WRIGHT STATE UNIVERSITY

Annual Report

For Year Ended

June 30, 2004

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

WRIGHT STATE UNIVERSITY
Annual Report
Table of Contents
June 30, 2004

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, 2004 with selected comparative information for the years ended June 30, 2003 and 2002. 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

- In accordance with Governmental Accounting Standards Board (GASB) Statement No. 39, beginning in 2004 the Wright State University Foundation (Foundation), a legally separate tax-exempt entity, is determined to be a component unit of the University. As such, it is discretely presented (i.e., in a separate column) within the university's financial statements.

- The University continues to experience annual reductions in state appropriations. State appropriations fell $.6 million in 2004 from 2003 while 2003 appropriations were $2.6 million less than 2002.

- As State support continues to decline, the University increased tuition by six percent for all returning students (15.9 percent for the School of Medicine). For all new students (excluding the School of Medicine), the tuition increase was approximately 10.2 percent. These increases still enable the University to maintain the fourth lowest in-state undergraduate tuition rate among the State of Ohio's thirteen four-year public institutions.

- Net assets increased $10.3 million at June 30 from the prior year in both 2004 and 2003. The majority ($9.3 million) of the 2004 increase was realized in unrestricted net assets. This was largely attributable to a favorable variance in tuition and fees as a result of better than expected enrollments.

- During fiscal 2004 the University completed the construction of its own electrical substation at a cost of approximately $2.3 million. The substation is expected to create substantial annual savings in electrical costs for the next twenty to forty years. In addition, a renovation costing approximately $1.6 million for structural improvements and safety enhancements was performed on the university's Forest Lane student apartments. As a result of these improvements, all of the university's student housing is equipped with installed sprinklers.

- Fall 2003 student headcount increased 1.3 percent and annual full time equivalent (FTE) students increased 4.8 percent from the prior year.

- For the 12th time in 13 years, *The Guardian* student newspaper earned "All-American" ranking, the highest rating possible from the national Associated Collegiate Press.

- For the 25th consecutive year, top honors went to Wright State students at the National Model United Nations (NMUN) conference by again earning top honors. The NMUN is the largest intercollegiate conference of its kind and attracts students from all over the world.

- For the fourth year in a row, *Facilities & Event Management* magazine named the university's Ervin J. Nutter Center a Prime Site Award winner.

- The University has raised \$56.2 million through June 30, 2004 as part of its fundraising campaign entitled "*Tomorrow Takes Flight: The Campaign for Wright State University".* The campaign set a goal of raising \$40 million in operating and endowment funds for student scholarships, faculty development, facility improvements, program support, and to increase institutional endowments. Due to the continuing success of the campaign, the University has decided to extend it for another two years through 2006.

- Wright State's School of Medicine was named one of the top 50 medical schools for primary care in the nation in the U.S. News & World Report "America's Best Graduate Schools 2005" ranking.

- For the second year in a row, two Wright State teams won top honors at the 20th annual National Case Competition, sponsored by the Society for the Advancement of Management. In addition, university students were second in the National Intercollegiate Ethics Bowl, finishing in the top ten for the fourth consecutive year.

- The University has begun implementing its new Enterprise Resource Planning (ERP) System. This project replaces all administrative information systems within the University, including financial, human resource/payroll, student, and advancement and fund-raising systems. During 2004 the University implemented the web portal portion of the system, which is the gateway for faculty, staff, and students to access all other portions of the ERP system as well as enabling these individuals to customize and manage other communication and information exchanges that affect them. In addition, other modules began training and implementation efforts. The finance module is planned for a July 1, 2005 "go live" date.

Using the Annual Report

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

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

Statements of Net Assets

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

	2004	2003	2002
	(All dollar amounts in thousands)		
Current assets	$ 89,141	$ 87,489	$ 73,103
Noncurrent assets:			
Capital assets, net	227,257	225,160	222,089
Other	74,926	70,772	62,946
Total assets	391,324	383,421	358,138
Current liabilities	65,961	66,355	56,785
Noncurrent liabilities	22,406	24,384	18,976
Total liabilities	88,367	90,739	75,761
Net assets:			
Invested in capital assets, net of related debt	210,772	209,916	210,513
Restricted	21,515	21,390	20,926
Unrestricted	70,670	61,376	50,938
Total net assets	$ 302,957	$ 292,682	$ 282,377

The summary reflects the university's continued success in strengthening its asset base. The University continues to be conservative and prudent in its spending and fiscal management, sensitive to its own needs and the limitations of the current State economic environment. The University has also benefited from increasing student enrollment.

Total assets have increased $7.9 million in 2004. *Current assets* are comprised primarily of cash and operating investments, student and sponsor receivables, and prepaid expenses. While total accounts receivable only increased from $18.7 million in 2003 to $19.1 million in 2004, sponsor receivables increased approximately $2.7 million due to the continued annual increase in sponsored awards and an additional $2.0 million in sponsor billings the last two months of 2004 over that of 2003. Likewise, there was a $2.7 million decrease in investment trade receivables from 2003. Accounts receivable is comprised of primarily sponsor receivables on contracts and grants as well as student receivables for various student fees and charges. Prepaid expenses increased $1.0 million from $9.9 million at June 30, 2003 to $10.9 million at June 30, 2004. The majority of the prepaid expenses are made on behalf of OhioLINK for prepaid license agreements. OhioLINK is a statewide library program for which the University is the fiscal agent. There was only a modest increase of $2.1 million in capital assets (net of depreciation) in 2004. Other noncurrent assets increased $4.1 million in 2004 to $74.9 million from $70.8 million in 2003 primarily as a result of an increase of $4.6 million in long-term investments.

The 2003 increase in total assets of $25.3 million over 2002 was primarily the result of a $19.4 million increase in cash and investments and increases of $3.6 in OhioLINK prepaid license agreements.

Total assets of the Wright State University Foundation increased from $47.2 million at June 30, 2003 to $61.4 million at June 30, 2004, an increase of $14.2 million. Of the $61.4 million, investments comprise $47.2 million and pledges receivable comprise another $10.2 million. Investments rose approximately $12.5 million over its 2003 level, primarily due to the success of the current fundraising campaign and the positive returns generated in the investment market. In addition, pledges receivable increase from $6.7 million to $10.2 million, an increase of $3.5 million. This, too, is attributable to the continuing success of the fundraising campaign.

Current liabilities are comprised primarily of accounts payables and accrued liabilities, deferred revenues from both student fees and advance payments for contracts and grants, and the current portion of long-term liabilities. These liabilities actually decreased from $66.4 million at June 30, 2003 to $66.0 million at

June 30, 2004. Although the overall decrease was not significant, accounts payable decreased $7.0 million from $16.7 million in 2003 to $9.7 million in 2004, primarily due to investment trade payables decreasing $5.1 million and other accounts payable decreasing another $1.9 million due to some large routine expenditures that occurred late in June of 2003. Deferred revenue increased $6.4 million from $32.4 million in 2003 to $38.8 million in 2004 primarily due to an increase in advance sponsor payments, the majority of which is from participating institutions in the OhioLINK program. Deferred summer student fees also increased slightly.

Current liabilities increased from $56.8 million at June 30, 2002 to $66.4 million at June 30, 2003, an increase of $9.6 million. Deferred revenue increased $7.3 million in 2003, again attributable to advance payments for the OhioLINK program. Accounts payable increased $2.9 million in 2003 as a result of the large routine expenditures that were incurred in June of 2003.

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

	2004	2003	2002
	(All dollar amounts in thousands)		
Invested in capital assets, net of related debt	$ 210,772	$ 209,916	$ 210,513
Restricted:			
Nonexpendable	1,364	1,364	1,364
Expendable	20,151	20,026	19,562
Unrestricted:			
Designated	70,413	64,660	55,723
Undesignated	257	(3,284)	(4,785)
Total net assets	$ 302,957	$ 292,682	$ 282,377

Invested in capital assets, net of related debt represents the university's capital assets after subtracting accumulated depreciation and the principal amount of outstanding debt attributable to the acquisition, construction or improvement of those assets. Capital activity was relatively modest in both fiscal 2004 and 2003. The University did begin implementation of its new administrative software package in 2004 resulting in capitalized expenditures of $4.0 million. In both 2004 and 2003, the University also made routine investments to maintain its aging facilities.

Restricted nonexpendable represents the university's permanent endowments. It does not include the endowments held by the Wright State University Foundation, to which all new gifts are directed. *Restricted expendable* represents funds that are externally restricted to specific purposes, such as student loans or sponsored projects. $17.1 million and $16.2 million of the restricted expendable fund balances at June 30, 2004 and June 30, 2003, respectively, represent funds restricted for student loans.

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

Statements of Revenues, Expenses and Changes in Net Assets

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

	2004	2003	2002
	(All dollar amounts in thousands)		
Operating Revenues:			
Student tuition and fees - net	$ 87,295	$ 75,804	$ 65,767
Grants and contracts	79,657	71,974	61,575
Sales and services	6,828	7,123	5,849
Auxiliary enterprises	14,871	13,154	8,930
Other	1,785	1,600	2,618
Total	190,436	169,655	144,739
Operating expenses	284,227	266,425	243,484
Operating loss	(93,791)	(96,770)	(98,745)
Nonoperating revenues (expenses):			
State appropriations	91,725	92,302	94,932
Gifts	4,970	4,679	4,322
Investment income	3,565	3,036	1,484
Interest expense	(657)	(637)	(625)
Other income (expense)	(13)	(230)	(3,343)
Capital appropriations	3,447	6,481	12,841
Capital grants	1,029	1,444	909
Total	104,066	107,075	110,520
Increase in net assets	10,275	10,305	11,775
Net assets - beginning of year	292,682	282,377	270,602
Net assets - end of year	$ 302,957	$ 292,682	$ 282,377

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

OhioLINK Revenues and Expenses
For the Year Ended June 30

	2004	2003	Difference	Percent Increase (Decrease)
Revenues:				
Grants and contracts	$ 20,077,437	$ 15,277,720	$ 4,799,717	31.4%
State appropriations	5,159,550	6,787,892	(1,628,342)	(24.0)%
Total revenues	$ 25,236,987	$ 22,065,612	$ 3,171,375	14.4%
Expenses:				
Total OhioLINK	$ 25,236,987	$ 22,065,612	$ 3,171,375	14.4%

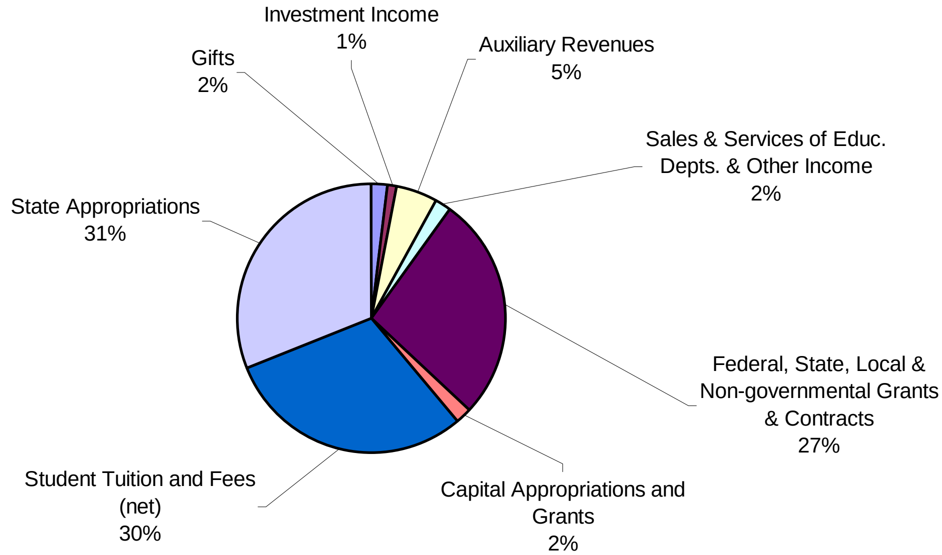
The University relies primarily on state appropriations and student tuition and fees to fund the ongoing programs and operations of the University. Although accounting standards classify state appropriations as a nonoperating revenue source, the University continues to rely upon it as a primary funding source. It was the largest single funding source of the University until 2003, when gross student tuition and fees exceeded it. Unfortunately, even though the amount of state appropriations received by the University each year is in general a function of student credit hour enrollment and although 2004 enrollment increased to an all-time high, total state appropriations once again declined for the third consecutive year. These reduced funding levels result in a greater and greater reliance on student tuition and fees. As the table below demonstrates, the State of Ohio over the past two decades has forced universities to shift the burden for funding the cost of higher education to students and their families.

State Appropriations per Dollar of Gross Tuition

Fiscal Year	Gross Tuition	State Appropriations net of OhioLINK	Net State Appropriations per Dollar of Gross Tuition
1980	$ 13,833,157	$ 29,604,813	$ 2.14
1990	40,939,473	63,889,505	1.56
2001	74,956,371	86,874,854	1.16
2002	82,426,162	86,461,640	1.05
2003	94,242,118	85,513,853	0.91
2004	107,972,411	86,565,632	0.80

The shifting of the financial burden has been most notable in the more recent years. In just three years the State has gone from funding $1.16 for every dollar of gross tuition to only $0.80. In gross dollars, the difference between state appropriations (net of OhioLINK) and gross tuition has gone from a positive $11.9 million in 2001 to a negative $21.4 million in 2004. That is a difference of $33.3 million in just four years. That difference reflects the magnitude of the additional burden placed on students and their families by the withdrawal of state support. Contributing somewhat to the difference is the fact that better than anticipated enrollments in recent years have resulted in higher than budgeted student fee income. Wright State has continued to assess lower than average tuition and fees in recent years and as a result continues to hold its rank of fourth lowest (out of 13) of the four-year public institutions with respect to student tuition rates. It should be noted that two of the lower three universities have received special state funding that Wright State does not receive.

Below is a graphic illustration of revenues by source for the year ended June 30, 2004.



State appropriations declined from $94.9 million in 2002 to $92.3 million in 2003 to $91.7 million in 2004. The effect of this reduction in state appropriations can really be demonstrated when translating it to a FTE basis. In just those two years from 2002 to 2004, the amount of state appropriations per FTE fell from approximately $6,929 in 2002 to approximately $6,303 in 2003, a nine percent drop. If one were to adjust these figures by any measure of inflation, the percentage reduction would be even greater.

Net student tuition and fees increased over 15 percent from 2003 to 2004, as well as from 2002 to 2003. These fees were $87.3 million in 2004, $75.8 million in 2003 and $65.6 million in 2002. The 2004 increase, as well as the 2003 increase, is primarily the result of two factors. One factor is the magnitude of tuition increases needed to offset the declining state support. The typical increase in 2004 ranged from six percent to 10.2 percent, depending upon whether a student was new or returning. In addition, FTE enrollment continues to rise. It went up 4.8 percent in 2004.

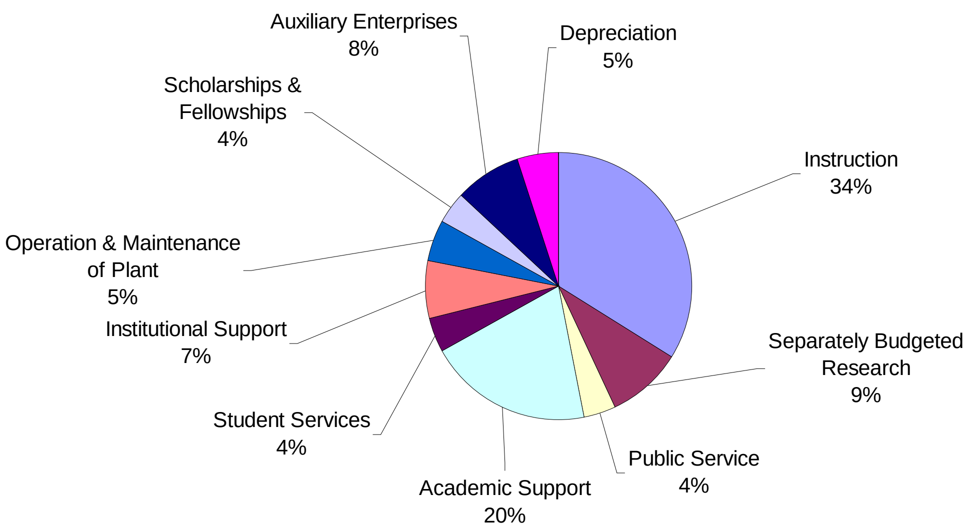
Grants and contracts increased from $72.0 million in 2003 to $79.7 million in 2004, an increase of $7.7 million or 10.7 percent. 2002 was $61.6 million. Grant and contract awards have been increasing annually over the last decade or more. Once again in 2004 (as in 2003), the most significant increase was the revenue generated from other colleges and universities as well as other grants in support of and participation in the OhioLINK program that is administered by the University. The 2004 increase for this program was $4.8 million. In addition, there were numerous other new federal awards in 2004.

Auxiliary revenues increased from $13.2 million in 2003 to $14.9 million in 2004 primarily because of an accounting change due to a change in the structure of the university's contract with its food service contractor. This change first took place in 2003. However, 2004 was the first year with a full twelve months of activity. In 2002, the contractor ran the food service operations as an independent entity, simply paying the University a rental commission for the space. In the fall of 2003, the University took over the operations and hired the contractor as a provider of services in assisting the University in running the operations. Therefore, in 2004 and most of 2003 all of the gross revenues were recorded by the University rather than the contractor. This increase in revenues was $.9 million in 2004 and $4.0 million in 2003. Net auxiliary revenues in 2002 were $8.9 million.

Sales and services, which are primarily revenues generated from specific departmental sales activities to organizations external to the University, were $6.8 million, $7.1 million, and $5.8 million for the years ended June 30, 2004, 2003 and 2002, respectively. 2004 decreased as a result of a decrease in conference activities and printing revenues. The increase of $1.3 million in 2003 was the result of additional conferences and clinical activities within the School of Medicine.

Investment income increased by $.5 million in 2004, from $3.0 million in 2003 to $3.5 million in 2004. Investment income was $1.5 million in 2002. The 2004 increase was due to a sustained improvement in the equity markets during the fiscal year. The 2003 improvement of $1.5 million was due to the strong rebound in the equity markets during the fourth quarter of that fiscal year.

The following is a graphic illustration of expenses by function for the year ended June 30, 2004.



Overall operating expenses were $284.2 million in 2004 as compared to $266.4 million and $243.5 million in 2003 and 2002, respectively. The 2004 increase represents an increase of $17.8 million or 6.7 percent. The largest component of expenses is employee compensation and benefits. Salaries and benefits increased approximately $14.3 million, or 8.9 percent, from $159.9 million in 2003 to $174.2 million in 2004. This increase was attributable to routine compensation increases, filling a number of positions that had been vacant in the previous year, and some new positions created by increased sponsored program awards. In addition, benefit costs continue to rise at double digit rates. Scholarship and fellowship awards increased approximately $1.1 million, partially as a response to the rising cost of student tuition and the need to have awards keep pace with these rising costs.

OhioLINK expenditures continue to increase, primarily due to the volume of participation and the increased number and amount of license agreements. Over the last three years these costs have risen from $17.6 million in 2002 to $22.0 million in 2003 to $25.2 million in 2004. Auxiliary expenditures increased $1.8 million, most notably due to the change in the university's contract with its food service provider as described earlier. Most other costs across the University were maintained at a level comparable to fiscal 2003.

Overall operating expenses increased $22.9 million in 2003 over 2002. Much of this increase can be attributed to the same items as the 2004 increase. Salaries and benefits increased $8.4 million, OhioLINK expenditures increased $4.4 million, and the food service operation change amounted to an increase of $4.0 million. In addition, there were increases in 2003 costs for computers, office furniture, and related items most notably for the final move into Millett Hall in that fiscal year.

Spending per student FTE was basically flat from 2002 through 2004 after deducting restricted program activity (externally funded gifts and awards, including OhioLINK) from overall expenditures in each of the years 2004, 2003, and 2002 and after adjusting for the effects of an accounting change in food service operations in 2003 as a result of the University taking over the operations from a third party contractor. This accounting change had the effect of reporting increased operating costs (and corresponding revenues) of $4.0 million in 2003 over 2002. Keeping spending per student FTE flat is a reflection of the university's success in its continuing efforts to control costs.

Statements of Cash Flows

The Statements 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, 2004. A summary of the Statements of Cash Flows is as follows:

	2004	2003	2002
	(All dollar amounts in thousands)		
Cash provided (used) by:			
Operating activities	$ (77,859)	$ (81,591)	$ (86,046)
Noncapital financing activities	96,089	97,076	99,199
Capital and related financing activities	(15,337)	(2,540)	(9,752)
Investing activities	(7,497)	(223)	119
Net increase in cash and cash equivalents	(4,604)	12,722	3,520
Cash and cash equivalents-beginning of year	46,880	34,158	30,638
Cash and cash equivalents-end of year	$ 42,276	$ 46,880	$ 34,158

Cash and cash equivalents decreased $4.6 million in 2004 from 2003. This is a reflection of the university's cash management practices and the timing of its investments. Although cash and cash equivalents decreased in 2004, total investments increased by $8.8 million. This is also reflected above as cash flows used in investing activities increased by $7.3 million in 2004 over 2003. Cash flows from operating activities improved in 2004 from 2003 primarily because of enhanced revenues and controlled spending. Cash flows from operating activities also improved in 2003 compared to 2002. Capital and related financing activities decreased $12.8 million from 2003 primarily because in 2003 the University received net debt proceeds of $7.0 million and also received $3.0 million of additional State capital funding.

Capital Assets and Debt

Capital Assets

The University had approximately $227.3 million invested in capital assets, net of accumulated depreciation of $158.3 million at June 30, 2004. Capital assets were $225.2 million, net of accumulated depreciation of $148.5 million at June 30, 2003. Depreciation expense for the year ended June 30, 2004 and 2003 was $14.0 million. A summary of net capital assets for the year ended June 30 is as follows:

	2004	2003	2002
	(All dollar amounts in thousands)		
Land, land improvements and infrastructure	$ 20,081	$ 20,618	$ 20,945
Buildings	167,146	166,496	150,703
Machinery and equipment	21,104	17,125	15,869
Library books and publications	18,926	19,188	19,385
Construction in progress		1,733	15,187
Total capital assets - net	$ 227,257	$ 225,160	$ 222,089

The University completed its construction of an electrical substation in 2004 adding an additional cost of $1.2 million for a total project cost of $2.3 million. This substation is expected to save the University over $200,000 in energy costs annually. In addition, the University completed its renovation of its student apartments in 2004. The total cost of this project was approximately $1.6 million with $1.0 million being added in the current year. The only major capital project begun in 2004 was the acquisition and beginning stages of implementation of an ERP suite of administrative software. This project is expected to take place over several years with a total estimated project cost of $15.0 million, most of which will be capitalized. Approximately $4.0 million was capitalized in 2004. The University also continues to address ongoing needs for repair of its aging facilities.

Debt

The University issued no new debt in 2004. New bonds were issued in 2003 in the amount of $16.9 million. Part of that bond issue was to refund all previously existing bonds outstanding with the University. Those bonds also financed several small projects. Outstanding debt was $16.5 million, $18.6 million, and $11.6 million at June 30, 2004, 2003, and 2002, respectively. Of the 2004 balance of $16.5 million, $15.3 million reflects the one outstanding bond issue and $1.2 million reflects outstanding equipment leases. With the 2003 bond issue, the University received a bond rating of A2 from Moody’s Investors Service. There have been no changes in that rating.

Economic Factors That Will Affect the Future

The University has been improving its financial health on an annual basis. Management notes that this is becoming more and more challenging because of shrinking State resources. That same reduction in state support makes it even more important to increase our reserves to protect our ability to support our academic programs in the future and to generate investment income to help finance current needs. The State of Ohio’s economic challenges will continue to cloud the revenue picture for the University. This makes our decisions regarding rate increases for student tuition and fees as well as investments in our academic programs much more challenging. Higher education’s share of the state operating and capital budgets continues to decline. The University is working to develop alternate or enhanced sources of funding. Management has been very pleased with the success of the fundraising campaign that has been underway for several years now that will help support scholarships, faculty development programs, and facility improvements. Because of the continuing success of the campaign, which was scheduled to end in 2004, the University has extended it for an additional two years. Unfortunately, our budget relies increasingly on tuition payments by students and their families. We continue to work with the State in various forums to emphasize the importance of public funding for higher education as an essential investment in the state’s future.

The University is systematically investing in its aging facilities. Management has been spending much time on its capital planning process, working to improve its understanding of the possible contribution that operating margins can make to the financing of needed capital improvements. As state funding declines and the need for infrastructure investments grows, the University realizes that it is going to have to rely more on its own resources and on external financing to complete the projects it feels are necessary. The University also realizes that it will need to continue to review its expenditure practices in hopes of finding further efficiencies. Costs such as health care, insurance, and many contracted services will need to be continually reviewed to help minimize costs as much as possible.

Even with the continued challenges that exist, we believe that we are not only well positioned financially to face them, but we have a faculty and staff committed to the success of Wright State University and of its students.

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
2080 Kettering Tower
Dayton, OH 45423
Telephone (937) 331 2100
Facsimile (937) 331 2101

Report of Independent Auditors

To The Board of Trustees of
Wright State University:

In our opinion, the accompanying statement of net assets and the related statement of revenues, expenses, and changes in net assets and cash flows, present fairly, in all material respects, the financial position of Wright State University (the "University"), a component unit of the State of Ohio, at June 30, 2004 and 2003, and its revenues and expenses and changes in net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of Wright State University's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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

As described in Note1, the University adopted the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 39, *Determining Whether Certain Organizations are Component Units, an amendment of GASB Statement No. 14*, effective July 1, 2003. The University elected to include the Foundation's financial statements as of June 30, 2003 and for the year then ended for comparative purposes only.

In accordance with *Government Auditing Standards,* we have also issued our report dated September 30, 2004 on our consideration of Wright State University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters for the year ended June 30, 2004. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

PricewaterhouseCoopers LLP

September 30, 2004
Dayton, Ohio

This page intentionally left blank

WRIGHT STATE UNIVERSITY
Statements of Net Assets
June 30, 2004 and 2003

	2004		2003	
ASSETS	**University**	**Foundation**	**University**	**Foundation**
Current assets:				
Cash and cash equivalents	$ 42,275,915	$ 1,478,940	$ 43,554,542	$ 3,382,651
Short-term investments	8,820,497		7,949,858	
Accounts receivable (net of allowance for doubtful accounts of $780,000 in 2004 and $630,000 in 2003 - Note 3)	19,179,701		18,684,608	
Gifts and pledges receivable (net of allowance for uncollectible pledges of $9,500 in 2004 and $17,000 in 2003)		4,808,163		3,102,128
Loans receivable (net of allowance for doubtful loans of $1,582,000 in 2004 and $1,547,500 in 2003)	3,016,789		2,959,885	
Inventories	768,646		748,314	
Prepaid expenses	10,967,607		9,913,367	
Deferred charges	4,111,595		3,678,689	
Total current assets	89,140,750	6,287,103	87,489,263	6,484,779
Noncurrent assets:				
Restricted cash and cash equivalents			3,325,854	
Restricted investments			42,569	
Gifts and pledges receivable (net of allowance for uncollectible pledges of $11,000 in 2004 and $20,600 in 2003)		6,854,337		5,431,372
Loans receivable (net of allowance for doubtful loans of $163,000 in 2004 and $149,500 in 2003)	16,161,851		14,801,334	
Other assets	1,029,227	215,884	2,793,437	193,613
Other long-term investments	57,735,280	47,375,851	49,808,373	34,454,366
Capital assets, net (Note 4)	227,256,452	650,000	225,160,090	650,000
Total noncurrent assets	302,182,810	55,096,072	295,931,657	40,729,351
Total assets	**$ 391,323,560**	**$ 61,383,175**	**$ 383,420,920**	**$ 47,214,130**
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable trade and other	$ 9,704,908	$ 97,311	$ 16,696,177	$ 162,560
Accounts payable to Wright State University		787,877		602,005
Accrued liabilities	9,821,284		10,192,342	
Deferred revenue (Note 1)	38,813,418		32,358,662	
Refunds and other liabilities	442,962	1,064,739	521,430	583,010
Current portion of long-term liabilities (Note 5)	7,178,121	1,162,150	6,586,202	105,320
Total current liabilities	65,960,693	3,112,077	66,354,813	1,452,895
Noncurrent liabilities:				
Long-term liabilities (Note 5)	22,406,000	247,950	24,384,121	1,156,380
Total noncurrent liabilities	22,406,000	247,950	24,384,121	1,156,380
Total liabilities	88,366,693	3,360,027	90,738,934	2,609,275
Net assets:				
Invested in capital assets, net of related debt	210,772,331	650,000	209,915,621	650,000
Restricted - nonexpendable:				
Instruction and departmental research		13,572,515		5,744,706
Separately budgeted research	357,337	84,228	357,337	130,022
Public service		161,749		2,161,724
Academic support		444,005		497,929
Student services		10,000		10,000
Scholarships and fellowships	1,003,500	8,582,206	1,003,500	7,750,216
Auxiliaries		58,766		192,396
Other	3,044		3,044	
Restricted - expendable:				
Instruction and departmental research	177,195	10,214,766	500,435	11,538,245
Separately budgeted research	1,807,629	4,167,908	2,109,800	1,095,326
Public service	1,385	930,709	241,624	1,480,084
Academic support		1,156,346	13,875	1,354,214
Student services		93,038		103,916
Institutional support		2,647,143		12,925
Plant operation and maintenance		40,411		36,210
Scholarships and fellowships	790,568	13,402,080	692,653	11,893,143
Loans	17,096,289		16,192,476	
Debt service	272,597		272,597	
Auxiliaries		752,057		257,626
Other	5,262	65,419	2,599	
Unrestricted	70,669,730	989,802	61,376,425	(303,827)
Total net assets	302,956,867	58,023,148	292,681,986	44,604,855
Total liabilities and net assets	**$ 391,323,560**	**$ 61,383,175**	**$ 383,420,920**	**$ 47,214,130**

See Accompanying Notes to Financial Statements

WRIGHT STATE UNIVERSITY
Statements of Revenues, Expenses, and Changes in Net Assets
For the Years Ended June 30, 2004 and 2003

	2004		2003	
	University	Foundation	University	Foundation
OPERATING REVENUES				
Student tuition and fees (net of scholarship allowances of $20,677,304 in 2004 and $18,677,977 in 2003)	$ 87,295,107	$	$ 75,804,481	$
Federal grants and contracts	40,286,351		34,900,385	
State grants and contracts	6,126,816		6,622,930	
Local grants and contracts	577,123		455,917	
Nongovernmental grants and contracts	32,666,343		29,994,178	
Sales and services	6,828,099		7,122,746	
Auxiliary enterprises sales (net of scholarship allowances of $1,409,274 in 2004 and $1,285,063 in 2003)	14,871,000		13,154,113	
Gifts and contributions		12,710,489		10,639,185
Other operating revenues	1,784,869		1,599,826	
Total operating revenues	**190,435,708**	**12,710,489**	**169,654,576**	**10,639,185**
OPERATING EXPENSES				
Educational and general:				
Instruction and departmental research	96,809,086		89,858,999	
Separately budgeted research	24,287,690		21,573,393	
Public service	10,491,213		10,238,024	
Academic support	55,978,758		51,573,900	
Student services	12,312,121		11,930,262	
Institutional support	21,516,408	372,230	20,651,867	275,104
Operation and maintenance of plant	15,447,693		16,140,175	
Scholarships and fellowships	11,404,292		10,266,702	
Total educational and general	248,247,261	372,230	232,233,322	275,104
Auxiliary enterprises	22,024,035		20,228,111	
Depreciation	13,955,400		13,963,153	
Total operating expenses	**284,226,696**	**372,230**	**266,424,586**	**275,104**
Operating (loss)/gain	(93,790,988)	12,338,259	(96,770,010)	10,364,081
NONOPERATING REVENUES (EXPENSES):				
State appropriations	91,725,182		92,301,745	
Gifts	4,969,631		4,678,334	
Investment income (net of investment expenses of $209,649 in 2004 and $198,661 in 2003 for WSU and $71,874 in 2004 and $21,594 in 2003 for Foundation)	3,564,891	5,830,753	3,036,192	1,095,918
Interest on capital asset-related debt	(656,888)		(636,602)	
Payments to Wright State University		(4,750,719)		(4,972,839)
Other nonoperating revenues (expenses)	(12,704)		(230,409)	
Net nonoperating revenues before capital appropriations and capital grants	99,590,112	1,080,034	99,149,260	(3,876,921)
Capital appropriations from the State of Ohio	3,446,541		6,481,392	
Capital grants	1,029,216		1,444,249	
Total nonoperating revenues (net)	**104,065,869**	**1,080,034**	**107,074,901**	**(3,876,921)**
Increase in net assets	**10,274,881**	**13,418,293**	**10,304,891**	**6,487,160**
NET ASSETS				
Net assets - beginning of year	292,681,986	44,604,855	282,377,095	38,117,695
Net assets - end of year	**$ 302,956,867**	**$ 58,023,148**	**$ 292,681,986**	**$ 44,604,855**

See Accompanying Notes to Financial Statements

WRIGHT STATE UNIVERSITY
Statements of Cash Flows
For the Years Ended June 30, 2004 and 2003

CASH FLOWS FROM OPERATING ACTIVITIES	2004	2003
Student tuition and fees	$ 87,711,566	$ 76,495,558
Federal, state, local, and nongovernmental grants and contracts	81,767,286	77,865,446
Sales and services of educational and other departmental activities	7,703,613	7,748,140
Payments to employees	(137,743,096)	(128,811,379)
Payments for benefits	(35,649,718)	(32,327,186)
Payments to suppliers	(83,211,201)	(83,789,748)
Payments for scholarships and fellowships	(12,244,783)	(11,204,606)
Student loans issued	(4,911,789)	(4,990,840)
Student loans collected	3,494,366	3,686,008
Student loan interest and fees collected	319,246	288,452
Auxiliary enterprise sales	14,905,222	13,449,139
Net cash (used) by operating activities	**(77,859,288)**	**(81,591,016)**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	91,725,182	92,301,745
Gifts	4,363,638	4,774,787
Net cash provided by noncapital financing activities	**96,088,820**	**97,076,532**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital appropriations from the State of Ohio	3,446,541	6,481,392
Capital grants received	1,029,216	1,444,249
Purchases of capital assets	(17,325,153)	(16,361,051)
Sales of capital assets	255,819	1,170
Proceeds from capital debt		16,937,719
Principal paid on capital debt and leases	(2,086,202)	(10,406,898)
Interest paid on capital debt and leases	(656,888)	(636,602)
Net cash (used) in capital and related financing activities	**(15,336,667)**	**(2,540,021)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	90,928,910	87,401,528
Interest on investments	1,854,979	1,723,107
Purchase of investments	(100,281,235)	(89,347,797)
Net cash (used) in investing activities	**(7,497,346)**	**(223,162)**
Net (Decrease)/Increase in Cash and Cash Equivalents	**(4,604,481)**	**12,722,333**
Cash and Cash Equivalents - Beginning of Year	46,880,396	34,158,063
Cash and Cash Equivalents - End of Year	**$ 42,275,915**	**$ 46,880,396**

See Accompanying Notes to Financial Statements

WRIGHT STATE UNIVERSITY
Statements of Cash Flows
For the Years Ended June 30, 2004 and 2003

Reconciliation of net operating revenues (expenses) to net cash provided (used) by operating activities:	2004	2003
Operating loss	$ (93,790,988)	$ (96,770,010)
Depreciation	13,955,400	13,963,153
Change to allowance for doubtful accounts	150,000	
Change to allowance for doubtful loans	48,000	47,000
Changes in assets and liabilities:		
Accounts receivable	(3,167,909)	5,523
Inventory	(20,332)	(38,937)
Prepaid expenses	(339,618)	(1,716,862)
Deferred charges	(432,906)	(485,583)
Other assets	1,764,210	(2,031,592)
Accounts payable	(1,264,954)	1,684,969
Accrued liabilities	(371,058)	(1,273,197)
Deferred revenue	6,454,756	7,257,670
Compensated absences	700,000	600,000
State Allocated Unfunded Workers Compensation Liabilities		(1,335,445)
Refunds and other liabilities	(78,468)	(145,873)
Loans to students and employees	(1,465,421)	(1,351,832)
Net cash (used) by operating activities	**$ (77,859,288)**	**$ (81,591,016)**

Noncash Transactions:

	2004	2003
Capital lease		$ 463,877

See Accompanying Notes to Financial Statements

WRIGHT STATE UNIVERSITY

Notes to Financial Statements

Year Ended June 30, 2004

(1) Organization and Summary of Significant Accounting Policies

Organization and Basis of Presentation

Wright State University (University) is a state-assisted institution of higher education created in 1967. The University has an enrollment of more than 16,700 undergraduate, graduate, and professional students on its two campuses. The financial statements include the university's six colleges, three schools, and other individual departments. The university's Board of Trustees approves policies and procedures by which the University is governed. The University is a political subdivision of the State of Ohio and accordingly, its financial statements are included, as a discrete entity, in the State of Ohio's Comprehensive Annual Financial Report in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, and amended by GASB Statement No. 39. GASB Statement No. 39 was issued in May 2002, effective for the University for the year ended June 30, 2004. As an amendment to Statement No. 14, Statement No. 39 provides additional guidance to determine whether certain organizations for which the University is not financially accountable should be reported as a component unit of the University based upon the nature and significance of their relationship to the University. Although the Wright State University Foundation (Foundation) is a legally separate, tax-exempt entity, it has been determined that it does meet the criteria for discrete presentation within the university's financial statements. The Foundation is the primary fund-raising organization for the University and contributions to the Foundation are primarily restricted to the activities of the University. These contributions are relied upon for the on-going operations of the University. No other affiliated organization, such as the Alumni Association, meets the requirements for inclusion in the university's financial statements. Complete financial statements for the Foundation can be obtained by sending a request to the Wright State University Foundation, 108J Allyn Hall, 3640 Colonel Glenn Highway, Dayton, OH 45435.

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

Summary of Significant Accounting Policies

Basis of Accounting

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

Recent Pronouncements

In March 2003, the GASB issued Statement No. 40 "Deposit and Investment Risk Disclosures." This statement requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rate risk. The provisions of this statement are effective for financial statements for periods beginning after June 15, 2004. The University does not expect the adoption of this statement to have a material effect on its financial statements.

In November 2003, the GASB issued Statement No. 42, “Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries.” This statement also clarifies and establishes accounting requirements for insurance recoveries. The provisions of this statement are effective for financial statements for fiscal periods beginning after December 15, 2004. The University does not expect the adoption of this statement to have a material effect on its financial statements.

In June 2004, the GASB issued Statement No. 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.” This statement establishes standards for the measurement, recognition and display of other postemployment benefit expenses/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of employers subject to governmental accounting standards. The provisions of this statement are effective for financial statements for fiscal periods beginning after December 15, 2006. The University has not yet evaluated the impact that the adoption of this statement will have on its financial statements.

Cash and Cash Equivalents

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

Investments

Investments are reported at fair value, as established by the major securities markets. Money market investments (U.S. treasury and agency obligations) that have a remaining maturity of one year or less at the time of purchase are reported at amortized cost and approximate fair value. If contributed, investments are valued at market value at the date of donation. Investment income is recognized on an accrual basis. Purchases and sales of investments are accounted for on the trade date basis. Investment trade settlements receivable and payable represent investment transactions occurring on or before June 30, 2004, which settle after such date. Realized and unrealized gains and losses are reported as investment income or loss.

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

Distributions of investment earnings are made from the university’s endowment fund to the operating units that benefit from the endowment funds. The endowment spending policy calls for the distribution of 4 percent of the previous twelve quarter moving average market value of the endowment fund. In addition, as of June 30, 2004 and 2003 there was approximately $2,720,000 and $2,530,000, respectively, of net appreciation on investments of donor-restricted endowments that are available for expenditure. They are reported as “restricted-expendable” net assets in the statements of net assets.

Inventories

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

Capital Assets

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

Deferred Revenue

Deferred revenue consists primarily of the amounts received in advance from grant and contract sponsors that have not yet been earned under the terms of the agreement and amounts received in advance for tuition and fees not yet earned. These deferrals were $27.3 million and $9.9 million, respectively, for the year ended June 30, 2004 and $21.8 million and $9.1 million, respectively, for the year ended June 30, 2003.

Net Assets

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

Revenues and Expenses

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

Scholarship Allowances

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

Income Taxes

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

Estimates

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

Previous Year's Financial Information

Certain reclassifications have been made to the 2003 comparative information to conform to the 2004 presentation.

(2) Cash, Cash Equivalents and Investments

The carrying amount of cash and cash equivalents of all funds totaled $37,487,228 and $9,288,674 as compared to bank balances of $41,356,761 and $16,042,641 at June 30, 2004 and 2003, respectively. The difference in the carrying amount and bank balances is caused by items in-transit (primarily outstanding checks) and by cash on hand. The bank balances are comprised of $35,750,100 demand and time deposit accounts, a $2,691,704 certificate of deposit and $2,914,957 in money market funds at June 30, 2004. Of the bank balances, $302,428 is insured by the Federal Deposit Insurance Corporation, $37,973,729 is uninsured but collateralized by pools of government securities pledged by the depository banks and held by Federal Reserve Banks in the member bank's name, and $3,080,604 is uninsured and uncollateralized.

GASB Statement No. 3 requires government entities to categorize investments to give an indication of the level of risk assumed by the entity at year-end. The categories are as follows:

Category 1 – Investments that are insured or registered, or for which securities are held by the University or its agent in the name of the University.

Category 2 – Investments that are uninsured and unregistered, with securities held by the broker's trust department or agent in the university's name.

Category 3 – Investments that are uninsured and unregistered, with securities held by the broker or dealer, or by its trust department or agent but not in the university's name.

The cost and fair value of investments at June 30 are as follows:

	Cost		Fair Value	
	2004	2003	2004	2003
Repurchase agreements	$ 2,145,617	$ 10,043,922	$ 2,145,617	$ 10,043,922
State Treasury Asset Reserve of Ohio	5,334,775	30,127,699	5,334,775	30,127,699
Other	3,200	3,200	3,200	3,200
	7,483,592	40,174,821	7,483,592	40,174,821
Managed under trust agreements:				
U.S. agency securities	13,333,736	11,299,850	13,239,673	11,467,431
U.S. treasury securities	13,512,457	12,636,461	13,358,340	12,967,667
Corporate bonds	14,913,363	16,533,103	14,888,969	17,415,834
State and municipal bonds		17,631		18,797
Common and preferred stock	10,601,935	6,879,924	11,025,000	6,300,947
High yield fund	1,815,281		1,753,721	
Small capital value fund	1,409,696	2,038,382	2,308,001	2,498,979
Small capital growth fund	1,942,952	1,932,112	2,388,492	1,984,132
International equity fund	4,850,000	3,950,528	4,898,676	2,521,345
	62,379,420	55,287,991	63,860,872	55,175,132
Total	$ 69,863,012	$ 95,462,812	$ 71,344,464	$ 95,349,953

The U.S. Government and Agency securities are invested with banks which keep the securities in their safekeeping accounts at the Federal Reserve Bank in "book entry" form in the name of the respective bank, but who also internally designate the securities as owed by or pledged to the University (Category 3). Corporate bonds, state and municipal bonds and common and preferred stock investments are in safekeeping with Depository Trust Co., in the custodial bank's name but who also internally designate the investments as owned by or pledged to the University (Category 3). The collateral for the repurchase agreements, which consist of U.S. government securities, is held by the Federal Reserve Bank of Cleveland in the member bank's name (Category 3).

The small capital value and growth funds and the international equity funds are invested with companies registered under the Investment Company Act of 1940 as open-end management investment companies. The mutual funds are not required to be categorized by GASB Statement No. 3.

The University also invests funds in STAROhio. STAROhio is an investment pool managed by the State Treasurer's Office that allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the Securities and Exchange Commission as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30. STAROhio is not required to be categorized by GASB Statement No. 3.

(3) Accounts Receivable

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

	2004	2003
Sponsor receivables	$ 10,609,886	$ 8,098,817
Student accounts	6,996,295	6,318,348
Wright State University Foundation	787,877	602,005
Investment trade receivables	123,517	2,835,995
Interest receivable	514,460	510,670
Other, primarily departmental sales and services	927,666	948,773
Total	19,959,701	19,314,608
Less: Allowance for doubtful accounts	780,000	630,000
Net accounts receivable	$ 19,179,701	$ 18,684,608

(4) Capital Assets

Capital assets activity for the year ended June 30, 2004 is summarized as follows:

	Balance 07/01/2003	Additions	Retirements	Transfers	Balance 06/30/2004
Land	$ 3,049,830	$	$	$	$ 3,049,830
Land improvements and infrastructure	23,597,275	229,810			23,827,085
Buildings	247,273,457	3,262,037	54,357	3,641,455	254,122,592
Machinery and equipment	50,776,411	8,909,702	4,207,358		55,478,755
Library books and publications	47,219,834	2,010,740	138,461		49,092,113
Construction in progress	1,733,460	1,907,995		(3,641,455)	
Total	$ 373,650,267	$ 16,320,284	$ 4,400,176	$	$ 385,570,375
Less accumulated depreciation:					
Land improvements and infrastructure	6,030,398	765,576			6,795,974
Buildings	80,777,029	6,224,857	25,041		86,976,845
Machinery and equipment	33,651,281	4,691,926	3,968,151		34,375,056
Library books and publications	28,031,469	2,273,040	138,461		30,166,048
Total accumulated depreciation	148,490,177	13,955,399	4,131,653		158,313,923
Capital assets, net	$ 225,160,090	$ 2,364,885	$ 268,523	$	$ 227,256,452

(5) Long-Term Liabilities

Long-term liabilities consist of bonds payable, equipment lease purchase obligations, and compensated absences. Activity for long-term liabilities for the year ended June 30, 2004 is summarized as follows:

	Beginning Balance 7/1/2003	Additions	Principal Repayments/ Reductions	Ending Balance 6/30/2004	Current Portion
Bonds and equipment lease purchase obligations:					
General obligation bonds	$ 16,937,719	$	$ 1,608,433	$ 15,329,286	$ 1,707,173
Equipment leases	1,632,604		477,769	1,154,835	370,948
Total bonds and equipment leases	$ 18,570,323	$	$ 2,086,202	$ 16,484,121	$ 2,078,121
Other liabilities:					
Compensated absences	12,400,000	6,239,999	5,539,999	13,100,000	5,100,000
Total other liabilities	12,400,000	6,239,999	5,539,999	13,100,000	5,100,000
Total long-term liabilities	$ 30,970,323	$ 6,239,999	$ 7,626,201	$ 29,584,121	$ 7,178,121

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

Description	Maturity Dates	Interest Rates	Outstanding Principal	Unamortized Premium	Total
Bonds payable:					
Series 2003	2005-2023	3.00% - 5.00%	$ 14,770,000	$ 559,286	$ 15,329,286
Equipment lease purchase obligations	2004-2009	2.50% - 6.56%	1,154,835		1,154,835
		Total	$ 15,924,835	$ 559,286	$ 16,484,121

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

Year Ended June 30	Principal	Interest	Total
2005	$ 2,010,948	$ 647,260	$ 2,658,208
2006	1,946,489	568,416	2,514,905
2007	1,991,532	490,481	2,482,013
2008	2,066,359	409,453	2,475,812
2009	1,959,507	344,924	2,304,431
2010-2014	4,660,000	697,500	5,357,500
2015-2019	650,000	258,800	908,800
2020-2023	640,000	81,750	721,750
Total	$ 15,924,835	$ 3,498,584	$ 19,423,419

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

In April 2003, the University issued $16,315,000 in General Receipts Bonds. The bonds were issued to refund outstanding General Receipts Bonds, Series 1971 and Series 1993, and to finance a food service renovation, a student housing renovation and the construction of an electrical substation. The Series 2003 Bonds carry an effective interest rate of 3.71%. There was an economic gain of $469,031 from this refunding.

(6) 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 Public Employees Retirement System of Ohio (PERS) or the ARP. Both STRS and PERS 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 PERS is provided by state statute per the Ohio Revised Code.

Both STRS and PERS 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 PERS at 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085.

Plan participants are required to contribute 10% and 8.5% and the University 14.0% and 13.31% of the employees' covered compensation for STRS and PERS, respectively. The Ohio Revised Code provides statutory authority for both employee and employer contributions. The university's contributions to STRS were $7,488,699, $6,966,850, and $6,866,452, and to PERS were $6,360,369, $6,023,531, and $5,718,930, for the years ended June 30, 2004, 2003, and 2002 respectively, equal to the required contributions for each year.

Certain full-time university faculty and unclassified staff have the option to choose the ARP in place of STRS or PERS. 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 rates for plan participants are 10% and 8.5% of employees' covered compensation for employees who would otherwise participate in STRS and PERS, respectively. The University contributes 13.31% of a participating unclassified staff member's compensation to the participant's account. The university's contributions to a participating faculty member's account and to STRS is 10.5% and 3.5% of a participant's compensation, respectively. Plan participants' contributions were $2,430,747, $2,053,685, and $1,957,109, and the university's contributions to the plan providers amounted to $3,065,869, $2,745,302, and $2,571,028, respectively, for the years ended June 30, 2004, 2003, and 2002. In addition, the amounts contributed to STRS by the University on behalf of ARP participants were $573,143, $434,553, and $451,863, respectively, for the years ended June 30, 2004, 2003, and 2002.

(7) Other Postemployment Benefits (OPEB)

STRS provides OPEB to all retirees and their dependents, while PERS provides postretirement health care coverage to age and service retirants (and dependents) with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is also available under PERS. A portion of each employer's contributions is set aside for the funding of postretirement health care. For STRS, this rate changed from 4.5% to 1% of the total 14.00% (see note 6), while the PERS rate changed from 4.3% to 5% of the total 13.31% (see note 6) effective July 1, 2002.

The Ohio Revised Code provides the statutory authority for public employers to fund postretirement health care through their contributions to STRS and PERS. Postretirement health care under STRS is financed on a pay-as-you-go basis. Assets available in the health care reserve fund for STRS amounted to $2.8 billion at June 30, 2003. The number of benefit recipients eligible for OPEB was 108,294 for STRS at June 30, 2003. The amount contributed by the University to STRS to fund these benefits was $534,907 for the year ended June 30, 2004.

Postretirement health care under PERS is advance-funded on an actuarially determined basis. The actuarial value of PERS net assets available for OPEB at December 31, 2002 is $10 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were $18.7 billion and $8.7 billion, respectively. The number of PERS active contributing participants was 364,881 for the year ended December 31, 2002. For the year ended June 30, 2003 the University contributed $2,389,320 to PERS for OPEB funding.

(8) Related Organization

The University is the sole beneficiary of the Wright State University Foundation, Inc., a separate, not-for-profit entity governed by a separate Board of Trustees, organized for the purpose of promoting educational and research activities. Assets of the Foundation totaled approximately $61,000,000 at June 30, 2004. Such assets relate principally to donor restricted funds and are discretely presented in the accompanying financial statements. Amounts transferred to the

University from the Foundation are recorded as nonoperating gifts in the accompanying financial statements.

(9) State Support

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

In addition to student enrollment-based subsidies, the State of Ohio provides funding for construction of major plant facilities. The funding is obtained from the issuance of revenue 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.

(10) Commitments and Contingencies

At June 30, 2004, the University is committed under contractual obligations for:

Capital expenditures	$ 4,366,175
Non-capital goods and services	3,004,358
Total contractual commitments	$ 7,370,533

These commitments are being funded from the following sources:

State appropriations requested and approved	$ 940,887
University funds	6,429,646
Total sources	$ 7,370,533

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

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

(11) 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 and reporting principles for not-for-profit entities. The following is a summary of the Foundation's significant accounting and reporting policies presented to assist the reader in interpreting the financial statements and other data in this report.

Cash and 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. Funds from pledges to be collected in future years are recorded at net present value. All pledges are presented net of an allowance for doubtful collections.

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

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

(12) Pledges Receivable

Pledges receivable at June 30, 2004 and 2003, by fund type, are as follows:

	2004			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Less than one year	$ 42,015	$ 3,311,579	$ 1,464,069	$ 4,817,663
One to five years	34,600	3,389,971	2,355,950	5,780,521
Gross pledges receivable	76,615	6,701,550	3,820,019	10,598,184
Present value discount	(2,815)	(256,450)	(122,419)	(381,684)
Allowance for uncollectible pledges	(500)	(19,000)	(1,000)	(20,500)
Pledges receivable (net)	$ 73,300	$ 6,426,100	$ 3,696,600	$ 10,196,000

	2003			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Less than one year	$ 23,367	$ 2,913,160	$ 182,601	$ 3,119,128
One to five years	34,775	3,581,493	178,800	3,795,068
Gross pledges receivable	58,142	6,494,653	361,401	6,914,196
Present value discount	(1,742)	(178,653)	(7,401)	(187,796)
Allowance for uncollectible pledges	(1,700)	(32,600)	(3,300)	(37,600)
Pledges receivable (net)	$ 54,700	$ 6,283,400	$ 350,700	$ 6,688,800

The fair value of pledges receivable was determined using a discount rate of 3.81% and 2.46% as of June 30, 2004 and 2003, respectively.

(13) Investments in Securities

The cost and fair value of the Foundation's investments, at June 30, 2004 and 2003, are as follows:

	2004		2003	
	Cost	Fair Value	Cost	Fair Value
Common stock	$ 9,725,075	$ 10,447,411	$ 7,070,947	$ 7,395,999
Mutual funds:				
Equity	12,031,062	15,980,599	15,805,996	15,005,658
Fixed income	15,316,087	15,980,480	10,562,428	11,803,057
Exchange traded funds	3,649,642	4,256,395		
Totals	$ 40,721,866	$ 46,664,885	$ 33,439,371	$ 34,204,714

Net realized gains on sales of investments were $583,476 and $272,021 for the years ended June 30, 2004 and 2003, respectively. Calculation of net realized gains on sales of investments is based on original cost.

The Foundation's financial instruments that are exposed to 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 professional investment management companies based on recommendations by the Foundation's investment consultant. Each 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.