

**WRIGHT STATE UNIVERSITY FOUNDATION, INC.**

Dayton, Ohio

**CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2019 and 2018

WRIGHT STATE UNIVERSITY FOUNDATION, INC.

Dayton, Ohio

CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019 and 2018

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## Independent Auditor's Report

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

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Wright State University Foundation, Inc. (Foundation), which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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

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

### *Auditor's Responsibility*

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

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

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

### ***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Foundation, as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As described in Note 2 to the consolidated financial statements, in 2019, the Foundation adopted ASU 2016-14, *Note-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

### ***Other Information***

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying management's discussion and analysis on page 3 through 7 and multi-year summary schedules on page 38 through 49 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we also have issued our report dated October 14, 2019, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

**BKD, LLP**

Cincinnati, Ohio  
October 14, 2019

WRIGHT STATE UNIVERSITY FOUNDATION, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
As of and for the Fiscal Year Ended June 30, 2019

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## **Overview**

This section of the Wright State University Foundation's (the "WSU Foundation" or "Foundation") annual financial report presents management's discussion and analysis of the financial performance of the WSU Foundation during the fiscal years ended June 30, 2019 and 2018. This discussion has been prepared by management along with the consolidated financial statements and related note disclosures and should be read in conjunction with the statements and notes thereto.

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

The discussion below relates to the WSU Foundation's basic consolidated financial statements, including the statements of financial position, statements of activities and statements of cash flows. The statements of financial position present the Foundation's financial situation at June 30, 2019 and 2018. The statements of activities summarize the financial transactions and consequent changes in net assets for the same fiscal years. The statements of cash flows provide details on the changes in cash levels for the same time period.

## **Financial Highlights**

### **Statements of Financial Position**

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

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

Net assets represent the excess of assets over liabilities and are subdivided into two categories: net assets without donor restrictions and net assets with donor restrictions. Net assets without donor restrictions are those that the Foundation may use for any purpose related to its mission and over which it maintains complete control. Donor restricted net assets are donations that may be spent on purposes specified by the donor of the assets. Such restrictions relate to how or when the gift may be spent. The donor may further specify that the gift be maintained in perpetuity and only the investment earnings on the gift may be spent for the restricted purposes. These gifts are commonly known as endowments.

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WRIGHT STATE UNIVERSITY FOUNDATION, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
As of and for the Fiscal Year Ended June 30, 2019

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

<b>Condensed Statements of Financial Position</b>							
(in thousands of dollars)							
	<u>2019</u>	<u>2018</u>	<u>Change, 2018 to 2019</u>		<u>2017</u>	<u>Change, 2017 to 2018</u>	
			Dollars	Percent		Dollars	Percent
Total Assets	\$ 137,385	\$ 136,941	\$ 444	0.3%	\$ 137,237	\$ (296)	-0.2%
Total Liabilities	\$ 3,206	\$ 3,098	\$ 108	3.5%	\$ 4,486	\$ (1,388)	-30.9%
Net Assets:							
Without donor restrictions	9,235	8,677	558	6.4%	7,549	1,128	14.9%
With donor restrictions	124,944	125,166	(222)	-0.2%	125,202	(36)	0.0%
Total Net Assets	<u>134,179</u>	<u>133,843</u>	<u>336</u>	<u>0.3%</u>	<u>132,751</u>	<u>1,092</u>	<u>0.8%</u>
Total Liabilities and Net Assets	<u>\$ 137,385</u>	<u>\$ 136,941</u>	<u>\$ 444</u>	<u>0.3%</u>	<u>\$ 137,237</u>	<u>\$ (296)</u>	<u>-0.2%</u>

The Foundation's total asset base increased slightly in FY19 as its investment portfolios gained value over the prior year despite significant losses experienced during the fourth quarter of 2018. The value of the Foundation's investment portfolios increased 2.3% after distributions and liquidations. Portfolios were valued at \$122 million on June 30, 2019. In contrast, pledges receivable continued to decline year-over-year, slipping 22% from FY18 after a similar decline from FY17. Negative publicity from the University's recent fiscal problems, as well as a decrease in fund raising activity, continued to hamper the Foundation's ability to raise private support for the University during FY19. The Foundation's cash position also declined slightly year-over-year, as further described in the Statement of Cash Flows section below.

Liabilities increased 3.5% in FY19, primarily as a result of timing issues and value gains in assets held in custody for other entities. Another, also less significant increase resulted from employee compensation and benefit liabilities incurred after the Foundation hired its first non-University employees in FY19. The large decline in liabilities from FY17 to FY18 resulted from an extraordinarily large reimbursement due to the University for June 2017 and the final pay down on the Foundation's line of credit in FY18.

The Foundation's total net asset position increased as revenues exceeded expenses by \$336 thousand in FY19, the third straight year of positive growth. Although the Foundation did not duplicate the strong increase in its net assets without donor restriction experienced in FY18, these net assets did increase a respectable 6.4% in FY19. Net assets with donor restrictions saw a slight year-over-year decline of less than one-tenth of one percent. This was the direct result of declines in both gift revenues and net investment earnings.

### Statements of Activities

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

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WRIGHT STATE UNIVERSITY FOUNDATION, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
As of and for the Fiscal Year Ended June 30, 2019

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

<b>Condensed Statements of Activities</b>							
(in thousands of dollars)							
	<u>2019</u>	<u>2018</u>	<u>Change, 2018 to 2019</u>		<u>2017</u>	<u>Change, 2017 to 2018</u>	
			Dollars	Percent		Dollars	Percent
<b>Revenues</b>							
Gifts and contributions	\$ 4,424	\$ 4,891	\$ (467)	-9.5%	\$ 4,269	\$ 622	14.6%
Investment earnings (losses)	5,931	7,263	(1,332)	-18.3%	11,952	(4,689)	-39.2%
Other	208	319	(111)	-34.8%	331	(12)	-3.6%
Total revenues	<u>10,563</u>	<u>12,473</u>	<u>(1,910)</u>	<u>-15.3%</u>	<u>16,552</u>	<u>(4,079)</u>	<u>-24.6%</u>
<b>Expenses</b>							
Program services	8,630	9,908	(1,278)	-12.9%	10,200	(292)	-2.9%
Fund raising	961	1,090	(129)	-11.8%	1,037	53	5.1%
Management and general	636	383	253	66.1%	383	-	0.0%
Total expenses	<u>10,227</u>	<u>11,381</u>	<u>(1,154)</u>	<u>-10.1%</u>	<u>11,620</u>	<u>(239)</u>	<u>-2.1%</u>
Change in net assets	<u>\$ 336</u>	<u>\$ 1,092</u>	<u>\$ (756)</u>	<u>-69.2%</u>	<u>\$ 4,932</u>	<u>\$ (3,840)</u>	<u>-77.9%</u>

Total Foundation revenues decreased 15.3% in FY19, with all sources experiencing reductions over the previous fiscal year. This follows a nearly 25% decline in total revenues from FY17 to FY18. After an uptick in FY18, gift revenues declined in FY19 to \$4.4 million, a 9.6% decrease. The FY19 amount was higher than the amount experienced in FY17, but still historically low. Investment earnings also declined in FY19 versus the prior year. Significant market losses in the fourth quarter of 2018 were reversed and then exceeded in the first two quarters of 2019. Nonetheless, this revenue source saw a year-over-year decline of 18.3% and significantly more than that when compared to FY17.

The Foundation also experienced a 10% decrease in total expenses during FY19. University academic and support program expenses declined most sharply from FY18 to FY19, decreasing \$1.2 million or 22%. This decline can generally be attributed to a decrease in University enrollment as well as University initiatives aimed at reducing its operations to reflect the lower level of student enrollment. Financial aid payments also declined in FY19, but only slightly (-1%). Once again, reduced enrollment levels are likely to blame. Amounts paid by the Foundation in support of fund raising activities declined in FY19 as some costs associated with this function were shifted to general Foundation operations. The hiring of two non-University employees and recruitment costs for a newly created Foundation President & CEO position to be filled in FY20 increased management and general costs incurred by the Foundation in FY19.

### Statements of Cash Flows

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

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WRIGHT STATE UNIVERSITY FOUNDATION, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
As of and for the Fiscal Year Ended June 30, 2019

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

**Condensed Statements of Cash Flows**  
(in thousands of dollars)

	2019	2018	Change, 2018 to 2019		2017	Change, 2017 to 2018	
			Dollars	Percent		Dollars	Percent
Operating activities	\$ 1,331	\$ (2,188)	\$ 3,519	160.8%	\$ (2,303)	\$ 115	5.0%
Investing activities	(2,301)	41	(2,342)	-5712.2%	4,638	(4,597)	-99.1%
Financing activities	723	799	(76)	-9.5%	368	431	117.1%
Net change in cash and equivalents	<u>\$ (247)</u>	<u>\$ (1,348)</u>	<u>\$ 1,101</u>	<u>81.7%</u>	<u>\$ 2,703</u>	<u>\$ (4,051)</u>	<u>-149.9%</u>

The Foundation's year-end cash position declined \$0.25 million to \$2.2 million from FY18 to FY19, finishing the year at a historically average level. After two years of negative performance, the amount of cash generated by operations was positive in FY19. This resulted from a historically high level of investment income (\$5.8 million, 49% higher than FY18), which was driven by capital gains earned within the Foundation's mutual fund investments. Also contributing to positive operational results was a decline in the amount paid out to students, employees and vendors, which declined \$2.1 million or 17.5% year-over-year. Offsetting these positive results was a \$1.2 million decline in cash gifts and pledge payments received by the Foundation in FY19. Investing activities used more cash than was realized as the higher level of investment income resulted in greater reinvestment of those proceeds than was experienced during the previous year.

### Investment Performance

The Foundation maintains two significant investment pools with its investment manager, SEI Investments (Oaks, PA). One pool represents endowed assets and the second, all other assets. As discussed above, market returns in FY19 were not as strongly positive as the previous year, but still net positive for the year. The endowed portfolio returned 4.85% (net of fees and including private equity returns) versus 7.06% in the previous year. The FY19 one-year endowment return underperformed the Foundation's target return as defined in its investment policy statement, although the portfolio's three- and 10-year returns did outperform its composite benchmark. The non-endowed portfolio, which is not invested as aggressively, provided a net positive return of 5.00% (versus an FY18 return of 5.69%). Neither FY19 return surpassed its associated weighted benchmark. Throughout the year, actual asset allocation amounts were close to targets and within tolerances established by the Foundation's investment policy statement.

### Endowment

During the fiscal year ended June 30, 2019, the value of the Foundation's endowment increased by approximately \$0.7 million or 0.8%, finishing the year with a value of \$93.0 million. A decline in both investment earnings and endowed gifts led to less growth than that experienced in the previous fiscal year. Investment earnings in FY19 were \$4.3 million (vs. \$5.5 million in FY18) and endowed gifts were \$0.7 million (vs. \$1.2 million in FY18). The endowment generated a distribution of \$3.7 million for the year ended June 30, 2019, a 5.0% increase over the previous fiscal year. For both FY19 and FY18, the Foundation's spending rate was 4.50%.

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WRIGHT STATE UNIVERSITY FOUNDATION, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
As of and for the Fiscal Year Ended June 30, 2019

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Unprecedented investment losses experienced in fiscal years 2008 and 2009 continue to impact some of the Foundation's endowment funds by reducing their values to less than the amount originally donated, a condition known as "underwater endowments." Despite net investment gains in FY19, the value of underwater endowments decreased from (\$47) thousand to (\$52) thousand. There were adequate reserves in all the endowment funds to distribute the full amount of earnings (4.50%) without reducing any funds below 80% of original donated value, as required by Foundation policy.

### **Debt and Debt Guaranty**

The Foundation continued to maintain a line of credit with a local bank during FY19. No new draws on the line of credit were initiated during the year, nor were any debt service payments made for either principal or interest.

During FY11, the Foundation agreed to guarantee debt related to a project initiated by an organization closely related to Wright State University and its mission. During FY19, the Foundation continued to designate a portion of its unrestricted net assets (\$600 thousand) in fulfillment of covenants contained in the debt guaranty. Management does not believe that this guaranty will be needed in the near future. More details about the guaranty may be found in note 13 to the consolidated financial statements.

### **Requests for Information**

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

Bob Batson  
CFO  
Wright State University Foundation, Inc.  
Foundation Building 111  
3640 Colonel Glenn Highway  
Dayton, OH 45435-0001  
(937) 775-2869  
robert.batson@wright.edu

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

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WRIGHT STATE UNIVERSITY FOUNDATION, INC.  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
June 30, 2019 and 2018

	<b>2019</b>	<b>2018</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,156,547	\$ 2,403,792
Pledges receivable (net)	5,932,900	7,616,900
Gifts receivable from trusts held by others	1,531,200	1,529,900
Investment in securities	121,738,277	118,974,016
Other investments	1,865,280	2,107,293
Interest and dividends receivable	329,127	324,403
Capital assets (net)	2,165,797	2,287,911
Annuity assets	841,450	837,991
Other assets	824,700	858,565
	<u>\$ 137,385,278</u>	<u>\$ 136,940,771</u>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES:</b>		
Accounts payable and accrued liabilities		
Wright State University	\$ 573,589	\$ 577,748
Trade and other liabilities	144,851	124,716
Deposits held in custody for others	2,113,602	2,013,390
Annuities payable	374,100	382,100
	<u>3,206,142</u>	<u>3,097,954</u>
 <b>NET ASSETS:</b>		
Without donor restrictions		
Designated by Board	2,435,505	2,362,078
Undesignated	6,799,719	6,314,783
With donor restrictions		
Purpose / time restricted	78,266,299	79,289,590
Perpetually restricted	46,677,613	45,876,366
	<u>134,179,136</u>	<u>133,842,817</u>
Total Net Assets	<u>134,179,136</u>	<u>133,842,817</u>
Total Liabilities and Net Assets	<u>\$ 137,385,278</u>	<u>\$ 136,940,771</u>

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

WRIGHT STATE UNIVERSITY FOUNDATION, INC.  
CONSOLIDATED STATEMENTS OF ACTIVITIES  
For the year ended June 30, 2019 with comparative 2018 totals

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total 2019</u>	<u>Total 2018</u>
<b>REVENUE AND OTHER SUPPORT:</b>				
Gifts and contributions	\$ 137,793	\$ 4,285,920	\$ 4,423,713	\$ 4,891,397
Investment earnings:				
Interest and dividends	1,285,673	4,424,380	5,710,053	3,905,611
Net realized and unrealized gains	8,754	212,171	220,925	3,357,358
Administrative fee charged to certain restricted accounts	860,645	(860,645)	-	-
Change in value of split interest agreements	-	(22,835)	(22,835)	69,699
Other income (loss)	3,235	227,944	231,179	248,602
Net assets released from restrictions	<u>8,492,879</u>	<u>(8,492,879)</u>	<u>-</u>	<u>-</u>
Total revenue and other support	<u>10,788,979</u>	<u>(225,944)</u>	<u>10,563,035</u>	<u>12,472,667</u>
<b>EXPENSES AND LOSSES:</b>				
Program services:				
Scholarships	3,290,754	-	3,290,754	3,329,309
University programs	4,291,085	-	4,291,085	5,504,557
Athletic programs	257,309	-	257,309	179,346
Research	701,294	-	701,294	728,228
Miscellaneous grants	93,105	-	93,105	185,156
Other program expenses and losses (gains)	-	(3,900)	(3,900)	(18,900)
Fund raising	960,775	-	960,775	1,090,137
Management and general	<u>636,294</u>	<u>-</u>	<u>636,294</u>	<u>382,792</u>
Total expenses	<u>10,230,616</u>	<u>(3,900)</u>	<u>10,226,716</u>	<u>11,380,625</u>
CHANGE IN NET ASSETS	558,363	(222,044)	336,319	1,092,042
<b>NET ASSETS</b>				
Beginning of year	<u>8,676,861</u>	<u>125,165,956</u>	<u>133,842,817</u>	<u>132,750,775</u>
End of year	<u>\$ 9,235,224</u>	<u>\$ 124,943,912</u>	<u>\$ 134,179,136</u>	<u>\$ 133,842,817</u>

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

WRIGHT STATE UNIVERSITY FOUNDATION, INC.  
CONSOLIDATED STATEMENTS OF ACTIVITIES  
For the year ended June 30, 2018

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total 2018</u>
<b>REVENUE AND OTHER SUPPORT:</b>			
Gifts and contributions	\$ 146,034	\$ 4,745,363	\$ 4,891,397
Investment earnings:			
Interest and dividends	1,056,778	2,848,833	3,905,611
Net realized and unrealized gains	643,000	2,714,358	3,357,358
Administrative fee charged to certain restricted accounts	838,811	(838,811)	-
Change in value of split interest agreements	-	69,699	69,699
Other income (loss)	182,425	66,177	248,602
Net assets released from restrictions	<u>9,659,882</u>	<u>(9,659,882)</u>	<u>-</u>
Total revenue and other support	<u>12,526,930</u>	<u>(54,263)</u>	<u>12,472,667</u>
<b>EXPENSES AND LOSSES:</b>			
Program services:			
Scholarships	3,329,309	-	3,329,309
University programs	5,504,557	-	5,504,557
Athletic programs	179,346	-	179,346
Research	728,228	-	728,228
Miscellaneous grants	185,156	-	185,156
Other program expenses and losses (gains)	(100)	(18,800)	(18,900)
Fund raising	1,090,137	-	1,090,137
Management and general	<u>382,792</u>	<u>-</u>	<u>382,792</u>
Total expenses	<u>11,399,425</u>	<u>(18,800)</u>	<u>11,380,625</u>
<b>CHANGE IN NET ASSETS</b>	1,127,505	(35,463)	1,092,042
<b>NET ASSETS</b>			
Beginning of year	<u>7,549,356</u>	<u>125,201,419</u>	<u>132,750,775</u>
End of year	<u>\$ 8,676,861</u>	<u>\$ 124,943,912</u>	<u>\$ 133,842,817</u>

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

WRIGHT STATE UNIVERSITY FOUNDATION, INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
For the Years ended June 30, 2019 and 2018

	<b>2019</b>	<b>2018</b>
Cash flows (used in) operating activities		
Cash received from contributors	\$ 6,055,368	\$ 7,272,856
Gifts and contributions received for donor restricted accounts	(723,365)	(1,198,893)
Interest and dividends received	5,824,406	3,916,169
Cash received from other revenue sources	261,290	211,813
Cash paid to students	(3,492,424)	(3,561,554)
Cash paid to employees	(2,942,265)	(3,788,231)
Cash paid to suppliers	(3,652,297)	(4,873,288)
Interest paid	-	(6,725)
Custodial deposits returned	-	(160,000)
Net cash from (used in) operating activities	<u>1,330,713</u>	<u>(2,187,853)</u>
<b>Cash flows from investing activities</b>		
Cash paid for investments	(6,330,351)	(8,017,933)
Cash received from investments	<u>4,029,028</u>	<u>8,058,875</u>
Net cash from (used in) investing activities	<u>(2,301,323)</u>	<u>40,942</u>
<b>Cash flows from financing activities</b>		
Gifts and contributions received for donor restricted accounts	723,365	1,198,893
Payments on loan	<u>-</u>	<u>(400,000)</u>
Net cash provided by financing activities	<u>723,365</u>	<u>798,893</u>
Net change in cash and cash equivalents	(247,245)	(1,348,018)
Cash and cash equivalents, beginning of year	<u>2,403,792</u>	<u>3,751,810</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 2,156,547</u>	<u>\$ 2,403,792</u>

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

#### **NOTE 1 - ORGANIZATION AND OPERATION**

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

Governing direction is provided by a code of regulations most recently revised in May of 2018. Overall policy direction is provided by a board of 25 – 40 community leaders who serve as trustees of the Foundation. Trustees elect a chair and other officers from their number. The Foundation hired its first non-University employees during the fiscal year and anticipates hiring its first President & CEO in fiscal year 2020.

The 557-acre Wright State campus is located near Dayton, Ohio and was founded in 1964. Wright State is a four-year institution operating under the auspices of the State of Ohio's public university system. Financial statements for the University may be obtained from the Controller's Office, 301 University Hall, 3640 Colonel Glenn Highway, Dayton, Ohio 45435-0001.

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

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

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

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

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

Gifts Receivable from Trusts Held by Others: Irrevocable trusts which will benefit the Foundation are recognized as gift revenue and as a receivable in an amount equal to the present value of the estimated future benefits to be received when trust assets are distributed. Adjustments to the receivable to reflect revaluation of the present value of the estimated future payments to the donor-designated beneficiaries and changes in actuarial assumptions during the term of the trust will be recognized as changes in the value of the asset.

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

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

Alternative investments, such as hedge funds, private equity, distressed debt and limited partnerships for which there is no ready market, are recorded at net asset value (NAV), as a practical expedient, to determine fair value of the investments. Because of the inherent uncertainty of valuation in the absence of readily ascertainable market values, the estimated values of those investments may differ from the values that would have been used had a ready market existed for such investments or if the investments were realized, and the differences could be material.

Realized gains or losses are included in the consolidated statements of activities. Unrealized gains or losses are based on the differences between cost and fair value of each classification of security and are reported in the consolidated statements of activities. Investments are managed by professional investment managers. Investment return is net of direct and indirect investment expenses.

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

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

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

Long-lived assets, such as buildings, machinery and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. At June 30, 2019 and 2018, management has concluded that they are unaware of any impairments to be recorded.

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

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(Continued)

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

Functional Allocation of Expenses: The costs of supporting the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities. Certain costs paid by the Foundation that relate to operations of the University's Advancement Division are classified as fund raising expenses. Costs specific to the operation of the Foundation as an independent entity are classified as management and general expenses.

Net Assets: The Foundation's net assets are classified into two categories: (1) net assets without donor restriction, which include gifts made with no donor-imposed restrictions and (2) net assets with donor restrictions, which include donor-imposed restrictions that will be satisfied in the future, as well as donor-imposed restrictions that the assets be maintained in perpetuity (endowments).

The net assets without donor restrictions consist of operating funds available for any purpose authorized by the Board of Trustees. Included in these net assets without donor restrictions are funds that have been designated as endowments by the board (quasi-endowments). The board may elect to reverse its decision to designate these net assets.

Net assets with donor restriction consist of funds arising from a gift in which the donor has stipulated, as a condition of the gift, restrictions on how or when the gift may be spent. Also categorized as net assets with donor restrictions are unspent gains on donor designated endowment gifts by virtue of the Foundation's spending policy. This policy, which was approved by the Board of Trustees, aims to protect the Foundation's donor-designated endowments from the effects of inflation by reinvesting a portion of the earnings on these funds as if they were endowment funds.

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

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

Gifts and Contributions: Gifts and contributions are recorded at their fair value on the date of receipt. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Gifts received that are designated for future periods or restricted by the donor for specific purposes are reported as donor restricted support that increases that net asset category. Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as donor restricted and then released from restriction.

Contributed property is recorded at fair value at the date of donation. If donors stipulate how long the assets must be used or restrict the use of such assets for a specific purpose, the contributions are recorded as restricted support. In the absence of such stipulations, gifts of property are recorded as unrestricted support.

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(Continued)

WRIGHT STATE UNIVERSITY FOUNDATION, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2019 and 2018

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

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

Net Assets Released from Restrictions: When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, donor restricted net assets are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

Federal Income Taxes: The Foundation has been approved under the Internal Revenue Code Section 501(c)(3) as a nonprofit organization exempt from federal taxes on its normal activities. However, the Foundation is subject to federal income tax on any unrelated business taxable income. The Foundation files tax returns in the U.S. federal jurisdiction.

GAAP prescribes recognition thresholds and measurement attributes for the consolidated financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. Management has concluded that they are unaware of any tax benefits or liabilities to be recognized at June 30, 2019 and 2018, respectively.

The Foundation does not have any tax benefits recorded at June 30, 2019 and does not expect that position to significantly change in the next year. The Foundation would recognize interest and/or penalties related to income tax matters in income tax expense, if applicable, and there were no amounts accrued for interest and penalties at June 30, 2019 and 2018.

Transfers Between Fair Value Hierarchy Levels: Transfers in and out of Level 1 (quoted market prices), Level 2 (other significant observable inputs) and Level 3 (significant unobservable inputs) are recognized on the period ending date.

Subsequent Events: Management has performed an analysis of the activities and transactions subsequent to June 30, 2019, to determine the need for any adjustments to and/or disclosures within the audited consolidated financial statements for the year ended June 30, 2019. Management has performed their analysis through October 14, 2019, the date the consolidated financial statements were available to be issued.

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

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

Reclassifications: Certain reclassifications have been made to the 2018 consolidated financial statements to conform to the 2019 consolidated financial statement presentation. These reclassifications had no effect on net assets or the change in net assets.

Change in Accounting Principle: In 2019, the Foundation, adopted ASU 2016-14, *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities*. A summary of the changes is as follows:

*Statement of Financial Position*

- The statement of financial position distinguishes between two new classes of net assets—those with donor-imposed restrictions and those without. This is a change from the previously required three classes of net assets—unrestricted, temporarily restricted and permanently restricted.
- Underwater donor-restricted endowment funds are shown within the donor-restricted net asset class. This is a change from the previously required classification as unrestricted net assets.

*Statement of Activities*

- Expenses are reported by both nature and function in one location.
- Investment income is shown net of external and direct internal investment expenses. Disclosure of the expenses netted against investment income is no longer required.

*Notes to the Financial Statements*

- Enhanced quantitative and qualitative disclosures provide additional information useful in assessing liquidity and cash flows available to meet operating expenses for one-year from the date of the Statement of Financial Position.
- Amounts and purposes of Governing Board designations and appropriations as of the end of the period are disclosed.

This change had an immaterial impact on previously reported total change in net assets.

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

The Foundation's financial instruments that are exposed to various risks, such as interest rate, market and concentrations of credit risk consist primarily of cash and investments. The Foundation deposits its cash in federally insured banks. At June 30, 2019, the Foundation's cash accounts exceeded federally insured limits by approximately \$1,957,000.

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

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

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

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

Level 1: Quoted prices for identical assets or liabilities in active markets.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Net Asset Value: Alternative to fair value hierarchy using net asset value practical expedient as defined by Accounting Standards Codification 820, Fair Value Measurement.

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

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(Continued)

WRIGHT STATE UNIVERSITY FOUNDATION, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2019 and 2018

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

Assets measured at fair value on a recurring basis are summarized below for the years ended June 30, 2019 and 2018.

	Fair Value Measurements at June 30, 2019 Using				Totals
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at Net Asset Value	
<b>ASSETS</b>					
Gifts receivable from trusts held by others	\$ -	\$ -	\$ 1,531,200	\$ -	\$ 1,531,200
Investment in securities:					
Mutual funds:					
Equity	59,037,233	-	-	-	59,037,233
Fixed income	42,726,913	-	-	-	42,726,913
Alternative assets:					
Hedge funds	-	-	-	10,409,875	10,409,875
Private equity	-	-	-	5,853,059	5,853,059
Distressed debt	-	-	-	3,711,197	3,711,197
Total investment in securities	101,764,146	-	-	19,974,131	121,738,277
Other investments:					
Limited partnerships	-	-	-	450,280	450,280
Private placement bonds	-	-	1,415,000	-	1,415,000
Total other investments	-	-	1,415,000	450,280	1,865,280
Other Assets - equity	339,069	-	-	-	339,069
Annuity assets					
Cash and equivalents	37,480	-	-	-	37,480
Mutual funds-securities	803,970	-	-	-	803,970
Total annuity assets	841,450	-	-	-	841,450
Total	\$ 102,944,665	\$ -	\$ 2,946,200	\$ 20,424,411	\$ 126,315,276

	Fair Value Measurements at June 30, 2018 Using				Totals
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at Net Asset Value	
<b>ASSETS</b>					
Gifts receivable from trusts held by others	\$ -	\$ -	\$ 1,529,900	\$ -	\$ 1,529,900
Investment in securities:					
Mutual funds:					
Equity	57,429,596	-	-	-	57,429,596
Fixed income	41,475,564	-	-	-	41,475,564
Alternative assets:					
Hedge funds	-	-	-	10,074,398	10,074,398
Private equity	-	-	-	6,013,368	6,013,368
Distressed debt	-	-	-	3,981,090	3,981,090
Total investment in securities	98,905,160	-	-	20,068,856	118,974,016
Other investments:					
Limited partnerships	-	-	-	511,293	511,293
Private placement bonds	-	-	1,596,000	-	1,596,000
Total other investments	-	-	1,596,000	511,293	2,107,293
Other Assets - Equity	375,402	-	-	-	375,402
Annuity assets					
Cash and equivalents	32,034	-	-	-	32,034
Mutual funds-securities	805,957	-	-	-	805,957
Total annuity assets	837,991	-	-	-	837,991
Total	\$ 100,118,553	\$ -	\$ 3,125,900	\$ 20,580,149	\$ 123,824,602

(Continued)

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

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying consolidated statements of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended June 30, 2019. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

*Investments in securities, annuity assets, and other assets* - Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

*Gifts receivable from trusts held by others* - Fair value is estimated at the present value of the future distributions expected to be received over the term of the agreement. Due to the nature of the valuation inputs, the interest is classified within Level 3 of the hierarchy.

Fair value determinations for Level 3 measurements of securities are the responsibility of the Foundation's finance office. The finance office contracts with a pricing specialist to generate fair value estimates on a monthly or quarterly basis. The finance office challenges the reasonableness of the assumptions used and reviews the methodology to ensure the estimated fair value complies with accounting standards generally accepted in the United States.

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(Continued)

WRIGHT STATE UNIVERSITY FOUNDATION, INC.  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 June 30, 2019 and 2018

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

The table below presents a reconciliation and consolidated statement of activities classification of gains and losses for all assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended June 30, 2019 and 2018:

	2019	
	Gifts Receivable from Trusts Held by Others	Private Placement Bonds
Beginning balance, July 1	\$ 1,529,900	\$ 1,596,000
Redemption	-	(181,000)
Change in value of split interest agreements	1,300	-
Ending balance, June 30	\$ 1,531,200	\$ 1,415,000
	2018	
	Gifts Receivable from Trusts Held by Others	Private Placement Bonds
Beginning balance, July 1	\$ 1,410,200	\$ -
Purchases	-	1,596,000
Change in value of split interest agreements	119,700	-
Ending balance, June 30	\$ 1,529,900	\$ 1,596,000

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

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

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

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

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

The Foundation's hedge fund allocation is invested in a "fund of funds" structured as an offshore company. The fund's investment objective is to seek to achieve high returns balanced against an appropriate level of volatility and directional market exposure over a full market cycle. The fund is broadly diversified and invests in various private funds such as hedge funds that pursue hedged or other alternative investment strategies, private equity funds, hybrid funds and any other alternative investment funds, while also opportunistically investing directly in any other securities and financial instruments. The fund generally invests in 15-20 funds and the fund of funds manager requires full transparency of each of the underlying funds' investment positions. The Foundation is no longer subject to the fund's initial two-year lock-up period and may, therefore, request liquidation on a semi-annual basis with 95 days prior notification. At June 30, 2019, the Foundation has no significant unfunded commitments to this hedge fund allocation. The valuation of this investment is based on NAV.

Approximately 33% of the Foundation's private equity fund investment is structured as a domestic partnership in which the Foundation is a limited partner. The fund seeks to invest the capital contributed to it in a diversified pool of long-term investments in non-publically traded companies. Diversification is accomplished by investing 40-60% of committed capital in underlying funds focused on the United States, 20-40% on Europe and 0-30% on emerging markets. Capital commitments of the limited partners are payable to the partnership in installments over a 3 – 5-year period. At June 30, 2019, the Foundation's total capital commitment of \$3,500,000 was 71.4% (\$2,498,908) funded. The fund made return-of-capital distributions during the year and no further capital calls were received. Due to the long-term commitment of capital and the unpredictability of capital calls and partnership distributions, the fund is generally considered illiquid. It is also not unusual for private equity funds to experience losses in the early years of their existence. The valuation of this investment is based on NAV.

The balance of the Foundation's investment in the private equity space is in a fund also structured as a domestic partnership in which the Foundation is a limited partner. The fund seeks to continue the investment policy of the first fund, but seeks more diversification, shorter duration and a focus on cash returns. Diversification is accomplished by investing over five sub-class targets: buyouts, venture capital, debt, real estate and real assets/infrastructure. Capital commitments of the limited partners are payable to the partnership in installments over a 3 – 5-year period. At June 30, 2019, the Foundation's total capital commitment of \$6,400,000 was 67.6% (\$4,328,502) funded. Due to the long-term commitment of capital and the unpredictability of capital calls and partnership distributions, the fund is generally considered illiquid. It is also not unusual for private equity funds to experience losses in the early years of their existence. The valuation of this investment is based on NAV.

The Foundation's investment in distressed debt is in the form of a fund that invests directly and indirectly in below investment grade bonds and loans (and other debt and equity instruments) of U.S. and international energy companies. The fund is structured as a domestic limited partnership. The fund seeks to generate high absolute returns by investing in securities which are purchased or acquired at a significant discount to fair value and/or offer high coupon rates. The fund will maintain a flexible approach to attempt to identify the most attractive risk-adjusted returns primarily within the energy debt space primarily through: 1) below investment grade bonds and loans of U.S. energy companies which trade at a discount to fair value; 2) direct lending at attractive risk-adjusted rates to U.S. energy companies; and/or 3) smaller allocations to U.S. investment grade and emerging markets companies. The Foundation's investment in this asset class was fully funded at June 30, 2019. The fund's lockup period of three years, ended in August 2018. However, upon recommendation of the fund manager and in order to enhance the fund's performance, the Foundation agreed to a further three-year lockup period which will end in April 2022. Once the lockup period is over, liquidations may be requested on a semi-annual basis with a 95 days prior notice, subject to fund director consent and certain gate, holdback and suspension restrictions. The valuation of this investment is based on NAV and subject to a monthly lag.

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WRIGHT STATE UNIVERSITY FOUNDATION, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2019 and 2018

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

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

In July 2017, the Foundation purchased private placement bonds issued in support of the construction of an academic building at the University’s Lake Campus. The bonds were issued by the Toledo Port Authority on behalf of Double Bowler, Inc., the University’s real estate management arm, which owns the property. The bonds are to be liquidated with proceeds of a lease between the University and Double Bowler for use of the building. Bond interest payments are due semiannually on December 1 and June 1, with principal payments also due on June 1. No principal or interest payments were received in FY18 due to administrative oversight by the University. Principal and interest payments for both FY18 and FY19 were received during the year ended June 30, 2019, and amounted to \$181,000 and \$46,344, respectively.

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(Continued)

WRIGHT STATE UNIVERSITY FOUNDATION, INC.  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 June 30, 2019 and 2018

**NOTE 5 - PLEDGES RECEIVABLE**

Pledges receivable at June 30, 2019 and 2018, by fund type, are as follows:

	<b>2019</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Totals</b>
Less than one year	\$ 8,088	\$ 3,276,030	\$ 3,284,118
One to five years	-	1,533,865	1,533,865
Six years or greater	-	1,979,470	1,979,470
Gross pledges receivable	8,088	6,789,365	6,797,453
Present value discount	(88)	(815,065)	(815,153)
Allowance for uncollectible pledges	-	(49,400)	(49,400)
Pledges receivable (net)	\$ 8,000	\$ 5,924,900	\$ 5,932,900
	<b>2018</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Totals</b>
Less than one year	\$ 11,710	\$ 3,955,388	\$ 3,967,098
One to five years	-	2,603,611	2,603,611
Six years or greater	-	1,979,470	1,979,470
Gross pledges receivable	11,710	8,538,469	8,550,179
Present value discount	(10)	(879,969)	(879,979)
Allowance for uncollectible pledges	-	(53,300)	(53,300)
Pledges receivable (net)	\$ 11,700	\$ 7,605,200	\$ 7,616,900

The fair value of pledges receivable was determined using discount rates applicable to the year in which the pledge was established. Rates ranged from 1.01% to 3.34%.

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

The Foundation is a party to charitable gift trusts. Third party trustees maintain trust assets in irrevocable trusts for the benefit of the Foundation. The fair values of the trusts are estimated based upon the fair value of the assets contributed by the donor less the present value of the payment expected to be made to other beneficiaries. The present value is calculated using the discount rate the year in which the trust was established. Rates ranged from 1.72% to 4.92%. The balances at June 30, 2019 and 2018, are \$1,531,200 and \$1,529,900, respectively, and are included in net assets with donor restrictions.

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WRIGHT STATE UNIVERSITY FOUNDATION, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2019 and 2018

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**NOTE 7 - INVESTMENT IN SECURITIES**

The fair value of the Foundation's investments, at June 30, 2019 and 2018, are as follows:

	<u>2019</u>	<u>2018</u>
Mutual funds:		
Equity	\$ 59,037,233	\$ 57,429,596
Fixed income	42,726,913	41,475,564
Alternative assets	<u>19,974,131</u>	<u>20,068,856</u>
Totals	<u>\$ 121,738,277</u>	<u>\$ 118,974,016</u>

Net realized gains on sales of investments were \$86,550 and \$1,765,292 for the years ended June 30, 2019 and 2018, respectively. Calculation of net realized gains on sales of investments is based on original cost. Net unrealized gains amounted to \$134,375 and \$1,592,066 for the years ended June 30, 2019 and 2018, respectively.

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying consolidated statements of financial position.

**NOTE 8 - OTHER ASSETS**

In July of 2012, the Foundation, along with the University of Dayton, purchased an option to acquire real property owned by the Miami Valley Research Foundation (MVRF) in Greene County, Ohio. The Foundation's share of the option price was \$250,000. The renewable option agreement is valid for a period of two years, after which the option payment is returned to the Foundation without interest accruing. The option further provides that the MVRF may prematurely terminate the agreement and return the option payment along with a 5% annual premium. The option expired in June 2014, but was renewed through June 9, 2020 by both parties.

Also, included in other assets are unrestricted funds set aside for a specific group of University students to invest to provide them experience in managing a "live" portfolio. The project is known as Raider Asset Management (RAM). As the funds are not under the direct control of the Foundation's investment management system, they have been separately classified from investments in securities. The balance at June 30, 2019 and 2018 was \$339,069 and \$375,402, respectively. Earnings generated from the project are included in other income. Total net returns (losses) for 2019 and 2018 amounted to (\$36,333) and \$36,789, respectively.

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(Continued)

WRIGHT STATE UNIVERSITY FOUNDATION, INC.  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 June 30, 2019 and 2018

**NOTE 9 - CAPITAL ASSETS**

Capital assets activity for the years ended June 30, 2019 and 2018 is summarized as follows:

	<b>2019</b>		
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Ending Balance</b>
Capital assets:			
Land	\$ 173,000	\$ -	\$ 173,000
Buildings and improvements	2,644,131	-	2,644,131
Machinery and equipment	<u>28,632</u>	<u>-</u>	<u>28,632</u>
Total capital assets	2,845,763	-	2,845,763
Less accumulated depreciation:			
Buildings and improvements	535,353	118,021	653,374
Machinery and equipment	<u>22,499</u>	<u>4,091</u>	<u>26,590</u>
Total accumulated depreciation	<u>557,852</u>	<u>122,112</u>	<u>679,964</u>
Capital assets, net	<u>\$2,287,911</u>	<u>\$ (122,112)</u>	<u>\$ 2,165,799</u>
	<b>2018</b>		
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Ending Balance</b>
Capital assets:			
Land	\$ 173,000	\$ -	\$ 173,000
Buildings and improvements	2,644,131	-	2,644,131
Machinery and equipment	<u>28,632</u>	<u>-</u>	<u>28,632</u>
Total capital assets	2,845,763	-	2,845,763
Less accumulated depreciation:			
Buildings and improvements	417,332	118,021	535,353
Machinery and equipment	<u>18,408</u>	<u>4,091</u>	<u>22,499</u>
Total accumulated depreciation	<u>435,740</u>	<u>122,112</u>	<u>557,852</u>
Capital assets, net	<u>\$2,410,023</u>	<u>\$ (122,112)</u>	<u>\$ 2,287,911</u>

**NOTE 10 - ACCOUNTS PAYABLE**

Most of the Foundation's expenses are processed by the University Controller's Office. The Foundation reimburses the University monthly for those checks written on its behalf. At June 30, 2019 and 2018, the balance owed to the University was \$573,589 and \$577,748, respectively.

(Continued)

WRIGHT STATE UNIVERSITY FOUNDATION, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 11 - DEPOSITS HELD IN CUSTODY FOR OTHERS**

Assets currently held by the Foundation in custody for others consist of resources deposited by the Western Ohio Education Foundation (WOEF), an educational Foundation that benefits the Lake Campus branch of Wright State University, and the Wright State University Alumni Association. As of June 30, 2019 and 2018, the balances of these deposits were as follows:

	<u>2019</u>	<u>2018</u>
WOEF	\$ 1,235,610	\$ 1,177,026
WSU Alumni Association	877,992	836,364
Totals	<u>\$ 2,113,602</u>	<u>\$ 2,013,390</u>

**NOTE 12 - LINE OF CREDIT**

The Foundation maintains a line-of-credit agreement with a bank that provides up to \$1.5 million of borrowings at the bank's prime rate or LIBOR, plus 0.75% (3.12% at June 30, 2019). The line of credit expires March 31, 2020, with an option to extend. The line of credit is collateralized with a portion of the Foundation's investments. There were no outstanding borrowings at June 30, 2019 or at June 30, 2018.

**NOTE 13 - DEBT GUARANTY**

During fiscal year 2011, the Foundation entered into agreement with Dayton Regional STEM Schools, Incorporated ("STEM") guaranteeing payments on a lease (and such other obligations imposed by the lease) related to the purchase and renovation of an existing building that is utilized by STEM in fulfillment of its corporate purposes. STEM is one of ten Ohio schools offering students a relevant, real world educational experience that will prepare them for college and opportunities in the work world. Wright State University has acted as STEM's fiscal agent as well as providing space, supplies and personnel in support of its operations. The agreement pledges unrestricted net assets of the Foundation in an amount not to exceed \$3,000,000 and the designation of unrestricted net assets in the amount of one year of maximum debt service (\$600,000) on bonds associated with the project. Since the guaranty may expire without being drawn upon, the total guaranty does not necessarily represent future cash requirements. As of June 30, 2019, no amounts have been recognized as a liability under the financial guaranty in the Foundation's consolidated statements of financial position, as the likelihood that STEM would be unable to fulfill its obligation in full or in part under the debt agreement is not considered to be probable.

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(Continued)

WRIGHT STATE UNIVERSITY FOUNDATION, INC.  
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 June 30, 2019 and 2018

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**NOTE 14 - NET ASSETS**

Net assets, as of June 30, 2019 and 2018, are available for the following purposes:

	<b>2019</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Totals</b>
Scholarships	\$ 331,179	\$ 46,709,525	\$ 47,040,704
University programs	250,000	65,573,412	65,823,412
Athletic programs	-	760,738	760,738
Research	-	11,900,237	11,900,237
Market stabilization	1,254,326	-	1,254,326
Debt guaranty	600,000	-	600,000
Undesignated	6,799,719	-	6,799,719
Totals	\$ 9,235,224	\$ 124,943,912	\$ 134,179,136

	<b>2018</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Totals</b>
Scholarships	\$ 326,656	\$ 46,654,420	\$ 46,981,076
University programs	250,000	65,781,148	66,031,148
Athletic programs	-	489,987	489,987
Research	-	12,240,401	12,240,401
Market stabilization	1,185,422	-	1,185,422
Debt guaranty	600,000	-	600,000
Undesignated	6,314,783	-	6,314,783
Totals	\$ 8,676,861	\$ 125,165,956	\$ 133,842,817

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(Continued)

WRIGHT STATE UNIVERSITY FOUNDATION, INC.  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 June 30, 2019 and 2018

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**NOTE 15 - ENDOWMENT COMPOSITION**

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

Endowment net asset composition by type of fund as of June 30, 2019 and 2018:

	<b>2019</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Totals</b>
Donor restricted endowment funds	\$ -	\$ 55,421,270	\$ 55,421,270
Board-designated funds	581,179	37,009,227	37,590,406
Totals	\$ 581,179	\$ 92,430,497	\$ 93,011,676
	<b>2018</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Totals</b>
Donor restricted endowment funds	\$ (46,750)	\$ 54,759,697	\$ 54,712,947
Board-designated funds	576,656	37,022,688	37,599,344
Totals	\$ 529,906	\$ 91,782,385	\$ 92,312,291

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(Continued)

WRIGHT STATE UNIVERSITY FOUNDATION, INC.  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 June 30, 2019 and 2018

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

Changes in endowment net assets for the years ended June 30, 2019 and 2018:

	<b>2019</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Totals</b>
Net assets, beginning of year	\$ 529,906	\$ 91,782,385	\$ 92,312,291
Investment return			
Investment income (net)	-	4,150,318	4,150,318
Net appreciation (depreciation)	46,750	99,664	146,414
Total investment return	<u>46,750</u>	<u>4,249,982</u>	<u>4,296,732</u>
Contributions	-	731,469	731,469
Change in value of split interest agreements	-	(24,135)	(24,135)
Other income	-	78,678	78,678
Change in donor restrictions	-	22,999	22,999
Net assets released from restrictions	33,467	-	33,467
Appropriation of assets for expenditure	(28,944)	(4,410,881)	(4,439,825)
Net assets, end of year	<u>\$ 581,179</u>	<u>\$ 92,430,497</u>	<u>\$ 93,011,676</u>
	<b>2018</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Totals</b>
Net assets, beginning of year	\$ 503,972	\$ 89,282,395	\$ 89,786,367
Investment return			
Investment income (net)	-	2,510,073	2,510,073
Net appreciation (depreciation)	33,992	2,930,998	2,964,990
Total investment return	<u>33,992</u>	<u>5,441,071</u>	<u>5,475,063</u>
Contributions	-	1,209,141	1,209,141
Change in value of split interest agreements	-	(50,001)	(50,001)
Other income	-	17,119	17,119
Change in donor restrictions	-	165,229	165,229
Net assets released from restrictions	26,001	-	26,001
Appropriation of assets for expenditure	(34,059)	(4,282,569)	(4,316,628)
Net assets, end of year	<u>\$ 529,906</u>	<u>\$ 91,782,385</u>	<u>\$ 92,312,291</u>

(Continued)

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

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

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

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

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

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

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(Continued)

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

Spending Policy and How the Investment Objectives Relate to Spending Policy: The distribution rate is based upon a total return approach, which utilizes both income and capital appreciation to be withdrawn for spending. For the fiscal years ended June 30, 2019 and 2018, the spending rate for the Foundation was 4.50% of the previous twelve-quarter average of the endowment portfolio's market value. The spending rate is determined annually by the Foundation Board of Trustees, who may elect to make no distribution in any given year.

Funds with Deficiencies: From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. Such amounts totaled \$52,749 and \$46,750 as of June 30, 2019 and 2018, respectively. Endowment fund principal, unless otherwise directed by the originating donor(s), may be disbursed in accord with Foundation policy so long as the principal amount shall not fall below 80% of the fair value of the original gift and any subsequent gifts to the fund.

Foundation's Reserve Policy: Prompted by the market downturn of 2001-2003, the Foundation implemented a policy establishing a reserve fund, the primary purpose of which was to provide matching grants to endowment funds that suffer investment losses resulting in fund deficiencies. The policy stipulates that the reserve fund will make grants in an amount equal to or less than 50% of the amount that would normally have been generated by the endowment had earnings been available so long as the benefitting school, college or department provides a dollar-for-dollar match. No such grants were necessary in fiscal years 2019 and 2018.

The reserve policy further stipulates that in those years in which the net assets without donor restrictions of the Foundation increase, 5% of the increase is to be transferred into the reserve fund so long as the transfer does not cause the value of the fund to exceed \$1 million. No transfer is required if the reserve amount is greater than \$1 million. Since the value of the reserve exceeded \$1 million in fiscal years 2019 and 2018, no such transfers were required.

**NOTE 16 - LEASE REVENUE**

The Foundation leases office space in its building to a non-university tenant. Rent revenues for the years ended June 30, 2019 and 2018, were \$74,678 and \$74,678, respectively. Future minimum revenues for all leases as of June 30, 2019 are as follows:

2020	\$ 76,558
2021	77,323
2022	78,097
2023	78,878
2024	79,666
Total lease revenues	<u>\$ 390,522</u>

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(Continued)

WRIGHT STATE UNIVERSITY FOUNDATION, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 17 - FUNCTIONAL CLASSIFICATION OF EXPENSES**

Total expenses, classified by both service areas and expense categories for the years ended June 30, 2019 and 2018, consist of the following:

Expense Category	2019								Totals
	Program Services					Support Services			
	Scholarships	University Programs	Athletic Programs	Research	Miscellaneous Grants	Other Program Expenses/Losses	Fund Raising	Management & General	
Salaries and wages	\$ 5,243	\$1,428,226	\$ -	\$ 327,312	\$ 150	\$ -	\$ 382,112	\$ 151,200	\$ 2,294,243
Employee benefits	294	358,915	-	93,088	25	-	152,702	42,998	648,022
Professional services	88	246,539	7,725	9,149	13,993	-	59,883	163,571	500,948
Supplies	-	300,172	13,599	118,851	2,235	-	5,982	3,677	444,516
Travel	400	472,406	190,609	10,149	25,292	-	118,604	16,124	833,584
Information/communications	(455)	397,811	44,193	1,703	27,706	-	231,016	3,651	705,625
Maintenance and repair	-	73,970	931	2,664	-	-	-	81,406	158,971
Student financial aid	3,284,929	193,923	-	12,572	1,000	-	-	-	3,492,424
Other	255	47,948	252	823	22,704	(3,900)	10,476	51,555	130,113
Capital purchases	-	771,175	-	124,983	-	-	-	-	896,158
Depreciation	-	-	-	-	-	-	-	122,112	122,112
<b>Totals</b>	<b>\$3,290,754</b>	<b>\$4,291,085</b>	<b>\$ 257,309</b>	<b>\$ 701,294</b>	<b>\$ 93,105</b>	<b>\$ (3,900)</b>	<b>\$ 960,775</b>	<b>\$ 636,294</b>	<b>\$ 10,226,716</b>

  

Expense Category	2018								Totals
	Program Services					Support Services			
	Scholarships	University Programs	Athletic Programs	Research	Miscellaneous Grants	Other Program Expenses/Losses	Fund Raising	Management & General	
Salaries and wages	\$ 21,312	\$2,333,889	\$ 28,443	\$ 217,437	\$ -	\$ -	\$ 470,426	\$ -	\$ 3,071,507
Employee benefits	133	496,788	3,098	46,119	-	-	170,586	-	716,724
Professional services	-	917,718	3,825	139,990	-	-	89,048	86,058	1,236,639
Supplies	362	275,891	9,817	66,642	32,968	-	47,262	4,620	437,562
Travel	32	702,569	114,833	33,606	26,885	-	98,697	4,854	981,476
Information/communications	(750)	425,007	10,417	123,658	125,207	-	214,099	1,060	898,698
Maintenance and repair	-	40,641	8,634	1,659	-	-	-	90,992	141,926
Student financial aid	3,282,100	226,754	-	52,700	-	-	-	-	3,561,554
Other	(400)	41,855	279	216	96	(18,900)	19	36,253	59,418
Capital purchases	26,520	43,445	-	46,201	-	-	-	30,117	146,283
Depreciation	-	-	-	-	-	-	-	122,112	122,112
Debt service	-	-	-	-	-	-	-	6,726	6,726
<b>Totals</b>	<b>\$3,329,309</b>	<b>\$5,504,557</b>	<b>\$ 179,346</b>	<b>\$ 728,228</b>	<b>\$ 185,156</b>	<b>\$ (18,900)</b>	<b>\$1,090,137</b>	<b>\$ 382,792</b>	<b>\$ 11,380,625</b>

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WRIGHT STATE UNIVERSITY FOUNDATION, INC.  
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**NOTE 18 - FUND RAISING EXPENSES**

Fundraising expenses, for the years ended June 30, 2019 and 2018, consist of the following:

	<b>2019</b>	<b>2018</b>
Fund raising leadership	\$ 136,223	\$ 154,730
Fund raising operations	361,437	372,564
Fund raising support operations	221,242	361,659
Alumni relations	241,873	201,184
	<u>          </u>	<u>          </u>
Totals	<u>\$ 960,775</u>	<u>\$ 1,090,137</u>

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

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

The Foundation also underwrites the costs of University events that enhance relations with the University community and its donors as well as costs associated with conducting the University's latest fundraising campaign which ended June 30, 2017.

**NOTE 19 - MANAGEMENT AND GENERAL EXPENSES**

Management and general expenses, for the years ended June 30, 2019 and 2018, consist of the following:

	<b>2019</b>	<b>2018</b>
Foundation board/committees	\$ 26,027	\$ 9,392
President & CEO	11,226	-
Finance	177,018	-
Legal	10,051	27,958
Building operation and maintenance	99,377	129,001
Unallocated		
Depreciation	122,112	122,112
Professional fees	147,331	52,592
Insurance	21,080	21,080
Loan interest	-	6,726
Other	22,072	13,931
	<u>          </u>	<u>          </u>
Totals	<u>\$ 636,294</u>	<u>\$ 382,792</u>

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**NOTE 19 – MANAGEMENT AND GENERAL EXPENSES** (Continued)

The Foundation underwrites those costs associated with its operation as a separately incorporated entity. The largest share of those costs relates to its ownership of a building that was purchased in November 2012 to house its administrative offices as well as offices of the University's Advancement Division. During the fiscal year ended June 30, 2019, the Foundation hired two University Advancement employees to fill administrative positions as its direct employees. Costs of those two positions are allocated to the Foundation board/committees, President & CEO, and Finance functions. It is anticipated that other employees will be hired in the future to enhance the Foundation's ability to accomplish its corporate mission. Other significant expense categories include professional contracts for legal, tax and auditing services, insurance related to Foundation operations, meetings of the Foundation Board of Trustees and its related committees, and credit card processing fees.

**NOTE 20 – PENSION PLAN**

In August 2018, the Foundation established a defined contribution retirement plan for all full time employees. Contributions are based on a percentage of gross wages. Total pension expenses for the year ended June 30, 2019, were \$10,888.

**NOTE 21 – FUTURE ACCOUNTING PRONOUNCEMENTS**

***Revenue Recognition***

The Financial Accounting Standards Board (FASB) amended its standards related to revenue recognition. This amendment replaces all existing revenue recognition guidance and provides a single, comprehensive revenue recognition model for all contracts with customers. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of the time value of money in the transaction price and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The amendment also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in those judgments and assets recognized from costs incurred to fulfill a contract. The standard allows either full or modified retrospective adoption effective for nonpublic entities for annual periods beginning after December 15, 2018, and any interim periods within annual reporting periods that begin after December 15, 2019. The Foundation is in the process of evaluating the impact the amendment will have on the consolidated financial statements. The Foundation is evaluating the impact the standard will have on the consolidated financial statements.

***Contributions Received and Contributions Made***

On June 21, 2018, FASB issued ASU 2018-08. This standard clarifies existing guidance on determining whether a transaction with a resource provider, e.g., the receipt of funds under a government grant or contract, is a contribution or an exchange transaction. The guidance requires all organizations to evaluate whether the resource provider is receiving commensurate value in a transfer of assets transaction, and whether contributions are conditional or unconditional.

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If commensurate value is received by the resource provider, the transaction would be accounted for as an exchange transaction by applying Topic 606, *Revenue from Contracts with Customers*, or other topics. The standard clarifies that a resource provider is not synonymous with the general public. Indirect benefit received by the public as a result of the assets transferred is not equivalent to commensurate value received by the resource provider. If commensurate value is not received by the resource provider, i.e., the transaction is nonexchange, the recipient organization would record the transaction as a contribution under Topic 958 and determine whether the contribution is conditional or unconditional.

FASB expects that the new standard could result in more grants and contracts being accounted for as contributions (often conditional contributions) than under current generally accepted accounting principles. Because of this, it believes the clarifying guidance about whether a contribution is conditional or unconditional, which affects the timing of revenue recognition, is important. Both the recipient and resource provider would equally apply the guidance.

The new standard will be effective for the Foundation for reporting periods beginning on or after December 15, 2018. The Foundation is evaluating the impact the standard will have on the consolidated financial statements.

#### ***Accounting for Leases***

FASB amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the balance sheet as both a right-of-use asset and a liability. The standard has two types of leases for income statement recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line bases over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement. The new standard is effective for the Foundation for annual periods beginning after December 15, 2019, and any interim periods within annual reporting periods that begin after December 15, 2020. The FASB is currently considered a proposed one year delay for this standard update. The Foundation is evaluating the impact the standard will have on the consolidated financial statements.

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WRIGHT STATE UNIVERSITY FOUNDATION, INC.  
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**NOTE 22 – LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2019 and 2018, comprise the following:

	<b>2019</b>	<b>2018</b>
Total assets	\$ 137,385,278	\$ 136,940,771
Donor restricted assets		
Donor designated funds	(78,792,525)	(79,764,554)
Donor endowed funds	(46,677,613)	(45,876,366)
Total assets without donor restrictions	<u>11,915,140</u>	<u>11,299,851</u>
Financial assets not available to meet cash needs for general expenditures within one year	<u>(4,660,088)</u>	<u>(4,731,653)</u>
Total financial assets	<u>7,255,052</u>	<u>6,568,198</u>
Internal designations		
Board designated endowments	(581,179)	(576,656)
Amount set aside for market stabilization	(1,254,326)	(1,185,422)
Amount set aside for operating reserve	(1,945,551)	(1,881,880)
Amount set aside for debt guaranty	<u>(600,000)</u>	<u>(600,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,873,996</u>	<u>\$ 2,324,240</u>

The Foundation receives a small stream of unrestricted contributions which it considers to be available to meet the cash needs for general expenditures of the organization. More significant revenue streams, such as endowment administration fees and investment earnings on non-endowed assets, are also generated in support of its general operating expenditures.

The Foundation receives significant contributions restricted by donors to University programs and financial aid for students. The Foundation considers such contributions to be unavailable to meet the cash needs for general expenditures.

Likewise, the Foundation's endowment consist of donor-restricted funds and funds designated by the Foundation board as endowments. Donor-restricted contributions to endowment funds are restricted in perpetuity and, thus, are considered unavailable for general expenditure. Likewise, income generated by donor-restricted endowments is also restricted for specific purposes and are, therefore, not available for general expenditure.

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(Continued)

WRIGHT STATE UNIVERSITY FOUNDATION, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2019 and 2018

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Funds designated by the Foundation board as endowments (quasi-endowments) are not intended to be spent by the Foundation. However, these amounts could be made available as necessary. The Foundation maintains a market stabilization reserve (as further discussed in Note 15) that may be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities. As of June 30, 2019 and 2018, the market stabilization reserve was \$1,254,326 and \$1,185,422, respectively. In the event of an unanticipated liquidity need, the Foundation could also draw upon its \$1.5 million line of credit maintained at a local bank (as further discussed in Note 12).

The Foundation manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Foundation has a liquidity policy to maintain liquid assets in an amount sufficient to cover existing designated fund balances, approved strategic investment commitments and an operating reserve equal to twelve (12) months of operating expenses (average actual operating expenses for the past three fiscal years). To achieve these targets, the Foundation monitors its liquidity reserve quarterly throughout the fiscal year. Such analysis is utilized in the development of the Foundation's annual operating budget, as well as in considering requests made by the University for special appropriations of unrestricted resources. As of June 30, 2019 and 2018, the operating reserve was \$1,945,551 and \$1,881,880, respectively. During the years ended June 30, 2019 and 2018, the level of liquidity and reserves was managed within the policy requirements.

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(Continued)

**SUPPLEMENTARY INFORMATION**

WRIGHT STATE UNIVERSITY FOUNDATION, INC.  
SUMMARY OF TOTAL REVENUES (Unaudited)  
For the ten years ended June 30, 2010 to 2019

Fiscal Year	Gifts and Contributions			Investment Earnings			Other Income (Losses)	Total Revenues	
	Without Donor Restrictions	With Donor Restrictions	Subtotal	Interest and Dividends	Realized Gains (Losses)	Unrealized Gains (Losses)			Subtotal
2010	\$ 59,046	\$ 11,767,009	\$ 11,826,055	\$ 3,152,713	\$ (1,353,331)	\$ 10,539,275	\$ 12,338,657	\$ (113,727)	\$ 24,050,985
2011	64,957	4,731,153	4,796,110	2,509,261	(3,917,350)	17,345,741	15,937,652	404,331	21,138,093
2012	97,681	4,729,636	4,827,317	2,272,173	628,997	(1,916,361)	984,809	15,750	5,827,876
2013	53,291	7,235,404	7,288,695	2,652,887	1,064,618	5,663,769	9,381,274	483,463	17,153,432
2014	196,863	9,290,539	9,487,402	1,426,786	1,480,018	9,356,875	12,263,679	1,047,371	22,798,452
2015	147,684	11,424,503	11,572,187	2,738,783	5,833,612	(6,173,070)	2,399,325	268,332	14,239,844
2016	151,419	9,257,155	9,408,574	6,409,866	1,284,952	(9,851,700)	(2,156,882)	111,079	7,362,771
2017	154,978	4,114,521	4,269,499	2,523,002	449,610	8,979,369	11,951,981	330,591	16,552,071
2018	146,034	4,745,363	4,891,397	3,905,611	1,765,292	1,592,066	7,262,969	318,301	12,472,667
2019	137,793	4,285,920	4,423,713	5,710,053	86,550	134,375	5,930,978	208,344	10,563,035

WRIGHT STATE UNIVERSITY FOUNDATION, INC.  
SUMMARY OF TOTAL EXPENSES BY SERVICE AREA (Unaudited)  
For the ten years ended June 30, 2010 to 2019

Fiscal Year	Program Services						Fund Raising	Management and General	Total Expenses	
	Scholarships	University Programs	Athletic Programs	Research	Miscellaneous Grants	Other				
2010	\$ 2,486,494	\$ 6,161,392	\$ 472,485	\$ 766,938	\$ 84,697	\$ 8,800	\$ 9,980,806	\$ 604,006	\$ 336,902	\$ 10,921,714
2011	2,264,720	3,029,763	488,515	500,969	89,310	(20,900)	6,352,377	653,096	360,598	7,366,071
2012	2,420,055	3,193,474	441,574	371,322	66,783	11,500	6,504,708	738,382	330,169	7,573,259
2013	3,010,581	3,099,999	830,817	306,240	79,844	19,900	7,347,381	696,784	170,212	8,214,377
2014	2,765,129	2,835,724	433,417	587,103	324,967	11,400	6,957,740	1,215,032	601,251	8,774,023
2015	3,053,382	4,026,473	677,883	538,708	1,082,706	19,300	9,398,452	1,599,698	399,267	11,397,417
2016	3,368,276	5,707,199	383,793	479,000	595,295	10,400	10,543,963	1,415,946	405,999	12,365,908
2017	3,037,346	5,906,322	426,541	495,393	243,545	90,368	10,199,515	1,037,528	382,935	11,619,978
2018	3,329,309	5,504,557	179,346	728,228	185,156	(18,900)	9,907,696	1,090,137	382,792	11,380,625
2019	3,290,754	4,291,085	257,309	701,294	93,105	(3,900)	8,629,647	960,775	636,294	10,226,716

WRIGHT STATE UNIVERSITY FOUNDATION, INC.  
SUMMARY OF TOTAL EXPENSES BY OBJECT CATEGORY (Unaudited)  
For the ten years ended June 30, 2010 to 2019

<b>Fiscal Year</b>	<b>Salaries and Wages</b>	<b>Employee Benefits</b>	<b>Professional Services</b>	<b>Supplies</b>	<b>Travel</b>	<b>Information and Communications</b>	<b>Maintenance and Repair</b>	<b>Student Financial Aid</b>	<b>Other</b>	<b>Capital Purchases/Depreciation</b>	<b>Debt Service</b>	<b>Total Expenses</b>
2010	\$2,874,971	\$ 751,374	\$ 911,478	\$ 330,771	\$ 487,274	\$ 441,085	\$ 75,452	\$2,709,010	\$ 191,031	\$2,145,335	\$ 3,933	\$ 10,921,714
2011	1,857,754	488,013	928,456	185,941	439,210	531,694	148,087	2,384,496	150,503	250,454	1,463	7,366,071
2012	1,543,539	342,687	828,228	305,640	622,346	416,519	88,790	2,503,326	154,222	767,962	-	7,573,259
2013	1,402,191	358,852	439,714	309,649	566,618	345,520	255,852	3,038,026	166,763	1,329,603	1,589	8,214,377
2014	1,416,101	407,065	1,367,097	449,479	638,517	671,974	324,946	2,820,222	181,338	486,855	10,429	8,774,023
2015	1,936,174	504,022	2,101,344	350,743	784,954	739,224	273,553	3,246,465	449,886	1,001,720	9,332	11,397,417
2016	1,909,523	533,245	2,186,118	519,961	709,340	811,880	273,694	3,613,933	140,652	1,658,991	8,571	12,365,908
2017	2,100,559	541,860	2,358,551	537,301	904,218	701,342	256,343	3,233,209	207,629	770,138	8,828	11,619,978
2018	3,071,507	716,724	1,236,639	437,562	981,476	898,698	141,926	3,561,554	59,418	268,395	6,726	11,380,625
2019	2,294,243	648,022	500,948	444,516	833,584	705,625	158,971	3,492,424	130,113	1,018,270	-	10,226,716

WRIGHT STATE UNIVERSITY FOUNDATION, INC.  
SUMMARY OF TOTAL ASSETS (Unaudited)  
June 30, 2010 to 2019

<b>Fiscal Year</b>	<b>Cash and Equivalents</b>	<b>Net Pledges Receivable</b>	<b>Receivable from Trusts</b>	<b>Investments</b>	<b>Annuity Assets</b>	<b>Capital Assets</b>	<b>Other Assets</b>	<b>Total Assets</b>
2010	\$ 2,139,175	\$ 7,416,300	\$ 1,305,300	\$ 85,930,565	\$ 179,991	\$ -	\$ 462,629	\$ 97,433,960
2011	5,355,232	5,167,500	1,545,600	98,115,756	222,680	-	786,384	111,193,152
2012	1,654,245	4,414,400	1,414,100	101,900,059	215,276	-	670,526	110,268,606
2013	1,236,709	5,817,300	1,277,300	109,106,459	252,637	1,482,267	711,127	119,883,799
2014	3,273,096	6,440,300	1,326,100	119,335,746	815,123	2,674,455	853,616	134,718,436
2015	1,578,574	11,329,600	1,394,640	118,953,828	706,048	2,604,131	836,236	137,403,057
2016	1,049,283	12,381,300	1,314,700	112,339,191	744,395	2,532,135	1,707,219	132,068,223
2017	3,751,810	9,980,600	1,410,200	117,227,326	815,586	2,410,022	1,641,040	137,236,584
2018	2,403,792	7,616,900	1,529,900	118,974,016	837,991	2,287,911	3,290,261	136,940,771
2019	2,156,547	5,932,900	1,531,200	121,738,277	841,450	2,165,799	3,019,105	137,385,278

WRIGHT STATE UNIVERSITY FOUNDATION, INC.  
SUMMARY OF TOTAL LIABILITIES AND NET ASSETS (Unaudited)  
June 30, 2010 to 2019

Fiscal Year	LIABILITIES					NET ASSETS		
	Payable to WSU and Vendors	Deposits Held for Others	Annuities Payable	Loans Payable	Total Liabilities	Without Donor Restricts	With Donor Restrictions	Total Net Assets
2010	\$ 1,023,658	\$ 1,096,633	\$ 124,400	\$ 200,000	\$ 2,444,691	\$ 1,799,353	\$ 93,189,916	\$ 94,989,269
2011	1,021,199	1,277,662	133,000	-	2,431,861	5,107,510	103,653,781	108,761,291
2012	1,191,983	1,926,215	134,500	-	3,252,698	5,260,177	101,755,731	107,015,908
2013	1,085,094	1,912,842	130,900	800,000	3,928,836	7,364,390	108,590,573	115,954,963
2014	1,390,264	1,997,880	350,900	1,000,000	4,739,044	9,318,236	120,661,156	129,979,392
2015	1,425,543	2,026,895	328,800	800,000	4,581,238	7,623,690	125,198,229	132,821,919
2016	1,339,736	1,957,705	352,100	600,000	4,249,541	5,204,186	122,614,496	127,818,682
2017	1,654,727	2,056,483	374,600	400,000	4,485,810	7,549,356	125,201,419	132,750,775
2018	702,464	2,013,390	382,100	-	3,097,954	8,676,861	125,165,956	133,842,817
2019	718,440	2,113,602	374,100	-	3,206,142	9,235,224	124,943,912	134,179,136

WRIGHT STATE UNIVERSITY FOUNDATION, INC.  
SUMMARY OF NET ASSET RESTRICTIONS AND DESIGNATIONS (Unaudited)  
June 30, 2010 to 2019

<b>Fiscal Year</b>	<b>Scholarships</b>	<b>University Programs</b>	<b>Athletic Programs</b>	<b>Research</b>	<b>Market Stabilization</b>	<b>Debt Guaranty</b>	<b>Undesignated</b>	<b>Total Net Assets</b>
2010	\$33,176,487	\$50,722,858	\$ 21,491	\$ 9,850,078	\$ 769,218	\$ -	\$ 449,137	\$ 94,989,269
2011	36,818,929	56,946,708	81,009	10,393,879	980,076	600,000	2,940,690	108,761,291
2012	35,764,132	56,639,070	84,017	9,854,035	1,035,199	600,000	3,039,455	107,015,908
2013	38,445,069	60,639,894	116,357	9,970,803	1,058,405	600,000	5,124,435	115,954,963
2014	42,601,565	65,584,260	124,848	12,933,332	1,099,978	600,000	7,035,409	129,979,392
2015	44,525,336	68,187,153	128,390	12,941,749	1,118,077	600,000	5,321,114	132,821,819
2016	44,107,920	66,436,910	140,297	12,513,350	645,866	600,000	3,374,339	127,818,682
2017	46,609,113	66,667,777	184,459	12,324,784	1,168,147	600,000	5,196,495	132,750,775
2018	46,981,076	66,031,148	489,987	12,240,401	1,185,422	600,000	6,314,783	133,842,817
2019	47,040,704	65,823,412	760,738	11,900,237	1,254,326	600,000	6,799,719	134,179,136

WRIGHT STATE UNIVERSITY FOUNDATION, INC.  
SUMMARY OF UNRESTRICTED GENERAL FUND REVENUES (Unaudited)  
For the ten years ended June 30, 2010 to 2019

<b>Fiscal Year</b>	<b>Gifts and Contributions</b>	<b>Interest and Dividends</b>	<b>Realized Gains (Losses)</b>	<b>Unrealized Gains (Losses)</b>	<b>Administrative Fees</b>	<b>Rental Income</b>	<b>Other Income (Expense)</b>	<b>Totals</b>
2010	\$ 59,046	\$ 379,138	\$ (42,034)	\$ 794,868	\$ 549,658	\$ -	\$ 91,658	\$ 1,832,334
2011	64,957	728,929	233,966	2,630,284	642,596	-	145,160	4,445,892
2012	97,681	743,015	46,662	(423,384)	745,347	-	156,652	1,365,973
2013	53,291	828,296	31,276	1,202,341	744,983	41,589	284,716	3,186,492
2014	196,863	460,996	679,392	1,833,180	819,068	132,553	88,662	4,210,714
2015	147,685	802,712	1,806,404	(2,370,247)	871,936	185,350	62,247	1,506,087
2016	151,419	1,617,594	(85,005)	(2,626,802)	845,485	188,603	16,897	108,191
2017	154,978	735,760	217,475	2,145,521	782,438	74,096	32,948	4,143,216
2018	146,034	1,056,778	470,442	172,558	838,811	74,678	107,747	2,867,048
2019	137,793	1,285,673	89,627	(80,873)	860,645	74,678	(71,443)	2,296,100

WRIGHT STATE UNIVERSITY FOUNDATION, INC.  
SUMMARY OF UNRESTRICTED GENERAL FUND EXPENSES (Unaudited)  
For the ten years ended June 30, 2010 to 2019

Fiscal Year	Program Services			Fund Raising				Management and General						Totals
	Scholarships	Miscellaneous Grants	Other Program Expenses and Losses (Gains)	Fund Raising Leadership	Fund Raising Operations	Fund Raising Support Operations	Alumni Relations	Foundation Board/Committees	Foundation President & CEO	Finance	Legal	Building Operation & Maintenance	Unallocated <sup>1</sup>	
2010	\$ 31,800	\$ 84,697	\$ -	\$ -	\$ 437,135	\$ 179,371	\$ -	\$ 6,724	\$ -	\$ -	\$ 18,230	\$ -	\$ 308,248	\$ 1,066,205
2011	22,920	89,310	-	-	557,639	95,457	-	6,727	-	-	65,060	-	267,911	1,105,024
2012	30,998	66,783	-	-	627,018	111,364	-	10,024	-	-	11,034	-	320,611	1,177,832
2013	34,050	79,844	-	2,369	573,382	121,033	-	12,779	-	-	10,414	83,715	83,204	1,000,790
2014	28,300	324,967	-	-	1,030,908	184,124	-	30,324	-	-	3,223	154,631	424,473	2,180,950
2015	29,430	1,082,706	-	-	1,410,555	189,143	-	19,298	-	-	9,481	149,299	240,489	3,130,401
2016	32,660	595,295	-	23,275	1,168,468	224,203	-	18,243	-	-	8,568	134,986	254,602	2,460,300
2017	30,600	243,545	115,268	174,321	379,551	282,984	200,672	29,608	-	-	19,806	105,214	228,307	1,809,876
2018	34,059	185,156	(100)	154,730	372,564	361,659	201,184	9,392	-	-	27,958	129,001	216,441	1,692,044
2019	28,944	93,105	-	136,223	361,437	221,242	241,873	26,027	11,226	177,018	10,051	99,377	312,595	1,719,118

<sup>1</sup> Unallocated expenses include depreciation, professional services fees, insurance, taxes and miscellaneous operating expenses.

WRIGHT STATE UNIVERSITY FOUNDATION, INC.  
SUMMARY OF VARIOUS INVESTMENT DATA (Unaudited)  
For the ten years ended June 30, 2010 to 2019

Fiscal Year	Actual Year-End Asset Allocation Percentages				Endowment Portfolio Liquidity				Total Net Return	Investment Fees	Endowed Pool		Non-endowed Pool	
	Equities	Fixed Income	Alternatives	Cash	Daily	Quarterly	Semi-annually	Illiquid			Return <sup>1</sup>	Index	Return <sup>2</sup>	Index
2010	46.9%	28.8%	24.3%	0.0%	n/a	n/a	n/a	n/a	\$ 12,338,657	\$ 450,378	19.4%	11.9%	15.1%	14.5%
2011	42.1%	29.6%	25.0%	3.3%	n/a	n/a	n/a	n/a	15,937,652	510,091	20.2%	20.2%	18.6%	17.4%
2012	40.8%	35.4%	23.8%	0.0%	76.2%	20.0%	0.0%	3.8%	984,809	536,514	0.7%	1.4%	1.8%	2.4%
2013	47.5%	32.6%	19.9%	0.0%	80.2%	9.4%	0.0%	10.4%	9,381,274	590,377	10.4%	10.5%	8.2%	8.0%
2014	46.9%	34.7%	18.4%	0.0%	81.6%	8.8%	0.0%	9.6%	12,263,679	702,027	12.0%	12.6%	11.7%	10.8%
2015	44.6%	31.1%	24.3%	0.0%	75.7%	9.2%	7.4%	7.7%	2,399,325	726,254	2.3%	1.4%	1.3%	1.1%
2016	49.2%	33.7%	16.3%	0.8%	83.7%	0.0%	6.9%	9.4%	(2,156,882)	784,436	-2.5%	0.8%	-0.9%	1.8%
2017	51.2%	32.5%	16.3%	0.0%	80.1%	0.0%	8.0%	11.9%	11,951,981	801,708	12.1%	11.3%	9.8%	8.9%
2018	47.4%	34.3%	18.3%	0.0%	78.3%	0.0%	7.8%	13.9%	7,262,969	769,099	6.5%	7.0%	5.7%	5.8%
2019	47.8%	34.6%	17.6%	0.0%	79.8%	0.0%	7.6%	12.6%	5,930,978	767,030	4.2%	5.7%	5.0%	6.1%

<sup>1</sup> Net of fees, excludes private equity returns

<sup>2</sup> Net of fees

WRIGHT STATE UNIVERSITY FOUNDATION, INC.  
SUMMARY OF VARIOUS ENDOWMENT DATA (Unaudited)  
For the ten years ended June 30, 2010 to 2019

Fiscal Year	Number of True and Quasi-Endowment Funds	Endowment Value			Nominal Spending Rate <sup>1</sup>	Effective Spending Rate <sup>2</sup>	Endowment Distributions
		Donor Restricted	Board Designated	Total Value			
2010	328	n/a	n/a	\$ 68,860,221	5.00%	5.18%	\$ 3,110,279
2011	345	\$ 43,872,973	\$ 35,729,204	79,602,177	5.00%	4.57%	3,195,177
2012	362	42,718,156	34,254,094	76,972,250	5.00%	4.69%	3,615,410
2013	384	46,010,571	38,185,273	84,195,844	5.00%	4.94%	3,725,624
2014	415	52,165,791	41,245,973	93,411,764	5.00%	4.80%	3,821,472
2015	441	52,250,320	39,900,059	92,150,379	5.00%	4.78%	4,126,210
2016	465	49,465,601	35,343,263	84,808,864	5.00%	5.16%	4,464,361
2017	486	52,624,936	37,161,431	89,786,367	5.00%	5.20%	4,299,241
2018	505	54,712,947	37,599,344	92,312,291	4.50%	4.13%	3,529,041
2019	517	55,421,270	37,590,406	93,011,676	4.50%	4.00%	3,705,020

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

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

WRIGHT STATE UNIVERSITY FOUNDATION, INC.  
SUMMARY OF FINANCIAL RATIOS (Unaudited)  
For the ten years ended June 30, 2010 to 2019

<b>Fiscal Year</b>	<b>Current Ratio</b>	<b>Days Cash on Hand</b>	<b>Return on Average Net Assets</b>	<b>Program Spending Ratio</b>	<b>Fund Raising Spending Ratio</b>	<b>Interest Expense Pct.</b>
2010	4.16	71.49	14.85%	91.30%	5.53%	0.98%
2011	7.52	265.36	13.52%	86.52%	8.87%	0.73%
2012	3.21	79.73	-1.62%	85.74%	9.75%	0.00%
2013	3.24	54.95	8.02%	89.20%	8.48%	0.00%
2014	3.36	136.16	11.41%	79.17%	13.85%	0.01%
2015	3.24	50.55	2.16%	82.29%	14.04%	0.01%
2016	3.63	30.97	-3.84%	85.27%	11.45%	0.01%
2017	3.81	117.85	3.79%	87.78%	8.93%	0.01%
2018	8.91	77.09	0.82%	87.06%	9.58%	0.02%
2019	7.53	76.97	0.25%	84.38%	9.39%	0.00%

WRIGHT STATE UNIVERSITY FOUNDATION, INC.  
SUMMARY OF INSTITUTIONAL DATA (Unaudited)  
For the year ended June 30, 2019

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Date of incorporation	December 15, 1966
Tax-exempt status	501(c)(3)
Public charity status	Sec. 170(b)(1)(A)(vi)
Employer identification number	23-7019799

Wright State University

Date founded	1964
Date achieved independent university status	1967
Tax-exempt status	501(c)(1)
Employer identification number	31-0732831
Student population (Fall 2018):	
Total enrollment (some students attend both campuses)	15,558
Dayton Campus	14,038
Lake Campus	1,189
Characteristics:	
Men/women	46%/54%
Full-time/part-time	76%/24%
Undergraduate/Graduate/Doctoral	77%/17%/6%
International students	5%
Minority students (excludes international students)	20%
Age 25 and older	29%
Mean age, all students	24 years

Academics:

Number of colleges	8
Number of schools	3
Degree programs:	
Undergraduate	150
Graduate	145

Full time employees:

Faculty Full Time/Part Time	769/470
Staff Full Time/Part Time	1,165/308
Total	2,712

Facilities:

Dayton Campus:	
Acreage	557
Academic and academic support buildings	32
Student residential buildings	30
Lake Campus:	
Acreage	211
Academic and academic support buildings	4
Student residential buildings	3

Number of degrees awarded since inception	123,682
Research grant awards	\$93,778,464
Annual full-time undergraduate tuition (Ohio resident)	\$9,254

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**Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of the Financial  
Statements Performed in Accordance With *Government Auditing Standards***

**Independent Auditor's Report**

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Wright State University Foundation, Inc. (Foundation), which comprise the consolidated statement of financial position as of June 30, 2019, and the related consolidated statements of activities and cash flows for the year then ended and the related notes to the consolidated financial statements and have issued our report thereon dated October 14, 2019, which contained an emphasis of matter paragraph regarding a change in accounting principle.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered the Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be a material weakness. However, material weaknesses may exist that have not been identified.

### ***Compliance and Other Matters***

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

### ***Purpose of This Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**BKD, LLP**

Cincinnati, Ohio  
October 14, 2019