

**Wright State University
Foundation, Inc.**

**Report on Audit of Financial Statements
For the years ended June 30, 2002 and 2001**



**Auditor of State
Betty Montgomery**

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

We have reviewed the Independent Auditor's Report of the Wright State University Foundation, Inc., Greene County, prepared by PricewaterhouseCoopers LLC, for the audit period July 1, 2001 through June 30, 2002. 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.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

March 14, 2003

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Report of Independent Accountants

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

In our opinion, the accompanying statement of financial position and the related statements of activities and of cash flows present fairly, in all material respects, the financial position of Wright State University Foundation, Inc. (the "Foundation") at June 30, 2002, and its activities and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of Foundation's management; our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements 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, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion. The financial statements of the Foundation as of June 30, 2001 and for the year then ended were audited by other independent accountants whose report dated September 28, 2001 expressed an unqualified opinion on those statements.

In accordance with Government Auditing Standards, we have also issued our report dated September 12, 2002 on our consideration of Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

PricewaterhouseCoopers LLP

September 12, 2002

WRIGHT STATE UNIVERSITY FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION AS OF JUNE 30, 2002 AND 2001

	<u>2002</u>	<u>2001</u>
ASSETS		
Cash and cash equivalents	\$ 832,781	\$ 262,718
Pledges receivable (net)	3,138,200	4,070,100
Gifts receivable from trusts held by others	1,817,800	1,595,000
Investment in securities	33,935,149	36,177,399
Other investments	206,224	216,170
Land held for development	650,000	650,000
Cash surrender value of life insurance policies	58,704	58,460
Annuity assets	24,669	8,288
Other assets	143,135	190,489
TOTAL ASSETS	<u>\$ 40,806,662</u>	<u>\$ 43,228,624</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable:		
Wright State University	\$698,458	\$643,572
Trade and other	74,566	77,638
Deposits held in custody for others	599,638	622,879
Annuities payable	16,700	4,900
Loan payable	1,299,605	1,359,605
TOTAL LIABILITIES	<u>2,688,967</u>	<u>2,708,594</u>
NET ASSETS:		
Unrestricted:		
Designated	454,213	1,406,005
Undesignated	(242,313)	211,560
Total unrestricted	<u>211,900</u>	<u>1,617,565</u>
Temporarily restricted	22,303,736	24,118,235
Permanently restricted	15,602,059	14,784,230
TOTAL NET ASSETS	<u>38,329,595</u>	<u>40,520,030</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 41,018,562</u>	<u>\$ 43,228,624</u>

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

WRIGHT STATE UNIVERSITY FOUNDATION, INC.

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2002

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
REVENUE AND OTHER SUPPORT:				
Gifts and contributions	\$ 20,266	\$ 4,356,551	\$ 808,738	\$ 5,185,555
Investment earnings:				
Interest and dividends	241,285	620,431	-	861,716
Net realized and unrealized losses	(628,643)	(2,588,391)	-	(3,217,034)
Administrative fee charged to certain restricted accounts	281,995	(281,995)	-	-
Other income (expense)	(3,275)	31,242	(1,626)	26,341
Net assets released from restrictions	3,941,620	(3,941,620)	-	-
Change in donor restrictions	-	(10,717)	10,717	-
Total revenue and other support	<u>3,853,248</u>	<u>(1,814,499)</u>	<u>817,829</u>	<u>2,856,578</u>
EXPENSES:				
Program services:				
Scholarships	1,396,099	-	-	1,396,099
Academic programs	2,631,744	-	-	2,631,744
Athletic programs	277,603	-	-	277,603
Research	174,802	-	-	174,802
Miscellaneous grants	44,641	-	-	44,641
Fund raising	259,540	-	-	259,540
Management and general	474,484	-	-	474,484
Total expenses	<u>5,258,913</u>	<u>-</u>	<u>-</u>	<u>5,258,913</u>
CHANGE IN NET ASSETS	(1,405,665)	(1,814,499)	817,829	(2,402,335)
NET ASSETS				
Beginning of year	<u>1,617,565</u>	<u>24,118,235</u>	<u>14,784,230</u>	<u>40,520,030</u>
End of year	<u>\$ 211,900</u>	<u>\$ 22,303,736</u>	<u>\$ 15,602,059</u>	<u>\$ 38,117,695</u>

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

WRIGHT STATE UNIVERSITY FOUNDATION, INC.

STATEMENTS OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2001

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
REVENUE AND OTHER SUPPORT:				
Gifts and contributions	\$ 319,891	\$ 3,898,323	\$ 808,877	\$ 5,027,091
Investment earnings:				
Interest and dividends	357,486	759,665	-	1,117,151
Net realized and unrealized losses	(555,613)	(1,560,029)	-	(2,115,642)
Administrative fee charged to certain restricted accounts	291,453	(291,453)	-	-
Other income (expense)	(31,321)	(34,218)	3,942	(61,597)
Net assets released from restrictions	3,571,681	(3,571,681)	-	-
Change in donor restrictions	-	(83,993)	83,993	-
Total revenue and other support	<u>3,953,577</u>	<u>(883,386)</u>	<u>896,812</u>	<u>3,967,003</u>
EXPENSES:				
Program services:				
Scholarships	1,382,375	-	-	1,382,375
Academic programs	1,642,077	-	-	1,642,077
Athletic programs	322,412	-	-	322,412
Research	198,278	-	-	198,278
Miscellaneous grants	75,929	-	-	75,929
Fund raising	224,249	-	-	224,249
Management and general	628,385	-	-	628,385
Total expenses	<u>4,473,705</u>	<u>-</u>	<u>-</u>	<u>4,473,705</u>
CHANGE IN NET ASSETS	(520,128)	(883,386)	896,812	(506,702)
NET ASSETS				
Beginning of year	<u>2,137,693</u>	<u>25,001,621</u>	<u>13,887,418</u>	<u>41,026,732</u>
End of year	<u>\$ 1,617,565</u>	<u>\$ 24,118,235</u>	<u>\$ 14,784,230</u>	<u>\$ 40,520,030</u>

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

WRIGHT STATE UNIVERSITY FOUNDATION, INC.

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2002 AND 2001

	<u>2002</u>	<u>2001</u>
OPERATING ACTIVITIES		
Change in net assets	\$ (2,402,335)	\$ (506,702)
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Net realized and unrealized losses	3,217,034	2,115,642
Gifts and contributions received for permanently restricted accounts	(808,738)	(808,877)
Decrease in pledges receivable (net)	931,900	30,000
Increase in gifts receivable from trusts held by others	(222,800)	(460,000)
(Increase) decrease in cash surrender value of life insurance policies	(244)	6,649
Increase in annuity assets	(16,381)	(8,288)
Decrease in other assets	47,354	68,738
Increase (decrease) in accounts payable	51,814	(116,173)
Decrease in pledge payable to Wright State University	-	(38,744)
Decrease in deposits held in custody for others	(23,241)	(153,296)
Increase in annuities payable	11,800	4,900
	<u>786,163</u>	<u>133,849</u>
Net cash provided by operating activities		
INVESTING ACTIVITIES:		
Cash paid for investments	(3,003,814)	(10,810,438)
Cash received from investments	2,038,976	9,944,394
	<u>(964,838)</u>	<u>(866,044)</u>
Net cash used in investing activities		
FINANCING ACTIVITIES:		
Gifts and contributions received for permanently restricted accounts	808,738	808,877
Proceeds from loan payable	-	38,349
Payments on loan payable	(60,000)	(140,000)
	<u>748,738</u>	<u>707,226</u>
Net cash provided by financing activities		
INCREASE (DECREASE) IN CASH AND EQUIVALENTS	570,063	(24,969)
CASH AND EQUIVALENTS - Beginning of year	262,718	287,687
CASH AND EQUIVALENTS - End of year	<u>\$ 832,781</u>	<u>\$ 262,718</u>
Cash paid during the year for interest	<u>\$ 44,340</u>	<u>\$ 100,976</u>

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

WRIGHT STATE UNIVERSITY FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

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 October of 2000. Overall policy direction is provided by a board of 25 – 35 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 Controllers’ Office, 301 University Hall, 3640 Colonel Glenn Highway, Dayton, Ohio 45435-0001.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

In accord with generally accepted accounting principles as applied to not-for-profit organizations, the 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 and reporting principles for not-for-profit entities. 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.

Cash and equivalents

The Foundation considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

Pledges Receivable

Unconditional pledges are recorded in the period that the pledges are received. Conditional pledges are recorded in the period in which the conditions have been met. Funds from pledges to be collected in future years are recorded at net present value. All pledges are presented net of an allowance for doubtful collections.

Gifts Receivable from Trusts Held by Others

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 amortization of the discount, revaluation of the present value of the estimated future payments to the donor-

WRIGHT STATE UNIVERSITY FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

designated beneficiaries and changes in actuarial assumptions during the term of the trust will be recognized as changes in the value of the asset.

Investments in Securities

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

Land Held for Development

Land owned by the Foundation consists primarily of lots adjacent to the University that are carried at historical cost.

Annuity Assets/Payable

Under charitable gift annuity agreements, the Foundation has recorded the donated assets at fair value and the liabilities to the donor 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.

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 investment earnings.

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 expire 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 gifts that have been designated as quasi-endowments 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 quasi-endowments was not explicitly designated by the donors, the reinvested earnings cannot be classified as permanently restricted under generally accepted accounting principles as applied to not-for-profit organizations.

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

WRIGHT STATE UNIVERSITY FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

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 market 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.

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.

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 statement of activities as net assets released from restrictions.

Estimates

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

Reclassifications

Certain reclassifications have been made to conform data in the accompanying prior year financial statements to the current year's presentation.

3. CONCENTRATIONS OF CREDIT RISK

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

Investments are managed by professional investment management companies based on recommendations by the Foundation's investment consultant. Each investment manager is

WRIGHT STATE UNIVERSITY FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

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.

4. PLEDGES RECEIVABLE

Pledges receivable at June 30, 2002 and 2001, by fund type, are as follows:

	2002			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Less than one year	\$ 8,900	\$ 1,435,500	\$ 219,300	\$ 1,663,700
One to five years	18,300	1,310,700	216,300	1,545,300
Gross pledges receivable	27,200	2,746,200	435,600	3,209,000
Allowance for uncollectible pledges	(2,700)	(56,500)	(11,600)	(70,800)
Pledges receivable (net)	<u>\$ 24,500</u>	<u>\$ 2,689,700</u>	<u>\$ 424,000</u>	<u>\$ 3,138,200</u>

	2001			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Less than one year	\$ 44,000	\$ 1,413,000	\$ 582,000	\$ 2,039,000
One to five years	29,000	1,914,000	180,000	2,123,000
Gross pledges receivable	73,000	3,327,000	762,000	4,162,000
Allowance for uncollectible pledges	(2,300)	(82,800)	(6,800)	(91,900)
Pledges receivable (net)	<u>\$ 70,700</u>	<u>\$ 3,244,200</u>	<u>\$ 755,200</u>	<u>\$ 4,070,100</u>

The fair value of pledges receivable was determined using a discount rate of 4.1% and 5.0% as of June 30, 2002 and 2001, respectively.

5. 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

WRIGHT STATE UNIVERSITY FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

discount rates the year in which the trust was established, and range from 4.09% to 6.18%. The balances at June 30, 2002 and 2001, by fund type, are as follows:

	2002	2001
Unrestricted	\$ 210,000	\$ 210,000
Temporarily restricted	927,800	735,000
Permanently restricted	<u>680,000</u>	<u>650,000</u>
Totals	<u>\$ 1,817,800</u>	<u>\$ 1,595,000</u>

6. INVESTMENT IN SECURITIES

The cost and fair value of the Foundation's investments, at June 30, 2002 and 2001, are as follows:

	<u>2002</u>		<u>2001</u>	
	Cost	Fair Value	Cost	Fair Value
Money market funds	\$ 118,596	\$ 118,596	\$ 169,957	\$ 169,957
Common stock	1,947,839	1,717,154	1,883,683	2,066,054
Mutual funds:				
Equity	23,578,269	19,204,641	22,379,275	20,965,307
Fixed income	<u>12,392,423</u>	<u>12,894,758</u>	<u>12,491,124</u>	<u>12,976,081</u>
Totals	<u>\$ 38,037,127</u>	<u>\$ 33,935,149</u>	<u>\$ 36,924,039</u>	<u>\$ 36,177,399</u>

Net realized gains on sales of investments were \$319,017 and \$1,172,759 for the years ended June 30, 2002 and 2001, respectively. Calculation of net realized gains on sales of investments is based on original cost.

7. OTHER INVESTMENTS

The Foundation has purchased partnership interests in two local venture capital funds, the Miami Valley Venture Fund I (MVVFI) and the Miami Valley Venture Fund II (MVVFII). Both funds were established with the purpose of making venture capital investments in privately held regional and national corporations. Both interests required a commitment of \$250,000; the commitment to MVVFI was completed during the current fiscal year, while the commitment to MVVFII has a balance remaining of \$207,500. The Foundation accounts for the investments under the equity method. Its equity interest in the funds is \$206,224 and \$216,170 at June 30, 2002 and 2001, respectively. The allocated loss from the funds for 2002 and 2001 was \$64,946 and \$294,418, respectively.

WRIGHT STATE UNIVERSITY FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

8. OTHER ASSETS

Other assets include unrestricted funds set aside for a specific group of University students to invest in order 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, 2002 and 2001 was \$102,460 and \$108,773, respectively. Earnings generated from the project are included in other income. Total loss from 2002 and 2001 was \$6,313 and \$93,765, respectively.

9. 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. As of June 30, 2002 and 2001, the balance of these deposits was \$599,638 and \$622,879, respectively.

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, 2002 and 2001, the balance owed to the University was \$698,458 and \$643,572, respectively.

11. LOAN PAYABLE

The Foundation has a line-of-credit agreement with a bank that provides up to \$1.5 million of borrowings at the bank’s prime rate or LIBOR, plus 0.75% (2.59% and 4.81% at June 30, 2002 and 2001, respectively). The line of credit expires June 30, 2004, with an option to extend. The line-of-credit is collateralized with the Foundation’s investments. Outstanding borrowings under the agreement totaled \$1,299,605 and \$1,359,605 at June 30, 2002 and 2001, respectively.

Borrowings under the line-of-credit were used to fund the \$1.5 million grant made in 1999 to the University for the construction of the initial phase of a baseball stadium. The University has expressed an intent to fundraise the total amount of the \$1.5 million grant and all associated costs (including interest and loan origination fees, if any). The Foundation believes such a fundraising effort for this specific purpose may take 10 to 15 years. The Foundation may reduce the amount of its annual reimbursement to the University for administrative support in an amount equal to the annual fundraising shortfall. The annual fundraising shortfall is defined as the difference between the cumulative debt service payments incurred by the Foundation to finance the grant and the cumulative amount of funds raised by the University for the baseball stadium project.

12. NET ASSETS

WRIGHT STATE UNIVERSITY FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

Net assets, as of June 30, 2002 and 2001, are available for the following purposes:

	2002			2001		
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted
Scholarships	\$ 454,213	\$ 9,916,823	\$ 7,283,671	\$ 503,868	\$ 11,468,081	\$ 6,594,395
Academic programs	-	10,858,098	8,271,246	902,137	10,930,570	8,147,835
Athletic programs	-	427,692	-	-	584,268	-
Research	-	1,101,123	47,142	-	1,135,316	42,000
Undesignated	(242,313)	-	-	211,560	-	-
Totals	<u>\$ 211,900</u>	<u>\$ 22,303,736</u>	<u>\$ 15,602,059</u>	<u>\$ 1,617,565</u>	<u>\$ 24,118,235</u>	<u>\$ 14,784,230</u>

Cumulative investment losses on permanently restricted net assets during the fiscal year ended June 30, 2002 resulted in deficit balances in several permanently restricted funds. Generally accepted accounting principles require that these losses reduce unrestricted net assets. Total losses amounted to \$488,529. Of this total, \$358,900 related to academic programs and \$129,629 related to scholarships.

WRIGHT STATE UNIVERSITY FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

13. FUND RAISING EXPENSES

Fund raising expenses, for the years ended June 30, 2002 and 2001, consist of the following:

	2002	2001
Development operations support	\$ 101,883	\$ 137,103
In-college development officers	80,828	81,946
Reimbursement for information services manager	<u>76,829</u>	<u>5,200</u>
Totals	<u>\$ 259,540</u>	<u>\$ 224,249</u>

The Foundation partially supports the University's fund raising efforts by underwriting the costs of several of its development department functions including annual appeals, corporate and Foundation appeals, major donor cultivation and donor recognition events.

The salaries and benefits of development officers assigned to several of the University's colleges and schools are partially offset by the Foundation.

14. MANAGEMENT AND GENERAL EXPENSES

Management and general expenses, for the years ended June 30, 2002 and 2001, consist of the following:

	2002	2001
Reimbursement for university staff support	\$ 348,786	\$ 327,765
Discretionary funds	28,759	33,246
Professional fees	44,654	94,604
Board/committee meetings	8,870	7,430
Loan interest	44,340	100,976
Change in reserve for uncollectible pledges	(21,100)	41,000
Other	<u>20,175</u>	<u>23,364</u>
Totals	<u>\$ 474,484</u>	<u>\$ 628,385</u>

The Foundation has agreed to provide the University an annual allocation in the amount of 1% of certain assets as reimbursement for administrative staff support provided by various University employees. The amount of the reimbursement is subject to annual review.

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**Report of Independent Accountants on Compliance and on Internal Control Over
Financial Reporting Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards**

The Board of Trustees of Wright State University Foundation, Inc.:

We have audited the financial statements of Wright State University Foundation, Inc. (the “Foundation”) as of and for the year ended June 30, 2002, and have issued our report thereon dated September 12, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Foundation’s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting

would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

PricewaterhouseCoopers LLP

September 12, 2002



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

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
MARCH 27, 2003**