

***Wright State
University Foundation,
Inc.***

*Financial Statements as of June 30, 2001
and 2000 and for the Years then Ended
and Independent Auditors' Report*



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Board of Trustees
Wright State University Foundation, Inc.
3640 Colonel Glenn Hwy
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We have reviewed the Independent Auditor's Report of the Wright State University Foundation, Inc., Greene County, prepared by Deloitte & Touche LLP, for the audit period July 1, 2000 through June 30, 2001. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Wright State University Foundation, Inc. is responsible for compliance with these laws and regulations.

JIM PETRO
Auditor of State

November 7, 2001

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Wright State University Foundation, Inc.

We have audited the accompanying statements of financial position of Wright State University Foundation, Inc. (the "Foundation") as of June 30, 2001 and 2000, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2001 and 2000, and the changes in its net assets and the cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have issued a report dated September 28, 2001, on our consideration of the Foundation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

DELOITTE & TOUCHE LLP

September 28, 2001

WRIGHT STATE UNIVERSITY FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION JUNE 30, 2001 AND 2000

| ASSETS | 2001 | 2000 |
|---|---------------------|---------------------|
| CASH AND EQUIVALENTS | \$ 262,718 | \$ 287,687 |
| RECEIVABLES: | | |
| Pledges (Note 5) | 5,665,100 | 5,235,100 |
| Receivable for investments sold | 28,459 | 50,106 |
| Other | 688 | 100 |
| INVESTMENTS (Note 6) | 36,393,570 | 37,643,168 |
| LAND (Note 2) | 650,000 | 650,000 |
| OTHER ASSETS | 228,089 | 274,129 |
| TOTAL ASSETS | <u>\$43,228,624</u> | <u>\$44,140,290</u> |
| LIABILITIES AND NET ASSETS | | |
| Loan payable (Note 9) | \$ 1,359,605 | \$ 1,461,256 |
| Funds held for Western Ohio Educational Foundation | 622,879 | 630,423 |
| Funds held for Wright State University Alumni Association | | 145,752 |
| Payable to Wright State University | 643,572 | 726,844 |
| Pledge to Wright State University (Note 8) | | 38,744 |
| Payable for investments purchased | 32,518 | 90,746 |
| Annuity payable | 4,900 | |
| Other liabilities | 45,120 | 19,793 |
| | <u>2,708,594</u> | <u>3,113,558</u> |
| NET ASSETS (Note 4): | | |
| Unrestricted: | | |
| Designated | 1,406,005 | 1,754,646 |
| Undesignated | 211,560 | 383,047 |
| Temporarily restricted | 24,118,235 | 25,001,621 |
| Permanently restricted | 14,784,230 | 13,887,418 |
| | <u>40,520,030</u> | <u>41,026,732</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$43,228,624</u> | <u>\$44,140,290</u> |

WRIGHT STATE UNIVERSITY FOUNDATION, INC.

STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2001

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|--|---------------------|-----------------------------|-----------------------------|----------------------|
| REVENUE AND OTHER SUPPORT: | | | | |
| Gifts and grants (Note 3) | \$ 319,891 | \$ 3,898,323 | \$ 808,877 | \$ 5,027,091 |
| Investment earnings: | | | | |
| Interest and dividends | 357,486 | 759,665 | | 1,117,151 |
| Net realized and unrealized gains (losses) | (555,613) | (1,560,029) | | (2,115,642) |
| Administrative fee charged to certain restricted accounts | 291,453 | (291,453) | | |
| Other income (expense) | (31,321) | (34,218) | 3,942 | (61,597) |
| Net assets released from restrictions | 3,571,681 | (3,571,681) | | |
| Change in donor restrictions | <u>3,571,681</u> | <u>(83,993)</u> | <u>83,993</u> | <u>3,571,681</u> |
| Total revenue and other support | <u>3,953,577</u> | <u>(883,386)</u> | <u>896,812</u> | <u>3,967,003</u> |
| EXPENSES AND OTHER GRANTS: | | | | |
| Expenses paid for or on behalf of the University: | | | | |
| Scholarships | 1,382,375 | | | 1,382,375 |
| Department programs | 1,642,077 | | | 1,642,077 |
| Athletic programs | 322,412 | | | 322,412 |
| Other grants | 75,929 | | | 75,929 |
| Research | 198,278 | | | 198,278 |
| Operations and other (Note 7) | <u>852,634</u> | <u> </u> | <u> </u> | <u>852,634</u> |
| Total expenses | <u>4,473,705</u> | <u> </u> | <u> </u> | <u>4,473,705</u> |
| CHANGE IN NET ASSETS | (520,128) | (883,386) | 896,812 | (506,702) |
| NET ASSETS: | | | | |
| Beginning of year | <u>2,137,693</u> | <u>25,001,621</u> | <u>13,887,418</u> | <u>41,026,732</u> |
| End of year (Note 4) | <u>\$ 1,617,565</u> | <u>\$ 24,118,235</u> | <u>\$ 14,784,230</u> | <u>\$ 40,520,030</u> |

See notes to financial statements

WRIGHT STATE UNIVERSITY FOUNDATION, INC.

STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2000

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|--|---------------------|---------------------------|---------------------------|----------------------|
| REVENUE AND OTHER SUPPORT: | | | | |
| Gifts and grants (Note 3) | \$ 64,189 | \$ 5,324,108 | \$ 1,984,363 | \$ 7,372,660 |
| Investment earnings: | | | | |
| Interest and dividends | 514,856 | 862,583 | | 1,377,439 |
| Net realized and unrealized gains | 313,620 | 1,340,179 | | 1,653,799 |
| Administrative fee charged to certain restricted accounts | 275,123 | (275,123) | | |
| Other income (expense) | 174,554 | 12,975 | 3,811 | 191,340 |
| Net assets released from restrictions | 5,687,282 | (5,687,282) | | |
| Change in donor restrictions | | (39,912) | 39,912 | |
| | <u>7,029,624</u> | <u>1,537,528</u> | <u>2,028,086</u> | <u>10,595,238</u> |
| Total revenue and other support | | | | |
| EXPENSES AND OTHER GRANTS: | | | | |
| Expenses paid for or on behalf of the University: | | | | |
| Scholarships | 1,568,428 | | | 1,568,428 |
| Department programs | 2,912,028 | | | 2,912,028 |
| Athletic programs | 1,279,028 | | | 1,279,028 |
| Other grants | 67,349 | | | 67,349 |
| Research | 52,424 | | | 52,424 |
| Operations and other (Note 7) | 788,985 | | | 788,985 |
| | <u>6,668,242</u> | | | <u>6,668,242</u> |
| Total expenses | | | | |
| CHANGE IN NET ASSETS | 361,382 | 1,537,528 | 2,028,086 | 3,926,996 |
| NET ASSETS: | | | | |
| Beginning of year | <u>1,776,311</u> | <u>23,464,093</u> | <u>11,859,332</u> | <u>37,099,736</u> |
| End of year (Note 4) | <u>\$ 2,137,693</u> | <u>\$ 25,001,621</u> | <u>\$ 13,887,418</u> | <u>\$ 41,026,732</u> |

See notes to financial statements

WRIGHT STATE UNIVERSITY FOUNDATION, INC.

STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2001 AND 2000

| | 2001 | 2000 |
|---|-----------------------------|-------------------|
| OPERATING ACTIVITIES: | | |
| Change in net assets | \$ (506,702) | \$ 3,926,996 |
| Adjustments to reconcile change in net assets to cash provided by (used in) operating activities: | | |
| (Increase) decrease in receivables | (408,941) | (3,789,590) |
| Decrease in other assets | 46,040 | 179,622 |
| Gain on sale of land | | (82,657) |
| Decrease in liabilities | (303,313) | (1,568,138) |
| Gifts and grants received for permanently restricted accounts | (808,877) | (1,984,363) |
| Net realized and unrealized (gains) and losses | 2,115,642 | (1,653,799) |
| Net cash provided by (used in) operating activities | 133,849 | (4,971,929) |
| INVESTING ACTIVITIES: | | |
| Cash paid for investments | (10,810,438) | (31,010,503) |
| Cash received from sale of investments | 9,944,394 | 32,300,829 |
| Proceeds from sale of land | <u> </u> | <u>99,900</u> |
| Net cash provided by (used in) investing activities | <u>(866,044)</u> | <u>1,390,226</u> |
| FINANCING ACTIVITY: | | |
| Gifts and grants received for permanently restricted accounts | 808,877 | 1,984,363 |
| Proceeds from loan payable | 38,349 | 1,461,256 |
| Payments on loan payable | (140,000) | |
| | <u>707,226</u> | <u>3,445,619</u> |
| DECREASE IN CASH AND EQUIVALENTS | (24,969) | (136,084) |
| CASH AND EQUIVALENTS: | | |
| Beginning of year | 287,687 | 423,771 |
| End of year | <u>\$ 262,718</u> | <u>\$ 287,687</u> |
| Cash paid during the year for interest | <u>\$ 100,976</u> | <u>\$ 36,641</u> |

WRIGHT STATE UNIVERSITY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2001 AND 2000

1. SUMMARY OF OPERATIONS

Wright State University Foundation, Inc. (the "Foundation") was incorporated in 1966 to receive and hold gifts, grants, and bequests of money and property for the benefit of Wright State University (the "University") and its students and faculty. All disbursements from the Foundation are for the benefit of the University and its students and faculty. The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Equivalents – The Foundation considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Donations are recorded as revenues in the year received or when a bequest is legally finalized. Unconditional pledges are recorded in the period that the pledges are received. Conditional pledges are recorded in the period in which the conditions have been met. Funds from pledges to be collected in future years are recorded at net present value. All pledges are net of an allowance for doubtful collections.

Net assets are classified into three categories: (1) unrestricted net assets, which have no donor-imposed restrictions, (2) temporarily restricted net assets, which have donor-imposed restrictions that will expire in the future and (3) permanently restricted net assets, which have donor-imposed restrictions which do not expire.

Expiration of Donor-Imposed Restrictions – When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Land consists primarily of land adjacent to the University which is carried at historical cost.

Investments are stated at fair or appraised value and realized and unrealized gains and losses are reflected in the statement of activities. Market value is determined by market quotations. Donated investments are recorded at the fair value at the time received. Realized gains or losses are determined based on the average cost method.

Investment Earnings – Earnings from current use investments are held in the unrestricted fund account for expenditure at the specific discretion of the Foundation's Board of Trustees. The unrestricted account charges certain restricted accounts one percent of their investment balance annually for general operating expenses. These policies on investment earnings are part of the agreements with the donors and, therefore, are reflected in the net assets category in accordance with donor-imposed restrictions.

Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Other – During the fiscal year ended June 30, 2001, the Foundation adopted Statement of Financial Accounting Standards (SFAS) No. 136, “*Transfer of Assets to a Not-For-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others*”. The impact of adopting this statement has not been significant.

3. BUSINESS AND CONCENTRATIONS OF CREDIT RISK

Two donors accounted for 20% and 41% of gifts and grants for the years ended June 30, 2001 and 2000, respectively.

The Foundation’s financial instruments that are exposed to concentrations of credit risk consist primarily of cash and investments. The Foundation places its cash in federally insured banks. Cash is generally in excess of the Federal Deposit Insurance Corporation’s insurance limit.

Investments are managed by professional investment management companies. Each investment manager is subject to the Foundation’s investment policies which contain objectives, guidelines, and restrictions designed to provide for preservation of capital with emphasis on providing current income and achieving long-term growth of the funds without undue exposure to risk.

4. CLASSIFICATION OF NET ASSETS

| | June 30, 2001 | | | June 30, 2000 | | |
|---------------------|-----------------------------|---------------------------|---------------------------|-----------------------------|---------------------------|---------------------------|
| | Unrestricted/ Designated | Temporarily Restricted | Permanently Restricted | Unrestricted/ Designated | Temporarily Restricted | Permanently Restricted |
| Scholarship | \$ 503,868 | \$11,468,081 | \$ 6,594,395 | \$ 538,485 | \$12,701,813 | \$ 6,220,529 |
| Department programs | 902,137 | 10,930,570 | 8,147,835 | 967,047 | 11,457,826 | 7,666,889 |
| Athletic programs | | 584,268 | | | 532,706 | |
| Research | | 1,135,316 | 42,000 | | 309,276 | |
| Other designated | | | | 249,114 | | |
| Undesignated | 211,560 | | | 383,047 | | |
| Total | <u>\$1,617,565</u> | <u>\$24,118,235</u> | <u>\$14,784,230</u> | <u>\$2,137,693</u> | <u>\$25,001,621</u> | <u>\$13,887,418</u> |

5. PLEDGES RECEIVABLE

| June 30, 2001 | | | | |
|--|------------------|---------------------------|---------------------------|---------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| Less than one year | \$ 44,000 | \$ 1,413,000 | \$ 582,000 | \$ 2,039,000 |
| One to five years | <u>29,000</u> | <u>1,914,000</u> | <u>180,000</u> | <u>2,123,000</u> |
| | 73,000 | 3,327,000 | 762,000 | 4,162,000 |
| Allowance for uncollectible pledges receivable | <u>(2,300)</u> | <u>(82,800)</u> | <u>(6,800)</u> | <u>(91,900)</u> |
| | 70,700 | 3,244,200 | 755,200 | 4,070,100 |
| Beneficial interests in trust | <u>210,000</u> | <u>735,000</u> | <u>650,000</u> | <u>1,595,000</u> |
| | <u>\$280,700</u> | <u>\$ 3,979,200</u> | <u>\$1,405,200</u> | <u>\$ 5,665,100</u> |

| June 30, 2000 | | | | |
|--|-------------------|---------------------------|---------------------------|---------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| Less than one year | \$ 24,000 | \$ 1,238,000 | \$ 523,000 | \$ 1,785,000 |
| One to five years | 16,000 | 1,715,000 | 631,000 | 2,362,000 |
| More than five years | 2,000 | 2,000 | | 4,000 |
| | 42,000 | 2,955,000 | 1,154,000 | 4,151,000 |
| Allowance for uncollectible pledges receivable | <u>(2,100)</u> | <u>(40,300)</u> | <u>(8,500)</u> | <u>(50,900)</u> |
| | 39,900 | 2,914,700 | 1,145,500 | 4,100,100 |
| Beneficial interests in trust | <u> </u> | <u>785,000</u> | <u>350,000</u> | <u>1,135,000</u> |
| | <u>\$ 39,900</u> | <u>\$ 3,699,700</u> | <u>\$1,495,500</u> | <u>\$ 5,235,100</u> |

Four donors accounted for approximately 50% and 56% of pledges receivable at June 30, 2001 and 2000, respectively. The fair value of pledges receivable was determined using a discount rate of 5.0% and 6.2% as of June 30, 2001 and 2000, respectively.

6. INVESTMENTS

Investments at June 30, 2001 and 2000, by major types, are as follows:

| | 2001 | | 2000 | |
|--------------------|----------------------|----------------------|----------------------|----------------------|
| | Cost | Fair Value | Cost | Fair Value |
| Common stocks | \$ 2,105,442 | \$ 2,282,225 | \$ 2,763,916 | \$ 3,509,312 |
| Money market funds | 169,957 | 169,957 | 705,124 | 705,124 |
| Mutual funds: | | | | |
| Equity | 22,379,275 | 20,965,307 | 19,835,656 | 21,923,097 |
| Fixed income | <u>12,491,124</u> | <u>12,976,081</u> | <u>11,805,063</u> | <u>11,505,635</u> |
| Total | <u>\$ 37,145,798</u> | <u>\$ 36,393,570</u> | <u>\$ 35,109,759</u> | <u>\$ 37,643,168</u> |

Net realized gains on sale of investments were \$1,172,759 and \$3,951,816 for the years ended June 30, 2001 and 2000, respectively. As of September 29, 2001, the market value of the Foundation's investments has declined approximately \$3 million or 8.8% of total portfolio value. This decrease is a direct result of a significant decline in stock values which was after the September 11, 2001 terrorist attacks in New York City and Washington D.C.

7. OPERATIONS AND OTHER EXPENSES

Operations and other expenses for the years ended June 30, 2001 and 2000 consist of the following:

| | 2001 | 2000 |
|---|-----------------------|-----------------------|
| Reimbursement of University administrative charges | \$ 327,765 | \$ 360,000 |
| Development operations support | 142,303 | 183,043 |
| Reimbursement of discretionary funds established by | | |
| Board of Trustees | 33,246 | 34,253 |
| Professional fees | 94,604 | 51,111 |
| Board meetings | 7,430 | 10,500 |
| In-college development officers | 81,946 | 72,630 |
| Loan interest | 100,976 | 36,641 |
| Change in reserve for uncollectible pledges | 41,000 | 14,900 |
| Other | 23,364 | 25,907 |
| Total operations and other expenses | <u>\$ 852,634</u> | <u>\$ 788,985</u> |

The Foundation has agreed to provide the University an annual allocation of 1% of certain assets for administrative charges. This amount is subject to annual review.

8. BASEBALL STADIUM GRANT

During 1999, the Foundation pledged to advance funds in the amount of \$1.5 million to the University toward the construction of the initial phase of a baseball stadium. The University has expressed an intent to fundraise the total amount of the \$1.5 million grant and all associated costs (including interest and loan origination fees, if any). The Foundation believes such a fund-raising effort for this specific purpose may take 10 to 15 years; the Foundation expects the fundraising to parallel the terms of any debt agreement entered into by the Foundation for purposes of funding this grant. Furthermore, the Foundation may reduce the amount of its annual reimbursement to the University in an amount equal to the annual fundraising shortfall. The annual fundraising shortfall is defined as the difference between the cumulative debt service payments incurred by the Foundation to finance this grant and the cumulative amount of funds raised by the University for the baseball stadium project.

9. LOAN PAYABLE

The Foundation has a line-of-credit agreement with a bank that provides up to \$1.5 million of borrowings at the bank's prime rate or LIBOR, plus 0.75%. The line-of-credit expires June 30, 2004, with an option to extend. The line-of-credit is collateralized with the Foundation's investments. Borrowings under the line-of-credit are used to fund the \$1.5 million grant made in 1999 to the University for the construction of the initial phase of a baseball stadium. Outstanding borrowings under the agreement totaled \$1,359,605 and \$1,461,256 at June 30, 2001 and 2000, respectively.

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED UPON THE AUDIT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Trustees
Wright State University Foundation, Inc.:

We have audited the financial statements of Wright State University Foundation, Inc. (the "Foundation") as of and for the year ended June 30, 2001, and have issued our report thereon dated September 28, 2001. 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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Foundation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the Foundation's internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Trustees and management of the Foundation and the Auditor of the State of Ohio and is not intended to be and should not be used by anyone other than these specified parties.

DELOITTE & TOUCHE LLP

September 28, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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WRIGHT STATE UNIVERSITY FOUNDATION, INC.

GREENE COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 15, 2001**