



WRIGHT STATE  
UNIVERSITY

# ANNUAL REPORT AND SINGLE AUDIT REPORTS

FOR THE  
YEAR ENDED  
JUNE 30, 2014

OFFICE OF THE  
CONTROLLER

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# WRIGHT STATE UNIVERSITY

## ANNUAL REPORT AND SINGLE AUDIT REPORTS FOR FEDERAL AWARDS

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Wright State University's Management Discussion and Analysis (MD&A) presents an overview of its financial condition and assists the reader in focusing on significant financial issues for the year ended June 30, 2014 with selected comparative information for the years ended June 30, 2013 and 2012. The discussion has been prepared by management and should be read in conjunction with the accompanying financial statements and footnotes. The financial statements, footnotes, and this discussion are the responsibility of management.

#### Financial and Other University Highlights

- The University concluded its 2008-2013 "Relentless" strategic plan at the beginning of 2014 and implemented its new 2013-2018 "Empower" strategic plan. Several campus-wide events celebrated the conclusion of "Relentless" and the achievements and successes that it brought. Dozens of achievements were realized for the five goals of "Relentless" which included academic distinctiveness and quality, educational attainment, research and innovation, community transformation, and valued resources. The University is excited to further its efforts on the new "Empower" strategic plan over the next five years.
- The University continues to make progress executing its capital plan. Phase 2 of the university's \$25.2 million energy conservation project is almost complete. As a result of this activity, energy savings are expected to be in excess of \$35 million over a 15 year period. In addition, significant progress has been made on the Neuroscience and Engineering Collaboration (NEC) Building as well as the Student Success Center and Classroom Building. These state-of-the-art facilities will create the needed capacity for the university's research and innovation goals as well as the student access and educational attainment objectives. Both buildings are expected to be completed near the end of 2015.
- In addition to the energy savings identified above, the University experienced additional cost savings through other extensive resource optimization efforts. A partnership was developed with a new provider for a hospitality services program which realized an additional \$0.8 million in revenue for the University. In addition, a shared services initiative was launched with two other public institutions of higher education for enterprise-managed print services which is housed on Wright State's campus and results in lower print production pricing. Also in process is a managed print project that will significantly decrease office copy and printing costs through an optimization of print devices across the three partners' campuses. Other efforts included a strategic review and update of the university's health care plan and more effectively and economically addressing the use and costs of cell phones. The University persistently looks for optimization opportunities in an effort to effectively manage its expenses.
- Wright State continues to be named in various national ratings for its achievements in academic and student success. Wright State was again named among one of the "Best in the Midwest" colleges in *The Princeton Review*, which cited the university's challenging academic experience and personal attention to students. In addition, for the fourth year in a row, Wright State was among 260 Best National Universities listed in the annual "America's Best Colleges" rankings by *U.S. News and World Report*. Key factors considered for this designation are peer assessment, graduation and retention rates, faculty resources, student selectivity, financial resources, alumni giving, and graduation rate performance.
- Two different sources have named Wright State to their top "Military Friendly Schools" in recognition of the support the University provides to student veterans and students in the military. Both *Victory Media* and *Military Advanced Education* bestowed this honor on the University for the fifth year in a row. *Victory Media* honors the top 20 percent of colleges, universities, and trade schools that are doing the most to embrace America's military service members, veterans and spouses as students and to ensure their success on campus.

- Wright State's Model UN team continued its remarkable streak at the National Model United Nations Conference, receiving the highest recognition possible at the competition for the 35<sup>th</sup> year in a row. Competing against approximately 150 universities from around the world, Wright State was one of 20 colleges to receive Outstanding Delegation recognition.
- For over two decades, Wright State University has served as the fiscal agent for OhioLINK, a statewide library initiative of Ohio's college and university libraries and the State of Ohio. In an effort to better streamline operations and improve overall efficiency, the State of Ohio consolidated OhioLINK into the Ohio Technology Consortium during 2014. The Ohio State University was then appointed the new fiscal agent for OhioLINK. Before the transition to The Ohio State University, all of OhioLINK's assets, liabilities, revenues, and expenses had been included in the university's financial statements. As a result of the transition, only a portion of OhioLINK's revenues and expenses and none of the assets and liabilities were included in the university's financial statements in 2014. As these balances and amounts had been significant, this will contribute to a number of variance explanations the reader will see throughout this analysis.
- The University raised tuition by only 2.2% and 3.5% for all degree levels at both its campuses and for its professional schools in 2014 and 2013, respectively. The University attempts to minimize annual tuition increases as much as possible. Continued revenue enhancing efforts and expense optimization initiatives are implemented each year in order to mitigate the necessary increases in tuition costs. Wright State continues to maintain the fourth lowest in-state undergraduate tuition rate among Ohio's thirteen four-year public institutions.
- Total state appropriations increased \$2.1 million in 2014 over 2013 and fell \$0.3 million in 2013 from 2012 after removing the effects of OhioLINK. The 2014 increase was primarily a result of a larger pool of State dollars awarded to the state universities as well as the university's continued success in driving course and degree completions in alignment with the priorities of the State's performance funding model.
- Net position decreased \$3.3 million in 2014. While there was an increase in net investment in capital of \$5.5 million from all of the capital projects activity occurring on campus (net of depreciation expense), restricted and unrestricted net position fell by \$8.8 million, primarily in unrestricted net position, due to utilizing unrestricted resources for some of the capital investments and for new investments in targeted enrollment strategies. Net position decreased \$8.9 million in 2013 primarily in invested in capital assets largely due to the issuance of a net \$34.5 million of new bonds and notes payable.
- Fall 2013 headcount was 17,595 as opposed to fall 2012 headcount of 17,789. Although total headcount fell in fiscal year 2014, student tuition and fees were relatively level with fiscal year 2013 as the University had an increase in international students which increased the gross fees due to the out of state surcharge for nonresident students. In addition, the University experienced a shift in the student mix with an increase in graduate level enrollment offsetting a slight decrease in undergraduate student enrollment. Fall 2012 headcount represented a 9.1% decrease from fall 2011 headcount which was 19,721. This decrease in headcount was primarily attributable to the effort of students wanting to graduate before the fall of 2012 when the University converted from quarters to semesters.
- During 2014, the University implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65). The principal effect of the adoption of this GASB statement is the requirement for the expensing of debt issuance costs. The University has reflected this accounting change retroactively as required by the GASB guidance. Please see New Accounting Standards Adopted in Note 1 of the financial statements for further details.

## Using the Annual Report

This annual report includes three financial statements: the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows. These financial statements are prepared in accordance with GASB Statement No. 35, *Basic Financial Statements-and*

*Management's Discussion and Analysis-For Public Colleges and Universities* as amended by GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. These financial statements focus on the financial condition of the University, the results of operations, and cash flows of the University as a whole. All comments and discussions included in this discussion and analysis relate only to Wright State University and not to the Wright State University Foundation unless specifically noted.

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

### Statements of Net Position

The Statement of Net Position, which reports all assets, liabilities, deferred inflows and deferred outflows of the University, presents the financial position of the University at the end of the fiscal year. Our net position is simply the residual after subtracting liabilities and deferred inflows from the sum of assets and deferred outflows. The change in net position during the fiscal year is an indicator of the change in the overall financial condition of the University during the year. A summary of the university's assets, liabilities, and net position as of June 30 is as follows:

	2014	2013	2012
	(All dollar amounts in thousands)		
Current assets	\$ 105,750	\$ 133,250	\$ 87,729
Noncurrent assets:			
Capital assets, net	332,897	305,024	309,490
Other	131,735	148,929	178,755
Deferred outflows of resources	443	472	
Total assets and deferred outflows	<u>570,825</u>	<u>587,675</u>	<u>575,974</u>
Current liabilities	68,633	76,668	83,975
Noncurrent liabilities	112,224	117,768	89,875
Total liabilities and deferred inflows	<u>180,857</u>	<u>194,436</u>	<u>173,850</u>
Net position:			
Net investment in capital	270,844	265,313	271,125
Restricted	17,350	17,747	18,949
Unrestricted	101,774	110,179	112,050
Total net position	<u>\$ 389,968</u>	<u>\$ 393,239</u>	<u>\$ 402,124</u>

The university's net position decreased \$3.3 million in 2014. A large portion of the \$8.4 million unrestricted decrease was a result of the implementation of a number of strategic investments designed to stimulate and grow enrollment. While some of these investments, such as the Wright State International Gateway (created to focus on the growth of international student enrollment), have already shown positive financial results, many of the initiatives require more time to demonstrate success. In addition, unrestricted resources were utilized for a portion of the university's capital projects. This also helps explain the net increase of \$5.5 million in net investment in capital net position. The University was very active in 2014 with a number of capital projects. Noteworthy projects include the NEC Building, the Student Success Center and Classroom Building, and the energy conservation project which is nearly completed. While the primary funding for these projects is from prior year debt issuances and private donations, the University has contributed

internal resources to supplement the overall funding. The university's net position decreased \$8.9 million in 2013 from 2012, primarily due to a decrease in net investment in capital. Modest additions to capital assets were more than offset by the annual depreciation charge. In addition, restricted net position decreased \$1.2 million due to the return of loan funds to the federal government. Unrestricted net position contributed \$1.9 million to the decline from 2012 to 2013, as the University converted an internal loan fund to a need based financial aid program and awarded all of the aid in 2013.

*Total assets* decreased \$16.9 million in 2014 from 2013. *Current assets*, comprised primarily of cash and operating investments, student and sponsor receivables, and prepaid expenses, decreased by \$27.5 million in 2014 from 2013. This decrease is almost entirely the result of two items. Restricted cash and investments decreased by \$17.7 million during 2014 as a result of the spending of bond proceeds secured in previous years to fund the university's capital projects. In addition, prepaid expenses fell by \$11.7 million as a result of the OhioLINK program transitioning away from the University. OhioLINK comprised the majority of the university's prepaid expenses in the form of license agreements for subscriptions, periodicals and the like that were utilized by its members. None of those prepaids remained with WSU at June 30, 2014. Current assets increased \$45.6 million from 2012 to 2013 due to a number of items. Restricted cash and investments increased \$54.5 million as a result of unspent debt proceeds from new 2013 borrowings. Operating cash and investments decreased \$18.6 million as a result of a permanent change in the payroll cycle stemming from the change from quarters to semesters and an increase in accounts receivable. Accounts receivable increased \$12.9 million primarily due to timing and transition items stemming from the transition of the University from quarters to semesters.

*Other noncurrent assets* decreased \$17.2 million from \$148.9 million in 2013 to \$131.7 million in 2014. These assets are comprised of long-term investments, long-term student loans receivable, and long-term prepaid expenses and advanced charges. Long-term unrestricted investments represent the majority of the balance in both 2014 and 2013 at \$120.2 million and \$124.6 million, respectively, resulting in a decrease of \$4.4 million, or only 3.5 percent. Restricted investments, comprised of unspent bond and notes payable proceeds, also were totally spent in 2014 on the various capital projects for which they were borrowed resulting in a decrease of \$11.7 million in 2014. Loans receivable comprise the balance of the noncurrent assets at \$11.4 million and \$12.0 million in 2014 and 2013, respectively. Long-term prepaids and advanced charges decreased \$0.4 million primarily due to the transition of OhioLINK. Other noncurrent assets decreased \$29.8 million in 2013 from 2012. This was almost entirely a result of a \$26.2 million decrease in restricted investments. This decrease was more than offset by a \$54.5 million increase in current restricted cash and investments in 2013 as the net increase of current and noncurrent restricted cash and investments mirrors the new 2013 borrowings.

*Capital assets, net of depreciation* increased \$27.9 million from \$305.0 million in 2013 to \$332.9 million in 2014. The majority of capital activity in 2014 related to three projects. First was the continuation of the second phase of the energy conservation project for which over \$15.8 million was spent. Next was the NEC Building where approximately \$14.3 million was expended in 2014. Another notable project was the Student Success Center and Classroom building where another \$5.5 million of resources was spent. Routine moveable equipment and library acquisitions and disposals were made during the year. Capital assets decreased \$4.5 million from 2012 to 2013. The project with the largest amount of activity in 2013 was the second phase of the energy conservation project with \$4.5 million in expenditures.

*Deferred Outflows of Resources* is a new classification in 2014 due to the implementation of GASB 65. The balances of \$0.4 million and \$0.5 million in 2014 and 2013, respectively, represent the remaining unamortized loss from the refunding of debt in 2013.

*Current liabilities* are comprised primarily of accounts payable and accrued liabilities; unearned revenues from both student fees and advance payments for contracts and grants; and the current portion of long-term liabilities. These liabilities decreased \$8.1 million from \$76.7 million at June 30, 2013 to \$68.6 million at June 30, 2014. The overall change in current liabilities is comprised of changes in a number of balances. Accounts payable increased \$3.7 million from \$13.2 million in 2013 to \$16.9 million in 2014. This increase was the result of invoices received close to the end of the year for capital activity that remained unpaid at June 30. Unearned revenue decreased \$11.5 million from \$35.4 million in 2013 to \$23.9 million in 2014. The primary components of unearned revenue are income received in advance of expenditures from project

sponsors on contracts and grants and summer quarter tuition and fees related to fiscal year 2015 received before June 30, 2014. The \$11.5 million decrease in unearned revenue resulted entirely from a decrease in advanced sponsor payments primarily driven by the transition of fiscal agency for OhioLINK to The Ohio State University. One new unearned revenue source in 2014 was the university's new hospitality services contractor which provided approximately \$2.1 million of capital and capital related investments which the University is amortizing over the ten year contract. Of the unamortized balance, approximately \$0.2 million is classified as current liabilities and \$1.7 million is classified as a noncurrent liability.

*Current liabilities* decreased \$7.3 million from \$84.0 million at June 30, 2012 to \$76.7 million at June 30, 2013 from a combination of factors. The largest contributor of the decrease was \$6.4 million due to a change in the required accruals at June 30, 2013 from the conversion of the academic calendar from quarters to semesters. Unearned revenue also decreased \$3.5 million primarily from a decrease in sponsor payments for OhioLINK. These two decreases were partially offset by an increase of \$2.2 million in the current portion of long-term liabilities due to the issuance of new debt in 2013.

*Noncurrent liabilities* decreased \$5.6 million from \$117.8 million at June 30, 2013 to \$112.2 million at June 30, 2014. This decrease is the result of the University paying debt service in 2014 for all of its debt issuances offset by the \$1.7 million increase in unearned revenue from the hospitality services capital investments. Noncurrent liabilities increased \$27.9 million from \$89.9 million at June 30, 2012 to \$117.8 million at June 30, 2013. This increase was the result of the University issuing \$34.5 million of new debt in 2013 less another year of debt service for all outstanding debt.

*Net position* represents the remaining balance of the university's assets after adding deferred outflows and deducting liabilities and deferred inflows. A more detailed summary of the university's net position as of June 30 is as follows:

	2014	2013	2012
	(All dollar amounts in thousands)		
Net investment in capital	\$ 270,844	\$ 265,313	\$ 271,125
Restricted expendable	17,350	17,747	18,949
Unrestricted:			
Designated	105,409	112,252	114,789
Undesignated	(3,635)	(2,073)	(2,739)
Total net position	<u>\$ 389,968</u>	<u>\$ 393,239</u>	<u>\$ 402,124</u>

*Net investment in capital* represents the university's capital assets after subtracting accumulated depreciation and the principal amount of outstanding debt attributable to the acquisition, construction or improvement of those assets. During 2014, the University engaged heavily in a number of strategic capital investments. A significant amount of work, approximately \$15.8 million, was conducted on the second phase of the university's energy conservation project. In addition, the University made considerable progress on the NEC Building incurring approximately \$14.3 million of expenditures for the project. Additionally, over \$5.5 million was invested in the Student Success Center and Classroom building. A handful of other capital projects began which will see major progress during 2015. During 2013, the University constructed a Welcome Center at the front entrance of the Student Union, completed the student RaiderConnect Center, began work on the new NEC Building and new Student Success Center and Classroom building, and made substantial progress on the second phase of the energy conservation project.

*Restricted expendable* represents funds externally restricted to specific purposes, such as student loans or sponsored projects. Almost the entire restricted expendable fund balances represent funds restricted for student loans. The \$1.2 million decrease in 2013 is a result of the university's decision to discontinue the use of a federal loan program, which resulted in the return of funds.

*Unrestricted net position* represents funds the University has at its disposal to use for whatever purposes it determines appropriate. While these funds are not subject to external restrictions, the University has designated these funds internally for various academic, research, student aid, and capital purposes. Colleges and divisions are permitted to retain the portion of their budgeted funds which remain unspent at the close of each fiscal year. The University believes this practice permits the units to manage their resources more effectively, allowing units to hold funds for higher priorities in later years. This policy also benefits the University as a whole by encouraging the accumulation of reserves that provide financial stability during periods of fiscal stress and that generate investment income supplementing other revenue sources. Unrestricted net position decreased \$8.4 million in 2014, from \$110.2 million in 2013 to \$101.8 million in 2014. The \$8.4 million decrease can be primarily attributed to strategic investments in enrollment growth strategies and additional capital investments in certain projects from unrestricted sources. The university's continued plan is to strengthen the unrestricted undesignated fund balance through enrollment growth and retention of students.

## Statements of Revenues, Expenses and Changes in Net Position

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

	2014	2013	2012
	(All dollar amounts in thousands)		
Operating revenues:			
Student tuition & fees - net	\$ 144,231	\$ 142,514	\$ 141,938
Grants and contracts	72,915	99,140	94,837
Sales and services	5,883	6,387	7,433
Auxiliary enterprises	9,915	15,165	16,326
Other	2,940	2,415	2,619
Total	<u>235,884</u>	<u>265,621</u>	<u>263,153</u>
Operating expenses	<u>384,182</u>	<u>414,473</u>	<u>402,254</u>
Operating loss	(148,298)	(148,852)	(139,101)
Nonoperating revenues (expenses):			
State appropriations	85,148	88,941	89,649
Federal grants	22,702	26,520	27,679
State grants	3,419	3,378	3,081
Gifts	7,351	6,687	6,257
Investment income (loss)	17,550	15,781	(224)
Interest expense	(3,402)	(3,723)	(2,620)
Other expense	(690)	(424)	(2,820)
Capital appropriations	8,319	821	1,241
Capital grants and gifts	4,630	1,986	7,642
Total	<u>145,027</u>	<u>139,967</u>	<u>129,885</u>
Decrease in net position	(3,271)	(8,885)	(9,216)
Net position - beginning of year, as restated	<u>393,239</u>	<u>402,124</u>	<u>411,340</u>
Net position - end of year	<u>\$ 389,968</u>	<u>\$ 393,239</u>	<u>\$ 402,124</u>

Interpretation of the university's Statements of Revenues, Expenses, and Changes in Net Position is complicated by the fact that Wright State University has served as the fiscal agent for OhioLINK through a portion of 2014. As previously mentioned, during 2014 OhioLINK consolidated with the Ohio Technology Consortium and fiscal responsibility for OhioLINK transitioned to The Ohio State University. Prior to the transition, OhioLINK's revenues from state appropriations, federal pass-through grants (grants and contracts) and from other college and university libraries (grants and contracts) and expenses were included in our financial statements. Therefore, OhioLINK's impact on the University's financial statements was greatly reduced in 2014. Certain portions of this analysis are presented net of OhioLINK revenues or expenditures.

The total revenues and expenses attributable to OhioLINK are as follows:

OhioLINK Revenues and Expenses For the Year Ended June 30				
	<u>2014</u>	<u>2013</u>	<u>Difference</u>	<u>Percent Increase (Decrease)</u>
Revenues:				
Grants and contracts	\$ 11,700,414	\$ 31,987,124	\$ (20,286,710)	(63.4)%
State appropriations	<u>231,505</u>	<u>6,086,889</u>	<u>(5,855,384)</u>	<u>(96.2)%</u>
Total revenues	<u>\$ 11,931,919</u>	<u>\$ 38,074,013</u>	<u>\$ (26,142,094)</u>	<u>(68.7)%</u>
Expenses:				
Total OhioLINK	<u>\$ 11,931,919</u>	<u>\$ 38,074,013</u>	<u>\$ (26,142,094)</u>	<u>(68.7)%</u>

The University continues to rely upon state appropriations and student tuition and fees as its primary revenue sources for its core programs and university operations. In addition to these two revenue sources, which amounted to over 59 percent of the university's total 2014 revenues, another 26 percent of 2014 revenues were in the form of grants and contracts, a restricted revenue source received from external sponsors of specific projects. Although the accounting standards classify state appropriations as a nonoperating revenue source in the financial statements, the University continues to manage state funding as an operating revenue item because it is intended to support instructional activities. While the University experienced a slight decline in enrollment from 2013 to 2014, the modest increase in tuition rates resulted in consistent gross tuition revenue.

The State of Ohio has collaborated with Ohio's public higher education institutions and redefined how state subsidy is earned. In the past, subsidy was primarily based on enrollments. Starting in 2014, the allocation of subsidy is based on degree and course completions. While there are additional influences and factors affecting the actual allocation of the subsidy, this change promotes the importance of the academic success of the student, which parallels the university's mission and strategy. Wright State views the changes to the subsidy allocation model as very positive for both the students and the University. In fact the funding received from the State of Ohio, net of OhioLINK, increased 2.5% in 2014.

Internally, the University continues its efforts to develop and implement a new resource allocation model that focuses on strategic incentives for revenue growth and review of current academic programs and administrative processes as opposed to an allocation based on simple expense reductions. In addition, the University has been successful in expanding its applied research portfolio, partnering with our neighboring Wright Patterson Air Force Base as well as regional commercial enterprises to help drive and create economic development and jobs in the area. These initiatives have the potential to enhance revenue for the University and should help offset some of the decline in our more traditional revenue sources such as state appropriations. Trends have shown the amount of state appropriations allocated to Wright State University and higher education in general have not kept pace with overall enrollment growth and have in fact been shrinking, requiring the University to rely more on tuition and fees as its primary operating revenue source. In response to this dynamic, the University continues to emphasize the development of alternative revenue sources and reengineering its business model.

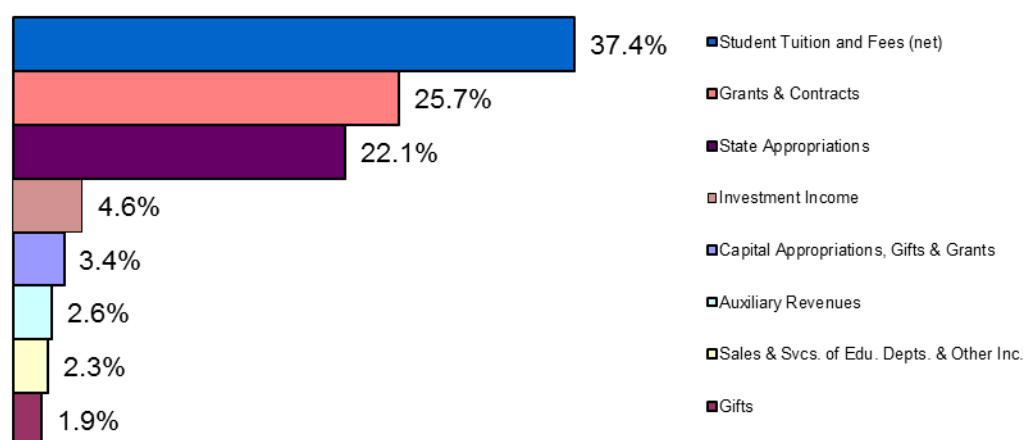
The table below depicts how declining state funding in the past three decades has forced universities to shift the burden for funding the cost of higher education to students and their families.

State Appropriations per Dollar of Gross Tuition

Fiscal Year	Gross Tuition	State Appropriations net of OhioLINK	Net State Appropriations per Dollar of Gross Tuition
1980	\$ 13,833,157	\$ 29,604,813	\$ 2.14
1990	40,939,473	63,889,505	1.56
2001	74,956,371	86,874,854	1.16
2005	121,717,222	84,724,080	0.70
2010	161,383,354	97,498,261	0.60
2014	183,489,135	84,916,078	0.46

The table above communicates a very strong continuing trend that regardless of efforts and intentions on the part of the State, the University must find ways to generate substantial amounts of revenue from sources other than state appropriations if it wishes to lessen the financial burden that has been placed upon students and their families. State funding has not kept up with the growth and increased diversity of higher education. Universities are serving a broader role in the educational process not only providing academic programs but also an array of research, community engagement, job creation and additional activities. This has necessitated placing a greater share of the total costs of education on the students themselves over the years. In an attempt to reverse this trend the University continues to pursue supplements to its revenue sources. Research continues to be a focus, as does a strong emphasis on fundraising. Even though the University has raised its tuition in almost all years when allowed by state law, the University continues to maintain its position in the State with a lower than average level of tuition and fees relative to other Ohio four-year public institutions. This has been the case for at least the past decade. Wright State still ranks as the fourth lowest (out of 13) of the four-year public institutions with respect to undergraduate student tuition rates. It should be noted that two of the three universities with lower tuition receive special state funding for the purpose of subsidizing tuition.

Below is a graphic illustration of revenues by source for the year ended June 30, 2014.



State appropriations decreased from \$88.9 million in 2013 to \$85.1 million in 2014, a decrease of \$3.8 million. OhioLINK appropriations decreased from \$6.1 million in 2013 to \$0.2 million in 2014. When accounting for the change in the OhioLINK funding, state appropriations actually increased \$2.1 million in

2014. The University does not expect any dramatic changes in the level of funding and is optimistic the recent changes in the method of allocation of state appropriations will provide some modest increase in funding in future years. State appropriations were \$89.6 million in 2012, resulting in a \$0.7 million decrease in 2013. After removing the effect of a \$0.4 million decrease in OhioLINK funding in 2013, there was a \$0.3 million decrease.

*Student tuition and fees, net* were \$144.2 million, \$142.5 million, and \$141.9 million, in 2014, 2013, and 2012, respectively which provided an increase of 1.2% from 2013 to 2014 and 0.4% from 2012 to 2013. In 2014, tuition increased 2.2% for all levels and for both campuses. Although net tuition – tuition and fee revenue, net of scholarship allowances (financial aid applied to students' bills) – increased 1.2% in 2014, tuition revenue before the application of scholarship was flat. Tuition revenue was relatively consistent between 2013 and 2014 despite the 2014 2.2% tuition increase because 2013 tuition revenue was magnified by summer term revenue recognized as a result of the conversion from quarters to semesters. In 2013, tuition increased 3.5% for all levels and for both campuses. However, due to a large decrease in student FTE, the gross tuition increase was only 1.6% before applying the scholarship allowance.

*Grants and contracts* were \$99.0 million in 2014, decreasing \$30.0 million from the 2013 level of \$129.0 million. The 2012 level was \$125.6 million. The \$30.0 million decrease resulted primarily from the transition of the OhioLINK program to The Ohio State University and reductions in the volume and amount of federal grants in 2014. The 2013 increase was primarily the result of increases related to OhioLINK and Wright State Applied Research Corporation.

*Sales and services*, which are primarily revenues generated from specific departmental sales activities to organizations external to the University, were \$5.9 million, \$6.4 million, and \$7.4 million, for the years ended June 30, 2014, 2013, and 2012, respectively. The largest portion of these revenues are clinical income and other services generated by the Boonshoft School of Medicine. Other revenue sources include conferences and events; printing and communication services; as well as computing and telecommunications. The \$0.5 million decrease in 2014 was led by a drop in conference and events income.

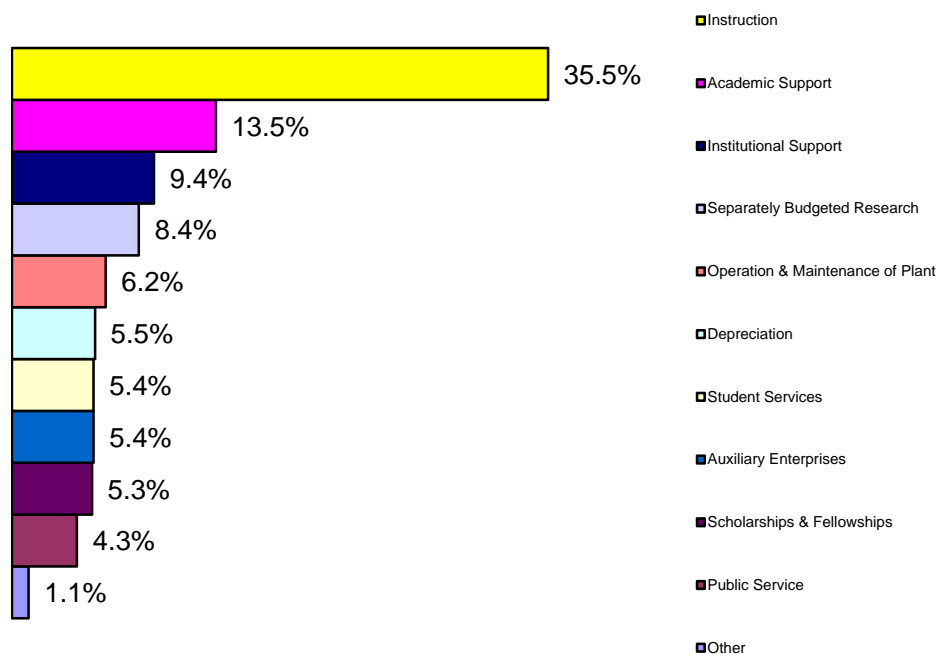
*Auxiliary revenues* were \$9.9 million, \$15.2 million, and \$16.3 million, for the years ended June 30, 2014, 2013, and 2012, respectively. Auxiliary enterprises are comprised of residence services, bookstores, hospitality (food) services, vending, parking and transportation, intercollegiate athletics, the Student Union, and the Nutter Center. During 2014, the University changed vendors and models for hospitality services. Previously food service revenue was recorded as direct sales; and now the University receives commission income from its hospitality service provider. The \$5.3 million decrease in revenues in 2014 occurred largely as a result of the change in the hospitality services model. Although sales revenues were lower, corresponding expenses related to hospitality services were also reduced by a comparable amount in 2014. The 2013 decline was primarily the impact of lower enrollment on hospitality services, residence services, vending and bookstore sales.

*Investment income* was \$17.6 million in 2014 and \$15.8 million in 2013 while an investment loss of \$0.2 million was recorded in 2012. Investment income in 2014 and 2013 exceeded budget by \$9.1 million and \$7.5 million, respectively. The investment markets were strong and the university's investment returns were consistent with performance benchmarks as defined by the university's Investment Policy Statement. While investment returns have been mixed in recent years, the University regularly reviews its investment policy and investigates ways to diversify risk and enhance returns. As a result of these endeavors, during 2012 and 2013 the University diversified its portfolio by placing a small share into private equity, commodity funds, and other diversifying strategies. During 2014, university management embarked on a process to evaluate a different investment model which delegates investment manager decisions to an investment advisor with the expectation the advisor will be able to react to market changes in a timelier manner in order to better capitalize on investment opportunities. The University plans to continue pressing for new opportunities for income generation, especially as the need for new revenue sources intensifies.

*Capital Appropriations, Gifts and Grants* were \$12.9 million in 2014, an increase of \$10.1 million from the \$2.8 million realized in 2013. The primary reasons for the 2014 increase were \$7.5 million State of Ohio capital appropriations for the construction of the NEC Building and a \$2.7 million gift of software for use by students in the classroom. Major gifts received in 2013 included contributions for the Medical Education

Skills Assessment Lab, Nischwitz Stadium baseball FieldTurf®, Schuster Concert Hall renovation, and the Fritz and Delores Russ Engineering Center atrium renovation.

The following is a graphic illustration of expenses by function for the year ended June 30, 2014.



Total operating expenses were \$384.2 million in 2014 as compared to \$414.5 million in 2013 and \$402.3 million in 2012. The \$30.3 million decrease in 2014 represents a 7.3% decrease in operating expenses. The transition of OhioLINK accounts for \$26.1 million of the 2014 decrease. Additionally, the previously mentioned change to hospitality services resulted in a \$5.3 million reduction in operating expenses. Salaries and benefits continue to represent the largest portion of operating costs for the University. Salaries and benefits were 65.9% of total operating expenses in 2014 as compared to 60.5% and 61.0% in 2013 and 2012, respectively. Although salaries and benefits as a percentage of total operating expenses increased due to decreased total operating expenses, the \$2.5 million increase from 2013 to 2014 represented only a 1.0% increase. Relative low wage increases and continued efforts in strategic hiring which critically reviews vacant positions before hiring replacements enabled the University to curtail salaries and benefits expense. During 2014, the University continued expense optimization efforts in the areas of energy conservation, health and wellness initiatives, an enterprise print management solution, and strategic contract management. The increase in operating expenses from 2012 to 2013 was \$12.2 million with \$5.4 million of the increase attributable to salaries and benefits, \$1.4 million related to the return of federal loan funds representing a deliberate decision to reduce participation in the program, and the remaining \$5.4 million attributable to other operating expenses.

## Statements of Cash Flows

The Statement of Cash Flows also provides information about the university's financial health by reporting the cash receipts and cash payments of the University during the year ended June 30, 2014.

A summary of the Statements of Cash Flows is as follows:

	2014	2013	2012
	(All dollar amounts in thousands)		
Cash provided (used) by:			
Operating activities	\$ (123,658)	\$ (145,633)	\$ (121,065)
Noncapital financing activities	118,003	124,389	127,213
Capital and related financing activities	(45,683)	11,280	30,981
Investing activities	73,683	12,364	(44,763)
Net increase (decrease) in cash and cash equivalents	22,345	2,400	(7,634)
Cash and cash equivalents-beginning of year	22,011	19,611	27,245
Cash and cash equivalents-end of year	<u>\$ 44,356</u>	<u>\$ 22,011</u>	<u>\$ 19,611</u>

Total cash and cash equivalents increased \$22.3 million in 2014. Net cash used by operating activities decreased \$22.0 million from 2013. In addition to affecting other areas of the university's financial statements, the OhioLINK transition had a significant impact on the university's cash flows for 2014. This can be seen in lower cash inflows from operating contracts and lower cash outflows in payments to suppliers. Cash inflows from tuition and fees increased \$6.8 million in part due to lower student account receivables. Cash outflows for salaries and benefits fell \$4.1 million. Cash inflows from auxiliary sales fell \$5.4 million largely as a result of the changes in the hospitality services contract. These factors combined with increased cash inflows from sales and services resulting from a decrease in receivables to create the decrease in cash used by operating activities. Cash from noncapital financing activities decreased \$6.4 million primarily as a result of the reduced state appropriations and noncapital grants. While in 2013 capital and related financing activities provided cash inflow of \$11.3 million, in 2014 these activities resulted in a cash outflow of \$45.7 million. This \$57.0 million dollar fluctuation occurred because the University did not issue new debt in 2014 (lowering inflows) and it increased purchases of capital assets (increasing cash outflows). Although a \$1.7 million increase in investment income was recorded from 2013 to 2014, the \$61.3 million increase in net cash provided by investing activities from 2013 to 2014 is predominantly related to transactions involving debt proceeds. In 2013, the University used debt proceeds to purchase investments placed in trust to fund future project spending. In 2014, these investments matured and were converted to cash for reimbursement of project spending either in 2014 or the near future. The \$2.4 million decrease of cash and cash equivalents from 2012 to 2013 was a combination of a decrease in contracts and grants revenue and an increase in operating expenditures which was somewhat offset by new debt agreements net of refundings.

## Capital Assets and Debt

### *Capital Assets*

The University had approximately \$332.9 million invested in capital assets, net of accumulated depreciation of \$282.2 million at June 30, 2014. Capital assets were \$305.0 million, net of accumulated depreciation of \$263.6 million at June 30, 2013. Depreciation expense for the years ended June 30, 2014 and 2013 was \$21.5 million and \$21.4 million, respectively.

A summary of net capital assets for the year ended June 30 is as follows:

	2014	2013	2012
	(All dollar amounts in thousands)		
Land, land improvements and infrastructure	\$ 42,267	\$ 35,916	\$ 32,508
Buildings	223,972	224,384	227,314
Machinery and equipment	20,797	22,335	29,156
Library books and publications	16,545	17,014	17,597
Construction in progress	29,316	5,375	2,915
Total capital assets - net	<u>\$ 332,897</u>	<u>\$ 305,024</u>	<u>\$ 309,490</u>

The university's Dayton campus was affected by a large volume of capital projects – new construction and renovations - during 2014. The second phase of the energy efficiency project continued resulting in \$7.6 million of capitalized land, land improvements, and infrastructure, \$3.6 million of capitalized building improvements (included in buildings above), and \$4.6 million recorded as construction in progress. Construction on the NEC Building and the new classroom building, both of which were started in 2013, continued in 2014 resulting in increases to construction in process of \$14.3 million and \$5.5 million, respectively. Building improvements of \$1.1 million were recorded for completion of the renovations in Student Union for RaiderConnect, the new primary place for students to receive enrollment services. Renovations of \$1.6 million (included in buildings above) were also made in various meal and beverage venues as the University transitioned hospitality services during 2014. Additionally, efforts were initiated on the expansion of the Creative Arts Center and construction of the Woods Commons Building, a space centered on student activities. The University also capitalized \$2.7 million of software donated for student classroom use. Major capital activity in 2013 included \$4.8 million related to land, land improvements, and infrastructure related to replacement of main water lines and the energy conservation project and \$2.7 million of construction in process for the NEC and classroom buildings.

### *Debt*

The University did not enter into any new debt agreements during 2014. Furthermore, the University has no current plans to initiate any new debt in the foreseeable future. Instead, the focus is on completing projects funded by the previous three debt agreements.

In November 2011, the University issued \$55.2 million General Receipts Series 2011A Bonds to fund construction of a new classroom building, replacement of main water lines, renovation of the Student Union, renovation of the Schuster Concert Hall, improvement and addition of the Rinzler Student Sports Complex, construction of the NEC Building, expansion of the Creative Arts Center, replacement of the Nutter Center scoreboard, construction of parking lots and acquisition of a parcel of land adjacent to main campus. All of these projects have been completed except for the construction of the NEC and classroom buildings and the expansion of the Creative Arts Center. As of June 30, 2014 and 2013, \$29.6 million and \$42.2 million, respectively, of bond proceeds and premiums remain unspent and available for funding these projects. Series 2011B bonds, totaling \$1.5 million, were also issued as an advance refunding of \$1.4 million outstanding Series 2003 General Receipts serial and term bonds. The average coupon rate of the Series A bonds is 4.82%, but the effective interest rate is only 4.13%.

In November 2012, the University issued \$23.2 million in General Receipts bonds which were sold at a premium of \$2.1 million. These bonds have an effective interest rate of 2.87% and consist of \$21.4 million serial bonds and a \$1.8 million term bond. Of the total bonds, \$9.0 million were issued to pay the associated bond issuance costs and to finance construction of a student academic success center to be located within a new classroom building, a new multi-functional student commons building, and relocation of a grounds storage facility. As of June 30, 2014 and 2013 unspent bond proceeds and premiums provide a balance of \$9.8 million of funding for these projects. The remaining \$14.2 million Series 2012 bonds were issued as an advance refunding of \$14.4 million outstanding Series 2004 General Receipts serial and term bonds.

The advance refunding resulted in an economic gain to the University of \$1.3 million and a savings of \$1.6 million in debt service payments.

In February 2013, the University entered into a \$25.5 million Loan Agreement with the Ohio Air Quality Development Authority to fund the second phase of an energy conservation project. This debt was issued as a Series A note backed by a \$17.2 million tax exempt revenue bond and a Series B note backed by an \$8.3 million tax exempt revenue bond (QECB). The Series A note carries an interest rate of 1.78% and the Series B note carries an interest rate of 4.16%. The QECB qualifies for a large federal rebate that brings the effective interest rate down to .94%. The weighted average interest rate of the entire \$25.5 million Loan Agreement is 1.51%. Wright State expects to reduce energy consumption by nearly 40 percent through the funded energy efficiency investments that include applying state-of-the-art technology to modernize heating/cooling plants in buildings across its Dayton and Celina campuses. The project promises to save the University over \$35 million over a 15 year period which well exceeds the debt service on the notes. As of June 30, 2014 and 2013, \$4.8 million and \$21.7 million, respectively, is available for funding of this project.

Outstanding debt was \$106.8 million, \$114.4 million, and \$84.4 million at June 30, 2014, 2013, and 2012, respectively. The 2014 balance of \$106.8 million includes \$82.7 million of outstanding bonds, \$24.0 million of outstanding notes, and \$0.1 million of equipment leases. The 2013 balance of \$114.4 million includes \$88.7 million of outstanding bonds, \$25.5 million of outstanding notes and equipment leases of \$0.2 million. The University maintains a debt rating from Moody's Investors Service of A1.

### **Concluding Thoughts**

Wright State concluded its 2008-2013 strategic plan and began its new 2013-2018 strategic plan "Empower" during 2014. While the former strategic plan was considered a success, the new plan has many of the same tenants embedded in it: academic quality, student success and educational attainment, research and innovation, community and economic development, program distinctiveness and development and maintenance of essential resources. This commonality of goals indicates that while the university's basic mission has not changed, it has become more challenging and complex to meet that mission as time passes. One ongoing challenge is the financial burden higher education places upon students and their families. Although the University does everything in its power to contain that cost each year, it becomes increasingly difficult. Students continue to take on mounting amounts of student debt even though tuition increases have been fairly moderate in recent years. The disproportionate share of the total cost of education assumed by students as compared to that borne by the State continues. Although the new funding formula for state subsidy places a greater emphasis on student success by rewarding institutions for successful course and degree completions, the total funding available on a state level remains fairly constant. Nonetheless, the University will continue to help each one of its students succeed both academically and in their professional work lives.

The University continues its efforts to increase enrollment. While overall headcount fell slightly in 2014 from 2013, the mix of enrollment shifted such that revenue did not fall. The enrollment initiatives focused on growing our international and graduate enrollment were highly successful in 2014, allowing the University to enjoy tuition revenue levels equal to that of 2013. Furthermore, the Enrollment Management division has been transformed to drive increasing enrollments in additional segments of the student population such as direct from high school and transfer students.

Another area of focus for the University is research and innovation. Along that front, a growing operation of the University has been the Wright State Research Institute (WSRI). WSRI has been establishing and increasing its portfolio in the past few years and supporting the university's strategic plan in a number of ways. For instance, it is partnering with the Air Force, a local health care organization, and a regional consortium of companies to solve human performance challenges in the areas of neuroscience and medical imaging, intelligence analyst performance, autonomous systems, and other domains. It has worked with other institutions to build an aerospace curriculum that links education and training, research, technology commercialization, and job creation. Lastly, it supported the Wright Scholar Program by providing paid and unpaid internships for high school students conducting summer research with Air Force Lab mentors. These types of activities directly support our mission and are critical to both the students and the community.

The ability to conduct the aforementioned activities has to be financially supportable. The University continues to aggressively address its financial challenges. We continue to undergo expense optimization efforts in an attempt to squeeze as much of the expense budget as possible. The second phase of our energy conservation measures continued in 2014 and are now almost complete. We adopted an enterprise print model which will be more fully adopted in 2015. This includes a shared services model with sister institutions whereby a contracted print operation on Wright State's campus will serve the needs of the University and other regional colleges and universities at a reduced cost. Another shared services implementation will be a salt storage barn on the university's campus which will be operated by the Ohio Department of Transportation (ODOT). The University and two local municipalities will obtain their salt on an as needed basis from ODOT. This provides for more efficiency across the region as well as reduced costs for all organizations involved. The University changed its model for investment advisory services for its investment portfolio in an attempt to take advantage of market opportunities and potentially enhance returns. We continue to work on reforming and improving our health care plans. Each year we work with our third party consultant and with faculty and staff to review trends, costs, market data, plan design, etc. in order to better optimize the plans and to keep them in line with industry trends. Continued monitoring and modifications to plans will be necessary, especially considering all of the current uncertainty and change in the health care marketplace caused by federal reform and its impacts. Lastly, the University will be implementing a new resource allocation model in 2015 to better support our entrepreneurial thinking as we move forward. We can no longer rely upon the traditional methods of performing and conducting business in order to survive and progress as an organization.

While the challenges never cease, the University is committed to moving forward in support of our students and communities. The financial challenges are daunting, but the rewards of our success cannot be measured. It is with this in mind that we continue our efforts.

## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Wright State University (the "University"), a component unit of the State of Ohio, and its discretely presented component unit as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

Our responsibility is to express opinions on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the University and its discretely presented component unit, as of June 30, 2014 and 2013, and the changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A) on pages 2 to 16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The accompanying schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## **Report on Other Legal and Regulatory Requirements**

In accordance with *Government Auditing Standards*, we have also issued our report dated the same date as this report on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 University's internal control over financial reporting and compliance.



Crowe Horwath LLP

Columbus, Ohio  
October 14, 2014

**WRIGHT STATE UNIVERSITY**  
**Statements of Net Position**  
**June 30, 2014 and 2013**

	2014		2013	
	University	Foundation	University	Foundation
Current assets:				
Cash and cash equivalents	\$ 13,925,525	\$ 3,273,096	\$ 14,776,145	\$ 1,236,709
Restricted cash and cash equivalents	30,430,111		7,234,740	
Short-term investments	1,950,428		926,802	
Restricted short-term investments	13,754,172		54,660,852	
Accounts receivable (net of allowance for doubtful accounts of \$1,756,000 in 2014 and \$1,715,000 in 2013 - Note 3)	36,108,940	212,022	35,264,457	200,831
Gifts and pledges receivable (net of allowance for uncollectible pledges of \$800 in 2014 and in 2013)		1,871,225		2,456,761
Loans receivable (net of allowance for doubtful loans of \$3,460,000 in 2014 and \$3,041,000 in 2013)	4,580,948		4,740,916	
Inventories	237,588		342,786	
Prepaid expenses	668,848		12,391,660	
Advanced charges	4,093,334		2,911,187	
Total current assets	105,749,894	5,356,343	133,249,545	3,894,301
Noncurrent assets:				
Restricted investments			11,718,652	
Gifts and pledges receivable (net of allowance for uncollectible pledges of \$66,500 in 2014 and \$55,100 in 2013)		5,895,175		4,637,839
Loans receivable (net of allowance for doubtful loans of \$115,000 in 2014 and \$122,000 in 2013)	11,408,770		12,038,922	
Other assets	136,000	641,594	545,518	510,296
Other long-term investments	120,190,660	120,150,869	124,626,307	109,359,096
Capital assets, net (Note 4)	332,897,094	2,674,455	305,023,880	1,482,267
Total noncurrent assets	464,632,524	129,362,093	453,953,279	115,989,498
Total assets	570,382,418	134,718,436	587,202,824	119,883,799
Deferred outflows of resources	442,608		472,115	
<b>Total assets and deferred outflows of resources</b>	<b>\$ 570,825,026</b>	<b>\$ 134,718,436</b>	<b>\$ 587,674,939</b>	<b>\$ 119,883,799</b>
Current liabilities:				
Accounts payable trade and other	\$ 16,931,396	\$ 274,824	\$ 13,177,434	\$ 293,396
Accounts payable to Wright State University		1,115,440		791,698
Accrued liabilities	14,220,340		13,475,796	
Unearned revenue (Note 1)	23,903,594		35,412,568	
Refunds and other liabilities	740,393	1,997,880	967,957	1,912,842
Current portion of long-term liabilities (Note 5)	12,837,028	1,021,108	13,634,573	817,008
Total current liabilities	68,632,751	4,409,252	76,668,328	3,814,944
Noncurrent liabilities:				
Unearned revenue (Note 1)	1,691,915			
Long-term liabilities (Note 5)	110,532,140	329,792	117,767,469	113,892
Total noncurrent liabilities	112,224,055	329,792	117,767,469	113,892
<b>Total liabilities</b>	<b>180,856,806</b>	<b>4,739,044</b>	<b>194,435,797</b>	<b>3,928,836</b>
Net Position:				
Net investment in capital	270,843,590	1,674,455	265,312,477	
Restricted - nonexpendable:				
Instruction and departmental research		13,994,302		13,943,786
Separately budgeted research		8,344,144		6,431,585
Public service		194,567		185,696
Academic support		696,840		622,618
Student services		125,855		87,371
Operation and maintenance of plant		1,247,294		528,736
Scholarships and fellowships		16,598,338		15,682,537
Auxiliaries		259,988		259,835
Restricted - expendable:				
Instruction and departmental research	8,054	26,768,604	8,040	24,092,242
Separately budgeted research		4,159,243		3,335,719
Public service		740,506		564,104
Academic support		15,246,663		14,068,649
Student services		341,904		295,601
Institutional support		7,754,591		6,908,858
Operation and maintenance of plant		1,196,143		1,212,700
Scholarships and fellowships		22,785,041		20,179,228
Loans	17,342,965		17,739,142	
Auxiliaries		207,133		191,308
Unrestricted	101,773,611	7,643,781	110,179,483	7,364,390
Total net position	389,968,220	129,979,392	393,239,142	115,954,963
<b>Total liabilities and net position</b>	<b>\$ 570,825,026</b>	<b>\$ 134,718,436</b>	<b>\$ 587,674,939</b>	<b>\$ 119,883,799</b>

See Accompanying Notes to Financial Statements

**WRIGHT STATE UNIVERSITY**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**For the Years Ended June 30, 2014 and 2013**

	<b>2014</b>		<b>2013</b>	
	<u>University</u>	<u>Foundation</u>	<u>University</u>	<u>Foundation</u>
<b>OPERATING REVENUES</b>				
Student tuition and fees (net of scholarship allowances of \$39,258,000 in 2014 and \$40,992,000 in 2013)	\$ 144,231,135	\$	\$ 142,513,881	\$
Federal grants and contracts	29,312,603		35,607,915	
State grants and contracts	6,249,209		7,049,094	
Local grants and contracts	347,075		316,421	
Nongovernmental grants and contracts	37,006,335		56,166,131	
Sales and services	5,883,282		6,387,417	
Auxiliary enterprises sales (net of scholarship allowances of \$1,958,000 in 2014 and \$1,961,000 in 2013)	9,914,712		15,165,271	
Gifts and contributions		9,487,402		7,288,695
Other operating revenues	2,939,971		2,414,955	
<b>Total operating revenues</b>	<b>235,884,322</b>	<b>9,487,402</b>	<b>265,621,085</b>	<b>7,288,695</b>
<b>OPERATING EXPENSES</b>				
Educational and general:				
Instruction and departmental research	138,327,312		137,825,680	
Separately budgeted research	32,452,899		32,378,563	
Public service	16,547,495		16,340,922	
Academic support	52,294,198		80,811,381	
Student services	21,018,558		19,278,178	
Institutional support	36,341,106	678,448	33,916,434	190,931
Operation and maintenance of plant	23,953,747		23,836,186	
Scholarships and fellowships	20,714,859		22,301,170	
Total educational and general	341,650,174	678,448	366,688,514	190,931
Auxiliary enterprises	21,052,874		26,363,074	
Depreciation	21,479,211	67,842	21,421,353	9,399
<b>Total operating expenses</b>	<b>384,182,259</b>	<b>746,290</b>	<b>414,472,941</b>	<b>200,330</b>
<b>Operating income/(loss)</b>	<b>(148,297,937)</b>	<b>8,741,112</b>	<b>(148,851,856)</b>	<b>7,088,365</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>				
State appropriations	85,147,583		88,941,387	
Federal grants	22,701,440		26,519,530	
State grants	3,419,479		3,377,969	
Gifts	7,351,158		6,687,203	
Investment income (net of investment expenses of \$201,000 in 2014 and \$131,000 in 2013 for WSU and \$702,031 in 2014 and \$590,377 in 2013 for Foundation)	17,550,178	13,311,050	15,781,049	9,864,737
Interest on capital asset-related debt	(3,401,986)		(3,723,349)	
Payments to Wright State University		(8,027,733)		(8,014,047)
Other nonoperating (expenses)	(690,272)		(423,714)	
<b>Net nonoperating revenues</b>	<b>132,077,580</b>	<b>5,283,317</b>	<b>137,160,075</b>	<b>1,850,690</b>
<b>Gain/(loss) before other revenues, expenses, gains or losses</b>	<b>(16,220,357)</b>	<b>14,024,429</b>	<b>(11,691,781)</b>	<b>8,939,055</b>
Capital appropriations from the State of Ohio	8,319,099		820,855	
Capital grants and gifts	4,630,336		1,985,914	
<b>Increase/(decrease) in net position</b>	<b>(3,270,922)</b>	<b>14,024,429</b>	<b>(8,885,012)</b>	<b>8,939,055</b>
<b>NET POSITION</b>				
Net position - beginning of year, as restated	393,239,142	115,954,963	402,124,154	107,015,908
<b>Net position - end of year</b>	<b>\$ 389,968,220</b>	<b>\$ 129,979,392</b>	<b>\$ 393,239,142</b>	<b>\$ 115,954,963</b>

See Accompanying Notes to Financial Statements

**WRIGHT STATE UNIVERSITY**  
**Statements of Cash Flows**  
**For the Years Ended June 30, 2014 and 2013**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u>2014</u>	<u>2013</u>
Student tuition and fees	\$ 148,263,785	\$ 141,399,754
Federal, state, local, and nongovernmental grants and contracts	59,416,286	87,993,189
Sales and services of educational and other departmental activities	8,117,770	3,046,007
Payments to employees	(195,714,612)	(201,159,361)
Payments for benefits	(57,395,869)	(56,043,580)
Payments to suppliers	(75,217,329)	(115,585,230)
Payments for scholarships and fellowships	(22,107,393)	(20,782,640)
Student loans issued	(2,671,127)	(3,234,138)
Student loans collected	3,461,247	3,225,406
Student loan interest and fees collected	442,575	403,097
Auxiliary enterprise sales	9,746,545	15,104,185
	<hr/>	<hr/>
<b>Net cash (used) by operating activities</b>	<b>(123,658,122)</b>	<b>(145,633,311)</b>
 <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State appropriations	85,147,583	88,941,387
Direct lending receipts	103,882,964	113,693,772
Direct lending disbursements	(103,943,229)	(115,085,894)
Grants for noncapital purposes	26,120,919	29,897,499
Gifts	6,794,560	6,941,956
	<hr/>	<hr/>
<b>Net cash provided by noncapital financing activities</b>	<b>118,002,797</b>	<b>124,388,720</b>
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital appropriations from the State of Ohio	3,473,531	1,050,912
Capital grants and gifts received	1,872,911	1,985,914
Purchases of capital assets	(40,361,545)	(17,368,444)
Sales of capital assets	12,937	93,268
Proceeds from capital debt		34,974,393
Principal paid on capital debt and leases	(7,274,926)	(5,647,492)
Interest paid on capital debt and leases	(3,759,934)	(3,976,587)
Bond interest subsidy	354,544	167,909
	<hr/>	<hr/>
<b>Net cash (used)/provided by capital and related financing activities</b>	<b>(45,682,482)</b>	<b>11,279,873</b>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales and maturities of investments	105,072,232	90,107,367
Interest on investments	11,940,513	10,824,671
Purchase of investments	(43,330,187)	(88,567,460)
	<hr/>	<hr/>
<b>Net cash provided by investing activities</b>	<b>73,682,558</b>	<b>12,364,578</b>
 <b>Net Increase in Cash and Cash Equivalents</b>	<b>22,344,751</b>	<b>2,399,860</b>
 Cash and Cash Equivalents - Beginning of Year	<hr/> 22,010,885	<hr/> 19,611,025
 <b>Cash and Cash Equivalents - End of Year</b>	<hr/> <b>\$ 44,355,636</b>	<hr/> <b>\$ 22,010,885</b>

See Accompanying Notes to Financial Statements

**WRIGHT STATE UNIVERSITY**  
**Statements of Cash Flows**  
**For the Years Ended June 30, 2014 and 2013**

**Reconciliation of operating (loss) to  
net cash (used) by operating activities:**

	<u>2014</u>	<u>2013</u>
Operating loss	\$ (148,297,937)	\$ (148,851,856)
Depreciation and amortization	21,297,229	21,421,353
Provision for doubtful accounts	1,095,172	1,066,793
Provision for doubtful loans	535,556	535,556
Other	353,660	
Changes in assets and liabilities:		
Accounts receivable	3,426,506	(13,026,881)
Inventory	105,198	96,060
Prepaid expenses	11,749,657	1,433,202
Advanced charges	(1,182,147)	1,863,176
Other assets	409,518	(394,143)
Accounts payable	(1,801,615)	263,197
Accrued liabilities	744,544	(6,413,332)
Unearned revenue	(11,720,463)	(3,534,939)
Compensated absences	(400,000)	200,000
Refunds and other liabilities	(227,564)	252,791
Loans to students and employees	254,564	(544,288)
<b>Net cash (used) by operating activities</b>	<b>\$ <u>(123,658,122)</u></b>	<b>\$ <u>(145,633,311)</u></b>

**Noncash Transactions:**

Bond Defeasance	\$	15,430,055
Donated Capital Assets	<u>4,872,318</u>	
<b>Total Noncash Transactions</b>	<b>\$ <u>4,872,318</u></b>	<b>\$ <u>15,430,055</u></b>

See Accompanying Notes to Financial Statements

# WRIGHT STATE UNIVERSITY

## Notes to Financial Statements

Year Ended June 30, 2014 and 2013

### (1) **Organization and Summary of Significant Accounting Policies**

#### Organization and Basis of Presentation

Wright State University (the University) is a state-assisted institution of higher education created in 1967. The University has an enrollment of approximately 18,000 undergraduate, graduate, and professional students on its two campuses. The financial statements include the university's eight colleges, three schools, and other individual departments. The university's Board of Trustees approves policies and procedures by which the University is governed.

The University is a political subdivision of the State of Ohio and accordingly, its financial statements are discretely presented in the State of Ohio's Comprehensive Annual Financial Report in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, and amended by GASB Statement Nos. 39 and 61. These statements provide additional guidance to determine whether certain organizations for which the University is not financially accountable should be reported as a component unit of the University based upon the nature and significance of their relationship to the University. Although the Wright State University Foundation (the Foundation) is a legally separate, tax-exempt entity, it has been determined that it does meet the criteria for discrete presentation within the university's financial statements. The Foundation is the primary fund-raising organization for the University and contributions to the Foundation are primarily restricted to the activities of the University. These contributions are relied upon for the on-going operations of the University. No other affiliated organization, such as the Alumni Association, meets the requirements for inclusion in the university's financial statements. Complete financial statements for the Foundation can be obtained by sending a request to the Wright State University Foundation Bldg., 3640 Colonel Glenn Highway, Dayton, OH 45435.

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

#### Summary of Significant Accounting Policies:

##### *Basis of Accounting*

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

##### *Financial Statements*

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

Wright State University

Notes to Financial Statements  
(Continued)

*New Accounting Standards Adopted*

In fiscal year 2014, the University adopted new accounting standard GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, issued March 2012. The provisions of this Statement are effective for periods beginning after December 15, 2012. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. In addition, the new reporting standards recognize certain items that were previously reported as assets and liabilities, as outflows of resources (expenses) or inflows of resources (revenues).

The principal effect to the University of the adoption of GASB No. 65 resulted in the expensing of debt issuance costs. The University has reflected this accounting change retroactively as required by the standard. The effect of this change on unrestricted net position of the University is as follows:

	<u>2013</u>
Net position - beginning of year, as originally reported	\$ 402,549,956
Effect of adoption of GASB 65	<u>(425,802)</u>
Net position - beginning of year, as restated	<u>\$ 402,124,154</u>

The effect of this change on the 2013 Statement of Changes in Revenue, Expenses and Net Position was an increase of \$374,693 in other nonoperating expense and a corresponding decrease in the 2013 change in net position.

In addition, the University has reclassified the deferred losses on debt refunding of \$472,115 at June 30, 2013 from advanced charges and other assets to a deferred outflow of resources as required by GASB No. 65 with a corresponding reclassification of net position from restricted debt service to net investment in capital.

*Net position*

Net Position in Capital is classified as follows:

- Net investment in capital assets comprises total investment in capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets or related debt.
- Restricted net position consists of restricted assets reduced by liabilities and deferred inflow of resources related to those assets.
  - Nonexpendable restricted net position is comprised primarily of gifts which are subject to external restrictions requiring that the principal be invested in perpetuity and that only the cumulative earnings be utilized.
  - Expendable restricted net position represents resources in which the University is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties such as guarantors.
- Unrestricted net position represents the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital or the restricted component of net position. These net assets are not subject to external restrictions. Management or the Board of Trustees designates most of the unrestricted net assets for specific purposes in research, academic, capital acquisition, or other initiatives.

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

## Wright State University

### Notes to Financial Statements (Continued)

#### *Recent Accounting Pronouncement*

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions* – an amendment of GASB Statement No. 27. This statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* as it relates to pension accounting and reporting for the University. The provisions of this statement are effective for financial statements for fiscal years beginning after June 15, 2014.

Management is in the process of determining the effect this statement will have on the university's financial statements. Although the details of the effect are not yet determined, the impact on the university's financial statements is anticipated to be significant.

#### *Cash and Cash Equivalents*

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

#### *Investments*

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

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

Alternative investments are carried at estimated fair value provided by the fund's management. Alternative investments are generally less liquid than publically traded securities and include private equity, investments in real assets, and other strategies. These alternative investments are intended to reduce market risk, credit risk and interest rate risk. The University believes the carrying amounts of these holdings are reasonable estimates of the fair values as of year-end. Because these investments are not readily marketable, the estimated value is subject to uncertainty, and therefore, may differ from the value that would have been used had a ready market for the investment existed. Such difference could be material.

#### *Inventories*

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

#### *Capital Assets and Collections*

Capital assets include land, land improvements, infrastructure, buildings, machinery, equipment, software, library books, publications and construction in progress. They are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. Building renovations that materially increase the value or extend the useful life of the structure are also capitalized. Normal repairs and maintenance are expensed in the year in which the expenses are incurred. The threshold for capitalizing movable equipment with an estimated useful life of more than one year is \$5,000. Using the straight-line method, capital assets are depreciated over their

## Wright State University

### Notes to Financial Statements (Continued)

estimated useful lives; generally, 40 years for buildings, 30 years for land improvements and infrastructure, 15 years for library books and publications, and 5 to 10 years for machinery and equipment. The University does not capitalize works of art or historical treasures that are held for exhibition, education, research, and public service. These collections are not encumbered or sold for financial gain. Consequently, such collections are not recognized in the financial statements.

#### *Compensated Absences*

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

#### *Unearned Revenue*

Unearned revenue consists primarily of the amounts received in advance from grant and contract sponsors that have not yet been earned under the terms of the agreement and amounts received in advance for tuition and fees not yet earned. These amounts were \$8.2 million and \$14.4 million, respectively, for the year ended June 30, 2014 and \$19.8 million and \$14.8 million, respectively, for the year ended June 30, 2013.

#### *Deferred Outflows and Inflows of Resources*

Deferred outflows represent the consumption of resources that are applicable to a future reporting period, but do not require any further exchange of goods or services. Deferred outflows of resources in the University's financial statements consist of the unamortized deferred refunding balance.

#### *Revenues and Expenses*

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

#### *OhioLINK*

Wright State University had served as the fiscal agent for the statewide library program known as OhioLINK for over two decades. As a result of actions taken by the State of Ohio to streamline operations and improve efficiency, OhioLINK was consolidated into the Ohio Technology Consortium (OH-TEC) during the year ended June 30, 2014. The Ohio State University was named the new fiscal agent for OhioLINK. All of OhioLINK's assets, liabilities, revenues and expenses for fiscal year ended June 30, 2013 are included in the university's financial statements. However, as a result of the transition, only a portion of OhioLINK's revenues and expenses and none of its assets or liabilities for fiscal year ended June 30, 2014 are included in the university's financial statements. As a result of this transition, the university's revenues and expenses as well as assets and liabilities declined in 2014.

# Wright State University

## Notes to Financial Statements (Continued)

The areas of substantial impact on the university's Statement of Net Position as of June 30<sup>th</sup> are as follows:

	<u>2014</u>	<u>2013</u>
Current assets:		
Cash and cash equivalents	\$	\$ 2,302,838
Prepaid expenses		11,624,583
Total	\$ <u><u>                    </u></u>	\$ <u><u>13,927,421</u></u>
Current liabilities:		
Unearned revenue	\$ <u><u>                    </u></u>	\$ <u><u>13,360,755</u></u>

OhioLINK's impact on the university's Statement of Revenues, Expenses and Changes in Net Position for fiscal years ended June 30 is as follows:

	<u>2014</u>	<u>2013</u>
Revenues:		
Nongovernmental grants and contracts	\$ 11,700,414	\$ 31,987,124
State appropriations	231,505	6,086,889
Total	\$ <u><u>11,931,919</u></u>	\$ <u><u>38,074,013</u></u>
Expenses:		
Academic support	\$ <u><u>11,931,919</u></u>	\$ <u><u>38,074,013</u></u>

### *Scholarship Allowances*

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

### *Income Taxes*

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

### *Estimates*

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

Wright State University

Notes to Financial Statements  
(Continued)

(2) **Cash, Cash Equivalents and Investments**

The classification of cash, cash equivalents and investments in the financial statements is based on criteria set forth in GASB Statement No. 9. Cash equivalents are defined to include investments with original maturities of three months or less. Consistent with this definition, university funds on deposit in the State Treasury Asset Reserve of Ohio are classified as cash equivalents in the statements of net position. However, for GASB Statement No. 3 disclosure purposes (see below), the funds in the State Treasury Asset Reserve of Ohio are classified as investments.

**Deposits**

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

As of June 30, 2014 and 2013, the university's bank balances are \$48,160,756 and \$24,318,877, respectively. Of these balances, \$45,818,924 and \$20,534,845, respectively, are uninsured with collateral held by pledging banks not in the university's name.

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

	<u>2014</u>	<u>2013</u>
Petty cash	\$ 48,181	\$ 41,636
Demand deposits	43,396,269	19,541,179
Money market funds	<u>769,988</u>	<u>2,287,242</u>
Total	<u>\$ 44,214,438</u>	<u>\$ 21,870,057</u>

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

**Investments**

The university's investment policy provides for the prudent investment of the university's assets in a manner which will meet three main objectives: safety, liquidity and return on investment. The investment policy parallels state law which requires an amount equal to at least twenty five percent of the university's investment portfolio be invested in securities of the United States government or one of its agencies or instrumentalities, the treasurer of the State of Ohio's pooled investment program, obligations of the State of Ohio, or any political subdivision of the State of Ohio, certificates of deposit of any national bank located in the State of Ohio, written repurchase agreements with any eligible Ohio financial institution that is a member of the federal reserve system or federal home loan bank, money market funds or bankers' acceptances maturing in two hundred seventy days or less which are eligible for purchase by the federal reserve system.

Wright State University

Notes to Financial Statements  
(Continued)

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

Description	Fair Value	
	2014	2013
U.S. Treasury securities	\$ 3,270,857	\$ 4,984,713
U.S. Agency securities	15,181,452	59,923,465
Stock and traded securities	717,447	618,405
Corporate bonds and notes	5,483,742	5,161,567
State Treasury Asset Reserve of Ohio	141,198	140,828
Private equity and Limited Partnerships	15,059,286	12,645,363
Equity funds	62,418,850	71,278,094
Bond funds	31,209,264	28,480,344
Negotiable Certificates of Deposit	2,551,162	8,837,462
Other	3,200	3,200
Total	<u>\$ 136,036,458</u>	<u>\$ 192,073,441</u>

The various investments in stocks, securities, mutual funds and other investments are exposed to a variety of uncertainties, including interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is possible that changes in the values of these investments could occur in the near term. Such changes could materially affect the amounts reported in the financial statements of the University. In June 2012, the University entered into a commitment with a private equity fund for \$5,000,000. As of June 30, 2014 and 2013, the University has an outstanding commitment of \$3,050,000 and \$4,000,000, respectively.

*Interest Rate Risk*

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

Wright State University

Notes to Financial Statements  
(Continued)

The maturities of university investments at June 30 are as follows:

Investment Type	2014 Investment Maturities (in years)				
	Fair Value	Less Than 1	1-5	6-10	More Than 10
U.S. Treasury securities	\$ 3,270,857	\$ 416,400	\$ 2,854,457	\$	\$
U.S. Agency securities	15,181,452	11,203,159	2,601,079	1,104,387	272,827
Corporate bonds and notes	5,483,742	208,903	4,672,933	137,949	463,957
Bond funds	31,209,264	1,324,975	16,170,157	13,714,132	
Negotiable Certificates of Deposit	2,551,162	2,551,162			
Total	<u>\$ 57,696,477</u>	<u>\$ 15,704,599</u>	<u>\$ 26,298,626</u>	<u>\$ 14,956,468</u>	<u>\$ 736,784</u>

Investment Type	2013 Investment Maturities (in years)				
	Fair Value	Less Than 1	1-5	6-10	More Than 10
U.S. Treasury securities	\$ 4,984,713	\$ 2,132,155	\$ 2,852,558	\$	\$
U.S. Agency securities	59,923,465	46,370,757	12,224,495	1,110,178	218,035
Corporate bonds and notes	5,161,567	96,942	4,529,647	33,030	501,948
Bond funds	28,480,344	698,885	13,035,828	14,745,631	
Negotiable Certificates of Deposit	8,837,462	6,288,915	2,548,547		
Total	<u>\$ 107,387,551</u>	<u>\$ 55,587,654</u>	<u>\$ 35,191,075</u>	<u>\$ 15,888,839</u>	<u>\$ 719,983</u>

The University invests in mortgage pass-through securities issued by FNMA, GNMA, FHLMC and commercial banking organizations which are included above in the amounts listed as U.S. Agency securities and Corporate bonds and notes. Prepayment options embedded in these securities cause them to be highly sensitive to interest rate changes. Generally when interest rates fall, more mortgages are prepaid. This eliminates the interest income that would have been received under the original amortization schedule. As of June 30, 2014 and 2013, the total value of mortgage pass-through securities is \$2,371,908 and \$1,799,068, respectively.

*Credit Risk*

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligation. The university's investment policy limits exposure to credit risk by limiting purchases of fixed income securities to no lower than AA for the Cash Pool accounts and no lower than BBB for the Liquidity Pool accounts. At least fifty percent of the Cash Pool must be invested in U.S. Treasuries or Agencies. In addition, maximum exposure to high yield bonds cannot exceed fifteen percent of a Diversified Investment Pool Fixed Income account. All Commercial Paper must have a minimum rating of A1/P1.

Wright State University

Notes to Financial Statements  
(Continued)

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

Investment Type	Total	2014 Credit Ratings		A	BBB/Baa	Not Rated
		AAA/Aaa	AA/Aa			
U.S. Treasury securities	\$ 3,270,857	\$	\$ 3,270,857	\$	\$	\$
U.S. Agency securities	15,181,452		15,181,452			
Corporate Bonds and notes	5,483,742	1,487,134	1,045,308	1,695,878	1,255,422	
State Treasury Asset Reserve (STAROhio)	141,198	141,198				
Bond funds	31,209,264		11,143,771	17,034,507	3,030,986	
Negotiable Certificates of Deposit	2,551,162					2,551,162
Total	\$ 57,837,675	\$ 1,628,332	\$ 30,641,388	\$ 18,730,385	\$ 4,286,408	\$ 2,551,162

Investment Type	Total	2013 Credit Ratings		A	BBB/Baa	Not Rated
		AAA/Aaa	AA/Aa			
U.S. Treasury securities	\$ 4,984,713	\$	\$ 4,984,713	\$	\$	\$
U.S. Agency securities	59,923,465		59,923,465			
Corporate Bonds and notes	5,161,567	1,255,192	1,023,299	1,991,301	891,775	
State Treasury Asset Reserve (STAROhio)	140,828	140,828				
Bond funds	28,480,344		17,322,981	3,141,031	8,016,332	
Negotiable Certificates of Deposit	8,837,462					8,837,462
Total	\$ 107,528,379	\$ 1,396,020	\$ 83,254,458	\$ 5,132,332	\$ 8,908,107	\$ 8,837,462

The University invests in Government National Mortgage Association (GNMA), or Ginnie Mae, securities which are included above in the amounts listed as U.S. Agency Securities. Ginnie Mae is a wholly-owned government corporation. As such, securities issued by Ginnie Mae are explicitly guaranteed by the U.S. government. As of June 30, 2014 and 2013, the University holds GNMA securities with a total value of \$219,820 and \$39,147, respectively.

As of June 30, 2014 and June 30, 2013, the University holds \$2,551,162 and \$8,837,462, respectively, in Negotiable Certificates of Deposits. These certificates are held in the project trust account for the Series 2012 Bonds. Although the certificates are not rated, each certificate is issued by a member of the Federal Deposit Insurance Corporation and is held in an amount covered by this insurance.

*Custodial Credit Risk*

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the University will not be able to recover the value of its investments or collateral securities in the possession of an outside party. As of June 30, 2014 and 2013, \$26,487,213 and \$78,907,207, respectively, is held by the investment's counterparty, not in the name of the University, but internally designated as held for the University. As of June 30, 2014 and 2013, \$13,754,172 and

Wright State University

Notes to Financial Statements  
(Continued)

\$66,379,504, respectively, of the investments held by the counterparty are held in trust accounts for the proceeds related to the Series 2011 and 2012 Bond Funds and the 2013 Notes Payable.

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

*Concentration of Credit Risk*

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

As of June 30, 2014 and 2013, six percent (\$8,635,976) and sixteen percent (\$30,290,011), respectively, of the university's portfolio is held in various Federal Home Loan Bank securities. Of these securities, \$8,575,777 are restricted and held in debt related project funds as of June 30, 2014, as compared to \$30,230,841 held in project funds as of June 30, 2013. As of June 30, 2014, less than five percent of the university's portfolio was held in Federal Home Loan Mortgage Corp. securities; however as of June 30, 2013, eleven percent (\$21,021,896) of the university's portfolio was held in various Federal Home Loan Mortgage Corp. securities. Of these securities, \$19,643,074 were restricted and held in debt related project funds as of June 30, 2013.

*Foreign Currency Risk*

Foreign currency risk relates to the possible adverse effects changes in exchange rates can have on the fair value of investments. According to the university's investment policy, international managers are expected to maintain an appropriate diversification with respect to currency and country exposure. All other managers are not permitted to invest in non-dollar denominated securities. As of June 30, 2014 and 2013, the university's exposure to foreign currency is limited to its investment in international mutual funds of \$28,460,762 and \$25,621,664, respectively.

*Unspent Debt Proceeds*

The university's unspent debt proceeds at June 30 are as follows:

Debt	Date Issued	Amount Issued	Amount Unspent	
			2014	2013
Series 2011A	November 2011	\$ 55,240,000	\$ 29,590,177	\$ 42,176,593
Series 2012	November 2012	23,195,000	9,806,527	9,771,262
2013 Notes				
Series A & B	February 2013	25,000,000	4,787,579	21,666,389
Total		\$ 103,435,000	\$ 44,184,283	\$ 73,614,244

The unspent proceeds are held in Project Fund trust accounts as provided for in the bond resolutions approved by the Board of Trustees. The bond resolutions also require the bond proceeds to be held by a bank or trust company which is a member of the Federal Deposit Insurance Corporation. The Bank of New York Mellon acts as the trustee of the bond project funds for the Series 2011 and 2012. The Huntington National Bank acts as the trustee of the project fund for Notes A and B. As of June 30, 2014 and 2013, \$30,430,111 and \$7,234,740, respectively, of the unspent debt related proceeds are classified as restricted cash and cash equivalents in the

Wright State University

Notes to Financial Statements  
(Continued)

statements of net position. The remaining unspent proceeds are classified as restricted short-term and restricted noncurrent investments in the statements of net position.

For disclosure purposes the trust account balances as of June 30 are classified as follows:

	Year Ended June 30	
	2014	2013
Carry amount of deposits:		
Demand deposits	\$ 29,912,975	\$ 5,666,831
Money market funds	517,136	1,567,909
Total deposits	30,430,111	7,234,740
Fair value of investments:		
U.S. Treasury securities		2,001,180
U.S. Agency securities	11,203,010	55,540,862
Negotiable Certificates of Deposit	2,551,162	8,837,462
Total investments	13,754,172	66,379,504
Total unspent bond proceeds	\$ 44,184,283	\$ 73,614,244

Investment Income

The composition of investment income is as follows:

	Year Ended June 30	
	2014	2013
Net interest and dividend income	\$ 1,750,435	\$ 2,963,093
Realized gains on sales	10,095,051	7,834,744
Unrealized gains in fair value	5,704,692	4,983,212
Total	\$ 17,550,178	\$ 15,781,049

**(3) Accounts Receivable**

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

	2014	2013
Sponsor receivables	\$ 17,797,792	\$ 15,828,636
Student and student-related accounts	10,707,587	14,830,699
Wright State University Foundation	1,348,295	791,698
Interest receivable	154,537	249,563
State appropriations	4,855,876	
Other, primarily departmental sales and services	3,000,853	5,278,861
Total	37,864,940	36,979,457
Less: Allowance for doubtful accounts	1,756,000	1,715,000
Net accounts receivable	\$ 36,108,940	\$ 35,264,457

Wright State University  
Notes to Financial Statements  
(Continued)

**(4) Capital Assets**

Capital assets activity for the years ended June 30, 2014 and 2013 is summarized as follows:

	Balance 7/1/2013	Additions	Retirements	Balance 6/30/2014
Land	\$ 4,051,702	\$	\$	\$ 4,051,702
Land improvements and infrastructure	48,414,106	7,937,203		56,351,309
Buildings	379,889,475	8,647,752		388,537,227
Machinery and equipment	78,573,327	7,222,374	(2,785,162)	83,010,539
Library books and publications	52,314,748	1,831,523	(312,817)	53,833,454
Construction in progress	<u>5,375,753</u>	<u>24,768,840</u>	<u>(828,999)</u>	<u>29,315,594</u>
Total	568,619,111	50,407,692	(3,926,978)	615,099,825
Less accumulated depreciation:				
Land improvements and infrastructure	16,549,636	1,586,043		18,135,679
Buildings	155,505,772	9,059,677		164,565,449
Machinery and equipment	56,238,699	8,533,325	(2,558,894)	62,213,130
Library books and publications	<u>35,301,124</u>	<u>2,300,166</u>	<u>(312,817)</u>	<u>37,288,473</u>
Total accumulated depreciation	<u>263,595,231</u>	<u>21,479,211</u>	<u>(2,871,711)</u>	<u>282,202,731</u>
Capital assets, net	<u>\$ 305,023,880</u>	<u>\$ 28,928,481</u>	<u>\$ (1,055,267)</u>	<u>\$ 332,897,094</u>

Wright State University

Notes to Financial Statements  
(Continued)

	Balance 7/1/2012	Additions	Retirements	Balance 6/30/2013
Land	\$ 4,051,702	\$	\$	\$ 4,051,702
Land improvements and infrastructure	43,591,227	4,822,879		48,414,106
Buildings	373,835,969	6,053,506		379,889,475
Machinery and equipment	78,832,775	2,160,026	(2,419,474)	78,573,327
Library books and publications	50,670,134	1,749,155	(104,541)	52,314,748
Construction in progress	<u>2,915,251</u>	<u>2,460,502</u>		<u>5,375,753</u>
Total	553,897,058	17,246,068	(2,524,015)	568,619,111
Less accumulated depreciation:				
Land improvements and infrastructure	15,134,678	1,414,958		16,549,636
Buildings	146,521,699	8,984,073		155,505,772
Machinery and equipment	49,677,009	8,690,310	(2,128,620)	56,238,699
Library books and publications	<u>33,073,653</u>	<u>2,332,012</u>	<u>(104,541)</u>	<u>35,301,124</u>
Total accumulated depreciation	<u>244,407,039</u>	<u>21,421,353</u>	<u>(2,233,161)</u>	<u>263,595,231</u>
Capital assets, net	<u>\$ 309,490,019</u>	<u>\$ (4,175,285)</u>	<u>\$ (290,854)</u>	<u>\$ 305,023,880</u>

Wright State University

Notes to Financial Statements  
(Continued)

**(5) Long-Term Liabilities**

Long-term liabilities consist of bonds payable, notes payable, equipment lease purchase obligations, and compensated absences. Activity for long-term liabilities for the years ended June 30, 2014 and 2013 is summarized as follows:

	Beginning Balance 07/01/2013	Additions	Reductions	Ending Balance 06/30/2014	Current Portion
Bonds, notes and equipment lease purchase obligations:					
General obligation bonds	\$ 88,719,926	\$	\$ 6,017,948	\$ 82,701,978	\$ 5,254,707
Notes payable	25,500,000		1,505,505	23,994,495	1,532,303
Equipment leases	182,116		109,421	72,695	50,018
Total bonds, notes and equipment leases	114,402,042		7,632,874	106,769,168	6,837,028
Other liabilities:					
Compensated absences	17,000,000	4,468,055	4,868,055	16,600,000	6,000,000
Total other liabilities	17,000,000	4,468,055	4,868,055	16,600,000	6,000,000
Total long-term liabilities	<u>\$ 131,402,042</u>	<u>\$ 4,468,055</u>	<u>\$ 12,500,929</u>	<u>\$ 123,369,168</u>	<u>\$ 12,837,028</u>
	Beginning Balance 07/01/2012	Additions	Reductions	Ending Balance 06/30/2013	Current Portion
Bonds and equipment lease purchase obligations:					
General obligation bonds	\$ 84,142,342	\$ 25,335,700	\$ 20,758,116	\$ 88,719,926	\$ 6,019,647
Notes payable		25,500,000		25,500,000	1,505,505
Equipment leases	282,670		100,554	182,116	109,421
Total bonds and equipment leases	84,425,012	50,835,700	20,858,670	114,402,042	7,634,573
Other liabilities:					
Compensated absences	16,800,000	5,887,583	5,687,583	17,000,000	6,000,000
Total other liabilities	16,800,000	5,887,583	5,687,583	17,000,000	6,000,000
Total long-term liabilities	<u>\$ 101,225,012</u>	<u>\$ 56,723,283</u>	<u>\$ 26,546,253</u>	<u>\$ 131,402,042</u>	<u>\$ 13,634,573</u>

Wright State University

Notes to Financial Statements  
(Continued)

Bonds payable on June 30, 2014 consist of Series 2003, 2009, 2011, and 2012 General Receipts Serial and Term bonds. The maturity dates, interest rates, and the outstanding principal balances of capital activities at June 30, 2014 are as follows:

Description	Maturity Dates	Interest Rates	Outstanding Principal	Unamortized Premium	Total
Bonds payable:					
Series 2003	2014-2016	4.00% - 5.00%	\$ 20,000	\$	\$ 20,000
Series 2009	2014-2019	3.64% - 5.31%	6,030,000		6,030,000
Series 2011A	2014-2031	4.00% - 5.00%	48,190,000	2,936,624	51,126,624
Series 2011B	2014-2023	2.13% - 3.75%	1,355,000		1,355,000
Series 2012	2014-2032	3.00% - 5.00%	22,295,000	1,875,354	24,170,354
Total bonds payable			77,890,000	4,811,978	82,701,978
Notes payable:					
Ohio Air Quality Development:					
Series A	2014-2024	1.78%	15,681,795		15,681,795
Series B	2024-2028	4.16%	8,312,700		8,312,700
Total notes payable			23,994,495		23,994,495
Equipment lease purchase obligations	2014-2016	3.84% - 11.57%	72,695		72,695
Total			\$ 101,957,190	\$ 4,811,978	\$ 106,769,168

The scheduled maturities of bonds, notes, and capital leases for the next five years and for the subsequent periods of five years are as follows:

Year Ended June 30	Principal	Interest	Total
2015	\$ 6,527,321	\$ 4,130,353	\$ 10,657,674
2016	6,682,254	3,922,096	10,604,350
2017	6,882,338	3,684,460	10,566,798
2018	7,095,593	3,437,851	10,533,444
2019	7,364,351	3,163,390	10,527,741
2020-2024	28,221,355	12,248,868	40,470,223
2025-2029	29,708,978	6,268,939	35,977,917
2030-2032	9,475,000	763,000	10,238,000
Total	\$ 101,957,190	\$ 37,618,957	\$ 139,576,147

Wright State University

Notes to Financial Statements  
(Continued)

Interest expense incurred on indebtedness for the years ended June 30, 2014 and 2013 was \$3,401,986 and \$3,723,349, respectively. Interest expense on construction related debt of \$589,366 and \$49,608 was capitalized to the related projects in 2014 and 2013, respectively.

All general receipts of the University, except for state appropriations, are pledged for payment of all outstanding bonds. The Series A and Series B Notes evidence the university's obligation to make loan payments from Available Receipts. The Notes are subordinated to the university's obligations to pay debt service on all General Receipts Obligations.

The Series 2009 Bonds are Federally Taxable – Build America Bonds. The University is eligible for a 35 percent rebate of interest expense paid for the Series 2009 Bonds in the form of a federal subsidy. The Series 2013B Note is related to an Ohio Air Quality Development Authority Qualified Energy Conservation Bond which is eligible for a 70 percent federal rebate based on the Qualified Tax Credit Rate as of the bond sale date (4.60 percent). The benefit of this rebate has been assigned to the University. The rebates for the 2009 Bonds and the 2013B Note were \$352,058 and \$167,909 for the years ended June 30, 2014 and 2013, respectively. The rebates were reported as Other Nonoperating Revenues and do not reduce the amount reported as interest expense for the year. Likewise, the amounts reported above for future interest expense have not been reduced by the federal rebates anticipated for future years. The University expects to receive \$3,594,133 in future federal rebates.

**(6) Operating Leases**

The University leases certain properties and equipment under operating lease agreements. Facilities and equipment under these agreements are not recorded on the statements of net position. Rent expenses for the year ended June 30, 2014 and 2013 were \$2,023,574 and \$2,745,892, respectively.

Future minimum payments for all material operating leases as of June 30, 2014, are as follows:

2015	\$ 1,067,213
2016	628,891
2017	193,698
2018	<u>38,202</u>
Total minimum lease payments	<u>\$ 1,928,004</u>

**(7) Retirement Plans**

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

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

Plan participants are required to contribute 11 percent and 10 percent for STRS and OPERS, respectively. The University is required to contribute 14 percent of the employees' covered

## Wright State University

### Notes to Financial Statements (Continued)

compensation for both STRS and OPERS. Effective July 1, 2014, the plan participants' contribution percentage for STRS will increase to 12 percent of employees' covered compensation. The Ohio Revised Code provides statutory authority for both employee and employer contributions. The university's contributions to STRS were \$8,771,030, \$8,813,581, and \$8,930,944, and to OPERS were \$8,548,409, \$8,381,947, and \$8,327,165, for the years ended June 30, 2014, 2013, and 2012, respectively, equal to the required contributions for each year.

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

Under the provisions of ARP, the required contribution rate for plan participants is 10 percent of employees' covered compensation for employees who would otherwise participate in OPERS and 11 percent for those who would otherwise participate in STRS. Effective July 1, 2014, the plan participants' contribution percentage for those who would otherwise participate in STRS will increase to 12 percent. The university's contributions to a participating faculty member's account and to STRS are 9.5 percent and 4.5 percent of a participant's compensation, respectively. The university's contributions to a participating staff member's account and to OPERS are 13.23 percent and .77 percent of a participant's compensation, respectively. Plan participants' contributions were \$5,865,779, \$5,353,406, and \$4,906,353, and the university's contributions to the plan providers amounted to \$6,117,266, \$6,384,440, and \$5,718,262 for the years ended June 30, 2014, 2013, and 2012, respectively. In addition, the amounts contributed to STRS by the University on behalf of ARP participants were \$1,573,660, \$1,250,936, and \$1,072,697, respectively, for the years ended June 30, 2014, 2013, and 2012. The amounts contributed to OPERS by the University on behalf of ARP participants were \$163,962, \$152,637, and \$145,362 for the years ended June 30, 2014, 2013, and 2012, respectively.

#### **(8) Other Postemployment Benefits (OPEB)**

The Ohio Revised Code provides the statutory authority for public employers to fund postretirement health care through their contributions to STRS Ohio and OPERS.

##### State Teachers Retirement System of Ohio

STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Pursuant to Chapter 3307 of the Ohio Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

Under Ohio Law, funding for postemployment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 1% of the covered payroll was allocated to postemployment health care for 2014, 2013, and 2012. The portion of the university's 2014, 2013, and 2012 contributions to STRS Ohio used to fund postemployment benefits was \$626,502, \$629,542, and \$637,925 for the years ended June 30, 2014, 2013, and 2012, respectively.

Wright State University

Notes to Financial Statements  
(Continued)

Ohio Public Employees Retirement System

OPERS provides postemployment health care coverage to age-and-service retirees with 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefits is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS' Post Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of postemployment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was an effective rate of 1.5%, 2.5%, and 4.0% for the years ended June 30, 2014, 2013, and 2012, respectively. The portion of the university's 2014, 2013, and 2012 contributions to OPERS used to fund postretirement benefits was \$915,901, \$1,496,776, and \$2,379,190. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

**(9) State Support**

The University is a state-assisted institution of higher education which receives a student subsidy from the State of Ohio primarily based upon the number of successful degree and course completions. This subsidy is calculated annually by the Ohio Board of Regents, Ohio's higher education advising and coordinating board.

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

University facilities are not pledged as collateral for the revenue bonds. Instead, the bonds are supported by a pledge of monies in the Higher Education Bond Service Fund established in the custody of the Treasurer of State. If sufficient monies are not available from this fund, a pledge exists to assess a special student fee uniformly applicable to students in state-assisted institutions of higher education throughout the State. As a result of the above described financial assistance provided by the State to the University, outstanding debt issued by OPFC is not included in the university's financial statements.

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Notes to Financial Statements  
(Continued)

**(10) Commitments and Contingencies**

At June 30, 2014, the University is committed under contractual obligations for:

Capital expenditures	\$ 31,630,117
Non-capital goods and services	<u>11,186,977</u>
Total contractual commitments	<u>\$ 42,817,094</u>

These commitments are being funded from the following sources:

State appropriations requested and approved	\$ 5,414,719
University funds	<u>37,402,375</u>
Total sources	<u>\$ 42,817,094</u>

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

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

The University maintains comprehensive insurance coverage with private carriers for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. The University also carries professional coverage for employees and its Board of Trustees. Over the past three years, settlement amounts related to these insured risks have not exceeded the university's coverage amounts. There has been no significant change in coverage from last year.

The University is self-insured for all employee health care benefits with Anthem, Delta Dental, and Vision Service Plan as the third party administrators. Under the terms of the policy, the University is billed for actual claims on a weekly or monthly basis. In addition, liabilities for estimates of outstanding claims and claims incurred but not reported under self-insurance programs have been recorded in accrued liabilities. Changes in the self-insured health care liabilities for the past three fiscal years are as follows:

	2014	2013	2012
Liability at beginning of fiscal year	\$ 1,600,000	\$ 1,800,000	\$ 1,600,000
Current year claims including changes in estimates	28,571,273	27,392,159	27,825,820
Claim payments	<u>(28,501,273)</u>	<u>(27,592,159)</u>	<u>(27,625,820)</u>
Liability at end of fiscal year	<u>\$ 1,670,000</u>	<u>\$ 1,600,000</u>	<u>\$ 1,800,000</u>

Health insurance claims are based upon estimates of the claims liabilities. Estimates are based upon past experience, medical inflation trends, and current claims outstanding, including year-end

Wright State University

Notes to Financial Statements  
(Continued)

lag analysis. Differences between the estimated claims payable and actual claims paid are reported in the statements of revenues, expenses and changes in net position.

(11) **Selected Disclosures of the Wright State University Foundation (a component unit)**

The University is the sole beneficiary of the Wright State University Foundation, Inc., a separate, not-for-profit entity governed by a separate Board of Trustees, organized for the purpose of promoting educational and research activities. Assets of the Foundation relate principally to donor restricted funds and are discretely presented in the accompanying financial statements. Amounts transferred to the University from the Foundation are recorded as nonoperating "gifts" and "capital grants and gifts" in the accompanying financial statements. Following are selected disclosures from the Wright State University Foundation, Inc. financial statements.

**A. Summary of Significant Accounting Policies**

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

*Principles of consolidation*

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

*Cash and Cash Equivalents*

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

*Pledges Receivable*

Unconditional pledges are recorded in the period that the pledges are received. Conditional pledges are recorded in the period in which the conditions have been met. 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.

*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.

## Wright State University

### Notes to Financial Statements (Continued)

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

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

#### *Annuity Assets/Payable*

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

#### *Capital Assets*

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

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

#### *Deposits Held in Custody for Others*

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

#### *Net Assets*

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

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

Temporarily restricted net assets consist of funds arising from a gift in which the donor has stipulated, as a condition of the gift, restrictions on how or when the gift may be spent.

## Wright State University

### Notes to Financial Statements (Continued)

Temporarily restricted net assets also include unspent gains on donor-restricted gifts by virtue of the Foundation's spending policy. This policy, which was approved by the board of trustees, aims to protect the Foundation's donor-designated endowments from the effects of inflation by reinvesting a portion of the earnings on these funds as if they were endowment funds. Since the reinvestment of earnings from endowments was not explicitly designated by the donors, the reinvested earnings cannot be classified as permanently restricted under GAAP.

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

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

#### *Gifts and Contributions*

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

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

#### *Investment Earnings*

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

#### *Net Assets Released from Restrictions*

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

#### *Federal Income Taxes*

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

GAAP prescribes recognition thresholds and measurement attributes for the consolidated financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely

Wright State University

Notes to Financial Statements  
(Continued)

than not" test, no tax benefit is recorded. 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, 2014 or 2013, respectively.

The Foundation is no longer subject to examination by taxing authorities for years before 2011. The Foundation does not have any tax benefits recorded at June 30, 2014, 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, 2014 or 2013.

*Fair Value of Financial Instruments*

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

*Estimates*

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

*Reclassifications*

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

**B. Business and Concentrations of Credit Risk**

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

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

**C. 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.

Wright State University

Notes to Financial Statements  
(Continued)

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

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

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

Wright State University

Notes to Financial Statements  
(Continued)

Assets measured at fair value on a recurring basis are summarized below and on the following page for the years ended June 30, 2014 and 2013:

Fair Value Measurements at June 30, 2014 Using				
	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Totals
<u>Assets</u>				
Gifts receivable from trusts held by others	\$	\$	\$ 1,326,100	\$ 1,326,100
Investment in securities:				
Mutual funds:				
Equity	55,351,028			55,351,028
Fixed Income	46,272,699			46,272,699
Alternative assets:				
Hedge funds		6,557,263	5,039,597	11,596,860
Private equity			2,210,760	2,210,760
Distressed debt		2,748,692		2,748,692
Total investment in securities	101,623,727	9,305,955	7,250,357	118,180,039
Other investments:				
Limited partnerships			1,155,707	1,155,707
Annuity assets:				
Cash and equivalents		209,209		209,209
Mutual funds-securities	25,211	580,703		605,914
Total annuity assets	25,211	789,912		815,123
Total	\$ 101,648,938	\$ 10,095,867	\$ 9,732,164	\$ 121,476,969

Wright State University

Notes to Financial Statements  
(Continued)

Fair Value Measurements at June 30, 2013 Using				
	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Totals
<u>Assets</u>				
Gifts receivable from trusts held by others	\$	\$	\$ 1,277,300	\$ 1,277,300
Investment in securities:				
Mutual funds:				
Equity	50,824,891			50,824,891
Fixed Income	40,911,330			40,911,330
Alternative assets:				
Hedge funds		6,486,694	4,750,943	11,237,637
Private equity			2,064,725	2,064,725
Distressed debt		2,582,595		2,582,595
Total investment in securities	91,736,221	9,069,289	6,815,668	107,621,178
Other investments:				
Limited partnerships			1,485,281	1,485,281
Annuity assets:				
Cash and equivalents		68,371		68,371
Mutual funds-securities	26,811	157,455		184,266
Total annuity assets	26,811	225,826		252,637
Total	\$ 91,763,032	\$ 9,295,115	\$ 9,578,249	\$ 110,636,396

Wright State University

Notes to Financial Statements  
(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, 2014 and 2013:

	2014			
	Gifts Receivable from Trusts Held by Others	Hedge Funds	Private Equity	Limited Partnerships
Beginning balance, July 1	\$ 1,277,300	\$ 4,750,943	\$ 2,064,725	\$ 1,485,281
Interest and dividends			37,760	
Realized gains on sales			99,044	
Unrealized gains included in earnings		288,654	12,731	(103,566)
Purchases			339,500	53,015
Sales			(343,000)	(279,023)
Change in value of split interest agreements	48,800			
Net transfers in/(out) of Level 3				
Ending balance, June 30	<u>\$ 1,326,100</u>	<u>\$ 5,039,597</u>	<u>\$ 2,210,760</u>	<u>\$ 1,155,707</u>

	2013			
	Gifts Receivable from Trusts Held by Others	Hedge Funds	Private Equity	Limited Partnerships
Beginning balance, July 1	\$ 1,414,100	\$	\$ 1,468,920	\$ 1,354,550
Interest and dividends			9,774	
Realized gains on sales			156,783	4,943
Unrealized gains included in earnings		120,943	128,248	(44,439)
Purchases		4,630,000	455,000	254,486
Sales	(190,600)		(154,000)	(84,259)
Change in value of split interest agreements	53,800			
Net transfers in/(out) of Level 3				
Ending balance, June 30	<u>\$ 1,277,300</u>	<u>\$ 4,750,943</u>	<u>\$ 2,064,725</u>	<u>\$ 1,485,281</u>

The unrealized gain included in earnings for Level 3 investments still held at June 30, 2014 and 2013 is \$197,819 and \$204,752, respectively.

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

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

For hedge funds, private equity 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

Wright State University

Notes to Financial Statements  
(Continued)

security valuations. 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 (Level 3 inputs).

Approximately one half of the Foundation's hedge fund allocation is invested in a "fund of funds" vehicle structured as an offshore company that invests all of its capital in private placement funds. The fund's investment objective is to seek to achieve a return somewhere between historical market equity and fixed income returns with a moderate level of risk undertaken. The fund is broadly diversified and invests in multiple hedge fund strategies including convertible bond hedging, credit hedging, distressed debt, equity market neutral, equity long/short, merger arbitrage, short biased and sovereign debt and mortgage hedging. The fund generally invests in 30-40 hedge funds and the fund of funds manager requires full transparency of each of the underlying funds' investment positions. The Foundation is no longer subject to the fund's initial one-year lock-up period and may, therefore, request liquidation on a quarterly basis with 65 days prior notification. At June 30, 2014, the Foundation has no significant unfunded commitments to this hedge fund allocation. The valuation of this investment is based on net asset value ("NAV") using the market approach (Level 2 input).

The balance of the Foundation's hedge fund allocation is also invested in a "fund of funds" structured as an offshore company. The fund's investment objective is to seek to achieve high returns balanced against an appropriate level of volatility and directional market exposure over a full market cycle. The fund is broadly diversified and invests in various private funds such as hedge funds that pursue hedged or other alternative investment strategies, private equity funds, hybrid funds and any other alternative investment funds, while also opportunistically investing directly in any other securities and financial instruments. The fund generally invests in 15-20 funds and the fund of funds manager requires full transparency of each of the underlying funds' investment positions. The Foundation is subject to the fund's initial two-year lock-up period, which will end in January of 2015. Once the lock-up period has ended, the Foundation may request liquidation on a semi-annual basis with 95 days prior notification. At June 30, 2014, the Foundation has no significant unfunded commitments to this hedge fund allocation. The valuation of this investment is based on NAV using the market approach (Level 3 input).

The private equity fund investment is structured as a domestic partnership in which the Foundation is a limited partner. The fund seeks to invest the capital contributed to it in a diversified pool of long-term investments in non-publically traded companies. Diversification is accomplished by investing 40-60% of committed capital in underlying funds focused on the United States, 20-40% on Europe and 0-30% on emerging markets. Capital commitments of the limited partners are payable to the partnership in installments over a 3 – 5 year period. At June 30, 2014, the Foundation's total capital commitment of \$3,500,000 was 64.3% (\$2,250,408) 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 using the market approach (Level 3 input).

The Foundation's investment in distressed debt is in the form of a fund that invests in a diversified portfolio of structured credit instruments, the majority of which are Collateralized Debt Obligation (CDO) equity and mezzanine notes. CDOs are structured finance securities that hold a diversified pool of income-generating collateral that is financed through the issuance of debt securities. CDO investors assume the first level of default risk. These notes are lowly correlated to traditional and other alternative investments, have minimal interest rate risk, and are highly transparent. The Foundation's investment in this asset class was fully funded at June 30, 2014. The Foundation is no longer subject to the investment's two year lockup period and may, therefore, request liquidation on a quarterly basis with 69 days prior notice.

Wright State University

Notes to Financial Statements  
(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. Thus, the partnership interests are classified as valued based upon Level 3 inputs, using the market approach.

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

**D. Pledges Receivable**

Pledges receivable at June 30, 2014 and 2013, by fund type, are as follows:

2014				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Less than one year	\$ 58,600	\$ 1,485,022	\$ 328,376	\$ 1,871,998
One to five years		3,479,767	225,588	3,705,355
Six years or greater		2,016,500		2,016,500
Gross pledges receivable	58,600	6,981,289	553,964	7,593,853
Present value discount		(1,080,789)	(5,464)	(1,086,253)
Allowance for uncollectible pledges		(55,000)	(12,300)	(67,300)
Pledges receivable (net)	\$ 58,600	\$ 5,845,500	\$ 536,200	\$ 6,440,300
2013				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Less than one year	\$ 36,200	\$ 2,133,598	\$ 287,768	\$ 2,457,566
One to five years		2,196,305	200,561	2,396,866
Six years or greater		2,047,000		2,047,000
Gross pledges receivable	36,200	6,376,903	488,329	6,901,432
Present value discount		(1,024,503)	(3,729)	(1,028,232)
Allowance for uncollectible pledges		(46,900)	(9,000)	(55,900)
Pledges receivable (net)	\$ 36,200	\$ 5,305,500	\$ 475,600	\$ 5,817,300

The fair value of pledges receivable was determined using discount rates applicable to the year in which the pledge was established. Rates ranged from 0.72% to 3.34%.

Wright State University

Notes to Financial Statements  
(Continued)

**E. 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, in this case, 4.92%. The balances at June 30, 2014 and 2013, are \$1,326,100 and \$1,277,300, respectively, and are included in Temporarily Restricted net assets.

**F. Capital Assets**

Capital assets activity for the year ended June 30, 2014 and 2013 is summarized as:

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

	2013				
	Beginning Balance	Additions	Reductions	Transfers	Ending Balance
Capital assets:					
Land	\$	\$ 173,000	\$	\$	\$ 173,000
Buildings and improvements		588,264			588,264
Machinery and equipment		28,632			28,632
Construction in progress		701,770			701,770
Total capital assets		1,491,666			1,491,666
Less accumulated depreciation:					
Buildings and improvements		7,354			7,354
Machinery and equipment		2,045			2,045
Total accumulated depreciation		9,399			9,399
Capital assets, net	\$	\$ 1,482,267	\$	\$	\$ 1,482,267

Wright State University

Notes to Financial Statements  
(Continued)

**G. Debt Guaranties**

During fiscal year 2011, the Foundation entered into agreement with Dayton Regional STEM Schools, Incorporated ("STEM") guarantying payments on a lease (and such other obligations imposed by the lease) related to the purchase and renovation of an existing building that is utilized by the School in fulfillment of its corporate purposes. STEM is one of ten Ohio schools offering students a relevant, real world educational experience that will prepare them for college and opportunities in the work world. Wright State University has acted as STEM's fiscal agent as well as providing space, supplies and personnel in support of its operations. The agreement pledges unrestricted net assets of the Foundation in an amount not to exceed \$3,000,000 and the designation of unrestricted net assets in the amount of one year of maximum debt service (\$600,000) on bonds associated with the project. Since the guaranty may expire without being drawn upon, the total guaranty does not necessarily represent future cash requirements. As of June 30, 2014, no amounts have been recognized as a liability under the financial guaranty in the Foundation's consolidated statement of financial position as the likelihood that STEM would be unable to fulfill its obligation in full or in part under the debt agreement is not considered to be probable.

Also during fiscal year 2011, the Foundation entered into an agreement with Wright State Physicians, Incorporated ("WSP") guarantying the debt service payments on \$13,500,000 worth of bonds issued to finance construction of a three-story medical office building on Wright State's main campus that will be used to fulfill WSP's corporate purposes. WSP is the faculty practice plan for Wright State's Boonshoft School of Medicine ("BSOM"), which functions to recruit and retain clinicians and scientists in support of the clinical, educational, research and community service activities of BSOM. The agreement pledges the remaining proceeds of a large donation to BSOM made in fiscal year 2005. As of June 30, 2014 and 2013, no amounts were recognized as a liability under the financial guaranty in the Foundation's consolidated statement of financial position. On May 12, 2014, the Foundation's obligation under this financing arrangement was terminated due to a refinancing arrangement initiated by WSP. The new financing arrangement does not involve a guaranty or any other financial obligation by the Foundation.

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# WRIGHT STATE UNIVERSITY

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2014

<u>Federal Grant/Pass Through Grant/Program Title</u>	<u>Federal CFDA Number or Primary Grant Number</u>	<u>Pass-through Agency</u>	<u>Pass-through Agency Number</u>	<u>Expenditures</u>
<b>STUDENT FINANCIAL ASSISTANCE CLUSTER</b>				
<b>U.S. Department of Education Direct Programs -</b>				
Federal Supplemental Educational Opportunity Grant	84.007			\$ 440,700
William D. Ford Federal Direct Loan Program	84.268			103,943,229
Federal Work Study	84.033			872,653
Federal Perkins Loan Outstanding Balance	84.038			12,199,166
Federal Pell Grant	84.063			22,260,741
Total U.S. Department of Education Direct Programs				139,716,489
<b>U.S. Department of Health and Human Services Direct Programs -</b>				
ARRA - Nurse Faculty Loan Program Outstanding Balance	93.264			27,834
Health Professions Student Loans Outstanding Balance	93.342			12,585
Loans for Disadvantaged Students Outstanding Balance	93.342			279,558
Nurse Faculty Loan Program Outstanding Balance	93.264			213,219
Nursing Student Loans Outstanding Balance	93.364			1,144,536
Primary Care Loans Outstanding Balance	93.342			1,810,830
Total U.S. Department of Health and Human Services Direct Programs				3,488,562
<b>TOTAL STUDENT FINANCIAL ASSISTANCE CLUSTER</b>				<b>143,205,051</b>

# WRIGHT STATE UNIVERSITY

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2014

<u>Federal Grant/Pass Through Grant/Program Title</u>	<u>Federal CFDA Number or Primary Grant Number</u>	<u>Pass-through Agency</u>	<u>Pass-through Agency Number</u>	<u>Expenditures</u>
<b>RESEARCH AND DEVELOPMENT CLUSTER</b>				
<b>U.S. Department of Education, Prime -</b>				
Deaf Off Drugs and Alcohol e-Therapy Using Community Networks	84.133			\$ 74,301
<b>U.S. Department of Education, Subcontract -</b>				
ARRA - Evaluation of Implementation Fidelity and Impact in ONET Schools	84.395	The Ohio State University	PO RF01328577	66,966
ARRA - Ohio Education Resource Center	84.395	The Ohio State University	PO RF01289531	124,429
ARRA - Ohio K12 Student Growth Measures for Untested Grades and Subjects	84.395	The Ohio State University	PO RF01304298	123,217
Total U.S. Department of Education, Subcontract				314,612
<b>Total U.S. Department of Education</b>				388,913
<b>U.S. Department of Health and Human Services, Prime -</b>				
A Study of Social Web Data on Buprenorphine Abuse Using Semantic Web Technology	93.279			46,314
Adiposity, Disease Risk Factors, and Lifetime Health	93.865			1,485,420
AMP Activated Protein Kinase and Oxygen Sensing	93.838			270,981
Analysis of the Human c-myc Gene Replication Origin	93.859			208,657
Balance of Angiotensin II Angiotensin 1-1: A Target in Ischemic Stroke	93.837			367,706
Function and Regulation of TRPM7 Mg2+-inhibited Cation Channels	93.855			21,165
Gene Regulatory Functions for the Nuclear Speckle Scaffolding Protein Son	93.859			51,559
Genetic Architecture of the Human Dentogathic Complex	93.121			452,032
Genetic Somatic and Maturational Influences on Pediatric Skeletal Health	93.865			122,158
HIF1 Alpha Regulation of Trophoblast Differentiation In Vivo	93.865			298,387
Isoform-Specific Regulation and Localization of the Coxsackie and Adenovirus Receptor	93.855			89,325
Longitudinal Modeling of Craniofacial Growth Trajectories	93.121			50,447
Mechanisms of Reciprocal Inhibition Development	93.853			359,795
Molecular Evolution of AAV Vectors for Anti-HIV Gene Therapy	93.855			25,685
Molecular Imaging of Renal Angiotensin 1 through 7 Forming Enzymes	93.847			52,537
PLD2 as a GEF or as a Lipase is Central to Leukocyte Chemotaxis	93.837			288,640
PREP Scholars	93.859			275,212
Protection Against Sarin Induced Neurotoxicity via an In Vivo Caspase Inhibitor	93.853			133,539
Quantitative Measurements of Intestinal Metabolites in Healthy and IBS children	93.865			(446)
Reduced Motoneuron Excitability in Sepsis	93.853			12,040
Rhesus Model for Proinflammatory Influences on Depression	93.242			82,349
Role of DeltaNp63alpha in Vitamin D Mediated Cell Survival in Skin Cancer	93.393			233,304
Scabies: Biology Culture Host Specificity and Antigens	93.855			324,523
Second-site Genetic Modifiers of CTG/CAG Microsatellite Stability	93.859			203,184
Stress-Induced Sickness During Social Separation: Implications for Depression	93.242			115,819
Synaptic Function: Effects of the Nerve, Injury, Repair and Altered Activity	93.853			926,880
The Role of Interleukin-2 Vascular Smooth Cell Homeostasis	93.837			368
The Role of Long Chain Acyl-CoAs in Nuclear Receptor Regulation	93.847			12,687
Trajectories of Illicit Pharmaceutical Opioid Use Among Young Adults in Ohio	93.279			246,229
Total U.S. Department of Health and Human Services, Prime				6,756,496
<b>U.S. Department of Health and Human Services, Subcontract -</b>				
Acid Sensing and Panic	93.242	University of Cincinnati	L12-4500063686 007920	47,416
Attention Allocation for Voluntary Smooth Eye Movements	93.867	Smith-Kettlewell Eye Research Institute	PO 24721	41,517
Attention Allocation for Voluntary Smooth Eye Movements	93.867	Smith-Kettlewell Eye Research Institute	PO 22726	30,096
Characterizing Placebo Response to Active Treatment Using Very High Dimensional Data	93.242	New York Univ School of Medicine	PO M130033213	80,684
Colorado Center for Childhood Liver Disease Research Education	93.847	University of Colorado	FY14.220.012 AMD4 WRIGHT	56,047
Comparing Interventions for Opioid Dependent Patients Presenting in Medical Eds	93.279	University of New Mexico	SUB 3RN80	22,302
DCOP Fiscal Agency Federal	93.395	Dayton Clinical Oncology Program (DCOP)	3U10CA035090-31	849,952
Developing Physics-Based Virtual Simulation Technology for NOTES	93.286	Rensselaer Polytechnic Institute	A12296	107,459
Evaluation of the State Partnership Grant for the Ohio Commission on Minority Health	93.006	Ohio Commission on Minority Health	SPG 13-01	2,009
Genetic Epidemiology of Ocular Health and Disease	93.867	Texas Biomedical Research Institute	14-04471.002	1,287
Genetics of Bone Structure and Metabolism	93.846	Texas Biomedical Research Institute	13-4195.003	58,078
Injury in Latina Women After Sexual Assault: Moving Toward Healthcare Equity	93.361	University of Pennsylvania	5R01NR011589-05	3,100
Intervention to Mitigate Bullying and Its Consequences Against Nursing Students	93.262	University of Cincinnati	008285	2,554
MISTIE III: A Phase III Randomized Open Label 500-Subject Clinical Trial	93.853	Johns Hopkins University	2002018361	2,790
Muscle and Neuromuscular Junctions in Spinal Muscular Atrophy	93.853	Johns Hopkins University	2000694143	40,303
Non-contact THZ Sensing of Corneal Hydration	93.867	University of California, Los Angeles (UCLA)	0125 G PA 247	4,790
PRIME Net Center in Practice-Based Research and Learning	93.226	Wayne State University	SUB WWSU13081	14,341
Purified Snake Venom Study	93.061	Central State University	P0081340	3,553
Statistical Methods for Mapping Human Brain Development	93.242	New York Univ School of Medicine	1201046PROJ101913 M130010752	33,997
Transition of Primary Care Medical Group Practices to the Next Generation	93.226	Medica Research Institute	2013-67	16,693
Workplace Violence and Bullying Training for Nursing Students	93.262	University of Cincinnati	008846	2,222
Total U.S. Department of Health and Human Services, Subcontract				1,421,190
<b>Total U.S. Department of Health and Human Services</b>				8,177,686

# WRIGHT STATE UNIVERSITY

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2014

<u>Federal Grant/Pass Through Grant/Program Title</u>	<u>Federal CFDA Number or Primary Grant Number</u>	<u>Pass-through Agency</u>	<u>Pass-through Agency Number</u>	<u>Expenditures</u>
<b>RESEARCH AND DEVELOPMENT CLUSTER (Continued)</b>				
<b>U.S. Department of Defense, Prime -</b>				
1550-nm Extrinsic-GaAs Photomixers Arrays and Spectrometers	12.431			\$ 143,827
A Joint WSU/AFRL CAPEC Research	12.800			34,000
A Methodology for the Deterministic Detection of Program Flow Hijacking (PFH)	12.300			135,805
Academic Pipeline and Future Lab	12.800			2,096,225
AFRL Research Collaboration Program	12.800			617,391
Algebraic Methods to Design Signals	12.800			63,855
Computational and Experimental Equipment for THz Biomolecular Signatures	12.431			64,504
Conduction in Thin Films of ZnO for Electronic Applications	12.800			153,432
Dynamic General. of Systems Factorial Tech. for Modeling Perception of Fused Info	12.800			140,771
Federated Semantic Services Platform for Material Sciences	12.300			130,546
Genomic Tools for Identific. and Charac. of Biorecog. Elements for Human Perf.	12.900			335,525
GRILL Team Funding	12.800			33,128
Interactions with Semi-Autonomous Remotely Piloted Vehicles	12.800			1,507,743
Neuroscience and Medical Imaging	12.800			1,010,196
Physics-Based Morphology Analysis and Adjoint Optimization of Flexible Flapping Wings	12.800			47,392
Research and Analytical Support for the 711th HPW Human Effectiveness Directorate	12.800			119,426
Revolutionary Intelligence and Influence Technologies (RIIT)	12.800			42,487
Semi-Supervised Discriminative Structured Prediction	12.800			17,029
Simulating Nonequilibrium Radiation via Orthogonal Polynomial Refinement	12.800			67,131
Software and Hardware Infrastruc. for Energy Effic. Large Scale Complex Lang. Modeling	12.800			492,472
Total U.S. Department of Defense, Prime				7,252,885
<b>U.S. Department of Defense, Subcontract -</b>				
A Neuroimaging Augmented Meta-Cognition Model to Predict the Decision-Making Capab.	12.800	Utopia Compression Corporation	PO UC0138-WSU-2013-106-0001	22,088
A Path-Finding Study for Radiative Heat Exchange in Combustion Chamber	12.800	Universal Technology Corporation	SUB 12-S590-0004-07-C1	438
AFRL/RX Materials Database Knowledge Discovery and Data Mining	12.910	Alion Science and Technology	SUB 1122472-001	180,965
Algorithms for Dismount Detection in Synthetic Aperture Radar	12.800	Matrix Research & Engineering	2012-0015	11,963
Analyst Test Bed (ATB)	12.800	Wright State Applied Research Corporation	BOA 1035-015 TO 0001	48,556
Apps for Rapid Epidemiological Analysis (AREA)	12.800	Perceptronics Solutions, Inc.	JOB 1071	3,265
Assessment of a CACC on Physical Performance and Recovery	12.800	Wyle Laboratories	PO T723370002	10,886
Automated Trace Gas Molecular Analyzer Using Rotational Spectroscopy	12.800	The Ohio State University	PO RF01340177 PROJ 60039008	4,000
Biobehavioral Performance and Biosignatures Research and Development (BPBRD)	12.800	InfoSciTex Corp	5001-S004	1,293
Center for Automatic Target Recognition--IDIQ Contract	12.800	The Ohio State University	PO RF011011107 PROJ 60013800	4,375
Center for Integrated Thermal Management of Aerospace Vehicles	12.800	Purdue University	SUB 4104-60185	14,262
Cognitive Measures and Modeling for Persistent Surveillance	12.800	Radiance Technologies	12S-1621	2,986
Collaborative Center in Multidisciplinary Sciences (CCMS)	12.800	Virginia Polytechnic Institute and State University	SUB 430447-19553	51,726
Continued Development of HDIM for Research on Non-invasive Brain Stimulation Affects	12.800	InfoSciTex Corp		21,050
Cyber Attack and Mission Impact Research - Suspicion in Information Technology	12.800	Systems Research and Applications International	SRAS000671-1 PROJ 13699.010	101,819
Design and Fabrication of an Exhaust Driven Fan for Micro-Jet Engines	12.800	Universal Technology Corporation	12-S590-0020-49-C4	(70)
Design and Fabrication of Power Takeoff for Micro-Jet Engines	12.800	Universal Technology Corporation	SUB 13-S590-0020-63-C7	11,774
Dynamitron Use and Maintenance in Support of Collaborative Material Science Research	12.800	Air Force Institute of Technology (AFIT)	10-AFIT-03	3,219
Electromag NDE Techniques for the Detection and Charac. of Damage and Degrad. TPS	12.800	Universal Technology Corporation	10-SF1105-01-C1	4,045
Extending the Visual Analytics Framework for High Throughput Screening of Bio. Infect. Agts.	12.910	High Performance Technologies, Inc.	14463-PETTT-WRIGHT PO646	17,901
Feasibility Study on Radar Exploitation-REX-Using Compact Feature Techniques	12.800	Elegant Technologies, Ltd.	ETE-106	27,674
FY13 Ghostbuster RDT&E (AC13-029)	12.800	Ball Aerospace	13B1139C01 SLIN 0001-TO153	121,107
FY14 GEOINT Maintenance Support and Enhancement	12.800	Ball Aerospace	13B1139C03 TO175	12,402
GaN Crystal Characterization	12.800	Kyma Technologies, Inc.		90,980
GPS Enhanced Dynamic Spectrum Access - Phase II	12.800	Echo Ridge LLC		116,594
HAPSITE ER Volatile Signature Reception	12.800	Henry M. Jackson Foundation	PO 789093 AGRMT 2377	175,503
High Efficiency-Long Endurance UAV Propulsion System	12.800	Acumentrics	PO 202146	44,614
High-Resolution Broad Bandwidth Direct Conversion Receiver	12.800	RBS Technologies, LLC	PO WSU-2012-1510-2	31,532
High-Resolution Sensing of DNA Nanostructures in the THz Region	12.431	University of California	2010-2510	283,874
Human-Machine Trust for Robust Autonomous ISR Systems	12.800	Systems Research and Applications International	PO SRAS000502-01	102,393
Hypoxia and Cognitive Function Services	12.800	Mayo Clinic	MCR-0095-F22	17,999
Identification of Peptide Ligands Using Phage Peptide Library	12.800	Universal Energy Systems, Inc. (UES, Inc.)	S-875-130-004	(129)
III-N Devices and Architectures for THz Electronics	12.300	University of Notre Dame	201836	121,524
InfoSciTex - ATEA Task Order 0005	12.800	InfoSciTex Corp	PO 20451	945
InfoSciTex - ATEA Task Order 0007	12.800	InfoSciTex Corp	FA8650-09-D-3900	13,134
InfoSciTex - ATEA Task Order 0012	12.800	InfoSciTex Corp	PO 132523	16,896
InfoSciTex - ATEA Task Order 0013	12.800	InfoSciTex Corp	PO IST-10079 SUB 4000S005	432,220
InfoSciTex - ATEA Task Order 0014	12.800	InfoSciTex Corp	IST-10072 S 4000-S005	487,352
Interactions with Semi-Autonomous Remotely Piloted Vehicles	12.800	InfoSciTex Corp	1430-S004	51,493
Laparoscopic Surgery Training System (LASTS II)	12.300	Charles River Analytics, Inc.	SC1101701 LASTS II	106,441
Metabolite Differentiation and Discovery Lab Development	12.800	Oak Ridge Institute for Science and Education (ORISE)	PROJ 201104098	8,624
Microscale Power Conversion (MPC)	12.910	Rockwell Collins, Inc.	PO 4504342836	78,014
Multifunctional Oxide Heterostructures	12.800	Universal Energy Systems, Inc. (UES, Inc.)	SUB S-875-060-027	22,176
Multisensory Processing Research FY12	12.800	Ball Aerospace	PO S80006C-11	22,126
NMR Based Metabolomics in Aerospace Physiology and Toxicology Research	12.800	Henry M. Jackson Foundation	759290	64,247
Object Physics for Exploration and Recognition Advancements (OPERA)	12.800	Science Applications International Corp	PO10151904	33,869
Optimizing Oxygen Delivery Schedule for Enhanced Pilot Performance	12.800	Wyle Laboratories	T723370003	31,278
Proactive and Retroactive Interference in Intuitive Spatial Learning	12.800	Wright State Applied Research Corporation	BOA 1035-015 TO 0002	19,299
Quick Reaction Assessments-Studies-Analysis-Evaluation and Research (QUASAR)	12.800	Wyle Laboratories	PO T723370001	123,390
Rapid Qualification Methods for Powder Bed Direct Metal AM Processes	12.800	Case Western Reserve University	RES 508101	16,775
Remediation of HAHs and Other Groundwater Pollutants	12.800	Air Force Institute of Technology (AFIT)	FA8601-12-P-0394	23,914
Remediation of HAHs and Other Groundwater Pollutants	12.800	Air Force Institute of Technology (AFIT)	FA8601-13-P-0397	57,609

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## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2014

<u>Federal Grant/Pass Through Grant/Program Title</u>	<u>Federal CFDA Number or Primary Grant Number</u>	<u>Pass-through Agency</u>	<u>Pass-through Agency Number</u>	<u>Expenditures</u>
<b>RESEARCH AND DEVELOPMENT CLUSTER (Continued)</b>				
<b>U.S. Department of Defense, Subcontract (Continued) -</b>				
Research of Multi-Func. Software Defined Archit. Based Cognitive Elec. Warfare Tech.	12.800	MacAulay-Brown, Inc.	DSC6055-02	\$ 15,202
SAR Thermal Spectral STS Maint. Sustain. and Enhance. MS&E Support ATEP TO 118	12.800	Ball Aerospace	13B1139C02 SLIN 0001	14,350
Separability and Stability Analysis of Laser Vibrometry Signals	12.800	Science Applications International Corp	P010125637 TASK P010125637-1	46,091
Single Ion Conducting Solid-State Lithium Electrochemical Technologies	12.800	University of Dayton	RSC10047	23,426
Sirius Program	12.800	Applied Research Associates, Inc.	S-001316.01, PO12-00010	51,235
Structural Dynamics and Mechanics of Gas Turbine Engine Components	12.800	Universal Technology Corporation	13-S590-0012-02-C5	18,453
Support for Evaluating the Human Effectiveness of GOST	12.800	Radiance Technologies	SUB 12S-2057	3,504
Terahertz Signature Modeling for Kill Assessment and Warhead Materials Identification	12.800	The Ohio State University	PROJ 60032165	15,113
Thermal Imaging for Process Monitoring and Control of Additive Manufacturing	12.800	Pennsylvania State University	SA13-36-WSU	41,657
Thin Film Semiconductor Characterization and Fabrication	12.800	University of Dayton	SUB 12032 ACCT KE1332-7S03	30,864
THz Frequency Materials Testing at Cryogenic Temperatures and in High Magnetic Fields	12.800	Lake Shore Cryotronics, Inc.		9,248
Transformation Optics for Metamaterial-based Antenna Design	12.800	S4	SUB WSU-13-1538	20,895
Turbogenerator for Solid Oxide Fuel Cell Combustor Hybrid	12.800	Mohawk Innovative Technology, Inc.	PO 1130510	5,000
Visual Analytics for General Recognition Theory (GRT) and Computer Forensics	12.910	High Performance Technologies, Inc.	14463-PETTT-WRIGHT PO281 TO2	17,235
Visual Identification of Human Biosign. via Pattern Recog-Based Decision Making	12.800	InfoSciTex Corp	5002-S002	78,903
Warfighter Interface Readiness Technology Operations (WIRTO) Support	12.800	Ball Aerospace	KDR11-10085-WIRTO TO40	25,903
WSU/Mound Laser & Photonics Center, Inc.	12.800	Mound Laser & Photonics Center, Inc.	PO 2013476-FEDERAL	11,761
WSU/Mound Laser & Photonics Center, Inc.	12.800	Mound Laser & Photonics Center, Inc.		20,661
Total U.S. Department of Defense, Subcontract				3,721,911
<b>Total U.S. Department of Defense</b>				10,974,796
<b>U.S. Department of Energy, Prime -</b>				
Experimental and Theoretical Pursuit of the Ultimate Conductivity in ZnO	81.049			175,445
<b>U.S. Department of Energy, Subcontract -</b>				
Critical Path Analysis and Cluster Statistics of Percolation Theory Calculation	81.049	Pacific Northwest National Laboratory	154808	953
Development and Application of a Hydrothermal Atomic Force Microscope	81.049	Oak Ridge National Laboratory	4000114518	57,632
Pump Probe Characterization of Wide-Bandgap Photoconductors	81.049	Lawrence Livermore National Laboratory	B603232	24,742
Total U.S. Department of Energy, Subcontract				83,327
<b>Total U.S. Department of Energy</b>				258,772
<b>U.S. Department of Interior, Subcontract -</b>				
Analysis of Fish Tissue for Selenium	66.469	University of Wisconsin System	PO 21894	1,424
<b>National Aeronautics and Space Administration, Prime -</b>				
Coupled Models of Planetary Ionospheres/Thermospheres: Phase B	43.001			103,709
Modeling of the Martian Thermosphere Ionosphere in Support of Volatile Evol. Calc.	43.001			28,114
Monte Carlo Calc. of the Photochem. Escape Fluxes of O, C and N from Mars	43.001			44,412
The Hydrocarbon Ion Layer in the Low Altitude Ionosphere of Saturn	43.001			40,186
Total National Aeronautics and Space Administration, Prime				216,421
<b>National Aeronautics and Space Administration, Subcontract -</b>				
MAVEN Mission	43.001	University of Colorado	PO 1000013110 REF 1546525	142,562
NASA Lunar Mining Robot	43.001	Ohio Space Grant Consortium		1,020
Next-Generation Ion Thruster Design Tool to Support Future Space Missions	43.001	Tech-X Corporation	PROJ 7204-002	17,024
Total National Aeronautics and Space Administration, Subcontract				160,606
<b>Total National Aeronautics and Space Administration</b>				377,027
<b>National Science Foundation, Prime -</b>				
A National Model for Engineering Mathematics Education	47.076			198,428
Algebraic Methods in the Study of Some Problems in Communication Engineering	47.070			6,718
Collaborative Center for Surveillance Research	47.041			31,922
Collaborative Research: Caterpillars and Parasitoids in the Eastern Andes of Ecuador	47.074			9,288
Collaborative Research: Consumer Control of High-Productivity/Low-Nutrient Ecosystems	47.074			20,609
Collaborative Research: CPS: Synergy: Method. for Egr. with Plug-and-Learn Components	47.070			65,345
Collaborative Research: Factors that Affect the Likelihood of Prejudice Confrontation	47.075			477
Collaborative Research: GEOTRACES: Pacific Section: Mercury Speciation	47.050			88,563
Collaborative Research: GOALI Integrated Ctrl. for Microstruc. and Melt Pool Dim.	47.041			32,758
Collaborative Research: GOALI Warehouse Integr. Enterprise-Wide Supply Chain Planning	47.041			41,148
Collaborative Research: Quantifying Predictability in Nonlinear Multiscale Systems	47.041			17,643
Collaborative Research: RDE-RAD: Ohio's STEM Ability Alliance (OSAA)	47.076			288,667
Collaborative Research: SoCS Social Media Enhanced Org. Sensemaking in Emerg. Resp.	47.070			120,536
Collaborative Research: The Phylogeny and Evolution of World Tachinidae (DIPTERA)	47.074			146,046

# WRIGHT STATE UNIVERSITY

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2014

<u>Federal Grant/Pass Through Grant/Program Title</u>	<u>Federal CFDA Number or Primary Grant Number</u>	<u>Pass-through Agency</u>	<u>Pass-through Agency Number</u>	<u>Expenditures</u>
<b>RESEARCH AND DEVELOPMENT CLUSTER (Continued)</b>				
<b>National Science Foundation, Prime (Continued) -</b>				
Collaborative Research: TUES: Software Defined Radio Laboratory Platform	47.076			\$ 32,333
CRPA: Into the Rift: A Multimedia Experience for Advancing Ecosystem-Based Science Ed.	47.076			43,038
CUTE: Instructional Laboratories for Cloud Computing Education	47.076			53,075
Developing Scientific Reasoning Abilities in Pre-Service Teachers	47.076			13,146
EAGER: Expressive Scalable Querying Over Linked Open Data	47.070			32,674
EAGER: Identification of Chemosensitive Regions in Brainstems of Herps	47.074			121,445
Exploiting 3-5 Difluoro Aromatic Systems to Functionalize Poly(arylene ether)s	47.049			68,491
Fully Nonlinear Equations in Complex Geometry	47.049			18,221
High-Performance Computing to Evaluate Hierarchical Heterogeneity Paradigms	47.050			16,298
IGERT: An Interdisciplinary Initiative on Technology Based Learning with Disability	47.076			42,076
III: EAGER: Collab. Research: Earth Cube Bldg. Blocks - Leverag. Semantics & Linked Data	47.050			76,443
III: Small: TRON - Tractable Reasoning Ontologies	47.070			129,208
In the Footsteps of Katharine Wright: Promoting STEM Women through LEADER	47.076			373,839
INSPIRE Track 1: Intrinsic Oscillations in Supramolecular Assemblies	47.041			158,815
K-12 Partners: Helping Rural Disadvantaged Students Stay on Pathway to Geosci. Career	47.050			58,543
Macro-scale Friction in the Framework of the Frenkel-Kontorova Model	47.050			14,199
Mechanisms of Social Buffering of Hypothalamic-Pituitary-Adrenal Responses	47.074			76,833
MRI: Acquis. of Ion Torrent Personal Genome Machine to Establish High-Throughput Seq	47.074			110,188
NUE - WSU Nanoscience and Nanotechnology Laboratory Experience	47.041			17,550
Poly (arylene ether)s from Activated 3-5 Difluoro Aromatic Systems	47.049			183
RI: Small: Develop. Large Scale Distrib. Syntactic Semantic and Lexical Language Models	47.070			160,370
Roles and Regulation of Aqua/Glyceroporin in a Freeze-Tolerant Amphibian	47.074			75,945
STEP: Gateway into First-year STEM Curricula	47.076			83,205
The Exploration of Memory Hierarchy and Parallelism for Multi Core Systems	47.070			5,548
Towards Commercialization of Twitris - A System for Collective Intelligence	47.041			42,816
Total National Science Foundation, Prime				2,892,630
<b>National Science Foundation, Subcontract -</b>				
Anomaly Detection in Sensor Networks for Quality Assured Situational Awareness	47.076	Central State University	PO P0082265 SUB 8460-001	11,240
Broadband High-Speed RF Spectrum Processor via Intelligent Adapt. Compressive Sensing	47.041	Kalos Technologies, Inc.	PO 1004	37,733
Genetic Monitoring of Arctic Migratory Waterfowl in Beringia	47.079	U.S. Civilian Research & Development Foundation (CRDF)	RUB1-7094-VL-13	1,009
High Speed Laser Crystallization of AZO Nanoparticles for High Performance CTO Layer	47.041	Greentech Solutions, Inc.		10,000
Modeling Ultrasound Exfoliation of Graphene Nanoplatelets	47.041	Angstrom Materials LLC		3,301
Ohio LSAMP Alliance	47.076	The Ohio State University	PO RF01345710 PROJ 60042097	3,641
Student Travel for SoCS 2013 Meeting	47.070	University of Washington		1,471
Supporting Scientific Practices in Elementary and Middle School Classrooms	47.076	Northwestern University	SP0009801-PROJ0002732	44,088
Total National Science Foundation, Subcontract				112,483
<b>Total National Science Foundation</b>				3,005,113
<b>U.S. Department of Agriculture, Subcontract -</b>				
Characterization of the Mechanistic and Molecular Basis of Ash Resistance to EAB	10.025	The Ohio State University	RF01272536 PROJ 60032792	34,534
Smarter Choices for School Meals that Move-SLTN	10.574	Ohio Department of Education	EDU01-0000012273	15,961
Smarter Choices for School Meals that Move-TNSL	10.574	Ohio Department of Education	EDU01-0000012274	15,922
<b>Total U.S. Department of Agriculture</b>				66,417
<b>U.S. Department of Veterans Administration, Prime -</b>				
Systems and Human Factors Engineering Analysis of the E-consult Program Innovation	64.103			117,069
<b>TOTAL RESEARCH AND DEVELOPMENT CLUSTER</b>				23,367,217
<b>U.S. Department of Education, Prime -</b>				
Building Successful Futures	84.047			259,762
Translational Biomedical Training for Underrepresented Minorities	84.116			50,954
Wright State CCAMPIS: Childcare Access Means Parents in School Program	84.335			76,178
Total U.S. Department of Education, Prime				386,894
<b>U.S. Department of Education, Subcontract -</b>				
Capacity Building Faculty Support Grant FY2014 & FY2015	84.048	Ohio Department of Education	PO EDU01-0000011472	71,998
Entrepreneurship Project Pilot Program	84.126	Ohio Development Services Agency	OSB-14-139	3,178
Evaluation of Beginning Principal Mentoring Program Local Models	84.395	Ohio Department of Education	PO EDU01-0000011057	49,799
Impact of Lesson Study as a Model of Collaborative Professional Development	84.366	Ohio Department of Education	PO 10449	7,139
Lesson Study for Collaborative/Practice-Based Professional Development	84.366	Ohio Department of Education	EDU01-0000012411 MSP	83,905
Lesson Study: Research on Teaching and Learning	84.367	Ohio Board of Regents - Title II	11-46	328
Lesson Study: Research on Teaching and Learning	84.367	Ohio Board of Regents - Title II	12-50	65,920
Math Modeling in Science and Engineering for High School Math and Science Teachers	84.367	Ohio Board of Regents - Title II	12-47	35,411
Partners in Integrated Earth Systems Science (PIES)	84.367	Ohio Board of Regents	13-49	31,439
Partners in Integrated Earth Systems Science (PIES)	84.367	Ohio Board of Regents - Title II	12-49	41,767
Project KNOTIT 3.0: Mobilizing National Educator Talent	84.350	The Ohio State University	RF01268256 PROJ 60031733	31,759

# WRIGHT STATE UNIVERSITY

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2014

<u>Federal Grant/Pass Through Grant/Program Title</u>	<u>Federal CFDA Number or Primary Grant Number</u>	<u>Pass-through Agency</u>	<u>Pass-through Agency Number</u>	<u>Expenditures</u>
<b>U.S. Department of Education, Subcontract (Continued) -</b>				
Reading Recovery: Scaling Up What Works	84.396	The Ohio State University	RF01334141 RF01334144	\$ 63,286
RSC Entrepreneurship Project Pilot Program 2012/2013	84.126	Ohio Development Services Agency	OSB-158	1,984
Science Teaching for Ohio's New Economy (STONE)	84.367	Ohio Board of Regents	13-50	20,683
Science Teaching for Ohio's New Economy (STONE)	84.367	Ohio Board of Regents - Title II	12-52	26,114
Starting Wright-College Planning 101	84.235	Ohio Rehabilitation Services Commission	14S1331VR-13 RSC01-000007985	8,681
Support for a Secondary Career-Technical Alignment Coordinator (SCTAC)	84.048	Ohio Board of Regents		4,000
Support for Position of Senior Associate Director SCTAI	84.048	Ohio Board of Regents	PO BOR01-000003466	45,197
Total U.S. Department of Education, Subcontract				592,588
<b>Total U.S. Department of Education</b>				979,482
<b>U.S. Department of Health and Human Services, Prime -</b>				
Advanced Nurse Education Traineeship 2012-2014	93.358			358,137
Biomedical Scholars Program	93.859			164,502
eCAM A Virtual Health Information One Stop	93.243			295,029
Fifty Plus Prevention Project F3P	93.243			342,371
Healthy Brothers - Healthy Sisters	93.243			209,633
One Stop to Wellness	93.243			292,113
Our Women's Health Promotion Project	93.243			427,183
Short-Term Health Research Training to Increase Diversity	93.837			73,757
Substance Testing and Education Program Using Prevention (STEP UP)	93.243			262,420
The Mount Olive One-Stop Center	93.243			67,113
Total U.S. Department of Health and Human Services, Prime				2,492,258
<b>U.S. Department of Health and Human Services, Subcontract -</b>				
Accreditation Readiness and CQI Support for Local Health Districts	93.507	Association of Ohio Health Commissioners		65,136
ARRA - Ohio Health Information Partnership	93.718	Greater Dayton Area Health Information Network (GDAHIN)		6,461
Assessing the Greene County Community's Readiness for Change	93.243	Greene County Educational Service Center		390
CCOE Dual Diagnosis MI/DD	93.630	Ohio Developmental Disabilities Council	12HE01HE13	46,986
CCOE Dual Diagnosis MI/DD	93.630	Ohio Developmental Disabilities Council	12HE01HE14	33,600
Child Welfare Workforce Professional Education Program	93.658	Ohio Department of Job and Family Services	PO JFS01-0000015460	92,397
Community Transformation Survey	93.531	Public Health Dayton and Montgomery County	13-170	8,556
DSMB Member Consulting Agreement Omega 3 and Therapy Study Bipolar and Depression	93.242	The Ohio State University	RF01328579 RF01344246	1,001
Kinship Navigator Consortium	93.130	Montgomery County Dept of Job and Family Services	CE 300075 RES. NO. 12-1957	71,199
Kinship Navigator Consortium	93.556	Montgomery County Dept of Job and Family Services	CE 400160 RES. NO. 14-0032	62,725
MEDTAPP Healthcare Access Initiative-Preparing Tomorrow's Workforce	93.778	The Ohio State University	RF01343520 PROJ 60042622	207,219
MEDTAPP Healthcare Access Initiative-Residency Program in Child and Adolescent Psych.	93.778	The Ohio State University	RF01343511 PROJ 60042622	257,400
MEDTAPP Pediatric Telepsychiatry Pilot Study	93.778	The Ohio State University	RF01300013 TO OHP201210	12,060
MEDTAPP Pediatric Telepsychiatry Pilot Study	93.778	The Ohio State University	RF01347028	29,102
MI/DD CCOE FY2014	93.958	Ohio Department of Mental Health	99-BG-14-328-14-001	85,500
Michigan Department of Community Health Capacity Building Program Evaluation 2013	93.991	Southeastern Michigan Health Association		15,854
Ohio Mortuary Operations Response Team Training	93.074	Ohio Department of Health	PREV-31212 DOH01-0000035416	32,201
Ohio Program for Campus Safety and Mental Health	93.243	NEOMED	SUB 34418-R	906
Ohio SBIRT	93.243	Ohio Department of Mental Health and Addiction Services	4221C 99-2573-SBIRT-C-14-1450	83,000
Ohio Tele-Psychiatry Project	93.778	Ohio Department of Developmental Disabilities	DMR01-0000017015	65,000
Ohios Psychotropic Medication Nursing Facility Quality Improvement Project	93.778	The Ohio State University		4,000
Ohios Psychotropic Medication Quality Improvement Initiative	93.242	The Ohio State University		7,086
Technology Assisted Services for Persons with Disabilities	93.243	Ohio Department of Alcohol & Drug Addiction Services	ADA01-0000002196	56,929
Telemedicine Project	93.778	Ohio Department of Developmental Disabilities	DMR01-0000012807 13899 15317	4,184
Telemedicine Project	93.778	Ohio Department of Developmental Disabilities	DMR01-0000016848	160,000
Total U.S. Department of Health and Human Services, Subcontract				1,408,892
<b>Total U.S. Department of Health and Human Services</b>				3,901,150
<b>U.S. Department of Homeland Security, Subcontract -</b>				
State Emergency Operations Center (SEOC)	97.042	Ohio Emergency Management Agency	EMW-2012-EP-00004	42,057
STORM Course Training	97.067	PA Region 13 Task Force		15,261
<b>Total U.S. Department of Homeland Security</b>				57,318
<b>U.S. Department of Defense, Prime -</b>				
The Fourth Annual Midwestern Cognitive Science Conference 2014	12.800			4,000
University Engineering Design Challenge	12.800			22,130
Total U.S. Department of Defense, Prime				26,130
<b>U.S. Department of Defense, Subcontract -</b>				
Science, Mathematics and Research for Transformation (SMART) Defense Scholarship	12.800	American Society for Engineering Education		24,447
Virtual Civilian Aeromedical Evacuation Sustainment Training (VCAEST)	12.420	The University of Memphis	P0089285 (5-39970)	63,568
Wright State Emergency Med Training	12.800	Battelle Memorial Institute	US001-0000382138	217,062

# WRIGHT STATE UNIVERSITY

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2014

<u>Federal Grant/Pass Through Grant/Program Title</u>	<u>Federal CFDA Number or Primary Grant Number</u>	<u>Pass-through Agency</u>	<u>Pass-through Agency Number</u>	<u>Expenditures</u>
<b>U.S. Department of Defense, Subcontract (Continued) -</b>				
WSU Mentor Protégé Program	12.800	Whitney Bradley & Brown, Inc.	SUB SC-12-005 PO-170	\$ 32,257
Total U.S. Department of Defense, Subcontract				337,334
<b>Total U.S. Department of Defense</b>				363,464
<b>U.S. Department of Labor, Subcontract -</b>				
Dayton Defense Wright Center for Workforce Preparedness: WCWP	17.261	Dayton Defense	PO 2012-002	1,040
H-1B Technical Skills Training Grant	17.268	Ohio Board of Regents	PO BOR01-0000003486	21,789
<b>Total U.S. Department of Labor</b>				22,829
<b>National Aeronautics and Space Administration, Prime -</b>				
Aerospace Medicine Training in the Era of Expanding Human Space Flights	43.009			554,589
<b>National Aeronautics and Space Administration, Subcontract -</b>				
Lake Campus Engineering and High School roBOTics Collaborative Project	43.001	Ohio Space Grant Consortium		592
Manufac. Egr. Prog. Develop. and Potential Impact on Transform. Undergrad. Egr. Curric.	43.001	Ohio Space Grant Consortium		1,408
Ohio Space Grant Consortium Campus Allocation Funds	43.001	Ohio Space Grant Consortium		1,717
Ohio Space Grant Consortium Scholarship and Fellowship Program	43.001	Ohio Space Grant Consortium		9,500
Ohio Space Grant Consortium Travel Allocation Funds	43.001	Ohio Space Grant Consortium		3,827
Total National Aeronautics and Space Administration, Subcontract				17,044
<b>Total National Aeronautics and Space Administration</b>				571,633
<b>National Endowment for the Humanities: Institute of Museum and Library Services, Subcontract -</b>				
The Scholar's Dashboard: Creating a Multidisciplinary Tool	45.169			1,381
<b>Small Business Administration, Subcontract -</b>				
2013 Dayton ITAC at WSU	59.037	Ohio Development Services Agency	OSBO-140 OSB-147	17,608
Small Business Development Center FY13-SBA	59.037	Ohio Development Services Agency	OSB-112	35,081
Small Business Development Center FY14-SBA	59.037	Ohio Development Services Agency	OSBG 14-111A OSBG 14-111	102,273
Veteran Entrepreneurial Training Program (VET)	59.044	Ohio Development Services Agency	OSB-168	15,000
<b>Total Small Business Administration</b>				169,962
<b>U.S. Department of Transportation, Subcontract -</b>				
Public and Social Service Transportation Curriculum and Internship Program	20.215	Ohio Department of Transportation	12787-I	2,127
Toxic Medic Training	20.703	Ohio Emergency Management Agency	PO DPS01-0000051095	3,215
<b>Total U.S. Department of Transportation</b>				5,342
<b>U.S. Department of Veterans Administration, Prime -</b>				
Customized Programs DVAMC FY12	64.115			2,040
Customized Programs DVAMC FY14	64.115			839
<b>Total U.S. Department of Veterans Administration</b>				2,879
<b>U.S. Department of Justice, Prime -</b>				
Outpatient Substance Abuse Mental Health Treatment in Montgomery County	16.593			3,642
<b>U.S. Department of Justice, Subcontract -</b>				
Mobile Technology Initiative	16.738	Ohio Governor's Office of Criminal Justice Services	2012-JG-A02-6978	6,814
<b>Total U.S. Department of Justice</b>				10,456
<b>U.S. Department of Agriculture, Subcontract -</b>				
Upward Bound Summer Lunch Program 2012	10.559	Ohio Department of Education		(60)
<b>U.S. Department of Housing and Urban Development, Subcontract -</b>				
Analysis of Impediments to Fair Housing Choice	14.218	City of Fairborn Ohio		98
Community & Police Relations Dialogue	14.401	City of Dayton Office of Management and Budget		38,919
<b>Total U.S. Department of Housing and Urban Development</b>				39,017
<b>Corporation for National &amp; Community Service, Subcontract -</b>				
Civic Minor in Urban Education: Civic Voices and Public Achievement	94.005	Amer Assn of State Colleges & Universities		13,016
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>				\$ 172,710,137

## WRIGHT STATE UNIVERSITY

### SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2014

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#### Subtotals of CFDA's with Multiple Awards

Air Force Defense Research Sciences Program	12.800	\$	299,896
Science	43.001		17,044
Small Business Development Centers	59.037		154,962
Veterans Information and Assistance	64.115		2,879
Career and Technical Education: Basic Grants to States	84.048		121,195
Rehabilitation Services Vocational Rehabilitation Grants to States	84.126		5,161
Mathematics and Science Partnerships	84.366		91,044
Improving Teacher Quality State Grants	84.367		221,662
State Fiscal Stabilization Fund: What Works and Innovation Fund, Recovery Act	84.396		63,286
Mental Health Research Grants	93.242		8,087
Substance Abuse and Mental Health Services: Projects of Regional and Nat'l. Significance	93.243		2,037,086
PPHF National Public Health Improvement Initiative	93.507		65,136
Developmental Disabilities Basic Support and Advocacy Grants	93.630		80,586
Foster Care Title IV-E	93.658		92,397
Medical Assistance Program	93.778		738,965

# WRIGHT STATE UNIVERSITY

## NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2014

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### A. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") has been prepared using the accrual basis of accounting in accordance with the format as set forth in Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, issued by the United States Office of Management and Budget. The Schedule reflects the expenditures of Wright State University under programs financed by the U.S. government for the year ended June 30, 2014.

For purposes of the Schedule, expenditures of federal awards include the following:

- Direct federal awards
- Federal Direct Student Loans processed by the University
- Outstanding Balances of federal loan programs administered by the University
- Pass-through funds received from non-Federal organizations made under federally sponsored programs conducted by those organizations.

Awards are classified into major program and non-major program categories in accordance with the provisions of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Catalog of Federal Domestic Assistance (CFDA) Numbers or Primary Grant Numbers are presented for those programs for which such numbers are available.

### B. FEDERAL DIRECT STUDENT LOANS

The University is responsible only for the performance of certain administrative duties with respect to the Federal Direct Student Loan program (CFDA Number 84.268).

### C. FEDERAL LOAN PROGRAMS

Total loan expenditures and disbursements of the Department of Health and Human Services student financial assistance loan programs for the fiscal year are identified below:

	CFDA Number	Disbursements
Federal Perkins Loan Program	84.038	\$ 2,456,269
Nursing Student Loan Program	93.364	199,433
Nurse Faculty Loan Program	93.264	32,105

## D. SUBRECIPIENTS

Of the federal expenditures presented in the Schedule, the University provided federal awards to subrecipients as follows:

Subrecipient Name	CFDA No.	Program Title	Expenditures
Access Ohio, LLC	93.778	Ohio Tele-Psychiatry Project	59,454
<b>Access Ohio, LLC Total</b>			<b>59,454</b>
Agriculture and Agri-Food Canada	47.074	Collaborative Research: DIPTERA	4,000
<b>Agriculture and Agri-Food Canada Total</b>			<b>4,000</b>
Air Force Institute of Technology (AFIT)	47.076	In the Footsteps of Katharine Wright: Promoting STEM	28,269
<b>Air Force Institute of Technology (AFIT) Total</b>			<b>28,269</b>
Applied Research Associates, Inc.	12.800	Interactions with Semi-Autonomous Remotely Piloted Vehicles	66,258
<b>Applied Research Associates, Inc. Total</b>			<b>66,258</b>
Booz Allen Hamilton, Inc.	12.800	Interactions with Semi-Autonomous Remotely Piloted Vehicles	39,827
<b>Booz Allen Hamilton, Inc. Total</b>			<b>39,827</b>
Bowling Green State University	45.169	The Scholar's Dashboard: Creating a Multidisciplinary Tool	696
<b>Bowling Green State University Total</b>			<b>696</b>
Brigham and Women's Hospital, Inc.	93.837	PLD2 as a GEF or as a Lipase is Central to Leuk. Chemotaxis	17,318
<b>Brigham and Women's Hospital, Inc. Total</b>			<b>17,318</b>
California Baptist University	47.076	A National Model for Engineering Mathematics Education	24,453
<b>California Baptist University Total</b>			<b>24,453</b>
Central State University	47.076	In the Footsteps of Katharine Wright: Promoting STEM	34,523
<b>Central State University Total</b>			<b>34,523</b>
Designing Digitally, Inc.	12.800	Academic Pipeline and Future Lab	34,725
<b>Designing Digitally, Inc. Total</b>			<b>34,725</b>
Emory University	93.853	Synaptic Functions: Effects of the NIR&A Activity	265,831
<b>Emory University Total</b>			<b>265,831</b>
Fayette County Board of Developmental Disabilities	93.630	CCOE Dual Diagnosis MI/DD	2,000
<b>Fayette County Board of Developmental Disabilities Total</b>			<b>2,000</b>
Greene County Combined Health District	93.243	Substance Testing and Education Program Using Prevention	47,875
<b>Greene County Combined Health District Total</b>			<b>47,875</b>
Habitat Seven, LLC	47.076	CRPA: Into the Rift: A Multimedia Ecosystem-Based Sci. Ed.	34,320
<b>Habitat Seven, LLC Total</b>			<b>34,320</b>
Howard University	47.076	A National Model for Engineering Mathematics Education	35,119
<b>Howard University Total</b>			<b>35,119</b>
Indiana University	47.041	INSPIRE Track 1: IO in Supramolecular Assemblies	70,134
<b>Indiana University Total</b>			<b>70,134</b>
Infoscitex Corporation	12.800	Interactions with Semi-Autonomous Remotely Piloted Vehicles	612,325
<b>Infoscitex Corporation Total</b>			<b>612,325</b>
Institute for Global Environmental	47.050	K-12 Partners: Helping Rural Disadv. Students Geosci. Career	11,717
<b>Institute for Global Environmental Total</b>			<b>11,717</b>
Joann Wright Mawasha	93.006	Evaluation of the State Partnership Grant for the OCMH	851
Joann Wright Mawasha	93.991	Michigan Department of CHCBP Evaluation 2013	10,598
<b>Joann Wright Mawasha</b>			<b>11,449</b>
Kansas State University	47.076	In the Footsteps of Katharine Wright: Promoting STEM	5,607
<b>Kansas State University Total</b>			<b>5,607</b>
Kettering Health Network	12.800	Neuroscience and Medical Imaging	32,807
<b>Kettering Health Network Total</b>			<b>32,807</b>

## D. SUBRECIPIENTS (Continued)

Subrecipient Name	CFDA No.	Program Title	Expenditures
Leidos, Inc.	12.800	Interactions with Semi-Autonomous Remotely Piloted Vehicles	157
Leidos, Inc.	12.800	Neuroscience and Medical Imaging	8,977
<b>Leidos, Inc. Total</b>			<b>9,134</b>
Lucas County Board of DD	93.630	CCOE Dual Diagnosis MI/DD	2,000
<b>Lucas County Board of DD Total</b>			<b>2,000</b>
Miami University	93.121	Genetic Architecture of the Human Dentognathic Complex	92,716
<b>Miami University Total</b>			<b>92,716</b>
Mini University, Inc.	84.335	Wright State CCAMPIS	76,178
<b>Mini University, Inc. Total</b>			<b>76,178</b>
Montgomery Development Center Support Group, Inc.	93.630	CCOE Dual Diagnosis MI/DD	4,427
<b>Montgomery Development Center Support Group, Inc. Total</b>			<b>4,427</b>
Morgan State University	47.076	A National Model for Engineering Mathematics Education	15,720
<b>Morgan State University Total</b>			<b>15,720</b>
Mound Laser & Photonics Center, Inc.	12.300	III-N Devices and Architectures for THz Electronics	1,180
<b>Mound Laser &amp; Photonics Center, Inc. Total</b>			<b>1,180</b>
New Mexico State University	12.800	Physics-Based Morphology AAO of Flexible Flapping Wings	27,727
<b>New Mexico State University Total</b>			<b>27,727</b>
Polytechnic Institute of New York University	12.431	Computational and Experimental Equip. for THz Biomol. Sign.	11,964
<b>Polytechnic Institute of New York University Total</b>			<b>11,964</b>
Public Health Dayton and Mont. Cty	93.243	Fifty Plus Prevention Project F3P	35,085
Public Health Dayton and Mont. Cty	93.243	Our Women's Health Promotion Project	16,814
<b>Public Health Dayton and Mont. Cty Total</b>			<b>51,899</b>
Purdue University	47.041	Collaborative Research: QP in NMS	12,295
<b>Purdue University Total</b>			<b>12,295</b>
Redondo Optics, Inc.	47.041	INSPIRE Track 1: IO in Supramolecular Assemblies	25,000
<b>Redondo Optics, Inc. Total</b>			<b>25,000</b>
San Antonio College	47.076	A National Model for Engineering Mathematics Education	5,619
<b>San Antonio College Total</b>			<b>5,619</b>
Science Applications International Corporation	12.800	Interactions with Semi-Autonomous Remotely Piloted Vehicles	157,557
Science Applications International Corporation	12.800	Neuroscience and Medical Imaging	104,600
<b>Science Applications International Corporation Total</b>			<b>262,157</b>
Sinclair Community College	47.076	Collaborative Research: RDE-RAD: (OSAA)	1,831
<b>Sinclair Community College Total</b>			<b>1,831</b>
Southwestern Ohio Council for Higher Education	12.800	Neuroscience and Medical Imaging	258,776
<b>Southwestern Ohio Council for Higher Education Total</b>			<b>258,776</b>
Texas Biomedical Research Institute	93.121	Genetic Architecture of the Human Dentognathic Complex	123,241
Texas Biomedical Research Institute	93.865	Genetic Somatic & Maturational Influences on PKH	85,322
<b>Texas Biomedical Research Institute Total</b>			<b>208,563</b>
The Florida Institute for Human and Machine Cognition	12.800	Interactions with Semi-Autonomous Remotely Piloted Vehicles	52,509
<b>The Florida Institute for Human and Machine Cognition Total</b>			<b>52,509</b>
The Institute for Global Environmental Strategies, Inc.	47.050	K-12 Partners: Helping Rural Disadv. Students Geosci. Career	4,549
<b>The Institute for Global Environmental Strategies, Inc. Total</b>			<b>4,549</b>
The Ohio State University	93.630	CCOE Dual Diagnosis MI/DD	12,626
<b>The Ohio State University Total</b>			<b>12,626</b>
The OPRA Foundation	93.630	CCOE Dual Diagnosis MI/DD	4,000
<b>The OPRA Foundation Total</b>			<b>4,000</b>

## D. SUBRECIPIENTS (Continued)

Subrecipient Name	CFDA No.	Program Title	Expenditures
The University of Texas at El Paso	47.076	A National Model for Engineering Mathematics Education	2,101
<b>The University of Texas at El Paso Total</b>			<b>2,101</b>
The University of Texas at San Antonio	47.076	A National Model for Engineering Mathematics Education	10,586
<b>The University of Texas at San Antonio Total</b>			<b>10,586</b>
University of Calgary	93.865	HIF1 Alpha Regulation of Trophoblast Differentiation In Vivo	3,609
<b>University of Calgary Total</b>			<b>3,609</b>
University of California, Berkeley	93.855	Molecular Evolution of AAV Vectors for Anti-HIV Gene Therapy	625
<b>University of California, Berkeley Total</b>			<b>625</b>
University of California, Davis	93.242	Rhesus Model for Proinflammatory Influences on Depression	69,595
<b>University of California, Davis Total</b>			<b>69,595</b>
University of Cincinnati	12.800	Academic Pipeline and Future Lab	16,519
<b>University of Cincinnati Total</b>			<b>16,519</b>
University of Dayton	47.074	Roles and Reg. of Aqua/Glyceroporin in Freeze-Tolerant Amphib	36,186
University of Dayton	47.076	In the Footsteps of Katharine Wright: Promoting STEM	20,793
<b>University of Dayton Total</b>			<b>56,979</b>
University of Maryland	47.076	A National Model for Engineering Mathematics Education	60,099
<b>University of Maryland Total</b>			<b>60,099</b>
University of Minnesota	93.865	Adiposity, Disease Risk Factors, and Lifetime Health	76,943
<b>University of Minnesota Total</b>			<b>76,943</b>
University of Missouri	47.070	RI: Small: Develop. Lg. Scale Distrib. Synt. Semant. & Lex.	41,013
<b>University of Missouri Total</b>			<b>41,013</b>
University of San Diego	47.076	A National Model for Engineering Mathematics Education	4,505
<b>University of San Diego Total</b>			<b>4,505</b>
University of Southern California	12.800	Academic Pipeline and Future Lab	24,793
<b>University of Southern California Total</b>			<b>24,793</b>
University of Toledo	47.076	A National Model for Engineering Mathematics Education	313
<b>University of Toledo Total</b>			<b>313</b>
University of Virginia	12.800	Physics-Based Morphology AAO of Flexible Flapping Wings	13,469
<b>University of Virginia Total</b>			<b>13,469</b>
Wake Forest University Health Sciences	84.116	Translational Biomedical Training for Underrep. Minorities	23,173
<b>Wake Forest University Health Sciences Total</b>			<b>23,173</b>
Washington State University	47.076	A National Model for Engineering Mathematics Education	240
<b>Washington State University Total</b>			<b>240</b>
Western Michigan University	47.076	A National Model for Engineering Mathematics Education	2,563
<b>Western Michigan University Total</b>			<b>2,563</b>
<b>Grand Total</b>			<b>2,986,702</b>

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

To the Board of Trustees  
Wright State University  
Dayton, Ohio

We have audited, in accordance with the 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 financial statements of the business-type activities of Wright State University (the "University") and its discretely presented component unit as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated the same date as of this report.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the University'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University'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 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 material weaknesses. However, material weaknesses may exist that have not been identified.

## Compliance and Other Matters

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

## Purpose of this Report

The purpose of this 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 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.

A handwritten signature in black ink that reads "Crowe Horwath LLP". The signature is written in a cursive, flowing style.

Crowe Horwath LLP

Columbus, Ohio  
October 14, 2014

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

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

**Report on Compliance for Each Major Federal Program**

We have audited Wright State University's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Wright State University's major federal programs for the year ended June 30, 2014. Wright State University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Wright State University's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Wright State University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Wright State University's compliance.

***Opinion on Each Major Federal Program***

In our opinion, Wright State University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

## Report on Internal Control Over Compliance

Management of Wright State University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Wright State University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Wright State University's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Crowe Horwath LLP

Columbus, Ohio  
October 14, 2014

WRIGHT STATE UNIVERSITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2014

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**Section I - Summary of Auditor's Results**

***Financial Statements***

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?        Yes   X   No

Significant deficiencies identified not  
considered to be material weaknesses?        Yes   X   None Reported

Noncompliance material to financial statements noted?        Yes   X   No

***Federal Awards***

Internal Control over major programs:

Material weakness(es) identified?        Yes   X   No

Significant deficiencies identified not  
considered to be material weaknesses?        Yes   X   None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be  
reported in accordance with Section .510(a) of  
OMB Circular A-133?        Yes   X   No

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

84.007, 84.033, 84.038,  
84.063, 84.268, 93.342,  
93.264, 93.364

Student Financial Assistance Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$885,153

Auditee qualified as low-risk auditee?   X   Yes        N

**Section II - Financial Statement Findings**

None reported.

**Section III - Federal Award Findings**

None reported.

**Section IV - Prior Year Findings and Questioned Costs**

None reported.

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# WRIGHT STATE UNIVERSITY

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