

V. REPORTS OF THE COMMITTEES OF THE BOARD

A. Board Governance and Compliance Committee

Mr. Bridges, in the absence of General Moore, chair, will report on the committee meeting of December 13, 2019

**Board Governance and Compliance Committee
Meeting of December 13, 2018**

Minutes

Present: M. Bridges, B. Langos, C.D. Moore, A. Rains, S. Wenrick

Guests: D. Andersh, W. Branson, L. Chan, D. Kimpton, E. Reinsch Friese, C. Schrader, K. Tittle

General C.D. Moore, chair, called the meeting to order at 2:00 p.m. and read the conflict of interest statement.

Chair's Report

The Wright State University Board of Trustees approved the Affiliated Entity Policy in December 2016. This policy requires each affiliated entity to enter into a memorandum of agreement with Wright State and submit a yearly report to the University. The annual report will include financial statements, audit statements, tax filings, annual budget reports, disclosure of material contingent liabilities and litigation, a list of current directors and officers, disclosure of significant events that changed the annual profile or operations of the organization, and if needed, a progress report outlining steps made towards financial independence.

General Moore thanked Mr. Dennis Andersh, executive director of Wright State Research Institute (WSRI) and CEO of Wright State Applied Research Corporation (WSARC), for his leadership in aligning the WSARC/WSRI to the strict guidelines of the Affiliated Entity Policy. WSARC was the first affiliated entity to complete the affiliated entity compliance process, was the first to complete an MOA with the University and now is the first to complete and submit an annual report.

Trustee Moore reflected on the change in affiliated entity relationships with Wright State University over the last three years. In 2015, there were over twenty organizations with a potential affiliation with Wright State University and a lack of transparency. After careful review, this list has been significantly reduced to affiliated entities that have a documented relationship with Wright State, have or will be signing an MOA, and that will be a part of Wright State's strategic priorities moving forward.

WSARC Annual Report

Mr. Walt Branson, vice president for finance and operations and chief business officer, also recognized WSARC and Mr. Andersh for their role to increase transparency, responsiveness, and cooperation with the process. With WSARC being the first entity to

make an annual report, the intention is to standardize the annual report format into a template for use by all other affiliated entities.

Mr. Andersh briefed the committee on the content of WSARC's annual report. Organizational changes at WSARC included expanding the makeup of their Board of Directors to include external members from across the country, the dissolution or elimination of all of WSARC's affiliated entities, and the creation of an Executive Advisory Council and a Research Advisory Council.

In FY18, WSARC maintained a positive cash flow after depreciation and is making payments to Wright State in less than 60 days. ATIC property was sold at a loss which triggered WSARC to record a bad debt of \$1.3 million resulting from ATIC's inability to pay off their promissory note to WSARC. This transaction resulted in a debt of \$580 thousand to Wright State which is being recovered in \$50 thousand quarterly installment payments by WSARC to the University. WSARC continues to pursue repayment of the bad debt from ATIC.

A shared services agreement was signed between WSARC and Wright State effective July 1, 2018 to cover compensation for such things as shared IT and HR services. General Moore indicated that the inclusion of a signed "shared services agreement" will become standard where applicable as part of each affiliate entity review moving forward.

WSARC continues to cover all salary and fringe benefits for their employees and operates independently of the University on a financially self-sufficient basis.

Mr. Andersh outlined corrective actions and steps WSRI and WSARC have taken since 2015 to restructure, improve operations, enhance compliance, and insure transparency. The committee heard about the mission and vision of WSARC and WSRI and the role they play in enhancing the research enterprise in the region and statewide. WSARC has established guiding principles and business goals for 2019 and expanded their customer base to diversify their research portfolio. Research efforts have been focused into key areas such as human performance, autonomy and embedded systems.

Mr. Andersh reviewed WSARC's audited financial statements including the income statement and balance sheet ending June 30, 2018 and discussed FY19 performance to date.

Wright State University (and WSARC as the Executive Agent) and Ohio State University are agents for the Ohio Federal Research Network (OFRN). OFRN received \$31.9 million in state funding across four years to grow Ohio's economy by leveraging research and development through alignment of Ohio's public research university's expertise with Wright Patterson Air Force Base and NASA Glenn priorities. To date, the expenditure of \$20 million in OFRN funds has led to \$139 million in new awards and a potential \$350 million in joint proposals in the pipeline.

Mr. Andersh concluded his report and asked for questions. There was a discussion about

general and administrative expense (G&A) rates and how this relates to being competitive. WSARC increased their rates in April to make sure expenses were covered and hope to hold or lower them moving forward by reducing operating costs. A question was raised about registered lobbyist and whether their services were vetted by Wright State's legal counsel. WSARC has two groups that offer legislative support and they will be vetted by legal counsel.

Trustee Rains commented on his internship with WSARC last year and how it enhanced his educational experience. He inquired about the number of internships and GRA experiences WSARC is now able to offer. Mr. Andersh indicated that WSARC currently has 14-15 interns and 6-7 graduate students and hopes to continue to increase this number. The committee recommended adding the number of student affiliations to future affiliated entity annual reports.

The meeting adjourned at 2:49 p.m.

Respectfully Submitted,
Deborah Kimpton