

**WRIGHT STATE UNIVERSITY FOUNDATION, INC.**  
Dayton, Ohio

**CONSOLIDATED FINANCIAL STATEMENTS**  
June 30, 2015 and 2014

WRIGHT STATE UNIVERSITY FOUNDATION, INC.

Dayton, Ohio

CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2015 and 2014

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## INDEPENDENT AUDITOR'S REPORT

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

**Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of Wright State University Foundation, Inc. ("Foundation"), which comprise the consolidated statements of financial position as of June 30, 2015 and 2014, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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**Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Wright State University Foundation, Inc. as of June 30, 2015 and 2014 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matter**

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying Management's Discussion and Analysis on pages 3 through 7 and multi-year summary schedules on pages 33 through 44 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. The information has not been subjected to the auditing procedures applied in the audits of the consolidated financial statements and accordingly, we do not express an opinion or provide any assurance on it.

*Crowe Horwath LLP*

Crowe Horwath LLP

Columbus, Ohio  
October 6, 2015

WRIGHT STATE UNIVERSITY FOUNDATION, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
As of and for the Fiscal Year Ended June 30, 2015

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## **Overview**

This section of the Wright State University Foundation's (the "WSU Foundation" or "Foundation") annual financial report presents management's discussion and analysis of the financial performance of the WSU Foundation during the fiscal years ended June 30, 2015 and 2014. This discussion has been prepared by management along with the financial statements and related note disclosures and should be read in conjunction with the statements and notes thereto.

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

The discussion below relates to the WSU Foundation's basic financial statements, including the statements of financial position, statements of activities and statements of cash flows. The statements of financial position present the Foundation's financial situation at June 30, 2015 and 2014. The statements of activities summarize the financial transactions and consequent changes in net assets for the same fiscal years. The statements of cash flows provide details on the changes in cash levels for the same time period.

## **Financial Highlights**

### **Statements of Financial Position**

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

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

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

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WRIGHT STATE UNIVERSITY FOUNDATION, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
As of and for the Fiscal Year Ended June 30, 2015

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

<b>Condensed Statements of Financial Position</b>							
(in thousands of dollars)							
	2015	2014	Change, 2014 to 2015		2013	Change, 2013 to 2014	
			Dollars	Percent		Dollars	Percent
Total Assets	<u>\$ 137,403</u>	<u>\$ 134,718</u>	<u>\$ 2,685</u>	<u>2.0%</u>	<u>\$ 119,884</u>	<u>\$ 14,834</u>	<u>12.4%</u>
Total Liabilities	\$ 4,581	\$ 4,739	\$ (158)	-3.3%	\$ 3,929	\$ 810	20.6%
Net Assets:							
Unrestricted	7,624	9,318	(1,694)	-18.2%	7,364	1,954	26.5%
Temporarily Restricted	82,213	79,200	3,013	3.8%	70,849	8,351	11.8%
Permanently Restricted	<u>42,985</u>	<u>41,461</u>	<u>1,524</u>	<u>3.7%</u>	<u>37,742</u>	<u>3,719</u>	<u>9.9%</u>
Total Net Assets	<u>132,822</u>	<u>129,979</u>	<u>2,843</u>	<u>2.2%</u>	<u>115,955</u>	<u>14,024</u>	<u>12.1%</u>
Total Liabilities and Net Assets	<u>\$ 137,403</u>	<u>\$ 134,718</u>	<u>\$ 2,685</u>	<u>2.0%</u>	<u>\$ 119,884</u>	<u>\$ 14,834</u>	<u>12.4%</u>

Total assets increased slightly in fiscal year 2015 as financial market volatility restricted investment earnings on the Foundation's portfolios. Despite small positive returns, the value of the Foundation's investments declined slightly (due to net capital withdrawals) from the record levels reached in FY14. In conjunction with the University's ongoing comprehensive campaign, pledges receivable reached a record high in FY15. The campaign produced 3 seven-figure and 8 six-figure pledges during the fiscal year. In total, the level of pledges receivable (net of an allowance for uncollectible pledges) increased 76% over the previous year.

Foundation liabilities decreased slightly during the year. Most of this decrease resulted from a reduction in the Foundation's line of credit liability and a decline in annuities payable. The decrease in the latter liability resulted from the death of a significant annuitant during the year. The interplay of changes in assets and liabilities resulted in an overall increase in net assets of \$2.8 million. Although temporarily and permanently restricted net assets saw an overall increase for the year, unrestricted net assets saw a significant decline of 18%. This decline offset last year's 26% gain and nearly brought the level of unrestricted net assets back to the level at the end of FY13. This reduction was due in large part to less than projected investment earnings and increased spending on fund raising activities, as well as support for a University branding project.

### Statements of Activities

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

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WRIGHT STATE UNIVERSITY FOUNDATION, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
As of and for the Fiscal Year Ended June 30, 2015

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

<b>Condensed Statements of Activities</b>							
(in thousands of dollars)							
	<u>2015</u>	<u>2014</u>	<u>Change, 2014 to 2015</u>		<u>2013</u>	<u>Change, 2013 to 2014</u>	
			<u>Dollars</u>	<u>Percent</u>		<u>Dollars</u>	<u>Percent</u>
<b>Revenues</b>							
Gifts and contributions	\$ 11,572	\$ 9,487	\$ 2,085	22.0%	\$ 7,289	\$ 2,198	30.2%
Investment earnings (losses)	2,399	12,264	(9,865)	-80.4%	9,381	2,883	30.7%
Other	<u>269</u>	<u>1,047</u>	<u>(778)</u>	<u>-74.3%</u>	<u>483</u>	<u>564</u>	<u>116.8%</u>
Total revenues	14,240	22,798	(8,558)	-37.5%	17,153	5,645	32.9%
<b>Expenses</b>							
Program services	9,379	6,946	2,433	35.0%	7,327	(381)	-5.2%
Fund raising	1,600	1,215	385	31.7%	697	518	74.3%
Management and general	<u>419</u>	<u>613</u>	<u>(194)</u>	<u>-31.6%</u>	<u>190</u>	<u>423</u>	<u>222.6%</u>
Total expenses	<u>11,398</u>	<u>8,774</u>	<u>2,624</u>	<u>29.9%</u>	<u>8,214</u>	<u>560</u>	<u>6.8%</u>
Change in net assets	<u>\$ 2,842</u>	<u>\$ 14,024</u>	<u>\$ (11,182)</u>	<u>-79.7%</u>	<u>\$ 8,939</u>	<u>\$ 5,085</u>	<u>56.9%</u>

As indicated in the discussion above, FY15 investment earnings were off in comparison to the last two fiscal years, but still slightly positive overall. Gift revenues, on the other hand, improved 22%. Much of this upswing can be attributed to pledges secured for the campaign during the year, as is also discussed above. Total revenues finished the year at \$14.2 million, down 37% over the previous year, but high enough to cover total expenses.

Total expenses increased nearly 30% over the previous year. Large increases in scholarship awards and in academic program support were primarily responsible for the uptick, although increased fund raising activities and support for the University's branding initiative also contributed significantly. In the area of fund raising, the Foundation sponsored a kick-off event for the University's comprehensive campaign during the year, which was followed by regional mini-launches in areas with heavy concentrations of alumni. Despite lower revenues and increased cost pressures, total revenues did exceed total expenses for the year, adding to the Foundation's total net asset balance.

### Statements of Cash Flows

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

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WRIGHT STATE UNIVERSITY FOUNDATION, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
As of and for the Fiscal Year Ended June 30, 2015

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

<b>Condensed Statements of Cash Flows</b>							
(in thousands of dollars)							
	2015	2014	Change, 2014 to 2015		2013	Change, 2013 to 2014	
			Dollars	Percent		Dollars	Percent
Operating activities	(3,023)	(1,002)	(2,021)	-201.7%	\$ (440)	\$ (562)	-127.7%
Investing activities	(4)	(723)	719	99.4%	(2,149)	1,426	66.4%
Financing activities	1,333	3,761	(2,428)	-64.6%	2,171	1,590	73.2%
Net change in cash and equivalents	\$ (1,694)	\$ 2,036	\$ (3,730)	-183.2%	\$ (418)	\$ 2,454	587.1%

The Foundation's cash position decreased significantly during FY15 led by net cash outflows from operating activities. A 21% decline in cash processed and a 35% increase in payments made to students, employees and vendors were primarily responsible for the decline. Much of the increase in cash payments is attributable to the same factors as discussed under the Statement of Activities. Although partially offset by a net cash inflow from financing activities, the Foundation's cash position declined \$1.7 million or 52% during the year.

### Investment Performance

The Foundation maintains two significant investment pools with its investment manager, SEI Investments (Oaks, PA). One pool represents endowed assets and the second, all other assets. As discussed above, market returns in FY15 were significantly lower than the previous two fiscal years. The endowed portfolio posted a return of 2.3% (net of fees and excluding private equity investments), compared to 12.6% in FY14 and 10.4% in FY13. The non-endowed portfolio, which is not invested as aggressively, also provided a muted return of 1.3% (net of fees). The Foundation did adjust its endowment investment allocation formula late in FY15 by adjusting its fixed income and alternative asset allocations. Throughout the year, actual allocation amounts were within tolerances established by the Foundation's investment policy statement.

### Endowment

During the fiscal year ended June 30, 2015, the value of the Foundation's endowment decreased by \$1.3 million or 1.4%, finishing the year with a value of \$92.2 million. This decline resulted from the fact that investment earnings on the endowment and quasi-endowment funds did not exceed the spending rate (5.0%) mandated by the Foundation's investment policy statement. The Foundation's endowments have distributed nearly \$36 million dollars over the past ten fiscal years and the FY15 distribution was the highest made during that timeframe (\$4.1 million).

Unprecedented investment losses experienced in fiscal years 2008 and 2009 have reduced the values of some of the Foundation's endowment funds to less than the amount originally donated, a condition known as "underwater endowments." Anemic investment results in FY15 further exacerbated this condition, although only a small percentage of the Foundation's funds ended the year in this condition (less than three-tenths of a percentage of the total endowment value). There were adequate reserves in each of the endowment funds to distribute the full amount of earnings (5%) to all funds without reducing any funds below 80% of original donated value, as required by Foundation policy.

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### **Debt and Debt Guaranty**

The Foundation continued to maintain a line of credit with a local bank during FY15. No new draws on the line of credit were initiated in FY15 and a \$200 thousand payment was made on principal during the year. Interest costs incurred throughout the year were less than \$10 thousand.

During FY11, the Foundation agreed to guaranty debt related to a project initiated by an organization closely related to Wright State University and its mission. During FY15, the Foundation continued to designate a portion of its unrestricted net assets (\$600 thousand) in fulfillment of covenants contained in the debt guaranty. Management does not believe that this guaranty will be needed in the near future. More details about the guaranty may be found in note 13 to the financial statements.

### **Comprehensive Capital Campaign**

Following its highly successful "Tomorrow Takes Flight" campaign completed in 2006, Wright State has launched its second such effort entitled "Rise. Shine". In October 2014, an event was held to publicly kick-off the campaign and a goal of \$150 million was announced. By the end of FY15, \$116.4 million or 78% of that goal had been achieved. Campaign priorities identified thus far include scholarships, endowed chairs/professorships and facility improvements. It is anticipated that the campaign will be concluded in FY17.

### **Requests for Information**

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

Bob Batson, CFP®  
CFO  
Wright State University Foundation, Inc.  
Foundation Building 375  
3640 Colonel Glenn Highway  
Dayton, OH 45435-0001  
(937) 775-2869  
robert.batson@wright.edu

For additional information about the Foundation, please visit our Web site at: [wright.edu/giving-alumni/wright-state-foundation](http://wright.edu/giving-alumni/wright-state-foundation).

WRIGHT STATE UNIVERSITY FOUNDATION, INC.  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,578,574	\$ 3,273,096
Pledges receivable (net)	11,329,600	6,440,300
Gifts receivable from trusts held by others	1,394,640	1,326,100
Investment in securities	118,053,214	118,180,039
Other investments	900,614	1,155,707
Interest and dividends receivable	189,449	212,022
Capital assets	2,604,131	2,674,455
Annuity assets	706,048	815,123
Other assets	<u>646,787</u>	<u>641,594</u>
Total assets	<u>\$ 137,403,057</u>	<u>\$ 134,718,436</u>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable		
Wright State University	\$ 1,117,925	\$ 1,115,440
Trade and other	307,618	274,824
Deposits held in custody for others	2,026,895	1,997,880
Annuities payable	328,800	350,900
Loan payable	<u>800,000</u>	<u>1,000,000</u>
Total liabilities	<u>4,581,238</u>	<u>4,739,044</u>
 <b>NET ASSETS</b>		
Unrestricted		
Designated	2,302,576	2,282,827
Undesignated	5,321,114	7,035,409
Temporarily restricted	82,213,309	79,199,828
Permanently restricted	<u>42,984,820</u>	<u>41,461,328</u>
Total net assets	<u>132,821,819</u>	<u>129,979,392</u>
Total liabilities and net assets	<u>\$ 137,403,057</u>	<u>\$ 134,718,436</u>

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

WRIGHT STATE UNIVERSITY FOUNDATION, INC.  
CONSOLIDATED STATEMENTS OF ACTIVITIES  
For the year ended June 30, 2015 with comparative 2014 totals

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2015</u>	<u>Total 2014</u>
Revenue and other support					
Gifts and contributions	\$ 147,684	\$ 9,891,739	\$ 1,532,764	\$ 11,572,187	\$ 9,487,402
Investment earnings					
Interest and dividends	802,712	1,936,071	-	2,738,783	1,426,786
Net realized and unrealized gains (losses)	(563,843)	224,385	-	(339,458)	10,836,893
Administrative fee charged to certain restricted accounts	871,936	(871,936)	-	-	-
Change in value of split interest agreements	-	(5,900)	567	(5,333)	95,442
Other income	247,598	16,924	9,143	273,665	951,929
Net assets released from restrictions	8,196,784	(8,196,784)	-	-	-
Change in donor restrictions	-	18,982	(18,982)	-	-
Total revenue and other support	<u>9,702,871</u>	<u>3,013,481</u>	<u>1,523,492</u>	<u>14,239,844</u>	<u>22,798,452</u>
Expenses					
Program services					
Scholarships	3,053,382	-	-	3,053,382	2,765,129
University programs	4,026,473	-	-	4,026,473	2,835,724
Athletic programs	677,883	-	-	677,883	433,417
Research	538,708	-	-	538,708	587,103
Miscellaneous grants	1,082,706	-	-	1,082,706	324,967
Fund raising	1,599,698	-	-	1,599,698	1,215,032
Management and general	418,567	-	-	418,567	612,651
Total expenses	<u>11,397,417</u>	<u>-</u>	<u>-</u>	<u>11,397,417</u>	<u>8,774,023</u>
Change in net assets	(1,694,546)	3,013,481	1,523,492	2,842,427	14,024,429
Net assets					
Beginning of year	<u>9,318,236</u>	<u>79,199,828</u>	<u>41,461,328</u>	<u>129,979,392</u>	<u>115,954,963</u>
End of year	<u>\$ 7,623,690</u>	<u>\$ 82,213,309</u>	<u>\$ 42,984,820</u>	<u>\$ 132,821,819</u>	<u>\$ 129,979,392</u>

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

WRIGHT STATE UNIVERSITY FOUNDATION, INC.  
CONSOLIDATED STATEMENTS OF ACTIVITIES  
For the year ended June 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2014</u>
Revenue and other support				
Gifts and contributions	\$ 196,863	\$ 5,729,298	\$ 3,561,241	\$ 9,487,402
Investment earnings				
Interest and dividends	460,996	965,790	-	1,426,786
Net realized and unrealized gains	2,512,572	8,324,321	-	10,836,893
Administrative fee charged to certain restricted accounts	819,068	(819,068)	-	-
Change in value of split interest agreements	-	48,800	46,642	95,442
Other income	221,215	706,753	23,961	951,929
Net assets released from restrictions	6,517,155	(6,517,155)	-	-
Change in donor restrictions	<u>-</u>	<u>(87,320)</u>	<u>87,320</u>	<u>-</u>
Total revenue and other support	<u>10,727,869</u>	<u>8,351,419</u>	<u>3,719,164</u>	<u>22,798,452</u>
Expenses				
Program services				
Scholarships	2,765,129	-	-	2,765,129
University programs	2,835,724	-	-	2,835,724
Athletic programs	433,417	-	-	433,417
Research	587,103	-	-	587,103
Miscellaneous grants	324,967	-	-	324,967
Fund raising	1,215,032	-	-	1,215,032
Management and general	<u>612,651</u>	<u>-</u>	<u>-</u>	<u>612,651</u>
Total expenses	<u>8,774,023</u>	<u>-</u>	<u>-</u>	<u>8,774,023</u>
Change in net assets	1,953,846	8,351,419	3,719,164	14,024,429
Net assets				
Beginning of year	<u>7,364,390</u>	<u>70,848,409</u>	<u>37,742,164</u>	<u>115,954,963</u>
End of year	<u>\$ 9,318,236</u>	<u>\$ 79,199,828</u>	<u>\$ 41,461,328</u>	<u>\$ 129,979,392</u>

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

WRIGHT STATE UNIVERSITY FOUNDATION, INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
For the years ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>Cash flows from operating activities</b>		
Cash received from contributors	\$ 6,720,088	\$ 8,531,911
Gifts and contributions received for permanently restricted accounts	(1,532,764)	(3,561,241)
Interest and dividends received	2,807,023	1,619,244
Cash received for other revenue sources	251,224	865,027
Cash paid to students, employees and suppliers	(11,259,422)	(8,321,312)
Interest paid	(9,332)	(10,429)
Custodial deposits returned	<u>-</u>	<u>(125,000)</u>
Net cash used in operating activities	(3,023,183)	(1,001,800)
<b>Cash flows from investing activities</b>		
Cash paid for investments	(4,384,648)	(6,146,551)
Cash received from investments	4,427,108	6,754,157
Investment in capital assets	<u>(46,563)</u>	<u>(1,330,660)</u>
Net cash used in investing activities	(4,103)	(723,054)
<b>Cash flows from financing activities</b>		
Gifts and contributions received for permanently restricted accounts	1,532,764	3,561,241
Proceeds from line of credit	-	400,000
Payments on line of credit	<u>(200,000)</u>	<u>(200,000)</u>
Net cash from financing activities	<u>1,332,764</u>	<u>3,761,241</u>
Net change in cash and cash equivalents	(1,694,522)	2,036,387
Cash and cash equivalents, beginning of year	<u>3,273,096</u>	<u>1,236,709</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 1,578,574</u>	<u>\$ 3,273,096</u>

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WRIGHT STATE UNIVERSITY FOUNDATION, INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
For the Years ended June 30, 2015 and 2014

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	<u>2015</u>	<u>2014</u>
Reconciliation of change in net assets to net cash used in operating activities		
Change in net assets	\$ 2,842,427	\$ 14,024,429
Adjustments to reconcile change in net assets to cash from operating activities		
Net realized and unrealized losses (gains)	339,458	(10,836,893)
Gifts and contributions received for permanently restricted accounts	(1,532,764)	(3,561,241)
Depreciation	116,887	67,842
Changes in assets and liabilities		
Pledges receivable	(4,889,300)	(623,000)
Gifts receivable from trusts held by others	(68,540)	(48,800)
Interest and dividends receivable	22,573	(11,191)
Annuity assets	109,076	(562,486)
Other assets	(5,193)	(131,299)
Accounts payable	35,278	375,801
Deposits held in custody for others	29,015	85,038
Annuities payable	<u>(22,100)</u>	<u>220,000</u>
Net cash used in operating activities	<u>\$ (3,023,183)</u>	<u>\$ (1,001,800)</u>

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

**NOTE 1 - ORGANIZATION AND OPERATION**

Wright State University Foundation, Inc. (the "Foundation") was incorporated on December 15, 1966 to receive and hold gifts, grants and bequests of money and property for the benefit of Wright State University (the "University") and its students and faculty. Consistent with such purposes, the mission of the Foundation is to secure, manage and distribute private support to enhance the growth and development of the University. One of its most important roles is to ensure that funds and property contributed are used for purposes specified by the donor. The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Governing direction is provided by a code of regulations most recently revised in June of 2015. 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 Controller's Office, 301 University Hall, 3640 Colonel Glenn Highway, Dayton, Ohio 45435-0001.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

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. Payments on pledges to be collected in future years are recorded at net present value. All pledges are presented net of an allowance for doubtful collections.

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.

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(Continued)

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

Alternative investments, such as hedge funds, private equity and venture capital instruments, for which there is no ready market, are valued at fair value as estimated by management. To estimate fair value, management may rely on valuations reported by the general partners of such investments in unaudited financial reports and/or the Foundation's independent investment advisor. The Foundation believes the carrying amount of these financial instruments is a reasonable estimate of fair value. Because of the inherent uncertainty of valuation in the absence of readily ascertainable market values, the estimated values of those investments may differ from the values that would have been used had a ready market existed for such investments or if the investments were realized, and the differences could be material.

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

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

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

	<u>Years</u>
Land improvements	10-25
Buildings	20-65
Machinery and equipment	5-10

Long-lived assets, such as buildings, machinery and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. At June 30, 2015 and 2014, management has concluded that they are unaware of any impairments to be recorded.

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(Continued)

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

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

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

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

Gifts and Contributions: Gifts and contributions are recorded at their fair value on the date of receipt. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Gifts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset categories.

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.

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(Continued)

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

Net Assets Released from Restrictions: When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions.

Federal Income Taxes: The Foundation has been approved under the Internal Revenue Code Section 501(c)(3) as a nonprofit organization exempt from federal taxes on its normal activities.

GAAP prescribes recognition thresholds and measurement attributes for the consolidated financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. Management has concluded that they are unaware of any tax benefits or liabilities to be recognized at June 30, 2015 or 2014, respectively.

The Foundation does not have any tax benefits recorded at June 30, 2015, and does not expect that position to significantly change in the next year. The Foundation would recognize interest and/or penalties related to income tax matters in income tax expense, if applicable, and there were no amounts accrued for interest and penalties at June 30, 2015 or 2014.

Fair Value of Financial Instruments: Fair value is defined as the price that would be received for an asset or paid to transfer a liability (an exit price) in the Foundation's principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The carrying value of the Foundation's financial instruments, which include cash and cash equivalents, pledges receivable, investments, accounts payable, annuity agreements and long-term debt, approximate fair value.

Subsequent Events: Management has performed an analysis of the activities and transactions subsequent to June 30, 2015, to determine the need for any adjustments to and/or disclosures within the audited consolidated financial statements for the year ended June 30, 2015. Management has performed their analysis through October 6, 2015, the date the consolidated financial statements were available to be issued.

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

Reclassifications: Certain reclassifications have been made to data in the accompanying prior year consolidated financial statements to conform to the current year's presentation. These reclassifications had no effect on net assets or the change in net assets.

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(Continued)

### **NOTE 3 - BUSINESS AND CONCENTRATIONS OF CREDIT RISK**

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

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

### **NOTE 4 - FAIR VALUE OF FINANCIAL INSTRUMENTS**

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

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

- Level 1: Quoted prices for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.
- Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

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

In May 2015, the FASB issued ASU No. 2015-07, Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent). ASU 2015-07 removes the requirement to categorize within the fair value hierarchy investments for which fair values are estimated using the net asset value practical expedient provided by Accounting Standards Codification 820, Fair Value Measurement. The guidance is effective for fiscal years beginning after December 15, 2016, with retrospective application to all periods presented and may be implemented earlier, which the Foundation elected to do. Consequently, the Foundation has added an "other" column to the fair value table presented below and reclassified its hedge fund, private equity and distressed debt investments to that classification since these investments utilize the NAV practical expedient. Such an adjustment was also made to the previous fiscal year's presentation to ensure comparability.

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(Continued)

WRIGHT STATE UNIVERSITY FOUNDATION, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2015 and 2014

**NOTE 4 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)**

Assets measured at fair value on a recurring basis are summarized below for the years ended June 30, 2015 or 2014:

	Fair Value Measurements at June 30, 2015 Using				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Other	Totals
<b>ASSETS</b>					
Gifts receivable from trusts held by others	\$ -	\$ -	\$ 1,394,640	\$ -	\$ 1,394,640
Investment in securities:					
Cash and equivalents	7,600,000	-	-	-	7,600,000
Mutual funds:					
Equity	51,596,598	-	-	-	51,596,598
Fixed income	41,549,216	-	-	-	41,549,216
Alternative assets:					
Hedge funds	-	-	-	11,938,497	11,938,497
Private equity	-	-	-	2,449,314	2,449,314
Distressed debt	-	-	-	2,919,589	2,919,589
Total investment in securities	<u>100,745,814</u>	<u>-</u>	<u>-</u>	<u>17,307,400</u>	<u>118,053,214</u>
Other investments:					
Limited partnerships	-	-	-	900,614	900,614
Annuity assets					
Cash and equivalents	-	7,164	-	-	7,164
Mutual funds-securities	42,182	656,702	-	-	698,884
Total annuity assets	<u>42,182</u>	<u>663,866</u>	<u>-</u>	<u>-</u>	<u>706,048</u>
Total	<u>\$ 100,787,996</u>	<u>\$ 663,866</u>	<u>\$ 1,394,640</u>	<u>\$ 18,208,014</u>	<u>\$ 121,054,516</u>
<b>Fair Value Measurements at June 30, 2014 Using</b>					
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Other	Totals
<b>ASSETS</b>					
Gifts receivable from trusts held by others	\$ -	\$ -	\$ 1,326,100	\$ -	\$ 1,326,100
Investment in securities:					
Cash and equivalents	-	-	-	-	-
Mutual funds:					
Equity	55,351,028	-	-	-	55,351,028
Fixed income	46,272,699	-	-	-	46,272,699
Alternative assets:					
Hedge funds	-	-	-	11,596,860	11,596,860
Private equity	-	-	-	2,210,760	2,210,760
Distressed debt	-	-	-	2,748,692	2,748,692
Total investment in securities	<u>101,623,727</u>	<u>-</u>	<u>-</u>	<u>16,556,312</u>	<u>118,180,039</u>
Other investments:					
Limited partnerships	-	-	-	1,155,707	1,155,707
Annuity assets					
Cash and equivalents	-	209,209	-	-	209,209
Mutual funds-securities	25,211	580,703	-	-	605,914
Total annuity assets	<u>25,211</u>	<u>789,912</u>	<u>-</u>	<u>-</u>	<u>815,123</u>
Total	<u>\$ 101,648,938</u>	<u>\$ 789,912</u>	<u>\$ 1,326,100</u>	<u>\$ 17,712,019</u>	<u>\$ 121,476,969</u>

(Continued)

WRIGHT STATE UNIVERSITY FOUNDATION, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2015 and 2014

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**NOTE 4 - FAIR VALUE OF FINANCIAL INSTRUMENTS** (Continued)

The table below presents a reconciliation and consolidated statement of activities classification of gains and losses for all assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended June 30, 2015 and 2014:

	<u>2015</u> Gifts Receivable from Trusts Held by Others
Beginning balance, July 1, 2014	\$ 1,326,100
Purchases	74,440
Change in value of split interest agreements	<u>(5,900)</u>
Ending balance, June 30, 2015	<u>\$ 1,394,640</u>
	<u>2014</u> Gifts Receivable from Trusts Held by Others
Beginning balance, July 1, 2013	\$ 1,277,300
Change in value of split interest agreements	<u>48,800</u>
Ending balance, June 30, 2014	<u>\$ 1,326,100</u>

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

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

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(Continued)

**NOTE 4 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)**

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

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

Approximately one half of the Foundation's hedge fund allocation is invested in a "fund of funds" vehicle structured as an offshore company that invests all of its capital in private placement funds. The fund's investment objective is to seek to achieve a return somewhere between historical market equity and fixed income returns with a moderate level of risk undertaken. The fund is broadly diversified and invests in multiple hedge fund strategies including convertible bond hedging, credit hedging, distressed debt, equity market neutral, equity long/short, merger arbitrage, short biased and sovereign debt and mortgage hedging. The fund generally invests in 30-40 hedge funds and the fund of funds manager requires full transparency of each of the underlying funds' investment positions. The Foundation is no longer subject to the fund's initial one-year lock-up period and may, therefore, request liquidation on a quarterly basis with 65 days prior notification. At June 30, 2015, the Foundation has no significant unfunded commitments to this hedge fund allocation. The valuation of this investment is based on net asset value ("NAV").

The balance of the Foundation's hedge fund allocation is also invested in a "fund of funds" structured as an offshore company. The fund's investment objective is to seek to achieve high returns balanced against an appropriate level of volatility and directional market exposure over a full market cycle. The fund is broadly diversified and invests in various private funds such as hedge funds that pursue hedged or other alternative investment strategies, private equity funds, hybrid funds and any other alternative investment funds, while also opportunistically investing directly in any other securities and financial instruments. The fund generally invests in 15-20 funds and the fund of funds manager requires full transparency of each of the underlying funds' investment positions. The Foundation is no longer subject to the fund's initial two-year lock-up period and may, therefore, request liquidation on a semi-annual basis with 95 days prior notification. At June 30, 2015, the Foundation has no significant unfunded commitments to this hedge fund allocation. The valuation of this investment is based on NAV.

The private equity fund investment is structured as a domestic partnership in which the Foundation is a limited partner. The fund seeks to invest the capital contributed to it in a diversified pool of long-term investments in non-publically traded companies. Diversification is accomplished by investing 40-60% of committed capital in underlying funds focused on the United States, 20-40% on Europe and 0-30% on emerging markets. Capital commitments of the limited partners are payable to the partnership in installments over a 3 – 5 year period. At June 30, 2015, the Foundation's total capital commitment of \$3,500,000 was 71.4% (\$2,498,908) funded. Due to the long-term commitment of capital and the unpredictability of capital calls and partnership distributions, the fund is generally considered illiquid. It is also not unusual for private equity funds to experience losses in the early years of their existence. The valuation of this investment is based on NAV.

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(Continued)

**NOTE 4 - FAIR VALUE OF FINANCIAL INSTRUMENTS** (Continued)

A new private equity investment was initiated in FY15. This fund investment is also structured as a domestic partnership in which the Foundation is a limited partner. The fund seeks to continue the investment policy of the first fund, but seeks more diversification, shorter duration and a focus on cash returns. Diversification is accomplished by investing over five sub-class targets: buyouts, venture capital, debt, real estate and real assets/infrastructure. Capital commitments of the limited partners are payable to the partnership in installments over a 3 – 5 year period. At June 30, 2015, the Foundation's total capital commitment of \$6,400,000 was 1.5% (\$93,186) funded. Due to the long-term commitment of capital and the unpredictability of capital calls and partnership distributions, the fund is generally considered illiquid. It is also not unusual for private equity funds to experience losses in the early years of their existence. The valuation of this investment is based on NAV.

The Foundation's investment in distressed debt is in the form of a fund that invests in a diversified portfolio of structured credit instruments, the majority of which are Collateralized Debt Obligation (CDO) equity and mezzanine notes. CDOs are structured finance securities that hold a diversified pool of income-generating collateral that is financed through the issuance of debt securities. CDO investors assume the first level of default risk. These notes are lowly correlated to traditional and other alternative investments have minimal interest rate risk and are highly transparent. The Foundation's investment in this asset class was fully funded at June 30, 2015. The Foundation is no longer subject to the investment's two year lockup period and may, therefore, request liquidation on a quarterly basis with 69 days prior notice. The valuation of this investment is based on NAV.

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

Valuation of annuity assets is based on a "Default Level Matrix" developed by the custodian. Mutual funds and other instruments are classified based on analysis and review of FASB standards, together with input from securities pricing service companies, broker/dealers and investment managers regarding their pricing methodologies; discussions with clients and independent accounting firms regarding various market inputs used to determine fair value and participation in industry forums. Management believes that this custodian-developed matrix accurately interprets applicable FASB guidance with respect to the level classification defined therein (Level 2 inputs – market approach).

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(Continued)

WRIGHT STATE UNIVERSITY FOUNDATION, INC.  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 June 30, 2015 and 2014

**NOTE 5 - PLEDGES RECEIVABLE**

Pledges receivable at June 30, 2015 and 2014, by fund type, are as follows:

	2015			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
Less than one year	\$ 20,127	\$ 2,873,907	\$ 573,535	\$ 3,467,569
One to five years	-	6,335,181	574,539	6,909,720
Six years or greater	-	<u>2,211,000</u>	-	<u>2,211,000</u>
Gross pledges receivable	20,127	11,420,088	1,148,074	12,588,289
Present value discount	(27)	(1,156,588)	(15,474)	(1,172,089)
Allowance for uncollectible pledges	<u>-</u>	<u>(78,600)</u>	<u>(8,000)</u>	<u>(86,600)</u>
Pledges receivable (net)	<u>\$ 20,100</u>	<u>\$10,184,900</u>	<u>\$ 1,124,600</u>	<u>\$11,329,600</u>
	2014			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
Less than one year	\$ 58,627	\$ 1,485,022	\$ 328,376	\$ 1,872,025
One to five years	-	3,479,767	225,588	3,705,355
Six years or greater	-	<u>2,016,500</u>	-	<u>2,016,500</u>
Gross pledges receivable	58,627	6,981,289	553,964	7,593,880
Present value discount	(27)	(1,080,789)	(5,464)	(1,086,280)
Allowance for uncollectible pledges	<u>-</u>	<u>(55,000)</u>	<u>(12,300)</u>	<u>(67,300)</u>
Pledges receivable (net)	<u>\$ 58,600</u>	<u>\$ 5,845,500</u>	<u>\$ 536,200</u>	<u>\$ 6,440,300</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 0.72% to 3.34%.

**NOTE 6 - GIFTS RECEIVABLE FROM TRUSTS HELD BY OTHERS**

The Foundation is a party to charitable gift trusts. Third party trustees maintain trust assets in irrevocable trusts for the benefit of the Foundation. The fair values of the trusts are estimated based upon the fair value of the assets contributed by the donor less the present value of the payment expected to be made to other beneficiaries. The present value is calculated using the discount rate the year in which the trust was established. Rates ranged from 1.72% to 4.92%. The balances at June 30, 2015 and 2014, are \$1,394,640 and \$1,326,100, respectively, and are included in Temporarily Restricted net assets.

(Continued)

WRIGHT STATE UNIVERSITY FOUNDATION, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2015 and 2014

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**NOTE 7 - INVESTMENT IN SECURITIES**

The fair value of the Foundation's investments, at June 30, 2015 and 2014, are as follows:

	<u>2015</u>	<u>2014</u>
Cash and equivalents	\$ 7,600,000	\$ -
Mutual funds:		
Equity	51,596,598	55,351,028
Fixed income	41,549,216	46,272,699
Alternative assets	<u>17,307,400</u>	<u>16,556,312</u>
Totals	<u>\$ 118,053,214</u>	<u>\$ 118,180,039</u>

Net realized gains on sales of investments were \$5,833,612 and \$1,480,018 for the years ended June 30, 2015 and 2014, respectively. Calculation of net realized gains on sales of investments is based on original cost. Net unrealized gains (losses) amounted to (\$6,173,070) and \$9,356,875 for the years ended June 30, 2015 and 2014, respectively.

**NOTE 8 - OTHER ASSETS**

In July of 2012, the Foundation, along with the University of Dayton, purchased an option to acquire approximately 53 acres of real property owned by the Miami Valley Research Foundation (MVRF). The Foundation's share of the option price was \$250,000. The renewable option agreement is valid for a period of two years, after which the option payment is returned to the Foundation without interest accruing. The option further provides that the MVRF may prematurely terminate the agreement and return the option payment along with a 5% annual premium. The option expired in July 2014, but was renewed for an additional two-year period by both entities.

Also, 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, 2015 and 2014 was \$270,305 and \$253,982, respectively. Earnings generated from the project are included in other income. Total net returns for 2015 and 2014 amounted to \$16,323 and \$30,477, respectively.

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(Continued)

WRIGHT STATE UNIVERSITY FOUNDATION, INC.  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 June 30, 2015 and 2014

**NOTE 9 - CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2015 and 2014 is summarized as follows:

	2015				
	Beginning Balance	Additions	Reductions	Transfers	Ending Balance
Capital assets					
Land	\$ 173,000	\$ -	\$ -	\$ -	\$ 173,000
Buildings and improvements	2,550,064	-	-	-	2,550,064
Machinery and equipment	28,632	-	-	-	28,632
Construction in progress	-	46,563	-	-	46,563
Total capital assets	2,751,696	46,563	-	-	2,798,259
Less accumulated depreciation					
Building and improvements	71,106	112,796	-	-	183,902
Machinery and equipment	6,135	4,091	-	-	10,226
Total accumulated depreciation	77,241	116,887	-	-	194,128
Capital assets, net	\$ 2,674,455	\$ (70,324)	\$ -	\$ -	\$ 2,604,131

	2014				
	Beginning Balance	Additions	Reductions	Transfers	Ending Balance
Capital assets					
Land	\$ 173,000	\$ -	\$ -	\$ -	\$ 173,000
Buildings and improvements	588,264	-	-	1,961,800	2,550,064
Machinery and equipment	28,632	-	-	-	28,632
Construction in progress	701,770	1,260,030	-	(1,961,800)	-
Total capital assets	1,491,666	1,260,030	-	-	2,751,696
Less accumulated depreciation					
Building and improvements	7,354	63,752	-	-	71,106
Machinery and equipment	2,045	4,090	-	-	6,135
Total accumulated depreciation	9,399	67,842	-	-	77,241
Capital assets, net	\$ 1,482,267	\$ 1,192,188	\$ -	\$ -	\$ 2,674,455

**NOTE 10 - ACCOUNTS PAYABLE**

Most of the Foundation's expenses are processed by the University Controller's Office. The Foundation reimburses the University monthly for those checks written on its behalf. At June 30, 2015 and 2014, the balance owed to the University was \$1,117,925 and \$1,115,440, respectively.

(Continued)

WRIGHT STATE UNIVERSITY FOUNDATION, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2015 and 2014

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**NOTE 11 - DEPOSITS HELD IN CUSTODY FOR OTHERS**

Assets currently held by the Foundation in custody for others consist of resources deposited by the Western Ohio Education Foundation (WOEF), an educational Foundation that benefits the Lake Campus branch of Wright State University, and the Wright State University Alumni Association. As of June 30, 2015 and 2014, the balances of these deposits were as follows:

	<u>2015</u>	<u>2014</u>
WOEF	\$ 1,299,519	\$ 1,280,916
WSU Alumni Association	<u>727,376</u>	<u>716,964</u>
Totals	<u>\$ 2,026,895</u>	<u>\$ 1,997,880</u>

**NOTE 12 - LINE OF CREDIT**

The Foundation maintains a line-of-credit agreement with a bank that provides up to \$1.5 million of borrowings at the bank's prime rate or LIBOR, plus 0.75% (0.93675% at June 30, 2015). The line of credit expires March 31, 2016, with an option to extend. The line of credit is collateralized with a portion of the Foundation's investments. Outstanding borrowings were \$800,000 at June 30, 2015 and \$1,000,000 at June 30, 2014. Borrowings were used to underwrite the costs of renovating the Foundation's new administrative offices.

**NOTE 13 - DEBT GUARANTIES**

During fiscal year 2011, the Foundation entered into agreement with Dayton Regional STEM Schools, Incorporated ("STEM") guarantying payments on a lease (and such other obligations imposed by the lease) related to the purchase and renovation of an existing building that is utilized by the School in fulfillment of its corporate purposes. STEM is one of ten Ohio schools offering students a relevant, real world educational experience that will prepare them for college and opportunities in the work world. Wright State University has acted as STEM's fiscal agent as well as providing space, supplies and personnel in support of its operations. The agreement pledges unrestricted net assets of the Foundation in an amount not to exceed \$3,000,000 and the designation of unrestricted net assets in the amount of one year of maximum debt service (\$600,000) on bonds associated with the project. Since the guaranty may expire without being drawn upon, the total guaranty does not necessarily represent future cash requirements. As of June 30, 2015, no amounts have been recognized as a liability under the financial guaranty in the Foundation's consolidated statement of financial position as the likelihood that STEM would be unable to fulfill its obligation in full or in part under the debt agreement is not considered to be probable.

Also during fiscal year 2011, the Foundation entered into an agreement with Wright State Physicians, Incorporated ("WSP") guarantying the debt service payments on \$13,500,000 worth of bonds issued to finance construction of a three-story medical office building on Wright State's main campus that will be used to fulfill WSP's corporate purposes. WSP is the faculty practice plan for Wright State's Boonshoft School of Medicine ("BSOM"), which functions to recruit and retain clinicians and scientists in support of the clinical, educational, research and community service activities of BSOM. The agreement pledges the remaining proceeds of a large donation to BSOM made in fiscal year 2005. As of June 30, 2015 and 2014, no amounts were recognized as a liability under the financial guaranty in the Foundation's consolidated statement of financial position. On May 12, 2014, the Foundation's obligation under this financing arrangement was terminated due to a refinancing arrangement initiated by WSP. The new financing arrangement does not involve a guaranty or any other financial obligation by the Foundation.

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(Continued)

WRIGHT STATE UNIVERSITY FOUNDATION, INC.  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 June 30, 2015 and 2014

**NOTE 14 - NET ASSETS**

Net assets, as June 30, 2015 and 2014, are available for the following purposes:

	2015			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
Scholarships	\$ 334,499	\$ 25,068,171	\$19,122,666	\$ 44,525,336
University programs	250,000	52,414,153	15,523,000	68,187,153
Athletic programs	-	128,390	-	128,390
Research	-	4,602,595	8,339,154	12,941,749
Market stabilization	1,118,077	-	-	1,118,077
Debt guaranty	600,000	-	-	600,000
Undesignated	5,321,114	-	-	5,321,114
 Totals	 <u>\$ 7,623,690</u>	 <u>\$ 82,213,309</u>	 <u>\$42,984,820</u>	 <u>\$ 132,821,819</u>
	2014			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
Scholarships	\$ 332,849	\$ 24,228,068	\$18,040,648	\$ 42,601,565
University programs	250,000	50,136,724	15,197,536	65,584,260
Athletic programs	-	124,848	-	124,848
Research	-	4,710,188	8,223,144	12,933,332
Market stabilization	1,099,978	-	-	1,099,978
Debt guaranty	600,000	-	-	600,000
Undesignated	7,035,409	-	-	7,035,409
 Totals	 <u>\$ 9,318,236</u>	 <u>\$ 79,199,828</u>	 <u>\$41,461,328</u>	 <u>\$ 129,979,392</u>

(Continued)

WRIGHT STATE UNIVERSITY FOUNDATION, INC.  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 June 30, 2015 and 2014

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**NOTE 15 - ENDOWMENT COMPOSITION**

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

Endowment net asset composition by type of fund as of June 30, 2015 and 2014:

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Donor restricted endowment funds	\$ (25,844)	\$ 9,291,344	\$ 42,984,820	\$ 52,250,320
Board-designated funds	584,499	39,315,560	-	39,900,059
<b>Totals</b>	<b>\$ 558,655</b>	<b>\$ 48,606,904</b>	<b>\$ 42,984,820</b>	<b>\$ 92,150,379</b>
	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Donor restricted endowment funds	\$ (17,735)	\$ 10,722,198	\$ 41,461,328	\$ 52,165,791
Board-designated funds	582,849	40,663,124	-	41,245,973
<b>Totals</b>	<b>\$ 565,114</b>	<b>\$ 51,385,322</b>	<b>\$ 41,461,328</b>	<b>\$ 93,411,764</b>

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(Continued)

WRIGHT STATE UNIVERSITY FOUNDATION, INC.  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 June 30, 2015 and 2014

**NOTE 15 - ENDOWMENT COMPOSITION** (Continued)

Changes in endowment net assets for the years ended June 30, 2015 and 2014:

	2015			Totals
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Net assets, beginning of year	\$ 565,114	\$51,385,322	\$41,461,328	\$ 93,411,764
Investment return				
Investment income (net)	-	1,757,099	-	1,757,099
Net appreciation (depreciation)	<u>(8,109)</u>	<u>479,328</u>	<u>-</u>	<u>471,219</u>
Total investment return	<u>(8,109)</u>	<u>2,236,427</u>	<u>-</u>	<u>2,228,318</u>
Contributions	-	222,190	1,532,764	1,754,954
Change in value of split interest agreements	-	-	567	567
Other income (expenses)	-	(2,395)	9,143	6,748
Change in donor restrictions	-	-	(18,982)	(18,982)
Net assets released from restrictions	30,618	-	-	30,618
Appropriation of assets for expenditure	<u>(28,968)</u>	<u>(5,234,640)</u>	<u>-</u>	<u>(5,263,608)</u>
Net assets, end of year	<u>\$ 558,655</u>	<u>\$48,606,904</u>	<u>\$42,984,820</u>	<u>\$ 92,150,379</u>
	2014			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	Totals
Net assets, beginning of year	\$ 540,796	\$45,912,884	\$37,742,164	\$ 84,195,844
Investment return				
Investment income (net)	-	730,264	-	730,264
Net appreciation	<u>23,019</u>	<u>8,225,915</u>	<u>-</u>	<u>8,248,934</u>
Total investment return	<u>23,019</u>	<u>8,956,179</u>	<u>-</u>	<u>8,979,198</u>
Contributions	-	1,002,691	3,561,241	4,563,932
Change in value of split interest agreements	-	-	46,642	46,642
Other income (expense)	-	(1,549)	23,961	22,412
Change in donor restrictions	-	-	87,320	87,320
Net assets released from restrictions	29,599	-	-	29,599
Appropriation of assets for expenditure	<u>(28,300)</u>	<u>(4,484,883)</u>	<u>-</u>	<u>(4,513,183)</u>
Net assets, end of year	<u>\$ 565,114</u>	<u>\$51,385,322</u>	<u>\$41,461,328</u>	<u>\$ 93,411,764</u>

(Continued)

**NOTE 15 - ENDOWMENT COMPOSITION (Continued)**

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

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

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

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

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

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(Continued)

WRIGHT STATE UNIVERSITY FOUNDATION, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2015 and 2014

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**NOTE 15 - ENDOWMENT COMPOSITION** (Continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy: The distribution rate is based upon a total return approach, which utilizes both income and capital appreciation to be withdrawn for spending. For the fiscal years ended June 30, 2015 and 2014, the spending rate for the Foundation was 5% of the previous twelve-quarter average of the endowment portfolio's market value. The spending rate is determined annually by the Foundation Board of Trustees, who may elect to make no distribution in any given year.

Funds with Deficiencies: From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature that are in excess of related temporarily restricted amounts are reported in unrestricted net assets. Such amounts totaled \$25,844 and \$17,735 as of June 30, 2015 and 2014, respectively. Endowment fund principal, unless otherwise directed by the originating donor(s), may be disbursed in accord with Foundation policy so long as the principal amount shall not fall below 80% of the fair value of the original gift and any subsequent gifts to the fund.

Foundation's Reserve Policy: Prompted by the market downturn of 2001-03, the Foundation implemented a policy establishing a reserve fund, the primary purpose of which was to provide matching grants to endowment funds that suffer investment losses resulting in fund deficiencies. The policy stipulates that the reserve fund will make grants in an amount equal to or less than 50% of the amount that would normally have been generated by the endowment had earnings been available so long as the benefitting school, college or department provides a dollar-for-dollar match. No such grants were necessary in fiscal years 2015 and 2014.

The reserve policy further stipulates that in those years in which the unrestricted net assets of the Foundation increase, 5% of the increase is to be transferred into the reserve fund so long as the transfer does not cause the value of the fund to exceed \$1 million. No transfer is required if the reserve amount is greater than \$1 million. Since the value of the reserve exceeded \$1 million in fiscal years 2015 and 2014, no such transfer was required in either year.

**NOTE 16 - LEASE REVENUE**

The Foundation leases office space in its building to Wright State University and another non-university tenant. Rent revenues for the years ended June 30, 2015 and 2014, were \$185,350 and \$132,553, respectively. Future minimum revenues for all leases as of June 30, 2015, are as follows:

2016	\$ 189,712
2017	194,252
2018	198,905
2019	203,673
2020	<u>208,561</u>
Total lease revenues	<u>\$ 995,103</u>

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(Continued)

WRIGHT STATE UNIVERSITY FOUNDATION, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2015 and 2014

**NOTE 17 - FUNCTIONAL CLASSIFICATION OF EXPENSES**

Total expenses, classified by both service areas and expense categories for the years ended June 30, 2015 and 2014, consist of the following:

Expense Category	2015							
	Program Services				Support Services			
	Scholarships	University Programs	Athletic Programs	Research	Miscellaneous Grants	Fund Raising	Management & General	Totals
Salaries and wages	\$ 27,127	\$ 1,498,241	\$ -	\$ 155,291	\$ -	\$ 255,515	\$ -	\$ 1,936,174
Employee benefits	-	392,317	-	32,306	-	79,399	-	504,022
Professional services	-	341,718	2,295	173,844	639,269	868,966	75,252	2,101,344
Supplies	6,990	126,526	(192)	115,419	43,361	45,172	13,467	350,743
Travel	1,650	408,765	143,518	34,342	19,035	161,949	15,695	784,954
Information and communications	(1,103)	117,307	40,691	9,233	381,041	187,113	4,942	739,224
Maintenance and repair	-	48,466	97,237	2,189	-	1,584	124,077	273,553
Student financial aid	3,018,718	217,880	2,846	7,021	-	-	-	3,246,465
Other	-	288,938	95,470	6,563	-	-	58,915	449,886
Capital outlay	-	586,315	296,018	2,500	-	-	116,887	1,001,720
Debt service	-	-	-	-	-	-	9,332	9,332
<b>Totals</b>	<b>\$ 3,053,382</b>	<b>\$ 4,026,473</b>	<b>\$ 677,883</b>	<b>\$ 538,708</b>	<b>\$ 1,082,706</b>	<b>\$ 1,599,698</b>	<b>\$ 418,567</b>	<b>\$ 11,397,417</b>

Expense Category	2014							
	Program Services				Support Services			
	Scholarships	University Programs	Athletic Programs	Research	Miscellaneous Grants	Fund Raising	Management & General	Totals
Salaries and wages	\$ 20,655	\$ 998,577	\$ -	\$ 147,404	\$ -	\$ 249,165	\$ 300	\$ 1,416,101
Employee benefits	-	264,681	-	44,727	-	97,657	-	407,065
Professional services	60,000	317,840	5,345	287,818	15,626	367,578	312,890	1,367,097
Supplies	1,330	154,634	10,022	64,436	13,848	153,306	51,903	449,479
Travel	-	318,912	135,746	27,804	21,454	118,464	16,137	638,517
Information and communications	631	143,896	32,186	7,305	273,644	202,777	11,535	671,974
Maintenance and repair	-	102,133	133,198	241	-	3,505	85,869	324,946
Student financial aid	2,682,513	108,658	21,654	7,192	205	-	-	2,820,222
Other	-	7,380	95,266	176	190	22,580	55,746	181,338
Capital outlay	-	419,013	-	-	-	-	67,842	486,855
Debt service	-	-	-	-	-	-	10,429	10,429
<b>Totals</b>	<b>\$ 2,765,129</b>	<b>\$ 2,835,724</b>	<b>\$ 433,417</b>	<b>\$ 587,103</b>	<b>\$ 324,967</b>	<b>\$ 1,215,032</b>	<b>\$ 612,651</b>	<b>\$ 8,774,023</b>

(Continued)

WRIGHT STATE UNIVERSITY FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015 and 2014

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**NOTE 18 - FUND RAISING EXPENSES**

Fund raising expenses, for the years ended June 30, 2015 and 2014, consist of the following:

	<u>2015</u>	<u>2014</u>
Central development operations	\$ 445,285	\$ 531,029
Central development support operations	93,759	112,428
In-college development officers	72,203	95,134
In-college development operations	133,146	125,599
Capital campaign expense	<u>855,305</u>	<u>350,842</u>
Totals	<u>\$ 1,599,698</u>	<u>\$ 1,215,032</u>

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

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

The Foundation also underwrites the costs of University events that enhance relations with the University community and its donors as well as costs associated with conducting the University's current fund raising campaign.

**NOTE 19 - MANAGEMENT AND GENERAL EXPENSES**

Management and general expenses, for the years ended June 30, 2015 and 2014, consist of the following:

	<u>2015</u>	<u>2014</u>
Reimbursement for university staff support	\$ -	\$ 250,000
Building operation and maintenance	149,299	154,631
Professional fees	70,377	57,518
Insurance	19,389	18,929
Board/committee meetings	19,298	30,324
Loan interest	9,332	10,429
Change in reserve for uncollectible pledges	19,300	11,400
Depreciation	116,887	67,842
Other	<u>14,685</u>	<u>11,578</u>
Totals	<u>\$ 418,567</u>	<u>\$ 612,651</u>

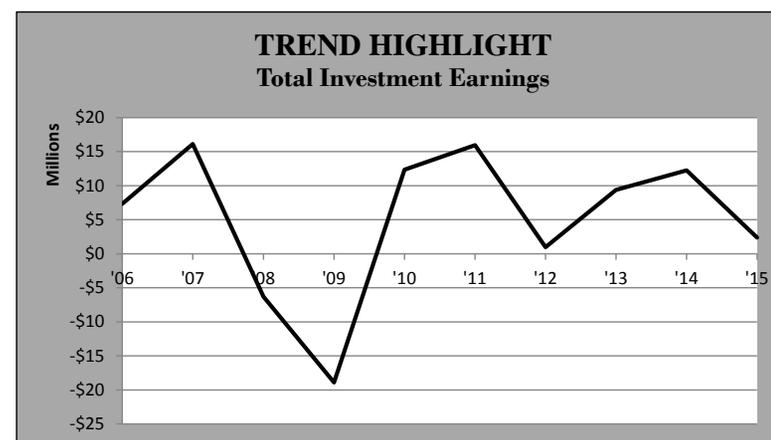
The Foundation has agreed to provide the University an annual allocation in the amount of 1% of certain net assets as reimbursement for administrative staff support provided by various University employees. The amount of the reimbursement is subject to annual review and adjustment. For the fiscal years ended June 30, 2015 and 2014, the Foundation paid nothing and \$250,000 to the University, respectively. For the fiscal year ended June 30, 2015, the Foundation negotiated an agreement with the University that allowed it to forego the 1% allocation payment in exchange for financial support of a branding initiative undertaken by the University.

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**SUPPLEMENTARY INFORMATION**

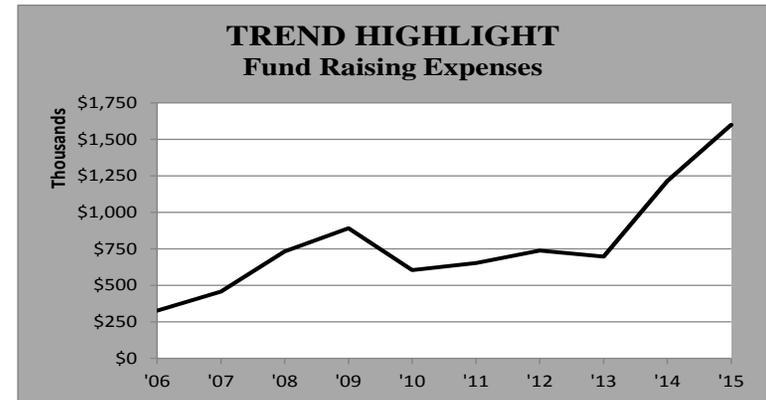
WRIGHT STATE UNIVERSITY FOUNDATION, INC.  
SUMMARY OF TOTAL REVENUES (Unaudited)  
For the ten years ended June 30, 2006 to 2015

Fiscal Year	Gifts and Contributions				Investment Earnings				Other Income (Losses)	Total Revenues
	Unrestricted	Temporarily Restricted	Permanently Restricted	Subtotal	Interest and Dividends	Realized Gains (Losses)	Unrealized Gains (Losses)	Subtotal		
2006	76,833	4,324,101	889,803	5,290,737	4,510,019	2,681,645	434,322	7,625,986	3,861,874	16,778,597
2007	47,072	8,254,681	454,971	8,756,724	3,307,068	5,638,104	7,177,944	16,123,116	17,298	24,897,138
2008	169,772	7,542,053	503,454	8,215,279	2,364,080	10,026,863	(18,692,035)	(6,301,092)	(318,936)	1,595,251
2009	79,194	4,580,326	230,501	4,890,021	2,356,165	(3,228,364)	(18,028,546)	(18,900,745)	4,259,426	(9,751,298)
2010	59,046	9,694,617	2,072,392	11,826,055	3,152,713	(1,353,331)	10,539,275	12,338,657	(113,727)	24,050,985
2011	64,957	4,059,628	671,525	4,796,110	2,509,261	(3,917,350)	17,345,741	15,937,652	404,331	21,138,093
2012	97,681	3,830,952	898,684	4,827,317	2,272,173	628,997	(1,916,361)	984,809	15,750	5,827,876
2013	53,291	5,864,390	1,371,014	7,288,695	2,652,887	1,064,618	5,663,769	9,381,274	483,463	17,153,432
2014	196,863	5,729,298	3,561,241	9,487,402	1,426,786	1,480,018	9,356,875	12,263,679	1,047,371	22,798,452
2015	147,684	9,891,739	1,532,764	11,572,187	2,738,783	5,833,612	(6,173,070)	2,399,325	268,332	14,239,844



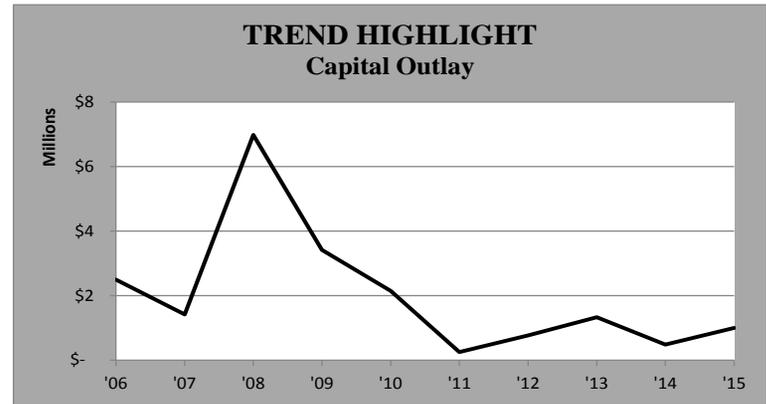
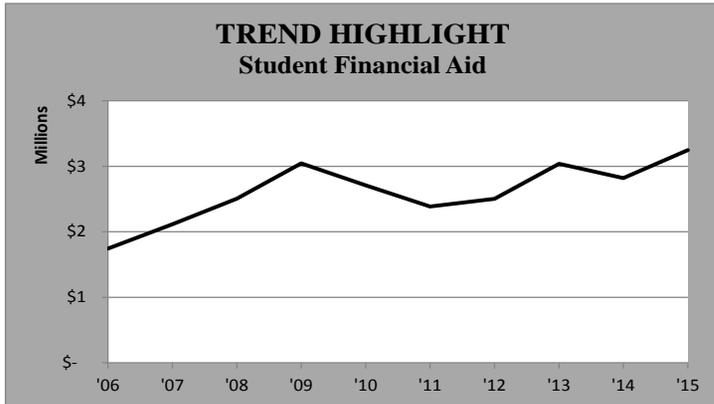
WRIGHT STATE UNIVERSITY FOUNDATION, INC.  
SUMMARY OF TOTAL EXPENSES BY SERVICE AREA (Unaudited)  
For the ten years ended June 30, 2006 to 2015

Fiscal Year	Program Services					Fund Raising	Management and General	Total Expenses	
	Scholarships	University Programs	Athletic Programs	Research	Miscellaneous Grants				
2006	1,711,966	5,055,359	356,455	550,275	45,031	7,719,086	326,470	311,009	8,356,565
2007	2,177,740	3,796,241	282,840	1,046,645	56,702	7,360,168	457,294	471,164	8,288,626
2008	2,352,007	10,732,749	503,462	1,030,633	61,072	14,679,923	732,275	510,819	15,923,017
2009	2,831,997	7,555,156	371,231	814,602	58,062	11,631,048	891,351	96,068	12,618,467
2010	2,486,494	6,161,392	472,485	766,938	84,697	9,972,006	604,006	345,702	10,921,714
2011	2,264,720	3,029,763	488,515	500,969	89,310	6,373,277	653,096	339,698	7,366,071
2012	2,420,055	3,193,474	441,574	371,322	66,783	6,493,208	738,382	341,669	7,573,259
2013	3,010,581	3,099,999	830,817	306,240	79,844	7,327,481	696,784	190,112	8,214,377
2014	2,765,129	2,835,724	433,417	587,103	324,967	6,946,340	1,215,032	612,651	8,774,023
2015	3,053,382	4,026,473	677,883	538,708	1,082,706	9,379,152	1,599,698	418,567	11,397,417



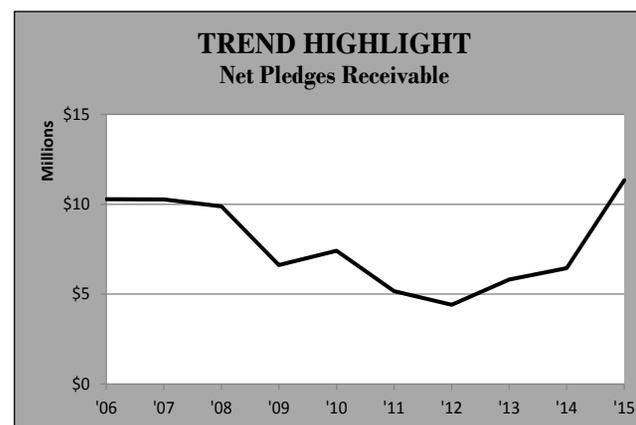
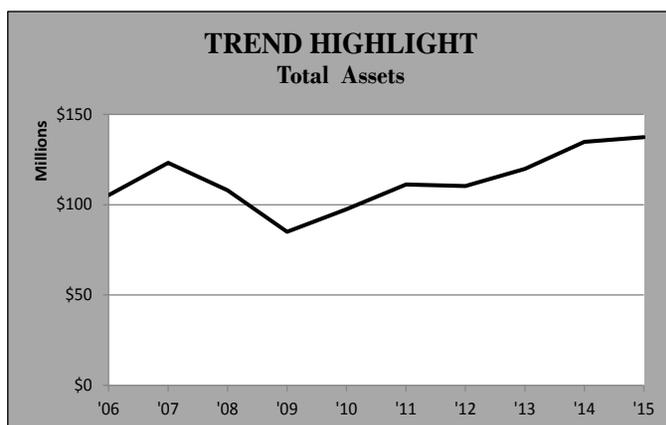
WRIGHT STATE UNIVERSITY FOUNDATION, INC.  
SUMMARY OF TOTAL EXPENSES BY OBJECT CATEOGRY (Unaudited)  
For the ten years ended June 30, 2006 to 2015

Fiscal Year	Salaries and Wages	Employee Benefits	Professional Services	Supplies	Travel	Information and Communications	Maintenance and Repair	Student Financial Aid	Other	Capital Outlay	Debt Service	Total Expenses
2006	1,724,210	380,245	370,085	288,951	454,283	439,368	59,483	1,743,917	346,183	2,499,970	49,870	8,356,565
2007	2,177,995	522,493	685,800	290,787	474,455	318,998	48,248	2,114,430	179,596	1,420,362	55,462	8,288,626
2008	2,471,985	649,659	952,298	376,244	788,394	894,731	124,871	2,505,334	143,038	6,979,772	36,691	15,923,017
2009	2,923,130	772,321	946,108	221,206	661,303	450,117	21,951	3,043,141	148,957	3,418,813	11,420	12,618,467
2010	2,874,971	751,374	911,478	330,771	487,274	441,085	75,452	2,709,010	191,031	2,145,335	3,933	10,921,714
2011	1,857,754	488,013	928,456	185,941	439,210	531,694	148,087	2,384,496	150,503	250,454	1,463	7,366,071
2012	1,543,539	342,687	828,228	305,640	622,346	416,519	88,790	2,503,326	154,222	767,962	-	7,573,259
2013	1,402,191	358,852	439,714	309,649	566,618	345,520	255,852	3,038,026	166,763	1,329,603	1,589	8,214,377
2014	1,416,101	407,065	1,367,097	449,479	638,517	671,974	324,946	2,820,222	181,338	486,855	10,429	8,774,023
2015	1,936,174	504,022	2,101,344	350,743	784,954	739,224	273,553	3,246,465	449,886	1,001,720	9,332	11,397,417



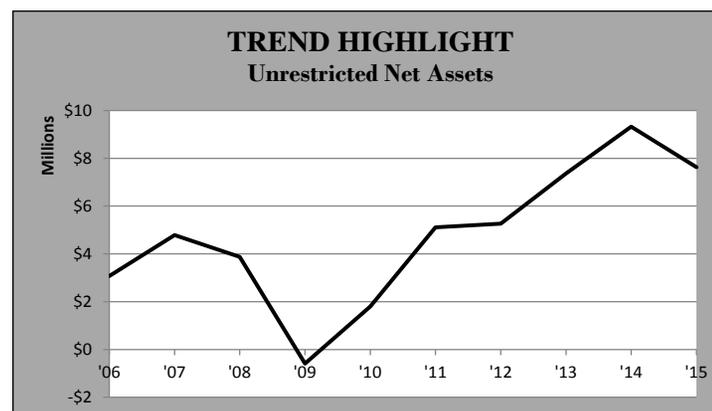
WRIGHT STATE UNIVERSITY FOUNDATION, INC.  
SUMMARY OF TOTAL ASSETS (Unaudited)  
For the ten years ended June 30, 2006 to 2015

Fiscal Year	Cash and Equivalents	Net Pledges Receivable	Receivable from Trusts	Investments	Annuity Assets	Capital Assets	Other Assets	Total Assets
2006	294,258	10,281,100	1,315,500	90,785,185	1,243,024	650,000	687,143	105,256,210
2007	2,858,861	10,264,459	2,947,470	104,450,293	1,310,881	650,000	741,463	123,223,427
2008	1,012,378	9,887,420	1,958,100	92,881,428	1,149,184	650,000	438,870	107,977,380
2009	2,453,452	6,616,800	1,495,300	72,717,984	786,367	650,000	333,693	85,053,596
2010	2,139,175	7,416,300	1,305,300	85,930,565	179,991	-	462,629	97,433,960
2011	5,355,232	5,167,500	1,545,600	98,115,756	222,680	-	786,384	111,193,152
2012	1,654,245	4,414,400	1,414,100	101,900,059	215,276	-	670,526	110,268,606
2013	1,236,709	5,817,300	1,277,300	109,106,459	252,637	1,482,267	711,127	119,883,799
2014	3,273,096	6,440,300	1,326,100	119,335,746	815,123	2,674,455	853,616	134,718,436
2015	1,578,574	11,329,600	1,394,640	118,953,828	706,048	2,604,131	836,236	137,403,057



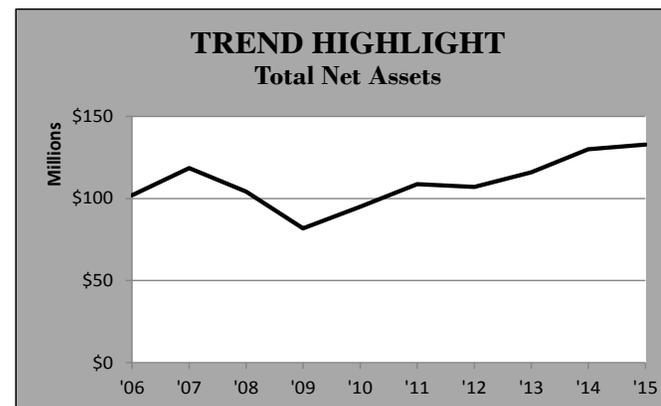
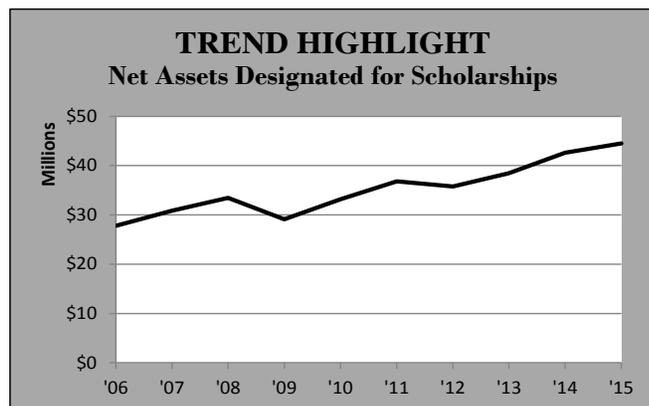
WRIGHT STATE UNIVERSITY FOUNDATION, INC.  
SUMMARY OF TOTAL LIABILITIES AND NET ASSETS (Unaudited)  
For the ten years ended June 30, 2006 to 2015

Fiscal Year	LIABILITIES					NET ASSETS			
	Payable to WSU and Vendors	Deposits Held for Others	Annuities Payable	Loans Payable	Total Liabilities	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Assets
2006	490,877	1,251,716	664,600	900,000	3,307,193	3,068,930	72,466,166	26,413,921	101,949,017
2007	1,704,496	1,417,102	645,300	900,000	4,666,898	4,789,994	86,994,917	26,772,618	118,557,529
2008	1,300,260	1,312,457	634,900	500,000	3,747,617	3,872,027	72,926,632	27,431,104	104,229,763
2009	1,172,156	1,010,742	610,700	400,000	3,193,598	(587,609)	50,013,826	32,433,781	81,859,998
2010	1,023,658	1,096,633	124,400	200,000	2,444,691	1,799,353	58,594,379	34,595,537	94,989,269
2011	1,021,199	1,277,662	133,000	-	2,431,861	5,107,510	68,175,298	35,478,483	108,761,291
2012	1,191,983	1,926,215	134,500	-	3,252,698	5,260,177	65,535,744	36,219,987	107,015,908
2013	1,085,094	1,912,842	130,900	800,000	3,928,836	7,364,390	70,848,409	37,742,164	115,954,963
2014	1,390,264	1,997,880	350,900	1,000,000	4,739,044	9,318,236	79,199,828	41,461,328	129,979,392
2015	1,425,543	2,026,895	328,800	800,000	4,581,238	7,623,690	82,213,309	42,984,920	132,821,919



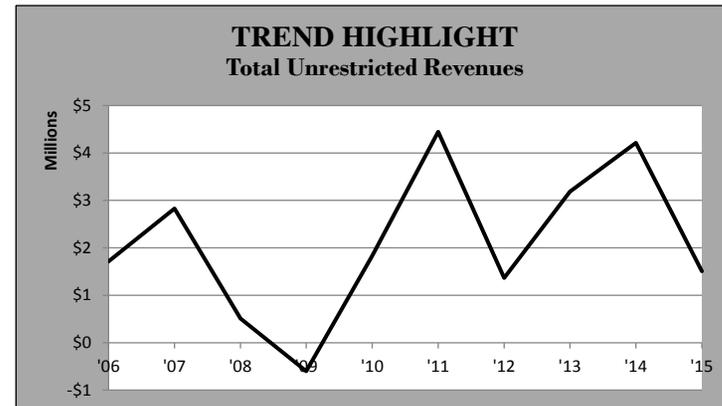
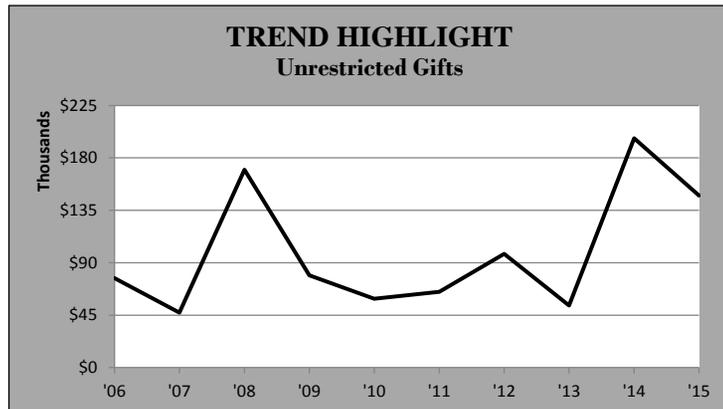
WRIGHT STATE UNIVERSITY FOUNDATION, INC.  
SUMMARY OF NET ASSET RESTRICTIONS AND DESIGNATIONS (Unaudited)  
For the ten years ended June 30, 2006 to 2015

Fiscal Year	Scholarships	University Programs	Athletic Programs	Research	Market Stabilization	Debt Guaranty	Undesignated	Total Net Assets
2006	27,771,963	68,427,714	203,169	2,909,936	789,178	-	1,847,057	101,949,017
2007	30,840,764	77,369,148	91,912	6,242,782	917,796	-	3,095,127	118,557,529
2008	33,439,086	61,769,905	77,776	5,819,290	914,195	-	2,209,511	104,229,763
2009	29,121,590	44,102,948	32,279	9,750,145	745,187	-	(1,892,151)	81,859,998
2010	33,176,487	50,722,858	21,491	9,850,078	769,218	-	449,137	94,989,269
2011	36,818,929	56,946,708	81,009	10,393,879	980,076	600,000	2,940,690	108,761,291
2012	35,764,132	56,639,070	84,017	9,854,035	1,035,199	600,000	3,039,455	107,015,908
2013	38,445,069	60,639,894	116,357	9,970,803	1,058,405	600,000	5,124,435	115,954,963
2014	42,601,565	65,584,260	124,848	12,933,332	1,099,978	600,000	7,035,409	129,979,392
2015	44,525,336	68,187,153	128,390	12,941,749	1,118,077	600,000	5,321,114	132,821,819



WRIGHT STATE UNIVERSITY FOUNDATION, INC.  
SUMMARY OF UNRESTRICTED GENERAL FUND REVENUES (Unaudited)  
For the ten years ended June 30, 2006 to 2015

Fiscal Year	Gifts and Contributions	Interest and Dividends	Realized Gains (Losses)	Unrealized Gains (Losses)	Administrative Fees	Change in Value of Split Interest Agreements	Rental Income	Other Income (Expense)	Totals
2006	76,833	673,730	346,851	20,649	662,415	(103,100)	-	36,580	1,713,958
2007	47,072	505,095	594,426	890,797	749,033	7,100	-	33,607	2,827,130
2008	169,772	419,410	1,064,319	(1,909,951)	817,265	(110,300)	-	61,460	511,975
2009	79,194	296,691	(420,263)	(1,066,001)	491,195	(38,200)	-	55,346	(602,038)
2010	59,046	379,138	(42,034)	794,868	549,658	-	-	91,658	1,832,334
2011	64,957	728,929	233,966	2,630,284	642,596	-	-	145,160	4,445,892
2012	97,681	743,015	46,662	(423,384)	745,347	-	-	156,652	1,365,973
2013	53,291	828,296	31,276	1,202,341	744,983	-	41,589	284,716	3,186,492
2014	196,863	460,996	679,392	1,833,180	819,068	-	132,553	88,662	4,210,714
2015	147,685	802,712	1,806,404	(2,370,247)	871,936	-	185,350	62,247	1,506,087



WRIGHT STATE UNIVERSITY FOUNDATION, INC.  
SUMMARY OF UNRESTRICTED GENERAL FUND EXPENSES (Unaudited)  
For the ten years ended June 30, 2006 to 2015

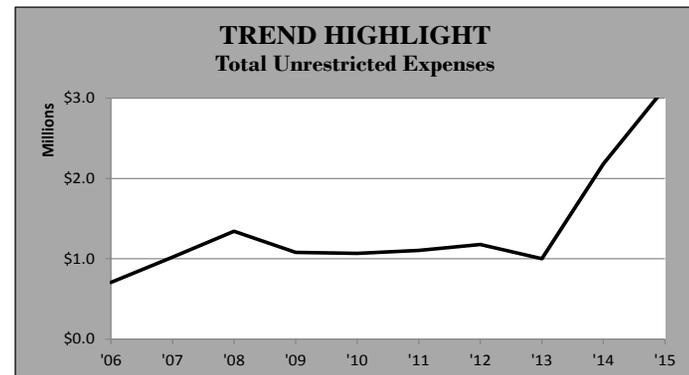
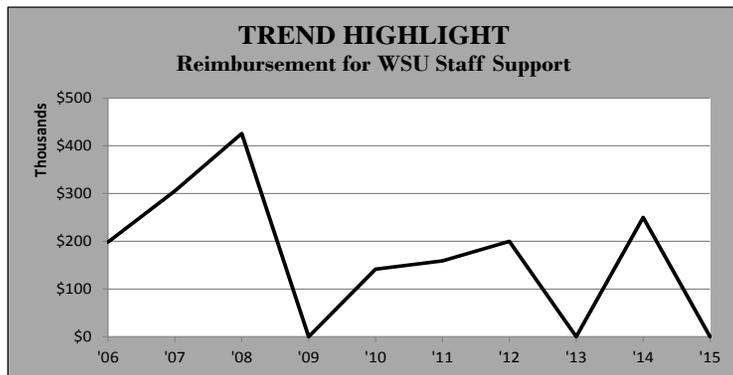
Fiscal Year	Program Services		Fund Raising				Management and General						Totals
	Scholarships	Grants	Development Support	In-college Development Officers	Advancement Services Support	Other Fund Raising <sup>1</sup>	Reimbursement for University Staff Support	Building Operation/Maintenance	Professional Fees	Loan Interest	Depreciation	Other Management and General <sup>2</sup>	
2006	22,793	45,031	130,725	99,635	53,660	42,450	198,130	-	19,857	49,870	-	43,152	705,303
2007	34,362	56,702	135,181	165,128	132,170	24,815	305,539	-	21,464	55,462	-	88,699	1,019,522
2008	37,430	61,072	136,361	146,841	151,013	298,060	426,000	-	26,801	36,691	-	21,327	1,341,596
2009	33,626	58,062	372,776	164,599	179,085	174,891	- <sup>3</sup>	-	26,936	11,420	-	57,712	1,079,107
2010	31,800	84,697	166,671	195,846	165,085	76,404	141,615 <sup>4</sup>	-	122,032	3,933	-	78,122	1,066,205
2011	22,920	89,310	406,673	73,678	80,166	92,579	159,038 <sup>4</sup>	-	162,828	1,463	-	16,369	1,105,024
2012	30,998	66,783	308,083	79,117	83,293	267,889	200,000	-	96,690	-	-	44,979	1,177,832
2013	34,050	79,844	437,873	97,099	82,550	79,262	- <sup>3</sup>	83,302	34,106	1,589	9,399	61,716	1,000,790
2014	28,300	324,967	656,628	95,134	112,428	350,842	250,000	154,631	57,518	10,429	67,842	72,231	2,180,950
2015	29,430	1,082,706	445,285	72,203	93,759	988,451	- <sup>3</sup>	149,299	70,377	9,332	116,887	72,672	3,130,401

<sup>1</sup> Includes expenses related to donor and community events, donor recognition efforts and campaign planning/execution.

<sup>2</sup> Includes expenses related to board/committee meetings, insurance, property taxes and changes in allowance for uncollectible pledges receivable.

<sup>3</sup> Wright State agreed to waive the annual reimbursement.

<sup>4</sup> In FY10 and FY11, in lieu of it's reimbursement payment to the University, the Foundation reimbursed the University for separation incentives paid to three Advancement employees.



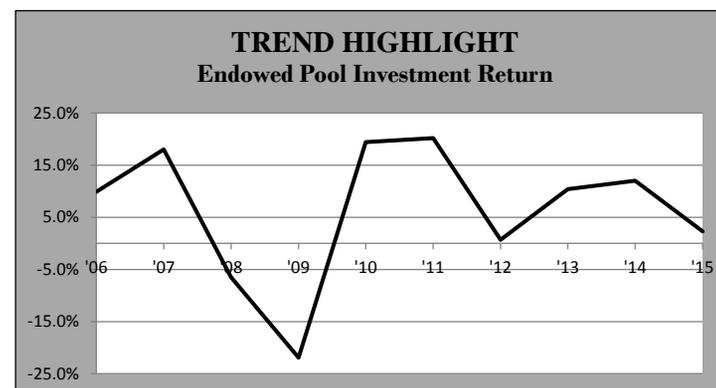
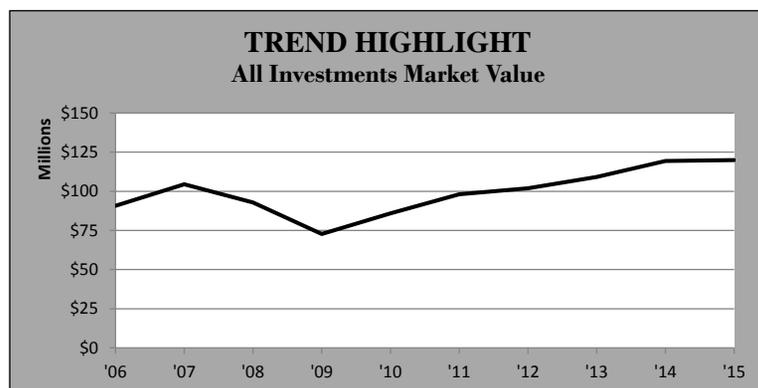
WRIGHT STATE UNIVERSITY FOUNDATION, INC.  
SUMMARY OF INVESTMENT VALUES, CLASSIFICATIONS AND PERFORMANCE (Unaudited)  
For the ten years ended June 30, 2006 to 2015

Fiscal Year	Fair Value	Fair Value Classification <sup>1</sup>				Total Return	Endowed Pool		Non-endowed Pool	
		Level 1	Level 2	Level 3	Other <sup>2</sup>		Return <sup>3</sup>	Index	Return	Index
2006	90,785,185	n/a	n/a	n/a	n/a	7,625,986	9.9%	9.7%	9.0%	8.3%
2007	104,450,293	n/a	n/a	n/a	n/a	16,123,116	18.0%	17.8%	16.5%	16.3%
2008	92,881,428	n/a	n/a	n/a	n/a	(6,301,092)	-6.5%	-3.5%	-3.2%	-0.5%
2009	72,717,984	\$ 59,006,036	\$ 10,666,244	\$ 3,045,704	n/a	(18,900,745)	-21.9%	-16.9%	-16.2%	-13.2%
2010	85,930,565	69,263,657	10,879,556	5,787,352	n/a	12,338,657	19.4%	11.9%	15.1%	14.5%
2011	98,115,756	77,280,382	18,417,757	2,417,617	n/a	15,937,652	20.2%	20.2%	18.6%	17.4%
2012	101,900,059	82,497,600	16,578,989	2,823,470	n/a	984,809	0.7%	1.4%	1.8%	2.4%
2013	109,106,459	91,736,221	9,069,289	8,300,949	n/a	9,381,274	10.4%	10.5%	8.2%	8.0%
2014	119,335,746	101,623,727	-	-	17,712,019	12,263,679	12.0%	12.6%	11.7%	10.8%
2015	118,953,828	100,745,814	-	-	18,208,014	2,399,325	2.3%	1.4%	1.3%	1.1%

<sup>1</sup> For level definitions, see Notes to the Financial Statements - Note 4 elsewhere in this report

<sup>2</sup> Assets values measured using the net asset value practical expedient

<sup>3</sup> Does not include returns on private equity investments

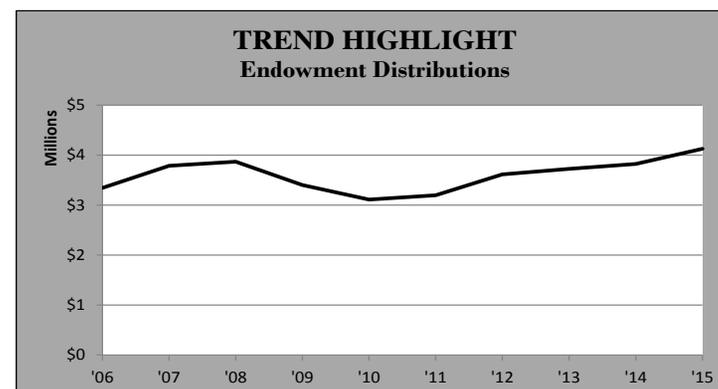
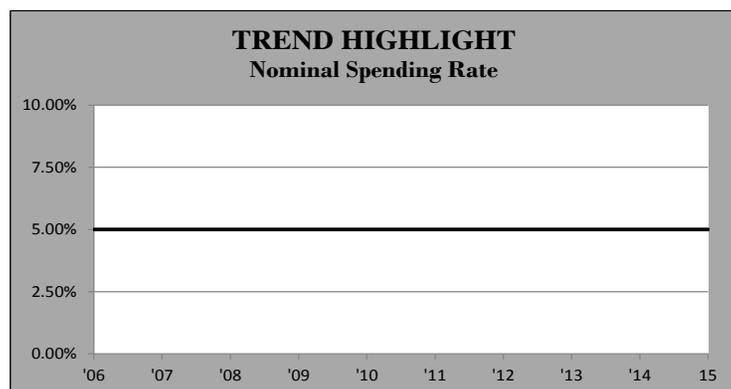


WRIGHT STATE UNIVERSITY FOUNDATION, INC.  
SUMMARY OF VARIOUS STATISTICAL DATA (Unaudited)  
For the ten years ended June 30, 2006 to 2015

Fiscal Year	Number of True and Quasi-Endowment Funds	Endowment Value	Nominal Spending Rate <sup>1</sup>	Effective Spending Rate <sup>2</sup>	Endowment Distributions	University Support	Direct Scholarship Support	Alternative Investments as a Percent of Total Investments	Investment Management Fees
2006	262	n/a	5.00%	4.94%	3,344,128	8,045,556	117,793	0.17%	\$ 528,958
2007	272	n/a	5.00%	4.84%	3,787,887	7,817,462	134,362	0.15%	609,553
2008	307	n/a	5.00%	4.63%	3,868,598	15,412,198	137,430	14.39%	544,815
2009	319	n/a	5.00%	4.17%	3,403,180	12,522,399	133,626	18.86%	384,103
2010	328	\$ 68,860,221	5.00%	5.18%	3,110,279	10,588,512	121,800	19.40%	450,378
2011	345	79,602,177	5.00%	4.57%	3,195,177	7,026,373	82,920	21.24%	510,091
2012	362	76,972,250	5.00%	4.69%	3,615,410	7,231,590	90,998	19.04%	536,514
2013	384	84,195,844	5.00%	4.94%	3,725,624	8,024,265	134,050	15.92%	590,377
2014	415	93,411,764	5.00%	4.80%	3,821,472	8,161,372	128,300	14.84%	702,027
2015	441	92,150,379	5.00%	4.78%	4,126,210	10,978,850	129,430	21.70%	726,254

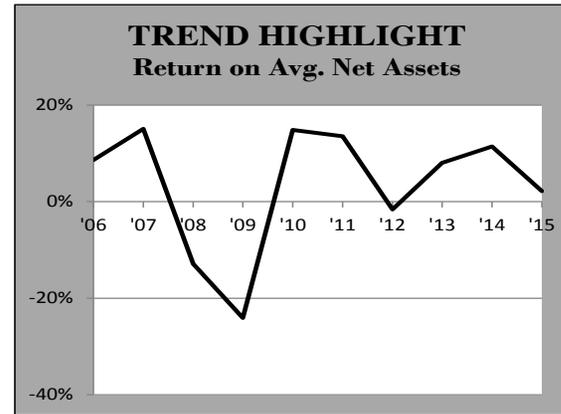
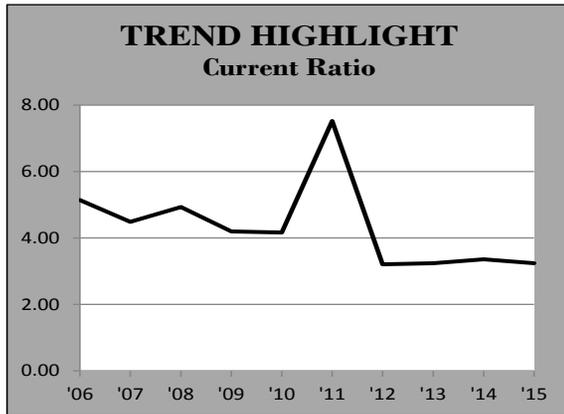
<sup>1</sup> As defined by Foundation's investment policy statement

<sup>2</sup> Defined as annual endowment distribution divided by market value of endowment portfolio on July 1



WRIGHT STATE UNIVERSITY FOUNDATION, INC.  
SUMMARY OF FINANCIAL RATIOS (Unaudited)  
For the ten years ended June 30, 2006 to 2015

Fiscal Year	Current Ratio	Days Cash on Hand	Return on Average Net Assets	Program Spending Ratio	Fund Raising Spending Ratio	Interest Expense Pct.
2006	5.14	12.85	8.62%	92.37%	3.91%	4.99%
2007	4.48	125.89	15.06%	88.80%	5.52%	6.16%
2008	4.93	23.21	-12.86%	92.19%	4.60%	4.08%
2009	4.19	70.97	-24.04%	92.17%	7.06%	2.28%
2010	4.16	71.49	14.85%	91.30%	5.53%	0.98%
2011	7.52	265.36	13.52%	86.52%	8.87%	0.73%
2012	3.21	79.73	-1.62%	85.74%	9.75%	0.00%
2013	3.24	54.95	8.02%	89.20%	8.48%	0.00%
2014	3.36	136.16	11.41%	79.17%	13.85%	0.01%
2015	3.24	50.55	2.16%	82.29%	14.04%	0.01%



WRIGHT STATE UNIVERSITY FOUNDATION, INC.  
 SUMMARY OF INSTITUTIONAL DATA (Unaudited)  
 For the year ended June 30, 2015

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Date of incorporation	December 15, 1966
Tax-exempt status	501(c)(3)
Public charity status	Sec. 170(b)(1)(A)(vi)
Employer identification number	23-7019799
Wright State University	
Date founded	1964
Date achieved independent university status	1967
Tax-exempt status	501(c)(1)
Employer identification number	31-0732831
Student population (Fall 2014):	
Total enrollment (some students attend both campuses)	17,779
Dayton Campus	16,842
Lake Campus	1,147
Characteristics:	
Men/women	48%/52%
Full-time/part-time	77%/23%
Undergraduate/Graduate/Doctoral	77%/19%/4%
International students	10%
Minority students (excludes international students)	20%
Age 25 and older	30%
Mean age, all students	25 years
Academics:	
Number of colleges	8
Number of schools	3
Degree programs:	
Undergraduate, Associate	13
Undergraduate, Bachelor's	96
Graduate, Master's, Doctoral and Professional	119
Full time employees:	
Faculty	896
Staff	1,425
Total	2,321
Facilities:	
Dayton Campus:	
Acreage	557
Academic and academic support buildings	26
Student residential buildings	30
Lake Campus:	
Acreage	173
Academic and academic support buildings	4
Student residential buildings	1
Number of degrees awarded since inception	116,108
Research grant awards	\$90,784,436
Annual full-time undergraduate tuition (Ohio resident)	\$8,730

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