

WRIGHT STATE *UNIVERSITY*

Annual Report For Year Ended June 30, 2007

Office of the Controller
3640 Colonel Glenn Hwy.
Dayton, OH 45435-0001

WRIGHT STATE UNIVERSITY
Annual Report
Table of Contents
June 30, 2007

	PAGE
MANAGEMENT'S DISCUSSION AND ANALYSIS	2
FINANCIAL STATEMENTS	
Independent Auditors' Report	13
Statements of Net Assets	15
Statements of Revenues, Expenses and Changes in Net Assets	16
Statements of Cash Flows	17
NOTES TO FINANCIAL STATEMENTS	19

Wright State University's Management Discussion and Analysis (MD&A) presents an overview of its financial condition and assists the reader in focusing on significant financial issues for the year ended June 30, 2007 with selected comparative information for the years ended June 30, 2006 and 2005. The discussion has been prepared by management and should be read in conjunction with the accompanying financial statements and footnotes. The financial statements, footnotes, and this discussion are the responsibility of management.

Financial and Other University Highlights

- Dr. Kim Goldenberg, Wright State University's 5th president, stepped down on February 1, 2007 after nearly nine years in office. Dr. David Hopkins, who served as the university's provost since 2003, was appointed his successor. There were many accomplishments during Dr. Goldenberg's tenure as president. One noteworthy achievement was the considerable improvement in the financial health of the University and The Wright State University Foundation (Foundation). From June 30, 1998 through June 30, 2006, the combined restricted and unrestricted net assets of the University and Foundation increased nearly four-fold from approximately \$57 million in 1998 to approximately \$220 million in 2006. This was accomplished with a nearly flat level of state support and rising enrollment over that same time period.
- Total state appropriations increased by \$2.0 million in 2007 over 2006 after subtracting the effect of OhioLINK (a statewide library initiative for which the University serves as fiscal agent). This increase is a reflection of an overall increase in the level of support given to higher education in 2007. State appropriations were flat in 2006 as compared to 2005. The University is encouraged by recent changes in the priority given higher education by the State.
- Full-time undergraduate student tuition was increased 6% for fiscal year 2007. Part-time rates increased approximately 4% - 4.5%. The Boonshoft School of Medicine increased their tuition 9.9%. Despite these increases, the University still maintains the fourth lowest in-state undergraduate tuition rate among the State of Ohio's thirteen four-year public institutions, an achievement in which the University continues to take pride.
- Net assets increased \$14.8 million at June 30, 2007 from June 30, 2006, \$11.6 million of which was attributable to an increase in capital assets, net of depreciation and associated debt. Major improvements and expansions continued in 2007 with the Student Union, Russ Engineering Building, and most significantly the university's science facilities.
- For over a decade, the University had been experiencing annual increases in enrollment; however fiscal 2007 saw a decline in enrollment as fall student headcount fell 1.2% from 2006 and full time equivalent (FTE) students decreased 1.6%.
- For the 28th consecutive year, top honors went to Wright State students at the National Model United Nations (NMUN) conference in New York City.

The university's first capital campaign entitled "*Tomorrow Takes Flight: The Campaign for Wright State University*", concluded with approximately \$123 million in contributions and commitments, far exceeding the original campaign goal of \$40 million.

- The University began celebration in 2007 of its 40th anniversary as a public university in the State of Ohio. The University was founded in 1967 and has events planned throughout 2007 to celebrate the growth and successes of the past 40 years. The University is proud of its accomplishments over the years, not the least of which is the fact that it has graduated over 75,000 students with nearly two-thirds of them still living in Ohio, contributing their talents to their state and communities in many ways.

Using the Annual Report

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

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

Statements of Net Assets

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

	2007	2006	2005
	<u>(All dollar amounts in thousands)</u>		
Current assets	\$ 69,407	\$ 86,676	\$ 84,496
Noncurrent assets:			
Capital assets, net	275,825	253,157	228,641
Other	<u>129,117</u>	<u>121,264</u>	<u>119,148</u>
Total assets	<u>474,349</u>	<u>461,097</u>	<u>432,285</u>
Current liabilities	69,776	68,001	64,926
Noncurrent liabilities	<u>44,949</u>	<u>48,238</u>	<u>51,114</u>
Total liabilities	<u>114,725</u>	<u>116,239</u>	<u>116,040</u>
Net assets:			
Invested in capital assets, net of related debt	238,244	226,597	206,594
Restricted	19,412	18,676	22,321
Unrestricted	<u>101,968</u>	<u>99,585</u>	<u>87,330</u>
Total net assets	<u>\$ 359,624</u>	<u>\$ 344,858</u>	<u>\$ 316,245</u>

The university's net assets continued to increase in 2007, driven primarily by a large increase in capital assets, net of depreciation and related debt. The University continued with renovations and expansions of its physical facilities that have been on-going for several years. Increased enrollments and an expanding research base continue to drive a need for additional space with improved functionality. The largest investments in 2007 were in the university's science facilities and the Student Union. Restricted and unrestricted net assets saw a modest increase of \$3.1 million in 2007 primarily as a result of positive revenue variances that exceeded the amounts invested in facilities from these sources.

Total assets have increased \$13.2 million in 2007 over 2006. *Current assets*, comprised primarily of cash and operating investments, student and sponsor receivables, and prepaid expenses, actually decreased by \$17.3 million in 2007 from 2006. This is because the University had \$16.9 million less in cash and operating investments in 2007 than in 2006 and more in long-term investments (classified as noncurrent assets). Prepaid expenses, which are primarily composed of license agreements made on behalf of the OhioLINK program for which the University is the fiscal agent, increased \$2.2 million in 2007 over 2006 as a result of an increase in the amount of OhioLINK license agreements. Accounts receivable decreased by \$1.7 million, primarily due to improved billings and collections with sponsor receivables from research and sponsored program activities in 2007.

Other noncurrent assets increased \$7.8 million from \$121.3 million in 2006 to \$129.1 million in 2007. These assets are comprised of long-term investments, long-term student loans receivable, longer term prepaid expenses, and restricted cash and investments. This \$7.8 million increase is comprised of an increase of \$21.9 million in long-term investments (there was a corresponding decrease in *current* cash and operating investments) offset by a \$14.8 million decrease in restricted investments. The \$14.8 million decrease is due to spending down the majority of the remaining 2004 bond proceeds that were invested to complete certain capital projects during 2007. Capital assets, net of depreciation increased from \$253.2 million in 2006 to \$275.8 million in 2007. This increase of \$22.6 million is due primarily to the continued investments in the university's new and renovated science facilities and improvements to the Student Union.

The 2006 increase in total assets was \$28.8 million over 2005. This was also largely attributable to an increase in capital assets, net of depreciation.

Total assets of the Wright State University Foundation increased from \$105.3 million at June 30, 2006 to \$123.2 million at June 30, 2007, an increase of \$17.9 million. Investments comprise \$105.8 million of the \$123.2 million at June 30, 2007 and gifts and pledges receivable comprise another \$13.2 million. The increase in total assets of \$17.9 million can be attributed primarily to investment returns and the continued success of fundraising efforts.

Current liabilities are comprised primarily of accounts payable and accrued liabilities, deferred revenues from both student fees and advance payments for contracts and grants, and the current portion of long-term liabilities. These liabilities only increased \$1.8 million from \$68.0 million at June 30, 2006 to \$69.8 million at June 30, 2007. This increase is mainly attributable to the accrual of summer payroll that was worked in June, 2007. This payroll was not paid until July, 2007. For the year ended June 30, 2006 it was paid in June of 2006 so an accrual was not necessary. The largest component of current liabilities is deferred revenue, which remained relatively unchanged from \$35.0 million in 2006 to \$35.2 million in 2007.

Current liabilities increased from \$64.9 million at June 30, 2005 to \$68 million at June 30, 2006. This increase of \$3.1 million was almost entirely the result of liabilities associated with the university's two retirement systems that were paid after June 30, 2006 in 2006 but paid in June, 2005 in the prior year.

Noncurrent liabilities were \$48.2 million at June 30, 2006 and decreased to \$44.9 million at June 30, 2007. This decrease of \$3.3 million is solely the result of payments against the university's debt obligations.

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

	2007	2006	2005
	(All dollar amounts in thousands)		
Invested in capital assets, net of related debt	\$ 238,244	\$ 226,597	\$ 206,594
Restricted:			
Nonexpendable			1,364
Expendable	19,412	18,676	20,957
Unrestricted:			
Designated	89,982	93,565	82,999
Undesignated	11,986	6,020	4,331
Total net assets	<u>\$ 359,624</u>	<u>\$ 344,858</u>	<u>\$ 316,245</u>

Invested in capital assets, net of related debt represents the university's capital assets after subtracting accumulated depreciation and the principal amount of outstanding debt attributable to the acquisition, construction or improvement of those assets. As previously discussed, during 2007 the University continued its expansion and renovation of its science facilities and Student Union. The science facilities project will improve both instructional space and research facilities. The renovation of the Student Union is primarily related to improving and expanding space for recreation, fitness, student government, and health services. To a lesser magnitude, improvements also continued with the university's Creative Arts facility and the Boonshoft School of Medicine's White Hall.

Restricted nonexpendable is a category that describes gifts which are subject to external restrictions requiring that the principal be invested in perpetuity with only the cumulative earnings on those gifts being spent. For Wright State, that was composed of the university's permanent endowments. It did not include the endowments held by the Wright State University Foundation, to which all gifts are currently directed. The University had no such net assets in 2007 or 2006 as it transferred its endowment funds to the WSU Foundation to manage during 2006. Therefore, there was a decrease of nonexpendable assets of \$1.4 million during 2006, which represented the entire amount held by the University. *Restricted expendable* represents funds that are externally restricted to specific purposes, such as student loans or sponsored projects. \$18.4 million and \$18.1 million of the restricted expendable fund balances at June 30, 2007 and June 30, 2006, respectively, represent funds restricted for student loans.

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

Statements of Revenues, Expenses and Changes in Net Assets

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

	2007	2006	2005
	<u>(All dollar amounts in thousands)</u>		
Operating Revenues:			
Student tuition and fees - net	\$ 114,851	\$ 107,293	\$ 99,537
Grants and contracts	96,904	92,541	87,854
Sales and services	7,285	7,142	7,429
Auxiliary enterprises	15,605	15,376	14,444
Other	2,558	2,184	1,746
Total	<u>237,203</u>	<u>224,536</u>	<u>211,010</u>
Operating expenses	<u>347,744</u>	<u>317,918</u>	<u>305,434</u>
Operating loss	<u>(110,541)</u>	<u>(93,382)</u>	<u>(94,424)</u>
Nonoperating revenues (expenses):			
State appropriations	94,315	91,796	93,099
Gifts	6,462	5,466	5,224
Investment income	16,547	8,774	4,966
Interest expense	(1,138)	(1,256)	(1,058)
Other income (expense)	(1,544)	(4,825)	2
Capital appropriations	7,560	10,916	4,678
Capital grants and gifts	3,105	11,124	801
Total	<u>125,307</u>	<u>121,995</u>	<u>107,712</u>
Increase in net assets	14,766	28,613	13,288
Net assets - beginning of year	<u>344,858</u>	<u>316,245</u>	<u>302,957</u>
Net assets - end of year	<u>\$ 359,624</u>	<u>\$ 344,858</u>	<u>\$ 316,245</u>

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

OhioLINK Revenues and Expenses
For the Year Ended June 30

	<u>2007</u>	<u>2006</u>	<u>Difference</u>	<u>Percent Increase (Decrease)</u>
Revenues:				
Grants and contracts	\$ 23,802,138	\$ 25,061,879	\$ (1,259,741)	(5.0)%
State appropriations	7,536,874	7,011,462	525,412	7.5%
Total revenues	<u>\$ 31,339,012</u>	<u>\$ 32,073,341</u>	<u>\$ (734,329)</u>	<u>(2.3)%</u>
Expenses:				
Total OhioLINK	<u>\$ 31,339,012</u>	<u>\$ 32,073,341</u>	<u>\$ (734,329)</u>	<u>(2.3)%</u>

The university's primary revenue sources are state appropriations and student tuition and fees. These fund the ongoing programs and operations of the University. Accounting standards classify state appropriations as a nonoperating revenue source in the financial statements. However, since the University continues to rely upon state funding as a primary funding source, it manages state funding as an operating revenue item. Over the last decade, the amount of state appropriations allocated to Wright State and higher education in general has been relatively flat, while enrollments have grown significantly. This is indicative of the pressures on the state budget in recent years and of the relatively low priority assigned to higher education during this period. This erosion of state funding per student has required the University to raise tuition at a magnitude greater than desired in order to fund the costs of serving enrollment growth as well as responding to inflationary pressures. In addition, the University has continually made investments in academic programs, facilities and the personnel necessary to meet the strategic initiatives of the University. The University has been successful in complementing state appropriations and student tuition and fees with other revenue sources and has also effectively managed costs in order to limit the burden on students. Still, it has been necessary to annually increase student tuition and fees over the years to balance the budget. The table below demonstrates how the State of Ohio over the past two and a half decades has forced universities to shift the burden for funding the cost of higher education to students and their families.

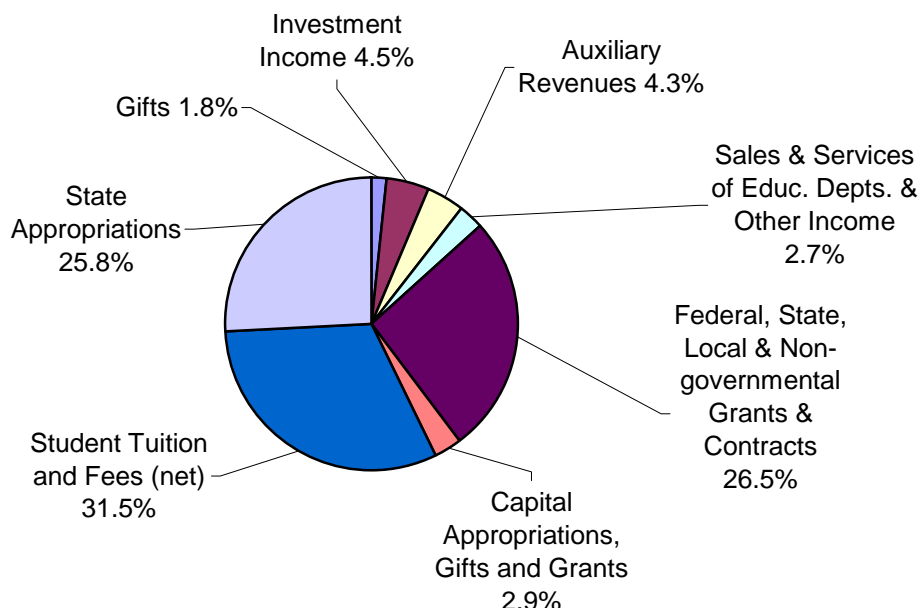
State Appropriations per Dollar of Gross Tuition

<u>Fiscal Year</u>	<u>Gross Tuition</u>	<u>State Appropriations net of OhioLINK</u>	<u>Net State Appropriations per Dollar of Gross Tuition</u>
1980	\$ 13,833,157	\$ 29,604,813	\$ 2.14
1990	40,939,473	63,889,505	1.56
2001	74,956,371	86,874,854	1.16
2002	82,426,162	86,461,640	1.05
2003	94,242,118	85,513,853	0.91
2004	107,972,107	86,565,632	0.80
2005	121,717,222	84,724,080	0.70
2006	131,262,871	84,784,334	0.65
2007	139,584,821	86,778,437	0.62

As can be seen by the table, while state appropriations did increase in 2007, it is still a decreasing share of revenues that are necessary to support the operations of the University. Students and their families are still forced to fund a much greater share of the cost of their education than was necessary in earlier years.

There are signs, though, that the State is beginning to see the value of higher education. State appropriations did increase in 2007. In addition, for the two year biennium ending June 30, 2009, the State has appropriated a substantial increase in support of higher education. The University is hopeful that this is the beginning of a trend that will continue well into the future. Through 2007, even with the escalating levels of tuition, the University continues to maintain a lower than average level of tuition and fees relative to other Ohio four-year public institutions. Wright State is maintaining its rank as the fourth lowest (out of 13) of the four-year public institutions with respect to student tuition rates. It should be noted that of the lower three universities, two receive special state funding that Wright State does not receive.

Below is a graphic illustration of revenues by source for the year ended June 30, 2007.



State appropriations increased from \$91.8 million in 2006 to \$94.3 million in 2007, an increase of \$2.5 million. An increase of \$2.0 million reflects a slight overall increase in state support, while OhioLINK accounts for the other \$.5 million of the increase. State appropriations were \$93.1 million in 2005. The 2006 decrease was entirely the result of a decrease in OhioLINK. The level of state appropriations is no longer a function of enrollments.

Net student tuition and fees were \$114.9 million, \$107.3 million, and \$99.5 million in 2007, 2006, and 2005, respectively which provided an increase of 7% from 2006 to 2007 and just under 8% from 2005 to 2006. Tuition increases for most students were approximately 6% in both 2007 and 2006. The increases were larger for the Boonshoft School of Medicine students. This increase in tuition rates and changes in enrollments and student credit hour mixes account for the increase in tuition and fees.

Grants and contracts were \$96.9 million in 2007, increasing \$4.4 million from the 2006 level of \$92.5 million. The 2005 level was \$87.9 million. The university's focus on research continues to pay rewards as funding continues to increase. In particular, federal awards increased in 2007. The Boonshoft School of Medicine's sponsored revenues increased approximately \$4.0 million due to funding provided to establish a mobile emergency response unit and the establishment and operation of Acute Care and Emergency Help Centers.

Auxiliary revenues were relatively flat in 2007 as compared to 2006. Total revenues were \$15.6 million, \$15.4 million, and \$14.4 million for the years ended June 30, 2007, 2006, and 2005, respectively.

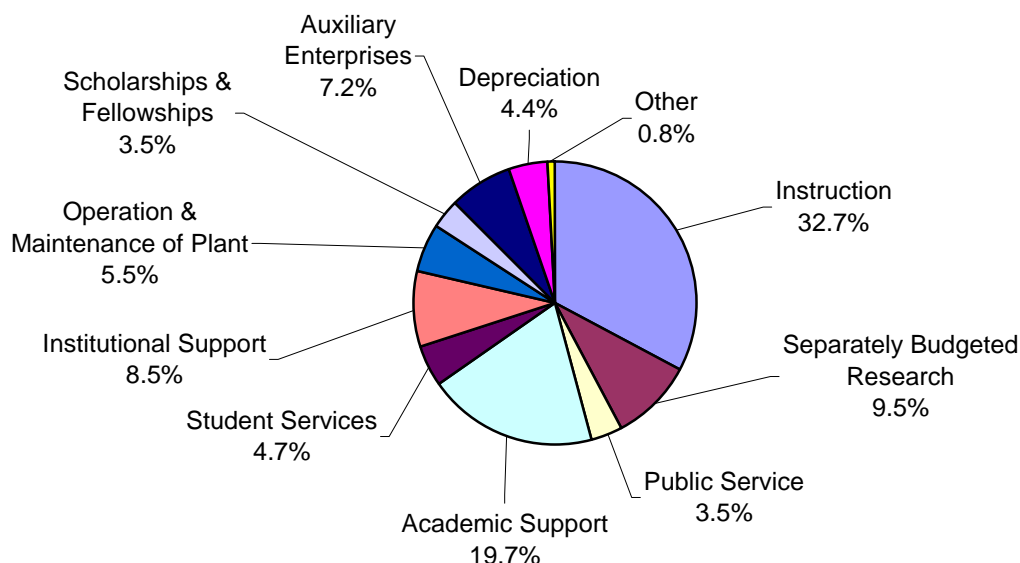
Auxiliary enterprises are comprised of residence services, bookstores, food services, parking and transportation, intercollegiate athletics, the Student Union, and the Nutter Center. The 2006 increase in revenues was the result of an increase in revenues at the Nutter Center, which is a state of the art facility which hosts a wide variety of events and performances such as concerts, civic events, and athletic events.

Sales and services, which are primarily revenues generated from specific departmental sales activities to organizations external to the University, were \$7.3 million, \$7.1 million, and \$7.4 million for the years ended June 30, 2007, 2006 and 2005, respectively.

Investment income was \$16.5 million, \$8.8 million, and \$5.0 million in 2007, 2006, and 2005, respectively. The University was the beneficiary of an excellent investment market in 2007, which resulted in an 87% increase in investment income over 2006. Assisting with the positive investment climate was a growing investment base over the last decade. This is a result of changes in the university's investment policy over the same period of time that has resulted in more aggressive, yet prudent investment allocations. In addition, careful management of expenses has allowed reserves to grow. Increasing investment income is important as the University has come to rely more and more upon it as a funding source to supplement other university revenues.

Capital Appropriations, Gifts and Grants were \$10.7 million in 2007, a decrease of \$11.3 million over the \$22.0 million realized in 2006. This decrease was primarily the result of a large amount of capital gifts in 2006 in the amount of \$9.7 million used for the expansion of engineering research facilities, an athletic pavilion, and software licenses for use by students in the Raj Sooin College of Business. In addition, capital appropriations from the State of Ohio decreased several million dollars in 2007. The capital appropriations that the University did receive in 2007 were used primarily for the university's science facilities, new engineering addition, and basic renovations. Capital appropriations, gifts and grants amounted to \$5.5 million in 2005.

The following is a graphic illustration of expenses by function for the year ended June 30, 2007.



Overall operating expenses were \$347.7 million in 2007 as compared to \$317.9 million and \$305.4 million in 2006 and 2005, respectively. The total increase in operating expenses for 2007 amounted to \$29.8 million. Employee compensation and benefits increased from \$192.5 million to \$211.7 million, an increase of \$19.2 million, or 10%. Employee costs are the largest single expense category for the University and consistent with prior years were the largest single contributor to the 2007 increase in operating expenses.

These costs increased due to an annual compensation increase in 2007 as well as adding some additional positions during the year in support of the university's strategic initiatives and its recent enrollment growth. In addition, employee benefit costs, most notably health insurance, increased in excess of 12%. Supplies costs also increased approximately \$5.1 million in 2007. This is the result of equipping some of the new and renovated facilities with furniture and equipment, supplementing the university's recently installed ERP system with complementary software and hardware to enhance functionality, and outfitting the externally funded Acute Care Centers with supplies and equipment. In addition, depreciation expense increased from \$13.7 million in 2006 to \$15.6 in 2007, an increase of \$1.9 million. This increase is primarily due to depreciation beginning in 2007 on the university's new ERP system. The majority of the \$12.5 million increase in operating expenses from 2005 to 2006 (\$8.8 million) was attributable to increases in employee compensation and benefits. An additional \$1.6 million was due to an increase in utility costs.

The University made some major investments in its infrastructure in 2007. Additional funds were invested in facilities to build, renovate, and equip facilities. These are described elsewhere in the MD&A. In conjunction with the university's recently installed ERP system, additional hardware and software acquisitions were necessary to enhance the efficiency of its operation. Additional human capital was necessary to support the operation of the new system, both in terms of permanent employees as well as additional consulting services. The University also engaged in strategic activities that have short-term costs with the anticipation of long-term gains. An example of this is the transition of the Purchasing Department during 2007 from simply facilitating a bidding process for goods and services to being a more strategic negotiator of contracts that will result in more favorable pricing for the University. The University believes that these kinds of investments will be necessary to operate on a sound fiscal basis in the years ahead.

Statements of Cash Flows

The Statement of Cash Flows also provides information about the university's financial health by reporting the cash receipts and cash payments of the University during the year ended June 30, 2007. A summary of the Statements of Cash Flows is as follows:

	2007	2006	2005
	<u>(All dollar amounts in thousands)</u>		
Cash provided (used) by:			
Operating activities	\$ (91,780)	\$ (79,042)	\$ (87,505)
Noncapital financing activities	99,906	97,901	97,913
Capital and related financing activities	(34,656)	(21,084)	20,751
Investing activities	<u>7,941</u>	<u>(25,986)</u>	<u>(7,861)</u>
Net increase (decrease) in cash and cash equivalents	(18,589)	(28,211)	23,298
Cash and cash equivalents-beginning of year	<u>37,363</u>	<u>65,574</u>	<u>42,276</u>
Cash and cash equivalents-end of year	<u>\$ 18,774</u>	<u>\$ 37,363</u>	<u>\$ 65,574</u>

Cash and cash equivalents decreased \$18.6 million from 2006 to 2007. This was primarily driven by the use of cash for capital purposes. Cash flows from operating activities decreased \$12.7 million primarily as a result of the larger than normal compensation costs that occurred in 2007 as well as the additional supplies costs discussed earlier in the MD&A. Cash from noncapital financing activities increased \$2.0 million from 2006 as a result of the small increase in state appropriations the University realized in 2007. The net outflow of cash for capital and related financing activities of \$34.7 million is the result of the capital projects that were underway during 2007, net of capital funding received from the State of Ohio. Most of these projects were begun in 2006 and have continued through 2007. The net cash provided in investing activities of \$7.9 million is the net result of all investment activities: purchases, sales, and interest earnings. The decrease in cash and cash equivalents in 2006 from 2005 of \$28.2 million is

almost exclusively the result of spending and reinvesting \$25.1 million of unspent bond proceeds that existed at June 30, 2005.

Capital Assets and Debt

Capital Assets

The University had approximately \$275.8 million invested in capital assets, net of accumulated depreciation of \$186.2 million at June 30, 2007. Capital assets were \$253.2 million, net of accumulated depreciation of \$176.5 million at June 30, 2006. Depreciation expense for the years ended June 30, 2007 and 2006 was \$15.6 million and \$13.7 million, respectively. A summary of net capital assets for the year ended June 30 is as follows:

	2007	2006	2005
	(All dollar amounts in thousands)		
Land, land improvements and infrastructure	\$ 23,645	\$ 24,571	\$ 22,906
Buildings	170,727	164,371	162,503
Machinery and equipment	29,451	29,744	22,981
Library books and publications	18,487	18,187	18,673
Construction in progress	33,515	16,284	1,578
Total capital assets - net	<u>\$ 275,825</u>	<u>\$ 253,157</u>	<u>\$ 228,641</u>

Ongoing from fiscal 2006, work continued on the expansion of engineering space being utilized primarily by daytaOhio for research and development and commercialization of information technology, renovation of the Student Union and White Hall, and most significantly the creation and renovation of university science facilities. These projects comprise almost all of the increase in the values of buildings and construction in progress during 2007. Aside from the science facilities, these projects will all be completed in calendar 2007. In addition, the University has been conducting ongoing maintenance and rehabilitation of the broader campus facilities, addressing HVAC and other building infrastructure needs as well as road and parking lot maintenance.

Debt

Again in 2007, the University issued no new debt and simply continued to service its existing debt. The University had issued tax-exempt bonds as recently as 2003 and 2004 and was still spending the proceeds of its 2004 \$31.4 million general receipts bond issuance throughout 2007. The proceeds of the bonds continued to be spent in 2007 on the science facilities and laboratories and renovation of the Student Union. The University received a bond rating for the 2004 bond issue from Moody's Investors Service of A2. That rating remains unchanged.

Outstanding debt was \$38.7 million, \$42.5 million, and \$46.2 million at June 30, 2007, 2006, and 2005, respectively. The 2007 balance of \$38.7 million includes \$38.4 million of outstanding bonds and equipment leases of \$.3 million.

Economic Factors That Will Affect the Future

Looking ahead, the University is confronted with the same challenges as in recent years. We continue to seek to provide a more enriching experience for a growing number of students. We strive to attract greater research funding to allow us to contribute to a heightened understanding of matters of importance to our region, our state, and beyond. Meanwhile, we wish to position the University for a brighter future by making capital investments that increase our capabilities and reduce our backlog of deferred maintenance and by increasing the university's financial reserves. Our goal is to do all of these things while keeping the University as affordable as possible for the many people who might benefit from

enrollment here. The University has been successful over the years in meeting these challenges due to its careful planning, financial conservatism, and some good fortune due to in part to hard work and in part to a robust investment market. The University was quite successful with its recent capital campaign in exceeding its fundraising goal by over \$80 million. In addition, in 2007 investment income was double what was expected.

The University continues to stay involved at the state level, too, in helping to shape Ohio's higher education strategy. The state seems ready to make a major new investment to allow its citizens to benefit more fully from the benefits that higher education can provide in a knowledge economy. Ohio also seems open to new ideas about the roles that campuses might play and the ways in which the state might support those roles. We intend to be active participants in these discussions. We understand that the state also expects heightened efforts to increase our efficiency and effectiveness, so that new state investments produce the greatest possible benefits. We believe our past efforts position us well to meet this challenge.

The University also continues to struggle with the same economic and business issues that it has been confronted with in recent years. Health care costs continue to rise disproportionately to other costs, technology costs and needs continue to escalate, and adequate space and facilities are always being addressed. The University is exploring different alternatives for controlling health care costs, but it is a constant struggle to hold down costs even at the margin. It has also recently become necessary for the University to rent additional space for administrative and academic use. This, too, has an added cost. So it will be important to manage operations in as prudent a manner as possible in order to stay on solid financial ground.

As always, management is confident it, working in collaboration with faculty, staff, and student leaders, can continue to successfully move the University forward. By continuing to maintain a balance between the need to invest in the future of the University and the need for conservative management that makes those investments possible, we expect to play a leading role in our community, our state, and beyond.



Crowe Chizek and Company LLC
Member Horwath International

REPORT OF INDEPENDENT AUDITORS

To the Board of Trustees
of Wright State University
Dayton, Ohio

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of Wright State University (the "University"), a component unit of the State of Ohio, as of and for the year ended June 30, 2007, which collectively comprise the University's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the University as of June 30, 2006, and for the year then ended, were audited by other auditors whose report, dated October 2, 2006 expressed an unqualified opinion on those statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and discretely presented component unit of Wright State University as of June 30, 2007, and the respective changes in net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis (MD&A) on pages 2 through 12 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

(Continued)

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

Crowe Chizek and Company LLC

Crowe Chizek and Company LLC

Columbus, Ohio
October 10, 2007

WRIGHT STATE UNIVERSITY
Statements of Net Assets
June 30, 2007 and 2006

ASSETS	2007		2006	
	University	Foundation	University	Foundation
Current assets:				
Cash and cash equivalents	\$ 18,774,097	\$ 2,858,861	\$ 37,363,372	\$ 294,258
Short-term investments	6,372,557		4,673,067	
Accounts receivable (net of allowance for doubtful accounts of \$1,345,000 in 2007 and \$960,000 in 2006 - Note 3)	23,607,262	477,246	25,326,889	116,533
Gifts and pledges receivable (net of allowance for uncollectible pledges of \$1,900 in 2007 and \$100 in 2006)		5,852,256		2,361,822
Loans receivable (net of allowance for doubtful loans of \$1,778,000 in 2007 and \$1,748,000 in 2006)	2,812,666		2,898,171	
Inventories	821,294		750,880	
Prepaid expenses	14,852,514		12,655,580	
Deferred charges	2,166,458		3,007,715	
Total current assets	69,406,848	9,188,363	86,675,674	2,772,613
Noncurrent assets:				
Restricted investments	778,048		15,534,365	
Gifts and pledges receivable (net of allowance for uncollectible pledges of \$62,100 in 2007 and \$15,900 in 2006)		7,359,673		9,506,482
Loans receivable (net of allowance for doubtful loans of \$171,500 in 2007 and 2006)	18,158,253		16,980,390	
Other assets	583,655	265,217	1,031,844	298,907
Other long-term investments	109,596,615	105,761,174	87,717,891	92,028,208
Capital assets, net (Note 4)	275,825,177	650,000	253,156,965	650,000
Total noncurrent assets	404,941,748	114,036,064	374,421,455	102,483,597
Total assets	\$ 474,348,596	\$ 123,224,427	\$ 461,097,129	\$ 105,256,210
 LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable trade and other	\$ 9,657,193	\$ 174,152	\$ 10,090,309	\$ 36,719
Accounts payable to Wright State University		1,530,344		454,158
Accrued liabilities	15,041,175		13,568,515	
Deferred revenue (Note 1)	35,185,156		34,987,437	
Refunds and other liabilities	603,014	1,417,102	578,727	1,251,716
Current portion of long-term liabilities (Note 5)	9,288,996	1,048,492	8,775,587	1,047,378
Total current liabilities	69,775,534	4,170,090	68,000,575	2,789,971
Noncurrent liabilities:				
Long-term liabilities (Note 5)	44,949,100	496,808	48,238,090	517,222
Total noncurrent liabilities	44,949,100	496,808	48,238,090	517,222
Total liabilities	114,724,634	4,666,898	116,238,665	3,307,193
 Net assets:				
Invested in capital assets, net of related debt	238,243,782	650,000	226,597,293	650,000
Restricted - nonexpendable:				
Instruction and departmental research		10,747,904		10,849,640
Separately budgeted research		1,428,362		338,707
Public service		150,828		161,622
Academic support		413,534		443,077
Student services		9,315		9,981
Operation and maintenance of plant		4,309,700		4,516,223
Scholarships and fellowships		9,519,667		9,887,322
Auxiliaries		193,308		207,349
Restricted - expendable:				
Instruction and departmental research	24,432	52,578,223	34,458	43,505,993
Separately budgeted research	351,476	4,036,037	205,304	2,613,759
Public service	252,793	614,597	43,595	553,202
Academic support	75,862	1,060,295	32,595	1,337,616
Student services		173,960		155,402
Institutional support	74,949	8,443,734	27,351	7,443,084
Operation and maintenance of plant		1,072,215		687,970
Scholarships and fellowships	31,738	18,506,820	4,422	15,789,935
Loans	18,352,300		18,094,645	
Debt service	248,841		233,280	
Auxiliaries		509,036		379,205
Unrestricted	101,967,789	4,139,994	99,585,521	2,418,930
Total net assets	359,623,962	118,557,529	344,858,464	101,949,017
Total liabilities and net assets	\$ 474,348,596	\$ 123,224,427	\$ 461,097,129	\$ 105,256,210

See Accompanying Notes to Financial Statements

WRIGHT STATE UNIVERSITY
Statements of Revenues, Expenses, and Changes in Net Assets
For the Years Ended June 30, 2007 and 2006

	2007		2006	
	University	Foundation	University	Foundation
OPERATING REVENUES				
Student tuition and fees (net of scholarship allowances of \$24,734,000 in 2007 and \$23,970,000 in 2006)	\$ 114,850,821	\$	\$ 107,292,871	\$
Federal grants and contracts	47,186,072		41,795,922	
State grants and contracts	9,745,935		9,905,175	
Local grants and contracts	526,655		570,169	
Nongovernmental grants and contracts	39,445,827		40,270,119	
Sales and services	7,284,690		7,142,562	
Auxiliary enterprises sales (net of scholarship allowances of \$1,884,000 in 2007 and \$1,685,000 in 2006)	15,605,534		15,375,644	
Gifts and contributions		8,756,724		5,290,737
Other operating revenues	2,557,615		2,183,707	
Total operating revenues	237,203,149	8,756,724	224,536,169	5,290,737
OPERATING EXPENSES				
Educational and general:				
Instruction and departmental research	114,612,888		106,035,566	
Separately budgeted research	33,239,444		31,905,803	
Public service	12,200,725		8,322,606	
Academic support	69,131,147		66,785,687	
Student services	16,341,109		14,171,292	
Institutional support	29,781,889	108,008	25,896,285	416,173
Operation and maintenance of plant	19,370,106		15,399,134	
Scholarships and fellowships	12,237,340		12,184,925	
Total educational and general	306,914,648	108,008	280,701,298	416,173
Auxiliary enterprises	25,274,384		23,565,136	
Depreciation	15,555,678		13,651,413	
Total operating expenses	347,744,710	108,008	317,917,847	416,173
Operating (loss)/revenue	(110,541,561)	8,648,716	(93,381,678)	4,874,564
NONOPERATING REVENUES (EXPENSES):				
State appropriations	94,315,311		91,795,796	
Gifts	6,462,277		5,466,331	
Investment income (net of investment expenses of \$162,000 in 2007 and \$195,000 in 2006 for WSU and \$331,870 in 2007 and \$228,011 in 2006 for Foundation)	16,547,446	16,140,414	8,773,951	11,487,860
Interest on capital asset-related debt	(1,138,507)		(1,256,256)	
Payments to Wright State University		(8,180,618)		(7,940,392)
Other nonoperating revenues (expenses)	(1,543,856)		(4,824,764)	
Net nonoperating revenues before capital appropriations and capital grants	114,642,671	7,959,796	99,955,058	3,547,468
Capital appropriations from the State of Ohio	7,559,570		10,916,047	
Capital grants and gifts	3,104,818		11,123,879	
Total nonoperating revenues (net)	125,307,059	7,959,796	121,994,984	3,547,468
Increase in net assets	14,765,498	16,608,512	28,613,306	8,422,032
NET ASSETS				
Net assets - beginning of year	344,858,464	101,949,017	316,245,158	93,526,985
Net assets - end of year	\$ 359,623,962	\$ 118,557,529	\$ 344,858,464	\$ 101,949,017

See Accompanying Notes to Financial Statements

WRIGHT STATE UNIVERSITY
Statements of Cash Flows
For the Years Ended June 30, 2007 and 2006

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2007</u>	<u>2006</u>
Student tuition and fees	\$ 115,871,778	\$ 106,383,559
Federal, state, local, and nongovernmental grants and contracts	99,849,672	90,817,891
Sales and services of educational and other departmental activities	6,906,097	5,786,935
Payments to employees	(162,291,371)	(151,476,988)
Payments for benefits	(47,782,212)	(37,991,223)
Payments to suppliers	(104,841,762)	(96,310,682)
Payments for scholarships and fellowships	(12,685,381)	(11,610,146)
Student loans issued	(4,708,234)	(4,615,057)
Student loans collected	3,615,876	4,678,205
Student loan interest and fees collected	368,122	362,011
Auxiliary enterprise sales	13,917,957	14,933,307
	<hr/>	<hr/>
Net cash (used) by operating activities	(91,779,458)	(79,042,188)
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	94,315,311	91,795,796
Gifts	5,590,232	6,105,577
	<hr/>	<hr/>
Net cash provided by noncapital financing activities	99,905,543	97,901,373
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital appropriations from the State of Ohio	8,325,051	10,993,515
Capital grants received	3,104,818	3,873,550
Purchases of capital assets	(41,273,685)	(31,056,560)
Sales of capital assets	101,604	38,364
Principal paid on capital debt and leases	(3,775,581)	(3,676,143)
Interest paid on capital debt and leases	(1,138,507)	(1,256,256)
	<hr/>	<hr/>
Net cash (used) by capital and related financing activities	(34,656,300)	(21,083,530)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	59,723,750	66,942,820
Interest on investments	4,936,447	4,439,602
Purchase of investments	(56,719,257)	(97,368,839)
	<hr/>	<hr/>
Net cash provided/(used) by investing activities	7,940,940	(25,986,417)
 Net (Decrease) in Cash and Cash Equivalents	(18,589,275)	(28,210,762)
 Cash and Cash Equivalents - Beginning of Year	<hr/>	<hr/>
	37,363,372	65,574,134
 Cash and Cash Equivalents - End of Year	<hr/>	<hr/>
	\$ 18,774,097	\$ 37,363,372
	<hr/> <hr/>	<hr/> <hr/>

See Accompanying Notes to Financial Statements

WRIGHT STATE UNIVERSITY
Statements of Cash Flows
For the Years Ended June 30, 2007 and 2006

Reconciliation of net operating revenues (expenses) to net cash provided (used) by operating activities:

	<u>2007</u>	<u>2006</u>
Operating loss	\$ (110,541,561)	\$ (93,381,678)
Depreciation	15,555,678	13,651,413
Change to allowance for doubtful accounts	385,000	120,000
Change to allowance for doubtful loans	30,000	150,000
Changes in assets and liabilities:		
Accounts receivable	1,225,800	(4,273,056)
Inventory	(70,414)	33,897
Prepaid expenses	(1,597,058)	(5,651,139)
Deferred charges	841,257	1,024,521
Other assets	448,189	4,928,728
Accounts payable	371,342	711,720
Accrued liabilities	1,472,660	2,975,774
Deferred revenue	197,719	91,235
Compensated absences	1,000,000	500,000
Refunds and other liabilities	24,288	163,248
Loans to students and employees	(1,122,358)	(86,851)
Net cash (used) by operating activities	<u>\$ (91,779,458)</u>	<u>\$ (79,042,188)</u>

See Accompanying Notes to Financial Statements

WRIGHT STATE UNIVERSITY

Notes to Financial Statements

Year Ended June 30, 2007

(1) Organization and Summary of Significant Accounting Policies

Organization and Basis of Presentation

Wright State University (the University) is a state-assisted institution of higher education created in 1967. The University has an enrollment of approximately 17,000 undergraduate, graduate, and professional students on its two campuses. The financial statements include the university's six colleges, three schools, and other individual departments. The university's Board of Trustees approves policies and procedures by which the University is governed.

The University is a political subdivision of the State of Ohio and accordingly, its financial statements are discretely presented in the State of Ohio's Comprehensive Annual Financial Report in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, and amended by GASB Statement No. 39. Statement No. 39 provides additional guidance to determine whether certain organizations for which the University is not financially accountable should be reported as a component unit of the University based upon the nature and significance of their relationship to the University. Although the Wright State University Foundation (the Foundation) is a legally separate, tax-exempt entity, it has been determined that it does meet the criteria for discrete presentation within the university's financial statements. The Foundation is the primary fund-raising organization for the University and contributions to the Foundation are primarily restricted to the activities of the University. These contributions are relied upon for the on-going operations of the University. No other affiliated organization, such as the Alumni Association, meets the requirements for inclusion in the university's financial statements. Complete financial statements for the Foundation can be obtained by sending a request to the Wright State University Foundation, 108J Allyn Hall, 3640 Colonel Glenn Highway, Dayton, OH 45435.

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

Summary of Significant Accounting Policies:

Basis of Accounting

The financial statements of the University have been prepared using the economic resources measurement focus and on the full accrual basis of accounting, whereby revenue is recognized in the period earned, or in the case of advances from other governments, when all eligibility requirements are met in accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. Expenses are recognized when the related liabilities are incurred.

Financial Statements

The University reports as a business-type activity, as defined by GASB Statement No. 35, *Basic Financial Statements-and Management's Discussion and Analysis - for Public Colleges and Universities*. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

Wright State University

Notes to Financial Statements (Continued)

Pursuant to GASB Statement No. 35, the University follows GASB guidance as applicable to its business-type activities, and Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued prior to November 30, 1989 that do not conflict with or contradict GASB pronouncements.

Recent Pronouncements

In May 2007, the GASB issued Statement No. 50, *Pension Disclosures* – an amendment of GASB Statements No. 25 and 27. This statement amends GASB Statements No. 25 and 27 to require disclosures for pensions that more closely align with the financial reporting requirements of other postemployment benefits. The provisions of this statement are effective for financial statements for fiscal periods beginning after June 15, 2007. Because the University participates in only state sponsored postemployment benefit plans, the adoption of these statements requires certain additional disclosures in the footnotes but has no other impact on the financial statements.

Cash and Cash Equivalents

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

Investments

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

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

Inventories

Inventories, which consist principally of publications, general merchandise and other goods, are stated at the lower of cost or market. Cost is determined using the first-in, first-out (FIFO) method.

Wright State University

Notes to Financial Statements
(Continued)

Capital Assets and Collections

Capital assets include land, land improvements, infrastructure, buildings, machinery, equipment, library books, publications and construction in progress. They are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. Building renovations that materially increase the value or extend the useful life of the structure are also capitalized. Normal repairs and maintenance are expensed in the year in which the expenses are incurred. The university's threshold for capitalizing assets is \$3,000 and an estimated useful life of 5 or more years. Using the straight-line method, capital assets are depreciated over their estimated useful lives; generally, 40 years for buildings, 30 years for land improvements and infrastructure, 15 years for library books and publications, and 5 to 10 years for machinery and equipment. The University does not capitalize works of art or historical treasures that are held for exhibition, education, research, and public service. These collections are not encumbered or sold for financial gain. Consequently, such collections are not recognized in the financial statements.

Compensated Absences

Compensated absences is comprised of vacation and sick leave benefits. Vacation benefits are accrued as a liability as the benefits are earned if the employee's right to receive compensation is attributable to service already rendered and it is probable that the employer will compensate the employee for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability will include employees currently eligible to receive termination benefits and those identified as probable of receiving payment in the future.

Deferred Revenue

Deferred revenue consists primarily of the amounts received in advance from grant and contract sponsors that have not yet been earned under the terms of the agreement and amounts received in advance for tuition and fees not yet earned. These deferrals were \$24.8 million and \$9.4 million, respectively, for the year ended June 30, 2007 and \$25.2 million and \$8.8 million, respectively, for the year ended June 30, 2006.

Net Assets

Net assets are classified as follows:

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

It is the university's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Wright State University

Notes to Financial Statements (Continued)

Revenues and Expenses

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

OhioLINK

Wright State University serves as the fiscal agent for the statewide library program known as OhioLINK. This program's revenues from state appropriations, federal pass-through grants and from other college and university libraries and expenses are all included in the statement of revenues, expenses, and changes in net assets. The total revenue and expenses attributable to OhioLINK were \$31,339,012 and \$32,073,341 for the years ended June 30, 2007 and 2006, respectively.

Scholarship Allowances

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

Income Taxes

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

Estimates

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

Previous Year's Financial Information

Certain reclassifications have been made to the 2006 comparative information to conform to the 2007 presentation.

Wright State University
Notes to Financial Statements
(Continued)

(2) Cash, Cash Equivalents and Investments

Cash and Cash Equivalents

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

As of June 30, 2007 and 2006, the university's bank balances are \$30,535,780 and \$28,210,191, respectively. Of these balances, \$27,008,167 and \$25,213,761, respectively, are uninsured with collateral held by pledging banks not in the university's name.

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

		2007		2006
Petty cash	\$	65,204	\$	67,529
Demand deposits		15,920,584		19,265,619
Certificate of deposit		5,219,949		
Money market funds		2,721,964		2,391,772
Total	\$	23,927,701	\$	21,724,920

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

Investments

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

Wright State University

Notes to Financial Statements
(Continued)

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

	Fair Value	
	2007	2006
U.S. Treasury securities	\$ 3,408,077	\$ 10,879,786
U.S. Agency securities	6,399,087	14,981,398
Common and preferred stock	546,117	472,638
Corporate bonds and notes	3,194,475	5,780,573
Repurchase agreements	778,043	15,531,896
State Treasury Asset Reserve of Ohio	66,350	15,640,921
Equity mutual funds	69,886,517	55,033,646
Bond mutual funds	27,311,750	5,239,717
Other	3,200	3,200
Total	\$ 111,593,616	\$ 123,563,775

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

Wright State University
Notes to Financial Statements
(Continued)

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

Investment Type	2007 Investment Maturities (in years)				
	Fair Value	Less Than 1	1-5	6-10	More Than 10
U.S. Treasury securities	\$ 3,408,077	\$ 183,339	\$ 3,224,738	\$	
U.S. Agency securities	6,399,087	684,773	4,211,411		1,502,903
Corporate bonds and notes	3,194,475	284,496	2,587,243		322,736
Repurchase agreements	778,043	778,043			
Bond mutual funds	27,311,750		6,534,622	20,777,128	
Total	\$ 41,091,432	\$ 1,930,651	\$ 16,558,014	\$ 20,777,128	\$ 1,825,639

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

The University invests in mortgage pass-through securities issued by FNMA, GNMA and FHLMC which are included above in the amounts listed as U.S. Agency securities. Prepayment options embedded in these securities cause them to be highly sensitive to interest rate changes. Generally when interest rates fall, more mortgages are prepaid. This eliminates the interest income that would have been received under the original amortization schedule. As of June 30, 2007 and 2006, the total value of mortgage pass-through securities is \$1,627,895 and \$8,917,269, respectively.

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

Wright State University
Notes to Financial Statements
(Continued)

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

2007

Credit Rating	Total	U.S. Treasury Securities	U.S. Agency Securities	Corporate Bonds and Notes	Repurchase Agreement	State Treasury Asset Reserve (STAROhio)	Bond Mutual Funds
AAA/Aaa	\$ 15,175,900	\$ 3,408,077	\$ 6,399,087	\$ 830,549	\$ 778,043	\$ 66,350	\$ 3,693,794
A	24,328,989			711,033			23,617,956
BBB/Baa	263,990			263,990			
BB/Ba	1,388,903			1,388,903			
Total	<u>\$ 41,157,782</u>	<u>\$ 3,408,077</u>	<u>\$ 6,399,087</u>	<u>\$ 3,194,475</u>	<u>\$ 778,043</u>	<u>\$ 66,350</u>	<u>\$ 27,311,750</u>

2006

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

Custodial Credit Risk For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the University will not be able to recover the value of its investments or collateral securities in the possession of an outside party. At June 30, 2007 and 2006, \$13,001,640 and \$16,968,381, respectively, is held by the investment's counterparty, not in the name of the University, but internally designated as held for the University.

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

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

Wright State University

Notes to Financial Statements
(Continued)

As of June 30, 2007, the university's portfolio does not hold any issuer which exceeds five percent of the university's total investments. As of June 30, 2006, the University holds \$6,515,914 in various Federal National Mortgage Association (FNMA) issues which represent 5.27 percent of the university's total investments.

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

At June 30, 2007 the university's exposure to foreign currency is limited to its investment in international mutual funds of \$17,976,062. At June 30, 2006, the University holds investments in international mutual funds of \$13,349,089, as well as the following foreign bonds:

<u>Investment</u>	<u>Currency</u>	<u>Fair Value</u>	<u>Rating</u>
Germany Corporate Bond	Euro	\$ 166,029	AAA
Japan Government Bond	Japanese Yen	382,288	A
Switzerland Government Bond	Swedish Krona	<u>58,556</u>	AAA
Total		<u>\$ 606,873</u>	

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

Series 2004 Bond Proceeds In December 2004, the University issued \$31,335,000 General Receipt Bonds to fund various capital projects. As of June 30, 2007 and 2006, \$778,043 and \$15,531,896, respectively, of the proceeds remains unspent. The unspent proceeds are held in a Bond Market Association Master Repurchase Agreement with Citigroup Global Markets, Inc. The Bank of New York acts as the custodian for this agreement. As provided in the bond indenture, bond proceeds are invested in domestic or foreign banks with a rating of at least A- by S&P and A3 by Moody's and must be collateralized with direct obligations of the United States or other instrumentalities fully guaranteed by the United States. The value of the collateral must be 104 percent; or if the securities used as collateral are FNMA or FHLMC, the value of the collateral must equal 105 percent of the assets. These funds, in addition to small balances held in The Bank of New York Trust Company (formerly JPMorganChase) trust accounts for the payment of Series 2003 and 2004 Bond interest payments, equal \$778,048 and \$15,534,365 for June 30, 2007 and 2006, respectively. These balances are classified as restricted investments. The small trust account balances are included in the money market funds total of \$2,721,964 and \$2,391,772 for June 30, 2007 and 2006, respectively.

Wright State University
Notes to Financial Statements
(Continued)

Investment Income The composition of investment income is as follows:

	Year Ended June 30	
	2007	2006
Net interest and dividend income	\$ 3,761,169	\$ 3,719,329
Realized gains on sales	1,179,836	725,384
Unrealized gains in fair value	11,606,441	4,329,238
Total	\$ 16,547,446	\$ 8,773,951

(3) Accounts Receivable

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

	2007	2006
Sponsor receivables	\$ 11,338,092	\$ 14,367,395
Student and student-related accounts	10,131,467	8,258,283
Wright State University Foundation	1,326,559	454,515
Investment trade receivables		156,049
Interest receivable	182,171	241,513
State appropriations	1,256,796	1,956,978
Other, primarily departmental sales and services	717,177	852,156
Total	24,952,262	26,286,889
Less: Allowance for doubtful accounts	1,345,000	960,000
Net accounts receivable	\$ 23,607,262	\$ 25,326,889

Wright State University
Notes to Financial Statements
(Continued)

(4) Capital Assets

Capital assets activity for the years ended June 30, 2007 and 2006 is summarized as follows:

	Balance 07/01/2006	Additions	Retirements	Balance 06/30/2007
Land	\$ 3,049,830	\$	\$	\$ 3,049,830
Land improvements and infrastructure	29,999,395	401,662		30,401,057
Buildings	264,101,688	12,710,794	(58,047)	276,754,435
Machinery and equipment	67,582,236	6,666,291	(3,583,355)	70,665,172
Library books and publications	48,640,350	2,859,384	(3,879,308)	47,620,426
Construction in progress	<u>16,283,886</u>	<u>17,231,219</u>		<u>33,515,105</u>
Total	429,657,385	39,869,350	(7,520,710)	462,006,025
Less accumulated depreciation:				
Land improvements and infrastructure	8,478,411	1,326,984		9,805,395
Buildings	99,730,960	6,311,708	(15,369)	106,027,299
Machinery and equipment	37,838,406	5,653,876	(2,277,984)	41,214,298
Library books and publications	30,452,643	2,263,110	(3,581,897)	29,133,856
Total accumulated depreciation	<u>176,500,420</u>	<u>15,555,678</u>	<u>(5,875,250)</u>	<u>186,180,848</u>
Capital assets, net	<u>\$ 253,156,965</u>	<u>\$ 24,313,672</u>	<u>\$ (1,645,460)</u>	<u>\$ 275,825,177</u>

Wright State University

Notes to Financial Statements
(Continued)

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

Wright State University

Notes to Financial Statements
(Continued)

(5) Long-Term Liabilities

Long-term liabilities consist of bonds payable, equipment lease purchase obligations, and compensated absences. Activity for long-term liabilities for the years ended June 30, 2007 and 2006 is summarized as follows:

	<u>Beginning Balance 07/1/2006</u>	<u>Additions</u>	<u>Principal Repayments Reductions</u>	<u>Ending Balance 06/30/2007</u>	<u>Current Portion</u>
Bonds and equipment lease purchase obligations:					
General obligation bonds	\$ 41,966,279		\$ 3,564,050	\$ 38,402,229	\$ 3,667,636
Equipment leases	<u>547,398</u>		<u>211,531</u>	<u>335,867</u>	<u>221,360</u>
Total bonds and equipment leases	42,513,677		3,775,581	38,738,096	3,888,996
Other liabilities:					
Compensated absences	<u>14,500,000</u>	<u>2,953,150</u>	<u>1,953,150</u>	<u>15,500,000</u>	<u>5,400,000</u>
Total other liabilities	<u>14,500,000</u>	<u>2,953,150</u>	<u>1,953,150</u>	<u>15,500,000</u>	<u>5,400,000</u>
Total long-term liabilities	<u>\$ 57,013,677</u>	<u>\$ 2,953,150</u>	<u>\$ 5,728,731</u>	<u>\$ 54,238,096</u>	<u>\$ 9,288,996</u>
	<u>Beginning Balance 07/1/2005</u>	<u>Additions</u>	<u>Principal Repayment Reductions</u>	<u>Ending Balance 06/30/2006</u>	<u>Current Portion</u>
Bonds and equipment lease purchase obligations:					
General obligation bonds	\$ 45,405,933		\$ 3,439,654	\$ 41,966,279	\$ 3,564,055
Equipment leases	<u>783,887</u>		<u>236,489</u>	<u>547,398</u>	<u>211,532</u>
Total bonds and equipment leases	46,189,820		3,676,143	42,513,677	3,775,587
Other liabilities:					
Compensated absences	<u>14,000,000</u>	<u>4,648,443</u>	<u>4,148,443</u>	<u>14,500,000</u>	<u>5,000,000</u>
Total other liabilities	<u>\$ 14,000,000</u>	<u>\$ 4,648,443</u>	<u>\$ 4,148,443</u>	<u>\$ 14,500,000</u>	<u>\$ 5,000,000</u>
Total long-term liabilities	<u>\$ 60,189,820</u>	<u>\$ 4,648,443</u>	<u>\$ 7,824,586</u>	<u>\$ 57,013,677</u>	<u>\$ 8,775,587</u>

Wright State University
Notes to Financial Statements
(Continued)

Bonds payable on June 30, 2007 consist of Series 2003 and 2004 General Receipts Serial and Term bonds. The maturity dates, interest rates, and the outstanding principal balances of capital activities at June 30, 2007 are as follows:

Description	Maturity Dates	Interest Rates	Outstanding Principal	Unamortized Premium	Total
Bonds payable:					
Series 2003	2007-2023	3.00% - 5.00%	\$ 9,640,000	\$ 349,182	\$ 9,989,182
Series 2004	2007-2029	2.50% - 5.00%	<u>27,555,000</u>	<u>858,047</u>	<u>28,413,047</u>
Total bonds payable			37,195,000	1,207,229	38,402,229
Equipment lease					
purchase obligations	2007-2009	4.55%	<u>335,867</u>		<u>335,867</u>
		Total	<u>\$ 37,530,867</u>	<u>\$ 1,207,229</u>	<u>\$ 38,738,096</u>

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

Year Ended June 30	Principal	Interest	Total
2008	\$ 3,766,359	\$ 1,553,142	\$ 5,319,501
2009	3,714,508	1,437,612	5,152,120
2010	3,710,000	1,309,638	5,019,638
2011	3,855,000	1,174,813	5,029,813
2012	2,480,000	1,010,037	3,490,037
2013-2017	8,600,000	3,860,524	12,460,524
2018-2022	5,805,000	2,084,625	7,889,625
2023-2027	3,960,000	907,800	4,867,800
2028-2029	<u>1,640,000</u>	<u>111,600</u>	<u>1,751,600</u>
Total	<u>\$ 37,530,867</u>	<u>\$ 13,449,791</u>	<u>\$ 50,980,658</u>

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

Interest expense incurred on indebtedness for the years ended June 30, 2007 and 2006 was \$1,138,507 and \$1,256,256 respectively. In 2007, interest expense on construction related debt of \$777,188, net of \$346,643 interest earned on invested funds, was capitalized to the related capital projects. In 2006, interest expense on construction related debt of \$1,188,888, net of \$783,590 interest earned on invested funds, was capitalized to the related capital projects.

Wright State University
Notes to Financial Statements
(Continued)

(6) Operating Leases

The University leases certain properties and equipment under operating lease agreements. Facilities and equipment under these agreements are not recorded on the statements of net assets. Rent expenses for the years ended June 30, 2007 and 2006 were \$1,372,529 and \$865,155, respectively.

Future minimum payments for all material operating leases as of June 30, 2007, are as follows:

2008	\$ 1,095,763
2009	728,714
2010	361,639
2011	305,417
2012	312,351
2013-2014	<u>282,321</u>
Total minimum lease payments	<u>\$ 3,086,205</u>

(7) Retirement Plans

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

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

STRS plan participants are required to contribute 10 percent and the University 14.0 percent of the employees' covered compensation. Through December 31, 2006, OPERS plan participants were required to contribute 9 percent and the University 13.56 percent of the employees' covered compensation. As of January 1, 2007, OPERS plan participants contribute 9.5 percent and the University 13.77 percent of the employees' covered compensation. The Ohio Revised Code provides statutory authority for both employee and employer contributions. The university's contributions to STRS were \$8,865,540, \$8,281,427, and \$7,439,443, and to OPERS were \$7,435,839, \$6,992,318, and \$6,609,430, for the years ended June 30, 2007, 2006, and 2005, respectively, equal to the required contributions for each year.

Certain full-time university faculty and unclassified staff have the option to choose the ARP in place of STRS or OPERS. The ARP is a defined contribution plan which provides employees with the opportunity to establish individual retirement accounts with a defined group of investment options, with each participant having control of the assets and investment options associated with those assets. The administrators of the plan are the providers of the plan investment options.

Wright State University

Notes to Financial Statements
(Continued)

Authority to establish and amend benefits and contribution requirements for the ARP is provided by state statute per the Ohio Revised Code.

Under the provisions of ARP, the required contribution rate for plan participants is 10 percent of employees' covered compensation for employees who would otherwise participate in STRS. Through December 31, 2006, the required contribution rate for plan participants was 9 percent of employees' covered compensation for employees who would otherwise participate in OPERS. As of January 1, 2007, the University contributes 9.5 percent of employees' covered compensation for employees who would otherwise participate in OPERS. The University contributed 13.56 percent of a participating unclassified staff member's compensation to the participant's account through December 31, 2006. As of January 1, 2007, the University contributes 13.77 percent of a participating unclassified staff member's compensation to a participant's account. The university's contributions to a participating faculty member's account and to STRS is 10.5 percent and 3.5 percent of a participant's compensation, respectively. Plan participants' contributions were \$3,328,604, \$2,942,750, and \$2,710,308, and the university's contributions to the plan providers amounted to \$4,068,882, \$3,619,167, and \$3,356,861, respectively, for the years ended June 30, 2007, 2006, and 2005. In addition, the amounts contributed to STRS by the University on behalf of ARP participants were \$763,789, \$708,511, and \$656,623, respectively, for the years ended June 30, 2007, 2006, and 2005.

(8) Other Postemployment Benefits (OPEB)

STRS provides OPEB to all retirees enrolled in the defined benefit or combined pension plans and their dependents, while OPERS provides postretirement health care coverage to age and service retirees (and dependents) with 10 or more years of qualifying Ohio service credit enrolled in the defined benefit or combined plans. Health care coverage for disability recipients and primary survivor recipients is also available under OPERS. A portion of each employer's contributions is set aside for the funding of postretirement health care. For STRS, this rate was 1 percent of the total 14.00 percent (see note 7), while the OPERS rate was 4.5 percent of the total effective 13.56 percent (see note 7).

The Ohio Revised Code provides the statutory authority for public employers to fund postretirement health care through their contributions to STRS and OPERS. Postretirement health care under STRS is financed on a pay-as-you-go basis. Assets available in the health care reserve fund for STRS amounted to \$3.5 billion at June 30, 2006. The number of benefit recipients eligible for OPEB was 119,184 for STRS at June 30, 2006. The amount contributed by the University to STRS to fund these benefits was \$633,253 for the year ended June 30, 2007.

Postretirement health care under OPERS is advance-funded on an actuarially determined basis. The actuarial value of OPERS net assets available for OPEB at December 31, 2005 is \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$31.3 billion and \$20.2 billion, respectively. The number of OPERS active contributing participants was 369,214 for the year ended December 31, 2006. For the year ended June 30, 2006 the University contributed \$2,448,685 to OPERS for OPEB funding.

Wright State University

Notes to Financial Statements
(Continued)

(9) Related Organization

The University is the sole beneficiary of the Wright State University Foundation, Inc., a separate, not-for-profit entity governed by a separate Board of Trustees, organized for the purpose of promoting educational and research activities. Assets of the Foundation totaled approximately \$123,000,000 at June 30, 2007. Such assets relate principally to donor restricted funds and are discretely presented in the accompanying financial statements. Amounts transferred to the University from the Foundation are recorded as nonoperating "gifts" and "capital grants and gifts" in the accompanying financial statements.

(10) State Support

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

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

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

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

(11) Commitments and Contingencies

At June 30, 2007, the University is committed under contractual obligations for:

Capital expenditures	\$ 14,125,641
Non-capital goods and services	<u>14,328,695</u>
Total contractual commitments	<u>\$ 28,454,336</u>

These commitments are being funded from the following sources:

State appropriations requested and approved	\$ 4,149,374
University funds	<u>24,304,962</u>
Total sources	<u>\$ 28,454,336</u>

Wright State University

Notes to Financial Statements
(Continued)

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

The University receives significant assistance from numerous federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. Management believes that any potential disallowance of claims would not have a material effect on the financial statements.

Wright State University
Notes to Financial Statements
(Continued)

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

(12) Summary of Significant Accounting Policies

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

Cash and Equivalents

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

Pledges Receivable

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

Investments in Securities

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

Investment Earnings

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

Wright State University
Notes to Financial Statements
(Continued)

(13) Pledges Receivable

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

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

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

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

(14) Investments in Securities

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

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

Wright State University

Notes to Financial Statements
(Continued)

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