WRIGHT STATE UNIVERSITY

Annual Report

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June 30, 2013

Management's Discussion and Analysis
Fiscal Year Ended June 30, 2013

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, 2013 with selected comparative information for the years ended June 30, 2012 and 2011. 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

- Wright State issued $23.2 million of General Receipts Bonds during 2013, $9 million of which is to help pay for construction costs of a student academic success center located within a new classroom building, a new multi-functional student commons building, and a grounds storage facility. In addition, $14.2 million of the bonds were issued as an advance refunding of $14.4 million outstanding Series 2004 General Receipts serial and term bonds, which will provide an economic gain to the University of $1.3 million. During the year the University also entered into a Loan Agreement with the Ohio Air Quality Development Authority to fund a second phase of an energy conservation project. This resulted in the issuance of $25.5 million in notes payable, supported by $17.2 million of tax-exempt bonds and $8.3 million of federally subsidized qualified energy conservation bonds (QECB). The issuance of the QECB enabled the University to realize an overall net effective interest rate after a federal rebate of only 1.51%.

- The energy conservation project referenced above is expected to reduce energy consumption by 40 percent through the funded energy conservation measures that include applying state-of-the-art technology to modernize heating/cooling plants across the University. The savings are estimated to exceed $35 million over the next 15 years which considerably exceeds the debt service on the notes over the life of the debt.

- For the fourth consecutive year, Wright State was named to the President's Higher Education Community Service Honor Roll with Distinction, the highest federal recognition a college or university can receive for its commitment to volunteering, service-learning, and civic engagement. This award is given by the Corporation for National and Community Service. Only six Ohio schools were given the honor with distinction.

- Two different sources have named Wright State to their top "Military Friendly Schools" in recognition of the support the University provides for student veterans and students in the military. Both *Victory Media* and *Military Advanced Education* bestowed this honor on the University for the fourth year in a row. *Victory Media* honors the top 15 percent of more than 7,000 colleges, universities, and trade schools for doing the most to help America's veterans as students.

- Wright State's Model UN team continued its remarkable streak at the National Model United Nations Conference, receiving the highest recognition possible at the competition for the 34th year in a row. Competing against 149 universities from around the world, Wright State was one of 20 colleges to receive Outstanding Delegation recognition.

- Wright State celebrated its 45th anniversary as a university. Three university presidents appeared together during a celebration to salute the birth of the University and to forecast the future of higher education. The celebration examined Wright State's beginnings as an extension of two other Ohio public universities before it gained independent status as a university several years later.

- The University raised tuition by only 3.5% for all degree levels at both its campuses in 2013. This is identical with the 3.5% raise in undergraduate tuition rates in 2012. However, in 2012 graduate tuition increased 4.5% while the Boonshoft School of Medicine (BSOM) and School of Professional Psychology tuition increased 5%. The University continues efforts to keep the cost of tuition affordable for students and their families despite the university's permanent loss of over $13 million in state and federal appropriations since 2011. Wright State continues to maintain the fourth lowest in-state undergraduate tuition rate among Ohio's thirteen four-year public institutions.

- Total state appropriations fell only $0.3 million in 2013 from 2012 after removing the effect of OhioLINK (a statewide library initiative for which the University serves as fiscal agent). This follows 2012 when state appropriations fell $0.4 million from 2011 after removing the effect of OhioLINK. With no real increase in state appropriations and only modest tuition increases, the University is learning to maintain and grow its operations even after the elimination of federal stimulus funds the State was passing through to the University in 2011 and 2010 to offset large decreases in state appropriations. This new funding model the University is utilizing includes generating new and alternative revenue streams and performing more resource or expense optimization. In 2013 the University was involved and helpful in defining a new formula for earning state subsidy that is based more upon degree and course completions. We also entered into a new comprehensive hospitality services contract that should expand and enhance revenue. In addition, the University has been in the midst of much business process reengineering that has resulted in the energy conservation measures, a re-design of our health care plans, and a discovery process for an enterprise print solution for the entire University. These types of expense optimization efforts are expected to continue for years to come.

- Net position decreased $8.5 million in 2013 primarily in invested in capital assets largely due to the issuance of a net $34.5 million of new bonds and notes payable this year. The majority of the expenditures on debt-funded projects have not yet been incurred. Net position decreased $9.0 million in 2012, primarily in unrestricted net assets. This unrestricted decrease was the result of weak investment market performance that produced a $0.2 million investment loss compared to the budgeted $7.4 million for investment income. Tuition and fee revenue was also slightly lower than expected.

- Fall 2012 headcount was 17,930, which represented a 9.1% decrease from fall of 2011. Fall 2011 headcount was 19,721, slightly lower than the record enrollment of 19,793 from the fall of 2010. The decrease in the 2012 headcount is primarily attributable to the effort of students wanting to graduate before the fall of 2012 when the University converted from quarters to semesters. While this decrease had a negative impact on tuition revenue, it was offset by a pleasant outperformance of the budget in the investment market. This lower enrollment level will be the university's new baseline for enrollment growth. The University plans on being strategic and deliberate in managing a slow but steady increase in its student body.

- The University completed its first fiscal year utilizing the semester academic calendar for both the fall and spring terms during fiscal 2013. While the summer term of fiscal 2013 continued with the quarter system, the immediate transition to semesters in the subsequent fall term was considered a success. The three to four years of preparation and planning before Fall 2012 paid dividends as there were minimal transitional issues with students. This transition aligned Wright State's calendar with other universities' to better facilitate collaborative academic programs, student transfer and articulation.

Using the Annual Report

This annual report includes three financial statements: the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows. These financial statements are prepared in accordance with GASB Statement No. 35, *Basic Financial Statements-and Management's Discussion and Analysis-For Public Colleges and Universities* as amended by GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. These financial statements focus on the financial condition of the University, the results of operations, and cash flows of the University as a whole. All comments and discussions included in this discussion and analysis relate only to Wright State University and not to the Wright State University Foundation unless specifically noted.

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

Statements of Net Position

The Statement of Net Position, which reports all assets, liabilities, deferred inflows and deferred outflows of the University, presents the financial position of the University at the end of the fiscal year. Our net position is simply the residual after subtracting liabilities and deferred inflows from the sum of assets and deferred outflows. It should be noted the University had no deferred inflows or deferred outflows for the years ended June 30, 2013, 2012, and 2011. The change in net position during the fiscal year is an indicator of the change in the overall financial condition of the University during the year. A summary of the university's assets, liabilities, and net position as of June 30 is as follows:

	2013	2012	2011
	(All dollar amounts in thousands)		
Current assets	$ 133,336	$ 87,757	$ 86,001
Noncurrent assets:			
Capital assets, net	305,024	309,490	304,459
Other	150,115	179,152	140,790
Total assets	588,475	576,399	531,250
Current liabilities	76,668	83,975	78,999
Noncurrent liabilities	117,767	89,874	40,717
Total liabilities	194,435	173,849	119,716
Net position:			
Invested in capital assets	265,509	270,770	272,468
Restricted	18,351	19,730	19,232
Unrestricted	110,180	112,050	119,834
Total net position	$ 394,040	$ 402,550	$ 411,534

The university's net position decreased $8.5 million in 2013, primarily in capital assets. Although the University was in the midst of a number of large and significant projects during 2013, there was a decline in net capital assets of $5.2 million after the effect of depreciation. While progress was made on the second phase of the energy conservation projects, the Neuroscience and Engineering Collaboration (NEC) building, and the new classroom building; the preponderance of the work on those projects will be performed during the next two fiscal years. Only modest levels of other acquisitions and improvements were performed during 2013. Restricted net position fell $1.4 million primarily as a result of the university's decision to reduce participation in a loan program and return loan funds to the federal government. In addition, unrestricted net position decreased by $1.9 million as the University converted an internal loan fund into need based financial aid and awarded the aid during 2013. The university's net position decreased $9.0 million in 2012 from 2011, primarily due to a downturn in investment earnings. Investment returns in 2012 were non-existent and created an unanticipated income shortfall of $7.6 million, primarily causing the reduction in unrestricted net position.

Total assets increased $12.1 million in 2013 over 2012. *Current assets*, comprised primarily of cash and operating investments, student and sponsor receivables, and prepaid expenses, increased by $45.6 million in 2013 from 2012. This increase is the result of a number of items. Restricted cash and investments increased by $54.5 million during 2013 as a result of unspent proceeds from new borrowings for a number of capital projects. However, the total net increase in restricted cash and investment was only $28.3 million, as there was a reduction in noncurrent restricted cash and investments of $26.2 million. Operating cash and investments decreased $18.6 million due primarily to a couple of items. First, the payroll payment schedule for academic faculty was accelerated due to the conversion of the academic calendar from the quarter system to the semester system. This resulted in approximately $10.0 million more in cash outlays for payroll during 2013 than in 2012. In addition, accounts receivable increased $12.9 million, which also contributed substantially to the decrease in operating cash and investments. This increase in accounts receivable is a result of several items. One of these was an effect of the conversion to semesters. Approximately $4.0 million of student billings for Summer 2013 were processed before June 30, 2013 whereas in the prior year, comparable billings for Summer 2012 were not processed until after June 30, 2012. An additional $1.7 million increase in other student receivables related largely to third party sponsor billings for international students. Sponsor receivables also increased $6.2 million primarily due to the timing of billings for the Federal Direct Lending program for summer term and advances and billings to the affiliated Wright State Applied Research Corporation and its research related activities. Deferred charges primarily represent financial aid disbursed in the current year which will be applied to the upcoming year. This balance decreased $1.8 million in 2013, as most of the aid was applied to 2013 due to the change from quarters to semesters. Prepaid expenses comprise another large share of current assets at $12.4 million in 2013 and $13.8 million in 2012. These assets are primarily composed of license agreements for the OhioLINK program for which the University is the fiscal agent. Current assets only increased $1.8 million from 2011 to 2012.

Other noncurrent assets decreased $29.0 million from $179.1 million in 2012 to $150.1 million in 2013. These assets are comprised of long-term investments, long-term student loans receivable, and long-term prepaid expenses and deferred charges. Long-term unrestricted investments represent the majority of the balance in both 2013 and 2012 at $124.6 million and $128.6 million, respectively, resulting in a three percent decrease of $4.0 million. This decrease is a continued reflection of the aforementioned accelerated payroll schedule and increase in receivables mentioned with the *current assets* variances. Restricted investments, comprised of unspent bond and notes payable proceeds that will be spent over the next two to three years on various capital projects, also decreased from $37.9 million in 2012 to $11.7 million in 2013. This decrease, in conjunction with the increase in restricted cash and investments, is a reflection of the increased borrowings in 2013. Loans receivable comprise the balance of the noncurrent assets at $12.0 million and $12.1 million in 2013 and 2012, respectively. Long-term prepaids and deferred charges increased $1.2 million primarily due to bond issuance costs.

Capital assets, net of depreciation decreased $4.5 million from $309.5 million in 2012 to $305.0 million in 2013. The largest project activity in 2013 involved the second phase of the energy conservation project for which over $4.5 million was spent. Other projects included improvements made to White Hall, a Welcome Center and Raider Connect student one-stop center in the Student Union, the completion of the water main project substantially performed in 2012, and the initial phases of the NEC building and new Student Classroom building. Capital assets increased $5.0 million from 2011 to 2012. Major projects performed and/or completed in 2012 included the Rinzler Student Sports Complex, the Schuster Concert Hall, and the replacement of all Dayton campus main water lines. Also in 2012, the University received a $5.8 million donation of software to be utilized by students. Annual depreciation expense rose from $19.7 million in 2012 to $21.4 million in 2013 as the large 2012 acquisitions experienced their first full year of depreciation, which contributed to the decrease in net capital assets.

Total assets of the Wright State University Foundation increased from $110.3 million at June 30, 2012 to $119.9 million at June 30, 2013. The $9.6 million increase is largely related to increases in long-term investments and capital assets. Cash and cash equivalents and long-term investments comprise $110.6 and $103.8 million of the total assets balances at June 30, 2013 and 2012, 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 decreased $7.3 million from $84.0 million at June 30, 2012 to $76.7 million at June 30, 2013. The overall change in current liabilities is comprised of changes in several balances. Overall accounts payable remained relatively constant at $13.1 million in both 2013 and 2012. Accrued liabilities decreased $6.4 million largely due to a decrease in the accrual of academic faculty payroll as of June 30, 2013 resulting from the change in academic calendar from quarters to semesters. Deferred revenue decreased $3.5 million from $38.9 million in 2012 to $35.4 million in 2013. The two primary components of deferred revenue are income received in advance of expenditures from project sponsors on contracts and grants and summer quarter tuition and fees related to 2014 received before June 30, 2013. The $3.5 million decrease resulted from a decrease of $6.2 million in advanced sponsor payments, primarily from the OhioLINK program, partially offset by an increase of $2.7 million in deferred student fees resulting from the additional student billings that occurred in 2013 due to the change in the academic calendar. The current portion of long-term liabilities increased $2.2 million from $11.4 million in 2012 to $13.6 million in 2013. This is the result of the additional debt issued by the University in 2013 which in turn increased the current portion of Wright State's long-term liabilities.

Current liabilities increased $5.0 million from $79.0 million at June 30, 2011 to $84.0 million at June 30, 2012. The bulk of the increase occurred in accounts payable which grew $4.0 million from $9.1 million in 2011 to $13.1 million in 2012 primarily due to some large invoices received in June of 2012 for the OhioLINK program and increases in outstanding contractor payables for some of the university's on-going capital projects.

Noncurrent liabilities increased $27.9 million from $89.9 million at June 30, 2012 to $117.8 million at June 30, 2013. This increase is the result of the University issuing $34.5 million of new debt in 2013 less another year of debt service for all outstanding debt. Noncurrent liabilities increased $49.2 million from $40.7 million at June 30, 2011 to $89.9 million at June 30, 2012. This increase is the result of the University issuing $56.7 million of new debt in 2012 less another year of debt service for all outstanding debt.

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

	2013	2012	2011
	(All dollar amounts in thousands)		
Invested in capital assets	$ 265,509	$ 270,770	$ 272,468
Restricted expendable	18,351	19,730	19,232
Unrestricted:			
Designated	112,253	114,789	118,935
Undesignated	(2,073)	(2,739)	899
Total net position	$ 394,040	$ 402,550	$ 411,534

Invested in capital assets 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 2013, the University constructed a Welcome Center at the front entrance of the Student Union, completed the student Raider Connect Center, began work on the new NEC building and new Classroom building, made substantial progress on the second phase of the energy conservation project, and performed a number of other improvements to the university's facilities. During 2012 the University replaced water mains on the Dayton campus, renovated and created the Schuster Concert Hall and provided additional athletic center facilities by constructing the Rinzler Student Sports Complex. In addition, the University received donated equipment and software of approximately $5.8 million during 2012.

Restricted expendable represents funds externally restricted to specific purposes, such as student loans or sponsored projects. The decrease of $1.4 million is primarily the result of the university's decision to discontinue the use of a federal loan program, which resulted in the return of funds. $17.7 million at June 30, 2013 and $18.9 million at June 30, 2012 of the restricted expendable fund balances represent funds restricted for student loans.

Unrestricted net position represents funds the University has at its disposal to use for whatever purposes it determines appropriate. While these funds are not subject to external restrictions, the University has designated these funds internally for various academic, research, student aid, and capital purposes. Colleges and divisions are permitted to retain 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. Unrestricted net position decreased $1.9 million in 2013, from $112.1 million in 2012 to $110.2 million in 2013. The $1.9 million decrease can be primarily attributed to the conversion of a university loan fund to a need based financial aid scholarship program. This amount was awarded and spent during 2013. The university's plan is to strengthen the unrestricted undesignated fund balance through enrollment growth and retention of students.

Statements of Revenues, Expenses and Changes in Net Position

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

	2013	2012	2011
	(All dollar amounts in thousands)		
Operating revenues:			
Student tuition & fees - net	$ 142,514	$ 141,938	$ 134,010
Grants and contracts	99,140	94,837	97,514
Sales and services	6,387	7,433	6,911
Auxiliary enterprises	15,165	16,326	17,056
Other	2,415	2,619	3,478
Total	265,621	263,153	258,969
Operating expenses	414,473	402,254	392,113
Operating loss	(148,852)	(139,101)	(133,144)
Nonoperating revenues (expenses):			
Federal appropriations			13,228
State appropriations	88,941	89,649	88,042
Federal grants	26,520	27,679	29,110
State grants	3,378	3,081	3,516
Gifts	6,687	6,257	6,716
Investment income (loss)	15,781	(224)	20,836
Interest expense	(3,723)	(2,620)	(1,453)
Other income (expense)	(49)	(2,588)	(82)
Capital appropriations	821	1,241	5,692
Capital grants and gifts	1,986	7,642	7,567
Total	140,342	130,117	173,172
(Decrease) increase in net position	(8,510)	(8,984)	40,028
Net position - beginning of year	402,550	411,534	371,506
Net position - end of year	$ 394,040	$ 402,550	$ 411,534

Interpretation of the university's Statements of Revenues, Expenses, and Changes in Net Position 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

	2013	2012	Difference	Percent Increase (Decrease)
Revenues:				
Grants and contracts	$ 31,987,124	$ 31,178,164	$ 808,960	2.6%
State appropriations	6,086,889	6,510,387	(423,498)	(6.5)%
Total revenues	$ 38,074,013	$ 37,688,551	$ 385,462	1.0%
Expenses:				
Total OhioLINK	$ 38,074,013	$ 37,688,551	$ 385,462	1.0%

The University continues to rely upon state appropriations and student tuition and fees as its primary revenue sources for its core programs and university operations. In addition to these two revenue sources, which amounted to over 56 percent of the university's total 2013 revenues, another 32 percent of 2013 revenues were in the form of grants and contracts, a restricted revenue source received from external sponsors of specific projects. Although the accounting standards classify state appropriations as a nonoperating revenue source in the financial statements, the University continues to manage state funding as an operating revenue item, as it relies upon state funding as a significant (although declining) funding source for ongoing operations. After the recent few years of rising or steady enrollments, Wright State enrollments declined nine percent in 2013 compared to 2012. The University believes the largest contributor to this downturn was the strong desire of students to graduate prior to the switch in the academic calendar from quarters to semesters. This was demonstrated by the record number of graduates at Wright State in the Spring term of 2012. The 2013 decrease in enrollment, in conjunction with modest increases in tuition rates, provided only a slight increase in net tuition revenue of approximately 0.4 percent. The State of Ohio's funding actually decreased in 2013, net of OhioLINK, by $0.3 million. Therefore the trend of increasing tuition and decreasing state appropriations as a percent of total revenues experienced for at least the last three decades continued into 2013, although by a much smaller margin due to the downturn in enrollment. The pattern and trend of students and their families paying an ever increasing share of the cost of education continues.

The State of Ohio has been making strides at improving its own budgetary position. One outcome of this effort was collaborating with Ohio's public higher education institutions and redefining how state subsidy is earned. Beginning in 2014, rather than subsidy being earned primarily based upon enrollments, subsidy will be earned primarily based upon degree and course completions. While there are other influences and factors affecting the actual allocation of the subsidy, this change will have the effect of promoting the importance of the academic success of the student, which is parallel with the university's priorities. Wright State views the changes to the subsidy allocation model as very positive for both the students and the University.

Internally, the University continues its efforts to develop and implement a new resource allocation model that focuses on strategic incentives for revenue growth and review of current academic programs and administrative processes as opposed to an allocation based on simple expense reductions. In addition, the University has been successful in expanding its applied research portfolio, partnering with our neighboring Wright Patterson Air Force Base as well as regional commercial enterprises to help drive and create economic development and jobs in the area. These initiatives have the potential to enhance revenues for the University and should help offset some of the decline in our more traditional revenue sources such as state appropriations. Trends have shown the amount of state appropriations allocated to

Wright State University and higher education in general have not kept pace with overall enrollment growth and have in fact been shrinking, requiring the University to raise tuition at rates higher than desired. While the University is hopeful more state resources will be invested in higher education as we move forward, we cannot rely upon that hope and therefore we must develop alternative revenue sources and reengineer our business model.

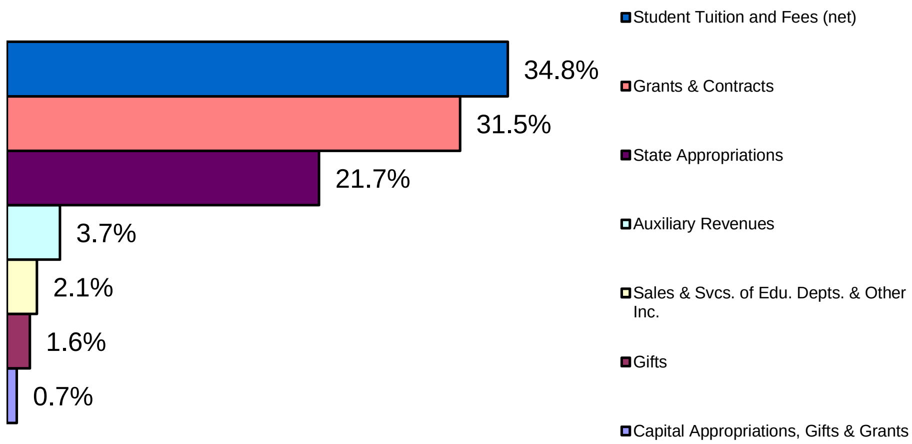
The table below depicts how declining state funding in the past three decades has forced universities to shift the burden for funding the cost of higher education to students and their families.

State Appropriations per Dollar of Gross Tuition

Fiscal Year	Gross Tuition	State Appropriations net of OhioLINK	Net State Appropriations per Dollar of Gross Tuition
1980	$ 13,833,157	$ 29,604,813	$ 2.14
1990	40,939,473	63,889,505	1.56
2001	74,956,371	86,874,854	1.16
2005	121,717,222	84,724,080	0.70
2010	161,383,354	97,498,261	0.60
2011	174,830,992	96,735,697	0.55
2012	180,670,354	83,138,572	0.46
2013	183,505,881	82,854,498	0.45

The table above communicates a very strong continuing trend that regardless of efforts and intentions on the part of the State, the University must find ways to generate substantial amounts of revenue from sources other than state appropriations if it wishes to lessen the financial burden that has been placed upon students and their families. State funding has not kept up with the growth and increased diversity of higher education. Universities are serving a broader role in the educational process not only providing academic programs but also an array of research, community engagement, and job creation in addition to other activities. This has necessitated placing a greater share of the total costs of education on the students themselves over the years. In an attempt to reverse this trend the University continues to pursue supplements to its revenue sources. Research continues to be a focus, as does a strong emphasis on fundraising. Even though the University has raised its tuition in almost all years when allowed by state law, the University continues to maintain its position in the State with a lower than average level of tuition and fees relative to other Ohio four-year public institutions. This has been the case for at least a decade now. Wright State still ranks as the fourth lowest (out of 13) of the four-year public institutions with respect to undergraduate student tuition rates. It should be noted that two of the 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, 2013.



State appropriations decreased from $89.6 million in 2012 to $88.9 million in 2013, a decrease of $0.7 million. OhioLINK appropriations decreased from $6.5 million in 2012 to $6.1 million in 2013. When accounting for the change in the OhioLINK funding, state appropriations actually fell $0.3 million in 2013. Therefore, state appropriations were relatively flat. While the University does not expect any dramatic changes in the level of funding, it is optimistic that the recent changes in the method of allocation of state appropriations will provide some modest increase in funding in future years. State appropriations were $88.0 million in 2011, resulting in a $1.6 million increase in 2012. After removing the effect of a $2.0 million increase in OhioLINK funding in 2012, there was a $0.4 million decrease.

Net student tuition and fees were $142.5 million, $141.9 million, and $134.0 million, in 2013, 2012, and 2011, respectively which provided an increase of .4% from 2012 to 2013 and 5.9% from 2011 to 2012. In 2013, tuition increased 3.5% for all levels and both campuses. Despite a large decrease in student FTE in 2013, the 3.5% tuition increase and more summer term revenue recognized in 2013 as a result of the conversion from quarters to semesters resulted in a net increase of 0.4% in tuition and fee revenue, net of scholarship allowances (financial aid applied against a student's tuition bill). The increase is 1.6% prior to the application of the scholarship allowances. In 2012, tuition increased 3.5% at the undergraduate and 4.5% at the graduate level and 5.0% for Boonshoft School of Medicine, School of Professional Psychology, and the Doctor of Nursing Practice. Due to the mix of students and student credit hours, the gross tuition increase was only 3.3% before applying the scholarship allowance.

Grants and contracts were $129.0 million in 2013, increasing $3.4 million from the 2012 level of $125.6 million. The 2011 level was $130.1 million. The $3.4 million increase primarily resulted from an increase in revenues from the private colleges and universities for the OhioLINK program and increases in revenues for billings related to the Wright State Applied Research Corporation. These increases totaled approximately $4.2 million. In addition, the federal PELL financial aid awards decreased by $1.2 million in 2013. The 2012 decrease was primarily the result of a decrease in externally funded financial aid.

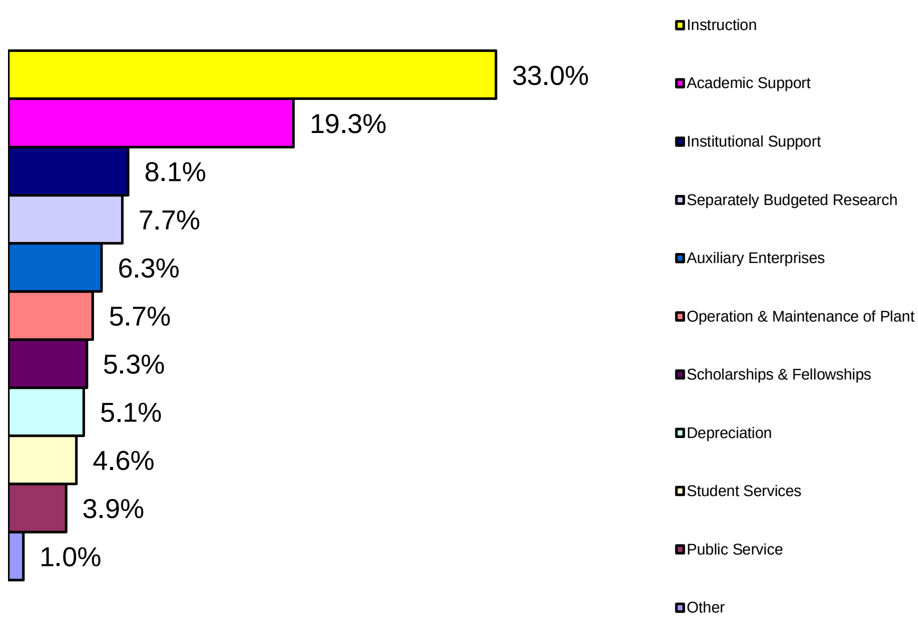
Auxiliary revenues were $15.2 million, $16.3 million, and $17.1 million, for the years ended June 30, 2013, 2012, and 2011, respectively. Auxiliary enterprises are comprised of residence services, bookstores, food services, vending, parking and transportation, intercollegiate athletics, the Student Union, and the Nutter Center. The $1.1 million decrease in revenues in 2013 occurred largely as a result of a decline in enrollment as food services and residence services revenues fell substantially and other revenues such as vending and bookstore also saw a decline. The 2012 decline was primarily as a result of the University switching from a self-operated bookstore at its Celina Campus to a commission based contractor model whereby the University no longer recorded all gross sales but rather a commission income stream.

Sales and services, which are primarily revenues generated from specific departmental sales activities to organizations external to the University, were $6.4 million, $7.4 million, and $6.9 million, for the years ended June 30, 2013, 2012, and 2011, respectively. The largest amounts of revenue are generated from the Boonshoft School of Medicine in the form of clinical income and other services as well as computing and telecommunications revenues. The $1.0 million decrease in 2013 was led by a drop in the clinical income within the Boonshoft School of Medicine as well as a decrease in telecommunications income from lower residence hall occupancy.

Investment income was $15.8 million, a loss of $0.2 million and $20.8 million in 2013, 2012, and 2011, respectively. The 2013 income exceeded budget by $7.5 million. This was a welcome result, as investment returns helped offset the lack of revenue growth in tuition and fees due to the 2013 drop in enrollment from 2012. The investment markets were strong and the university's investment returns were consistent with the average market indices for the various market sectors. While investment returns have been mixed in recent years, the University regularly reviews its investment policy and investigates ways to diversify risk and enhance returns. As a result of these endeavors in 2012 and 2013 the University diversified its portfolio by placing a small share into private equity, commodity funds, and other diversifying strategies. We plan to continue pressing for new opportunities for income generation, especially as the need for new revenue sources intensifies. The 2012 loss was disappointing but was consistent with the overall market. Investment income was almost $8.0 million less than planned, and was the primary contribution to the decrease in unrestricted net assets in 2012. The $20.8 million investment return in 2011 was the largest in the university's history

Capital Appropriations, Gifts and Grants were $2.8 million in 2013, a decrease of $6.1 million from the $8.9 million realized in 2012. The primary reason for the decrease was a non-recurring $5.8 million gift of software for use by students in 2012. Capital appropriations from the State of Ohio also decreased $0.4 million in 2013. Remaining capital appropriations were simply for annual routine capital renovations. Major gifts received in 2013 included contributions for the Medical Education Skills Assessment Lab, baseball field turf replacement, Schuster Concert Hall renovation, and the Fritz and Delores Russ Engineering Center atrium renovation. Routine funding for capital grants was also received. Major gifts in fiscal 2012 included the $5.8 million gift of software as well as gifts for projects including the Schuster Concert Hall renovation.

The following is a graphic illustration of expenses by function for the year ended June 30, 2013.



Total operating expenses were $414.5 million in 2013 as compared to $402.3 million and $392.1 million in 2012 and 2011, respectively. The $12.2 million increase in 2013 represents only a 3.0% increase in operating expenses. Salaries and benefits increased $5.4 million from 2012 to 2013 which represents only a 2.2% increase. Almost half of that increase, $2.5 million, was the result of converting to semesters from quarters. This change in the academic calendar resulted in a greater share of the summer 2013 term being taught in fiscal 2013 and therefore additional payroll expense was incurred in 2013. Subtracting that portion of the increase, salaries and benefits only increased $2.9 million or 1.2%. This is a reflection of low average wage increases in 2013 (0%-2%) and the result of lower than expected health care claims costs. In addition, the University implemented a hiring initiative that critically reviewed vacant positions and provided for only those deemed strategically important to be filled. Many positions remained vacant throughout much of 2013. Additional expense optimization efforts included our energy conservation project, healthcare plan re-designs, early stages of an enterprise print management solution, and continued improvements with strategic contract management. These all contributed to holding down costs and moving into future years in a more efficient and cost effective manner. Also in 2013 the University returned $1.4 million in federal loan funds as part of a deliberate decision to reduce participation in the program. The remaining $5.4 million increase, only 1.3%, is for other operating expenses. The increase in 2012 over 2011 was $10.2 million with $6.6 million attributable to salaries and benefits and the remaining $3.6 million to other operating expenses.

Statements of Cash Flows

The Statement of Cash Flows also provides information about the university's financial health by reporting the cash receipts and cash payments of the University during the year ended June 30, 2013. A summary of the Statements of Cash Flows is as follows:

	2013	2012	2011
	(All dollar amounts in thousands)		
Cash provided (used) by:			
Operating activities	$ (145,633)	$ (121,065)	$ (107,871)
Noncapital financing activities	124,389	127,213	140,040
Capital and related financing activities	11,280	30,981	(15,473)
Investing activities	12,364	(44,763)	(22,309)
Net (decrease) in cash and cash equivalents	2,400	(7,634)	(5,613)
Cash and cash equivalents-beginning of year	19,611	27,245	32,858
Cash and cash equivalents-end of year	$ 22,011	$ 19,611	$ 27,245

Total cash and cash equivalents increased $2.4 million in 2013. Cash flows from operating activities decreased $24.6 million from 2012. Operating contracts and grants cash flows decreased by $6.5 million as receivables from various sponsors rose. Cash outflows for salaries and benefits rose $9.3 million as well. These two factors combined with $6.1 million increased payments to suppliers and flat tuition revenue to create the decrease in operating cash flows. Cash from noncapital financing activities only decreased $2.8 million primarily as a result of the timing of the awarding of federal loans for the summer term and the collection of those loan amounts from the federal government. Cash from capital and related financing activities decreased $19.7 million from 2012 to 2013 as there were approximately $21.0 million less in borrowings in 2013, net of refundings. The net cash provided by investing activities of $12.4 million in 2013 is the net result of all investment activities: purchases, sales, and interest earnings. This compares to $44.8 million net cash used in 2012. The cash provided in 2013 is primarily the result of additional realized investment income and more active trading of securities. The decrease of $7.6 million from 2011 to 2012 was a combination of an increase in operating expenditures, a loss of federal stimulus funds, offset somewhat by new borrowings net of amounts invested in the bond trust fund.

Capital Assets and Debt

Capital Assets

The University had approximately $305.0 million invested in capital assets, net of accumulated depreciation of $263.6 million at June 30, 2013. Capital assets were $309.5 million, net of accumulated depreciation of $244.4 million at June 30, 2012. Depreciation expense for the years ended June 30, 2013 and 2012 was $21.4 million and $19.7 million, respectively. A summary of net capital assets for the year ended June 30 is as follows:

	2013	2012	2011
	(All dollar amounts in thousands)		
Land, land improvements and infrastructure	$ 35,916	$ 32,508	$ 27,048
Buildings	224,384	227,314	227,149
Machinery and equipment	22,335	29,156	29,168
Library books and publications	17,014	17,597	18,083
Construction in progress	5,375	2,915	3,011
Total capital assets - net	$ 305,024	$ 309,490	$ 304,459

Land, land improvements, and infrastructure increased $3.4 million as a result of a few projects. One project continuing from 2012 was the replacement of all of the Dayton campus' main water lines. The lines had developed random leaks from the age of the pipes. Therefore, the University determined it best to replace all of the lines rather than continually fix them. This project was finished in 2013. In addition, $2.7 million was spent for the second phase of the energy conservation project. Construction in Progress rose $2.5 million in 2013 as work began on the NEC building and the new classroom building. The net asset values of buildings and machinery and equipment decreased as depreciation expense exceeded all 2013 acquisitions and improvements. Major capital activity in 2012 included $2.6 million related to the main water lines, $2.5 million for a portion of the Rinzler Student Sport Complex and related Raider Road extension, renovation and creation of the Schuster Concert Hall with a cost of just over $4.0 million, along with a $5.8 million donation of software for student use in the classroom.

Debt

In November 2012, the University issued $23.2 million in General Receipts bonds. The bonds were sold at a premium of $2.1 million. These bonds have an effective interest rate of 2.87% and consist of $21.4 million serial bonds and a $1.8 million term bond. Of the total bonds, $9.0 million were issued to pay the associated bond issuance costs and to finance construction of a student academic success center to be located within a new classroom building, a new multi-functional student commons building, and relocation of a grounds storage facility. The remaining $14.2 million Series 2012 bonds were issued as an advance refunding of $14.4 million outstanding Series 2004 General Receipts serial and term bonds. The advance refunding resulted in an economic gain to the University of $1.3 million and a savings of $1.6 million in debt service payments over the next 17 years. The University received an A1 bond rating from Moody's Investors Service on this issue.

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

In November 2011, the University issued $55.2 million General Receipts Series 2011A Bonds to fund construction of a new classroom building, replacement of main water lines, renovation of the Student Union, renovation of the Schuster Concert Hall, improvement and addition of the Rinzler Student Sports Complex, construction of a new building for a neuroscience and engineering collaboration, expansion of the Creative Arts Center, replacement of the Nutter Center scoreboard, construction of parking lots and acquisition of a parcel of land adjacent to main campus. Series 2011 B bonds, totaling $1.5 million, were also issued as an advance refunding of $1.4 million outstanding Series 2003 General Receipts serial and term bonds. The bonds were sold at a premium of $3.4 million for a total of issue of $60.0 million. The average coupon rate of the Series A bonds is 4.82%, but the effective interest rate is only 4.13%. The University received a bond rating for this issue from Moody’s Investors Service of A1.

Outstanding debt was $114.4 million, $84.4 million, and $32.7 million at June 30, 2013, 2012, and 2011, respectively. The 2013 balance of $114.4 million includes $88.7 million of outstanding bonds, $25.5 million of outstanding notes, and $0.2 million of equipment leases. The 2012 balance of $84.4 million includes $84.1 million of outstanding bonds and equipment leases of $0.3 million.

Concluding Thoughts

Each year brings with it difficult challenges, some recurring and some new. One recurring challenge seems to be the continued migration of the funding burden for the cost of higher education from the State of Ohio to the student. Each year a greater percent of the cost is born by the student. The dollar level of support provided by the State has shrunk as has the share of costs it supports. While a new funding formula for state subsidy has been developed that should be mutually beneficial to both the student and the University in future years, the overall financial enhancement to Wright State is not expected to be significant. This new funding model places a greater emphasis on student success by rewarding institutions for degree completion and successful course completions. This will provide additional motivation and incentive to work closely with students and keep them on a successful path of progress towards a degree and ultimately a job in the workforce. Unfortunately, the amount of funding available for higher education in Ohio is not growing much and therefore regardless of the success of the students, the university’s funding will simply be a proportional share of a fixed pool of dollars. Nonetheless, the University is committed to helping each one of its students succeed both academically and in their endeavors after graduation.

Another challenge facing the University is a recent decline in enrollment. While much of that can be attributed to our transition to semesters, we are taking a critical review of other factors that can be improved to make a positive impact on enrollment. As the University considers the most recent enrollment to be its new baseline, we will be developing strategic methods to foster further enrollment growth for the different types of enrolling students. Much of this focus would be on direct from high school students, transfer students, international students, as well as graduate and professional school students, for example. Analyzing these groups individually and strategically as an independent revenue stream should help better identify successful strategies for optimizing both student success as well as enrollment. Other economic factors that are now less certain or predictable than in prior years include investment markets, governmental funding at all levels, the direction of technology, as well as health care costs.

The University is aggressively addressing its financial challenges. During 2013 the University continued efforts it started several years earlier by beginning yet another series of energy conservation measures to significantly reduce the cost of energy at the University. We have identified measures that will improve efficiencies and will result in savings greater than the cost of the projects. Additionally, the University transitioned its food service operations to a full hospitality services model which is expected to enhance profitability by $0.6 million annually. The transition provided other non-financial improvements such as student and community satisfaction enjoyed through stakeholder engagement and defined final outcomes. Although the University has also enjoyed the benefit of relatively flat health care claims costs in 2013, it has proactively re-bid its healthcare administration services. Working with a third party consultant and with faculty and staff input, the University will be making plan platform and other plan design changes that are expected to keep health care costs flat in 2014. The University is in the midst of many other efforts to control costs and promote revenue growth. Projects such as potentially implementing a campus wide enterprise print solution, promoting and expanding the use of a separate research corporation to enhance its research portfolio, consistently reviewing ways to enhance its investment returns, and continuing development of a budget model that focuses more on strategic priorities and opportunities as well as continual review of operations are just a few other projects in motion. In general, the University is becoming more entrepreneurial as it moves forward. It is imperative that we think and act differently than in the past in order to succeed financially and to increase our students' success both academically and as contributing members of society.

The University is excited to move forward and face upcoming challenges and opportunities. We believe we can continue to be successful both as financial stewards and as a positive influence in our students' lives and in the communities we serve. We have a lot of work to do, but we believe we have accomplished a lot over the last year. We will endure by carrying forward the momentum we have developed into 2014 and beyond.

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Crowe Horwath LLP
Independent Member Crowe Horwath International

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Wright State University (the "University"), a component unit of the State of Ohio, and its discretely presented component unit (Wright State University Foundation, Inc.) as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

(Continued)

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 of the University and its discretely presented component unit, as of June 30, 2013 and 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A) on pages 2 to 15 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Other Legal and Regulatory Requirements

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

Crowe Horwath LLP

Crowe Horwath LLP

Columbus, Ohio
October 11, 2013

WRIGHT STATE UNIVERSITY
Statements of Net Position
June 30, 2013 and 2012

	2013 University	2013 Foundation	2012 University	2012 Foundation
ASSETS				
Current assets:				
Cash and cash equivalents	$ 14,776,145	$ 1,236,709	$ 18,371,057	$ 1,654,245
Restricted cash and cash equivalents	7,234,740		1,239,968	
Short-term investments	926,802		15,904,457	
Restricted short-term investments	54,660,852		6,133,053	
Accounts receivable (net of allowance for doubtful accounts of $1,715,000 in 2013 and $1,555,000 in 2012 - Note 3)	35,264,457	200,831	22,386,676	418,273
Gifts and pledges receivable (net of allowance for uncollectible pledges of $800 in 2013 and $1,400 in 2012)		2,456,761		1,801,293
Loans receivable (net of allowance for doubtful loans of $3,041,000 in 2013 and $2,785,000 in 2012)	4,740,916		4,646,030	
Inventories	342,786		438,846	
Prepaid expenses	12,391,660		13,834,860	
Deferred charges	2,998,066		4,802,367	
Total current assets	133,336,424	3,894,301	87,757,314	3,873,811
Noncurrent assets:				
Restricted investments	11,718,652		37,906,009	
Gifts and pledges receivable (net of allowance for uncollectible pledges of $55,100 in 2013 and $34,600 in 2012)		4,637,839		4,027,207
Loans receivable (net of allowance for doubtful loans of $122,000 in 2013 and in 2012)	12,038,922		12,125,076	
Other assets	1,731,249	510,296	549,173	252,253
Other long-term investments	124,626,307	109,359,096	128,572,204	102,115,335
Capital assets, net (Note 4)	305,023,880	1,482,267	309,490,019	
Total noncurrent assets	455,139,010	115,989,498	488,642,481	106,394,795
Total assets	$ 588,475,434	$ 119,883,799	$ 576,399,795	$ 110,268,606
LIABILITIES AND NET POSITION				
Current liabilities:				
Accounts payable trade and other	$ 13,177,434	$ 293,396	$ 13,073,026	$ 145,532
Accounts payable to Wright State University		791,698		1,046,451
Accrued liabilities	13,475,796		19,889,128	
Deferred revenue (Note 1)	35,412,568		38,947,507	
Refunds and other liabilities	967,957	1,912,842	715,166	1,926,215
Current portion of long-term liabilities (Note 5)	13,634,573	817,008	11,350,584	19,131
Total current liabilities	76,668,328	3,814,944	83,975,411	3,137,329
Noncurrent liabilities:				
Long-term liabilities (Note 5)	117,767,469	113,892	89,874,428	115,369
Total noncurrent liabilities	117,767,469	113,892	89,874,428	115,369
Total liabilities	194,435,797	3,928,836	173,849,839	3,252,698
Net Position:				
Invested in capital assets	265,508,693		270,769,839	
Restricted - nonexpendable:				
Instruction and departmental research		13,943,786		13,795,990
Separately budgeted research		6,431,585		6,430,799
Public service		185,696		184,766
Academic support		622,618		604,877
Student services		87,371		77,446
Operation and maintenance of plant		528,736		308,692
Scholarships and fellowships		15,682,537		14,563,571
Auxiliaries		259,835		253,846
Restricted - expendable:				
Instruction and departmental research	8,040	24,092,242	7,954	21,744,747
Separately budgeted research		3,335,719		3,319,673
Public service		564,104		423,793
Academic support		14,068,649		12,791,305
Student services		295,601		286,360
Institutional support		6,908,858	191	5,643,324
Operation and maintenance of plant		1,212,700		1,754,363
Scholarships and fellowships		20,179,228		19,193,508
Loans	17,739,142		18,940,646	
Debt service	604,279		780,801	
Auxiliaries		191,308		378,671
Unrestricted	110,179,483	7,364,390	112,050,525	5,260,177
Total net position	394,039,637	115,954,963	402,549,956	107,015,908
Total liabilities and net position	$ 588,475,434	$ 119,883,799	$ 576,399,795	$ 110,268,606

See Accompanying Notes to Financial Statements

WRIGHT STATE UNIVERSITY
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended June 30, 2013 and 2012

	2013 University	2013 Foundation	2012 University	2012 Foundation
OPERATING REVENUES				
Student tuition and fees (net of scholarship allowances of $40,992,000 in 2013 and $38,732,000 in 2012)	$ 142,513,881	$	$ 141,938,151	$
Federal grants and contracts	35,607,915		36,186,884	
State grants and contracts	7,049,094		6,029,619	
Local grants and contracts	316,421		454,296	
Nongovernmental grants and contracts	56,166,131		52,166,006	
Sales and services	6,387,417		7,433,325	
Auxiliary enterprises sales (net of scholarship allowances of $1,961,000 in 2013 and $1,895,000 in 2012)	15,165,271		16,326,112	
Gifts and contributions		7,288,695		4,827,317
Other operating revenues	2,414,955		2,618,904	
Total operating revenues	265,621,085	7,288,695	263,153,297	4,827,317
OPERATING EXPENSES				
Educational and general:				
Instruction and departmental research	137,825,680		133,125,514	
Separately budgeted research	32,378,563		30,468,076	
Public service	16,340,922		15,745,328	
Academic support	80,811,381		82,110,189	
Student services	19,278,178		18,863,429	
Institutional support	33,916,434	190,931	32,609,088	308,743
Operation and maintenance of plant	23,836,186		22,535,868	
Scholarships and fellowships	22,301,170		21,548,954	
Total educational and general	366,688,514	190,931	357,006,446	308,743
Auxiliary enterprises	26,363,074		25,542,117	
Depreciation	21,421,353	9,399	19,705,779	
Total operating expenses	414,472,941	200,330	402,254,342	308,743
Operating (loss)/income	(148,851,856)	7,088,365	(139,101,045)	4,518,574
NONOPERATING REVENUES (EXPENSES):				
State appropriations	88,941,387		89,648,959	
Federal grants	26,519,530		27,679,213	
State grants	3,377,969		3,081,373	
Gifts	6,687,203		6,257,094	
Investment income/(loss) (net of investment expenses of $131,000 in 2013 and $118,000 in 2012 for WSU and $590,377 in 2013 and $539,956 in 2012 for Foundation)	15,781,049	9,864,737	(223,818)	1,000,559
Interest on capital asset-related debt	(3,723,349)		(2,620,264)	
Payments to Wright State University		(8,014,047)		(7,264,516)
Other nonoperating (expenses)	(49,021)		(2,589,415)	
Net nonoperating revenues (expenses)	137,534,768	1,850,690	121,233,142	(6,263,957)
Gain/(loss) before other revenues, expenses, gains or losses	(11,317,088)	8,939,055	(17,867,903)	(1,745,383)
Capital appropriations from the State of Ohio	820,855		1,241,279	
Capital grants and gifts	1,985,914		7,642,434	
Increase (decrease) in net position	(8,510,319)	8,939,055	(8,984,190)	(1,745,383)
NET POSITION				
Net position - beginning of year	402,549,956	107,015,908	411,534,146	108,761,291
Net position - end of year	$ 394,039,637	$ 115,954,963	$ 402,549,956	$ 107,015,908

See Accompanying Notes to Financial Statements

WRIGHT STATE UNIVERSITY
Statements of Cash Flows
For the Years Ended June 30, 2013 and 2012

CASH FLOWS FROM OPERATING ACTIVITIES	2013	2012
Student tuition and fees	$ 141,399,754	$ 141,166,074
Federal, state, local, and nongovernmental grants and contracts	87,993,189	94,451,211
Sales and services of educational and other departmental activities	3,046,007	6,576,596
Payments to employees	(201,159,361)	(191,222,060)
Payments for benefits	(56,043,580)	(56,649,160)
Payments to suppliers	(115,585,230)	(109,475,146)
Payments for scholarships and fellowships	(20,782,640)	(22,307,555)
Student loans issued	(3,234,138)	(2,866,037)
Student loans collected	3,225,406	3,317,930
Student loan interest and fees collected	403,097	435,379
Auxiliary enterprise sales	15,104,185	15,507,663
Net cash (used) by operating activities	(145,633,311)	(121,065,105)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	88,941,387	89,648,959
Direct lending receipts	113,693,772	128,743,892
Direct lending disbursements	(115,085,894)	(127,981,282)
Grants for noncapital purposes	29,897,499	30,760,586
Gifts	6,941,956	6,040,854
Net cash provided by noncapital financing activities	124,388,720	127,213,009
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital appropriations from the State of Ohio	1,050,912	1,086,644
Capital grants and gifts received	1,985,914	1,859,394
Purchases of capital assets	(17,368,444)	(20,710,352)
Sales of capital assets	93,268	34,767
Proceeds from capital debt	34,974,393	59,812,973
Principal paid on capital debt and leases	(5,647,492)	(8,348,747)
Interest paid on capital debt and leases	(3,976,587)	(2,888,192)
Bond interest subsidy	167,909	133,834
Net cash provided by capital and related financing activities	11,279,873	30,980,321
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	90,107,367	22,288,136
Interest on investments	10,824,671	3,657,652
Purchase of investments	(88,567,460)	(70,708,318)
Net cash provided/(used) by investing activities	12,364,578	(44,762,530)
Net Increase/(Decrease) in Cash and Cash Equivalents	2,399,860	(7,634,305)
Cash and Cash Equivalents - Beginning of Year	19,611,025	27,245,330
Cash and Cash Equivalents - End of Year	$ 22,010,885	$ 19,611,025

See Accompanying Notes to Financial Statements

WRIGHT STATE UNIVERSITY
Statements of Cash Flows
For the Years Ended June 30, 2013 and 2012

Reconciliation of operating (loss) to net cash (used) by operating activities:	2013	2012
Operating loss	$ (148,851,856)	$ (139,101,045)
Depreciation	21,421,353	19,705,779
Provision for doubtful accounts	1,066,793	1,186,122
Provision for doubtful loans	535,556	519,081
Changes in assets and liabilities:		
Accounts receivable	(13,026,881)	(4,580,067)
Inventory	96,060	(25,888)
Prepaid expenses	1,433,202	(426,903)
Deferred charges	1,863,176	34,130
Other assets	(394,143)	(31,127)
Accounts payable	263,197	3,290,928
Accrued liabilities	(6,413,332)	(1,925,522)
Deferred revenue	(3,534,939)	456,127
Compensated absences	200,000	100,000
Refunds and other liabilities	252,791	(199,532)
Loans to students and employees	(544,288)	(67,188)
Net cash (used) by operating activities	$ (145,633,311)	$ (121,065,105)

Noncash Transactions:	2013	2012
Bond Defeasance	$ 15,430,055	$
Donated Capital Assets		5,783,040
Capital Lease		181,632
Total Noncash Transactions	$ 15,430,055	$ 5,964,672

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 18,000 undergraduate, graduate, and professional students on its two campuses. The financial statements include the university's eight colleges, three schools, and other individual departments. The university's Board of Trustees approves policies and procedures by which the University is governed.

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

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

Summary of Significant Accounting Policies:

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

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

Beginning with the fall term of 2013, the University transitioned from a 10 week quarter based academic term to a 15 week semester based academic term. This had the consequence of affecting the comparability of certain assets and liabilities between 2012 and 2013 due to a change in the timing of the occurrence of expenses and revenues.

New Accounting Standards Adopted
In fiscal year 2013, the University adopted the following new accounting standards as follows: GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre- November 30, 1989 FASB and AICPA Pronouncements* (GASB 62), incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance included in FASB pronouncements, which does not conflict with or contradict GASB pronouncements, and eliminates the criteria to apply post-November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (GASB 63), establishes a new statement of net position format that reports separately all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position (which is the net residual amount of the other elements). The statement requires deferred outflows of resources and deferred inflows of resources to be reported separately from assets and liabilities. The financial reporting impact resulting from the implementation of GASB 63 in the university's financial statements was the renaming of "Net Assets" to "Net Position", including changing the name of the financial statement from "Statement of Net Assets" to "Statement of Net Position". In addition, because the University had no deferred outflows or deferred inflows at June 30, 2013 and 2012, we have elected not to present these captions on the Statement of Net Position.

Net position
Net position is classified as follows:

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

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

Recent Accounting Pronouncements
As of June 30, 2013, the GASB has issued the following statements not yet implemented by the University.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, issued March 2012. The provisions of this Statement are effective for periods beginning after December 15, 2012. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

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

Management has not yet determined the effect these statements will have on the university's financial statements.

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

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

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

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

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

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

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

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

Deferred Revenue
Deferred revenue consists primarily of the amounts received in advance from grant and contract sponsors that have not yet been earned under the terms of the agreement and amounts received in advance for tuition and fees not yet earned. These deferrals were $19.8 million and $14.8 million, respectively, for the year ended June 30, 2013 and $26.1 million and $12.1 million, respectively, for the year ended June 30, 2012.

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

OhioLINK
Wright State University 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 position. The total revenues and expenses attributable to OhioLINK were $38,074,013 and $37,688,551 for the years ended June 30, 2013 and 2012, respectively. As a result of actions taken by the State of Ohio to streamline operations and improve efficiency, the role of fiscal agent for OhioLINK will be transitioning elsewhere in the State during the year ending June 30, 2014.

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.

(2) Cash, Cash Equivalents and Investments

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

Deposits

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

As of June 30, 2013 and 2012, the university's bank balances are $24,318,877 and $21,418,759, respectively. Of these balances, $20,534,845 and $17,464,466, 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:

	2013	2012
Petty cash	$ 41,636	$ 54,471
Demand deposits	19,541,179	16,849,010
Money market funds	2,287,242	2,068,717
Total	$ 21,870,057	$ 18,972,198

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

Investments

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

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

	Fair Value	
Description	2013	2012
U.S. Treasury securities	$ 4,984,713	$ 2,877,054
U.S. Agency securities	59,923,465	48,813,656
Stock and traded securities	618,405	605,722
Corporate bonds and notes	5,161,567	4,772,394
State Treasury Asset Reserve of Ohio	140,828	638,827
Private equity and Limited Partnerships	12,645,363	500,000
Equity funds	71,278,094	74,992,125
Bond funds	28,480,344	55,951,572
Negotiable Certificates of Deposit	8,837,462	
Other	3,200	3,200
Total	$ 192,073,441	$ 189,154,550

The various investments in stocks, securities, mutual funds and other investments are exposed to a variety of uncertainties, including interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is possible that changes in the values of these investments could occur in the near term. Such changes could materially affect the amounts reported in the financial statements of the University. In June 2012, the University entered into a commitment with a private equity fund for $5,000,000. As of June 30, 2013 and 2012, the University has an outstanding commitment of $4,000,000 and $4,500,000, respectively.

Interest Rate Risk

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

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

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

		2012 Investment Maturities (in years)			
Investment Type	Fair Value	Less Than 1	1-5	6-10	More Than 10
U.S. Treasury securities	$ 2,877,054	$	$ 2,877,054	$	$
U.S. Agency securities	48,813,656	6,133,053	41,253,802	1,409,565	17,236
Corporate bonds and notes	4,772,394	468,076	3,626,932	98,416	578,970
Bond funds	55,951,572	15,436,381	19,096,668	21,418,523	
Total	$ 112,414,676	$ 22,037,510	$ 66,854,456	$ 22,926,504	$ 596,206

The University invests in mortgage pass-through securities issued by FNMA, GNMA and FHLMC and commercial banking organizations 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, 2013 and 2012, the total value of mortgage pass-through securities is $1,799,068 and $2,050,103, respectively.

Credit Risk

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

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

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

		2012 Credit Ratings			
Investment Type	Total	AAA/Aaa	AA/Aa	A	BBB/Baa
U.S. Treasury securities	$ 2,877,054	$	$ 2,877,054	$	$
U.S. Agency securities	48,813,656		48,813,656		
Corporate bonds and notes	4,772,394	1,250,637	870,123	1,890,941	760,693
State Treasury Asset Reserve (STAROhio)	638,827	638,827			
Bond funds	55,951,572	10,130,705	32,826,373	8,965,963	4,028,531
Total	$ 113,053,503	$ 12,020,169	$ 85,387,206	$ 10,856,904	$ 4,789,224

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, 2013 and 2012, the University holds GNMA securities with a total value of $39,147 and $76,793, respectively.

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

Custodial Credit Risk
For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the University will not be able to recover the value of its investments or collateral securities in the possession of an outside party. As of June 30, 2013 and 2012, $78,907,207 and $56,463,104, respectively, is held by the investment's counterparty, not in the name of the University, but internally designated as held for the University. As of June 30, 2013 and 2012, $66,379,504 and $44,039,062 of the investments held by the counterparty are held in trust accounts for the proceeds related to the Series 2011 and 2012 Bond Funds and the 2013 Notes Payable.

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

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

As of June 30, 2013 and 2012, sixteen percent ($30,290,011) and fourteen percent ($26,568,003), respectively, of the university's portfolio is held in various Federal Home Loan Bank securities. Of these securities, $30,230,841 are restricted and held in debt related project funds as of June 30, 2013, as compared to $26,220,410 held in project funds as of June 30, 2012. As of June 30, 2013 and 2012, eleven percent ($21,021,896) and eight percent ($15,320,013), respectively, of the university's portfolio is held in various Federal Home Loan Mortgage Corp. securities. Of these securities, $19,643,074 are restricted and held in debt related project funds as of June 30, 2013, as compared to $13,876,801 held in debt related project funds as of June 30, 2012.

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, 2013 and 2012, the university's exposure to foreign currency is limited to its investment in international mutual funds of $25,621,664 and $22,476,678, respectively.

Unspent Debt Proceeds

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

			Amount Unspent	
Debt	Date Issued	Amount Issued	2013	2012
Series 2009	December 2009	$ 11,420,000	$	$ 4,685
Series 2011A	November 2011	55,240,000	42,176,593	45,274,345
Series 2012A	November 2012	23,195,000	9,771,262	
2013 Notes Series A & B	February 2013	25,500,000	21,666,389	
Total		$ 115,355,000	$ 73,614,244	$ 45,279,030

The unspent proceeds are held in Project Fund trust accounts as provided for in the bond resolutions approved by the Board of Trustees. The bond resolutions also require the bond proceeds to be held by a bank or trust company which is a member of the Federal Deposit Insurance Corporation. The Bank of New York Mellon acts as the trustee of the bond project funds for the Series 2009, 2011, and 2012. The Huntington National Bank acts as the trustee of the bond project fund for the Series 2013. As of June 30, 2013 and 2012, $7,234,740 and $1,239,968, respectively, of the bond proceeds are classified as restricted cash and cash equivalents in the statements of net position. The remaining unspent proceeds are classified as restricted short-term and restricted noncurrent investments in the statements of net position.

For disclosure purposes the unspent proceeds as of June 30 are classified as follows:

	Year Ended June 30	
	2013	2012
Carry amount of deposits:		
Demand deposits	$ 5,666,831	$
Money market funds	1,567,909	1,239,968
Total deposits	7,234,740	1,239,968
Fair value of investments:		
U.S. Treasury securities	2,001,180	
U.S. Agency securities	55,540,862	44,039,062
Negotiable Certificates of Deposit	8,837,462	
Total investments	66,379,504	44,039,062
Total unspent bond proceeds	$ 73,614,244	$ 45,279,030

Investment Income

The composition of investment income is as follows:

	Year Ended June 30	
	2013	2012
Net interest and dividend income	$ 2,963,093	$ 2,174,180
Realized gains on sales	7,834,744	1,656,701
Unrealized gains/(losses) in fair value	4,983,212	(4,054,699)
Total	$ 15,781,049	$ (223,818)

(3) Accounts Receivable

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

	2013	2012
Sponsor receivables	$ 15,828,636	$ 9,536,248
Student and student-related accounts	14,830,699	9,196,039
Wright State University Foundation	791,698	1,046,451
Interest receivable	249,563	276,397
State appropriations		398,026
Other, primarily departmental sales and services	5,278,861	3,488,515
Total	36,979,457	23,941,676
Less: Allowance for doubtful accounts	1,715,000	1,555,000
Net accounts receivable	$ 35,264,457	$ 22,386,676

(4) Capital Assets

Capital assets activity for the years ended June 30, 2013 and 2012 is summarized as follows:

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

	Balance 7/1/2011	Additions	Retirements	Transfers	Balance 6/30/2012
Land	$ 3,699,530	$ 352,172	$	$	$ 4,051,702
Land improvements and infrastructure	37,271,284	6,319,943			43,591,227
Buildings	364,792,110	8,948,213		95,646	373,835,969
Machinery and equipment	81,074,752	10,148,412	(12,390,389)		78,832,775
Library books and publications	50,464,737	1,877,197	(1,671,800)		50,670,134
Construction in progress	3,010,897			(95,646)	2,915,251
Total	540,313,310	27,645,937	(14,062,189)		553,897,058
Less accumulated depreciation:					
Land improvements and infrastructure	13,923,325	1,211,353			15,134,678
Buildings	137,643,315	8,878,384			146,521,699
Machinery and equipment	51,906,446	7,251,871	(9,481,308)		49,677,009
Library books and publications	32,381,282	2,364,171	(1,671,800)		33,073,653
Total accumulated depreciation	235,854,368	19,705,779	(11,153,108)		244,407,039
Capital assets, net	$ 304,458,942	$ 7,940,158	$ (2,909,081)	$	$ 309,490,019

(5) Long-Term Liabilities

Long-term liabilities consist of bonds payable, notes payable, equipment lease purchase obligations, and compensated absences. Activity for long-term liabilities for the years ended June 30, 2013 and 2012 is summarized as follows:

	Beginning Balance 07/01/2012	Additions	Principal Repayments Reductions	Ending Balance 06/30/2013	Current Portion
Bonds, notes and equipment lease purchase obligations:					
General obligation bonds	$ 84,142,342	$ 25,335,700	$ 20,758,116	$ 88,719,926	$ 6,019,647
Notes Payable		25,500,000		25,500,000	1,505,505
Equipment leases	282,670		100,554	182,116	109,421
Total bonds, notes and equipment leases	84,425,012	50,835,700	20,858,670	114,402,042	7,634,573
Other liabilities:					
Compensated absences	16,800,000	5,887,583	5,687,583	17,000,000	6,000,000
Total other liabilities	16,800,000	5,887,583	5,687,583	17,000,000	6,000,000
Total long-term liabilities	$ 101,225,012	$ 56,723,283	$ 26,546,253	$ 131,402,042	$ 13,634,573

	Beginning Balance 07/01/2011	Additions	Principal Repayments Reductions	Ending Balance 06/30/2012	Current Portion
Bonds and equipment lease purchase obligations:					
General obligation bonds	$ 32,494,005	$ 60,091,241	$ 8,442,904	$ 84,142,342	$ 5,250,031
Equipment leases	196,123	181,632	95,085	282,670	100,553
Total bonds and equipment leases	32,690,128	60,272,873	8,537,989	84,425,012	5,350,584
Other liabilities:					
Compensated absences	16,700,000	6,111,580	6,011,580	16,800,000	6,000,000
Total other liabilities	16,700,000	6,111,580	6,011,580	16,800,000	6,000,000
Total long-term liabilities	$ 49,390,128	$ 66,384,453	$ 14,549,569	$ 101,225,012	$ 11,350,584

Bonds payable on June 30, 2013 consist of Series 2003, 2004, 2009, 2011, and 2012 General Receipts Serial and Term bonds. The maturity dates, interest rates, and the outstanding principal balances of capital activities at June 30, 2013 are as follows:

Description	Maturity Dates	Interest Rates	Outstanding Principal	Unamortized Premium	Total
Bonds payable:					
Series 2003	2013-2016	4.00% - 5.00%	$ 25,000	$	$ 25,000
Series 2004	2013-2014	3.00% - 3.75%	2,070,000	57,285	2,127,285
Series 2009	2013-2019	2.93% - 5.31%	7,145,000		7,145,000
Series 2011A	2013-2031	3.00% - 5.00%	50,135,000	3,055,149	53,190,149
Series 2011B	2014-2023	2.13% - 3.75%	1,485,000		1,485,000
Series 2012	2013-2032	3.00% - 5.00%	22,690,000	2,057,492	24,747,492
Total bonds payable			83,550,000	5,169,926	88,719,926
Notes payable:					
Ohio Air Quality Development:					
Series A	2014-2024	1.78%	17,187,300		17,187,300
Series B	2024-2028	4.16%	8,312,700		8,312,700
Total notes payable			25,500,000		25,500,000
Equipment lease purchase obligations	2013-2016	3.57% - 11.57%	182,116		182,116
Total			$ 109,232,116	$ 5,169,926	$ 114,402,042

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

Year Ended June 30	Principal	Interest	Total
2014	$ 7,274,927	$ 4,356,206	$ 11,631,133
2015	6,527,321	4,130,353	10,657,674
2016	6,682,254	3,922,096	10,604,350
2017	6,882,338	3,684,460	10,566,798
2018	7,095,593	3,437,851	10,533,444
2019-2023	29,739,704	13,389,444	43,129,148
2024-2028	30,674,979	7,598,566	38,273,545
2029-2032	14,355,000	1,456,188	15,811,188
Total	$ 109,232,116	$ 41,975,164	$ 151,207,280

Interest expense incurred on indebtedness for the years ended June 30, 2013 and 2012 was $3,723,349 and $2,620,264, respectively. In 2013, interest expense on construction related debt of $265,208, net of $215,600 interest earned on invested funds, was capitalized to the related projects. There was no capitalized interest in 2012.

In November 2012, the University issued $23,195,000 in General Receipts bonds. The bonds have an effective interest rate of 2.87% and consist of $21,400,000 serial bonds and a $1,795,000 term bond. Of the total bonds, $8,965,000 were issued to pay the associated bond issuance costs and to finance construction of a Student Academic Success Center to be located within a new classroom building, a new multi-functional student commons building, and a grounds storage facility for physical plant.

The remaining $14,230,000 Series 2012 bonds were issued as an advanced refunding of $14,425,000 outstanding Series 2004 General Receipts serial and term bonds which have interest rates ranging from 4.5% to 5.0%. The Series 2004 bonds will be called and bondholders will be paid in May 2014. A portion of the proceeds of the Series 2012 bonds (after payment of issuance expenses) were used to purchase U.S. government securities which were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded Series 2004 bonds. As a result, the $14,425,000 Series 2004 bonds are considered to be defeased and the liability for those bonds has been removed from long-term debt. The balance of the defeased debt in the escrow account at June 30, 2013 is approximately $14.4 million.

The advance refunding of the Series 2004 bonds resulted in decreased total debt service payments of $1,614,376 over the next 17 years. Refunding the Series 2004 bonds also resulted in an economic gain (the difference between the present values of the debt service payments on the old and new debt) of $1,310,170. Following the refunding, $4,065,000 of Series 2004 bonds remained outstanding, as they were not eligible to be called. Of this balance, $1,995,000 was paid in May 2013.

In February 2013, the University entered into a Loan Agreement with the Ohio Air Quality Development Authority (OAQDA) to fund a second phase of an energy conservation project. The Loan Agreement provided for two notes with the OAQDA: a Series A Note and a Series B Note. Pursuant to the Series A Note with OAQDA, the University received the proceeds from the sale of a $17,187,300 OAQDA Tax Exempt Revenue Bond (Wright State University, Campuswide Energy Conservation Project), 2013 Series A. The Series A Note bears the 1.78% interest rate of the related bond with annual principal payments in May 2014 through May 2024. Pursuant to the Series B Note, the University received the proceeds from the sale of a $8,312,700 OAQDA Tax Credit Revenue Bond (Wright State University, Campuswide Energy Conservation Project), 2013 Series B (Qualified Energy Conservation Bond-Direct Payment). The Series B Note bears the 4.16% interest rate of the related bond with annual principal payments in May 2024 through May 2028. As discussed further below, the Series B Note is eligible for a large federal rebate which reduces the effective net interest rate to .94%.

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

The Series 2009 Bonds are Federally Taxable – Build America Bonds. The University is eligible for a 35 percent rebate of interest expense paid for the Series 2009 Bonds in the form of a federal subsidy. The Series 2013B Bond is a Qualified Energy Conservation Bond eligible for a 70 percent federal rebate based on the Qualified Tax Credit Rate as of the bond sale date (4.60 percent). The benefit of the rebate has been assigned to the University. The rebates received for the years ended June 30, 2013 and 2012 were $167,909 and $133,834, respectively. The rebates were reported as Other Nonoperating Revenues and do not reduce the amount reported as interest expense for the year. Likewise, the amounts reported above for future interest expense have not been reduced by the federal rebates anticipated for future years. The University expects to receive $3,975,764 in future federal rebates through 2028.

(6) Operating Leases

The University leases certain properties and equipment under operating lease agreements. Facilities and equipment under these agreements are not recorded on the statements of net position. Rent expenses for the year ended June 30, 2013 and 2012 were $2,745,892 and $2,946,264, respectively.

Future minimum payments for all material operating leases as of June 30, 2013, are as follows:

2014	$ 1,561,473
2015	1,047,384
2016	623,000
2017	188,502
2018	35,563
Total minimum lease payments	$ 3,455,922

(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. Effective July 1, 2013, the plan participants' contribution percentage for STRS will increase to 11 percent of employees' covered compensation. The Ohio Revised Code provides statutory authority for both employee and employer contributions. The university's contributions to STRS were $8,813,581, $8,930,944, and $8,769,990, and to OPERS were $8,381,947, $8,327,165, and $8,320,220, for the years ended June 30, 2013, 2012, and 2011, 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. Effective July 1, 2013, the plan participants' contribution percentage for those who would otherwise participate in STRS will increase to 11 percent. 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. Effective July 1, 2013, the university's contributions to a participating faculty member's account and to STRS will change to 9.5 percent and 4.5 percent of a participant's compensation, respectively. The university's contributions to a participating staff member's account and to OPERS are 13.23 percent and .77 percent of a participant's compensation, respectively. Plan participants' contributions were $5,353,406, $4,906,353, and $4,654,491, and the university's contributions to the plan providers amounted to $6,384,440, $5,718,262, and $5,421,393 for the years ended June 30, 2013, 2012, and 2011, respectively. In addition, the amounts contributed to STRS by the University on behalf of ARP participants were $1,250,936, $1,072,697, and $1,003,976, respectively, for the years ended June 30, 2013, 2012, and 2011. The amount contributed to OPERS by the University on behalf of ARP participants was $152,637, $145,362, and $171,328 for the years ended June 30, 2013, 2012, and 2011, respectively.

(8) Other Postemployment Benefits (OPEB)

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

State Teachers Retirement System of Ohio

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

Under Ohio Law, funding for postemployment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 1% of the covered payroll was allocated to postemployment health care for 2013, 2012, and 2011. The portion of the university's 2013, 2012, and 2011 contributions to STRS Ohio used to fund postemployment benefits was $629,542, $637,925, and $626,428 for the years ended June 30, 2013, 2012, and 2011, respectively.

Ohio Public Employees Retirement System

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

OPERS' Post Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of postemployment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was an effective rate of 2.5%, 4.0%, and 4.5% for the years ended June 30, 2013, 2012, and 2011, respectively. The portion of the university's 2013, 2012, and 2011 contributions to OPERS used to fund postretirement benefits was $1,496,776, $2,379,190, and $2,674,357. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

(9) State Support

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

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

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

(10) Commitments and Contingencies

At June 30, 2013, the University is committed under contractual obligations for:

Capital expenditures	$ 22,958,795
Non-capital goods and services	11,801,053
Total contractual commitments	$ 34,759,848

These commitments are being funded from the following sources:

State appropriations requested and approved	$ 2,662
University funds	34,757,186
Total sources	$ 34,759,848

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

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

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

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

	2013	2012	2011
Liability at beginning of fiscal year	$ 1,800,000	$ 1,600,000	$ 1,500,000
Current year claims including changes in estimates	27,392,159	27,825,820	25,418,952
Claim payments	(27,592,159)	(27,625,820)	(25,318,952)
Liability at end of fiscal year	$ 1,600,000	$ 1,800,000	$ 1,600,000

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 position.

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

The University is the sole beneficiary of the Wright State University Foundation, Inc., a separate, not-for-profit entity governed by a separate Board of Trustees, organized for the purpose of promoting educational and research activities. Assets of the Foundation totaled approximately $119,900,000 and $110,300,000 at June 30, 2013 and 2012. 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 principles generally accepted in the United States ("GAAP"). The following is a summary of the Foundation's significant accounting and reporting policies presented to assist the reader in interpreting the financial statements and other data in this report.

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

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

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

Investment in Securities
Investments are stated at fair value. The fair values of investments are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments. 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.

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

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

	Years
Land improvements	10-25
Buildings	20-65
Machinery and equipment	5-10

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

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

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

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

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

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

Gifts and Contributions
Gifts and contributions are recorded at their fair 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.

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

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

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

GAAP prescribes recognition thresholds and measurement attributes for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. Management has concluded that they are unaware of any tax benefits or liabilities to be recognized at June 30, 2013 or 2012, respectively.

The Foundation is no longer subject to examination by taxing authorities for years before 2010. The Foundation does not have any tax benefits recorded at June 30, 2013, 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, 2013 or 2012.

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

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

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

B. Business and Concentrations of Credit Risk

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

Investments are managed by a professional investment management company 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. Due to the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible the changes in risks in the near term would result in material changes in the fair value of long-term investments and net assets of the Foundation.

C. Fair Value of Financial Instruments

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

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 and on the following page for the years ended June 30, 2013 and 2012:

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

	Fair Value Measurements at June 30, 2012 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	$	$	$ 1,414,100	$ 1,414,100
Investment in securities:				
Bonds				
Mutual funds:				
Equity	41,945,823			41,945,823
Fixed Income	40,551,777			40,551,777
Alternative assets:				
Hedge funds		12,033,512		12,033,512
Private equity			1,468,920	1,468,920
Distressed debt		4,545,477		4,545,477
Total investment in securities	82,497,600	16,578,989	1,468,920	100,545,509
Other investments:				
Limited partnerships			1,354,550	1,354,550
Annuity assets:				
Cash and equivalents		3,117		3,117
Mutual funds-securities	46,088	166,071		212,159
Total annuity assets	46,088	169,188		215,276
Total	$ 82,543,688	$ 16,748,177	$ 4,237,570	$ 103,529,435

The table below presents a reconciliation and income 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, 2013 and 2012:

	2013			
	Gifts Receivable from Trusts Held by Others	Hedge Funds	Private Equity	Limited Partnerships
Beginning balance, July 1	$ 1,414,100	$	$ 1,468,920	$ 1,354,550
Interest and dividends			9,774	
Realized gains on sales			156,783	4,943
Unrealized gains included in earnings		120,943	128,248	(44,439)
Net purchases/(sales)	(190,600)	4,630,000	301,000	170,227
Change in value of split interest agreements	53,800			
Net transfers in/(out) of Level 3				
Ending balance, June 30	$ 1,277,300	$ 4,750,943	$ 2,064,725	$ 1,485,281

	2012		
	Gifts Receivable from Trusts Held by Others	Private Equity	Limited Partnerships
Beginning balance, July 1	$ 1,545,600	$ 1,160,458	$ 1,347,334
Interest and dividends		4,776	
Realized losses on sales		52,385	
Unrealized gains/(losses) included in earnings		2,801	47,072
Net purchases/(sales)		248,500	(39,856)
Change in value of split interest agreements	(131,500)		
Net transfers in/(out) of Level 3			
Ending balance, June 30	$ 1,414,100	$ 1,468,920	$ 1,354,550

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

For hedge funds, private equity and commercial loans, for which there is no active market, information such as historical and current performance of the underlying assets, cash flow projections, liquidity and credit premiums required by a market participant, and financial trend analysis with respect to the individual fund manager, are utilized in determining individual security valuations. Due to current market conditions as well as the limited trading activity of these securities, the market value of the securities is highly sensitive to assumption changes and market value volatility (Level 3 inputs).

Approximately one half of the Foundation's hedge fund allocation is invested in a "fund of funds" vehicle structured as an offshore company that invests all of its capital in private placement funds. The fund's investment objective is to seek to achieve a return somewhere between historical market equity and fixed income returns with a moderate level of risk undertaken. The fund is broadly diversified and invests in multiple hedge fund strategies including convertible bond hedging, credit hedging, distressed debt, equity market neutral, equity long/short, merger arbitrage, short biased and sovereign debt and mortgage hedging. The fund generally invests in 30-40 hedge funds and the fund of funds manager requires full transparency of each of the underlying funds' investment positions. The Foundation is no longer subject to the fund's initial one-year lock-up period and may, therefore, request liquidation at net asset value on a quarterly basis with 65 days prior notification (Level 2 inputs). At June 30, 2013, the Foundation has no significant unfunded commitments to its hedge fund allocation.

The balance of the Foundation's hedge fund allocation is also invested in a "fund of funds" structured as an offshore company. The fund's investment objective is to seek to achieve high returns balanced against an appropriate level of volatility and directional market exposure over a full market cycle. The fund is broadly diversified and invests in various private funds such as hedge funds that pursue hedged or other alternative investment strategies, private equity funds, hybrid funds and any other alternative investment funds, while also opportunistically investing directly in any other securities and financial instruments. The fund generally invests in 15-20 funds and the fund of funds manager requires full transparency of each of the underlying funds' investment positions. The Foundation is subject to the fund's initial two-year lock-up period, which will end in January of 2015. Once the lock-up period has ended, the Foundation may request liquidation on a semi-annual basis with 95 days prior notification. At June 30, 2013, the Foundation has no significant unfunded commitments to this 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, 2013, the Foundation's total capital commitment of $3,500,000 was 54.6% ($1,910,908) funded. Due to the long-term commitment of capital and the unpredictability of capital calls and partnership distributions, the fund is generally considered illiquid. It is also not unusual for private equity funds to experience losses in the early years of their existence. The valuation of this investment is based on net asset value using the market approach (Level 3 input).

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, 2013. The Foundation is no longer subject to the investment's two year lockup period and may, therefore, request liquidation on a quarterly basis with 69 days prior notice (Level 2 input).

Valuation of limited partnership shares reported as "other investments" are derived from reports issued by the general partners adjusted for capital contributions and withdrawals throughout the fiscal year. Although the fund custodians provide annual audited financial statements for each of the funds, the value of the underlying securities is difficult to ascertain as there is no active market associated with these ownership interests. Thus, the partnership interests are classified as valued based upon Level 3 inputs using the market approach.

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

D. Pledges Receivable

Pledges receivable at June 30, 2013 and 2012, by fund type, are as follows:

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Less than one year	$ 36,195	$ 2,133,598	$ 287,768	$ 2,457,561
One to five years		2,196,305	200,561	2,396,866
Six years or greater		2,047,000		2,047,000
Gross pledges receivable	36,195	6,376,903	488,329	6,901,427
Present value discount	5	(1,024,503)	(3,729)	(1,028,227)
Allowance for uncollectible pledges		(46,900)	(9,000)	(55,900)
Pledges receivable (net)	$ 36,200	$ 5,305,500	$ 475,600	$ 5,817,300

	2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Less than one year	$ 51,920	$ 1,603,873	$ 146,899	$ 1,802,692
One to five years		1,523,941	185,238	1,709,179
Six years or greater		2,000,000		2,000,000
Gross pledges receivable	51,920	5,127,814	332,137	5,511,871
Present value discount	(20)	(1,057,914)	(3,537)	(1,061,471)
Allowance for uncollectible pledges	(100)	(27,500)	(8,400)	(36,000)
Pledges receivable (net)	$ 51,800	$ 4,042,400	$ 320,200	$ 4,414,400

The fair value of pledges receivable was determined using discount rates applicable to the year in which the pledge was established. Rates ranged from .72% to 4.92%.

E. Gifts Receivable From Trusts Held By Others

The Foundation is a party to charitable gift trusts. Third party trustees maintain trust assets in irrevocable trusts for the benefit of the Foundation. The fair values of the trusts are estimated based upon the fair value of the assets contributed by the donor less the present value of the payment expected to be made to other beneficiaries. The present value is calculated using discount rates the year in which the trust was established, in this case, 4.92%. The balances at June 30, 2013 and 2012, are $1,277,300 and $1,414,100, respectively, and are included in Temporarily Restricted net assets.

F. Investment in Securities

The cost and fair value of the Foundation's investments, at June 30, 2013 and 2012, are as follows:

	2013	2012
Mutual funds:		
Equity	$ 50,824,891	$ 41,945,823
Fixed income	40,911,330	40,551,777
Alternative assets	15,884,957	18,047,909
Totals	$ 107,621,178	$ 100,545,509

Net realized gains (losses) on sales of investments were $1,064,618 and $628,998 for the years ended June 30, 2013 and 2012, respectively. Calculation of net realized gains on sales of investments is based on original cost. Net unrealized gains (losses) amounted to $5,663,769 and ($1,916,362) for the years ended June 30, 2013 and 2012, respectively.

G. Capital Assets

Capital assets activity for the year ended June 30, 2013 is summarized as follows (the Foundation possessed no capital assets during the year ended June 30, 2012):

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

Due to increasing demand for academic space on its main campus, the University has encouraged non-academic units to secure off-campus space to free up currently utilized facilities. In accord with this request, the Foundation purchased an existing building adjacent to campus on November 1, 2012. The purchase will allow all Advancement operations, with the exception of Alumni Relations, to consolidate in a single location. The building is currently occupied by one non-University tenant and it is anticipated that the University will lease a portion of the building for administrative office space. Shortly after the purchase was consummated, contractors were hired to renovate and refurbish the building prior to occupancy. The anticipated cost of the renovation project, which was on-going at the end of the fiscal year, is $1,500,000. Occupancy is expected to occur during September, 2013.

H. Debt Guaranties

During fiscal year 2011, the Foundation entered into agreement with Dayton Regional STEM Schools, Incorporated ("STEM") guarantying payments on a lease (and such other obligations imposed by the lease) related to the purchase and renovation of an existing building that is utilized by the School in fulfillment of its corporate purposes. STEM is one of ten Ohio schools offering students a relevant, real world educational experience that will prepare them for college and opportunities in the work world. Wright State University has acted as STEM's fiscal agent as well as providing space, supplies and personnel in support of its operations. The agreement pledges unrestricted net assets of the Foundation in an amount not to exceed $3 million and the designation of unrestricted net assets in the amount of one year of maximum debt service ($600,000) on bonds associated with the project. Since the guarantee may expire without being drawn upon, the total guarantee does not necessarily represent future cash requirements. As of June 30, 2013, no amounts have been recognized as a liability under the financial guaranty in the Foundation's statement of financial position as the likelihood that STEM would be unable to fulfill its obligation in full or in part under the debt agreement is not considered to be probable.

Also during fiscal year 2011, the Foundation entered into an agreement with Wright State Physicians, Incorporated ("WSP") guarantying the debt service payments on $13.5 million worth of bonds issued to finance construction of a three-story medical office building on Wright State's main campus that will be used to fulfill WSP's corporate purposes. WSP is the faculty practice plan for Wright State's Boonshoft School of Medicine ("BSOM"), which functions to recruit and retain clinicians and scientists in support of the clinical, educational, research and community service activities of BSOM. The agreement pledges the remaining proceeds of a large donation to BSOM made in fiscal year 2005. As of June 30, 2013, the market value of this gift, segregated in a separate portfolio, was $20,497,558. Since the guarantee may expire without being drawn upon, the total guarantee does not necessarily represent future cash requirements. As of June 30, 2013, no amounts have been recognized as a liability under the financial guaranty in the Foundation's statement of financial position as the likelihood that WSP would be unable to fulfill its obligation in full or in part under the debt agreement is not considered to be probable.