,000	-	208,813
Total cost	<u>469,400,083</u>	<u>14,742,909</u>	<u>3,468,503</u>	<u>480,674,489</u>
Less accumulated depreciation:				
Buildings	178,246,568	4,781,983	3,544	\$ 183,025,007
Improvements to buildings	20,908,301	3,193,315	-	24,101,616
Improvements other than buildings	21,256,940	2,302,558	1,000,000	22,559,498
Moveable equipment and furniture	31,860,968	3,009,812	1,602,420	33,268,360
Vehicles	1,084,791	128,154	158,058	1,054,887
Capital leases	47,524	35,806	-	83,330
Total accumulated depreciation	<u>253,405,092</u>	<u>13,451,628</u>	<u>2,764,022</u>	<u>264,092,698</u>
Capital assets, net	<u>\$ 215,994,991</u>	<u>\$ 1,291,281</u>	<u>\$ 704,481</u>	<u>\$ 216,581,791</u>

As of June 30, 2020, the University had commitments related to construction projects totaling \$11,530,576.

Note 8 – Payroll and Other Liabilities

Payroll and other liabilities at June 30, 2020 and 2019 consist of the following:

	2020	2019
Payroll liabilities		
Accrued compensation	\$ 4,683,125	\$ 5,558,905
Accrued benefits	286,385	116,420
Accrued health care benefits and insurance payable	2,342,604	1,451,341
Retirement system contribution payable	838,740	1,606,275
Totals	<u>\$ 8,150,854</u>	<u>\$ 8,732,941</u>
Other liabilities		
Deposits held in custody	\$ 351,893	\$ 237,964
Interest payable	559,914	589,715
Other liabilities	1,045,539	488,947
Totals	<u>\$ 1,957,346</u>	<u>\$ 1,316,626</u>

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

Note 9 – Bonds

In January 2017, the University issued \$25,525,000 in Series 2016 General Receipts bonds. The proceeds from the bond sale were used for a partial advanced refunding of the Series 2009 General Receipts bonds and to construct a bookstore. As a result, \$19,930,000 of the 2009 bonds advanced refunded were considered to be defeased and the liability was removed from the University's long-term obligations. In addition, a deferred outflow of resources was recorded and will be amortized over the remaining life of the new debt. As of June 30, 2020 and 2019, the amount recorded as a deferred outflow was \$1,679,053 and \$1,803,839, respectively.

Details of the bonds payable for the General Receipts Bonds, Series 2016 as of June 30, 2020 follow:

Bond Component	Rate	Yield	Maturity Through	Original Principal
Serial Bond	5.000%	2.10%	2021	\$ 1,190,000
Serial Bond	5.000%	2.34%	2022	1,255,000
Serial Bond	5.000%	2.53%	2023	1,320,000
Serial Bond	5.000%	2.76%	2024	1,380,000
Serial Bond	5.000%	2.93%	2025	1,455,000
Serial Bond	5.000%	3.09%	2026	1,525,000
Serial Bond	5.000%	3.23%	2027	1,600,000
Serial Bond	3.000%	3.32%	2028	1,665,000
Serial Bond	3.250%	3.49%	2029	1,710,000
Serial Bond	5.000%	3.44%	2030	1,780,000
Serial Bond	5.000%	3.50%	2031	1,870,000
Serial Bond	3.500%	3.74%	2032	1,945,000
Serial Bond	3.625%	3.86%	2033	2,010,000
Serial Bond	3.625%	3.92%	2034	2,085,000
Term Bond	4.000%	4.12%	2035	310,000
Term Bond	4.000%	4.12%	2036	320,000
Term Bond	4.000%	4.12%	2037	335,000
Term Bond	4.000%	4.12%	2038	350,000
Total				\$ 24,105,000

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.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

Details of the bonds payable for the General Receipts Bonds, Series 2011 as of June 30, 2020 follow:

Bond Component	Rate	Yield	Maturity Through	Original Principal
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				\$ 13,905,000

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

In March 2010, the University issued \$25,335,000 of General Receipts Bonds (Taxable Build America Bonds), Series 2010 to provide funding to pay costs associated with facilities planning for the University's College of Science, Technology, Engineering and Mathematics (STEM), convert the old college of business building for use as a laboratory, office and classroom space, renovate Kilcawley Center, reconfigure and replace campus parking facilities, construct the WATTS Center, relocate certain existing outdoor athletic facilities and pay the costs of issuance of the Series 2010 Bonds. In September 2011, approximately \$9.9 million was re-allocated from the Kilcawley Center project to Academic building renovation projects.

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

Details of the bonds payable for the General Receipts Bonds (Taxable Build America Bonds), Series 2010 as of June 30, 2020 follow:

Bond Component	Rate/Yield *	Maturity Through	Original Principal
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			\$ 21,490,000

* Does not reflect impact of federal subsidies

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

In March 2009, the University issued \$31,255,000 of General Receipts Bonds, Series 2009 to acquire, construct and equip the new Williamson College of Business Administration 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. In January 2017, \$19,930,000 of the bonds were advanced refunded with the issuance of the Series 2016 General Receipts bonds. The balance of the amount defeased and put in escrow was \$19,005,000 at June 30, 2020 and \$19,930,000 at June 30, 2019.

The General Receipts Bonds, Series 2009 balance of \$885,000 as of June 30, 2018 was paid during fiscal year 2019.

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, Series 2011 Bonds, and Series 2016 Bonds are also bound by the First Supplemental Trust Indenture dated as of February 2010; and in addition, the Series 2011 Bonds and Series 2016 Bonds are also bound by the Second Supplemental Trust Indenture dated as of July 1, 2011, and the Series 2016 Bonds are also bound by the Third Supplemental Trust Indenture dated December 1, 2010. 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 was guaranteed under a municipal bond insurance policy.

Maturities of all bonds payable and debt service for fiscal years subsequent to June 30, 2020 follow (also see Note 12):

Fiscal Year	General Receipts Bonds		
	Principal	Interest	Total
2021	\$ 3,095,000	\$ 2,988,709	\$ 6,083,709
2022	3,230,000	2,835,360	6,065,360
2023	3,365,000	2,671,779	6,036,779
2024	3,505,000	2,493,445	5,998,445
2025	3,670,000	2,299,265	5,969,265
2026-2030	20,970,000	8,334,255	29,304,255
2031-2035	20,660,000	2,372,901	23,032,901
2036-2038	1,005,000	61,500	1,066,500
Totals	<u>\$ 59,500,000</u>	<u>\$ 24,057,214</u>	<u>\$ 83,557,214</u>

NOTE: Expected future federal subsidies for the BABs is \$3,725,839

Federal subsidies received by the University were \$452,580 in fiscal year 2020 and \$469,823 in fiscal year 2019. These are reported as non-operating federal grant revenue. Interest expense on indebtedness was \$3,025,687 in fiscal year 2020 and \$3,143,249 in fiscal year 2019. On construction-related debt, net interest cost was not capitalized in fiscal year 2019 as all construction projects financed through debt were completed.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

The University's Trust Agreement governing all outstanding general receipts bonds contains a provision that in an event of default, the Trustee shall, within five business days after having knowledge of that event of default, give written notice to the University. The trustee shall also give the original purchasers of each series of Bonds then outstanding, and to the bondholders and any other paying agents notice of each event of default within 90 days after having knowledge of the occurrence thereof. The Trust Agreement also contains a provision, that in the case an event of default has occurred, the Trustee may, upon written request of the holders of at least 25% in aggregate principal amount of the bonds then outstanding, declare the principal of all bonds outstanding and the interest accrued to be due and payable immediately.

The following constitutes an event of default under the Trust Agreement:

- a. Failure to pay any interest on any Bond, when it becomes due and payable;
- b. Failure to pay the principal of or any redemption premium on any Bond, when it becomes due and payable, whether at maturity or by acceleration or call for redemption;
- c. Failure to perform or observe any other covenant, condition or agreement contained in the Bonds or the Trust Agreement and to be performed by the University, which failure shall have continued for a period of 30 days after written notice of it to the University given by the Trustee or the holders of at least 25% in aggregate principal amount of the bonds then outstanding.

Note 10 – Notes Payable

During fiscal year 2016, the University entered into a 14 year performance contract with Johnson Controls for campus energy savings measures. The contract amount of \$16 million includes an assured performance providing for an annual measured cost savings of not less than \$2 million per year and was financed through PNC Equipment Finance over 14 years at an interest rate of 3.366% and requires annual installment payments. Title to the assets vests in the University. Security of the debt is limited to the revenues appropriated for such purpose. In March 2018, in accordance with the escrow agreement, \$725,988 in residual project funds were transferred to the debt service fund and were used to pre-pay debt service originally scheduled for fiscal year 2019, resulting in a reduced amount due in that year.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

Details of the revised installment schedule follows:

Fiscal Year	Principal	Interest	Total
2021	\$ 859,068	\$ 468,255	\$ 1,327,323
2022	950,444	439,355	1,389,799
2023	1,078,673	407,381	1,486,054
2024	1,203,118	371,093	1,574,211
2025	1,324,774	330,618	1,655,392
2026	1,438,677	286,051	1,724,728
2027	1,549,702	237,652	1,787,354
2028	1,712,894	185,518	1,898,412
2029	1,869,393	127,894	1,997,287
2030	1,932,281	65,005	1,997,286
Totals	<u>\$ 13,919,024</u>	<u>\$ 2,918,822</u>	<u>\$ 16,837,846</u>

Interest expense on indebtedness was \$470,251 in fiscal year 2020 and \$461,219 in fiscal year 2019.

Note 11 – Capital Leases

The University leases equipment for its mailroom under a capital lease agreement which bears interest of 9.9%. In addition, the University also leases equipment for its print shop under two capital lease agreements which bear imputed interest of 10.08% and 6.51%. The net book value of capital leased assets included in net capital assets in the Statement of Net Position at June 30, 2020 and June 30, 2019 was \$84,978 and \$125,483, respectively.

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

Year Ending June 30,	Mailroom Equipment	Print Shop Equipment	Print Shop Equipment	Total
2021	\$ 19,520	\$ 23,400	\$ 8,340	\$ 51,260
2022	1,626	23,400	8,340	33,366
2023	-	5,850	8,340	14,190
2024	-	-	7,645	7,645
Total future minimum lease payments	<u>21,146</u>	<u>52,650</u>	<u>32,665</u>	<u>106,461</u>
Less amount representing interest	<u>1,173</u>	<u>5,720</u>	<u>3,902</u>	<u>10,795</u>
Total obligations under capital lease	<u>\$ 19,973</u>	<u>\$ 46,930</u>	<u>\$ 28,763</u>	<u>\$ 95,666</u>

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

Note 12 – Long-Term Liabilities (excluding net pension/OPEB assets/liabilities)

Long-term liability activity (also see Notes 9, 10, and 11) for the year ended June 30, 2020 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds payable					
General receipts bonds principal	\$ 62,480,000	\$ -	\$ 2,980,000	\$ 59,500,000	\$ 3,095,000
Unamortized premium/discount	1,002,710	-	224,637	778,073	-
Bonds payable, net	<u>63,482,710</u>	<u>-</u>	<u>3,204,637</u>	<u>60,278,073</u>	<u>3,095,000</u>
Note payable	14,692,269	-	773,245	13,919,024	859,068
Capital leases	136,233	-	40,567	95,666	44,579
Compensated absences	7,529,370	137,495	670,000	6,996,865	795,001
Refundable advance	1,374,718	199,501	285,344	1,288,875	-
Total long-term liabilities	<u>\$ 87,215,300</u>	<u>\$ 336,996</u>	<u>\$ 4,973,793</u>	<u>\$ 82,578,503</u>	<u>\$ 4,793,648</u>

Long-term liability activity (also see Notes 9, 10, and 11) for the year ended June 30, 2019 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds payable					
General receipts bonds principal	\$ 65,345,000	\$ -	\$ 2,865,000	\$ 62,480,000	\$ 2,980,000
Unamortized premium/discount	1,245,907	-	243,197	1,002,710	-
Bonds payable, net	<u>66,590,907</u>	<u>-</u>	<u>3,108,197</u>	<u>63,482,710</u>	<u>2,980,000</u>
Note payable	15,017,057	-	324,788	14,692,269	773,245
Capital leases	132,297	37,000	33,064	136,233	40,567
Compensated absences	8,295,752	-	766,382	7,529,370	875,981
Refundable advance	1,384,407	2,055	11,744	1,374,718	-
Total long-term liabilities	<u>\$ 91,420,420</u>	<u>\$ 39,055</u>	<u>\$ 4,244,175</u>	<u>\$ 87,215,300</u>	<u>\$ 4,669,793</u>

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

Note 13 – Employee Benefit Plans

Plan Descriptions

The University participates in the State Teachers Retirement System of Ohio (STRS Ohio) and the Ohio Public Employees Retirement System (OPERS), statewide, cost-sharing, multiple-employer defined benefit public employee retirement systems governed by the Ohio Revised Code (ORC) that covers substantially all employees of the University. Each system has multiple retirement plan options available to its members, with three options in STRS Ohio and OPERS. Each system provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The systems also each provide post-employment health care benefits (including Medicare B premiums) to retirees and beneficiaries who elect to receive those benefits.

Each retirement system issues a publicly available financial report that includes financial statements and required supplementary information for the pension and post-employment health care plans. The reports may be obtained by contacting:

State Teachers Retirement System of Ohio
275 E. Broad Street
Columbus, Ohio 43215
(888) 227-7877
www.strsoh.org

Ohio Public Employees Retirement System
277 East Town Street
Columbus, Ohio 43215
(800) 222-7377
www.opers.org

Contributions

State retirement law requires contributions by covered employees and their employers, and Chapter 3307 of the Ohio Revised Code (ORC) limits the maximum rate of contributions. The retirement boards of the systems individually set contributions rates within the allowable limits. The adequacy of employer contribution rates is determined annually by actuarial valuation using the entry age normal cost method. Under these provisions, each University's contribution is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance a portion of the unfunded accrued liability.

Member contributions are set at the maximums authorized by the ORC. The plans' 2020 and 2019 employer and member contribution rates on covered payroll to each system are:

	Employer Contribution Rate					Member Contribution Rate
	Pension	Post-Retirement Healthcare	Death Benefits	Medicare B	Total	Total
STRS Ohio	14.0%	0.0%	0.0%	0.0%	14.0%	14.0%
OPERS-State/Local	14.0%	0.0%	0.0%	0.0%	14.0%	10.0%
OPERS-Law Enforcement	18.1%	0.0%	0.0%	0.0%	18.1%	13.0%

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

The required and actual contributions to the plans are:

	2020		2019	
	Pension	OPEB	Pension	OPEB
STRS	\$ 5,318,458	\$ -	\$ 5,404,211	\$ -
OPERS	5,171,188	-	5,189,816	-
	<u>\$ 10,489,646</u>	<u>\$ -</u>	<u>\$ 10,594,027</u>	<u>\$ -</u>

Benefits Provided

STRS Ohio

Plan benefits are established under Chapter 3307 of the ORC, as amended by Substitute Senate Bill 342 in 2012. The Retirement Board the authority to make future adjustments to the member contribution rate, retirement age and service requirements, and the COLA as the need or opportunity arises, depending on the retirement system's funding progress.

Any member may retire who has (1) five years of service credit and attained age 60; (2) 25 years of service credit and attained age 55; or (3) 30 years of service credit regardless of age. Beginning August 1, 2015, eligibility requirements for an unreduced benefit changed. The maximum annual retirement allowance, payable for life, considers years of credited service, final average salary (3-5 years) and multiplying by a factor ranging from 2.2 percent to 2.6 percent with 0.1 percent incremental increases for years greater than 30-31, depending on retirement age.

A defined benefit plan or combined plan member with five or more years of credited service who is determined to be disabled (illness or injury preventing individual's ability to perform regular job duties for at least 12 months) may receive a disability benefit. Additionally, eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least 10 years of qualifying service credit to apply for disability benefits.

A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the plan. Death benefit coverage up to \$2,000 can be purchased by participants in all three of the plans. Various other benefits are available to members' beneficiaries.

STRS Ohio provides access to healthcare coverage to retirees who participated in the Defined Benefit or Combined Plans, and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Pursuant to the ORC, the State Teachers Retirement Board (the "Board") has discretionary authority over how much, if any, of the healthcare costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the healthcare cost in the form of a monthly premium.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

OPERS

Plan benefits are established under Chapter 145 of the ORC, as amended by Substitute Senate Bill 343 in 2012. The requirements to retire depends on years of service (5 to 30 years) and from attaining the age of 48 to 62, depending on when the employee became a member. Members retiring before age 65 with less than 30 years' service credit receive a percentage reduction in benefit, except for public safety and law enforcement participants. Member retirement benefits are calculated on a formula that considers years of service (5-30 years), age (48-62 years) and final average salary, using a factor ranging from 1 percent to 2.5 percent.

A plan member who becomes disabled before age 60 or at any age, depending on when the member entered the plan, and has completed 60 contributing months is eligible for a disability benefit.

A death benefit of \$500 - \$2,500 is determined by the number of years of service credit of the retiree. Benefits may transfer to a beneficiary upon death with 1.5 years of service credits with the plan obtained within the last 2.5 years, except for law enforcement and public safety personnel who are eligible immediately upon employment.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustment, if applicable, is 3 percent, or an amount based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Net Pension Liability, Deferrals, and Pension Expense

At June 30, 2020 and 2019, the University reported a liability for its proportionate share of the net pension liability of STRS Ohio/OPERS. For June 30, 2020, the net pension liability was measured as of June 30, 2019 for STRS Ohio and December 31, 2019 for the OPERS plan. For June 30, 2019, the net pension liability was measured as of June 30, 2018 for STRS Ohio and December 31, 2018 for the OPERS plan. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates, except STRS Ohio's net pension liability's actuarial valuation for the June 30, 2018 measurement date was dated July 1, 2018, which was rolled forward to the measurement date. The University's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined.

Plan	Measurement Date	Net Pension Liability		Proportionate Share		Percent	Percent
		2020	2019	2020	2019	Change 2019-20	Change 2018-19
STRS Ohio	June 30	\$ 72,710,830	\$ 71,671,389	0.328794%	0.325960%	0.002834%	-0.004196%
OPERS	December 31	47,840,867	70,477,168	0.244668%	0.258405%	-0.013737%	-0.001087%
		<u>\$ 120,551,697</u>	<u>\$ 142,148,557</u>				

For the years ended June 30, 2020 and 2019, the University recognized pension expense of \$13,966,984 and \$18,790,506 respectively. At June 30, 2020 and 2019, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020		2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 609,692	\$ 1,069,345	\$ 1,675,631	\$ 1,523,417
Changes of assumptions	11,192,367	-	18,933,851	-
Net difference between projected and actual earnings on pension plan investments	-	13,298,716	9,675,669	4,346,074
Changes in proportion and differences between University contributions and proportionate share of contributions	449,501	5,175,581	22,189	6,782,844
University contributions subsequent to the measurement date	7,972,663	-	8,099,774	-
Totals	<u>\$ 20,224,223</u>	<u>\$ 19,543,642</u>	<u>\$ 38,407,114</u>	<u>\$ 12,652,335</u>

Amounts reported as deferred outflows of resources/(deferred inflows of resources) related to pensions will be recognized in pension expense as follows:

Year Ended June 30	Amount
2021	\$ 285,108
2022	(4,044,055)
2023	(168,130)
2024	(3,341,190)
2025	(7,805)
Thereafter	(16,010)
Totals	<u>\$ (7,292,082)</u>

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the next year.

Net OPEB Liability/(Asset), Deferrals, and OPEB Expense

At June 30, 2020, the University reported a liability/(asset) for its proportionate share of the net OPEB liability/(asset) of STRS Ohio/OPERS. For June 30, 2020, the net OPEB liability/(asset) was measured as of June 30, 2019 for STRS Ohio and December 31, 2019 for the OPERS plan. For June 30, 2019, the net OPEB liability/(asset) was measured as of June 30, 2018 for STRS Ohio and December 31, 2018 for the OPERS plan. The total OPEB liability/(asset) used to calculate the net OPEB liability/(asset) was determined by an actuarial valuation as of those dates, except OPERS which used an actuarial valuation dated December 31, 2018 and 2017, respectively, rolled forward to the measurement date by incorporating the expected value of health care cost accruals, the actual health care payments, and interest accruals during the year for the defined benefit health care plans.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

Typically, the University's proportion of the net OPEB liability/(asset) would be based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined, except as noted below. For plan years ending June 30, 2019 and 2018, STRS Ohio did not allocate employer contributions to the OPEB plan. Therefore, STRS Ohio's calculation of the employers' proportionate share is based on total contributions to the plan for both pension and OPEB.

For plan years ending December 31, 2019 and 2018, OPERS did not allocate employer contributions to the OPEB plan. Therefore, OPERS's calculation of the employers' proportionate share is based on total contributions to the plan for both pension and OPEB.

Plan	Measurement Date	Net OPEB Liability (Asset)		Proportionate Share		Percent Change	Percent Change
		2020	2019	2020	2019	2019-20	2018-19
STRS Ohio	June 30	\$ (5,446,000)	\$ (5,237,852)	0.327941%	0.325960%	0.001981%	-0.004196%
OPERS	December 31	33,470,549	33,390,568	0.242319%	0.256109%	-0.013790%	0.000169%
		<u>\$ 28,024,549</u>	<u>\$ 28,152,716</u>				

For the years ended June 30, 2020 and 2019, the University recognized OPEB expense of \$1,437,418 and (\$8,364,194), respectively. At June 30, 2020 and 2019, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

	2020		2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 494,898	\$ 3,338,036	\$ 630,971	\$ 403,263
Changes of assumptions	5,412,032	5,970,000	1,076,552	7,137,000
Net difference between projected and actual earnings on OPEB investments	-	2,046,311	1,552,758	598,000
Changes in proportion and differences between University contributions and proportionate share of contributions	22,575	1,168,251	-	149,526
University contributions subsequent to the measurement date	-	-	-	-
Totals	<u>\$ 5,929,505</u>	<u>\$ 12,522,598</u>	<u>\$ 3,260,281</u>	<u>\$ 8,287,789</u>

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

Amounts reported as deferred outflows of resources/(deferred inflows of resources) related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30	Amount
2021	\$ (1,082,642)
2022	(1,352,340)
2023	(1,190,608)
2024	(1,872,143)
2025	(1,114,158)
Thereafter	18,798
Totals	<u>\$ (6,593,093)</u>

In addition, if applicable, the contributions subsequent to the measurement date will be included as a reduction of the net OPEB liability/(asset) in the next year.

Actuarial Assumptions

The total pension liability and OPEB liability/(asset) is based on the results of an actuarial valuation and were determined using the following actuarial assumptions for the University's current year.

	STRS Ohio	OPERS
Valuation date - Pension	June 30, 2019	December 31, 2019
Valuation date - OPEB	June 30, 2019	December 31, 2018
Actuarial cost method	Entry age normal	Individual entry age
Cost of living	None	1.40% - 3.00%
Salary increases, including inflation	2.50% - 12.50%	3.25% - 10.75%
Inflation	2.50%	3.25%
Investment rate of return - Pension	7.45%, net of investment expense including inflation	7.20%, net of investment expense, including inflation
Investment rate of return - OPEB	7.45%, net of investment expense including inflation	6.00%, net of investment expense, including inflation
Health care cost trend rates	4.93% to 9.62 percent initial, 4% ultimate	10.5% initial, 3.50% ultimate in 2030
Experience study date	Period of 5 years ended June 30, 2016	Period of 5 years ended December 31, 2015
Mortality basis	RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016.	RP-2014 Healthy Annuitant Mortality Table

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

The following are actuarial assumptions for the University's prior year:

	STRS Ohio	OPERS
Valuation date - Pension	July 1, 2018	December 31, 2018
Valuation date - OPEB	June 30, 2018	December 31, 2017
Actuarial cost method	Entry age normal	Individual entry age
Cost of living	None	2.50% - 3.00%
Salary increases, including inflation	2.50% - 12.50%	3.25% - 10.75%
Inflation	2.50%	2.50%
Investment rate of return - Pension	7.45%, net of investment expense including inflation	7.20%, net of investment expense, including inflation
Investment rate of return - OPEB	7.45%, net of investment expense including inflation	6.00%, net of investment expense, including inflation
Health care cost trend rates	-5.23% to 9.62% initial, 4% ultimate	10.0% initial, 3.25% ultimate in 2029
Experience study date	Period of 5 years ended June 30, 2016	Period of 5 years ended December 31, 2015
Mortality basis	RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016.	RP-2014 Healthy Annuitant Mortality Table

Pension Discount Rate

The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates for all plans. Based on those assumptions, each pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rates used to measure the total pension liabilities for STRS Ohio were 7.45 percent for the plan years ended June 30, 2019 and 2018. The discount rates used to measure the total pension liability for OPERS were 7.20 percent for the plan years ended December 31, 2019 and 2018, respectively.

OPEB Discount Rate

The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates for all plans. Plans that project fiduciary net position to be insufficient to make all projected future benefit payments for current active and inactive employees used a blended discount rate between the long-term expected rate of return on plan investments and a 20-year municipal bond rate applied to all periods of projected benefit payments to determine the total OPEB liability/(asset).

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

STRS Ohio OPEB Discount Rate - The discount rate used to measure the total OPEB liabilities/(assets) was 7.45 percent for the plan years ended June 30, 2019 and 2018. At June 30, 2019 and 2018, the plan's fiduciary net position was projected to be available to make all projected future benefit payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability/(asset).

OPERS OPEB Discount Rate - The discount rate used to measure the total OPEB liabilities/(assets) were 3.16 percent and 3.96 percent for the plan years ended December 31, 2019 and 2018, respectively. At December 31, 2019 and 2018, the plan's fiduciary net position was projected to become insufficient to make all projected future benefit payments for current active and inactive employees. Therefore, a blended rate was used, which consisted of the long-term expected rate of return on OPEB plan investments for the funded benefit payments of 6.00 percent and the Fidelity 20-year Municipal General Obligation AA Index rate of 2.75 percent and 3.71 percent at December 31, 2019 and December 31, 2018, respectively. At December 31, 2019, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date. At December 31, 2018, the long-term expected rate of return on health care investments was applied to projected costs through the year 2031, and the municipal bond rate was applied to all health care costs after that date.

The long-term expected rate of return on pension plan and OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. OPERS has two different portfolios of investment, a defined benefit portfolio for pension and health care portfolio for OPEB. As a result, there are different target allocations and long-term expected real rates of return disclosed for each portfolio. The target allocation and best estimates of arithmetic (geometric for STRS Ohio) real rates of return for each major asset class are summarized in the following table as of the dates listed below:

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

STRS Ohio as of 7/1/19			OPERS as of 12/31/19				
Investment Category	Target Allocation	Long-Term Expected Real Rate of Return	Investment Category	Pension Portfolio		Health Care Portfolio	
				Target Allocation	Long-Term expected Real Rate of Return	Target Allocation	Long-Term expected Real Rate of Return
Domestic equity	28.0%	7.35%	Fixed income	25.0%	1.83%	36.0%	1.53%
International equity	23.0%	7.55%	Domestic Equities	19.0%	5.75%	21.0%	5.75%
Alternatives	17.0%	7.09%	Real Estate	10.0%	5.20%	0.0%	0.00%
Fixed Income	21.0%	3.00%	Private Equity	12.0%	10.70%	0.0%	0.00%
Real Estate	10.0%	6.00%	International Equity	21.0%	7.66%	23.0%	7.66%
Liquidity Reserves	1.0%	2.25%	REITs	0.0%	0.00%	6.0%	5.69%
			Other Investments	13.0%	4.98%	14.0%	4.90%
Totals	<u>100.0%</u>			<u>100.0%</u>		<u>100.0%</u>	

STRS Ohio as of 7/1/18			OPERS as of 12/31/18				
Investment Category	Target Allocation	Long-Term Expected Real Rate of Return	Investment Category	Pension Portfolio		Health Care Portfolio	
				Target Allocation	Long-Term expected Real Rate of Return	Target Allocation	Long-Term expected Real Rate of Return
Domestic equity	28.0%	5.10%	Fixed income	23.0%	2.79%	34.0%	2.42%
International equity	23.0%	5.30%	Domestic Equities	19.0%	6.21%	21.0%	6.21%
Alternatives	17.0%	4.84%	Real Estate	10.0%	4.90%	0.0%	0.00%
Fixed Income	21.0%	75.00%	Private Equity	10.0%	10.81%	0.0%	0.00%
Real Estate	10.0%	3.75%	International Equity	20.0%	7.83%	22.0%	7.83%
Liquidity Reserves	1.0%	0.00%	REITs	0.0%	0.00%	6.0%	5.98%
			Other Investments	18.0%	5.50%	17.0%	5.57%
Totals	<u>100.0%</u>			<u>100.0%</u>		<u>100.0%</u>	

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the University calculated using the discount rate listed below, as well as what the University's net pension liability would be if it were calculated using a discount rate that is 1.00 percentage point lower or 1.00 percentage point higher than the current rate.

Plan	2020 (\$ in thousands)					
	1% Decrease		Current Discount Rate		1% Increase	
STRS Ohio	6.45%	\$ 106,259	7.45%	\$ 72,711	8.45%	\$ 44,311
OPERS	6.20%	79,543	7.20%	47,841	8.20%	19,384
		<u>\$ 185,802</u>		<u>\$ 120,552</u>		<u>\$ 63,695</u>

Plan	2019 (\$ in thousands)					
	1% Decrease		Current Discount Rate		1% Increase	
STRS Ohio	6.45%	\$ 104,666	7.45%	\$ 71,671	8.45%	\$ 43,745
OPERS	6.20%	104,452	7.20%	70,477	8.20%	42,262
		<u>\$ 209,118</u>		<u>\$ 142,148</u>		<u>\$ 86,007</u>

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

Sensitivity of the net OPEB liability/(asset) to changes in the discount rate

The following presents the net OPEB liability/(asset) of the University, calculated using the discount rate listed below, as well as what the University's net OPEB liability/(asset) would be if it were calculated using a discount rate that is 1.00 percentage point lower or 1.00 percentage point higher than the current rate:

Plan	2020 (\$ in thousands)					
	1% Decrease		Current Discount Rate		1% Increase	
STRS Ohio	6.45%	\$ (4,647)	7.45%	\$ (5,446)	8.45%	\$ (6,117)
OPERS	2.16%	43,802	3.16%	33,471	4.16%	25,199
		<u>\$ 39,155</u>		<u>\$ 28,025</u>		<u>\$ 19,082</u>

Plan	2019 (\$ in thousands)					
	1% Decrease		Current Discount Rate		1% Increase	
STRS Ohio	6.45%	\$ (4,489)	7.45%	\$ (5,238)	8.45%	\$ (5,867)
OPERS	2.96%	42,719	3.96%	33,391	4.96%	25,972
		<u>\$ 38,230</u>		<u>\$ 28,153</u>		<u>\$ 20,105</u>

Sensitivity of the net OPEB liability/(asset) to changes in the health care cost trend rate

The following presents the net OPEB liability/(asset) of the University, calculated using the healthcare cost trend rate listed below, as well as what the University's net OPEB liability/(asset) would be if it were calculated using a health care cost trend rate that is 1.00 percentage point lower or 1.00 percentage point higher than the current rate:

Plan	2020 (\$ in thousands)		
	1% Decrease	Current Trend Rate	1% Increase
STRS Ohio	\$ (6,175)	\$ (5,446)	\$ (4,552)
OPERS	32,483	33,471	34,446
	<u>\$ 26,308</u>	<u>\$ 28,025</u>	<u>\$ 29,894</u>

Plan	2019 (\$ in thousands)		
	1% Decrease	Current Trend Rate	1% Increase
STRS Ohio	\$ (5,831)	\$ (5,238)	\$ (4,635)
OPERS	32,096	33,391	34,882
	<u>\$ 26,265</u>	<u>\$ 28,153</u>	<u>\$ 30,247</u>

Pension plan and OPEB plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued STRS Ohio/OPERS financial report.

Benefit changes

There were no significant benefit terms changes for the pension or OPEB plan(s) since the prior measurement date for STRS Ohio. Effective in 2022, OPERS will replace the current self-insured group plan with a marketplace concept for pre-Medicare retirees.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

Assumption changes

During the measurement periods ended June 30, 2018 and December 31, 2018, respectively, certain assumption changes were made by the plans. The STRS Ohio OPEB discount rate increased significantly from 4.13 percent to 7.45 percent due to the cash flow analysis and there was a reduction in the health care cost trend rates, which impacted the annual actuarial valuation for OPEB prepared as of June 30, 2018. The OPERS pension discount rate was reduced from 7.5 percent to 7.2 percent, which impacted the annual actuarial valuation for pension prepared as of December 31, 2018.

Payable to the Pension Plans and OPEB Plans

The University reported a payable of \$792,469 and \$1,480,075 for the outstanding amount of contributions to the STRS Ohio and OPERS pension plans required for the years ended June 30, 2020 and June 30, 2019, respectively

Defined Contribution Pension Plan

The Alternative Retirement Plan (ARP) is a defined contribution pension plan, under IRS Section 401(a), and established by Ohio Amended Substitute House Bill 586 (ORC 3305.02) on March 31, 1997, for public institutions of higher education. The University's Board of Trustees adopted the University's plan on December 11, 1998. Full-time employees are eligible to choose a provider, in lieu of STRS Ohio or OPERS, from the list of nine providers currently approved by the Ohio Department of Insurance and who hold agreements with the University. Employee and employer contributions equal to those required by STRS Ohio and OPERS are required for the ARP, less any amounts required to be remitted to the state retirement system in which the employee would otherwise have been enrolled.

Eligible employees have 120 days from their date of hire to make an irrevocable election to participate in the ARP. Under this plan, employees who would have otherwise been required to be in STRS Ohio or OPERS, and who elect to participate in the ARP, must contribute the employee's share of retirement contributions to one of nine private providers approved by the Ohio Department of Insurance. The legislation mandates that the employer must contribute an amount to the state retirement system to which the employee would have otherwise belonged, based on an independent actuarial study commissioned by the Ohio Retirement Study Council and submitted to the Ohio Department of Higher Education. That amount is 4.7 percent for STRS Ohio and 2.44 percent for OPERS for the years ended June 30, 2020 and 2019. If the employee was hired on or after August 2005, the employer contributes 6.00 percent. The employer also contributes what would have been the employer's contribution under STRS Ohio or OPERS, less the aforementioned percentages, to the private provider selected by the employee. The University plan provides these employees with immediate plan vesting. The ARP does not provide disability benefits, survivor benefits, or postretirement health care. Benefits are entirely dependent on the sum of contributions and investment returns earned by each participant's choice of investment options. STRS Ohio and OPERS also offer a defined contribution plan and a combined plan with features of both a defined contribution plan and a defined benefit plan. For the year ended June 30, 2020 and 2019, employee contributions totaled \$1,358,569 and \$1,353,870, and the University recognized pension expense of \$401,784 and \$401,705, respectively.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

Note 14 – Contingencies and Risk Management

During fiscal year 2018, the University formed a 19-member Risk Council that established a Risk Management Program that provides a forum and process to strategically identify risks that are of utmost importance and develops coordinated and holistic mitigation plans that appropriately addresses those risks. The implementation of Enterprise Risk Management provides the framework to proactively and continuously manage risks in a manner consistent with the University's mission, goals and culture.

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 is self-insured for all medical and drug employee health care benefits and fully insured for dental and vision 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, 2020 and June 30, 2019 were as follows:

	2020	2019	2018
Liability at beginning of fiscal year	\$ 1,426,480	\$ 1,203,340	\$ 974,065
Current year claims including changes in estimates	19,748,612	16,324,274	14,444,546
Claim payments	<u>(18,852,075)</u>	<u>(16,101,134)</u>	<u>(14,215,271)</u>
Liability at end of fiscal year	<u>\$ 2,323,017</u>	<u>\$ 1,426,480</u>	<u>\$ 1,203,340</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 Statements of Revenues, Expenses, and Changes in Net Position.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

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

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

Note 15 – Component Unit

Youngstown State University Foundation (YSUF or Foundation) 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. 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.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

YSUF investments consist of the following at June 30, 2020 and 2019:

	Quoted Prices in Active markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2020
Investments				
Cash and cash equivalents	\$ 11,224	\$ -	\$ -	\$ 11,224
Common stock - U.S. stocks	64,315,835	-	-	64,315,835
Mutual funds:				
Exchange traded	47,578,204	-	-	47,578,204
Money market	6,028,448	-	-	6,028,448
Fixed income	14,093,896	10,642,583	-	24,736,479
Equity	41,965,195	3,601,671	-	45,566,866
Total mutual funds	<u>109,665,743</u>	<u>14,244,254</u>	-	<u>123,909,997</u>
Alternative investments:				
Private equity	-	-	21,939,481	21,939,481
Commodities hedge funds	-	-	1,393,298	1,393,298
Total alternative investments	<u>-</u>	<u>-</u>	<u>23,332,779</u>	<u>23,332,779</u>
Total	<u>\$ 173,992,802</u>	<u>\$ 14,244,254</u>	<u>\$ 23,332,779</u>	<u>\$ 211,569,835</u>
Investments measured at NAV				
Hedge funds				43,169,180
Total assets				<u>\$ 254,739,015</u>

	Quoted Prices in Active markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2019
Investments				
Cash and cash equivalents	\$ 955,322	\$ -	\$ -	\$ 955,322
Common stock - U.S. stocks	47,206,171	-	-	47,206,171
Mutual funds:				
Exchange traded	43,183,205	-	-	43,183,205
Money market	4,412,252	-	-	4,412,252
Fixed income	21,501,148	5,241,021	-	26,742,169
Equity	64,164,015	779,452	-	64,943,467
Total mutual funds	<u>133,260,620</u>	<u>6,020,473</u>	-	<u>139,281,093</u>
Alternative investments:				
Private equity	-	-	21,911,739	21,911,739
Commodities hedge funds	-	-	1,580,183	1,580,183
Total alternative investments	<u>-</u>	<u>-</u>	<u>23,491,922</u>	<u>23,491,922</u>
Total	<u>\$ 181,422,113</u>	<u>\$ 6,020,473</u>	<u>\$ 23,491,922</u>	<u>\$ 210,934,508</u>
Investments measured at NAV -				
Hedge funds				47,854,630
Total assets				<u>\$ 258,789,138</u>

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

Net assets without donor restrictions at June 30, 2020 and 2019 consist of the following:

	2020	2019
Current operations	\$ 137,760,870	\$ 147,145,855
Funds held for deferred compensation agreement	200,468	152,496
Amounts committed to the University to be disbursed	<u>5,772,625</u>	<u>5,671,875</u>
Total net assets without donor restrictions	<u>\$ 143,733,963</u>	<u>\$ 152,970,226</u>

Net assets with donor restrictions as of June 30 are available for the following purposes:

	2020	2019
Subject to the Foundation's spending policy and appropriation - Investments in perpetuity (including original gift amount of \$97,257,973 and \$89,739,031, as of June 30, 2020 and 2019, respectively), which, once appropriated, is expendable to support various activities	\$ 100,812,995	\$ 97,625,608
Subject to appropriation and expenditures when a specified event occurs:		
Funds available to assist the University's Department of Philosophy and Religious Studies in the scholarly study ore religion, history, and culture	1,254,918	1,107,297
Funds available to assist the University in land acquisitions	569,609	554,332
Land received in kind	-	599,400
Other	<u>162,108</u>	<u>69,335</u>
Subtotal	1,986,635	2,330,364
Subject to the passage of time - Pledges receivable for the benefit of the University for scholarships and other programs or endowments	<u>9,457,175</u>	<u>10,621,924</u>
Net assets with donor restrictions	<u>\$ 112,256,805</u>	<u>\$ 110,577,896</u>

Financial support from YSUF was \$8,878,607 for the fiscal year ended June 30, 2020 and \$8,322,749 for the fiscal year ended June 30, 2019. Financial support from YSUF has been committed for fiscal year 2021 in the amount of \$9,987,574.

Complete financial statements for the Youngstown State University Foundation can be obtained from The Youngstown State University Foundation.

YOUNGSTOWN STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS (CONT.) FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

Note 16 – COVID-19 Pandemic

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic, now known as COVID-19. In response to the COVID-19 pandemic, governments have taken preventative or protective actions, such as temporary closures of non-essential businesses and “shelter-at-home” guidelines for individuals. As a result, the global economy has been negatively affected, and the University’s operations were also impacted. Due to the “shelter-at-home” guidelines during April and May 2020, the University shifted to a remote online learning environment and sent students home. The University issued room and board adjustments, resulting in refunds to students. The University also had many events cancelled or temporarily postponed until the “shelter-at-home” guidelines were reduced or removed, which resulted in lost revenues for the University for the year ended June 30, 2020. In response, the University instituted measures to reduce personnel expenses, including temporary layoffs, permanent layoffs, furloughs, and pay reductions. In addition, operating expenses were reduced by closing some operations, suspending travel, and renegotiating vendor contracts.

To offset the financial impact to students and the losses incurred by the University due to the disruption caused by COVID-19, the University received grants and other relief primarily from the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The University’s allocation of Higher Education Emergency Relief Fund (HEERF) grants totaled \$10,376,462, of which 50% was required to be given directly to students. For the year ended June 30, 2020, the University recognized HEERF grant revenue totaling \$6,045,135, of which \$3,200,000 was provided as emergency grants to students and \$2,845,134 was used to reimburse the University for loss of tuition and fees revenue. In addition, in July 2020, the University received other emergency relief in the form of Coronavirus Relief Funds (CRF) through the Ohio Department of Higher Education (ODHE) in the amount of \$3,924,308. Expenses incurred through June 30, 2020 that are eligible for reimbursement in fiscal year 2021 totaled \$1,079,230. The severity of the continued impact due to COVID-19 on the University’s financial condition, results of operations or cash flows will depend on a number of factors, including, but not limited to, the duration and severity of the pandemic and the extent and severity of the impact on the University’s community, all of which are uncertain and cannot be predicted.

YOUNGSTOWN STATE UNIVERSITY

REQUIRED SUPPLEMENTARY INFORMATION

Schedules of the University's Proportionate Share of the Net Pension Liability Plan Years Ended 2014 to 2019

Plan Year	University's proportion of the net pension liability (asset)	University's proportionate share of the net pension liability (asset)	University's covered payroll	University's proportionate share of the collective net pension liability as a percentage of the employer's covered payroll	Plan fiduciary net position as a percentage of the total pension liability
State Teachers Retirement System (STRS Ohio)					
2019	0.328794%	\$ 72,710,830	\$ 43,128,083	168.59%	77.40%
2018	0.325960%	\$ 71,671,389	\$ 41,735,926	171.73%	77.31%
2017	0.330156%	\$ 78,429,268	\$ 41,199,747	190.36%	75.30%
2016	0.348370%	\$116,609,806	\$ 41,521,217	280.84%	66.80%
2015	0.361214%	\$ 99,828,954	\$ 42,774,459	233.38%	72.10%
2014	0.384452%	\$ 93,512,061	\$ 44,313,510	211.02%	74.70%
Ohio Public Employees Retirement System (OPERS)					
2019	0.244668%	\$ 47,840,867	\$ 40,601,178	117.83%	82.44%
2018	0.258405%	\$ 70,477,168	\$ 41,119,217	171.40%	78.00%
2017	0.259492%	\$ 40,346,952	\$ 40,446,282	99.75%	79.00%
2016	0.259332%	\$ 58,744,558	\$ 39,595,195	148.36%	80.00%
2015	0.269315%	\$ 46,516,739	\$ 39,715,198	117.13%	80.00%
2014	0.284240%	\$ 34,173,082	\$ 40,769,505	83.82%	84.00%

The plan year ends on June 30 for STRS Ohio and December 31 for OPERS.

YOUNGSTOWN STATE UNIVERSITY

REQUIRED SUPPLEMENTARY INFORMATION (CONT.)

Schedules of the University's Pension Contributions

Fiscal Year	Statutorily required contribution	Contributions in relation to the statutorily required contributions	Annual contribution deficiency	University's covered payroll	Contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution as a percent of the employer's covered payroll
State Teachers Retirement System (STRS Ohio)					
2020	\$5,318,458	\$5,318,458	\$ -	\$42,404,403	12.54%
2019	\$5,404,211	\$5,404,211	\$ -	\$43,128,053	12.53%
2018	\$5,195,369	\$5,195,369	\$ -	\$41,735,926	12.45%
2017	\$5,107,383	\$5,107,383	\$ -	\$41,199,747	12.40%
2016	\$5,153,427	\$5,153,427	\$ -	\$41,521,217	12.41%
2015	\$5,318,436	\$5,315,436	\$ -	\$42,774,459	12.43%
Ohio Public Employees Retirement System (OPERS)					
2020	\$5,171,188	\$5,171,188	\$ -	\$40,296,691	12.83%
2019	\$5,189,816	\$5,189,816	\$ -	\$40,481,204	12.82%
2018	\$5,104,871	\$5,104,871	\$ -	\$41,095,514	12.42%
2017	\$5,043,147	\$5,043,147	\$ -	\$39,901,665	12.64%
2016	\$4,994,138	\$4,994,138	\$ -	\$39,458,926	12.66%
2015	\$5,095,976	\$5,095,976	\$ -	\$40,264,007	12.66%

Changes of benefit terms

There were no changes in benefit terms affecting the STRS Ohio and OPERS plans.

Changes of assumptions

STRS Ohio – During the plan year ended June 30, 2017, there were changes to several assumptions for STRS Ohio. The cost-of-living adjustment dropped from 2.00% to 0.00%. The wage inflation dropped from 2.75% to 2.50%. The investment rate of return decreased from 7.75% to 7.45%. The mortality tables used changed from RP-2000 to RP-2014.

OPERS – During the plan year ended December 31, 2018, the discount rate was reduced from 7.5% to 7.2%. During the plan year ended December 31, 2016, there were changes to several assumptions for OPERS. The wage inflation dropped from 3.75% to 3.25%. The projected salary increase range changed from 4.25%-10.05% to 3.25%-10.75%. The mortality tables used changed from RP-2000 to RP-2014.

YOUNGSTOWN STATE UNIVERSITY

REQUIRED SUPPLEMENTARY INFORMATION (CONT.)

Schedules of the University's Proportionate Share of the Net OPEB Liability (Asset) Plan Years Ended 2017 to 2019

Plan Year	University's proportion of the net OPEB liability (asset)	University's proportionate share of the net OPEB liability (asset)	University's covered payroll	University's proportionate share of the collective net OPEB liability as a percentage of the employer's covered payroll	Plan fiduciary net position as a percentage of the total OPEB liability
State Teachers Retirement System (STRS Ohio)					
2019	0.327941%	\$ (5,446,000)	\$ 43,128,083	-12.63%	174.70%
2018	0.325960%	\$ (5,237,852)	\$ 41,735,926	-12.55%	176.00%
2017	0.330156%	\$ 12,881,469	\$ 41,735,926	30.86%	47.10%
Ohio Public Employees Retirement System (OPERS)					
2019	0.242319%	\$ 33,470,549	\$ 40,601,178	82.44%	47.80%
2018	0.256109%	\$ 33,390,568	\$ 41,119,217	81.20%	65.40%
2017	0.255940%	\$ 27,793,199	\$ 40,446,282	68.72%	60.70%

The plan year ends on June 30 for STRS Ohio and December 31 for OPERS.

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REQUIRED SUPPLEMENTARY INFORMATION (CONT.)

Schedules of the University's OPEB Contributions

Fiscal Year	Statutorily required contribution	Contributions in relation to the statutorily required contributions	Annual contribution deficiency	University's covered payroll	Contributions recognized by the OPEB plan in relation to the statutorily or contractually required employer contribution as a percent of the employer's covered payroll
State Teachers Retirement System (STRS Ohio)					
2020	\$ -	\$ -	\$ -	\$ 42,404,403	0.00%
2019	\$ -	\$ -	\$ -	\$ 43,128,053	0.00%
2018	\$ -	\$ -	\$ -	\$ 41,735,926	0.00%
Ohio Public Employees Retirement System (OPERS)					
2020	\$ -	\$ -	\$ -	\$ 40,296,691	0.00%
2019	\$ -	\$ -	\$ -	\$ 40,481,204	0.00%
2018	\$ 190,221	\$ 190,221	\$ -	\$ 41,095,514	0.46%

Changes of benefit terms

There were no significant changes in benefit terms affecting the STRS Ohio and OPERS plans for the plan years ended June 30, 2019 and December 31, 2019, respectively.

Changes of assumptions

STRS Ohio - During the plan year ended June 30, 2018, there were changes to several assumptions for STRS Ohio. The health care cost trend rates decreased from 6.00% to 11.00% initial and 4.5% ultimate for plan year ended June 30, 2017, to (5.23%) to 9.62% initial and 4% ultimate for plan year ended June 30, 2018. The discount rate increased from a blended rate between the long-term expected rate of return and a 20-year municipal bond rate of 4.13 % to the investment rate of return of 7.45% based on the cash flow analysis.

OPERS - During the plan year ended December 31, 2019, there were changes to several assumptions for OPERS. The health care cost trend rates decreased from 10.0% initial and 3.25% ultimate to 10.5% initial and 3.5% ultimate. The discount rate was reduced from 3.96% to 3.16%.

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