Wright State University

Annual Report

For Year Ended

June 30, 2006

Office of the Controller
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WRIGHT STATE UNIVERSITY
Annual Report
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Management's Discussion and Analysis
Fiscal Year Ended June 30, 2006

Wright State University's Management Discussion and Analysis (MD&A) presents an overview of its financial condition and assists the reader in focusing on significant financial issues for the year ended June 30, 2006 with selected comparative information for the years ended June 30, 2005 and 2004. The discussion has been prepared by management and should be read in conjunction with the accompanying financial statements and footnotes. The financial statements, footnotes, and this discussion are the responsibility of management.

Financial and Other University Highlights

- The University was reviewed by a site visit team of The Higher Learning Commission of The North Central Association of Colleges and Schools during 2006. As a result of the site visit team's report, the University was reaccredited through the year 2016. The site visit team had no recommendations for follow-up visits or follow-up reports, which is uncommon. In addition, they found the University to be exemplary in all evaluated criteria; mission and integrity, preparing for the future, learning and teaching, discovery and application, and engagement and service.

- Total state appropriations remained flat in 2006 compared to 2005 after subtracting the effect of OhioLINK (a statewide library initiative for which the University serves as fiscal agent). While state appropriations for higher education operations have been decreasing in recent years, the university's continuing enrollment growth as a relative share of all of Ohio's public universities' and its improved retention and graduation rates have enabled the University to maintain the same level of funding in 2006 as in 2005. State appropriations were $1.8 million less in 2005 than in 2004. The University remains concerned over the low priority given higher education in Ohio.

- Student tuition was increased 6% for fiscal year 2006 for all students except the Boonshoft School of Medicine, which was increased 12%. While these increases were higher than desirable, the University still maintains the fourth lowest in-state undergraduate tuition rate among the State of Ohio's thirteen four-year public institutions.

- Net assets increased $28.6 million at June 30, 2006 from June 30, 2005. Approximately $20.0 million was attributable to an increase in capital assets, net of depreciation and associated debt. Major improvements and expansions are being made to the Student Union, Russ Engineering Building, and the Creative Arts Building. In addition, a new Athletic Pavilion was donated to the University in 2006. The remaining increase in net assets of $8.6 million is primarily the result of an increase in unrestricted net assets due to favorable revenue variances (primarily state appropriations and investment income) and unspent budgets.

- As part of a strategic decision, the University transferred all of its endowment funds ($4.1 million) to the Wright State University Foundation. As the WSU Foundation is the entity who receives all gifts, this will enable the University to eliminate the duplicate administration of endowments while simultaneously taking advantage of one of the Foundation's core strengths of endowment fund management.

- The University continued its trend of increasing student enrollment as Fall 2005 student headcount as well as annual full time equivalent (FTE) students increased .8% from the prior year.

- For the 27th consecutive year, top honors went to Wright State students at the National Model United Nations (NMUN) conference. WSU competed against 225 universities from five continents.

- In the last official year of its fundraising campaign entitled "*Tomorrow Takes Flight: The Campaign for Wright State University"*, total contributions and commitments have increased to over $107 million. The University has well exceeded its original campaign goal of raising $40 million for student scholarships, faculty development, facility improvements, program support, and to increase institutional endowments. There was one especially noteworthy contribution of $28.5 million given to the Boonshoft School of Medicine. This naming gift was one of the largest single gifts in the region and is the largest in university history.

- The University opened its state of the art MTC Technologies Trading Center during 2006. This center replicates an actual stock market trading environment with the same software that is used in actual brokerage houses across the world. It features real-time coverage of financial markets and is used by faculty and students as a training ground for simulated trading and other learning opportunities that only an actual trading environment would offer. The new center has recently received a major national design award.

- The University had implemented all modules of its new Enterprise Resource Planning (ERP) System as of July 1, 2006. This project replaced all administrative information systems within the University, including financial, human resource/payroll, student, and advancement and fund-raising systems. Fiscal year 2006 was the first full year for utilization of the finance module.

Using the Annual Report

This annual report includes three financial statements: the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets, and the Statement of Cash Flows. These financial statements are prepared in accordance with GASB Statement No. 35, *Basic Financial Statements-and Management's Discussion and Analysis-For Public Colleges and Universities*. These statements focus on the financial condition of the University, the results of operations, and cash flows of the University as a whole. All comments and discussions included in this discussion and analysis relate only to Wright State University and not to the Wright State University Foundation unless specifically noted.

The three financial statements should help the reader of the annual report determine whether the university's overall financial condition has improved or deteriorated as a result of the current year's financial activities. These financial statements present similar information to that disclosed in private sector (i.e. corporate) financial statements. The financial statements will also assist the reader in evaluating the ability of the University to meet its financial obligations. The Statement of Cash Flows presents information related to both cash inflows and cash outflows and is further categorized by operating, noncapital financing, capital and related financing, and investing activities.

Statements of Net Assets

The Statement of Net Assets, which reports all assets and liabilities of the University, presents the financial position of the University at the end of the fiscal year. Our net assets are simply the difference between total assets and total liabilities. The change in net assets during the fiscal year is an indicator of the change in the overall financial condition of the University during the year. A summary of the university's assets, liabilities, and net assets as of June 30 is as follows:

	2006	2005	2004
	(All dollar amounts in thousands)		
Current assets	$ 86,676	$ 84,496	$ 89,141
Noncurrent assets:			
Capital assets, net	253,157	228,641	227,257
Other	121,264	119,148	74,926
Total assets	461,097	432,285	391,324
Current liabilities	68,001	64,926	65,961
Noncurrent liabilities	48,238	51,114	22,406
Total liabilities	116,239	116,040	88,367
Net assets:			
Invested in capital assets, net of related debt	226,597	206,594	210,772
Restricted	18,676	22,321	21,515
Unrestricted	99,585	87,330	70,670
Total net assets	$ 344,858	$ 316,245	$ 302,957

The University experienced a substantial growth in net assets, primarily attributable to a significant increase in capital assets, net of depreciation and related debt. The University is in the midst of renovations and expansions of its physical facilities to serve its growing enrollment and research base and these are reflected in the growth in capital assets. The largest investments in 2006 were in the engineering facilities, Student Union, Creative Arts building, and the Boonshoft School of Medicine's Frederick A. White Center. In addition, a state of the art athletic pavilion was donated to the University, for use by the men's and women's basketball and other athletics programs. Unrestricted net assets also increased. This has been a consistent result in recent years of the university's conservative management style. The university's practice of prudent spending continues to result in savings over budgeted expenses. In addition, positive revenue variances in 2006, particularly in investment income and state appropriations contributed to the increase. Restricted net assets saw a modest decrease in 2006 as a result of the University transferring its endowment funds to the Wright State University Foundation to take advantage of their expertise in endowment management and to eliminate the duplicate administration of endowment funds.

Total assets have increased $28.8 million in 2006 over 2005. *Current assets*, comprised primarily of cash and operating investments, student and sponsor receivables, and prepaid expenses, increased a modest $2.2 million in 2006. Cash and operating investments decreased $5.2 million from 2005 which is simply a function of more investments being classified as noncurrent assets. Prepaid expenses, which are primarily composed of license agreements made on behalf of the OhioLINK program for which the University is the fiscal agent, increased $5.2 million in 2006 over 2005. The increase in prepaid expenses is a result of a shift of these assets from noncurrent prepaid expenses in 2005 to current in 2006. There is a corresponding decrease in noncurrent assets in 2006. Accounts receivable increased by $3.4 million, entirely due to an increase in sponsor receivables from research and sponsored program activities.

Other assets increased $2.2 million from $119.1 million in 2005 to $121.3 million in 2006. These assets are comprised of long-term investments, long-term student loans receivable, longer term prepaid expenses, and restricted cash and investments. Embedded in this $2.2 million increase is a decrease of $10.5 million in restricted cash and investments due to spending down the invested 2004 bond proceeds on capital projects during 2006. Also as noted in the previous paragraph, $4.9 million of the 2005 longer term prepaid expenses shifted to current assets resulting in a further reduction of other assets. These decreases were more than offset by a $17.4 million increase in long-term investments from $70.3 million in 2005 to $87.7 million in 2006. This increase in investments can be attributed to the increase in unrestricted net assets and also a small shift in 2006 from short-term investments to long-term investments. Capital assets, net of depreciation increased from $228.6 million to $253.2, or $24.6 million, due to the renovations and expansions previously discussed. In addition, the University completed the capitalization of its new ERP system in 2006.

The 2005 increase in total assets was $41.0 million over 2004. This was almost solely attributable to an increase in other assets. There was a $26.1 million increase due to an influx of unspent bond proceeds in 2005 from the December 2004 bond issue. Also, long-term investments increased $12.6 million as a result of growing reserves and a rebalancing of the investment portfolio, shifting more assets to longer term investments.

Total assets of the Wright State University Foundation increased from $97.3 million at June 30, 2005 to $105.3 million at June 30, 2006, an increase of $8.0 million. Of the $105.3 million, investments comprise $92.0 million and gifts and pledges receivable comprise another $11.6 million at June 30, 2006. The success of the fundraising campaign as well as investment returns and the transfer of the university endowments were the primary reasons for the $8.0 million increase in assets in 2006 over 2005.

Current liabilities are comprised primarily of accounts payables and accrued liabilities, deferred revenues from both student fees and advance payments for contracts and grants, and the current portion of long-term liabilities. These liabilities increased $3.1 million from $64.9 million at June 30, 2005 to $68.0 million at June 30, 2006. Of the $3.1 million increase, $3.0 million is due to an increase in accrued liabilities as the final payments to the university's two retirement systems for fiscal 2006 were not made until July whereas they were made in the month of June in fiscal 2005. The largest component of current liabilities is deferred revenue, which remained relatively unchanged from $34.9 million in 2005 to $35.0 million in 2006.

Current liabilities in total decreased from $66.0 million at June 30, 2004 to $64.9 million at June 30, 2005. This decrease was the result of a 2005 reduction in advance sponsor payments of $3.9 million, partially offset by increases in accounts payable, accrued liabilities, and current portion of long-term debt.

Noncurrent liabilities were $51.1 million at June 30, 2005 and decreased to $48.2 million at June 30, 2006. This decrease of $2.9 million is simply the result of payments against the university's debt obligations.

Net assets represent what is left of the university's assets after deducting liabilities. A more detailed summary of the university's net assets as of June 30 is as follows:

	2006	2005	2004
	(All dollar amounts in thousands)		
Invested in capital assets, net of related debt	$ 226,597	$ 206,594	$ 210,772
Restricted:			
Nonexpendable		1,364	1,364
Expendable	18,676	20,957	20,151
Unrestricted:			
Designated	93,565	82,999	70,413
Undesignated	6,020	4,331	257
Total net assets	$ 344,858	$ 316,245	$ 302,957

Invested in capital assets, net of related debt represents the university's capital assets after subtracting accumulated depreciation and the principal amount of outstanding debt attributable to the acquisition, construction or improvement of those assets. As discussed earlier, 2006 was a year of expansion and renovation for the University. The University is expanding its research facilities in engineering and the sciences. In addition, it is renovating space within the Student Union to better serve the students' recreational and health needs. A state of the art athletic pavilion was donated to the University for the benefit of men's and women's basketball. Major improvements were also made to the Creative Arts facility. Complementing all of this, the University is also concluding the capitalization and implementation of its new administrative software system that has been ongoing since 2004.

Restricted nonexpendable represents the university's permanent endowments. It does not include the endowments held by the Wright State University Foundation, to which all new gifts are directed. During 2006 the University transferred its endowment funds to the WSU Foundation to manage. Therefore, there was a decrease of nonexpendable assets of $1.4 million during 2006, which represented the entire amount held by the University. *Restricted expendable* represents funds that are externally restricted to specific purposes, such as student loans or sponsored projects. $18.1 million and $18.0 million of the restricted expendable fund balances at June 30, 2006 and June 30, 2005, respectively, represent funds restricted for student loans.

Unrestricted net assets are funds that the University has at its disposal to use for whatever purposes it determines appropriate. While these net assets are not subject to external restrictions, the University has designated these funds internally for various academic, research, student aid, and capital purposes. Each year the majority of any increase in fund balance is designated for one of these purposes. Colleges and divisions are able to retain their own budgeted funds that are not spent at the close of the fiscal year. We believe this practice permits the units to manage their resources more effectively, allowing them to hold them for higher priorities in later years. This policy also benefits the University as a whole by encouraging the accumulation of reserves that provide financial stability during periods of fiscal stress and that generate investment income that supplements other revenue sources. In addition, it also supports the goal of increased university reserves that is a component of the university's financial policy. Surpluses generated outside of the specific colleges and divisions (i.e. general university surpluses) are typically designated for specific university projects that support strategic initiatives.

Statements of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets presents the results of operations for the University. A summary of the university's revenues, expenses and changes in net assets for the year ended June 30 is as follows:

	2006	2005	2004
	(All dollar amounts in thousands)		
Operating Revenues:			
Student tuition & fees - net	$ 107,293	$ 99,537	$ 87,295
Grants and contracts	92,541	87,854	79,657
Sales and services	7,142	7,429	6,828
Auxiliary enterprises	15,376	14,444	14,871
Other	2,184	1,746	1,785
Total	224,536	211,010	190,436
Operating expenses	317,918	305,434	284,227
Operating loss	(93,382)	(94,424)	(93,791)
Nonoperating revenues (expenses):			
State appropriations	91,796	93,099	91,725
Gifts	5,466	5,224	4,970
Investment income	8,774	4,966	3,565
Interest expense	(1,256)	(1,058)	(657)
Other income (expense)	(4,825)	2	(13)
Capital appropriations	10,916	4,678	3,447
Capital grants and gifts	11,124	801	1,029
Total	121,995	107,712	104,066
Increase in net assets	28,613	13,288	10,275
Net assets - beginning of year	316,245	302,957	292,682
Net assets - end of year	$ 344,858	$ 316,245	$ 302,957

Interpretation of the university's Statements of Revenues, Expenses, and Changes in Net Assets is complicated by the fact that Wright State University serves as the fiscal agent for the statewide library program known as OhioLINK. This program's revenues from state appropriations, federal pass-through grants (Grants and contracts) and from other college and university libraries (Grants and contracts) and expenses are all included in our financial statements. At certain points in this analysis, we present information net of OhioLINK revenues or expenditures. The total revenues and expenses attributable to OhioLINK are as follows:

OhioLINK Revenues and Expenses
For the Year Ended June 30

	2006	2005	Difference	Percent Increase (Decrease)
Revenues:				
Grants and contracts	$ 25,061,879	$ 25,842,299	$ (780,420)	(3.0)%
State appropriations	7,011,462	8,374,846	(1,363,384)	(16.3)%
Total revenues	$ 32,073,341	$ 34,217,145	$ (2,143,804)	(6.3)%
Expenses:				
Total OhioLINK	$ 32,073,341	$ 34,217,145	$ (2,143,804)	(6.3)%

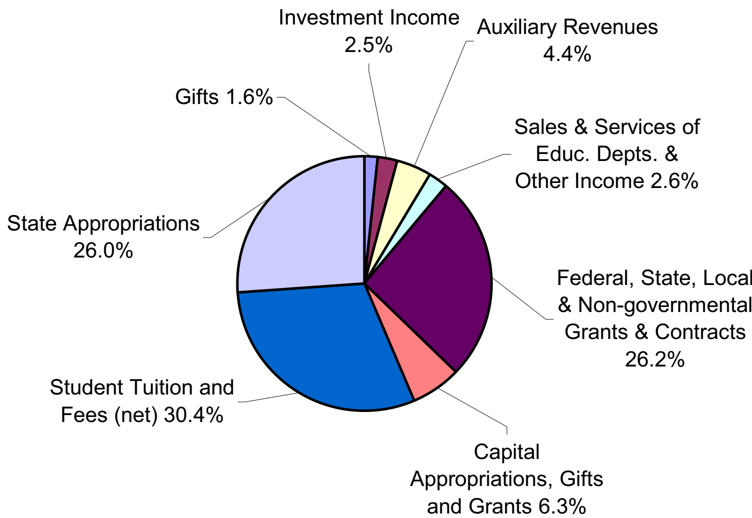
The university's primary revenue sources are state appropriations and student tuition and fees. These fund the ongoing programs and operations of the University. Accounting standards classify state appropriations as a nonoperating revenue source in the financial statements. However, since the University continues to rely upon it as a primary funding source, it manages state appropriations as an operating revenue item. In recent years this source has become a smaller and smaller fraction of total revenues. This reflects state budget pressures to increase support for Medicaid and K-12 education costs and the relatively low priority historically given to higher education funding. The result of this is a necessity for the University to raise tuition in order to meet increased operating costs in support of enrollment growth and investments in academic programs as well as the capital and human infrastructure necessary to run the University. The days of state appropriations being relied upon as the primary funding source are now over. The University has worked to develop alternate revenue sources and to manage costs effectively in order to limit the burden on students. Unfortunately, significant tuition increases have been required in recent years because of the failure of state funding to support either enrollment growth or increases in costs for such items as health insurance and utilities. The table below demonstrates how the State of Ohio over the past two decades has forced universities to shift the burden for funding the cost of higher education to students and their families.

State Appropriations per Dollar of Gross Tuition

Fiscal Year	Gross Tuition	State Appropriations net of OhioLINK	Net State Appropriations per Dollar of Gross Tuition
1980	$ 13,833,157	$ 29,604,813	$ 2.14
1990	40,939,473	63,889,505	1.56
2001	74,956,371	86,874,854	1.16
2002	82,426,162	86,461,640	1.05
2003	94,242,118	85,513,853	0.91
2004	107,972,107	86,565,632	0.80
2005	121,717,222	84,724,080	0.70
2006	131,262,871	84,784,334	0.65

The pace of this shift of financial burden has been escalating in the current decade. In the last five years state appropriations (net of OhioLINK) have *decreased* $2.1 million while gross tuition has increased $56.3 million. In the preceding twenty one years state appropriations *increased* $57.3 million and gross tuition increased $61.1 million. During those twenty one years the University was able to share the burden in increased costs proportionately between the State of Ohio and the students and their families. As can be seen, the State of Ohio has since decided to not increase their investment in higher education and force students to fund all necessary annual increases. However, even after these disproportional increases to students, the University continues to assess lower than average tuition and fees relative to other state four-year public institutions. Wright State is maintaining its rank as the fourth lowest (out of 13) of the four-year public institutions with respect to student tuition rates. It should be noted that two of the lower three universities receive special state funding that Wright State does not receive.

Below is a graphic illustration of revenues by source for the year ended June 30, 2006.



State appropriations decreased from $93.1 million in 2005 to $91.8 million in 2006, a decrease of $1.3 million. This decrease is entirely attributable to OhioLINK, whose funding declined by $1.4 million. Without that decrease, state appropriations remained flat between 2005 and 2006. State appropriations were $91.7 million in 2004. Even though state funding is in general a function of student credit hour enrollment and through 2006 the university's enrollment has been growing for over a decade, state appropriations continue to stagnate. Wright State has seen no growth in state funding to support its enrollment growth.

Net student tuition and fees were $107.3 million, $99.5 million, and $87.3 million in 2006, 2005, and 2004, respectively which provided an increase of just under 8% from 2005 to 2006 and almost 14% from 2004 to 2005. The University raised tuition 6% annually for most students in 2006 and 2005. In addition, FTE enrollments increased .8% and 1.3% in 2006 and 2005, respectively. These are the primary components of the increase in tuition and fee income. As previously stated, these large increases in tuition and fees would not have been necessary if the state had funded its historic share of costs.

Grants and contracts were $92.5 million in 2006, increasing $4.6 million from the 2005 level of $87.9 million. The 2004 level was $79.7 million. As has been a trend for over the last decade, the University continues to grow its sponsored program base. Most notable in 2006 was the addition of daytaOhio, a Wright Center of Innovation created through the Ohio Governor's Third Frontier Program. daytaOhio is a market-driven research and development enterprise that partners with entrepreneurs and commercial businesses to develop ways to better utilize information in our knowledge economy. The University is excited about this activity as it believes it holds great promise for Ohio's future.

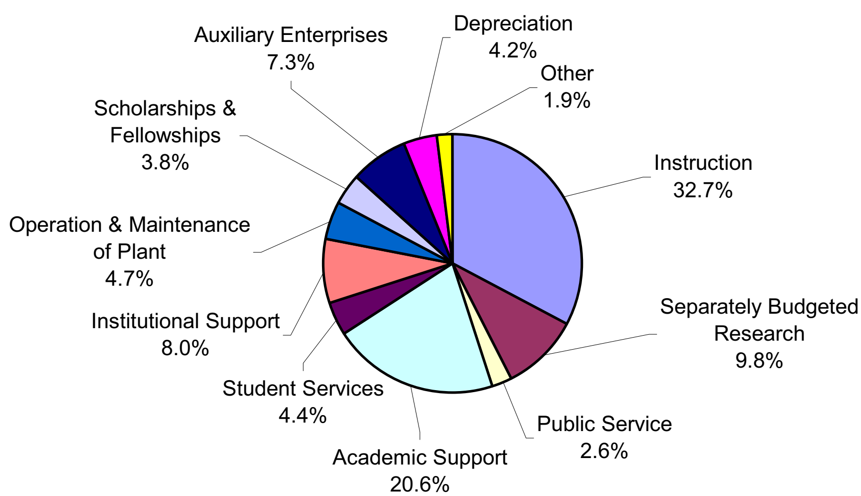
Auxiliary revenues increased $1.0 million from $14.4 million in 2005 to $15.4 million in 2006. The primary increase, approximately $.8 million, was due to increased revenues at the university's Nutter Center. The Nutter Center is a state of the art facility which hosts a wide array of events and performances including concerts, civic events, trade shows, as well as the university's own sporting and academic activities. The increase in revenues is simply a reflection of the number and type of events held in 2006 compared to 2005. Revenues in 2004 were $14.9 million.

Sales and services, which are primarily revenues generated from specific departmental sales activities to organizations external to the University, were $7.1 million, $7.4 million, and $6.8 million for the years ended June 30, 2006, 2005 and 2004, respectively.

Investment income was $8.8 million, $5.0 million, and $3.5 million in 2006, 2005, and 2004, respectively. The $3.8 million increase in 2006 is due to the growth in university reserves available for investment, a good investment climate, and a change in the university's investment policy allowing for a greater level of investments in equities. The University also had an average of approximately $20.0 million of unspent bond proceeds invested in 2006 from a December 2004 bond issuance. This produced additional income in 2006 over 2005. As can be seen from the $1.5 million increase from 2004 to 2005, as well as the increase in 2006, the University has been experiencing increasingly favorable returns in recent years. The University is relying more and more upon these investment returns to supplement the shortfall of state appropriations.

Capital Appropriations, Gifts and Grants were $22.0 million in 2006, an increase of $16.5 million over the $5.5 million realized in 2005. This increase was primarily the result of increased capital gifts amounting to $9.7 million in 2006 for the expansion of engineering research facilities, the athletic pavilion, and software licenses for use by students in the Raj Soin College of Business. In addition, the University received an increase in capital appropriations from the State of Ohio in the amount of $6.2 million, primarily for the renovation and expansion of its science classrooms and laboratories. These revenues amounted to $4.5 million in 2004.

The following is a graphic illustration of expenses by function for the year ended June 30, 2006.



Overall operating expenses were $317.9 million in 2006 as compared to $305.4 million and $284.2 million in 2005 and 2004, respectively. Of the $12.5 million increase in 2006, $8.8 million represents an increase in employee compensation and benefits. These expenses rose from $183.7 million to $192.5 million, or only 4.8%. Given the average rate of health benefit increases in the current economic environment, the University is doing its best to hold down employee costs. Employee costs are the largest single expense category for the University and were also the largest single contributor to the 2005 increase in operating expenses. Utility costs also increased approximately $1.6 million in 2006 over 2005 primarily from the increase in natural gas rates.

The results of the university's efforts to control spending look even better after deducting restricted sponsored activity (externally funded gifts and awards, including OhioLINK) from total operating expenses and factoring increasing enrollments into the calculation. During the last five fiscal years 2002 through 2006, spending per student FTE has increased approximately 7.7% in four years. That is less than 2% per year. After considering the double digit increases in health care, escalating utility rates, the ever increasing cost of technology, and routine personnel increases, the University believes it has done a very reasonable job of controlling overall expenditures. While increasing enrollments help, we believe this is also a product of sound fiscal management. The financial challenges are becoming more difficult to address, yet the University continues to find new and resourceful ways to meet those challenges in order to keep tuition as affordable as possible for students and their families. Nonetheless, the University will also continue to emphasize to the Ohio elected officials the need for an increased State of Ohio investment in higher education to meet the needs of its citizens in this knowledge economy.

Statements of Cash Flows

The Statement of Cash Flows also provides information about the university's financial health by reporting the cash receipts and cash payments of the University during the year ended June 30, 2006. A summary of the Statements of Cash Flows is as follows:

	2006	2005	2004
	(All dollar amounts in thousands)		
Cash provided (used) by:			
Operating activities	$ (79,042)	$ (87,505)	$ (77,859)
Noncapital financing activities	97,901	97,913	96,089
Capital and related financing activities	(21,084)	20,751	(15,337)
Investing activities	(25,986)	(7,861)	(7,497)
Net (decrease)/increase in cash and cash equivalents	(28,211)	23,298	(4,604)
Cash and cash equivalents-beginning of year	65,574	42,276	46,880
Cash and cash equivalents-end of year	$ 37,363	$ 65,574	$ 42,276

Cash and cash equivalents decreased $28.2 million from 2005 to 2006. This is primarily the result of spending and reinvesting $25.1 million of unspent bond proceeds that existed at June 30, 2005. While approximately $10.5 million of the proceeds were spent on the capital projects for which they were intended, $14.6 million was invested in order to maximize investment returns until the funds are needed. The remaining proceeds should be spent by the end of calendar 2007. Cash flows from operating activities increased $8.5 million primarily as a result of an increase in cash collections from sponsors on grants and contracts. The University received approximately $7.1 million more in cash from these collections in 2006. The net outflow of cash for capital and related financing activities of $21.1 million is the result of all of the capital projects that were being performed during 2006, net of capital funding received from the State of Ohio. The net outflow of cash for investing activities of $26 million is the result of the investment of unspent bond proceeds from 2005, additional investments of cash generated from operations, and $4.1 million of endowment funds that the University transferred to the WSU Foundation. The change in cash and cash equivalents in 2005 from 2004 is primarily the result of receiving the bond proceeds from the December 2004 bond issuance offset somewhat by increases in the cash flow of some operating expenses.

Capital Assets and Debt

Capital Assets

The University had approximately $253.2 million invested in capital assets, net of accumulated depreciation of $176.5 million at June 30, 2006. Capital assets were $228.6 million, net of accumulated depreciation of $169.5 million at June 30, 2005. Depreciation expense for the years ended June 30, 2006 and 2005 was $13.7 million and $14.1 million, respectively. A summary of net capital assets for the year ended June 30 is as follows:

	2006	2005	2004
	(All dollar amounts in thousands)		
Land, land improvements and infrastructure	$ 24,571	$ 22,906	$ 20,081
Buildings	164,371	162,503	167,146
Machinery and equipment	29,744	22,981	21,104
Library books and publications	18,187	18,673	18,926
Construction in progress	16,284	1,578	
Total capital assets - net	$ 253,157	$ 228,641	$ 227,257

As is typical, the University performed routine, annual upgrades and maintenance of its facilities during 2006 in the form of electrical infrastructure improvements, maintenance of buildings, and improvements to its roads and parking lots. The University also neared completion of its implementation of its ERP suite of administrative software and capitalized another $3.4 million in 2006 to bring the total capitalized costs for the project to $10 million. This is reflected in machinery and equipment. The total project cost is still expected to be no more than $15 million, not all of which will be capitalized. Other major projects either begun or continued from 2005 include the expansion of engineering space to be utilized primarily by daytaOhio for research and development and commercialization of information technology, renovation of the Student Union and Frederick A. White Center, and the creation and renovation of science labs. These projects comprise the $14.7 million increase in construction in progress during 2006. All of these projects other than the science labs are scheduled to be completed in 2007. In addition during 2006, a state of the art athletic pavilion valued at $4.1 million was donated to the University for use by the men’s and women’s basketball teams.

Debt

The University issued no new debt in 2006, however it still had unspent bond proceeds from its $31.4 million general receipts bond issuance from December 2004. The bonds were issued to finance in whole or in part the renovation and expansion of science facilities and laboratories, renovation of the Student Union and Frederick A. White Center, construction of various parking and road improvements, and the purchase and installation of an administrative software system. Those projects, except for the parking and road improvements, are continuing into 2007. The University received a bond rating for this issue from Moody’s Investors Service of A2. That rating remains unchanged.

Outstanding debt was $42.5 million, $46.2 million, and $16.5 million at June 30, 2006, 2005, and 2004, respectively. These amounts are quite modest by contemporary standards, providing another indication of our conservative financial management. The 2006 balance of $42.5 million includes $42 million of outstanding bonds and equipment leases of $.5 million.

Economic Factors That Will Affect the Future

The University has continued to maintain strong financial and programmatic performance. With growing enrollments and sound conservative management, university leaders have been able to keep the University moving forward in accomplishment of its strategic objectives. However, there is ample reason for concern. The State of Ohio’s funding for higher education, chronically low during years when our robust manufacturing economy seemed to have little need for advanced learning, continues to stagnate as we are confronted with a new knowledge economy for which many Ohioans are unprepared. In addition, the university’s enrollment growth is slowing. These two factors alone make the continuing challenge of finding alternative resources that much more difficult and important. This has remained the message since the beginning of the millennium. Every year that passes is one more year Ohio falls behind and is more severely challenged to provide the type of education that is necessary in today’s knowledge economy. Management remains focused, though, and is prepared to make the decisions necessary to further the University without unduly burdening the students. The pressures of increasing tuition will unfortunately remain, but the University has made strides in producing alternative revenue sources to supplement state support and student tuition and fees. The results of our recently concluded capital campaign and the university's growing investment income are examples. Programs like the Governor's Third Frontier Program and creation of daytaOhio provide another example of how the University is involved with new initiatives we expect will bring long-term positive change to the region and state. These alone are not enough, though. For Ohioans to be successful in the long term, their government must recognize its role in supporting higher education.

The University is also confronted with the same business challenges all enterprises are addressing. Rising costs in health care, utilities, and technology are an annual struggle. The University is also at an age where our facilities are in growing need of repair, renovation, or replacement. The university's most important asset, its faculty and staff, must also not be forgotten. It is they who serve our students. Determining how all of these priorities and needs are to be addressed will be the university's ongoing challenge.

With all of these challenges facing the University, management is determined to address each one successfully. We are confident that if we continue in a fiscally prudent manner, sensitive to the ever changing needs of the students, that we can provide the education necessary to enable our students to rise to the many challenges the future holds.

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Report of Independent Auditors

To The Board of Trustees
of Wright State University:

In our opinion, the accompanying statements of net assets and the related statements of revenues, expenses, and changes in net assets and cash flows present fairly, in all material respects, the financial position of Wright State University (the "University"), a component unit of the State of Ohio, at June 30, 2006 and 2005, and its revenues and expenses and changes in net assets 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 University's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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. 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The Management's Discussion and Analysis on pages 2 through 13 is not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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PRICEWATERHOUSECOOPERS

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2006 on our consideration of the University'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 for the year ended June 30, 2006. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

PricewaterhouseCoopers LLP

October 2, 2006
Dayton, Ohio

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WRIGHT STATE UNIVERSITY
Statements of Net Assets
June 30, 2006 and 2005

	2006		2005	
ASSETS	**University**	**Foundation**	**University**	**Foundation**
Current assets:				
Cash and cash equivalents	$ 37,363,372	$ 294,258	$ 40,449,695	$ 2,246,678
Short-term investments	4,673,067		6,741,695	
Accounts receivable (net of allowance for doubtful accounts of $960,000 in 2006 and $840,000 in 2005 - Note 3)	25,326,889		21,930,741	
Gifts and pledges receivable (net of allowance for uncollectible pledges of $100 in 2006 and $200 in 2005)		2,090,118		4,036,296
Loans receivable (net of allowance for doubtful loans of $1,748,000 in 2006 and $1,600,000 in 2005)	2,898,171		3,125,141	
Inventories	750,880		784,777	
Prepaid expenses	12,655,580		7,431,664	
Deferred charges	3,007,715		4,032,236	
Total current assets	86,675,674	2,384,376	84,495,949	6,282,974
Noncurrent assets:				
Restricted cash and cash equivalents			25,124,439	
Restricted investments	15,534,365		929,228	
Gifts and pledges receivable (net of allowance for uncollectible pledges of $15,900 in 2006 and $15,100 in 2005)		9,506,482		8,318,604
Loans receivable (net of allowance for doubtful loans of $171,500 in 2006 and $170,000 in 2005)	16,980,390		16,816,569	
Other assets	1,031,844	687,144	5,960,572	290,751
Other long-term investments	87,717,891	92,028,208	70,317,642	81,783,150
Capital assets, net (Note 4)	253,156,965	650,000	228,640,829	650,000
Total noncurrent assets	374,421,455	102,871,834	347,789,279	91,042,505
Total assets	**$ 461,097,129**	**$ 105,256,210**	**$ 432,285,228**	**$ 97,325,479**
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable trade and other	$ 10,090,309	$ 36,719	$ 9,945,829	$ 25,992
Accounts payable to Wright State University		454,158		1,288,630
Accrued liabilities	13,568,515		10,592,741	
Deferred revenue (Note 1)	34,987,437		34,896,202	
Refunds and other liabilities	578,727	1,251,716	415,478	1,163,972
Current portion of long-term liabilities (Note 5)	8,775,587	1,047,378	9,076,137	1,066,662
Total current liabilities	68,000,575	2,789,971	64,926,387	3,545,256
Noncurrent liabilities:				
Long-term liabilities (Note 5)	48,238,090	517,222	51,113,683	253,238
Total noncurrent liabilities	48,238,090	517,222	51,113,683	253,238
Total liabilities	116,238,665	3,307,193	116,040,070	3,798,494
Net assets:				
Invested in capital assets, net of related debt	226,597,293	650,000	206,593,815	650,000
Restricted - nonexpendable:				
Instruction and departmental research		10,849,640		14,394,309
Separately budgeted research		338,707	357,337	339,229
Public service		161,622		161,899
Academic support		443,077		444,015
Student services		9,981		10,000
Plant operation and maintenance		4,516,223		
Scholarships and fellowships		9,887,322	1,003,500	8,925,165
Auxiliaries		207,349		59,521
Other			3,044	
Restricted - expendable:				
Instruction and departmental research	34,458	43,505,993	124,086	40,312,716
Separately budgeted research	205,304	2,613,759	1,739,012	2,734,648
Public service	43,595	553,202		627,797
Academic support	32,595	1,337,616		1,503,906
Student services		155,402		90,370
Institutional support	27,351	7,443,084		3,466,609
Plant operation and maintenance		687,970		3,199,567
Scholarships and fellowships	4,422	15,789,935	892,581	14,296,497
Loans	18,094,645		17,989,166	
Debt service	233,280		212,846	
Auxiliaries		379,205		754,112
Other				51,250
Unrestricted	99,585,521	2,418,930	87,329,771	1,505,375
Total net assets	344,858,464	101,949,017	316,245,158	93,526,985
Total liabilities and net assets	**$ 461,097,129**	**$ 105,256,210**	**$ 432,285,228**	**$ 97,325,479**

See Accompanying Notes to Financial Statements

WRIGHT STATE UNIVERSITY
Statements of Revenues, Expenses, and Changes in Net Assets
For the Years Ended June 30, 2006 and 2005

	2006		2005	
	University	Foundation	University	Foundation
OPERATING REVENUES				
Student tuition and fees (net of scholarship allowances of $23,970,000 in 2006 and $22,180,000 in 2005)	$ 107,292,871	$	$ 99,537,222	$
Federal grants and contracts	41,795,922		40,737,276	
State grants and contracts	9,905,175		7,077,822	
Local grants and contracts	570,169		393,370	
Nongovernmental grants and contracts	40,270,119		39,645,487	
Sales and services	7,142,562		7,429,022	
Auxiliary enterprises sales (net of scholarship allowances of $1,685,000 in 2006 and $1,552,000 in 2005)	15,375,644		14,444,110	
Gifts and contributions		5,290,737		36,384,024
Other operating revenues	2,183,707		1,745,670	
Total operating revenues	**224,536,169**	**5,290,737**	**211,009,979**	**36,384,024**
OPERATING EXPENSES				
Educational and general:				
Instruction and departmental research	106,035,566		101,791,470	
Separately budgeted research	31,905,803		27,075,511	
Public service	8,322,606		8,096,329	
Academic support	66,785,687		66,468,446	
Student services	14,171,292		13,442,514	
Institutional support	25,896,285	416,173	25,228,720	506,287
Operation and maintenance of plant	15,399,134		14,230,982	
Scholarships and fellowships	12,184,925		12,343,062	
Total educational and general	280,701,298	416,173	268,677,034	506,287
Auxiliary enterprises	23,565,136		22,631,270	
Depreciation	13,651,413		14,125,353	
Total operating expenses	**317,917,847**	**416,173**	**305,433,657**	**506,287**
Operating (loss)/revenue	(93,381,678)	4,874,564	(94,423,678)	35,877,737
NONOPERATING REVENUES (EXPENSES):				
State appropriations	91,795,796		93,098,926	
Gifts	5,466,331		5,223,690	
Investment income (net of investment expenses of $195,000 in 2006 and $213,000 in 2005 for WSU and $228,011 in 2006 and $94,152 in 2005 for Foundation)	8,773,951	11,487,860	4,966,601	4,984,463
Interest on capital asset-related debt	(1,256,256)		(1,057,776)	
Payments to Wright State University		(7,940,392)		(5,358,363)
Other nonoperating revenues (expenses)	(4,824,764)		1,686	
Net nonoperating revenues before capital appropriations and capital grants	99,955,058	3,547,468	102,233,127	(373,900)
Capital appropriations from the State of Ohio	10,916,047		4,677,609	
Capital grants and gifts	11,123,879		801,233	
Total nonoperating revenues (net)	**121,994,984**	**3,547,468**	**107,711,969**	**(373,900)**
Increase in net assets	**28,613,306**	**8,422,032**	**13,288,291**	**35,503,837**
NET ASSETS				
Net assets - beginning of year	316,245,158	93,526,985	302,956,867	58,023,148
Net assets - end of year	**$ 344,858,464**	**$ 101,949,017**	**$ 316,245,158**	**$ 93,526,985**

See Accompanying Notes to Financial Statements

WRIGHT STATE UNIVERSITY
Statements of Cash Flows
For the Years Ended June 30, 2006 and 2005

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Student tuition and fees	$ 106,383,559	$ 99,783,102
Federal, state, local, and nongovernmental grants and contracts	90,817,891	83,727,792
Sales and services of educational and other departmental activities	5,786,935	7,445,420
Payments to employees	(151,476,988)	(145,300,030)
Payments for benefits	(37,991,223)	(37,623,731)
Payments to suppliers	(96,310,682)	(96,463,877)
Payments for scholarships and fellowships	(11,610,146)	(12,760,886)
Student loans issued	(4,615,057)	(4,786,168)
Student loans collected	4,678,205	4,023,097
Student loan interest and fees collected	362,011	327,283
Auxiliary enterprise sales	14,933,307	14,122,645
Net cash (used) by operating activities	**(79,042,188)**	**(87,505,353)**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	91,795,796	93,098,926
Gifts	6,105,577	4,814,419
Net cash provided by noncapital financing activities	**97,901,373**	**97,913,345**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital appropriations from the State of Ohio	10,993,515	3,051,097
Capital grants received	3,873,550	801,233
Purchases of capital assets	(31,056,560)	(11,819,887)
Sales of capital assets	38,364	70,320
Proceeds from capital debt		32,299,216
Principal paid on capital debt and leases	(3,676,143)	(2,593,517)
Interest paid on capital debt and leases	(1,256,256)	(1,057,776)
Net cash (used)/provided in capital and related financing activities	**(21,083,530)**	**20,750,686**
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	68,159,112	78,356,127
Interest on investments	4,439,602	3,555,220
Purchase of investments	(98,585,131)	(89,771,806)
Net cash (used) in investing activities	**(25,986,417)**	**(7,860,459)**
Net (Decrease)/Increase in Cash and Cash Equivalents	**(28,210,762)**	**23,298,219**
Cash and Cash Equivalents - Beginning of Year	65,574,134	42,275,915
Cash and Cash Equivalents - End of Year	**$ 37,363,372**	**$ 65,574,134**

See Accompanying Notes to Financial Statements

WRIGHT STATE UNIVERSITY
Statements of Cash Flows
For the Years Ended June 30, 2006 and 2005

Reconciliation of net operating revenues (expenses) to net cash provided (used) by operating activities:	2006	2005
Operating loss	$ (93,381,678)	$ (94,423,678)
Depreciation	13,651,413	14,125,353
Change to allowance for doubtful accounts	120,000	60,000
Change to allowance for doubtful loans	150,000	25,000
Changes in assets and liabilities:		
Accounts receivable	(4,273,056)	(1,078,866)
Inventory	33,897	(16,131)
Prepaid expenses	(5,651,139)	2,717,415
Deferred charges	1,024,521	79,359
Other assets	4,928,728	(4,931,345)
Accounts payable	711,720	(1,001,147)
Accrued liabilities	2,975,774	771,457
Deferred revenue	91,235	(3,917,216)
Compensated absences	500,000	900,000
Refunds and other liabilities	163,248	(27,484)
Loans to students and employees	(86,851)	(788,070)
Net cash (used) by operating activities	**$ (79,042,188)**	**$ (87,505,353)**

See Accompanying Notes to Financial Statements

(1) Organization and Summary of Significant Accounting Policies

Organization and Basis of Presentation

Wright State University (University) is a state-assisted institution of higher education created in 1967. The University has an enrollment of approximately 17,000 undergraduate, graduate, and professional students on its two campuses. The financial statements include the university's six colleges, three schools, and other individual departments. The university's Board of Trustees approves policies and procedures by which the University is governed. The University is a political subdivision of the State of Ohio and accordingly, its financial statements are included, as a discrete entity, in the State of Ohio's Comprehensive Annual Financial Report in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, and amended by GASB Statement No. 39. As an amendment to Statement No. 14, Statement No. 39 provides additional guidance to determine whether certain organizations for which the University is not financially accountable should be reported as a component unit of the University based upon the nature and significance of their relationship to the University. Although the Wright State University Foundation (Foundation) is a legally separate, tax-exempt entity, it has been determined that it does meet the criteria for discrete presentation within the university's financial statements. The Foundation is the primary fund-raising organization for the University and contributions to the Foundation are primarily restricted to the activities of the University. These contributions are relied upon for the on-going operations of the University. No other affiliated organization, such as the Alumni Association, meets the requirements for inclusion in the university's financial statements. Complete financial statements for the Foundation can be obtained by sending a request to the Wright State University Foundation, 108J Allyn Hall, 3640 Colonel Glenn Highway, Dayton, OH 45435.

The financial statements have been prepared in accordance with generally accepted accounting principles for colleges and universities within the United States of America, as prescribed by GASB.

Summary of Significant Accounting Policies:

Basis of Accounting

The financial statements of the University have been prepared on the accrual basis. The University reports as a business-type activity, as defined by GASB Statement No. 35, *Basic Financial Statements-and Management's Discussion and Analysis - for Public Colleges and Universities.* Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services. All internal (between funds) transactions have been eliminated.

Recent Pronouncements

In June 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.* This statement establishes standards for the measurement, recognition and display of other postemployment benefit expenses/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of employers subject to governmental accounting standards. The provisions of this statement are effective for financial statements for fiscal periods beginning after December 15, 2006. The University will be evaluating the impact that the adoption of this statement will have on its financial statements.

Cash and Cash Equivalents

Cash equivalents include amounts held in the State Treasury Asset Reserve of Ohio (STAROhio) and repurchase agreements held in sweep accounts with various institutions in demand accounts. In addition, each of the external investment managers maintains a balance in a money market fund. These balances are included as cash equivalents due to their high liquidity and short-term nature. Other investments purchased with three months or less to maturity are also considered cash equivalents.

Investments

Investments are reported at fair value, as established by the major securities markets. Money market investments (U.S. treasury and agency obligations) that have a remaining maturity of one year or less at the time of purchase are reported at amortized cost and approximate fair value. If contributed, investments are valued at market value at the date of donation. Investment income is recognized on an accrual basis. Purchases and sales of investments are accounted for on the trade date basis. Investment trade settlements receivable and payable represent investment transactions occurring on or before June 30, which settle after such date. Realized and unrealized gains and losses are reported as investment income or loss.

All securities purchased by external investment managers in the University's "liquidity" and "diversified" investment pools, with the exception of money market purchases and redemptions, are considered investments regardless of maturity date, as these investment pools are designed more for capital appreciation and have average durations of at least two years. Investments with maturities of less than one year are considered short-term or current.

Distributions of investment earnings are made from the university's endowment fund to the operating units that benefit from the endowment funds. The endowment spending policy calls for the distribution of 4 percent of the previous twelve quarter moving average market value of the endowment fund. As of June 30, 2005, there was approximately $2,758,000 of net appreciation on investments of donor-restricted endowments available for expenditure which is included as "restricted-expendable" net assets in the Statement of Net Assets. The university's endowment funds were transferred to the Foundation during June 2006 in the amount of $4.1 million and are included in "other nonoperating revenues" in the Statement of Revenues, Expenses, and Changes in Net Assets. Therefore, there are no endowment related "restricted-expendable" net assets included in the June 30, 2006 Statement of Net Assets.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out (FIFO) method.

Capital Assets

Capital assets include land, land improvements, infrastructure, buildings, machinery, equipment, library books, publications and construction in progress. They are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. Building renovations that materially increase the value or extend the useful life of the structure are also capitalized.

Normal repairs and maintenance are expensed in the year in which the expenses are incurred. The university's threshold for capitalizing fixed assets is $3,000 and an estimated useful life of 5 or more years. Using the straight-line method, capital assets are depreciated over their estimated useful lives; generally, 40 years for buildings, 30 years for land improvements and infrastructure, 15 years for library books and publications, and 5 to 10 years for machinery and equipment. The University does not capitalize works of art or historical treasures that are held for exhibition, education, research, and public service. These collections are not encumbered or sold for financial gain. Consequently, such collections are not recognized in the financial statements.

Deferred Revenue

Deferred revenue consists primarily of the amounts received in advance from grant and contract sponsors that have not yet been earned under the terms of the agreement and amounts received in advance for tuition and fees not yet earned. These deferrals were $25.2 million and $8.8 million, respectively, for the year ended June 30, 2006 and $22.6 million and $10.8 million, respectively, for the year ended June 30, 2005.

Net Assets

Net assets are classified as follows: Invested in capital assets, net of related debt represents the value of capital assets less accumulated depreciation and the debt related to acquisition, or construction of the asset. Restricted - Nonexpendable are comprised primarily of gifts which are subject to external restrictions requiring that the principal be invested in perpetuity and that only the cumulative earnings be utilized. Restricted - Expendable represents resources that have been received and must be used for specific purposes. Unrestricted represents net assets that are not subject to external restrictions. Management or the Board of Trustees designates most of the unrestricted net assets for specific purposes in research, academic, capital acquisition, or other initiatives.

Revenues and Expenses

Revenues and expenses are classified as operating or nonoperating. Operating revenues are resources primarily from exchange transaction activities. These include payments received for services, such as tuition and fees, and most grants and contracts. Nonoperating revenues are from non-programmatic sources and have the characteristics of nonexchange transactions. They include state appropriations, gifts, and investment income. Nearly all of the university's expenses are a result of exchange transactions, and therefore classified as operating expenses. The major recurring nonoperating expenses are net losses on the disposition of capital assets and interest expense on capital assets-related debt.

Scholarship Allowances

Scholarship allowances represent aid awarded to the student in the form of reduced tuition and are computed and reported in the financial statements under the alternate method as prescribed by the National Association of College and University Business Officers (NACUBO). Financial aid in the form of a cash payment to the student is reported as scholarship and fellowship expense in the financial statements. Third party loans such as Stafford loans and certain aid awarded to the students by third parties are credited to the student's account as if the student made the payment.

Income Taxes

The University is exempt from federal income taxes under Section 115 of the Internal Revenue Code. However, certain revenues are considered unrelated business income and are taxable under Internal Revenue Code Sections 511 through 513.

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.

Previous Year's Financial Information

Certain reclassifications have been made to the 2005 comparative information to conform to the 2006 presentation.

(2) Cash, Cash Equivalents and Investments:

Cash and Cash Equivalents

Custodial credit risk is the risk that in the event of a bank failure, the university's deposits may not be recovered. Under state law, the university's deposits must be secured by federal deposit insurance and collateralized for amounts in excess of FDIC coverage. Collateral may be pledged or pooled. Pooled collateral may be held on the financial institution's premises or held by its trust department or agent on its behalf. The fair market value of the pledged securities plus the federal deposit insurance must at all times equal one hundred five percent of the total amount of public deposits to be secured by the pooled securities. These securities may be held in the name of the University or the pledging bank by a holding or custodial bank that is mutually acceptable to both parties. The University does not have a deposit policy for custodial credit risk.

As of June 30, 2006 and 2005, the university's bank balances are $28,210,191 and $71,564,465, respectively. Of these balances, $25,213,761 and $70,113,383, respectively, are uninsured with collateral held by pledging banks not in the university's name.

At June 30, the carrying amount of deposits (book balances) is as follows:

	2006	2005
Petty cash	$ 67,529	$ 70,422
Demand deposits	19,265,619	63,301,420
Certificate of deposit		2,822,753
Money market funds	2,391,772	1,765,667
Total	$ 21,724,920	$ 67,960,262

The difference in the carrying amount and bank balances is caused by items in-transit (primarily outstanding checks) and by cash on hand.

Investments

The university's investment policy permits investments in publicly traded securities only. In addition, an amount equal to at least twenty five percent of the university's investment portfolio must at all times be invested in securities of the United States government or one of its agencies or instrumentalities, the treasurer of the State of Ohio's pooled investment program, obligations of the State of Ohio, or any political subdivision of the State of Ohio, certificates of deposit of any national bank located in the State of Ohio, written repurchase agreements with any eligible Ohio financial institution that is a member of the federal reserve system or federal home loan bank, money market funds or bankers acceptances maturing in two hundred seventy days or less which are eligible for purchase by the federal reserve system.

The fair value of investments at June 30 is as follows:

Description	Fair Value 2006	Fair Value 2005
U.S. Treasury securities	$ 10,879,786	$ 12,924,407
U.S. Agency securities	14,981,398	8,199,628
Common and preferred stock	472,638	379,280
Corporate bonds and notes	5,780,573	9,432,441
Repurchase agreements	15,531,896	
State Treasury Asset Reserve of Ohio	15,640,921	1,365,853
Equity mutual funds	55,033,646	41,048,884
Bond mutual funds	5,239,717	2,248,744
Other	3,200	3,200
Total	$ 123,563,775	$ 75,602,437

Interest Rate Risk The university's investment policy minimizes the risk of the loss of value due to changing interest rates, through the use of target durations for each of the university's investment pools. The Cash Pool is maintained to meet the daily obligations of the University and consists of highly liquid instruments with little to no risk of loss of principal. The maximum weighted average maturity for the Cash Pool is less than one year. The Liquidity Pool provides a source of funds in the event the Cash Pool is insufficient to meet the university's cash needs and maintains a weighted average life of less than five years. The Diversified Investment Pool provides the University an opportunity to earn a higher rate of return through investments with longer durations. Equity managers are limited to a beta (volatility) of no more than 1.2 – 1.4 times the relevant benchmark. Duration for fixed income managed accounts must be within twenty percent of that of the Lehman Brothers Aggregate Bond Index.

The maturity of university investments at June 30 is as follows:

Investment Type		2006 Investment Maturities (in years) Fair Value		Less Than 1		1-5		6-10		More Than 10
U.S. Treasury securities	$	10,879,786	$	999,422	$	7,066,083	$	2,102,904	$	711,377
U.S. Agency securities		14,981,398		2,982,180		3,591,180		3,341,059		5,066,979
Corporate bonds and notes		5,780,573		626,835		3,171,552		794,532		1,187,654
Repurchase agreements		15,531,896		13,446,704		2,085,192				
Bond mutual funds		5,239,717				5,239,717				
Total	$	52,413,370	$	18,055,141	$	21,153,724	$	6,238,495	$	6,966,010

Investment Type		2005 Investment Maturities (in years) Fair Value		Less Than 1		1-5		6-10		More Than 10
U.S. Treasury securities	$	12,924,407	$	2,097,200	$	8,569,497	$	1,396,310	$	861,400
U.S. Agency securities		8,199,628		924,430		3,010,613				4,264,585
Corporate bonds and notes		9,432,441		897,318		4,707,129		1,839,001		1,988,993
Bond mutual funds		2,248,744				2,248,744				
Total	$	32,805,220	$	3,918,948	$	18,535,983	$	3,235,311	$	7,114,978

The University invests in mortgage pass-through securities issued by FNMA, GNMA and FHLMC which are included above in the amounts listed as U.S. Agency Securities. Prepayment options embedded in these securities cause them to be highly sensitive to interest rate changes. Generally when interest rates fall, more mortgages are prepaid. This eliminates the interest income that would have been received under the original amortization schedule. As of June 30, 2006 and 2005, the total value of mortgage pass-through securities is $8,917,269 and $4,234,713, respectively.

Credit Risk Credit Risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligation. The university's investment policy limits exposure to credit risk by limiting purchases of fixed income securities to no lower than AA for the Cash Pool accounts and no lower than BBB for the Liquidity Pool accounts. At least fifty percent of the Cash Pool must be invested in U.S. Treasuries or Agencies. In addition, maximum exposure to high yield bonds cannot exceed fifteen percent of a Diversified Investment Pool Fixed Income account. All Commercial Paper must have a minimum rating of A1/B1.

The university's credit risk at June 30 is as follows:

2006

Credit Rating	Total	U.S. Treasury Securities	U.S. Agency Securities	Corporate Bonds and Notes	Repurchase Agreement	State Treasury Asset Reserve (STAROhio)	Bond Mutual Funds
AAA/Aaa	$ 58,794,054	$ 10,879,786	$ 14,981,398	$ 1,760,053	$ 15,531,896	$ 15,640,921	$
AA/Aaa	5,929,448			689,731			5,239,717
A	2,401,854			2,401,854			
BBB/Baa	741,193			741,193			
BB/Ba	187,742			187,742			
Total	$ 68,054,291	$ 10,879,786	$ 14,981,398	$ 5,780,573	$ 15,531,896	$ 15,640,921	$ 5,239,717

2005

Credit Rating	Total	U.S. Treasury Securities	U.S. Agency Securities	Corporate Bonds and Notes	Repurchase Agreement	State Treasury Asset Reserve (STAROhio)	Bond Mutual Funds
AAA/Aaa	$ 25,077,635	$ 12,924,407	$ 8,199,628	$ 2,587,747	$	$ 1,365,853	$
AA/Aaa	3,113,496			1,114,888			1,998,608
A	3,816,228			3,816,228			
BBB/Baa	1,401,249			1,401,249			
BB/Ba	600,450			350,314			250,136
B	162,015			162,015			
Total	$ 34,171,073	$ 12,924,407	$ 8,199,628	$ 9,432,441	$	$ 1,365,853	$ 2,248,744

Custodial Credit Risk For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the University will not be able to recover the value of its investments or collateral securities in the possession of an outside party. At June 30, 2006 and 2005, $16,968,381 and $14,706,261, respectively, is held by the investment's counterparty, not in the name of the University, but internally designated as held for the University.

The university's investment policy minimizes custodial credit risk by limiting the amount invested in any bank certificate of deposit unless the investments are fully collateralized by U.S. Treasury or Agency securities. In addition, bank certificates of deposit and bankers' acceptances must be issued by members of the Federal Deposit Insurance Corporation.

Concentration of Credit Risk Concentration of credit risk is the risk associated with a lack of diversification. It is the risk of loss attributed to the magnitude of the university's investment in a single issuer. Investment managers are required by the investment policy to limit exposure for any one single issue to no more than five percent of the portfolio, at cost. This limit does not apply to investments in U.S. Securities. Equity and fixed income managers are required to limit exposure to any one economic sector to forty percent of the portfolio. Cash Pool managers must limit commercial paper in any one issuer to no more than five percent of the manager's portfolio.

As of June 30, 2006 and 2005, the university's portfolio includes one issuer that exceeds five percent of the university's total investments. The University holds $6,515,914 in multiple Federal National Mortgage Association (FNMA) issues which represent 5.27 percent of the university's total investments at June 30, 2006. Comparatively at June 30, 2005, the University holds $4,955,094 in various FNMA issues which represent 6.55 percent of total investments.

Foreign Currency Risk Foreign currency risk relates to the possible adverse effects that changes in exchange rates can have on the fair value of investments. According to the university's investment policy, international managers are expected to maintain an appropriate diversification with respect to currency and country exposure. All other managers are not permitted to invest in non-dollar denominated securities.

At June 30, 2006 and 2005, the University holds investments in foreign mutual funds of $13,349,089 and $8,980,793 respectfully. In addition, foreign currency exposure at June 30 includes the following:

		Fair Value		
Investment	Currency	2006	2005	Rating
Brazil Government Bond	Brazilian Real	$	$ 162,015	B
Canadian Government Bond	Canadian Dollar		65,142	AAA
Colombia Government Bond	Columbian Peso		18,240	BB
German Corporate Bond	Euro	166,029		AAA
Japan Government Bond	Japanese Yen	382,288	289,721	A
Norwegian Government Bond	Norwegian Krone		65,534	AAA
Panama Government Bond	Panamanian Balboa		82,580	BB
Switzerland Government Bond	Swedish Krona	58,556		AAA
Total		$ 606,873	$ 683,232	

The university's investment policy dictates no more than fifteen percent of the diversified investment pool fixed income account shall be invested in non-dollar denominated bonds. The above mentioned bonds represent less than five percent of the diversified investment pool as of June 30, 2006 and 2005.

Series 2004 Bond Proceeds In December 2004, the University issued $31,335,000 General Receipt Bonds to fund various capital projects. As of June 30, 2006, $15,531,896 of the proceeds remains unspent. The unspent proceeds are held in a Bond Market Association Master Repurchase Agreement with Citigroup Global Markets, Inc. which was finalized on July 1, 2005. The Bank of New York acts as the custodian for this agreement. As provided in the bond indenture, bond proceeds are invested in domestic or foreign banks with a rating of at least A- by S&P and A3 by Moody's and must be collateralized with direct obligations of the United States or other instrumentalities fully guaranteed by the United States. The value of the collateral must be 104 percent; or if the securities used as collateral are FNMA or FHLMC, the value of the collateral must equal 105 percent of the assets. These funds, in addition to small balances held in JPMorganChase trust accounts for the payment of Series 2003 and 2004 Bond interest payments, equal $15,534,365 and are classified as restricted investments at June 30, 2006. These small trust account balances are included in the money market funds total of $2,391,772.

Comparatively as of June 30, 2005, the unspent bond proceeds are $26,052,395. Of this amount, $25,124,439 is considered restricted cash and is included in the demand deposit balance of $63,301,420. The remaining bond proceeds of $927,956 are held in a bond trust account with JPMorganChase in an institutional money market trust. These funds, in addition to small balances held in other JPMorganChase trust accounts for the payment of Series 2003 and 2004 Bond interest payments, equal $929,228 and are classified as restricted investments at June 30, 2005. This amount is included in the money market funds total of $1,765,667.

Investment Income The composition of investment income is as follows:

	Year Ended June 30	
	2006	2005
Net interest and dividend income	$ 4,935,621	$ 3,062,644
Realized (losses)/gains on sales	(490,908)	512,527
Unrealized gains in fair value	4,329,238	1,391,430
Total	$ 8,773,951	$ 4,966,601

(3) Accounts Receivable

The composition of accounts receivable at June 30 is as follows:

	2006	2005
Sponsor receivables	$ 14,367,395	$ 9,903,742
Student accounts	8,258,283	7,805,023
Wright State University Foundation	454,515	1,288,630
Investment trade receivables	156,049	187,142
Interest receivable	241,513	250,614
State appropriations	1,956,978	2,377,090
Other, primarily departmental sales and services	852,156	958,500
Total	26,286,889	22,770,741
Less: Allowance for doubtful accounts	960,000	840,000
Net accounts receivable	$ 25,326,889	$ 21,930,741

(4) Capital Assets

Capital assets activity for the years ended June 30, 2006 and 2005 is summarized as follows:

	Balance 07/01/2005	Additions	Retirements	Balance 06/30/2006
Land	$ 3,049,830	$	$	$ 3,049,830
Land improvements and infrastructure	27,425,353	2,574,042		29,999,395
Buildings	255,868,443	8,233,245		264,101,688
Machinery and equipment	59,630,643	11,579,279	(3,627,686)	67,582,236
Library books and publications	50,586,902	1,824,323	(3,770,875)	48,640,350
Construction in progress	1,578,304	14,705,582		16,283,886
Total	398,139,475	38,916,471	(7,398,561)	429,657,385
Less accumulated depreciation:				
Land improvements and infrastructure	7,569,860	908,551		8,478,411
Buildings	93,365,306	6,365,654		99,730,960
Machinery and equipment	36,649,825	4,329,306	(3,140,725)	37,838,406
Library books and publications	31,913,655	2,047,902	(3,508,914)	30,452,643
Total accumulated depreciation	169,498,646	13,651,413	(6,649,639)	176,500,420
Capital assets, net	$ 228,640,829	$ 25,265,058	$ (748,922)	$ 253,156,965

	Balance 07/01/2004	Additions	Retirements	Balance 06/30/2005
Land	$ 3,049,830	$	$	$ 3,049,830
Land improvements and infrastructure	23,827,085	3,598,268		27,425,353
Buildings	254,122,592	1,745,851		255,868,443
Machinery and equipment	55,478,755	6,627,451	(2,475,563)	59,630,643
Library books and publications	49,092,113	2,028,491	(533,702)	50,586,902
Construction in progress		1,578,304		1,578,304
Total	385,570,375	15,578,365	(3,009,265)	398,139,475
Less accumulated depreciation:				
Land improvements and infrastructure	6,795,974	773,886		7,569,860
Buildings	86,976,845	6,388,461		93,365,306
Machinery and equipment	34,375,056	4,681,697	(2,406,928)	36,649,825
Library books and publications	30,166,048	2,281,309	(533,702)	31,913,655
Total accumulated depreciation	158,313,923	14,125,353	(2,940,630)	169,498,646
Capital assets, net	$ 227,256,452	$ 1,453,012	$ (68,635)	$ 228,640,829

(5) Long-Term Liabilities

Long-term liabilities consist of bonds payable, equipment lease purchase obligations, and compensated absences. Activity for long-term liabilities for the year ended June 30, 2006 is summarized as follows:

	Beginning Balance 07/01/05	Additions	Principal Repayments Reductions	Ending Balance 06/30/06	Current Portion
Bonds and equipment lease purchase obligations:					
General obligation bonds	$ 45,405,933	$	$ 3,439,654	$ 41,966,279	$ 3,564,055
Equipment leases	783,887		236,489	547,398	211,532
Total bonds and equipment leases	46,189,820		3,676,143	42,513,677	3,775,587
Other liabilities:					
Compensated absences	14,000,000	4,648,443	4,148,443	14,500,000	5,000,000
Total other liabilities	14,000,000	4,648,443	4,148,443	14,500,000	5,000,000
Total long-term liabilities	$ 60,189,820	$ 4,648,443	$ 7,824,586	$ 57,013,677	$ 8,775,587

Bonds payable on June 30, 2006 consist of Series 2003 and 2004 General Receipts Serial and Term bonds. The maturity dates, interest rates, and the outstanding principal balances of capital activities at June 30, 2006 are as follows:

Description	Maturity Dates	Interest Rates	Outstanding Principal	Unamortized Premium	Total
Bonds payable:					
Series 2003	2006-2023	3.00% - 5.00%	$ 11,420,000	$ 422,139	$ 11,842,139
Series 2004	2006-2029	2.50% - 5.00%	29,220,000	904,140	30,124,140
Total bonds payable			40,640,000	1,326,279	41,966,279
Equipment lease purchase obligations	2006-2009	4.55%	547,398		547,398
		Total	$ 41,187,398	$ 1,326,279	$ 42,513,677

The scheduled maturities of capital financing activities for the next five years and for the subsequent periods of five years are as follows:

Year Ended June 30	Principal	Interest	Total
2007	$ 3,656,532	$ 1,679,956	$ 5,336,488
2008	3,766,359	1,553,142	5,319,501
2009	3,714,507	1,437,612	5,152,119
2010	3,710,000	1,309,638	5,019,638
2011	3,855,000	1,174,813	5,029,813
2012-2016	9,575,000	4,240,786	13,815,786
2017-2021	6,410,000	2,405,125	8,815,125
2022-2026	4,090,000	1,108,625	5,198,625
2027-2029	2,410,000	220,050	2,630,050
Total	$ 41,187,398	$ 15,129,747	$ 56,317,145

All general receipts of the University, except for state appropriations, are pledged for payment of the 2003 and 2004 bonds.

Interest expense incurred on indebtedness for the years ended June 30, 2006 and 2005 was $1,256,256 and $1,057,776 respectively. In 2006, interest expense on construction related debt of $1,188,888, net of $783,590 interest earned on invested funds, was capitalized to the related capital projects. In 2005, interest expense on construction related debt of $517,646, net of $351,323 interest earned on invested funds, was capitalized to the related capital projects.

The Series 2004 General Receipts Bonds were issued in December 2004 in the amount of $31,335,000. The proceeds were used to pay associated bond issuance costs and to fund the purchase and installation of an administrative software system, the renovation and expansion of certain science facilities and laboratories, the renovation of the Student Union and the Frederick A. White Center and the construction of various parking and road improvements.

(6) Operating Leases

The University leases certain properties and equipment under operating lease agreements. Facilities and equipment under these agreements are not recorded on the balance sheet. Rent expenses for the years ended June 30, 2006 and 2005 were $865,155 and $652,893, respectively.

Future minimum payments for all material operating leases as of June 30, 2006, are as follows:

2007	$ 1,080,584
2008	658,499
2009	617,614
2010	322,547
2011	305,417
2012-2014	594,672
Total minimum lease payments	$ 3,579,333

(7) Retirement Plans

University faculty participate in either the State Teachers Retirement System of Ohio (STRS) or an alternative retirement plan (ARP). Substantially all other employees participate in either the Ohio Public Employees Retirement System (OPERS) or the ARP. Both STRS and OPERS are statewide cost-sharing multiple employer plans. Both plans provide retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits for both STRS and OPERS is provided by state statute per the Ohio Revised Code.

Both STRS and OPERS issue stand-alone financial reports. Interested parties may obtain a copy by making a written request to STRS at 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090 or making a written request to OPERS at 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085.

STRS plan participants are required to contribute 10% and the University 14.0% of the employees' covered compensation. Through December 31, 2005, OPERS plan participants were required to contribute 8.5% and the University 13.31% of the employees' covered compensation. As of January 1, 2006, OPERS plan participants contribute 9% and the University 13.56% of the employees' covered compensation. The Ohio Revised Code provides statutory authority for both employee and employer contributions. The university's contributions to STRS were $8,281,427, $7,439,443, and $7,488,699, and to OPERS were $6,992,318, $6,609,430, and $6,360,369, for the years ended June 30, 2006, 2005, and 2004, respectively, equal to the required contributions for each year.

Certain full-time university faculty and unclassified staff have the option to choose the ARP in place of STRS or OPERS. The ARP is a defined contribution plan which provides employees with the opportunity to establish individual retirement accounts with a defined group of investment options, with each participant having control of the assets and investment options associated with those assets. The administrators of the plan are the providers of the plan investment options. Authority to establish and amend benefits and contribution requirements for the ARP is provided by state statute per the Ohio Revised Code.

Under the provisions of ARP, the required contribution rate for plan participants is 10% of employees' covered compensation for employees who would otherwise participate in STRS. Through December 31, 2005, the required contribution rate for plan participants was 8.5% of employees' covered compensation for employees who would otherwise participate in OPERS. As of January 1, 2006, the University contributes 9% of employees' covered compensation for employees who would otherwise participate in OPERS. The University contributed 13.31% of a participating unclassified staff member's compensation to the participant's account through December 31, 2005. As of January 1, 2006, the University contributes 13.56% of a participating unclassified staff member's compensation to a participant's account. The university's contributions to a participating faculty member's account and to STRS is 10.5% and 3.5% of a participant's compensation, respectively. Plan participants' contributions were $2,942,750, $2,710,308, and $2,430,747, and the university's contributions to the plan providers amounted to $3,619,167, $3,356,861, and $3,065,869, respectively, for the years ended June 30, 2006, 2005, and 2004. In addition, the amounts contributed to STRS by the University on behalf of ARP participants were $708,511, $656,623, and $573,143, respectively, for the years ended June 30, 2006, 2005, and 2004.

(8) Other Postemployment Benefits (OPEB)

STRS provides OPEB to all retirees and their dependents, while OPERS provides postretirement health care coverage to age and service retirants (and dependents) with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is also available under OPERS. A portion of each employer's contributions is set aside for the funding of postretirement health care. For STRS, this rate was 1 percent of the total 14.00 percent (see note 6), while the OPERS rate was 4 percent of the total effective 13.44 percent (see note 7) effective July 1, 2003.

The Ohio Revised Code provides the statutory authority for public employers to fund postretirement health care through their contributions to STRS and OPERS. Postretirement health care under STRS is financed on a pay-as-you-go basis. Assets available in the health care reserve fund for STRS amounted to $3.3 billion at June 30, 2005. The number of benefit recipients eligible for OPEB was 115,395 for STRS at June 30, 2005. The amount contributed by the University to STRS to fund these benefits was $591,531 for the year ended June 30, 2006.

Postretirement health care under OPERS is advance-funded on an actuarially determined basis. The actuarial value of OPERS net assets available for OPEB at December 31, 2004 is $10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were $29.5 billion and $18.7 billion, respectively. The number of OPERS active contributing participants was 376,109 for the year ended December 31, 2005. For the year ended June 30, 2006 the University contributed $2,081,822 to OPERS for OPEB funding.

(9) Related Organization

The University is the sole beneficiary of the Wright State University Foundation, Inc., a separate, not-for-profit entity governed by a separate Board of Trustees, organized for the purpose of promoting educational and research activities. Assets of the Foundation totaled approximately $105,000,000 at June 30, 2006. Such assets relate principally to donor restricted funds and are discretely presented in the accompanying financial statements. Amounts transferred to the University from the Foundation are recorded as nonoperating “gifts” and “capital grants and gifts” in the accompanying financial statements.

(10) State Support

The University is a state-assisted institution of higher education which receives a student enrollment-based subsidy from the State of Ohio. This subsidy is determined annually, based upon a formula devised by the Ohio Board of Regents, Ohio's higher education advising and coordinating board.

In addition to student enrollment-based subsidies, the State of Ohio provides funding for construction of major plant facilities. The funding is obtained from the issuance of general obligation bonds by the Ohio Public Facilities Commission (OPFC), which in turn results in construction and subsequent transfer of the facility to the University by the Ohio Board of Regents. Costs incurred during construction are included in construction in progress and recognized as capital appropriations. Upon completion of a facility, the Ohio Board of Regents turns control over to the University.

University facilities are not pledged as collateral for the revenue bonds. Instead, the bonds are supported by a pledge of monies in the Higher Education Bond Service Fund established in the custody of the Treasurer of State. If sufficient monies are not available from this fund, a pledge exists to assess a special student fee uniformly applicable to students in state-assisted institutions of higher education throughout the State.

As a result of the above described financial assistance provided by the State to the University, outstanding debt issued by OPFC is not included in the university's financial statements.

(11) Commitments and Contingencies

At June 30, 2006, the University is committed under contractual obligations for:

Capital expenditures	$ 21,737,634
Non-capital goods and services	6,606,714
Total contractual commitments	$ 28,344,348

These commitments are being funded from the following sources:

State appropriations requested and approved	$ 6,700,099
University funds	21,644,249
Total sources	$ 28,344,348

The University is presently involved as a defendant or codefendant in various matters of litigation. The university's administration believes that the ultimate disposition of these matters would not have a material adverse effect upon the financial condition of the University.

Selected Notes of the Wright State University Foundation (a component unit)

(12) 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.

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.

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.

(13) Pledges Receivable

Pledges receivable at June 30, 2006 and 2005, by fund type, are as follows:

	2006			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Less than one year	$ 33,213	$ 2,461,360	$ 1,061,620	$ 3,556,193
One to five years	887	5,194,984	2,067,630	7,263,501
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	(100)	(15,400)	(500)	(16,000)
Pledges receivable (net)	$ 34,000	$ 7,231,900	$ 3,015,200	$ 10,281,100

	2005			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Less than one year	$ 36,870	$ 2,620,881	$ 1,378,745	$ 4,036,496
One to five years	24,100	5,199,228	2,028,080	7,251,408
Gross pledges receivable	60,970	7,820,109	3,406,825	11,287,904
Present value discount	(2,370)	(352,709)	(110,425)	(465,504)
Allowance for uncollectible pledges	(200)	(14,800)	(300)	(15,300)
Pledges receivable (net)	$ 58,400	$ 7,452,600	$ 3,296,100	$ 10,807,100

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 percent to 6.18 percent.

(14) Investments in Securities

The cost and fair value of the Foundation's investments, at June 30, 2006 and 2005, are as follows:

	2006		2005	
	Cost	Fair Value	Cost	Fair Value
Mutual funds:				
Equity	$ 57,419,234	$ 61,848,306	$ 51,549,101	$ 52,034,369
Fixed income	30,086,314	28,778,465	29,033,787	28,990,583
Total	$ 87,505,548	$ 90,626,771	$ 80,582,888	$ 81,024,952

Net realized gains on sales of investments were $2,681,645 and $2,483,723 for the years ended June 30, 2006 and 2005, respectively. Calculation of net realized gains on sales of investments is based on original cost.