WRIGHT STATE UNIVERSITY FOUNDATION, INC.
Dayton, Ohio

CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2018 and 2017

Dave Yost · Auditor of State

Board of Trustees
Wright State University Foundation, Inc.
Foundation Building 111
3640 Colonel Glenn Highway
Dayton, Ohio 45435-0001

We have reviewed the *Independent Auditor's Report* of the Wright State University Foundation, Inc., Greene County, prepared by BKD, LLP, for the audit period July 1, 2017 through June 30, 2018. 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.

Dave Yost

Dave Yost
Auditor of State

November 14, 2018

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Dayton, Ohio

CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2018 and 2017

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BKD LLP
CPAs & Advisors

312 Walnut Street, Suite 3000 // Cincinnati, OH 45202-4025
513.621.8300 // fax 513.621.8345 // bkd.com

Independent Auditor's Report

Audit Committee of the Board of Trustees
Wright State University Foundation, Inc.
Dayton, Ohio

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Wright State University Foundation, Inc. (Foundation), which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, and the related consolidated statements of activities and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying management's discussion and analysis on pages 3 through 7 and multi-year summary schedules on pages 35 through 46 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the consolidated 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 also have issued our report dated October 11, 2018, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the Foundation's 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 the Foundation's internal control over financial reporting and compliance.

BKD, LLP

Cincinnati, Ohio
October 11, 2018

Overview

This section of the Wright State University Foundation's (the "WSU Foundation" or "Foundation") annual financial report presents management's discussion and analysis of the financial performance of the WSU Foundation during the fiscal years ended June 30, 2018 and 2017. This discussion has been prepared by management along with the consolidated financial statements and related note disclosures and should be read in conjunction with the statements and notes thereto.

The WSU Foundation is a 501(c)(3) nonprofit corporation whose mission includes the cultivation, solicitation, stewardship, management and distribution of private gifts for the exclusive benefit of Wright State University ("WSU" or the "University"). The Foundation is included in the University's financial statements as a discretely presented component unit. Transactions with WSU relate primarily to the disbursement of gift revenues to WSU, augmentation of the University's fundraising resources and payment for services rendered by University staff on behalf of the Foundation.

The discussion below relates to the WSU Foundation's basic consolidated financial statements, including the statements of financial position, statements of activities and statements of cash flows. The statements of financial position present the Foundation's financial situation at June 30, 2018 and 2017. The statements of activities summarize the financial transactions and consequent changes in net assets for the same fiscal years. The statements of cash flows provide details on the changes in cash levels for the same time period.

Financial Highlights

Statements of Financial Position

The purpose of the Statement of Financial Position (also known as the Balance Sheet) is to present the reader with a snapshot of the Foundation's financial condition at the end of the fiscal year. The statements may be used to assess the Foundation's ability to continue operations, to determine amounts owed to outside entities and to determine the adequacy of the reserves available for further appropriation.

The Statement of Financial Position is divided into three major categories: assets, liabilities and net assets. Assets are resources owned by the Foundation that are either restricted for specific purposes or available for general operational use of the Foundation. Liabilities are amounts owed to the University, external vendors and other entities for payments made on the Foundation's behalf, personnel costs, purchased goods and services, and other contractual obligations.

Net assets represent the excess of assets over liabilities and are subdivided into three categories: unrestricted, temporarily restricted and permanently restricted. Unrestricted net assets are those that the Foundation may use for any purpose related to its mission and over which it maintains complete control. Temporarily restricted net assets are donations that may be spent on purposes specified by the donor of the assets. Such restrictions relate to how or when the gift may be spent. Permanently restricted net assets are gifts that the donor has specified must be maintained in perpetuity and only the investment earnings on the gift may be spent for the purposes specified by the donor. These gifts are commonly known as endowments.

(Continued)

The following table lists the Foundation's assets, liabilities and net assets for the past three fiscal years:

Condensed Statements of Financial Position
(in thousands of dollars)

			Change, 2017 to 2018			Change, 2016 to 2017	
	2018	**2017**	**Dollars**	**Percent**	**2016**	**Dollars**	**Percent**
Total Assets	$ 136,941	$ 137,237	$ (296)	-0.2%	$ 132,068	$ 5,169	3.9%
Total Liabilities	$ 3,098	$ 4,486	$ (1,388)	-30.9%	$ 4,250	$ 236	5.6%
Net Assets:							
Unrestricted	8,677	7,549	1,128	14.9%	5,204	2,345	45.1%
Temporarily Restricted	79,290	80,665	(1,375)	-1.7%	78,655	2,010	2.6%
Permanently Restricted	45,876	44,537	1,339	3.0%	43,959	578	1.3%
Total Net Assets	133,843	132,751	1,092	0.8%	127,818	4,933	3.9%
Total Liabilities and Net Assets	$ 136,941	$ 137,237	$ (296)	-0.2%	$ 132,068	$ 5,169	3.9%

The Foundation's total asset base declined slightly in FY18 as increasing gift revenues could not overcome declines in investment earnings experienced in the latter half of the fiscal year. The value of the Foundation's investment portfolios increased overall, but only by 1.5% after distributions and liquidations. All portfolios were valued at $119 million on June 30, 2018. In contrast, pledges receivable declined nearly 24% over the previous year as the University continued to be plagued by negative publicity surrounding its financial condition, which lessened the confidence of donors. In addition, the fund raising function has been decimated by losses to its fund raising and support staff resulting in less pledge activity. The Foundation's cash position also declined year-over-year, as further described in the Statement of Cash Flows section.

Liabilities declined significantly in FY18, led by a decrease in the amount owed to the University for bills it paid on the Foundation's behalf in June. Also contributing to the decline was the elimination of our loan payable. The Foundation paid off its line of credit, which had been tapped six years ago to pay for renovation and improvement of its administrative office space.

The Foundation's total net asset position increased as revenues exceeded expenses by $1.1 million in FY18. A strong increase in our unrestricted net assets of nearly 15% resulted from strong investment earnings. The reserve ended the year at $8.7 million, an increase of $1.1 million, the second straight year of positive growth. Temporarily restricted net assets declined 1.7% for the year as revenues failed to exceed assets released for expenditure. Permanently restricted net assets increased 3% over FY17, led by increased giving to endowment funds in FY18.

Statements of Activities

The Statement of Activities (also known as the Income Statement) reports on the operating activities of the Foundation for the fiscal year. Included in these statements are two major categories. The first, revenues, represents resources obtained for distribution to WSU and for operation of the Foundation. Major revenue sources include gifts/contributions and investment earnings. Expenses, the second category, represent uses of those resources in support of various University programs, fundraising efforts and general operations of the Foundation. The difference between revenues and expenses is added to or subtracted from the Foundation's net assets.

(Continued)

The following table lists the revenues, expenses and changes in net assets for the last three fiscal years:

Condensed Statements of Activities
(in thousands of dollars)

	2018	2017	Change, 2017 to 2018 Dollars	Change, 2017 to 2018 Percent	2016	Change, 2016 to 2017 Dollars	Change, 2016 to 2017 Percent
Revenues							
Gifts and contributions	$ 4,891	$ 4,269	$ 622	14.6%	$ 9,409	$ (5,140)	-54.6%
Investment earnings (losses)	7,263	11,952	(4,689)	-39.2%	(2,157)	14,109	654.1%
Other	319	331	(12)	-3.6%	111	220	198.2%
Total revenues	12,473	16,552	(4,079)	-24.6%	7,363	9,189	124.8%
Expenses							
Program services	9,908	10,200	(292)	-2.9%	10,534	(334)	-3.2%
Fund raising	1,090	1,037	53	5.1%	1,416	(379)	-26.8%
Management and general	383	383	-	0.0%	416	(33)	-7.9%
Total expenses	11,381	11,620	(239)	-2.1%	12,366	(746)	-6.0%
Change in net assets	$ 1,092	$ 4,932	$ (3,840)	-77.9%	$ (5,003)	$ 9,935	198.6%

The Foundation's total revenue level declined from FY17 to FY18 as investment earnings were not as robust in FY18. Total revenues for the current year were $12.5 million, down $4.0 million or nearly 25%. Investment earnings declined $4.7 million or 39% over the previous year as portfolios experienced significant (unrealized) losses in the second half of the year. Nonetheless, those losses did not overcome gains experienced in the first half of the year and positive earnings of $7.3 million were generated contributing to the overall increase in portfolio value described above. In addition to positive investment results, the Foundation experienced a 14.6% increase in contribution revenue, which totaled $4.9 million for the year. This reversed the significant decline experienced in FY17. Most of the increase was attributable to endowed gifts received during the year. Six such gifts, ranging from $50,000 to $195,000 were received in FY18 as compared to only one endowment gift in FY17 in that range.

Total expenses declined 2.1% year-over-year and totaled $11.4 million in FY18. Contributing to this downturn were a 7% decline in programmatic expenses, a 58% decrease in athletic program expenses and a 24% decline in miscellaneous grants made by the Foundation to the University. Programmatic decreases resulted from a general slowdown in spending as the University sought to correct years of overspending its budget. Partially offsetting these declines was a nearly 10% increase in scholarship dollars awarded during the year. This increase occurred as the University sought to reverse enrollment declines by offering potential students increased tuition support. Fund raising expenses also increased in FY18 as the Foundation continued to enhance its support of this mission-critical function.

Statements of Cash Flows

Three major categories of activity appear on the Statements of Cash Flows: operating, investing and financing. Operating activities include mission-oriented functions such as amounts received from donors and amounts paid to Wright State students, employees and suppliers in accord with donor stipulations. Payments in support of the operations of the Foundation are also included in this category. Investing activities include capital expenditures and the purchase and redemption of investments held by the Foundation in its attempt to effectively manage the private support it holds. Finally, financing activities include inflows and outflows related to debt service. Contributions to the endowment are also categorized here.

(Continued)

The following table lists the categories of cash flows for the last three fiscal years:

Condensed Statements of Cash Flows
(in thousands of dollars)

			Change, 2017 to 2018			Change, 2016 to 2017	
	2018	**2017**	**Dollars**	**Percent**	**2016**	**Dollars**	**Percent**
Operating activities	$ (2,188)	$ (2,303)	$ 115	5.0%	$ 1,427	$ (3,730)	-261.4%
Investing activities	41	4,638	(4,597)	-99.1%	(2,634)	7,272	276.1%
Financing activies	799	368	431	117.1%	678	(310)	-45.7%
Net change in cash and equivalents	$ (1,348)	$ 2,703	$ (4,051)	-149.9%	$ (529)	$ 3,232	611.0%

The Foundation's year-end cash position declined $1.3 million to $2.4 million, finishing the year at a historically average level. The FY17 ending balance was significantly higher than normal due to anticipated payments to the University early in FY18. For the second straight year, there was a deficit in cash generated by operating activities. The deficit in FY18 was less than the previous year's change, but still amounted to a $2.2 million decrease. This decline, like that experienced in FY17, can be attributed to less cash received from donors. Higher cash payouts in FY18 also exacerbated the deficit. Partially offsetting these cash reductions was an increase in interest and dividends received of $1.3 million. Further offsetting net cash usage was a cash surplus generated by financing activities that was mostly related to the increased receipt of endowed gifts as described earlier.

Investment Performance

The Foundation maintains two significant investment pools with its investment manager, SEI Investments (Oaks, PA). One pool represents endowed assets and the second, all other assets. As discussed above, market returns in FY18 were not as strongly positive as the previous year, but still experienced net positive returns for the year. The endowed portfolio returned 7.06% (net of fees and including private equity returns) versus 12.28% in the previous year. The FY18 endowment return underperformed slightly the Foundation's target return as defined in its investment policy statement. The non-endowed portfolio, which is not invested as aggressively, provided a net positive return of 5.69% (versus an FY17 return of 9.83%). Neither FY18 return surpassed its associated weighted benchmark. Throughout the year, actual asset allocation amounts were close to targets and within tolerances established by the Foundation's investment policy statement.

Endowment

During the fiscal year ended June 30, 2018, the value of the Foundation's endowment increased by approximately $2.5 million or 2.8%, finishing the year with a value of $92.3 million. Once again, strong investment performance was a significant contributing factor to this result, adding $5.5 million to the value of the endowment. In addition, an increased level of endowed gifts also contributed to the increase. Finally, a reduction in the amount appropriated for expenditure also improved the endowment's position. This reduction results from the Foundation's recent decision to reduce its endowment spending rate from 5.00% to 4.50%.

Unprecedented investment losses experienced in fiscal years 2008 and 2009 have reduced the values of some of the Foundation's endowment funds to less than the amount originally donated, a condition known as "underwater endowments." Net investment gains in FY18 improved this condition, reducing the

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amount of underwater endowments from $81 thousand in FY17 to $47 thousand in FY18. There were adequate reserves in all the endowment funds to distribute the full amount of earnings (4.50%) without reducing any funds below 80% of original donated value, as required by Foundation policy.

Debt and Debt Guaranty

The Foundation continued to maintain a line of credit with a local bank during FY18. No new draws on the line of credit were initiated during the year and a $400 thousand principal payment was made, thereby reducing the balance outstanding to zero. Interest costs incurred throughout the year were less than $10 thousand.

During FY11, the Foundation agreed to guarantee debt related to a project initiated by an organization closely related to Wright State University and its mission. During FY18, the Foundation continued to designate a portion of its unrestricted net assets ($600 thousand) in fulfillment of covenants contained in the debt guaranty. Management does not believe that this guaranty will be needed in the near future. More details about the guaranty may be found in note 13 to the consolidated financial statements.

Comprehensive Capital Campaign

Following its highly successful "Tomorrow Takes Flight" campaign completed in 2006, Wright State launched its second such effort entitled "Rise. Shine". In October 2014, an event was held to publicly kick-off the campaign and a goal of $150 million was announced. Campaign priorities identified included scholarships, endowed chairs/professorships and facility improvements. The campaign concluded on June 30, 2017, having raised $167.7 million. While it is anticipated that a new campaign will be scheduled in the near future, no definitive plans have been announced.

Requests for Information

Offices in support of the WSU Foundation are located in the Foundation Building across from the Dayton campus. Questions about any of the information provided in this report or requests for additional information may be directed to:

Bob Batson
CFO
Wright State University Foundation, Inc.
Foundation Building 111
3640 Colonel Glenn Highway
Dayton, OH 45435-0001
(937) 775-2869
robert.batson@wright.edu

For additional information about the Foundation, please visit our Web site at: wright.edu/giving.

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WRIGHT STATE UNIVERSITY FOUNDATION, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2018 and 2017

	2018	2017
ASSETS		
Cash and cash equivalents	$ 2,403,792	$ 3,751,810
Pledges receivable (net)	7,616,900	9,980,600
Gifts receivable from trusts held by others	1,529,900	1,410,200
Investment in securities	118,974,016	117,227,326
Other investments	2,107,293	537,568
Interest and dividends receivable	324,403	221,022
Capital assets (net)	2,287,911	2,410,023
Annuity assets	837,991	815,586
Other assets	858,565	882,450
Total assets	$ 136,940,771	$ 137,236,585
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable		
Wright State University	$ 577,748	$ 1,524,729
Trade and other	124,716	129,998
Deposits held in custody for others	2,013,390	2,056,483
Annuities payable	382,100	374,600
Loan payable	-	400,000
Total liabilities	3,097,954	4,485,810
NET ASSETS		
Unrestricted		
Designated	2,362,078	2,352,861
Undesignated	6,314,783	5,196,495
Temporarily restricted	79,289,590	80,664,493
Permanently restricted	45,876,366	44,536,926
Total net assets	133,842,817	132,750,775
Total liabilities and net assets	$ 136,940,771	$ 137,236,585

The accompanying notes are an integral part of these consolidated financial statements.

WRIGHT STATE UNIVERSITY FOUNDATION, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES
For the year ended June 30, 2018 with comparative 2017 totals

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2018	Total 2017
Revenue and other support					
Gifts and contributions	$ 146,034	$ 3,546,470	$ 1,198,893	$ 4,891,397	$ 4,269,499
Investment earnings					
Interest and dividends	1,056,778	2,848,833	-	3,905,611	2,523,002
Net realized and unrealized gains	643,000	2,714,358	-	3,357,358	9,428,979
Administrative fee charged to certain restricted accounts	838,811	(838,811)	-	-	-
Change in value of split interest agreements	-	119,700	(50,001)	69,699	65,217
Other income	182,425	49,058	17,119	248,602	265,374
Net assets released from restrictions	9,659,882	(9,659,882)	-	-	-
Change in donor restrictions	-	(165,229)	165,229	-	-
Total revenue and other support	12,526,930	(1,385,503)	1,331,240	12,472,667	16,552,071
Expenses					
Program services					
Scholarships	3,329,309	-	-	3,329,309	3,037,346
University programs	5,504,557	-	-	5,504,557	5,906,322
Athletic programs	179,346	-	-	179,346	426,541
Research	728,228	-	-	728,228	495,393
Miscellaneous grants	185,156	-	-	185,156	243,545
Other program expenses and losses (gains)	(100)	(10,600)	(8,200)	(18,900)	90,368
Fund raising	1,090,137	-	-	1,090,137	1,037,528
Management and general	382,792	-	-	382,792	382,935
Total expenses	11,399,425	(10,600)	(8,200)	11,380,625	11,619,978
Change in net assets	1,127,505	(1,374,903)	1,339,440	1,092,042	4,932,093
Net assets					
Beginning of year	7,549,356	80,664,493	44,536,926	132,750,775	127,818,682
End of year	$ 8,676,861	$ 79,289,590	$ 45,876,366	$ 133,842,817	$132,750,775

The accompanying notes are an integral part of these consolidated financial statements.

WRIGHT STATE UNIVERSITY FOUNDATION, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES
For the year ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2017
Revenue and other support				
Gifts and contributions	$ 154,978	$ 3,546,500	$ 568,021	$ 4,269,499
Investment earnings				
Interest and dividends	735,760	1,787,242	-	2,523,002
Net realized and unrealized gains	2,362,996	7,065,983	-	9,428,979
Administrative fee charged to certain restricted accounts	782,438	(782,438)	-	-
Change in value of split interest agreements	-	95,500	(30,283)	65,217
Other income	107,044	45,420	112,910	265,374
Net assets released from restrictions	9,846,832	(9,846,832)	-	-
Change in donor restrictions	-	61,144	(61,144)	-
Total revenue and other support	13,990,048	1,972,519	589,504	16,552,071
Expenses				
Program services				
Scholarships	3,037,346	-	-	3,037,346
University programs	5,906,322	-	-	5,906,322
Athletic programs	426,541	-	-	426,541
Research	495,393	-	-	495,393
Miscellaneous grants	243,545	-	-	243,545
Other program expenses and losses (gains)	115,268	(36,600)	11,700	90,368
Fund raising	1,037,528	-	-	1,037,528
Management and general	382,935	-	-	382,935
Total expenses	11,644,878	(36,600)	11,700	11,619,978
Change in net assets	2,345,170	2,009,119	577,804	4,932,093
Net assets				
Beginning of year	5,204,186	78,655,374	43,959,122	127,818,682
End of year	$ 7,549,356	$ 80,664,493	$ 44,536,926	$ 132,750,775

WRIGHT STATE UNIVERSITY FOUNDATION, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years ended June 30, 2018 and 2017

	2018	2017
Cash flows (used in) operating activities		
Cash received from contributors	$ 7,272,856	$ 6,505,660
Gifts and contributions received for permanently restricted accounts	(1,198,893)	(568,021)
Interest and dividends received	3,916,169	2,661,335
Cash received for other revenue sources	211,813	202,400
Cash paid to students, employees and suppliers	(12,223,073)	(11,003,066)
Interest paid	(6,726)	(8,828)
Custodial deposits returned	(160,000)	(93,000)
Net cash (used in) operating activities	(2,187,854)	(2,303,520)
Cash flows from investing activities		
Cash paid for investments	(8,017,932)	(3,751,984)
Cash received from investments	8,058,875	8,390,010
Net cash from investing activities	40,943	4,638,026
Cash flows from financing activities		
Gifts and contributions received for permanently restricted accounts	1,198,893	568,021
Payments on line of credit	(400,000)	(200,000)
Net cash from financing activities	798,893	368,021
Net change in cash and cash equivalents	(1,348,018)	2,702,527
Cash and cash equivalents, beginning of year	3,751,810	1,049,283
Cash and cash equivalents, end of year	$ 2,403,792	$ 3,751,810
Reconciliation of change in net assets to net cash (used in) operating activities		
Change in net assets	$ 1,092,042	$ 4,932,093
Adjustments to reconcile change in net assets to cash (used in) from operating activities		
Net realized and unrealized (gains)	(3,357,358)	(9,428,979)
Gifts and contributions received for permanently restricted accounts	(1,198,893)	(568,021)
Depreciation	122,112	122,112
Changes in assets and liabilities		
Pledges receivable	2,363,700	2,400,700
Gifts receivable from trusts held by others	(119,700)	(95,500)
Interest and dividends receivable	(103,381)	(60,307)
Annuity assets	(22,405)	(71,192)
Other assets	23,885	29,305
Accounts payable	(952,263)	314,990
Deposits held in custody for others	(43,093)	98,779
Annuities payable	7,500	22,500
Net cash (used in) operating activities	$ (2,187,854)	$ (2,303,520)

The accompanying notes are an integral part of these consolidated financial statements.

NOTE 1 - ORGANIZATION AND OPERATION

Wright State University Foundation, Inc. (the "Foundation") was incorporated on December 15, 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. Consistent with such purposes, the mission of the Foundation is to secure, manage and distribute private support to enhance the growth and development of the University. One of its most important roles is to ensure that funds and property contributed are used for purposes specified by the donor. The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Governing direction is provided by a code of regulations most recently revised in May of 2018. Overall policy direction is provided by a board of 25 – 40 community leaders who serve as trustees of the Foundation. Trustees elect a chair and other officers from their number. The Foundation has no employees of its own, but several University employees provide staff support, including the University's vice president for university advancement who serves as president of the board (non-voting).

The 557-acre Wright State campus is located near Dayton, Ohio and was founded in 1964. Wright State is a four-year institution operating under the auspices of the State of Ohio's public university system. Financial statements for the University may be obtained from the Controller's Office, 301 University Hall, 3640 Colonel Glenn Highway, Dayton, Ohio 45435-0001.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

In accordance with generally accepted accounting principles as applied to not-for-profit organizations, the consolidated financial statements of the Foundation have been prepared on the accrual basis of accounting. The Financial Accounting Standards Board ("FASB") is the accepted standards setting body for establishing accounting principles generally accepted in the United States ("GAAP"). The following is a summary of the Foundation's significant accounting and reporting policies presented to assist the reader in interpreting the financial statements and other data in this report.

<u>Principles of Consolidation</u>: The consolidated financial statements include the accounts of Wright State University Foundation and its wholly-owned limited liability company subsidiary Fairborn Office Property LLC. The consolidated entities are collectively referred to as "the Foundation". All significant intercompany accounts and transactions have been eliminated in the consolidated financial statements.

<u>Cash and Equivalents</u>: The Foundation considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents, except cash equivalent holdings in its investment portfolios that have resulted from recent security sales that will used to purchase other long-term securities.

<u>Pledges Receivable</u>: 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. Payments on pledges to be collected in future years are recorded at net present value. All pledges are presented net of an allowance for doubtful collections.

<u>Gifts Receivable from Trusts Held by Others</u>: Irrevocable trusts which will benefit the Foundation are recognized as gift revenue and as a receivable in an amount equal to the present value of the estimated future benefits to be received when trust assets are distributed. Adjustments to the receivable to reflect revaluation of the present value of the estimated future payments to the donor-designated beneficiaries and changes in actuarial assumptions during the term of the trust will be recognized as changes in the value of the asset.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment in Securities: Investments are stated at fair value. The fair values of investments are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments, when appropriate. Investments are initially recorded at their acquisition cost if they were purchased and at fair value if they are received through a contribution or exchange transaction. Securities traded on a national exchange are valued at their last reported sales price on the exchange on which they are traded.

Alternative investments, such as hedge funds, private equity, distressed debt and limited partnerships for which there is no ready market, are recorded at net asset value (NAV), as a practical expedient, to determine fair value of the investments. Because of the inherent uncertainty of valuation in the absence of readily ascertainable market values, the estimated values of those investments may differ from the values that would have been used had a ready market existed for such investments or if the investments were realized, and the differences could be material.

Realized gains or losses are included in the consolidated statements of activities. Unrealized gains or losses are based on the differences between cost and fair value of each classification of security and are reported in the consolidated statements of activities. Investments are managed by professional investment managers.

Annuity Assets/Payable: Under charitable gift annuity agreements, the Foundation has recorded the donated assets at fair value and the liabilities to the donor and/or his/her beneficiaries at the present value of the estimated future payments to be distributed by the Foundation to such individuals. The amount of the gift is the difference between the asset and liability and is recorded as gift revenue.

Capital Assets: Expenditures for property and equipment and items that substantially increase the useful lives of existing assets are capitalized at cost. It is the policy of the Foundation to capitalize additions with an original cost of $5,000 or more. Assets acquired by gift are valued at fair value as of the date donated. The Foundation provides for depreciation using the straight-line method at rates designed to depreciate the costs of assets over estimated useful lives as follows:

	Years
Land improvements	10-25
Buildings	20-65
Machinery and equipment	5-10

Long-lived assets, such as buildings, machinery and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. At June 30, 2018 and 2017, management has concluded that they are unaware of any impairments to be recorded.

Deposits Held in Custody for Others: These assets represent resources received and held by the Foundation as custodian. The assets are placed in the Foundation's investment portfolio and receive a pro-rata share of net investment earnings.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses: The costs of supporting the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities. Certain costs paid by the Foundation that relate to operations of the University's Advancement Division are classified as fund raising expenses. Costs specific to the operation of the Foundation as an independent entity are classified as management and general expenses.

Net Assets: The Foundation's net assets are classified into three categories: (1) unrestricted net assets, which include no donor-imposed restrictions, (2) temporarily restricted net assets, which include donor-imposed restrictions that will be satisfied in the future and (3) permanently restricted net assets, which include donor-imposed restrictions that the assets be maintained permanently.

The unrestricted net assets consist of operating funds available for any purpose authorized by the Board of Trustees. Included in unrestricted net assets are funds that have been designated as endowments by the board (quasi-endowments). The board may elect to reverse the decision to designate unrestricted net assets.

Temporarily restricted net assets consist of funds arising from a gift in which the donor has stipulated, as a condition of the gift, restrictions on how or when the gift may be spent. Temporarily restricted net assets also include unspent gains on donor-restricted gifts by virtue of the Foundation's spending policy. This policy, which was approved by the Board of Trustees, aims to protect the Foundation's donor-designated endowments from the effects of inflation by reinvesting a portion of the earnings on these funds as if they were endowment funds. Since the reinvestment of earnings from endowments was not explicitly designated by the donors, the reinvested earnings cannot be classified as permanently restricted under GAAP.

Quasi-endowment funds may also be established by request of a University college or department in accord with the Foundation's quasi-endowment policy adopted by the Board of Trustees in fiscal year 2011. The objective of this policy is to allow significantly large temporarily restricted funds to generate earnings that may be used by the requesting unit for the purpose(s) specified by the donor.

Permanently restricted net assets consist of funds arising from a gift or bequest in which the donor has stipulated, as a condition of the gift, that the principal be maintained in perpetuity and only the investment income from investment of the funds be expended. Certain donor endowments also specify that a portion of the earnings from the investment be reinvested as principal, or that all income earned over a period of time be reinvested. Amounts are also transferred for specific uses from time to time, as requested by the donor.

Gifts and Contributions: Gifts and contributions are recorded at their fair value on the date of receipt. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Gifts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset categories. Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as temporarily restricted and then released from restriction.

Contributed property is recorded at fair value at the date of donation. If donors stipulate how long the assets must be used or restrict the use of such assets for a specific purpose, the contributions are recorded as restricted support. In the absence of such stipulations, gifts of property are recorded as unrestricted support.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment Earnings: Interest and dividends from endowment investments are credited to temporarily restricted funds and spent in compliance with donor stipulations and the Foundation's spending policy. Interest and dividends from non-endowment investments are credited to the unrestricted fund for expenditure at the discretion of the Foundation's Board of Trustees. Realized gains or losses are determined based on the average cost method.

Net Assets Released from 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 consolidated statement of activities as net assets released from restrictions.

Federal Income Taxes: The Foundation has been approved under the Internal Revenue Code Section 501(c)(3) as a nonprofit organization exempt from federal taxes on its normal activities. However, the Foundation is subject to federal income tax on any unrelated business taxable income. The Foundation files tax returns in the U.S. federal jurisdiction.

GAAP prescribes recognition thresholds and measurement attributes for the consolidated financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. Management has concluded that they are unaware of any tax benefits or liabilities to be recognized at June 30, 2018 and 2017, respectively.

The Foundation does not have any tax benefits recorded at June 30, 2018 and does not expect that position to significantly change in the next year. The Foundation would recognize interest and/or penalties related to income tax matters in income tax expense, if applicable, and there were no amounts accrued for interest and penalties at June 30, 2018 and 2017.

Transfers Between Fair Value Hierarchy Levels: Transfers in and out of Level 1 (quoted market prices), Level 2 (other significant observable inputs) and Level 3 (significant unobservable inputs) are recognized on the period ending date.

Subsequent Events: Management has performed an analysis of the activities and transactions subsequent to June 30, 2018, to determine the need for any adjustments to and/or disclosures within the audited consolidated financial statements for the year ended June 30, 2018. Management has performed their analysis through October 11, 2018, the date the consolidated financial statements were available to be issued.

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.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassifications: Certain reclassifications have been made to the 2017 consolidated financial statements to conform to the 2018 consolidated financial statement presentation. These reclassifications had no effect on net assets or the change in net assets.

NOTE 3 - BUSINESS AND CONCENTRATIONS OF CREDIT RISK

The Foundation's financial instruments that are exposed to various risks, such as interest rate, market and concentrations of credit risk consist primarily of cash and investments. The Foundation deposits its cash in federally insured banks. At June 30, 2018, the Foundation's cash accounts exceeded federally insured limits by approximately $2,204,000.

Investments are managed by a professional investment management company under an outsourced chief investment officer arrangement. The investment manager is subject to the Foundation's investment policy, approved by the Board of Trustees, which contains objectives, guidelines and restrictions designed to provide for preservation of capital with an emphasis on providing current income and achieving long-term growth of the funds without undue exposure to risk. Certain funds have been pooled for ease of management and to achieve greater diversification in investments. Due to the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible the changes in risks in the near term would result in material changes in the fair value of long-term investments and net assets of the Foundation.

NOTE 4 - FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received for an asset or paid to transfer a liability (an exit price) in the Foundation's principal or most advantageous market on the measurement date.

The fair value hierarchy established by U.S. GAAP requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices for identical assets or liabilities in active markets.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Net Asset Value: Alternative to fair value hierarchy using net asset value practical expedient as defined by Accounting Standards Codification 820, Fair Value Measurement.

In many cases a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

(Continued)

NOTE 4 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Assets measured at fair value on a recurring basis are summarized below for the years ended June 30, 2018 and 2017. Certain level classifications in the table below were reclassified from prior year to conform to current year presentation:

	Fair Value Measurements at June 30, 2018 Using				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at Net Asset Value	Totals
ASSETS					
Gifts receivable from trusts held by others	$ -	$ -	$ 1,529,900	$ -	$ 1,529,900
Investment in securities:					
Cash and equivalents	-	-	-	-	-
Mutual funds:					
Equity	57,429,596	-	-	-	57,429,596
Fixed income	41,475,564	-	-	-	41,475,564
Alternative assets:					
Hedge funds	-	-	-	10,074,398	10,074,398
Private equity	-	-	-	6,013,368	6,013,368
Distressed debt	-	-	-	3,981,090	3,981,090
Total investment in securities	98,905,160	-	-	20,068,856	118,974,016
Other investments:					
Limited partnerships	-	-	-	511,293	511,293
Private placement bonds	-	-	1,596,000	-	1,596,000
Total other investments	-	-	1,596,000	511,293	2,107,293
Other assets - equity	375,402	-	-	-	375,402
Annuity assets					
Cash and equivalents	32,034	-	-	-	32,034
Mutual funds-securities	805,957	-	-	-	805,957
Total annuity assets	837,991	-	-	-	837,991
Total	$ 100,118,553	$ -	$ 3,125,900	$ 20,580,149	$ 123,824,602

	Fair Value Measurements at June 30, 2017 Using				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at Net Asset Value	Totals
ASSETS					
Gifts receivable from trusts held by others	$ -	$ -	$ 1,410,200	$ -	$ 1,410,200
Investment in securities:					
Cash and equivalents	-	-	-	-	-
Mutual funds:					
Equity	57,834,630	-	-	-	57,834,630
Fixed income	41,014,272	-	-	-	41,014,272
Alternative assets:					
Hedge funds	-	-	-	9,456,738	9,456,738
Private equity	-	-	-	5,281,180	5,281,180
Distressed debt	-	-	-	3,640,506	3,640,506
Total investment in securities	98,848,902	-	-	18,378,424	117,227,326
Other investments:					
Limited partnerships	-	-	-	537,568	537,568
Private placement bonds	-	-	-	-	-
Total other investments	-	-	-	537,568	537,568
Other assets - equity	338,613	-	-	-	338,613
Annuity assets					
Cash and equivalents	35,517	-	-	-	35,517
Mutual funds-securities	780,069	-	-	-	780,069
Total annuity assets	815,586	-	-	-	815,586
Total	$ 100,003,101	$ -	$ 1,410,200	$ 18,915,992	$ 120,329,293

(Continued)

NOTE 4 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended June 30, 2018. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

Investments in securities, annuity assets, and other assets - Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

Gifts receivable from trusts held by others - Fair value is estimated at the present value of the future distributions expected to be received over the term of the agreement. Due to the nature of the valuation inputs, the interest is classified within Level 3 of the hierarchy.

Fair value determinations for Level 3 measurements of securities are the responsibility of the finance office. The finance office contracts with a pricing specialist to generate fair value estimates on a monthly or quarterly basis. The finance office challenges the reasonableness of the assumptions used and reviews the methodology to ensure the estimated fair value complies with accounting standards generally accepted in the United States.

(Continued)

NOTE 4 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

The table below presents a reconciliation and consolidated statement of activities classification of gains and losses for all assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended June 30, 2018 and 2017:

	2018	
	Gifts Receivable from Trusts Held by Others	**Private Placement Bonds**
Beginning balance, July 1	$ 1,410,200	$ -
Purchases	-	1,596,000
Change in value of split interest agreements	119,700	-
Ending balance, June 30	$ 1,529,900	$ 1,596,000

	2017	
	Gifts Receivable from Trusts Held by Others	**Private Placement Bonds**
Beginning balance, July 1	$ 1,314,700	$ -
Purchases	-	-
Change in value of split interest agreements	95,500	-
Ending balance, June 30	$ 1,410,200	$ -

The fair value of gifts receivable from trusts held by others is based on a valuation model that calculates the present value of estimated residual trust value. The valuation model incorporates assumptions that market participants would use in estimating future investment earnings. Management determines the fair value based on best information available (Level 3 inputs).

Investments in securities consist primarily of mutual fund shares managed by a professional investment management company utilizing the “outsourced chief investment officer” model of portfolio administration, as described in Note 3. The fair value of mutual funds is based on quoted prices in active markets (Level 1 inputs).

For private equity, for which there is no active market, information such as historical and current performance of the underlying assets, cash flow projections, liquidity and credit premiums required by a market participant, and financial trend analysis with respect to the individual fund manager, are utilized in determining individual securities. Due to current market conditions, as well as the limited trading activity of these securities, the market value of the securities is highly sensitive to assumption changes and market value volatility.

With respect to hedge funds and distressed debt, for which there is no active market, information such as historical and current performance of the underlying assets, cash flow projections, liquidity and credit premiums required by a market participant, and financial trend analysis with respect to the individual fund manager, are utilized in determining individual security valuations.

(Continued)

NOTE 4 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

The Foundation's hedge fund allocation is invested in a "fund of funds" structured as an offshore company. The fund's investment objective is to seek to achieve high returns balanced against an appropriate level of volatility and directional market exposure over a full market cycle. The fund is broadly diversified and invests in various private funds such as hedge funds that pursue hedged or other alternative investment strategies, private equity funds, hybrid funds and any other alternative investment funds, while also opportunistically investing directly in any other securities and financial instruments. The fund generally invests in 15-20 funds and the fund of funds manager requires full transparency of each of the underlying funds' investment positions. The Foundation is no longer subject to the fund's initial two-year lock-up period and may, therefore, request liquidation on a semi-annual basis with 95 days prior notification. At June 30, 2018, the Foundation has no significant unfunded commitments to this hedge fund allocation. The valuation of this investment is based on NAV.

Approximately 33% of the Foundation's private equity fund investment is structured as a domestic partnership in which the Foundation is a limited partner. The fund seeks to invest the capital contributed to it in a diversified pool of long-term investments in non-publically traded companies. Diversification is accomplished by investing 40-60% of committed capital in underlying funds focused on the United States, 20-40% on Europe and 0-30% on emerging markets. Capital commitments of the limited partners are payable to the partnership in installments over a 3 – 5-year period. At June 30, 2018, the Foundation's total capital commitment of $3,500,000 was 71.4% ($2,498,908) funded. The fund made return-of-capital distributions during the year and no further capital calls were received. Due to the long-term commitment of capital and the unpredictability of capital calls and partnership distributions, the fund is generally considered illiquid. It is also not unusual for private equity funds to experience losses in the early years of their existence. The valuation of this investment is based on NAV.

The balance of the Foundation's investment in the private equity space is in a fund also structured as a domestic partnership in which the Foundation is a limited partner. The fund seeks to continue the investment policy of the first fund, but seeks more diversification, shorter duration and a focus on cash returns. Diversification is accomplished by investing over five sub-class targets: buyouts, venture capital, debt, real estate and real assets/infrastructure. Capital commitments of the limited partners are payable to the partnership in installments over a 3 – 5-year period. At June 30, 2018, the Foundation's total capital commitment of $6,400,000 was 60.4% ($3,863,636) funded. Due to the long-term commitment of capital and the unpredictability of capital calls and partnership distributions, the fund is generally considered illiquid. It is also not unusual for private equity funds to experience losses in the early years of their existence. The valuation of this investment is based on NAV.

The Foundation's investment in distressed debt is in the form of a fund that invests directly and indirectly in below investment grade bonds and loans (and other debt and equity instruments) of U.S. and international energy companies. The fund is structured as a domestic limited partnership. The fund seeks to generate high absolute returns by investing in securities which are purchased or acquired at a significant discount to fair value and/or offer high coupon rates. The fund will maintain a flexible approach to attempt to identify the most attractive risk-adjusted returns primarily within the energy debt space primarily through: 1) below investment grade bonds and loans of U.S. energy companies which trade at a discount to fair value; 2) direct lending at attractive risk-adjusted rates to U.S. energy companies; and/or 3) smaller allocations to U.S. investment grade and emerging markets companies. The Foundation's investment in this asset class was fully funded at June 30, 2018. The Foundation is subject to the fund's lockup period of three years, which will end in August 2018. Once the lockup period is over, liquidations may be requested on a semi-annual basis with a 95 days prior notice, subject to fund director consent and certain gate, holdback and suspension restrictions. The valuation of this investment is based on NAV and subject to a monthly lag.

(Continued)

NOTE 4 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Valuation of limited partnership shares reported as "other investments" are derived from reports issued by the general partners adjusted for capital contributions and withdrawals throughout the fiscal year. Although the fund custodians provide annual audited financial statements for each of the funds, the value of the underlying securities is difficult to ascertain as there is no active market associated with these ownership interests. The valuation of this investment is based on NAV.

In July 2017, the Foundation purchased private placement bonds issued in support of the construction of an academic building at the University's Lake Campus. The bonds were issued by the Toledo Port Authority on behalf of Double Bowler, Inc., the University's real estate management arm, which owns the property. The bonds are to be liquidated with proceeds of a lease between the University and Double Bowler for use of the building. Bond interest payments are due semiannually on December 1 and June 1, with principal payments also due on June 1. No principal or interest payments were received in FY18 due to administrative oversight by the University. Receipt of the payments is anticipated early in FY19 along with the normal payments required by the bond agreement's amortization schedule.

(Continued)

NOTE 5 - PLEDGES RECEIVABLE

Pledges receivable at June 30, 2018 and 2017, by fund type, are as follows:

	2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Less than one year	$ 11,710	$ 3,593,266	$ 362,122	$ 3,967,098
One to five years	-	2,500,911	102,700	2,603,611
Six years or greater	-	1,979,470	-	1,979,470
Gross pledges receivable	11,710	8,073,647	464,822	8,550,179
Present value discount	(10)	(876,647)	(3,322)	(879,979)
Allowance for uncollectible pledges	-	(49,000)	(4,300)	(53,300)
Pledges receivable (net)	$ 11,700	$ 7,148,000	$ 457,200	$ 7,616,900

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Less than one year	$ 16,494	$ 3,085,436	$ 96,836	$ 3,198,766
One to five years	3,500	5,454,639	416,633	5,874,772
Six years or greater	-	2,000,000	-	2,000,000
Gross pledges receivable	19,994	10,540,075	513,469	11,073,538
Present value discount	(294)	(1,007,475)	(12,969)	(1,020,738)
Allowance for uncollectible pledges	(100)	(59,600)	(12,500)	(72,200)
Pledges receivable (net)	$ 19,600	$ 9,473,000	$ 488,000	$ 9,980,600

The fair value of pledges receivable was determined using discount rates applicable to the year in which the pledge was established. Rates ranged from 0.72% to 2.73%.

NOTE 6 - GIFTS RECEIVABLE FROM TRUSTS HELD BY OTHERS

The Foundation is a party to charitable gift trusts. Third party trustees maintain trust assets in irrevocable trusts for the benefit of the Foundation. The fair values of the trusts are estimated based upon the fair value of the assets contributed by the donor less the present value of the payment expected to be made to other beneficiaries. The present value is calculated using the discount rate the year in which the trust was established. Rates ranged from 1.72% to 4.92%. The balances at June 30, 2018 and 2017, are $1,529,900 and $1,410,200, respectively, and are included in temporarily restricted net assets.

(Continued)

NOTE 7 - INVESTMENT IN SECURITIES

The fair value of the Foundation's investments, at June 30, 2018 and 2017, are as follows:

	2018	2017
Mutual funds:		
Equity	$ 57,429,596	$ 57,834,630
Fixed income	41,475,564	41,014,272
Alternative assets	20,068,856	18,378,424
Totals	$ 118,974,016	$ 117,227,326

Net realized gains on sales of investments were $1,765,292 and $449,610 for the years ended June 30, 2018 and 2017, respectively. Calculation of net realized gains on sales of investments is based on original cost. Net unrealized gains amounted to $1,592,066 and $8,979,369 for the years ended June 30, 2018 and 2017, respectively.

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying statements of financial position.

NOTE 8 - OTHER ASSETS

In July of 2012, the Foundation, along with the University of Dayton, purchased an option to acquire real property owned by the Miami Valley Research Foundation (MVRF) in Greene County, Ohio. The Foundation's share of the option price was $250,000. The renewable option agreement is valid for a period of two years, after which the option payment is returned to the Foundation without interest accruing. The option further provides that the MVRF may prematurely terminate the agreement and return the option payment along with a 5% annual premium. The option expired in June 2014, but was renewed through June 9, 2019 by both parties.

Also, included in other assets are unrestricted funds set aside for a specific group of University students to invest to provide them experience in managing a "live" portfolio. The project is known as Raider Asset Management (RAM). As the funds are not under the direct control of the Foundation's investment management system, they have been separately classified from investments in securities. The balance at June 30, 2018 and 2017 was $375,402 and $338,613, respectively. Earnings generated from the project are included in other income. Total net returns for 2018 and 2017 amounted to $36,789 and $69,094, respectively.

(Continued)

NOTE 9 - CAPITAL ASSETS

Capital assets activity for the years ended June 30, 2018 and 2017 is summarized as follows:

	2018				
	Beginning Balance	Additions	Reductions	Transfers	Ending Balance
Capital assets:					
Land	$ 173,000	$ -	$ -	$ -	$ 173,000
Buildings and improvements	2,644,131	-	-	-	2,644,131
Machinery and equipment	28,632	-	-	-	28,632
Construction in progress	-	-	-	-	-
Total capital assets	2,845,763	-	-	-	2,845,763
Less accumulated depreciation:					
Buildings and improvements	417,332	118,021	-	-	535,353
Machinery and equipment	18,408	4,091	-	-	22,499
Total accumulated depreciation	435,740	122,112	-	-	557,852
Capital assets, net	$2,410,023	$ (122,112)	-	-	$ 2,287,911

	2017				
	Beginning Balance	Additions	Reductions	Transfers	Ending Balance
Capital assets:					
Land	$ 173,000	$ -	$ -	$ -	$ 173,000
Buildings and improvements	2,644,131	-	-	-	2,644,131
Machinery and equipment	28,632	-	-	-	28,632
Construction in progress	-	-	-	-	-
Total capital assets	2,845,763	-	-	-	2,845,763
Less accumulated depreciation:					
Buildings and improvements	299,311	118,021	-	-	417,332
Machinery and equipment	14,317	4,091	-	-	18,408
Total accumulated depreciation	313,628	122,112	-	-	435,740
Capital assets, net	$2,532,135	$ (122,112)	$ -	$ -	$ 2,410,023

NOTE 10 - ACCOUNTS PAYABLE

Most of the Foundation’s expenses are processed by the University Controller’s Office. The Foundation reimburses the University monthly for those checks written on its behalf. At June 30, 2018 and 2017, the balance owed to the University was $577,748 and $1,524,729, respectively.

NOTE 11 - DEPOSITS HELD IN CUSTODY FOR OTHERS

Assets currently held by the Foundation in custody for others consist of resources deposited by the Western Ohio Education Foundation (WOEF), an educational Foundation that benefits the Lake Campus branch of Wright State University, and the Wright State University Alumni Association. As of June 30, 2018 and 2017, the balances of these deposits were as follows:

	2018	2017
WOEF	$ 1,177,026	$ 1,264,964
WSU Alumni Association	836,364	791,519
Totals	$ 2,013,390	$ 2,056,483

NOTE 12 - LINE OF CREDIT

The Foundation maintains 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% (2.71% at June 30, 2018). The line of credit expires March 31, 2019, with an option to extend. The line of credit is collateralized with a portion of the Foundation's investments. There were no outstanding borrowings at June 30, 2018 and $400,000 at June 30, 2017. Borrowings were used to underwrite the costs of renovating the Foundation's new administrative offices.

NOTE 13 - DEBT GUARANTY

During fiscal year 2011, the Foundation entered into agreement with Dayton Regional STEM Schools, Incorporated ("STEM") guaranteeing payments on a lease (and such other obligations imposed by the lease) related to the purchase and renovation of an existing building that is utilized by STEM in fulfillment of its corporate purposes. STEM is one of ten Ohio schools offering students a relevant, real world educational experience that will prepare them for college and opportunities in the work world. Wright State University has acted as STEM's fiscal agent as well as providing space, supplies and personnel in support of its operations. The agreement pledges unrestricted net assets of the Foundation in an amount not to exceed $3,000,000 and the designation of unrestricted net assets in the amount of one year of maximum debt service ($600,000) on bonds associated with the project. Since the guaranty may expire without being drawn upon, the total guaranty does not necessarily represent future cash requirements. As of June 30, 2018, no amounts have been recognized as a liability under the financial guaranty in the Foundation's consolidated statement of financial position as the likelihood that STEM would be unable to fulfill its obligation in full or in part under the debt agreement is not considered to be probable.

(Continued)

NOTE 14 - NET ASSETS

Net assets, as of June 30, 2018 and 2017, are available for the following purposes:

	2018			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Totals**
Scholarships	$ 326,656	$ 25,217,158	$ 21,437,262	$ 46,981,076
University programs	250,000	49,981,875	15,799,273	66,031,148
Athletic programs	-	489,987	-	489,987
Research	-	3,600,570	8,639,831	12,240,401
Market stabilization	1,185,422	-	-	1,185,422
Debt guaranty	600,000	-	-	600,000
Undesignated	6,314,783	-	-	6,314,783
Totals	$ 8,676,861	$ 79,289,590	$ 45,876,366	$ 133,842,817

	2017			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Totals**
Scholarships	$ 334,714	$ 25,529,725	$ 20,744,674	$ 46,609,113
University programs	250,000	50,837,638	15,580,139	66,667,777
Athletic programs	-	184,459	-	184,459
Research	-	4,112,671	8,212,113	12,324,784
Market stabilization	1,168,147	-	-	1,168,147
Debt guaranty	600,000	-	-	600,000
Undesignated	5,196,495	-	-	5,196,495
Totals	$ 7,549,356	$ 80,664,493	$ 44,536,926	$ 132,750,775

(Continued)

NOTE 15 - ENDOWMENT COMPOSITION

The Foundation's endowment primarily consists of three separate portfolios, all of which are held by SEI Investments. Its endowment includes donor-restricted endowment funds, funds that accumulate excess net earnings on the donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by applicable standards, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Endowment net asset composition by type of fund as of June 30, 2018 and 2017:

	2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Donor restricted endowment funds	$ (46,750)	$ 8,883,331	$ 45,876,366	$ 54,712,947
Board-designated funds	576,656	37,022,688	-	37,599,344
Totals	$ 529,906	$ 45,906,019	$ 45,876,366	$ 92,312,291

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Donor restricted endowment funds	$ (80,742)	$ 8,168,752	$ 44,536,926	$ 52,624,936
Board-designated funds	584,714	36,576,717	-	37,161,431
Totals	$ 503,972	$ 44,745,469	$ 44,536,926	$ 89,786,367

(Continued)

NOTE 15 - ENDOWMENT COMPOSITION (Continued)

Changes in endowment net assets for the years ended June 30, 2018 and 2017:

	2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Net assets, beginning of year	$ 503,972	$ 44,745,469	$ 44,536,926	$ 89,786,367
Investment return				
Investment income (net)	-	2,510,073	-	2,510,073
Net appreciation (depreciation)	33,992	2,930,998	-	2,964,990
Total investment return	33,992	5,441,071	-	5,475,063
Contributions	-	10,248	1,198,893	1,209,141
Change in value of split interest agreements	-	-	(50,001)	(50,001)
Other income	-	-	17,119	17,119
Change in donor restrictions	-	-	165,229	165,229
Net assets released from restrictions	26,001	-	-	26,001
Appropriation of assets for expenditure	(34,059)	(4,290,769)	8,200	(4,316,628)
Net assets, end of year	$ 529,906	$ 45,906,019	$ 45,876,366	$ 92,312,291

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Net assets, beginning of year	$ 115,963	$ 40,733,779	$ 43,959,122	$ 84,808,864
Investment return				
Investment income (net)	-	1,521,841	-	1,521,841
Net appreciation (depreciation)	387,276	7,110,175	-	7,497,451
Total investment return	387,276	8,632,016	-	9,019,292
Contributions	-	19,718	568,021	587,739
Change in value of split interest agreements	-	-	(30,283)	(30,283)
Other income	-	(110)	112,910	112,800
Change in donor restrictions	-	-	(61,144)	(61,144)
Net assets released from restrictions	31,333	-	-	31,333
Appropriation of assets for expenditure	(30,600)	(4,639,934)	(11,700)	(4,682,234)
Net assets, end of year	$ 503,972	$ 44,745,469	$ 44,536,926	$ 89,786,367

(Continued)

NOTE 15 - ENDOWMENT COMPOSITION (Continued)

Interpretation of UPMIFA: On June 1, 2009, the State of Ohio's version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) became effective for all non-profit, charitable organizations, including the Foundation. The Board of Trustees has interpreted UPMIFA as requiring the preservation of the fair value of the original and subsequent gifts as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. However, per policies adopted during the fiscal year ended June 30, 2010, the Foundation may expend up to 20% of the fair value of the original gift(s) when no other net earnings (current or accumulated) are available for distribution.

The Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in deciding to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the organization
7. The investment policies of the organization.

Return Objectives and Risk Parameters: The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s), as well as Board-designated funds. Under the Foundation's formally adopted investment policy, the primary investment objective of the endowment portfolio is to provide for preservation of capital with an emphasis on providing current income and achieving long-term growth of the endowment without undue exposure to risk. The performance objective is to grow the market value of assets net of inflation, spending, and expenses, over a full market cycle (generally defined as a three to five-year period) without undue exposure to risk. In quantitative terms, the portfolio is invested to earn a total return of 5% over inflation without exceeding a standard deviation of 1.2 times a weighted benchmark index. The benchmark index will be comprised of each asset class index weighted by its target allocation. It is also expected that the investment results will outperform their weighted benchmark indices over a full market cycle. Return is calculated on a total return basis, which includes income (interest and dividends), realized and unrealized capital gains (losses).

Strategies Employed for Achieving Objectives: The purpose of endowment funds is to facilitate donors' desire to make substantial long-term gifts to the University and to develop a significant source of revenue for the Foundation. In so doing, the funds will provide a secure, long-term source of funds to: (i) stabilize funding for University schools, colleges and departments, especially in times characterized by declining State support of higher education, (ii) enhance the quality and variety of learning opportunities for Wright State students, (iii) fund special grants, (iv) ensure long-term growth of the University, (v) enhance the University's ability to meet changing educational needs and demands in both the short- and long-term and (vi) support the administrative expenses of the Foundation as deemed appropriate.

(Continued)

NOTE 15 - ENDOWMENT COMPOSITION (Continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy: The distribution rate is based upon a total return approach, which utilizes both income and capital appreciation to be withdrawn for spending. For the fiscal year ended June 30, 2018, the spending rate for the Foundation was 4.50% of the previous twelve-quarter average of the endowment portfolio's market value. The spending rate was 5.00% for the fiscal year ended June 30, 2017. The spending rate is determined annually by the Foundation Board of Trustees, who may elect to make no distribution in any given year.

Funds with Deficiencies: From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature that are more than related temporarily restricted amounts are reported in unrestricted net assets. Such amounts totaled $46,750 and $80,742 as of June 30, 2018 and 2017, respectively. Endowment fund principal, unless otherwise directed by the originating donor(s), may be disbursed in accord with Foundation policy so long as the principal amount shall not fall below 80% of the fair value of the original gift and any subsequent gifts to the fund.

Foundation's Reserve Policy: Prompted by the market downturn of 2001-2003, the Foundation implemented a policy establishing a reserve fund, the primary purpose of which was to provide matching grants to endowment funds that suffer investment losses resulting in fund deficiencies. The policy stipulates that the reserve fund will make grants in an amount equal to or less than 50% of the amount that would normally have been generated by the endowment had earnings been available so long as the benefitting school, college or department provides a dollar-for-dollar match. No such grants were necessary in fiscal years 2018 and 2017.

The reserve policy further stipulates that in those years in which the unrestricted net assets of the Foundation increase, 5% of the increase is to be transferred into the reserve fund so long as the transfer does not cause the value of the fund to exceed $1 million. No transfer is required if the reserve amount is greater than $1 million. Since the value of the reserve exceeded $1 million in fiscal years 2018 and 2017, no such transfers were required.

NOTE 16 - LEASE REVENUE

The Foundation leases office space in its building to a non-university tenant. Rent revenues for the years ended June 30, 2018 and 2017, were $74,678 and $74,096, respectively. Future minimum revenues for all leases as of June 30, 2018 are as follows:

2019	$ 75,800
2020	76,558
2021	77,323
2022	77,323
2023	78,097
Total lease revenues	$ 385,101

NOTE 17 - FUNCTIONAL CLASSIFICATION OF EXPENSES

Total expenses, classified by both service areas and expense categories for the years ended June 30, 2018 and 2017, consist of the following:

	2018								
	Program Services						Support Services		
Expense Category	Scholarships	University Programs	Athletic Programs	Research	Miscellaneous Grants	Other Program Expenses/Losses	Fund Raising	Management & General	Totals
Salaries and wages	$ 21,312	$ 2,333,889	$ 28,443	$ 217,437	$ -	$ -	$ 470,426	$ -	$ 3,071,507
Employee benefits	133	496,788	3,098	46,119	-	-	170,586	-	716,724
Professional services	-	917,718	3,825	139,990	-	-	89,048	86,058	1,236,639
Supplies	362	275,891	9,817	66,642	32,968	-	47,262	4,620	437,562
Travel	32	702,569	114,833	33,606	26,885	-	98,697	4,854	981,476
Information/communications	(750)	425,007	10,417	123,658	125,207	-	214,099	1,060	898,698
Maintenance and repair	-	40,641	8,634	1,659	-	-	-	90,992	141,926
Student financial aid	3,282,100	226,754	-	52,700	-	-	-	-	3,561,554
Other	(400)	41,855	279	216	96	(18,900)	19	36,253	59,418
Capital purchases	26,520	43,445	-	46,201	-	-	-	30,117	146,283
Depreciation	-	-	-	-	-	-	-	122,112	122,112
Debt service	-	-	-	-	-	-	-	6,726	6,726
Totals	$ 3,329,309	$ 5,504,557	$ 179,346	$ 728,228	$ 185,156	$ (18,900)	$ 1,090,137	$ 382,792	$ 11,380,625

	2017								
	Program Services						Support Services		
Expense Category	Scholarships	University Programs	Athletic Programs	Research	Miscellaneous Grants	Other Program Expenses/Losses	Fund Raising	Management & General	Totals
Salaries and wages	$ 18,843	$ 1,466,842	$ 13,918	$ 197,462	$ -	$ -	$ 403,494	$ -	$ 2,100,559
Employee benefits	-	368,352	3,625	41,164	-	-	128,719	-	541,860
Professional services	-	1,980,676	33,095	143,938	610	-	96,799	103,433	2,358,551
Supplies	-	350,564	20,613	52,449	38,419	-	71,427	3,829	537,301
Travel	465	556,297	173,808	40,889	12,661	-	118,036	2,062	904,218
Information/communications	(3,392)	258,206	27,072	1,667	186,147	-	219,021	12,621	701,342
Maintenance and repair	288	61,864	96,930	530	5,430	-	-	91,301	256,343
Student financial aid	3,021,110	201,855	-	10,244	-	-	-	-	3,233,209
Other	32	18,690	57,480	2,000	278	90,368	32	38,749	207,629
Capital purchases	-	642,976	-	5,050	-	-	-	-	648,026
Depreciation	-	-	-	-	-	-	-	122,112	122,112
Debt service	-	-	-	-	-	-	-	8,828	8,828
Totals	$ 3,037,346	$ 5,906,322	$ 426,541	$ 495,393	$ 243,545	$ 90,368	$ 1,037,528	$ 382,935	$ 11,619,978

(Continued)

NOTE 18 - FUND RAISING EXPENSES

Fundraising expenses, for the years ended June 30, 2018 and 2017, consist of the following:

	2018	2017
Fund raising management	$ 154,730	$ 174,321
Fund raising operations	372,564	296,647
Comprehensive campaign	-	82,904
Fund raising support operations	361,659	282,984
Alumni relations	201,184	200,672
Totals	$ 1,090,137	$ 1,037,528

The Foundation partially supports the University's fundraising efforts by underwriting the costs of several of its fund raising functions within the University's Advancement Division, as well as areas supporting those functions. Included in these functions are annual appeals, corporate and foundation relations, major donor cultivation, donor recognition events, planned giving, gift entry and donor database management.

The salaries and benefits of development officers assigned to several of the University's colleges and schools, as well as some of their operational costs, are partially offset by the Foundation.

The Foundation also underwrites the costs of University events that enhance relations with the University community and its donors as well as costs associated with conducting the University's latest fundraising campaign which ended June 30, 2017.

NOTE 19 - MANAGEMENT AND GENERAL EXPENSES

Management and general expenses, for the years ended June 30, 2018 and 2017, consist of the following:

	2018	2017
Building operation and maintenance	$ 129,001	$ 105,214
Professional fees	80,550	82,868
Insurance	21,080	21,080
Board/committee meetings	9,392	29,608
Loan interest	6,726	8,828
Depreciation	122,112	122,112
Other	13,931	13,225
Totals	$ 382,792	$ 382,935

The Foundation underwrites those costs associated with its operation as a separately incorporated entity. The largest share of those costs relates to its ownership of a building that was purchased in November 2012 to house its administrative offices as well as offices of the University's Advancement Division. Other significant expense categories include professional contracts for legal, tax and auditing services,

(Continued)

insurance related to Foundation operations, meetings of the Foundation Board of Trustees and its related committees, and credit card processing fees.

NOTE 20 – FUTURE ACCOUNTING PRONOUNCEMENTS

Revenue Recognition

The Financial Accounting Standards Board amended its standards related to revenue recognition. This amendment replaces all existing revenue recognition guidance and provides a single, comprehensive revenue recognition model for all contracts with customers. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of the time value of money in the transaction price and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances.

The amendment also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in those judgments and assets recognized from costs incurred to fulfill a contract. The standard allows either full or modified retrospective adoption effective for annual periods beginning after December 15, 2018, for nonpublic entities (December 15, 2017, for not-for-profits that are conduit debt obligors), and any interim periods within annual reporting periods that begin after December 15, 2019, for nonpublic entities (December 15, 2018, for not-for-profits that are conduit debt obligors). The Foundation is in the process of evaluating the impact the amendment will have on the consolidated financial statements.

Presentation of Financial Statements for Not-for-Profit Entities

The Financial Accounting Standards Board recently issued Accounting Standards Update (ASU) No. 2016-14, Presentation of Financial Statements of Not-for-Profit Entities, which changes requirements for financial statements and notes of all not-for-profit (NFP) entities and is effective for fiscal years beginning after December 15, 2017.

A summary of the changes by financial statement area most relevant to the Association are as follows:

Statement of financial position:

- The statement of financial position will distinguish between two new classes of net assets - those with donor-imposed restrictions and those without. This is a change from the previously required three classes of net assets - unrestricted, temporarily restricted and permanently restricted.

Statement of activities:

- Expenses are reported by both nature and function in one location.
- Investment income is shown net of external and direct internal investment expenses. Disclosure of the expenses netted against investment income is no longer required.

Notes to the financial statements:

- Enhanced quantitative and qualitative disclosures provide additional information useful in assessing liquidity and cash flows available to meet operating expenses for one-year from the date of the statement of financial position.

(Continued)

NOTE 20 – FUTURE ACCOUNTING PRONOUNCEMENTS (Continued)

- Amounts and purposes of governing Board designations and appropriations as of the end of the period are disclosed.

The Foundation is in the process of evaluating the impact the amendment will have on the consolidated financial statements.

Accounting for Leases

The Financial Accounting Standards Board amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the balance sheet as both a right-of-use asset and a liability. The standard has two types of leases for income statement recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement. The new standard is effective for annual periods beginning after December 15, 2019, and any interim periods within annual reporting periods that begin after December 15, 2019. The Foundation is evaluating the impact the standard will have on the consolidated financial statements.

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SUPPLEMENTARY INFORMATION

WRIGHT STATE UNIVERSITY FOUNDATION, INC.
SUMMARY OF TOTAL REVENUES (Unaudited)
For the ten years ended June 30, 2009 to 2018

	Gifts and Contributions				Investment Earnings					
Fiscal Year	Unrestricted	Temporarily Restricted	Permanently Restricted	Subtotal	Interest and Dividends	Realized Gains (Losses)	Unrealized Gains (Losses)	Subtotal	Other Income (Losses)	Total Revenues
2009	79,194	4,580,326	230,501	4,890,021	2,356,165	(3,228,364)	(18,028,546)	(18,900,745)	4,259,426	(9,751,298)
2010	59,046	9,694,617	2,072,392	11,826,055	3,152,713	(1,353,331)	10,539,275	12,338,657	(113,727)	24,050,985
2011	64,957	4,059,628	671,525	4,796,110	2,509,261	(3,917,350)	17,345,741	15,937,652	404,331	21,138,093
2012	97,681	3,830,952	898,684	4,827,317	2,272,173	628,997	(1,916,361)	984,809	15,750	5,827,876
2013	53,291	5,864,390	1,371,014	7,288,695	2,652,887	1,064,618	5,663,769	9,381,274	483,463	17,153,432
2014	196,863	5,729,298	3,561,241	9,487,402	1,426,786	1,480,018	9,356,875	12,263,679	1,047,371	22,798,452
2015	147,684	9,891,739	1,532,764	11,572,187	2,738,783	5,833,612	(6,173,070)	2,399,325	268,332	14,239,844
2016	151,419	8,379,149	878,006	9,408,574	6,409,866	1,284,952	(9,851,700)	(2,156,882)	111,079	7,362,771
2017	154,978	3,546,500	568,021	4,269,499	2,523,002	449,610	8,979,369	11,951,981	330,591	16,552,071
2018	146,034	3,546,470	1,198,893	4,891,397	3,905,611	1,765,292	1,592,066	7,262,969	318,301	12,472,667

WRIGHT STATE UNIVERSITY FOUNDATION, INC.
SUMMARY OF TOTAL EXPENSES BY SERVICE AREA (Unaudited)
For the ten years ended June 30, 2009 to 2018

	Program Services									
Fiscal Year	Scholarships	University Programs	Athletic Programs	Research	Miscellaneous Grants	Other	Subtotal	Fund Raising	Management and General	Total Expenses
2009	2,831,997	7,555,156	371,231	814,602	58,062	(10,800)	11,620,248	891,351	106,868	12,618,467
2010	2,486,494	6,161,392	472,485	766,938	84,697	8,800	9,980,806	604,006	336,902	10,921,714
2011	2,264,720	3,029,763	488,515	500,969	89,310	(20,900)	6,352,377	653,096	360,598	7,366,071
2012	2,420,055	3,193,474	441,574	371,322	66,783	11,500	6,504,708	738,382	330,169	7,573,259
2013	3,010,581	3,099,999	830,817	306,240	79,844	19,900	7,347,381	696,784	170,212	8,214,377
2014	2,765,129	2,835,724	433,417	587,103	324,967	11,400	6,957,740	1,215,032	601,251	8,774,023
2015	3,053,382	4,026,473	677,883	538,708	1,082,706	19,300	9,398,452	1,599,698	399,267	11,397,417
2016	3,368,276	5,707,199	383,793	479,000	595,295	10,400	10,543,963	1,415,946	405,999	12,365,908
2017	3,037,346	5,906,322	426,541	495,393	243,545	90,368	10,199,515	1,037,528	382,935	11,619,978
2018	3,329,309	5,504,557	179,346	728,228	185,156	(18,900)	9,907,696	1,090,137	382,792	11,380,625

WRIGHT STATE UNIVERSITY FOUNDATION, INC.
SUMMARY OF TOTAL EXPENSES BY OBJECT CATEGORY (Unaudited)
For the ten years ended June 30, 2009 to 2018

Fiscal Year	Salaries and Wages	Employee Benefits	Professional Services	Supplies	Travel	Information and Communications	Maintenance and Repair	Student Financial Aid	Other	Capital Purchases/ Depreciation	Debt Service	Total Expenses
2009	2,923,130	772,321	946,108	221,206	661,303	450,117	21,951	3,043,141	148,957	3,418,813	11,420	12,618,467
2010	2,874,971	751,374	911,478	330,771	487,274	441,085	75,452	2,709,010	191,031	2,145,335	3,933	10,921,714
2011	1,857,754	488,013	928,456	185,941	439,210	531,694	148,087	2,384,496	150,503	250,454	1,463	7,366,071
2012	1,543,539	342,687	828,228	305,640	622,346	416,519	88,790	2,503,326	154,222	767,962	-	7,573,259
2013	1,402,191	358,852	439,714	309,649	566,618	345,520	255,852	3,038,026	166,763	1,329,603	1,589	8,214,377
2014	1,416,101	407,065	1,367,097	449,479	638,517	671,974	324,946	2,820,222	181,338	486,855	10,429	8,774,023
2015	1,936,174	504,022	2,101,344	350,743	784,954	739,224	273,553	3,246,465	449,886	1,001,720	9,332	11,397,417
2016	1,909,523	533,245	2,186,118	519,961	709,340	811,880	273,694	3,613,933	140,652	1,658,991	8,571	12,365,908
2017	2,100,559	541,860	2,358,551	537,301	904,218	701,342	256,343	3,233,209	207,629	770,138	8,828	11,619,978
2018	3,071,507	716,724	1,236,639	437,562	981,476	898,698	141,926	3,561,554	59,418	268,395	6,726	11,380,625

WRIGHT STATE UNIVERSITY FOUNDATION, INC.
SUMMARY OF TOTAL ASSETS (Unaudited)
June 30, 2009 to 2018

Fiscal Year	Cash and Equivalents	Net Pledges Receivable	Receivable from Trusts	Investments	Annuity Assets	Capital Assets	Other Assets	Total Assets
2009	2,453,452	6,616,800	1,495,300	72,717,984	786,367	650,000	333,693	85,053,596
2010	2,139,175	7,416,300	1,305,300	85,930,565	179,991	-	462,629	97,433,960
2011	5,355,232	5,167,500	1,545,600	98,115,756	222,680	-	786,384	111,193,152
2012	1,654,245	4,414,400	1,414,100	101,900,059	215,276	-	670,526	110,268,606
2013	1,236,709	5,817,300	1,277,300	109,106,459	252,637	1,482,267	711,127	119,883,799
2014	3,273,096	6,440,300	1,326,100	119,335,746	815,123	2,674,455	853,616	134,718,436
2015	1,578,574	11,329,600	1,394,640	118,953,828	706,048	2,604,131	836,236	137,403,057
2016	1,049,283	12,381,300	1,314,700	112,339,191	744,395	2,532,135	1,707,219	132,068,223
2017	3,751,810	9,980,600	1,410,200	117,227,326	815,586	2,410,023	1,641,040	137,236,585
2018	2,403,792	7,616,900	1,529,900	118,974,016	837,991	2,287,911	3,290,261	136,940,771

WRIGHT STATE UNIVERSITY FOUNDATION, INC.
SUMMARY OF TOTAL LIABILITIES AND NET ASSETS (Unaudited)
June 30, 2009 to 2018

	LIABILITIES					NET ASSETS			
Fiscal Year	Payable to WSU and Vendors	Deposits Held for Others	Annuities Payable	Loans Payable	Total Liabilities	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Assets
2009	1,172,156	1,010,742	610,700	400,000	3,193,598	(587,609)	50,013,826	32,433,781	81,859,998
2010	1,023,658	1,096,633	124,400	200,000	2,444,691	1,799,353	58,594,379	34,595,537	94,989,269
2011	1,021,199	1,277,662	133,000	-	2,431,861	5,107,510	68,175,298	35,478,483	108,761,291
2012	1,191,983	1,926,215	134,500	-	3,252,698	5,260,177	65,535,744	36,219,987	107,015,908
2013	1,085,094	1,912,842	130,900	800,000	3,928,836	7,364,390	70,848,409	37,742,164	115,954,963
2014	1,390,264	1,997,880	350,900	1,000,000	4,739,044	9,318,236	79,199,828	41,461,328	129,979,392
2015	1,425,543	2,026,895	328,800	800,000	4,581,238	7,623,690	82,213,309	42,984,920	132,821,919
2016	1,339,736	1,957,705	352,100	600,000	4,249,541	5,204,186	78,655,374	43,959,122	127,818,682
2017	1,654,727	2,056,483	374,600	400,000	4,485,810	7,549,356	80,664,493	44,536,926	132,750,775
2018	702,464	2,013,390	382,100	-	3,097,954	8,676,861	79,289,590	45,876,366	133,842,817

WRIGHT STATE UNIVERSITY FOUNDATION, INC.
SUMMARY OF NET ASSET RESTRICTIONS AND DESIGNATIONS (Unaudited)
June 30, 2009 to 2018

Fiscal Year	Scholarships	University Programs	Athletic Programs	Research	Market Stabilization	Debt Guaranty	Undesignated	Total Net Assets
2009	29,121,590	44,102,948	32,279	9,750,145	745,187	-	(1,892,151)	81,859,998
2010	33,176,487	50,722,858	21,491	9,850,078	769,218	-	449,137	94,989,269
2011	36,818,929	56,946,708	81,009	10,393,879	980,076	600,000	2,940,690	108,761,291
2012	35,764,132	56,639,070	84,017	9,854,035	1,035,199	600,000	3,039,455	107,015,908
2013	38,445,069	60,639,894	116,357	9,970,803	1,058,405	600,000	5,124,435	115,954,963
2014	42,601,565	65,584,260	124,848	12,933,332	1,099,978	600,000	7,035,409	129,979,392
2015	44,525,336	68,187,153	128,390	12,941,749	1,118,077	600,000	5,321,114	132,821,819
2016	44,107,920	66,436,910	140,297	12,513,350	645,866	600,000	3,374,339	127,818,682
2017	46,609,113	66,667,777	184,459	12,324,784	1,168,147	600,000	5,196,495	132,750,775
2018	47,232,834	66,226,611	489,987	11,793,180	1,185,422	600,000	6,314,783	133,842,817

WRIGHT STATE UNIVERSITY FOUNDATION, INC.
SUMMARY OF UNRESTRICTED GENERAL FUND REVENUES (Unaudited)
For the ten years ended June 30, 2009 to 2018

Fiscal Year	Gifts and Contributions	Interest and Dividends	Realized Gains (Losses)	Unrealized Gains (Losses)	Administrative Fees	Change in Value of Split Interest Agreements	Rental Income	Other Income (Expense)	Totals
2009	79,194	296,691	(420,263)	(1,066,001)	491,195	(38,200)	-	55,346	(602,038)
2010	59,046	379,138	(42,034)	794,868	549,658	-	-	91,658	1,832,334
2011	64,957	728,929	233,966	2,630,284	642,596	-	-	145,160	4,445,892
2012	97,681	743,015	46,662	(423,384)	745,347	-	-	156,652	1,365,973
2013	53,291	828,296	31,276	1,202,341	744,983	-	41,589	284,716	3,186,492
2014	196,863	460,996	679,392	1,833,180	819,068	-	132,553	88,662	4,210,714
2015	147,685	802,712	1,806,404	(2,370,247)	871,936	-	185,350	62,247	1,506,087
2016	151,419	1,617,594	(85,005)	(2,626,802)	845,485	-	188,603	16,897	108,191
2017	154,978	735,760	217,475	2,145,521	782,438	-	74,096	32,948	4,143,216
2018	146,034	1,056,778	470,442	172,558	838,811	-	74,678	107,747	2,867,048

WRIGHT STATE UNIVERSITY FOUNDATION, INC.
SUMMARY OF UNRESTRICTED GENERAL FUND EXPENSES (Unaudited)
For the ten years ended June 30, 2009 to 2018

	Program Services		Fund Raising				Management and General						
Fiscal Year	Scholarships	Grants	Development Support	In-college Development Officers	Advancement Services Support	Other Fund Raising[1]	Reimbursement for University Staff Support	Building Operation/ Maintenance	Pro-fessional Fees	Loan Interest	Depre-ciation	Other Management and General[2]	Totals
2009	33,626	58,062	372,776	164,599	179,085	174,891	- [3]	-	26,936	11,420	-	57,712	1,079,107
2010	31,800	84,697	166,671	195,846	165,085	76,404	141,615 [4]	-	122,032	3,933	-	78,122	1,066,205
2011	22,920	89,310	406,673	73,678	80,166	92,579	159,038 [4]	-	162,828	1,463	-	16,369	1,105,024
2012	30,998	66,783	308,083	79,117	83,293	267,889	200,000	-	96,690	-	-	44,979	1,177,832
2013	34,050	79,844	437,873	97,099	82,550	79,262	- [3]	83,302	34,106	1,589	9,399	61,716	1,000,790
2014	28,300	324,967	656,628	95,134	112,428	350,842	250,000	154,631	57,518	10,429	67,842	72,231	2,180,950
2015	29,430	1,082,706	445,285	72,203	93,759	988,451	- [3]	149,299	70,377	9,332	116,887	72,672	3,130,401
2016	32,660	595,295	488,104	98,590	118,533	710,719	- [3]	134,986	70,232	8,571	119,500	83,110	2,460,300
2017	30,600	243,545	649,429	76,145	156,182	155,772	- [3]	105,214	82,868	8,828	122,112	179,181	1,809,876
2018	34,059	185,156	771,675	51,448	237,661	29,353	- [3]	129,001	80,550	6,726	122,112	44,303	1,692,044

[1] Includes expenses related to donor and community events, donor recognition efforts and campaign planning/execution.
[2] Includes expenses related to board/committee meetings, insurance, property taxes and changes in allowance for uncollectible pledges receivable.
[3] Wright State agreed to waive the annual reimbursement.
[4] In FY10 and FY11, in lieu of it's reimbursement payment to the University, the Foundation reimbursed the University for separation incentives paid to three Advancement employees.

WRIGHT STATE UNIVERSITY FOUNDATION, INC.
SUMMARY OF VARIOUS INVESTMENT DATA (Unaudited)
For the ten years ended June 30, 2009 to 2018

Fiscal	Actual Year-End Asset Allocation Percentages				Endowment Portfolio Liquidity				Total Net	Investment	Endowed Pool		Non-endowed Pool	
Year	Equities	Fixed Income	Alternatives	Cash	Daily	Quarterly	Semi-annually	Illiquid	Return	Fees	Return	Index	Return	Index
2009	49.3%	28.7%	22.0%	0.0%	n/a	n/a	n/a	n/a	(18,900,745)	384,103	-21.9%	-16.9%	-16.2%	-13.2%
2010	46.9%	28.8%	24.3%	0.0%	n/a	n/a	n/a	n/a	12,338,657	450,378	19.4%	11.9%	15.1%	14.5%
2011	42.1%	29.6%	25.0%	3.3%	n/a	n/a	n/a	n/a	15,937,652	510,091	20.2%	20.2%	18.6%	17.4%
2012	40.8%	35.4%	23.8%	0.0%	76.2%	20.0%	0.0%	3.8%	984,809	536,514	0.7%	1.4%	1.8%	2.4%
2013	47.5%	32.6%	19.9%	0.0%	80.2%	9.4%	0.0%	10.4%	9,381,274	590,377	10.4%	10.5%	8.2%	8.0%
2014	46.9%	34.7%	18.4%	0.0%	81.6%	8.8%	0.0%	9.6%	12,263,679	702,027	12.0%	12.6%	11.7%	10.8%
2015	44.6%	31.1%	24.3%	0.0%	75.7%	9.2%	7.4%	7.7%	2,399,325	726,254	2.3%	1.4%	1.3%	1.1%
2016	49.2%	33.7%	16.3%	0.8%	83.7%	0.0%	6.9%	9.4%	(2,156,882)	784,436	-2.5%	0.8%	-0.9%	1.8%
2017	51.2%	32.5%	16.3%	0.0%	80.1%	0.0%	8.0%	11.9%	11,951,981	801,708	12.1%	11.3%	9.8%	8.9%
2018	47.4%	34.3%	18.3%	0.0%	78.3%	0.0%	7.8%	13.9%	7,262,969	769,099	6.5%	7.0%	5.7%	5.8%

WRIGHT STATE UNIVERSITY FOUNDATION, INC.
SUMMARY OF VARIOUS ENDOWMENT DATA (Unaudited)
For the ten years ended June 30, 2009 to 2018

Fiscal Year	Number of True and Quasi-Endowment Funds	Endowment Value: Donor Restricted	Endowment Value: Board Designated	Endowment Value: Total Value	Nominal Spending Rate[1]	Effective Spending Rate[2]	Endowment Distributions
2009	319	n/a	n/a	n/a	5.00%	4.17%	3,403,180
2010	328	n/a	n/a	$ 68,860,221	5.00%	5.18%	3,110,279
2011	345	$ 43,872,973	$ 35,729,204	79,602,177	5.00%	4.57%	3,195,177
2012	362	42,718,156	34,254,094	76,972,250	5.00%	4.69%	3,615,410
2013	384	46,010,571	38,185,273	84,195,844	5.00%	4.94%	3,725,624
2014	415	52,165,791	41,245,973	93,411,764	5.00%	4.80%	3,821,472
2015	441	52,250,320	39,900,059	92,150,379	5.00%	4.78%	4,126,210
2016	465	49,465,601	35,343,263	84,808,864	5.00%	5.16%	4,464,361
2017	486	52,624,936	37,161,431	89,786,367	5.00%	5.20%	4,299,241
2018	505	54,712,947	37,599,344	92,312,291	4.50%	4.13%	3,529,041

[1] As defined by Foundation's investment policy statement

[2] Defined as annual endowment distribution divided by market value of endowment portfolio on July 1

WRIGHT STATE UNIVERSITY FOUNDATION, INC.
SUMMARY OF FINANCIAL RATIOS (Unaudited)
For the ten years ended June 30, 2009 to 2018

Fiscal Year	Current Ratio	Days Cash on Hand	Return on Average Net Assets	Program Spending Ratio	Fund Raising Spending Ratio	Interest Expense Pct.
2009	4.19	70.97	-24.04%	92.17%	7.06%	2.28%
2010	4.16	71.49	14.85%	91.30%	5.53%	0.98%
2011	7.52	265.36	13.52%	86.52%	8.87%	0.73%
2012	3.21	79.73	-1.62%	85.74%	9.75%	0.00%
2013	3.24	54.95	8.02%	89.20%	8.48%	0.00%
2014	3.36	136.16	11.41%	79.17%	13.85%	0.01%
2015	3.24	50.55	2.16%	82.29%	14.04%	0.01%
2016	3.63	30.97	-3.84%	85.27%	11.45%	0.01%
2017	3.81	117.85	3.79%	87.78%	8.93%	0.01%
2018	8.91	77.09	0.82%	87.06%	9.58%	0.02%

Date of incorporation	December 15, 1966
Tax-exempt status	501(c)(3)
Public charity status	Sec. 170(b)(1)(A)(vi)
Employer identification number	23-7019799
Wright State University	
Date founded	1964
Date achieved independent university status	1967
Tax-exempt status	501(c)(1)
Employer identification number	31-0732831
Student population (Fall 2017):	
Total enrollment (some students attend both campuses)	17,108
Dayton Campus	15,928
Lake Campus	1,426
Characteristics:	
Men/women	47%/53%
Full-time/part-time	76%/24%
Undergraduate/Graduate/Doctoral	78%/17%/5%
International students	7%
Minority students (excludes international students)	20%
Age 25 and older	29%
Mean age, all students	24 years
Academics:	
Number of colleges	8
Number of schools	3
Degree programs:	
Undergraduate	150
Graduate	145
Full time employees:	
Faculty	824
Staff	1,311
Total	2,135
Facilities:	
Dayton Campus:	
Acreage	557
Academic and academic support buildings	32
Student residential buildings	30
Lake Campus:	
Acreage	211
Academic and academic support buildings	4
Student residential buildings	3
Number of degrees awarded since inception	123,620
Research grant awards	$94,046,819
Annual full-time undergraduate tuition (Ohio resident)	$8,730

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BKD LLP
CPAs & Advisors

312 Walnut Street, Suite 3000 // Cincinnati, OH 45202-4025
513.621.8300 // fax 513.621.8345 // bkd.com

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditor's Report

Audit Committee of the Board of Trustees
Wright State University Foundation, Inc.
Dayton, Ohio

We have audited, 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, the consolidated financial statements of Wright State University Foundation, Inc. (Foundation), which comprise the consolidated statement of financial position as of June 30, 2018, and the related consolidated statements of activities and cash flows for the year then ended and the related notes to the consolidated financial statements and have issued our report thereon dated October 11, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Foundation's consolidated financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated 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 or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the Foundation's management in a separate letter dated October 11, 2018.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Cincinnati, Ohio
October 11, 2018

WRIGHT STATE UNIVERSITY FOUNDATION

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 27, 2018

88 East Broad Street, Fourth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-4514 or 800-282-0370 Fax: 614-466-4490
www.ohioauditor.gov