

WRIGHT STATE UNIVERSITY FOUNDATION, INC.
Dayton, Ohio

FINANCIAL STATEMENTS
June 30, 2007 and 2006



Mary Taylor, CPA
Auditor of State

Board of Trustees
Wright State University Foundation, Inc.
3640 Col. Glenn Highway
Dayton, Ohio 45435-001

We have reviewed the *Report of Independent Auditors* of the Wright State University Foundation, Inc., Greene County, prepared by Crowe Chizek and Company LLC, for the audit period July 1, 2006 through June 30, 2007. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

November 20, 2007

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WRIGHT STATE UNIVERSITY FOUNDATION, INC.
Dayton, Ohio

FINANCIAL STATEMENTS
June 30, 2007 and 2006

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Crowe Chizek and Company LLC
Member Horwath International

REPORT OF INDEPENDENT AUDITORS

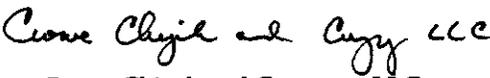
To Audit Committee of the Board of Trustees
Wright State University Foundation, Inc.
Dayton, Ohio

We have audited the accompanying statements of financial position of Wright State University Foundation, Inc. (Foundation) as of June 30, 2007 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Foundation as of June 30, 2006, were audited by other auditors whose report dated October 2, 2006, expressed an unqualified opinion on these statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wright State University Foundation, Inc. as of June 30, 2007 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2007, on our consideration of the Foundation's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting, compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing results of our audit.


Crowe Chizek and Company LLC

Columbus, Ohio
October 10, 2007

WRIGHT STATE UNIVERSITY FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2007 and 2006

| | <u>2007</u> | <u>2006</u> |
|--|-----------------------|-----------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 2,858,861 | \$ 294,258 |
| Pledges receivable (net) | 8,138,500 | 10,281,100 |
| Pledges received, held by others | 2,125,959 | 271,704 |
| Gifts receivable from trusts held by others | 2,947,470 | 1,315,500 |
| Investment in securities | 104,293,658 | 90,626,771 |
| Other investments | 156,635 | 158,414 |
| Interest and dividends receivable | 477,246 | 116,533 |
| Land held for development | 650,000 | 650,000 |
| Current surrender value of life insurance policies | 56,842 | 59,469 |
| Annuity assets | 1,310,881 | 1,243,024 |
| Other assets | <u>208,375</u> | <u>239,437</u> |
| TOTAL ASSETS | <u>\$ 123,224,427</u> | <u>\$ 105,256,210</u> |
| | | |
| LIABILITIES AND NET ASSETS | | |
| | | |
| LIABILITIES | | |
| Accounts payable | | |
| Wright State University | \$ 1,530,344 | \$ 454,158 |
| Trade and other | 174,152 | 36,719 |
| Deposits held in custody for others | 1,417,102 | 1,251,716 |
| Annuities payable | 645,300 | 664,600 |
| Loan payable | <u>900,000</u> | <u>900,000</u> |
| TOTAL LIABILITIES | <u>4,666,898</u> | <u>3,307,193</u> |
| | | |
| NET ASSETS | | |
| Unrestricted | | |
| Designated | 1,694,867 | 1,272,735 |
| Undesignated | 3,095,127 | 1,796,195 |
| Temporarily restricted | 86,994,917 | 72,466,166 |
| Permanently restricted | <u>26,772,618</u> | <u>26,413,921</u> |
| TOTAL NET ASSETS | <u>118,557,529</u> | <u>101,949,017</u> |
| | | |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 123,224,427</u> | <u>\$ 105,256,210</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, 2007 with comparative 2006 totals

| | <u>Unrestricted</u> | Temporarily <u>Restricted</u> | Permanently <u>Restricted</u> | <u>Total</u> <u>2007</u> | <u>Total</u> <u>2006</u> |
|--|---------------------|----------------------------------|----------------------------------|-----------------------------|-----------------------------|
| REVENUE AND OTHER SUPPORT | | | | | |
| Gifts and contributions | \$ 47,072 | \$ 8,254,681 | \$ 454,971 | \$ 8,756,724 | \$ 5,290,737 |
| Investment earnings | | | | | |
| Interest and dividends | 505,095 | 2,801,973 | -- | 3,307,068 | 2,331,642 |
| Net realized and unrealized gains | 1,485,223 | 11,330,825 | -- | 12,816,048 | 5,294,344 |
| Administrative fee charged to certain restricted accounts | 749,033 | (749,033) | -- | -- | -- |
| Change in value of split interest agreements | 7,100 | (94,400) | (122,855) | (210,155) | (315,510) |
| Other income | 33,607 | (2,012) | 195,858 | 227,453 | 33,178 |
| Prior year gifts transferred from Wright State University | -- | -- | -- | -- | 4,144,206 |
| Net assets released from restrictions | 7,182,560 | (7,182,560) | -- | -- | -- |
| Change in donor restrictions | -- | 169,277 | (169,277) | -- | -- |
| Total revenue and other support | 10,009,690 | 14,528,751 | 358,697 | 24,897,138 | 16,778,597 |
| EXPENSES | | | | | |
| Program services | | | | | |
| Scholarships | 2,177,740 | -- | -- | 2,177,740 | 1,711,966 |
| University programs | 3,796,241 | -- | -- | 3,796,241 | 5,055,359 |
| Athletic programs | 282,840 | -- | -- | 282,840 | 356,455 |
| Research | 1,046,645 | -- | -- | 1,046,645 | 550,275 |
| Miscellaneous grants | 56,702 | -- | -- | 56,702 | 45,031 |
| Fund raising | 457,294 | -- | -- | 457,294 | 326,470 |
| Management and general | 471,164 | -- | -- | 471,164 | 311,009 |
| Total expenses | 8,288,626 | -- | -- | 8,288,626 | 8,356,565 |
| CHANGE IN NET ASSETS | 1,721,064 | 14,528,751 | 358,697 | 16,608,512 | 8,422,032 |
| NET ASSETS | | | | | |
| Beginning of year | 3,068,930 | 72,466,166 | 26,413,921 | 101,949,017 | 93,526,985 |
| End of year | <u>\$ 4,789,994</u> | <u>\$86,994,917</u> | <u>\$26,772,618</u> | <u>\$118,557,529</u> | <u>\$101,949,017</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, 2006

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total 2006</u> |
|--|---------------------|-----------------------------------|-----------------------------------|-----------------------|
| REVENUE AND OTHER SUPPORT | | | | |
| Gifts and contributions | \$ 76,833 | \$ 4,324,101 | \$ 889,803 | \$ 5,290,737 |
| Investment earnings: | | | | |
| Interest and dividends | 388,896 | 1,942,746 | -- | 2,331,642 |
| Net realized and unrealized gains | 652,334 | 4,642,010 | -- | 5,294,344 |
| Administrative fee charged to certain restricted accounts | 662,415 | (662,415) | -- | -- |
| Change in value of split interest agreements | (103,100) | 19,900 | (232,310) | (315,510) |
| Other income | 36,580 | (9,153) | 5,751 | 33,178 |
| Gifts transferred from Wright State University | -- | 2,780,324 | 1,363,882 | 4,144,206 |
| Net assets released from restrictions | 7,556,162 | (7,556,162) | -- | -- |
| Change in donor restrictions | <u>--</u> | <u>(52,657)</u> | <u>52,657</u> | <u>--</u> |
| Total revenue and other support | 9,270,120 | 5,428,694 | 2,079,783 | 16,778,597 |
| EXPENSES | | | | |
| Program services | | | | |
| Scholarships | 1,711,966 | -- | -- | 1,711,966 |
| University programs | 5,055,359 | -- | -- | 5,055,359 |
| Athletic programs | 356,455 | -- | -- | 356,455 |
| Research | 550,275 | -- | -- | 550,275 |
| Miscellaneous grants | 45,031 | -- | -- | 45,031 |
| Fund raising | 326,470 | -- | -- | 326,470 |
| Management and general | <u>311,009</u> | <u>--</u> | <u>--</u> | <u>311,009</u> |
| Total expenses | <u>8,356,565</u> | <u>--</u> | <u>--</u> | <u>8,356,565</u> |
| CHANGE IN NET ASSETS | 913,555 | 5,428,694 | 2,079,783 | 8,422,032 |
| NET ASSETS | | | | |
| Beginning of year | <u>2,155,375</u> | <u>67,037,472</u> | <u>24,334,138</u> | <u>93,526,985</u> |
| End of year | <u>\$ 3,068,930</u> | <u>\$72,466,166</u> | <u>\$26,413,921</u> | <u>\$101,949,017</u> |

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

WRIGHT STATE UNIVERSITY FOUNDATION, INC.

STATEMENTS OF CASH FLOWS

For the Years ended June 30, 2007 and 2006

| | <u>2007</u> | <u>2006</u> |
|--|---------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash received from contributors | \$ 7,181,448 | \$ 5,099,149 |
| Gifts and contributions received for permanently restricted accounts | (454,971) | (889,803) |
| Interest and dividends received | 3,151,741 | 2,381,778 |
| Cash received from other revenue sources | 195,482 | 21,165 |
| Temporarily restricted prior year gifts transferred from Wright State University | -- | 2,780,324 |
| Cash paid to students, employees and suppliers | (7,019,546) | (9,130,440) |
| Interest paid | (55,462) | (49,870) |
| Custodial deposits returned | <u>(40,000)</u> | <u>(10,000)</u> |
| Net cash from operating activities | 2,958,692 | 202,303 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Cash paid for investments | (3,562,689) | (7,449,388) |
| Cash received from investments | <u>2,713,629</u> | <u>3,140,980</u> |
| Net cash from investing activities | (849,060) | (4,308,408) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Gifts and contributions received for permanently restricted accounts | 454,971 | 889,803 |
| Permanently restricted prior year gifts transferred from Wright State University | -- | 1,363,882 |
| Payments on loan payable | <u>--</u> | <u>(100,000)</u> |
| Net cash from financing activities | <u>454,971</u> | <u>2,153,685</u> |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | 2,564,603 | (1,952,420) |
| CASH AND CASH EQUIVALENTS - Beginning of year | <u>294,258</u> | <u>2,246,678</u> |
| CASH AND CASH EQUIVALENTS - End of year | <u>\$ 2,858,861</u> | <u>\$ 294,258</u> |

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

WRIGHT STATE UNIVERSITY FOUNDATION, INC.
STATEMENTS OF CASH FLOWS *(continued)*
For the Years ended June 30, 2007 and 2006

| RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>2007</u> | <u>2006</u> |
|--|---------------------|-------------------|
| Change in net assets | \$ 16,608,512 | \$ 8,422,032 |
| Adjustments to reconcile change in net assets to cash from operating activities | | |
| Net realized and unrealized gains | (12,816,048) | (5,294,344) |
| Gifts and contributions received for permanently restricted accounts | (454,971) | (889,803) |
| Permanently restricted prior year gifts transferred from Wright State University | -- | (1,363,882) |
| Changes in assets and liabilities | | |
| Pledges receivable | 2,142,600 | 526,000 |
| Pledges received, held by others | (1,854,255) | (271,704) |
| Gifts receivable from trusts held by others | (1,631,970) | 232,300 |
| Interest and dividends receivable | (360,713) | (47,607) |
| Cash surrender value of life insurance policies | 2,627 | 4,317 |
| Annuity assets | (67,857) | (648,659) |
| Other assets | (31,062) | (394,357) |
| Accounts payable | 1,213,619 | (823,745) |
| Deposits held in custody for others | 165,386 | 87,744 |
| Annuities payable | <u>(19,300)</u> | <u>344,700</u> |
| Net cash from operating activities | <u>\$ 2,958,692</u> | <u>\$ 202,303</u> |
| Supplemental disclosure of cash flow information | | |
| Change in capital receivable from Miami Valley Venture Funds (non-cash) | \$ 10,038 | \$ 6,352 |

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

WRIGHT STATE UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 and 2006

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 2006. 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 accordance 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.

(Continued)

WRIGHT STATE UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 and 2006

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

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 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.

Investment 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 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.

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.

(Continued)

WRIGHT STATE UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 and 2006

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Net Assets (continued)

Temporarily restricted net assets consist of funds arising from gifts 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 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.

(Continued)

WRIGHT STATE UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 and 2006

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

Fair Value of Financial Instruments

Financial instruments consists principally of assets, other than land held for development, and liabilities. The carrying value of these financial instruments reported in the statement of financial position approximates fair value at June 30, 2007 and 2006.

Functional Expenses

The Foundation provides program services and support services to Wright State University and its students and faculty. Costs incurred to provide these services are classified based on related service areas and expenses categories.

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 amounts previously reported in the 2006 financial statements have been reclassified to conform to the current year's presentation.

3. BUSINESS AND 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 a professional investment management company utilizing the "manager of managers" model of portfolio administration. 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.

(Continued)

WRIGHT STATE UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 and 2006

4. PLEDGES RECEIVABLE

Pledges receivable at June 30, 2007 and 2006, by fund type, are as follows:

| | 2007 | | | Totals |
|-------------------------------------|---------------------|-------------------------------|-------------------------------|---------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | |
| Less than one year | \$ 18,917 | \$ 2,654,187 | \$ 1,053,193 | \$ 3,726,297 |
| One to five years | <u>4,800</u> | <u>4,769,550</u> | <u>63,000</u> | <u>4,837,350</u> |
| Gross pledges receivable | 23,717 | 7,423,737 | 1,116,193 | 8,563,647 |
| Present value discount | (317) | (354,637) | (6,193) | (361,147) |
| Allowance for uncollectible pledges | <u>(300)</u> | <u>(60,000)</u> | <u>(3,700)</u> | <u>(64,000)</u> |
| Pledges receivable (net) | <u>\$ 23,100</u> | <u>\$ 7,009,100</u> | <u>\$ 1,106,300</u> | <u>\$ 8,138,500</u> |

| | 2006 | | | Totals |
|-------------------------------------|---------------------|-------------------------------|-------------------------------|----------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | |
| Less than one year | \$ 33,213 | \$ 2,461,360 | \$ 1,061,620 | \$ 3,556,193 |
| One to five years | <u>887</u> | <u>5,194,984</u> | <u>2,067,630</u> | <u>7,263,501</u> |
| Gross pledges receivable | 34,100 | 7,656,344 | 3,129,250 | 10,819,694 |
| Present value discount | -- | (409,044) | (113,550) | (522,594) |
| Allowance for uncollectible pledges | <u>(100)</u> | <u>(15,400)</u> | <u>(500)</u> | <u>(16,000)</u> |
| Pledges receivable (net) | <u>\$ 34,000</u> | <u>\$ 7,231,900</u> | <u>\$ 3,015,200</u> | <u>\$ 10,281,100</u> |

The fair value of pledges receivable was determined using discount rates applicable to the year in which the pledge was established. Rates ranged from 2.46% to 6.18%.

5. PLEDGES RECEIVED, HELD BY OTHERS

This receivable amount represents payments on pledges made to the Lake Campus capital campaign but not transmitted to the Foundation as of June 30, 2007. These payments are being held by the Western Ohio Education Foundation (WOEF).

(Continued)

WRIGHT STATE UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 and 2006

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 discount rates the year in which the trust was established, and range from 4.09% to 6.18%. The balances at June 30, 2007 and 2006, by fund type, are as follows:

| | <u>2007</u> | <u>2006</u> |
|------------------------|---------------------|---------------------|
| Unrestricted | \$ 148,500 | \$ 141,400 |
| Temporarily restricted | 1,982,600 | 351,200 |
| Permanently restricted | <u>816,370</u> | <u>822,900</u> |
| Totals | <u>\$ 2,947,470</u> | <u>\$ 1,315,500</u> |

7. INVESTMENT IN SECURITIES

The cost and fair value of the Foundation's investments, at June 30, 2007 and 2006, are as follows:

| | <u>2007</u> | | <u>2006</u> | |
|---------------|----------------------|----------------------|----------------------|----------------------|
| | <u>Cost</u> | <u>Fair Value</u> | <u>Cost</u> | <u>Fair Value</u> |
| Mutual funds: | | | | |
| Equity | \$ 60,521,218 | \$ 71,778,180 | \$ 57,419,234 | \$ 61,848,306 |
| Fixed income | <u>33,380,247</u> | <u>32,515,478</u> | <u>30,086,314</u> | <u>28,778,465</u> |
| Totals | <u>\$ 93,901,465</u> | <u>\$104,293,658</u> | <u>\$ 87,505,548</u> | <u>\$ 90,626,771</u> |

Net realized gains on sales of investments were \$5,638,104 and \$2,681,645 for the years ended June 30, 2007 and 2006, respectively. Calculation of net realized gains on sales of investments is based on original cost.

8. OTHER ASSETS

Included in other assets are 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, 2007 and 2006 was \$191,986 and \$170,052, respectively. Earnings generated from the project are included in other income. Total net returns for 2007 and 2006 amounted to \$21,934 and \$12,013, respectively.

(Continued)

WRIGHT STATE UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 and 2006

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, 2007 and 2006, the balance of these deposits was \$1,417,102 and \$1,251,716, 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, 2007 and 2006, the balance owed to the University was \$1,530,344 and \$454,158, 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% (6.07% and 5.84% at June 30, 2007 and 2006, respectively). The line of credit expires December 31, 2009, with an option to extend. The line-of-credit is collateralized with a portion of the Foundation's investments. Outstanding borrowings under the agreement totaled \$900,000 at June 30, 2007 and 2006.

Borrowings under the line-of-credit were used to fund the \$1.5 million grant made in 1999 to the University for construction of the initial phase of a baseball stadium. The University has expressed intent to fundraise the total amount of the \$1.5 million grant and all associated costs (including interest and loan origination fees). 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.

(Continued)

WRIGHT STATE UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 and 2006

12. NET ASSETS

Net assets, as June 30, 2007 and 2006, are available for the following purposes:

| | 2007 | | | Totals |
|----------------------|---------------------|-------------------------------|-------------------------------|----------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | |
| Scholarships | \$ 527,071 | \$ 19,110,050 | \$ 11,203,643 | \$ 30,840,764 |
| University programs | 250,000 | 63,102,002 | 14,017,146 | 77,369,148 |
| Athletic programs | -- | 91,912 | -- | 91,912 |
| Research | -- | 4,690,953 | 1,551,829 | 6,242,782 |
| Market stabilization | 917,796 | -- | -- | 917,796 |
| Undesignated | 3,095,127 | -- | -- | 3,095,127 |
| Totals | \$ 4,789,994 | \$ 86,994,917 | \$ 26,772,618 | \$ 118,557,529 |

| | 2006 | | | Totals |
|----------------------|---------------------|-------------------------------|-------------------------------|----------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | |
| Scholarships | \$ 483,557 | \$ 16,460,512 | \$ 10,827,894 | \$ 27,771,963 |
| University programs | -- | 53,181,016 | 13,784,198 | 66,965,214 |
| Athletic programs | -- | 203,169 | -- | 203,169 |
| Research | -- | 2,570,607 | 1,801,829 | 4,372,436 |
| Market stabilization | 789,178 | -- | -- | 789,178 |
| Undesignated | 1,796,195 | 50,862 | -- | 1,847,057 |
| Totals | \$ 3,068,930 | \$ 72,466,166 | \$ 26,413,921 | \$ 101,949,017 |

(Continued)

WRIGHT STATE UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 and 2006

13. FUNCTIONAL CLASSIFICATION OF EXPENSES

Total expenses, classified by both service areas and expense categories for the years ended June 30, 2007 and 2006, consist of the following:

| Expense Category | 2007 | | | | | 2006 | | | | | | | | | | |
|--------------------------------|---------------------|---------------------|-------------------|---------------------|----------------------|-------------------|----------------------|---------------------|---------------------|---------------------|-------------------|-------------------|----------------------|-------------------|----------------------|---------------------|
| | Program Services | | | Support Services | | Program Services | | | Support Services | | | | | | | |
| | Scholarships | University Programs | Athletic Programs | Research | Miscellaneous Grants | Fund Raising | Management & General | Totals | Scholarships | University Programs | Athletic Programs | Research | Miscellaneous Grants | Fund Raising | Management & General | Totals |
| Salaries and wages | \$ 8,601 | \$ 1,577,394 | \$ - | \$ 345,288 | \$ - | \$ 246,712 | \$ - | \$ 2,177,995 | \$ 35,163 | \$ 1,265,572 | \$ - | \$ 244,899 | \$ - | \$ 178,576 | \$ - | \$ 1,724,210 |
| Employee benefits | - | 373,550 | - | 80,826 | - | 68,117 | - | 522,493 | 399 | 290,563 | - | 57,362 | - | 31,921 | - | 380,245 |
| Professional services | - | 297,439 | 2,612 | 57,997 | - | 750 | - | 685,800 | - | 142,766 | - | 9,332 | - | - | 217,987 | 370,085 |
| Supplies | 101 | 173,785 | 24,225 | 76,839 | 1,379 | 13,893 | 565 | 290,787 | 1,556 | 146,566 | 17,550 | 117,698 | 178 | 4,978 | 425 | 288,951 |
| Travel | 4,508 | 275,344 | 108,397 | 18,181 | 13,004 | 49,925 | 5,096 | 474,455 | 9,749 | 298,854 | 104,614 | 5,320 | 7,330 | 17,918 | 10,498 | 454,283 |
| Information and communications | 25,788 | 105,756 | 61,270 | 3,190 | 41,947 | 76,470 | 4,577 | 318,998 | 15,289 | 168,941 | 85,590 | 33,894 | 36,724 | 92,827 | 6,103 | 439,368 |
| Maintenance and repair | - | 20,941 | - | 26,350 | (68) | 1,025 | - | 48,248 | - | 16,284 | 38,392 | 4,807 | - | - | - | 59,483 |
| Student financial aid | 2,138,742 | (24,812) | - | 500 | - | - | - | 2,114,430 | - | 81,351 | - | 8,698 | - | - | - | 1,743,917 |
| Other | - | 14,591 | 86,336 | (635) | 440 | 402 | - | 179,596 | (4,058) | 209,987 | 110,309 | 2,770 | 799 | 250 | 26,126 | 346,183 |
| Capital outlay | - | 982,253 | - | 438,109 | - | - | - | 1,420,362 | - | 2,434,475 | - | 65,495 | - | - | - | 2,499,970 |
| Debt service | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 49,870 | 49,870 |
| Totals | \$ 2,177,740 | \$ 3,796,241 | \$ 282,840 | \$ 1,046,645 | \$ 56,702 | \$ 457,294 | \$ 471,164 | \$ 8,288,626 | \$ 1,711,966 | \$ 5,055,359 | \$ 356,455 | \$ 550,275 | \$ 45,031 | \$ 326,470 | \$ 311,009 | \$ 8,356,565 |

(Continued)

WRIGHT STATE UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 and 2006

14. FUND RAISING EXPENSES

Fund raising expenses, for the years ended June 30, 2007 and 2006, consist of the following:

| | <u>2007</u> | <u>2006</u> |
|--|-------------------|-------------------|
| Development operations support | \$ 179,765 | \$ 130,725 |
| Reimbursement for information processing support | 102,414 | 53,660 |
| In-college development officers | 165,128 | 99,635 |
| Capital campaign expense | <u>9,987</u> | <u>42,450</u> |
| Totals | <u>\$ 457,294</u> | <u>\$ 326,470</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 relations, 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.

15. MANAGEMENT AND GENERAL EXPENSES

Management and general expenses, for the years ended June 30, 2007 and 2006, consist of the following:

| | <u>2007</u> | <u>2006</u> |
|---|-------------------|-------------------|
| Reimbursement for university staff support | \$ 305,538 | \$ 198,130 |
| Professional fees | 21,464 | 19,857 |
| Insurance | 17,694 | 17,083 |
| Board or committee meetings | 7,281 | 13,904 |
| Loan interest | 55,462 | 49,870 |
| Change in reserve for uncollectible pledges | 48,000 | 700 |
| Other | <u>15,725</u> | <u>11,465</u> |
| Totals | <u>\$ 471,164</u> | <u>\$ 311,009</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 and adjustment.

SUPPLEMENTARY INFORMATION



Crowe Chizek and Company LLC
Member Horwath International

REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS

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

We have audited the financial statements of Wright State University Foundation, Inc. (a nonprofit organization) as of and for the year ended June 30, 2007, and have issued our report thereon dated October 10, 2007. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Wright State University Foundation, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Wright State University Foundation, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Wright State University Foundation, Inc.'s internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

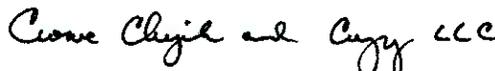
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Wright State University Foundation Inc.'s 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 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 management of Wright State University Foundation Inc. in a separate letter dated October 10, 2007.

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


Crowe Chizek and Company LLC

Columbus, Ohio
October 10, 2007



Mary Taylor, CPA
Auditor of State

WRIGHT STATE UNIVERSITY FOUNDATION, INC.

GREENE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 4, 2007**