Wright State University

Changing Lives

Annual Report

for year ended June 30, 2010

Office of the Controller

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Dayton, OH 45435

WRIGHT STATE UNIVERSITY
Annual Report
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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, 2010 with selected comparative information for the years ended June 30, 2009 and 2008. 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

- For the third year in a row, Wright State University's regional reputation enjoyed national attention as a "Best in the Midwest" college in *The Princeton Review's* annual college ratings. Wright State was among 158 schools from 12 states profiled as "Best in the Midwest" in its 2010 Best Colleges: Region by Region, released online with its 2010 Best 371 Colleges. Criteria considered for this designation include academics, quality of life, and extracurricular activities.

- Wright State was named to the 2009 President's Higher Education Community Service Honor Roll, the highest federal recognition a college or university can receive for its commitment to volunteering, service-learning, and civic engagement. Wright State is the only public university in Ohio to be listed on the Honor Roll with Distinction for its commitment to service.

- Six of Wright State's seven university centers of excellence were designated Ohio Centers of Excellence by Governor Ted Strickland and Ohio Board of Regents Chancellor Eric D. Fingerhut. These centers are the Center of Excellence in Human-Centered Innovation, the Center of Excellence in Knowledge-Enabled Computing, the Wright State University & Premier Health Partners Neuroscience Institute, Product Reliability and Optimization, Micro-Air Vehicle Research, and the National Center for Medical Readiness. The University believes there will be additional designations to come.

- For the first time in three years the University raised its undergraduate tuition rates by 3.5%. Graduate tuition as well as the School of Professional Psychology increased its rates by 4% while the Boonshoft School of Medicine (BSOM) had a tuition increase of 5%. These increases were necessitated in 2010 as a result of a flat level of support from the State of Ohio in the new biennial state budget that covers fiscal years 2010 and 2011. Even with these tuition increases, Wright State continues to maintain the fourth lowest in-state undergraduate tuition rate among Ohio's thirteen four-year public institutions.

- As noted above, in 2010 total state appropriations did not change from its 2009 funding level after subtracting the effect of OhioLINK (a statewide library initiative for which the University serves as fiscal agent). Increases in 2009 and 2008 were 7.0% and 4.7%, respectively. The 2009 and 2008 increases were significant increases, allowing the University to forego undergraduate tuition increases in those years. State appropriations in 2010 would have been much lower had it not been for federal stimulus funds that provided an additional $13.0 million to maintain funding at the 2009 level.

- Net assets increased $11.5 million from 2009 to 2010. This increase was created primarily by better than expected returns in investment income and large increases in tuition and fee revenue created by a sizeable increase in enrollment. There were also modest increases in net capital assets. Net assets decreased $3.4 million in 2009 primarily as a result of poor investment performance.

- Fiscal year 2010 saw the largest enrollment in the university's history. Fall 2009 headcount grew to nearly 18,800, a 6.4% increase over fall 2008. The strongest growth was in the Colleges of Science and Mathematics, Engineering and Computer Science, and Nursing and Health. This strong growth followed a 4.4% increase in headcount from the previous year. These recent increases in enrollment have helped to compensate for the lack of increase in state funding.

- For the 31st consecutive year, Wright State students brought home top honors from the National Model United Nations (NMUN) conference, a record unmatched by any other four-year college or university in the country. NMUN is the world's largest university-level simulation of the United Nations and educates over 4,000 students about the United Nations and contemporary international issues facing our world. Wright State's student team was awarded four top honors.

- During 2010 Wright State's Boonshoft School of Medicine and Miami Valley Hospital announced the formation of the Wright State University & Premier Health Partners Neuroscience Institute to speed the transfer of research discoveries from bench to bedside, improving the diagnosis and treatment of neurological disorders such as stroke. This major public-private initiative partners the Dayton region's strongest biomedical research institution with the clinical resources of the region's leading hospital system. Miami Valley Hospital has made a major investment of $4.35 million over five years to create a new Department of Neurology within the Wright State University Boonshoft School of Medicine. This institute was named one of Wright State's six Ohio Centers of Excellence.

- In December 2009 the University issued $11.4 million of taxable Build America Bonds in order to effect some energy savings projects across campus. These measures are part of an effort to achieve a 20 percent reduction in energy usage from 2004 (base year) to 2014 as required by Ohio legislation. These projects are expected to be completed by December 2010. While the bonds are considered taxable, the University receives a 35 percent rebate of interest expense from the federal government as a form of federal subsidy. While the gross effective rate of the bonds is 4.38 percent, the net effective rate after rebate is only 2.83 percent. The University negotiated a performance contract with the contractor in which the University is guaranteed energy savings adequate to retire the debt incurred for the project.

- The University continued its efforts during 2010 to convert Wright State's academic calendar from the quarter system to the semester system effective fall quarter, 2012. This move is being made to better align Wright State's calendar with other universities' to better facilitate collaborative academic programs, student transfer and articulation. Changes to the *general education* and *writing across the curriculum* programs were finalized and approved and faculty workload issues were resolved. The University is on schedule to complete its three year transition.

Using the Annual Report

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

The three financial statements should help the reader of the annual report understand how the university's overall financial condition 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.

At a number of points in this narrative, we discuss revenues from state appropriations. In general, these references should be read to also include federal appropriations, which are the federal stimulus funds the state has used to replace lost state tax revenues due to the recession. In contrast, federal grants and contracts refer to more traditional forms of federal funding that are quite distinct from federal stimulus funds.

Statements of Net Assets

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

	2010	2009	2008
	(All dollar amounts in thousands)		
Current assets	$ 84,313	$ 81,284	$ 66,445
Noncurrent assets:			
Capital assets, net	303,714	298,308	292,817
Other	108,495	97,307	115,697
Total assets	496,522	476,899	474,959
Current liabilities	82,126	78,775	69,957
Noncurrent liabilities	42,890	38,096	41,564
Total liabilities	125,016	116,871	111,521
Net assets:			
Invested in capital assets, net of related debt	269,596	267,032	257,526
Restricted	19,044	18,827	18,755
Unrestricted	82,866	74,169	87,157
Total net assets	$ 371,506	$ 360,028	$ 363,438

The university's net assets increased $11.5 million in 2010 primarily due to strong results in the investment market and large increases in student enrollments. The investment markets rebounded in 2010 which produced almost $10 million in investment income compared to a budget of only $4 million. This is in stark contrast to the $12 million investment loss experienced in 2009 which was the primary driver in the reduction of $13.0 million in unrestricted net assets in that year. In addition, the University experienced the largest enrollment in the school's history in 2010 creating a better than planned growth in student tuition revenue. These two items were by far the largest contributors to the $8.7 million increase in unrestricted net assets. Capital assets, net of depreciation and related debt, increased only slightly in 2010 as the University completed its science facility projects and began a number of energy conservation projects. These outlays were substantially offset by annual depreciation expense however, causing the net capital assets to remain relatively unchanged. In 2009, the primary outlays were for the continuation of improvements in the university's science facilities and major renovations of its facilities at the university's Lake campus in Celina.

Total assets increased $19.6 million in 2010 over 2009. *Current assets*, comprised primarily of cash and operating investments, student and sponsor receivables, and prepaid expenses, increased by only $3.0 million in 2010 from 2009. This increase is a result of several factors. Most notably, there was $3.5 million of restricted cash consisting of unspent bond proceeds at June 30, 2010 for the energy conservation projects. In addition, accounts receivable decreased $1 million from $22.7 million to $21.7 million primarily as a result of a decrease in sponsored program receivables of $1.5 million. Prepaid expenses comprise another large share of current assets at $13.6 million in 2010 compared to $14.1 million in 2009. These assets are primarily composed of license agreements for the OhioLINK program for which the University is the fiscal agent.

Other noncurrent assets increased $11.2 million from $97.3 million in 2009 to $108.5 million in 2010. These assets are comprised of long-term investments, long-term student loans receivable, and long- term prepaid expenses and deferred charges. Loans receivable decreased $3.5 million as a result of the University not issuing any new loans in several programs, most notably the federal Perkins loan program and two internal loan programs which were converted to need based grant programs in 2010. No Perkins loans were issued in order to make up for the over-awarding of these loans in prior years. Long-term investments increased $15 million from $78 million in 2009 to $93 million in 2010. This increase is a direct result of a much stronger investment market in 2010.

Capital assets, net of depreciation increased from $298.3 million in 2009 to $303.7 million in 2010. This increase of $5.4 million is a result of the University completing work on its science facilities at the Dayton campus and renovations and improvements to facilities at the university's Lake campus. In addition, the University spent approximately $7.5 million on some energy conservation projects. Net of the annual depreciation expense of $18.7 million, capital assets only increased $5.4 million.

Total assets increased only slightly from 2008 to 2009 from $475.0 million to $476.9 million in 2009. Cash and investments decreased $6.8 million due to the investment market offset by increases in capital assets of approximately $5.5 million for the science facilities and Lake campus improvements as well as increases in prepaid expenses of $2.4 million for additional license agreements.

Total assets of the Wright State University Foundation increased from $85.1 million at June 30, 2009 to $97.4 million at June 30, 2010, an increase of $12.3 million. This increase was almost entirely the result of an increase in long-term investments. Long-term investments increased $12.6 million from $73.5 million in 2009 to $86.1 million in 2010. Again, the positive investment climate was the primary cause for this increase. Gifts and pledges receivable comprise another $8.7 million and $8.1 million at June 30, 2010 and June 30, 2009, respectively.

Current liabilities are comprised primarily of accounts payable and accrued liabilities, deferred revenues from both student fees and advance payments for contracts and grants, and the current portion of long-term liabilities. These liabilities increased only $3.3 million from $78.8 million at June 30, 2009 to $82.1 million at June 30, 2010. Within this total, however, there are a number of balances that changed. Accounts payable decreased $1.4 million from 2009 to 2010 due to large payables that existed in 2009 for a couple of grants that do not exist in 2010. Accrued liabilities increased $5.6 million primarily due to $5.3 million of liabilities that remain at June 30, 2010 as a result of a voluntary separation incentive plan the University offered during the year in an effort to reduce expenses through strategically managing staff vacancies. Deferred revenue decreased $1.9 million from $38.3 million in 2009 to $36.4 million in 2010. The restricted fund decreased $2.4 million, primarily attributable to OhioLINK as the program's expenses increased in 2010 resulting in a utilization of the deferred revenue from 2009. Another $.9 million of payments from the State of Ohio for science facilities which was deferred in 2009 was spent in 2010 resulting in an additional decrease. Deferred student tuition and fees increased $1.3 million due to increases in tuition rates and enrollments.

Current liabilities increased $8.8 million from 2008 to 2009. This was partially due to an increase in accrued liabilities as a result of the University moving to a self-insured health plan in 2009 which increased the year end liability by $2.4 million. In addition, deferred revenue increased $4.3 million from increases in the OhioLINK program and State of Ohio funding for capital projects, primarily the university's science facilities.

Noncurrent liabilities increased $4.8 million from $38.1 million at June 30, 2009 to $42.9 million at June 30, 2010. This increase is the result of the University issuing $11.4 million of additional long-term debt in 2010 for a number of energy conservation projects. There were also principal payments against the university's debt obligations of $5.1 million and a decrease in compensated absences of $.4 million that somewhat reduced the overall increase.

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:

	2010	2009	2008
	(All dollar amounts in thousands)		
Invested in capital assets, net of related debt	$ 269,596	$ 267,032	$ 257,526
Restricted expendable	19,044	18,827	18,755
Unrestricted:			
Designated	96,241	83,645	81,851
Undesignated	(13,375)	(9,476)	5,306
Total net assets	$ 371,506	$ 360,028	$ 363,438

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. During 2010 the University completed the expansion and renovation of its Dayton campus science facilities as well as the renovation and improvements performed at the Celina campus. The science facilities provide additional instructional as well as research space. The Celina project was a major project that affected close to 75 percent of the campus and added the James F. Dicke Center, a multipurpose facility used for recreation, meeting, and study space as well as theatre and other banquet-style activities. In addition to these two projects, the University began a number of energy conservation projects across both of its campuses that are expected to cost $11.3 million. The University spent $7.5 million in 2010. These projects are expected to be completed in 2011. The University also continues to provide for annual maintenance of its existing facilities in order to avoid the growth of a deferred maintenance issue.

Restricted expendable represents funds that are externally restricted to specific purposes, such as student loans or sponsored projects. $18.8 and $18.5 million at June 30, 2010 and 2009, respectively, of the restricted expendable fund balances 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. Colleges and divisions are permitted to retain their own budgeted funds that are not spent at the close of each fiscal year. The University believes 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. After two years of tough challenges brought about primarily by the poor investment markets that drew down the university's unrestricted fund balance, 2010 saw a rebound in the markets that helped the university restore a portion of those balances. Stronger than expected enrollments also contributed to that restoration. However, the financial pressures of the economy and funding limitations of the State of Ohio necessitated the University to implement modest budget cuts that included a voluntary separation program that cost the University $6.8 million. While this program allows the University to make strategic personnel decisions in an effort to control spending in the coming years, this program's cost in addition to other strategic spending initiatives (such as the decision to honor commitments of state financial aid after that funding was substantially reduced shortly before the beginning of fall quarter) drew down upon the undesignated unrestricted net assets for the third year in a row. The entire amount of growth in the unrestricted net assets in 2010 was a result of unspent designated resources at the college and unit level. While these colleges and units were able to live within their budgets and even slightly grow their reserves, the general university drew down upon the undesignated unrestricted net assets. Over those three years, undesignated unrestricted net assets have decreased $25.4 million resulting in a deficit balance of $13.4 million at June 30, 2010. While it is not management's intent to continue this trend, the University has found it necessary to continue to utilize accumulated resources to adequately address its strategic needs. In addition, it has chosen not to reduce designated balances to reflect the investment losses in 2009. Management remains committed to re-building its reserves through prudent financial management while continuing to meet the needs of the students.

Statements of Revenues, Expenses and Changes in Net Assets

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

	2010	2009	2008
	(All dollar amounts in thousands)		
Operating Revenues:			
Student tuition & fees - net	$ 124,575	$ 119,655	$ 114,734
Grants and contracts	89,882	86,786	89,859
Sales and services	8,410	8,163	7,472
Auxiliary enterprises	15,476	16,088	15,296
Other	2,846	2,287	2,686
Total	241,189	232,979	230,047
Operating expenses	386,514	377,440	365,960
Operating loss	(145,325)	(144,461)	(135,913)
Nonoperating revenues (expenses):			
Federal appropriations	12,988		
State appropriations	89,045	104,647	98,715
Federal grants	22,581	14,251	11,230
State grants	3,254	4,412	3,588
Gifts	8,398	9,035	8,450
Investment income	9,988	(12,013)	(3,494)
Interest expense	(1,443)	(1,346)	(1,024)
Other income (expense)	(2,613)	(1,460)	(246)
Capital appropriations	9,648	19,002	7,354
Capital grants and gifts	4,957	4,523	15,154
Total	156,803	141,051	139,727
Increase (decrease) in net assets	11,478	(3,410)	3,814
Net assets - beginning of year	360,028	363,438	359,624
Net assets - end of year	$ 371,506	$ 360,028	$ 363,438

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

	2010	2009	Difference	Percent Increase (Decrease)
Revenues:				
Grants and contracts	$ 31,027,834	$ 25,418,964	$ 5,608,870	22.1%
State appropriations	4,534,613	7,177,111	(2,642,498)	(36.8)%
Total revenues	$ 35,562,447	$ 32,596,075	$ 2,966,372	9.1%
Expenses:				
Total OhioLINK	$ 35,562,447	$ 32,596,075	$ 2,966,372	9.1%

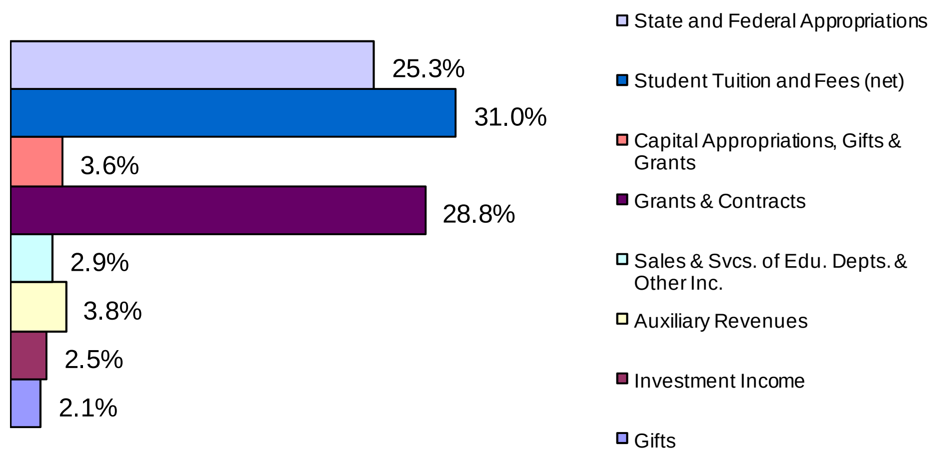
The university's primary revenue sources are state appropriations and student tuition and fees. These fund the ongoing programs and operations of the University. In 2010 these two sources accounted for over 56 percent of the university's total revenues in 2010 with nearly another 29 percent coming from grants and contracts, a restricted revenue source. Accounting standards classify state appropriations as a nonoperating revenue source in the financial statements. However, since the University continues to rely upon state funding as a significant funding source for ongoing operations, it manages state funding as an operating revenue item. Enrollments at WSU rose significantly in 2010 setting a new record high which resulted in an increase in tuition revenue of approximately 4.1 percent. Meanwhile, the State of Ohio's funding remained flat in 2010, net of OhioLINK. This trend of tuition growing and state appropriations shrinking as a percent of total revenues has continued for three decades. What exacerbates this funding situation even more is the fact that over 13 percent or approximately $13 million of the appropriations received by the University from the State of Ohio in 2010 was the pass-through of federal stimulus funding provided by the federal government to the State. The State has attempted to maintain or improve state appropriations over the last several years, but economic conditions in the State of Ohio have been extremely difficult. Therefore, while the University has been fortunate not to lose funding from its 2009 level, thanks in large part to the federal stimulus funding, the state funding has not kept up with the growth in students and is now dependent to a significant degree on temporary stimulus funding. State appropriations did increase $6.4 million, or 7.0 percent, net of OhioLINK in 2009, however this was in a year when there was no undergraduate tuition increase. It continues to be the goal of the State and the University to make higher education more affordable to its residents by bringing tuition levels closer to the national average. This will take time, as for years the amount of state appropriations allocated to Wright State University and higher education in general had not been keeping pace with enrollment growth, requiring the University to raise tuition at a magnitude greater than desired in order to fund the increasing costs of serving the students and to respond to inflationary pressures. The pressures on state funding are likely to continue. The ability of the State to provide adequate funding for all of the functions it supports is questionable. While the state biennial budget ending June 30, 2011 maintains a commitment to higher education (but only through heavy reliance on stimulus funding), the subsequent biennial budget faces a substantial deficit before even considering any new funding needs, as the federal stimulus funds disappear and a personal income tax reduction is scheduled to take place. Therefore, it is not reasonable to assume the funding situation for higher education is going to improve any time soon. The table below demonstrates just how much the State of Ohio over the past three decades has forced universities to shift the burden for funding the cost of higher education to students and their families. It can be noted that even the last several years of increased funding from the State has had little impact on the students' overall share of the required revenues.

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		107,972,107		86,565,632		0.80
2005		121,717,222		84,724,080		0.70
2006		131,262,871		84,784,334		0.65
2007		139,584,821		86,988,360		0.62
2008		142,040,685		91,085,746		0.64
2009		150,194,749		97,469,816		0.65
2010		161,383,354		97,498,261		0.60

The table above shows that the level of state appropriations has increased over the last four years as the State has tried to maintain and even increase its commitment to higher education. However, the migration of funding the costs of higher education from the State to the student has been so significant over the last three decades that it’s unknown if the State will ever be at the forefront of the funding stream again. In the meantime, the University continues with other types of revenue streams to help minimize the cost of tuition. There is a strong emphasis on fundraising. Also, there continues to be a priority to increase the level of research. Even though the University raised its tuition in 2010, 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. Wright State 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 lower three universities receive special state funding for the purpose of subsidizing tuition that Wright State does not receive.

Below is a graphic illustration of revenues by source for the year ended June 30, 2010.



State and federal appropriations decreased from $104.6 million in 2009 to $102 million in 2010, a decrease of $2.6 million. After pulling out the funding for OhioLINK in both years, appropriations were actually flat from 2009 to 2010. In addition, the 2010 amount of $102 million includes $13 million of federal stimulus pass-through funds. These were needed by the State of Ohio just to keep funding at a level commensurate with 2009. State appropriations actually increased $5.9 million from 2008 to 2009 as a result of the additional investment in higher education made by the State of Ohio in the previous biennium ended June 30, 2009.

Net student tuition and fees were $124.6 million, $119.7 million, and $114.7 million in 2010, 2009, and 2008, respectively which provided an increase of 4.1% from 2009 to 2010 and 4.4% from 2008 to 2009. In 2010 undergraduate tuition increased 3.5% and graduate tuition and the School of Professional Psychology increased 4%. The Boonshoft School of Medicine increased 5%. These tuition increases combined with an enrollment increase that resulted in a 4.4% increase in student credit hours drove this net tuition increase. The net increase was actually mitigated by an increase of $6.3 million of scholarship allowances, primarily due to an increase of $8.3 million in Pell grants. As discussed earlier, there were no undergraduate tuition increases in 2009 or 2008. 2009 saw an increase in student FTE of 3.6%. This in conjunction with tuition increases in graduate and professional school tuition of 4% accounts for the increase in tuition revenues in 2009.

Grants and contracts were $115.7 million in 2010, increasing $10.3 million from the 2009 level of $105.4 million. The 2008 level was $104.7 million. Federal grants increased $8.3 million just from an increase in the federal student aid Pell program. In addition, revenues from private participants of the OhioLINK program increased $5.6 million. There were also decreases in state financial aid programs and other federal awards that offset these increases. In 2009 nongovernmental grants and contracts decreased approximately $4.2 million due to a reduction in 2009 revenues and expenses in the OhioLINK program. This, too, was partially offset from federal grants increasing $3.0 million primarily due to an increase in federal Pell grants.

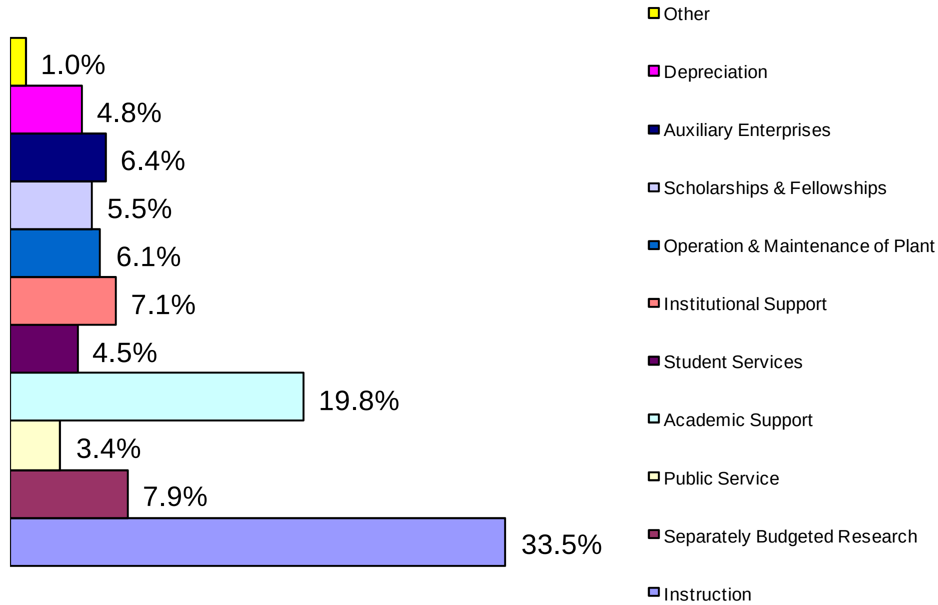
Auxiliary revenues were $15.5 million, $16.1 million, and $15.3 million for the years ended June 30, 2010, 2009, and 2008, respectively. Auxiliary enterprises are comprised of residence services, bookstores, food services, vending, parking and transportation, intercollegiate athletics, the Student Union, and the Nutter Center. The decline in revenues in 2010 was the result of the Nutter Center, as the number of events held in 2010 declined from 2009. This decline resulted from the failure of the center's professional hockey tenant and significant problems in the national touring concert business. Food Services accounted for a $.8 million increase in revenues in 2009 due to an increase in students participating in the board plan and an increase in board rates.

Sales and services, which are primarily revenues generated from specific departmental sales activities to organizations external to the University, were $8.4 million, $8.2 million, and $7.5 million for the years ended June 30, 2010, 2009 and 2008, respectively. The largest amounts of revenue are generated from the Boonshoft School of Medicine in the form of clinical income and pharmacy sales and also from computing and telecommunications revenues.

Investment income bounced back after two loss years from poor investment markets. Investment earnings in 2010 were $10.0 million while investment losses in 2009 and 2008 were $12.0 million and $3.5 million, respectively. The University basically adhered to its investment policy and was able to ride the market back in 2010 and recoup a majority of the losses experienced over the last two years. The 2010 earnings helped restore unrestricted net assets and move the balance closer to the level of two years ago. As the University budgeted conservatively in 2010 due to the recent investment climate, investment returns exceeded the budgeted amount by nearly $6 million. The university's investment returns were at or above the benchmarks established by its investment policy for each respective market sector. The University still considers the current investment climate as somewhat volatile and has further diversified its portfolio to a small degree, but still believes no major investment philosophy changes are warranted. The university's investment policy is designed to invest a large share of its operating reserves in a diverse array of longer term investment instruments in order to maximize long-term growth and current income. In this way returns over the long run can be re-invested, thus permitting higher investment income for support of university goals and to permit accumulation of still further reserves. The accumulation of these reserves helped buffer the impact of the losses of the last two years and still allow the University to accomplish its budgetary and strategic goals.

Capital Appropriations, Gifts and Grants were $14.6 million in 2010, a decrease of $8.9 million from the $23.5 million realized in 2009. The large decrease is a result of approximately $9.1 million of funding for the university's science facilities and Lake campus renovations that was received in 2009 over and above the 2010 funding. These facilities were completed in 2010. During 2010 the University did receive capital appropriations from the State of Ohio in the amount of $5.6 million to finish the university's science facilities and another $4.0 million for a wide array of other projects and renovations across campus. In addition, the University received approximately $1.4 million in gifts from private donors to finish the Lake campus project. The capital appropriations of $19.0 million that occurred in 2009 were primarily for the science facilities and Lake campus renovations. There was a $2.6 million gift for the Lake project as well. Capital appropriations, gifts and grants amounted to $22.5 million in 2008.

The following is a graphic illustration of expenses by function for the year ended June 30, 2010.



Overall operating expenses were $386.5 million in 2010 as compared to $377.4 million and $366.0 million in 2009 and 2008, respectively. That represents only a 2.4% increase from 2009 to 2010 and only a 5.6% increase over the two year period from 2008 to 2010. More than half of this increase in 2010 was for student financial aid expense. All other operating expenses in the aggregate grew by only $3.9 million. The University feels that it has done a good job eliminating and/or minimizing expenses while still addressing its strategic goals. In 2010 salaries and benefits actually decreased approximately $1.8 million even after a contractually required 5% compensation increase (for market, merit, and across the board components combined) for all bargaining unit faculty. There are several reasons for this. The University implemented a voluntary early separation incentive program in 2010 that resulted in 117 individuals electing to separate (mostly retire) from the University in exchange for a lump sum payment. The cost of this program was $6.8 million, all recorded in 2010 but payable over three years to a third party administrator. While this had the effect of increasing operating expenses, it enabled the University to strategically manage the 117 open positions by holding them open for a period of time, reorganizing them, or eliminating them all together. Most of these positions were not filled during 2010 enabling the University to hold down payroll costs whereby total payroll only increased $0.8 million. In addition, the University enjoyed favorable experience in health care claims in 2010 including lower pharmaceutical costs as a result of entering into an insurance arrangement with a new provider. The university's compensated absences accrual also decreased substantially due to all of the additional departures in 2010. Overall benefit costs decreased $2.6 million including the $2 million variance in compensated absences expense. The balance of the increase in 2010 operating expenses was in scholarships and fellowships. Total increases in student aid from 2009 to 2010 were $11.6 million. Of that increase, $6.4 million is recorded as an offset to revenue in the form of scholarship allowances. The balance of the increase, $5.2 million, is recorded as scholarships and fellowships expense. These increases are due to a large increase in the level of the federal Pell grants that were awarded to students as well as a conscious effort on the part of the University to increase need-based aid to Ohio students as a result of their loss of a large part of their Ohio Instructional Grants and Ohio College Opportunity Grants due to late budget cuts to those programs by the State of Ohio. The 2009 increase of $11.4 million was almost entirely attributable to increases in salaries and benefits.

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, 2010. A summary of the Statements of Cash Flows is as follows:

	2010	2009	2008
	(All dollar amounts in thousands)		
Cash provided (used) by:			
Operating activities	$ (119,180)	$ (120,109)	$ (116,849)
Noncapital financing activities	135,622	132,400	122,181
Capital and related financing activities	(7,375)	(7,143)	(15,851)
Investing activities	(12,765)	7,706	15,447
Net increase (decrease) in cash and cash equivalents	(3,698)	12,854	4,928
Cash and cash equivalents-beginning of year	36,556	23,702	18,774
Cash and cash equivalents-end of year	$ 32,858	$ 36,556	$ 23,702

Cash and cash equivalents decreased $3.7 million from 2009 to 2010. Cash flows from operating activities did not change much from 2009, increasing a slight $.9 million. These cash flows primarily reflect an increase in tuition revenue and scholarships and fellowships expenses. Cash from noncapital financing activities increased $3.2 million from 2009 to 2010 primarily as a result of an increase of $8.3 million in the noncapital grant Pell program. State appropriations declined $2.6 million as a result of reductions in the funding of the OhioLINK program. In addition, the University had net cash outflows of $.9 million due to the timing of the receipts and disbursements of its direct lending program. Net cash outflows for capital and related financing activities were $7.4 million. Within this net outflow of funds are capital projects of $26.7 million funded by $9.6 million of capital appropriations and $11.3 million of debt proceeds from the issuance of taxable Build America Bonds for new energy conservation projects. Other projects are the completion of the university's science facilities and Lake campus renovations. Additionally there are capital gifts and grants received for a portion of the capital projects and principal and interest payments on the university's debt obligations. The net cash used by investing activities of $12.8 million is the net result of all investment activities: purchases, sales, and interest earnings. With the improvement in the investment market, the volume of re-investment transactions increased and caused for a larger outflow of funds to purchase more securities. These purchases exceeded the proceeds from the maturities and sales of investments. The increase in cash and cash equivalents from 2008 to 2009 of $12.9 million is a result of increases in state appropriations and Pell grants offset by decreases in operating cash flows.

Capital Assets and Debt

Capital Assets

The University had approximately $303.7 million invested in capital assets, net of accumulated depreciation of $220.5 million at June 30, 2010. Capital assets were $298.3 million, net of accumulated depreciation of $212.8 million at June 30, 2009. Depreciation expense for the years ended June 30, 2010 and 2009 was $18.7 million and $18.5 million, respectively. A summary of net capital assets for the year ended June 30 is as follows:

	2010	2009	2008
	(All dollar amounts in thousands)		
Land, land improvements and infrastructure	$ 25,379	$ 23,213	$ 23,091
Buildings	232,466	223,787	215,571
Machinery and equipment	26,956	30,257	35,289
Library books and publications	18,399	18,929	18,729
Construction in progress	514	2,122	137
Total capital assets - net	$ 303,714	$ 298,308	$ 292,817

Capital activity in 2010 was steady with the primary work being the completion of the science facilities on the Dayton campus and the completion of the major renovations of the primary facilities at the Lake campus. In addition, the University began an $11.3 million energy conservation project in an effort to decrease energy costs in compliance with State of Ohio mandates. The capital activity in 2009 was primarily for the same science facilities and renovations at the Lake campus. The University also routinely performs a standard level of maintenance and rehabilitation of all campus facilities, addressing building infrastructure needs as well as maintenance of its outer grounds and parking lots.

Debt

The University issued $11.4 million of Federally Taxable – Build America Bonds in December 2009. While these bonds are taxable, the University is eligible for a 35% rebate of interest expense in the form of a federal subsidy. Although this rebate is not recorded as a reduction of interest expense, it does effectively lower the interest rate on the bonds to just under 3%. These bonds were used to fund a series of energy conservation projects that are scheduled to be completed in December of 2010. The University received a bond rating for this issue from Moody's Investors Service of A2. Even with this new issue, the University carries a relatively low level of debt on its books. In addition to the 2009 issue, the university has just two other bond issuances outstanding, a 2003 issue and a 2004 issue. The University has been aggressively amortizing all of its bond issues. Only in the latest decade has the University begun to use debt as a financing tool for its strategic needs. Over that decade the University has continued to carry its A2 debt rating.

Outstanding debt was $37.9 million, $31.6 million, and $35.6 million at June 30, 2010, 2009, and 2008, respectively. The 2010 balance of $37.9 million includes $37.6 million of outstanding bonds and equipment leases of $.3 million.

Factors That Will Affect the Future

As the University progresses towards the end of the current state biennium ending June 30, 2011, the funding picture for higher education and the entire state budget has become much more uncertain. The State of Ohio's weak economic conditions continue to reflect national patterns and have not improved much over the last year. Unemployment remains high. This has put a tremendous strain on state resources as state revenues are weak and the demand for services has grown. As funding for higher education is heavily subsidized by one time federal stimulus monies and other onetime sources that disappear after the current biennium, the University is concerned as to how the State plans to construct its budget in the next biennium. Current estimates show that Ohio faces a $6 billion to $8 billion biennial budget deficit in the next biennium without these one time funds. Add to the mix that 2010 is an election year and the uncertainty of how future funding will be managed grows. Higher education was a strong priority in the previous biennium and continued to enjoy good support in the current biennium, albeit as a result of the allocation of temporary stimulus funding. Election results coupled with state revenue constraints could change that priority. Even with higher education as a priority, it was necessary for the University to perform budget cuts in 2010. Increased enrollments helped to mitigate the impact of those cuts, but nonetheless they were necessary. While faculty bargaining unit employees received healthy wage increases, the rest of the University received less than a 1% increase in compensation. In addition, the University implemented a voluntary separation incentive program to employees who met certain service criteria in an effort to reduce payroll and benefit costs so as to minimize layoffs. While there was a cost to this program, this program has reduced and will continue to reduce employee compensation expenses in excess of the program costs.

While these current economic conditions pose great challenges and uncertainty, the University enjoys important advantages. Its focus on centers of excellence has brought increased recognition and heightened academic quality. Enrollments have been very strong in this economic climate. Tuition revenues have benefited and early indications are the fiscal 2011 will continue to enjoy this continued growth. Since the last quarter of 2009, the investment markets have stabilized and been steadily improving. Additional investment earnings in 2010 helped provide resources to fund strategic investments. Some of the university's reserves have been replenished. The University has come to rely on these reserves to generate investment income to supplement operations. The University has also been engaging with its sister institutions to explore ways to collaborate and pool talent and resources in an effort to eliminate possible redundancies in services, systems, and processes. This has been and will be an on-going effort. We have already experienced some smaller successes with this effort. We envision larger scale gains over time as these initiatives mature and expand.

So while the challenges we face are significant, Wright State is well positioned to deal with these challenges and emerge stronger and more able to play a key role in transforming the lives of our students and the communities we serve.

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Crowe Horwath LLP
Independent Member Crowe Horwath International

REPORT OF INDEPENDENT AUDITORS

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

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of Wright State University (the "University"), a component unit of the State of Ohio, as of and for the years ended June 30, 2010 and 2009, which collectively comprise the University's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express 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 of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and discretely presented component unit of Wright State University as of June 30, 2010 and 2009, and the respective changes in its financial position and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis (MD&A) on pages 2 through 15 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards,* we have also issued a report dated October 15, 2010, on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Crowe Horwath LLP

Crowe Horwath LLP

Columbus, Ohio
October 15, 2010

WRIGHT STATE UNIVERSITY
Statements of Net Assets
June 30, 2010 and 2009

	2010 University	2010 Foundation	2009 University	2009 Foundation
ASSETS				
Current assets:				
Cash and cash equivalents	$ 29,347,580	$ 2,139,175	$ 36,556,073	$ 2,453,452
Restricted cash and cash equivalents	3,510,729			
Short-term investments	8,091,117		169,533	
Accounts receivable (net of allowance for doubtful accounts of $1,380,000 in 2010 and $1,280,000 in 2009 - Note 3)	21,668,337	263,146	22,725,345	143,417
Gifts and pledges receivable (net of allowance for uncollectible pledges of $2,000 in 2010 and $2,200 in 2009)		2,761,488		4,421,589
Loans receivable (net of allowance for doubtful loans of $2,233,000 in 2010 and $2,073,000 in 2009)	4,885,560		4,480,949	
Inventories	576,243		836,445	
Prepaid expenses	13,621,635		14,134,562	
Deferred charges	2,611,488		2,381,235	
Total current assets	84,312,689	5,163,809	81,284,142	7,018,458
Noncurrent assets:				
Gifts and pledges receivable (net of allowance for uncollectible pledges of $43,400 in 2010 and $34,400 in 2009)		5,960,112		3,690,511
Loans receivable (net of allowance for doubtful loans of $154,000 in 2010 and $189,000 in 2009)	15,207,057		18,693,662	
Other assets	306,332	199,483	608,854	190,276
Other long-term investments	92,981,948	86,110,556	78,004,730	73,504,351
Capital assets, net (Note 4)	303,713,570		298,307,669	650,000
Total noncurrent assets	412,208,907	92,270,151	395,614,915	78,035,138
Total assets	$ **496,521,596**	$ **97,433,960**	$ **476,899,057**	$ **85,053,596**
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable trade and other	$ 10,320,039	$ 214,393	$ 11,732,229	$ 103,443
Accounts payable to Wright State University		809,265		1,068,713
Accrued liabilities	23,363,880		17,787,857	
Deferred revenue (Note 1)	36,396,271		38,339,494	
Refunds and other liabilities	864,633	1,096,633	847,677	1,010,742
Current portion of long-term liabilities (Note 5)	11,180,505	216,380	10,068,388	552,042
Total current liabilities	82,125,328	2,336,671	78,775,645	2,734,940
Noncurrent liabilities:				
Long-term liabilities (Note 5)	42,890,128	108,020	38,095,634	458,658
Total noncurrent liabilities	42,890,128	108,020	38,095,634	458,658
Total liabilities	125,015,456	2,444,691	116,871,279	3,193,598
Net assets:				
Invested in capital assets, net of related debt	269,595,836		267,032,046	650,000
Restricted - nonexpendable:				
Instruction and departmental research		13,186,834		13,766,928
Separately budgeted research		6,587,236		4,925,308
Public service		174,497		199,798
Academic support		493,164		474,221
Student services		31,851		23,474
Operation and maintenance of plant		1,089,857		1,436,845
Scholarships and fellowships		12,774,729		11,404,242
Auxiliaries		257,369		202,965
Restricted - expendable:				
Instruction and departmental research	7,846	16,702,203	7,751	17,152,424
Separately budgeted research		2,718,164		1,710,106
Public service		596,029		995,396
Academic support		11,434,410		9,507,502
Student services		211,269		195,758
Institutional support		9,462,300		5,668,758
Operation and maintenance of plant		817,104		829,549
Scholarships and fellowships	2,948	16,559,788	2,948	13,901,662
Loans	18,778,316		18,536,113	
Debt service	254,769		279,825	
Auxiliaries		93,112		52,671
Unrestricted	82,866,425	1,799,353	74,169,095	(1,237,609)
Total net assets	371,506,140	94,989,269	360,027,778	81,859,998
Total liabilities and net assets	$ **496,521,596**	$ **97,433,960**	$ **476,899,057**	$ **85,053,596**

See Accompanying Notes to Financial Statements

WRIGHT STATE UNIVERSITY
Statements of Revenues, Expenses, and Changes in Net Assets
For the Years Ended June 30, 2010 and 2009

	2010 University	2010 Foundation	2009 University	2009 Foundation
OPERATING REVENUES				
Student tuition and fees (net of scholarship allowances of $36,808,000 in 2010 and $30,540,000 in 2009)	$ 124,575,027	$	$ 119,654,749	$
Federal grants and contracts	35,897,581		37,362,224	
State grants and contracts	6,513,815		7,835,911	
Local grants and contracts	388,920		360,263	
Nongovernmental grants and contracts	47,081,685		41,227,106	
Sales and services	8,410,256		8,163,327	
Auxiliary enterprises sales (net of scholarship allowances of $1,928,000 in 2010 and $1,846,000 in 2009)	15,475,764		16,088,088	
Gifts and contributions		11,826,055		4,890,021
Other operating revenues	2,846,085		2,286,993	
Total operating revenues	**241,189,133**	**11,826,055**	**232,978,661**	**4,890,021**
OPERATING EXPENSES				
Educational and general:				
Instruction and departmental research	130,594,708		130,319,583	
Separately budgeted research	30,916,938		31,257,367	
Public service	13,367,015		12,988,800	
Academic support	77,377,315		73,160,752	
Student services	17,647,839		17,362,681	
Institutional support	27,567,539	263,242	28,536,897	155,361
Operation and maintenance of plant	23,871,176		22,426,694	
Scholarships and fellowships	21,365,808		16,181,322	
Total educational and general	342,708,338	263,242	332,234,096	155,361
Auxiliary enterprises	25,115,879		26,749,103	
Depreciation	18,689,515		18,456,765	
Total operating expenses	**386,513,732**	**263,242**	**377,439,964**	**155,361**
Operating (loss)/revenue	(145,324,599)	11,562,813	(144,461,303)	4,734,660
NONOPERATING REVENUES (EXPENSES):				
Federal appropriations	12,987,949			
State appropriations	89,044,925		104,646,927	
Federal grants	22,580,544		14,250,902	
State grants	3,254,442		4,412,197	5,000,000
Gifts	8,398,277		9,034,863	
Investment income/(loss) (net of investment expenses of $117,000 in 2010 and 2009 for WSU and $448,016 in 2010 and $381,998 in 2009 for Foundation)	9,988,063	12,874,930	(12,012,750)	(19,641,319)
Interest on capital asset-related debt	(1,442,622)		(1,345,713)	
Payments to Wright State University		(10,658,472)		(12,463,106)
Other nonoperating (expenses)	(2,613,732)	(650,000)	(1,460,576)	
Net nonoperating revenues/(expenses)	142,197,846	1,566,458	117,525,850	(27,104,425)
(Loss)/gain before other revenues, expenses, gains or losses	(3,126,753)	13,129,271	(26,935,453)	(22,369,765)
Capital appropriations from the State of Ohio	9,648,426		19,001,771	
Capital grants and gifts	4,956,689		4,523,429	
Increase/(decrease) in net assets	**11,478,362**	**13,129,271**	**(3,410,253)**	**(22,369,765)**
NET ASSETS				
Net assets - beginning of year	360,027,778	81,859,998	363,438,031	104,229,763
Net assets - end of year	**$ 371,506,140**	**$ 94,989,269**	**$ 360,027,778**	**$ 81,859,998**

See Accompanying Notes to Financial Statements

WRIGHT STATE UNIVERSITY
Statements of Cash Flows
For the Years Ended June 30, 2010 and 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Student tuition and fees	$ 125,665,963	$ 120,382,626
Federal, state, local, and nongovernmental grants and contracts	89,886,235	91,683,677
Sales and services of educational and other departmental activities	6,980,300	7,176,657
Payments to employees	(182,436,495)	(180,223,595)
Payments for benefits	(51,592,396)	(51,464,930)
Payments to suppliers	(104,319,291)	(106,026,380)
Payments for scholarships and fellowships	(22,492,864)	(16,886,582)
Student loans issued	(543,040)	(4,165,684)
Student loans collected	3,625,034	2,991,190
Student loan interest and fees collected	445,071	406,140
Auxiliary enterprise sales	15,601,701	16,017,485
Net cash (used) by operating activities	**(119,179,782)**	**(120,109,396)**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Federal appropriations	12,987,949	
State appropriations	89,044,925	104,646,927
Direct lending receipts	8,867,298	
Direct lending disbursements	(9,774,584)	
Grants for noncapital purposes	25,834,986	18,663,099
Gifts	8,661,582	9,090,371
Net cash provided by noncapital financing activities	**135,622,156**	**132,400,397**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital appropriations from the State of Ohio	9,620,754	18,702,355
Capital grants and gifts received	4,956,689	4,523,429
Purchases of capital assets	(26,729,519)	(24,973,492)
Sales of capital assets	17,888	11,614
Proceeds from capital debt	11,314,926	
Principal paid on capital debt and leases	(5,113,389)	(4,060,865)
Interest paid on capital debt and leases	(1,442,622)	(1,345,713)
Net cash (used) by capital and related financing activities	**(7,375,273)**	**(7,142,672)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	15,042,660	15,930,514
Interest on investments	1,861,818	3,287,660
Purchase of investments	(29,729,094)	(11,512,380)
Bond interest subsidy	59,751	
Net cash (used)/provided by investing activities	**(12,764,865)**	**7,705,794**
Net (Decrease)/Increase in Cash and Cash Equivalents	**(3,697,764)**	**12,854,123**
Cash and Cash Equivalents - Beginning of Year	36,556,073	23,701,950
Cash and Cash Equivalents - End of Year	**$ 32,858,309**	**$ 36,556,073**

See Accompanying Notes to Financial Statements

WRIGHT STATE UNIVERSITY
Statements of Cash Flows
For the Years Ended June 30, 2010 and 2009

Reconciliation of net operating revenues (expenses) to net cash provided (used) by operating activities:	2010	2009
Operating loss	$ (145,324,599)	$ (144,461,303)
Depreciation	18,689,515	18,456,765
Provision for doubtful accounts	780,421	930,865
Provision for doubtful loans	565,944	767,976
Changes in assets and liabilities:		
Accounts receivable	66,637	299,844
Inventory	260,202	(54,851)
Prepaid expenses	495,503	(2,376,205)
Deferred charges	(230,253)	117,863
Other assets	302,522	165,374
Accounts payable	(1,438,193)	333,696
Accrued liabilities	5,576,023	2,445,695
Deferred revenue	(1,056,510)	3,420,670
Compensated absences	(400,000)	1,600,000
Refunds and other liabilities	16,956	186,685
Loans to students and employees	2,516,050	(1,942,470)
Net cash (used) by operating activities	**$ (119,179,782)**	**$ (120,109,396)**

See Accompanying Notes to Financial Statements

(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 18,800 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 No. 39. Statement No. 39 provides additional guidance to determine whether certain organizations for which the University is not financially accountable should be reported as a component unit of the University based upon the nature and significance of their relationship to the University. Although the Wright State University Foundation (the Foundation) is a legally separate, tax-exempt entity, it has been determined that it does meet the criteria for discrete presentation within the university's financial statements. The Foundation is the primary fund-raising organization for the University and contributions to the Foundation are primarily restricted to the activities of the University. These contributions are relied upon for the on-going operations of the University. No other affiliated organization, such as the Alumni Association, meets the requirements for inclusion in the university's financial statements. Complete financial statements for the Foundation can be obtained by sending a request to the Wright State University Foundation, 108J Allyn Hall, 3640 Colonel Glenn Highway, Dayton, OH 45435.

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

Summary of Significant Accounting Policies:

Basis of Accounting

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

Financial Statements

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

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

Cash and Cash Equivalents

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

Investments

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

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

Inventories

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

Capital Assets and Collections

Capital assets include land, land improvements, infrastructure, buildings, machinery, equipment, library books, publications and construction in progress. They are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. Building renovations that materially increase the value or extend the useful life of the structure are also capitalized. Normal repairs and maintenance are expensed in the year in which the expenses are incurred. The 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 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.

Accrued Liabilities

The University offered a voluntary separation incentive plan in 2010 in an effort to reduce personnel costs and strategically manage the vacancies created by the plan participants. The total cost of this plan was $6.8 million and was charged to the departments where the participants performed services. The liability is being paid over three years to a third party administrator. At June 30, 2010, $5.3 million of this liability remains and is recorded in accrued liabilities.

Compensated Absences

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

Deferred Revenue

Deferred revenue consists primarily of the amounts received in advance from grant and contract sponsors that have not yet been earned under the terms of the agreement and amounts received in advance for tuition and fees not yet earned. These deferrals were $22.9 million and $12.7 million, respectively, for the year ended June 30, 2010 and $25.3 million and $11.4 million, respectively, for the year ended June 30, 2009.

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 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.
- Restricted - Expendable represents resources that have been received and must be used for specific purposes, such as those received from grantors.
- Unrestricted represents net assets that are not subject to external restrictions. Management or the Board of Trustees designates most of the unrestricted net assets for specific purposes in research, academic, capital acquisition, or other initiatives.

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

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 and federal 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.

In 2010 the State of Ohio used federal stimulus monies to partially fund the state appropriations provided to the University. Therefore, there is a reduction of state appropriations of approximately $13 million in 2010 and a corresponding increase in federal appropriations.

OhioLINK

Wright State University serves as the fiscal agent for the statewide library program known as OhioLINK. This program's revenues from state appropriations, federal pass-through grants and from other college and university libraries and expenses are all included in the statements of revenues, expenses, and changes in net assets. The total revenues and expenses attributable to OhioLINK were $35,562,447 and $32,596,075 for the years ended June 30, 2010 and 2009, respectively.

Scholarship Allowances

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

Income Taxes

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

Estimates

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

Previous Year's Financial Information

Certain reclassifications have been made to the 2009 comparative information to conform to the 2010 presentation. These reclassifications had no impact on the 2009 total net assets or change in net assets.

(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 assets. 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, 2010 and 2009, the university's bank balances are $30,395,202 and $32,677,694, respectively. Of these balances, $23,016,655 and $11,899,056, 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:

	2010	2009
Petty cash	$ 53,528	$ 56,920
Demand deposits	21,878,544	21,154,465
Money market funds	5,895,057	8,169,692
Total	$ 27,827,129	$ 29,381,077

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

Investments

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

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

Description	Fair Value 2010	Fair Value 2009
U.S. Treasury securities	$ 2,576,443	$ 2,789,676
U.S. Agency securities	4,251,370	4,008,933
Common and preferred stock	415,136	362,617
Corporate bonds and notes	4,805,289	4,355,091
State Treasury Asset Reserve of Ohio	5,031,180	7,174,996
Equity funds	55,107,957	41,522,452
Bond funds	33,913,670	25,132,294
Other	3,200	3,200
Total	$ 106,104,245	$ 85,349,259

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.

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.

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

	2010 Investment Maturites (in years)				
Investment Type	Fair Value	Less Than 1	1-5	6-10	More Than 10
U.S. Treasury securities	$ 2,576,443	$ 209,414	$ 2,367,029	$	$
U.S. Agency securities	4,251,370		3,107,438	1,057,896	86,036
Corporate bonds and notes	4,805,289	383,649	4,120,886		300,754
Bond funds	33,913,670	7,498,054	6,148,977	20,266,639	
Total	$ 45,546,772	$ 8,091,117	$ 15,744,330	$ 21,324,535	$ 386,790

	2009 Investment Maturites (in years)				
Investment Type	Fair Value	Less Than 1	1-5	6-10	More Than 10
U.S. Treasury securities	$ 2,789,676	$ 20,348	$ 2,769,328	$	$
U.S. Agency securities	4,008,933		3,599,978	373,633	35,322
Corporate bonds and notes	4,355,091	149,185	3,910,160		295,746
Bond funds	25,132,294		5,831,975	19,300,319	
Total	$ 36,285,994	$ 169,533	$ 16,111,441	$ 19,673,952	$ 331,068

The University invests in mortgage pass-through securities issued by FNMA, GNMA and FHLMC which are included above in the amounts listed as U.S. Agency Securities. Prepayment options embedded in these securities cause them to be highly sensitive to interest rate changes. Generally when interest rates fall, more mortgages are prepaid. This eliminates the interest income that would have been received under the original amortization schedule. As of June 30, 2010 and 2009, the total value of mortgage pass-through securities is $1,029,929 and $402,929 respectively.

Credit Risk

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

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

2010

Credit Rating	Total	U.S. Treasury Securities	U.S. Agency Securities	Corporate Bonds and Notes	State Treasury Asset Reserve (STAROhio)	Bond Funds
AAA/Aaa	$ 12,810,658	$ 2,576,443	$ 4,251,370	$ 951,665	$ 5,031,180	$
AA/Aa	34,777,700			864,030		33,913,670
A	2,224,078			2,224,078		
BBB/Baa	717,550			717,550		
B	42,041			42,041		
Not Rated	5,925			5,925		
Total	$ 50,577,952	$ 2,576,443	$ 4,251,370	$ 4,805,289	$ 5,031,180	$ 33,913,670

2009

Credit Rating	Total	U.S. Treasury Securities	U.S. Agency Securities	Corporate Bonds and Notes	State Treasury Asset Reserve (STAROhio)	Bond Funds
AAA/Aaa	$ 14,952,999	$ 2,789,676	$ 4,008,933	$ 979,394	$ 7,174,996	$
AA/Aa	25,895,768			763,474		25,132,294
A	1,868,249			1,868,249		
BBB/Baa	739,549			739,549		
Not Rated	4,425			4,425		
Total	$ 43,460,990	$ 2,789,676	$ 4,008,933	$ 4,355,091	$ 7,174,996	$ 25,132,294

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, 2010, the University holds GNMA securities with a total value of $86,247. The University held no GNMA securities as of June 30, 2009.

Custodial Credit Risk For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the University will not be able to recover the value of its investments or collateral securities in the possession of an outside party. At June 30, 2010 and 2009, $11,633,102 and $11,153,701, respectively, is held by the investment's counterparty, not in the name of the University, but internally designated as held for the University.

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

Concentration of Credit Risk Concentration of credit risk is the risk associated with a lack of diversification. It is the risk of loss attributed to the magnitude of the university's investment in a single issuer. Investment managers are required by the investment policy to limit exposure for any one single issue to no more than five percent of the portfolio, at cost. This limit does not apply to investments in U.S. securities. Equity and fixed income managers are required to limit exposure to any one economic sector to forty percent of the portfolio. Cash Pool managers must limit Commercial Paper in any one issuer to no more than five percent of the manager's portfolio. As of June 30, 2010 and 2009, the university's portfolio does not hold any issuer which exceeds five percent of the university's total investments.

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, 2010 and 2009, the university's exposure to foreign currency is limited to its investment in international mutual funds of $14,451,774 and $10,834,690, respectively.

Series 2009 Bond Proceeds In December 2009, the University issued $11,420,000 General Receipt Bonds to fund various energy efficiency projects for university facilities. As of June 30, 2010, $3,510,729 of the proceeds remains unspent. The unspent proceeds are held in a Project Fund trust account as provided for in the bond resolution approved by the Board of Trustees. The bond resolution also requires 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 fund. These funds, in addition to a small balance held in Bank of New York Mellon trust accounts for the payment of Series 2004 Bond interest payments, equal $3,510,729 and are classified as restricted cash and cash equivalents at June 30, 2010. These deposit balances are included in the money market fund total of $5,895,057.

Investment Income

The composition of investment income is as follows:

	Year Ended June 30	
	2010	2009
Net interest and dividend income	$ 1,451,321	$ 2,076,723
Realized gains on sales	402,787	1,164,013
Unrealized gains/(losses) in fair value	8,133,955	(15,253,486)
Total	$ 9,988,063	$ (12,012,750)

(3) Accounts Receivable

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

	2010	2009
Sponsor receivables	$ 9,406,973	$ 10,876,220
Student and student-related accounts	9,236,895	9,053,283
Wright State University Foundation	809,265	1,068,713
Interest receivable	102,456	120,733
State appropriations	694,197	1,552,634
Other, primarily departmental sales and services	2,798,551	1,333,762
Total	23,048,337	24,005,345
Less: Allowance for doubtful accounts	1,380,000	1,280,000
Net accounts receivable	$ 21,668,337	$ 22,725,345

(4) Capital Assets

Capital assets activity for the years ended June 30, 2010 and 2009 is summarized as follows:

	Balance 7/1/2009	Additions	Retirements	Transfers	Balance 6/30/2010
Land	$ 3,049,530	$ 650,000	$	$	$ 3,699,530
Land improvements and infrastructure	31,951,557	2,546,813			34,498,370
Buildings	344,833,789	15,990,028	(1,664,228)	2,121,893	361,281,482
Machinery and equipment	77,226,101	5,550,711	(8,576,972)		74,199,840
Library books and publications	51,878,701	1,810,077	(3,670,968)		50,017,810
Construction in progress	2,121,893	514,009		(2,121,893)	514,009
Total	511,061,571	27,061,638	(13,912,168)		524,211,041
Less accumulated depreciation:					
Land improvements and infrastructure	11,788,591	1,030,431			12,819,022
Buildings	121,046,452	8,413,104	(644,054)		128,815,502
Machinery and equipment	46,969,419	6,905,686	(6,630,924)		47,244,181
Library books and publications	32,949,440	2,340,294	(3,670,968)		31,618,766
Total accumulated depreciation	212,753,902	18,689,515	(10,945,946)		220,497,471
Capital assets, net	$ 298,307,669	$ 8,372,123	$ (2,966,222)	$	$ 303,713,570

	Balance 07/01/2008	Additions	Retirements	Balance 06/30/2009
Land	$ 3,049,830	$	$ (300)	$ 3,049,530
Land improvements and infrastructure	30,832,140	1,119,417		31,951,557
Buildings	328,502,898	16,330,891		344,833,789
Machinery and equipment	81,011,965	3,469,417	(7,255,281)	77,226,101
Library books and publications	49,770,195	2,515,394	(406,888)	51,878,701
Construction in progress	137,298	1,984,595		2,121,893
Total	493,304,326	25,419,714	(7,662,469)	511,061,571
Less accumulated depreciation:				
Land improvements and infrastructure	10,790,979	997,612		11,788,591
Buildings	112,932,256	8,114,196		121,046,452
Machinery and equipment	45,723,117	7,029,693	(5,783,391)	46,969,419
Library books and publications	31,041,064	2,315,264	(406,888)	32,949,440
Total accumulated depreciation	200,487,416	18,456,765	(6,190,279)	212,753,902
Capital assets, net	$ 292,816,910	$ 6,962,949	$ (1,472,190)	$ 298,307,669

(5) Long-Term Liabilities

Long-term liabilities consist of bonds payable, equipment lease purchase obligations, and compensated absences. Activity for long-term liabilities for the years ended June 30, 2010 and 2009 is summarized as follows:

	Beginning Balance 07/01/2009	Additions	Principal Repayments Reductions	Ending Balance 06/30/2010	Current Portion
Bonds and equipment lease purchase obligations:					
General obligation bonds	$ 31,010,361	$ 11,420,000	$ 4,883,109	$ 37,547,252	$ 5,053,247
Equipment leases	553,661		230,280	323,381	127,258
Total bonds and equipment leases	31,564,022	11,420,000	5,113,389	37,870,633	5,180,505
Other liabilities:					
Compensated absences	16,600,000	5,282,202	5,682,202	16,200,000	6,000,000
Total other liabilities	16,600,000	5,282,202	5,682,202	16,200,000	6,000,000
Total long-term liabilities	$ 48,164,022	$ 16,702,202	$ 10,795,591	$ 54,070,633	$ 11,180,505

	Beginning Balance 07/01/2008	Additions	Principal Repayments Reductions	Ending Balance 06/30/2009	Current Portion
Bonds and equipment lease purchase obligations:					
General obligation bonds	$ 34,734,594	$	$ 3,724,233	$ 31,010,361	$ 3,838,108
Equipment leases	890,293		336,632	553,661	230,280
Total bonds and equipment leases	35,624,887		4,060,865	31,564,022	4,068,388
Other liabilities:					
Compensated absences	15,000,000	6,297,257	4,697,257	16,600,000	6,000,000
Total other liabilities	15,000,000	6,297,257	4,697,257	16,600,000	6,000,000
Total long-term liabilities	$ 50,624,887	$ 6,297,257	$ 8,758,122	$ 48,164,022	$ 10,068,388

Bonds payable on June 30, 2010 consist of Series 2003, 2004 and 2009 General Receipts Serial and Term bonds. The maturity dates, interest rates, and the outstanding principal balances of capital activities at June 30, 2010 are as follows:

Description	Maturity Dates	Interest Rates	Outstanding Principal	Unamortized Premium	Total
Bonds payable:					
Series 2003	2010-2023	4.00% - 5.00%	$ 4,050,000	$ 119,864	$ 4,169,864
Series 2004	2010-2029	3.50% - 5.00%	22,290,000	712,388	23,002,388
Series 2009	2010-2019	1.37% - 5.31%	10,375,000		10,375,000
Total bonds payable			36,715,000	832,252	37,547,252
Equipment lease purchase obligations	2010-2016	3.57% - 3.84%	323,381		323,381
		Total	$ 37,038,381	$ 832,252	$ 37,870,633

The scheduled maturities of bonds 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
2011	$ 5,047,258	$ 1,585,908	$ 6,633,166
2012	3,601,080	1,399,331	5,000,411
2013	3,235,852	1,283,434	4,519,286
2014	3,342,435	1,175,689	4,518,124
2015	2,554,080	1,051,233	3,605,313
2016-2020	11,902,676	3,383,404	15,286,080
2021-2025	4,210,000	1,319,125	5,529,125
2026-2029	3,145,000	361,575	3,506,575
Total	$ 37,038,381	$ 11,559,699	$ 48,598,080

All general receipts of the University, except for state appropriations, are pledged for payment of the 2003, 2004 and 2009 bonds. 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 rebate received for the year ended June 30, 2010 was $59,751. The rebate is reported as Other Nonoperating Revenues and does 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 rebate anticipated for future years. The University expects to receive $833,512 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 assets. Rent expenses for the year ended June 30, 2010 and 2009 were $2,730,089 and $2,416,563, respectively.

Future minimum payments for all material operating leases as of June 30, 2010, are as follows:

2011	$ 2,024,418
2012	1,211,084
2013	686,931
2014	254,468
2015	225,075
2016-2017	247,650
Total minimum lease payments	$ 4,649,626

(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 10 percent and the University 14 percent of the employees' covered compensation for both STRS and OPERS. The Ohio Revised Code provides statutory authority for both employee and employer contributions. The university's contributions to STRS were $8,978,828, $8,825,469, and $8,512,663, and to OPERS were $8,178,026, $8,469,927, and $8,136,269, for the years ended June 30, 2010, 2009, and 2008, 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 STRS or OPERS. The university's contributions to a participating faculty member's account and to STRS are 10.5 percent and 3.5 percent of a participant's compensation, respectively. The university's contributions to a participating staff member's account and to OPERS are 13.16 percent and .84 percent of a participant's compensation, respectively. Plan participants' contributions were $4,308,845, $4,152,517, and $3,834,684, and the university's contributions to the plan providers amounted to $5,017,868, $4,803,045, and $4,500,074 for the years ended June 30, 2010, 2009, and 2008, respectively. In addition, the amounts contributed to STRS by the University on behalf of ARP participants were $954,802, $927,150, and $848,918, respectively, for the years ended June 30, 2010, 2009, and 2008. The amount contributed to OPERS by the University on behalf of ARP participants was $107,777, $105,123, and $79,667 for the years ended June 30, 2010, 2009, and 2008, respectively.

(8) Other Postemployment Benefits (OPEB)

STRS provides OPEB to all retirees and their dependents, while OPERS provides postretirement health care coverage to age and service retirees (and dependents) with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is also available under OPERS. A portion of each employer's contributions is set aside for the funding of postretirement health care. For STRS, this rate was 1 percent of the total 14 percent (see note 7), while the OPERS rate was .77 percent of the total 14 percent.

The Ohio Revised Code provides the statutory authority for public employers to fund postretirement health care through their contributions to STRS and OPERS. Postretirement health care under STRS is financed on a pay-as-you-go basis. Assets available in the health care reserve fund for STRS amounted to $2.7 billion at June 30, 2009. The number of benefit recipients eligible for OPEB was 129,659 for STRS at June 30, 2009. The amount contributed by the University to STRS to fund these benefits was $641,345 for the year ended June 30, 2010.

Postretirement health care under OPERS is advance-funded on an actuarially determined basis. The actuarial value of OPERS net assets available for OPEB at December 31, 2008 is $10.7 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were $29.6 billion and $18.9 billion, respectively. The number of OPERS active contributing participants was 357,584 for the year ended December 31, 2009. For the year ended June 30, 2010 the University contributed $449,791 to OPERS for OPEB funding.

(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 by the Ohio Board of Regents, Ohio's higher education advising and coordinating board.

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

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

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

(10) Commitments and Contingencies

At June 30, 2010, the University is committed under contractual obligations for:

Capital expenditures	$	7,625,192
Non-capital goods and services		9,464,086
Total contractual commitments	$	17,089,278

These commitments are being funded from the following sources:

State appropriations requested and approved	$	1,214,150
University funds		15,875,128
Total sources	$	17,089,278

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

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

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 became self-insured for all employee health care benefits in January 2009 with Anthem and Express Scripts as the third party administrators. Under the terms of the policy, the University is billed for actual claims on a weekly 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 two fiscal years are as follows:

		2010		2009
Liability at beginning of fiscal year	$	2,100,000	$	
Current year claims including changes in estimates		21,748,653		10,069,375
Claim payments		(22,348,653)		(7,969,375)
Liability at end of fiscal year	$	1,500,000	$	2,100,000

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

(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 totaled approximately $97,400,000 at June 30, 2010. Such assets relate principally to donor restricted funds and are discretely presented in the accompanying financial statements. Amounts transferred to the University from the Foundation are recorded as nonoperating “gifts” and “capital grants and gifts” in the accompanying financial statements. 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 and reporting principles for not-for-profit entities. The following is a summary of the Foundation’s significant accounting and reporting policies presented to assist the reader in interpreting the financial statements and other data in this report.

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

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

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. Investments are initially recorded at their acquisition cost if they were purchased and at fair value if they are received through a contribution or exchange transaction. Securities traded on a national exchange are valued at their last reported sales price on the exchange on which they are traded.

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

Realized gains or losses are included in the 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 statement of activities. Investments are managed by professional investment managers.

Land Held for Development

Land owned by the Foundation consists primarily of lots adjacent to the University that are carried at historical cost. The land was transferred to the University during the fiscal year ended June 30, 2010.

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.

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 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 expire in the future and (3) permanently restricted net assets, which include donor-imposed restrictions that the assets be maintained permanently.

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

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

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.

<u>Gifts and Contributions</u>
Gifts and contributions are recorded at their fair market 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.

<u>Investment Earnings</u>
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.

<u>Net Assets Released from Restrictions</u>
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 statement of activities as net assets released from restrictions.

<u>Adoption of New Accounting Standards</u>
In June 2009, the Financial Accounting Standards Board ("FASB") issued a standard regarding the FASB Accounting Standards Codification™ and the hierarchy of generally accepted accounting principles, which replaces the standard previously issued by the FASB regarding the hierarchy of generally accepted accounting principles. This standard identifies the source of accounting principles and the framework for selecting the principles used in the presentation of financial statements of non-governmental entities that are presented in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). In addition, this standard establishes the FASB Accounting Standard Codification™ (the "Codification") as the source of authoritative U.S. GAAP recognized by the

FASB to be applied by non-governmental entities in the preparation of financial statements in conformity with U.S. GAAP. All guidance contained in the Codification carries an equal level of authority. The initial date of the adoption of this standard was effective for financial statements issued for interim and annual periods ending after June 15, 2009. On June 3, 2009, FASB decided that this standard is effective for interim and annual periods ending after September 15, 2009. The Foundation adopted this standard during the year ended June 30, 2010. The adoption of this standard did not have a significant impact on the Foundation's financial statements.

The Foundation adopted guidance issued by the FASB with respect to accounting for uncertainty in income taxes as of July 1, 2009. A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. The adoption had no effect on the Foundation's financial statements. The Foundation is no longer subject to examination by taxing authorities for years before 2007. The Foundation does not have any tax benefits recorded at June 30, 2010, 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, 2010.

In May 2009, the FASB issued a standard regarding accounting for subsequent events. This standard incorporates into authoritative accounting literature certain guidance that already existed within generally accepted auditing standards, but the rules concerning recognition and disclosure of subsequent events will remain essentially unchanged. Subsequent events guidance addresses events which occur after the statement of net assets date but before the issuance of financial statements. Under this guidance, as under current practice, an entity must record the effect of subsequent events that provide evidence about conditions that existed at the statement of net assets date but not record the effects of subsequent events which provide evidence about conditions that did not exist at the statement of net assets date. This standard is effective for periods ending after June 15, 2009. The Foundation adopted this standard during the year ended June 30, 2010. Its adoption did not have a significant impact on the Foundation's financial statements.

Subsequent Events
Management has performed an analysis of the activities and transactions subsequent to June 30, 2010, to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended June 30, 2010. Management has performed their analysis through October 15, 2010, the date the financial statements were available to be issued.

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

Reclassifications
Certain reclassifications have been made to conform data in the accompanying prior year financial statements 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. Due to the level of uncertainty related to changes in the value of investment securities and 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.

Investments are managed by a professional investment management company utilizing the "manager of managers" model of portfolio administration. 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.

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.

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.

Assets measured at fair value on a recurring basis are summarized below for the years ended June 30, 2010 and 2009:

	Fair Value Measurements at June 30, 2010 Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Totals
Assets				
Gifts receivable from trusts held by others	$	$	$ 1,305,300	$ 1,305,300
Investment in securities:				
Bonds	5,078,073			5,078,073
Mutual funds	32,959,839	31,058,179	167,566	64,185,584
Alternative assets		10,879,556	4,744,212	15,623,768
Total investment in securities	$ 38,037,912	$ 41,937,735	$ 4,911,778	$ 84,887,425
Other investments:				
Limited partnerships	$	$	$ 1,043,140	$ 1,043,140
Annuity assets				
Mutual funds-securities	30,790	149,201		179,991
Total annuity assets	30,790	149,201		179,991
Total	$ 38,068,702	$ 42,086,936	$ 7,260,218	$ 87,415,856

	Fair Value Measurements at June 30, 2009 Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Totals
Assets				
Gifts receivable from trusts held by others	$	$	$ 1,495,300	$ 1,495,300
Investment in securities:				
Cash and cash equivalents	2,500,000			2,500,000
Bonds	2,482,579			2,482,579
Mutual funds	23,259,238	30,649,690	114,529	54,023,457
Alternative assets			12,847,299	12,847,299
Total investment in securities	$ 28,241,817	$ 30,649,690	$ 12,961,828	$ 71,853,335
Other investments:				
Limited partnerships	$	$	$ 864,649	$ 864,649
Annuity assets				
Cash and equivalents	111	57,500		57,611
Mutual funds-securities	136,761	591,995		728,756
Total annuity assets	$ 136,872	$ 649,495	$	$ 786,367
Total	$ 28,378,689	$ 31,299,185	$ 15,321,777	$ 74,999,651

The table below presents a reconciliation and statement 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, 2010 and 2009:

	2010	
	Gifts Receivable from Trusts Held by Others	Alternative Assets
Beginning balance, June 30, 2009	$ 1,495,300	$ 12,847,299
Unrealized gains/(losses) included in earnings		3,782,432
Net purchases/(sales)		(1,131,949)
Change in value of split interest agreements	(190,000)	
Reclassifications related to ASU 2009-12		(10,753,570)
Ending balance, June 30, 2010	$ 1,305,300	$ 4,744,212
	Mutual Funds	Limited Partnerships
Beginning balance, June 30, 2009	$ 114,529	$ 864,649
Interest and dividends	1,589	
Realized gains/(losses) on sales	(19,896)	
Unrealized gains/(losses) included in earnings	171,078	(2,855)
Net purchases/(sales)	(164,326)	181,346
Net transfers in/(out) of Level 3	64,592	
Ending balance, June 30, 2010	$ 167,566	$ 1,043,140

	2009	
	Gifts Receivable from Trusts Held by Others	Alternative Assets
Beginning balance, June 30, 2008	$ 1,958,100	$ 10,327,115
Realized gains/(losses)		139,916
Unrealized gains/(losses)		(2,743,214)
Net purchases/(sales)		3,212,010
Change in value of split interest agreements	(462,800)	
Net transfers in/(out) of Level 3		1,911,472
Ending balance, June 30, 2009	$ 1,495,300	$ 12,847,299

	Mutual Funds	Limited Partnerships
Beginning balance, June 30, 2008	$ 266,313	$ 508,301
Realized gains/(losses)	(11,701)	
Unrealized gains/(losses)	(63,572)	23,289
Net purchases/(sales)	(23,936)	333,059
Changes in estimates/assumptions	16	
Net transfers in/(out) of Level 3	(52,591)	
Ending balance, June 30, 2009	$ 114,529	$ 864,649

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 money markets and bonds are based on quoted prices in active markets (Level 1 inputs).

Categorization of the fair value of the investment in mutual funds is based upon the Foundation's proportionate share of individual fund assets within the pooled investment portfolio. Foundation management reviews the valuations and returns in comparison to industry benchmarks and other relevant information (Level 2 inputs).

In October 2009, the FASB issued Accounting Standards Update (ASU) 2009-12 that provides additional guidance on how companies should estimate the fair value of certain alternative investments. The fair value of such investments can now be determined using Net Asset Value (NAV), unless it is probable that the asset will be sold at something other than NAV. ASU 2009-12 requires disclosure of certain attributes of all investments within its scope, regardless of whether NAV is used to measure the fair value of these investments.

Information such as NAV, 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 the valuation of alternative investments, such as hedge funds, private equity and commercial loans, for which there is no active market. Due to current market conditions as well as the limited trading activity of these investments, the market value of alternative investments is highly sensitive to assumption changes and market value volatility (Level 3 inputs). In some instances, the Foundation possesses the ability to redeem these investments at the fund's NAV (Level 2 inputs).

The Foundation's hedge fund investment is 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 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, 2010, the Foundation has no significant unfunded commitments to its hedge fund allocation.

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, 2010, the Foundation's total capital commitment of $3,500,000 was 16.5% ($577,408) funded. Due to the long-term commitment of capital and the unpredictability of capital calls and partnership distributions, the fund is generally considered illiquid.

The Foundation's investment in commercial loans 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, 2010. The investment involves a two year lockup period (in effect until March 2011) and allows quarterly redemptions with 69 days prior notice.

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 Level 3.

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

D. Pledges Receivable

Pledges receivable at June 30, 2010 and 2009, by fund type, are as follows:

	2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Less than one year	$ 40,025	$ 2,659,067	$ 64,396	$ 2,763,488
One to five years	4,000	3,888,894	43,910	3,936,804
Six years or greater		2,000,000		2,000,000
Gross pledges receivable	44,025	8,547,961	108,306	8,700,292
Present value discount	(425)	(1,236,161)	(2,006)	(1,238,592)
Allowance for uncollectible pledges	(500)	(40,800)	(4,100)	(45,400)
Pledges receivable (net)	$ 43,100	$ 7,271,000	$ 102,200	$ 7,416,300

	2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Less than one year	$ 45,613	$ 2,045,044	$ 1,062,132	$ 3,152,789
One to five years	4,300	1,984,847	69,200	2,058,347
Six years or greater		2,000,000		2,000,000
Gross pledges receivable	49,913	6,029,891	1,131,332	7,211,136
Present value discount	(313)	(1,189,191)	(3,732)	(1,193,236)
Allowance for uncollectible pledges	(400)	(31,600)	(4,600)	(36,600)
Pledges receivable (net)	$ 49,200	$ 4,809,100	$ 1,123,000	$ 5,981,300

The fair value of pledges receivable was determined using discount rates applicable to the year in which the pledge was established. Rates ranged from 1.79% to 5.10%.

E. Investment in Securities

The cost and fair value of the Foundation's investments, at June 30, 2010 and 2009, are as follows:

	2010	2009
Cash and equivalents	$	$ 2,500,000
Bonds	5,078,073	2,482,579
Mutual Funds	64,185,584	54,023,457
Alternative assets	15,623,768	12,847,299
Totals	$ 84,887,425	$ 71,853,335

Net realized gains (losses) on sales of investments were ($1,353,331) and ($3,228,364) for the years ended June 30, 2010 and 2009, respectively. Calculation of net realized gains on sales of investments is based on original cost. Net unrealized gains (losses) amounted to $10,539,275 and ($18,028,546) for the years ended June 30, 2010 and 2009, respectively.

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