

Wright State University Foundation, Inc.

Report on Audit of Financial Statements, Internal
Control and Compliance with Laws and Regulations
June 30, 2004 and 2003



**Auditor of State
Betty Montgomery**

Board of Trustees
Wright State University Foundation, Inc.
Dayton, Ohio

We have reviewed the Independent Auditor's Report of the Wright State University Foundation, Inc., Greene County, prepared by PricewaterhouseCoopers LLP, for the audit period July 1, 2003 through June 30, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Wright State University Foundation, Inc. is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

February 1, 2005

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Wright State University Foundation, Inc.

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Report of Independent Auditors

To the Board of Trustees
Wright State University Foundation

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

In accordance with Government Auditing Standards, we have also issued our report dated September 30, 2004 on our consideration of Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants for the year ended June 30, 2004. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

PricewaterhouseCoopers LLP

September 30, 2004
Dayton, Ohio

Wright State University Foundation, Inc.
Statements of Financial Position
June 30, 2004 and 2003

	2004	2003
Assets		
Cash and cash equivalents	\$ 1,478,940	\$ 3,382,651
Pledges receivable (net)	10,196,000	6,688,800
Gifts receivable from trusts held by others	1,466,500	1,844,700
Investment in securities	46,664,885	34,204,714
Other investments	135,592	157,152
Land held for development	650,000	650,000
Cash surrender value of life insurance policies	61,506	62,311
Annuity assets	575,374	92,500
Other assets	154,378	131,302
	<u>\$61,383,175</u>	<u>\$47,214,130</u>
Liabilities and Net Assets		
Accounts payable:		
Wright State University	\$ 787,877	\$ 602,005
Trade and other	97,311	162,560
Deposits held in custody for others	1,064,739	583,010
Annuities payable	310,100	61,700
Loan payable	1,100,000	1,200,000
	<u>3,360,027</u>	<u>2,609,275</u>
Net Assets		
Unrestricted:		
Designated	469,252	441,694
Undesignated	1,170,550	(95,521)
Temporarily restricted	33,469,879	27,771,689
Permanently restricted	22,913,467	16,486,993
	<u>58,023,148</u>	<u>44,604,855</u>
Total net assets	<u>58,023,148</u>	<u>44,604,855</u>
Total liabilities and net assets	<u>\$61,383,175</u>	<u>\$47,214,130</u>

The accompanying notes are an integral part of these financial statements.

Wright State University Foundation, Inc.
Statements of Activities
For the year ended June 30, 2004

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Revenue and Other Support				
Gift and contributions	\$ 118,160	\$ 6,134,203	\$ 6,458,126	\$ 12,710,489
Investment earnings:				
Interest and dividends	224,948	520,623	-	745,571
Net realized and unrealized gains	921,035	4,626,463	-	5,547,498
Administrative fee charge to certain restricted accounts	311,531	(311,531)	-	-
Change in value of split interest agreements	11,000	(442,500)	(71,284)	(502,784)
Other income	33,709	1,707	5,052	40,468
Net assets released from restrictions	4,796,195	(4,796,195)	-	-
Change in donor restrictions	-	(34,580)	34,580	-
	<u>6,416,578</u>	<u>5,698,190</u>	<u>6,426,474</u>	<u>18,541,242</u>
Expense				
Program services:				
Scholarships	1,456,584	-	-	1,456,584
Academic programs	2,534,367	-	-	2,534,367
Athletic programs	275,772	-	-	275,772
Research	307,018	-	-	307,018
Miscellaneous grants	35,157	-	-	35,157
Fund raising	273,349	-	-	273,349
Management and general	240,702	-	-	240,702
	<u>5,122,949</u>	<u>-</u>	<u>-</u>	<u>5,122,949</u>
Change in net assets	1,293,629	5,698,190	6,426,474	13,418,293
Net assets				
Beginning of year	<u>346,173</u>	<u>27,771,689</u>	<u>16,486,993</u>	<u>44,604,855</u>
End of year	<u>\$ 1,639,802</u>	<u>\$ 33,469,879</u>	<u>\$ 22,913,467</u>	<u>\$ 58,023,148</u>

The accompanying notes are an integral part of these financial statements.

Wright State University Foundation, Inc.
Statements of Activities
For the year ended June 30, 2003

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Revenue and Other Support				
Gift and contributions	\$ 82,095	\$ 9,823,705	\$ 733,385	\$ 10,639,185
Investment earnings:				
Interest and dividends	242,277	541,425	-	783,702
Net realized and unrealized gains	86,208	206,827	-	293,035
Administrative fee charge to certain restricted accounts	206,465	(206,465)	-	-
Other income	26,025	(174,476)	167,632	19,181
Net assets released from restrictions	4,743,125	(4,743,125)	-	-
Change in donor restrictions	(3,979)	20,062	(16,083)	-
	<u>5,382,216</u>	<u>5,467,953</u>	<u>884,934</u>	<u>11,735,103</u>
Expense				
Program services:				
Scholarships	1,455,643	-	-	1,455,643
Academic programs	2,840,340	-	-	2,840,340
Athletic programs	245,140	-	-	245,140
Research	119,800	-	-	119,800
Miscellaneous grants	71,937	-	-	71,937
Fund raising	197,332	-	-	197,332
Management and general	317,751	-	-	317,751
	<u>5,247,943</u>	<u>-</u>	<u>-</u>	<u>5,247,943</u>
Change in net assets	134,273	5,467,953	884,934	6,487,160
Net assets				
Beginning of year	<u>211,900</u>	<u>22,303,736</u>	<u>15,602,059</u>	<u>38,117,695</u>
End of year	<u>\$ 346,173</u>	<u>\$27,771,689</u>	<u>\$ 16,486,993</u>	<u>\$ 44,604,855</u>

The accompanying notes are an integral part of these financial statements.

Wright State University Foundation, Inc.
Statements of Cash Flows
For the years ended June 30, 2004 and 2003

	2004	2003
Operating Activities		
Change in net assets	\$13,418,293	\$ 6,487,160
Adjustments to reconcile change in net assets to cash (used in) provided by operating activities:		
Net realized and unrealized gains	(5,547,498)	(293,035)
Gifts and contributions received for permanently restricted accounts	(6,458,126)	(733,385)
Increase in pledges receivable (net)	(3,507,200)	(3,550,600)
Decrease (increase) in gifts receivable from trusts held by others	378,200	(26,900)
Decrease (increase) in cash surrender value of life insurance policies	805	(3,607)
Increase in annuity assets	(482,874)	(67,831)
(Increase) decrease in other assets	(23,076)	11,833
Increase (decrease) in accounts payable	120,623	(8,459)
Increase (decrease) in deposits held in custody for others	481,729	(16,628)
Increase in annuities payable	<u>248,400</u>	<u>45,000</u>
Net cash (used in) provided by operating activities	<u>(1,370,724)</u>	<u>1,843,548</u>
Investing Activities		
Cash paid for investments	(10,939,962)	(16,557,104)
Cash received from investments	<u>4,048,849</u>	<u>16,511,050</u>
Net cash used in investing activities	<u>(6,891,113)</u>	<u>(46,054)</u>
Financing Activities		
Gifts and contributions received for permanently restricted accounts	6,458,126	733,385
Payments on loan payable	<u>(100,000)</u>	<u>(99,605)</u>
Net cash provided by financing activities	<u>6,358,126</u>	<u>633,780</u>
(Decrease) increase in cash and cash equivalents	(1,903,711)	2,431,274
Cash and cash equivalents - Beginning of year	<u>3,382,651</u>	<u>951,377</u>
Cash and cash equivalents - End of year	<u>\$ 1,478,940</u>	<u>\$ 3,382,651</u>
Cash paid during the year for interest	<u>\$ 22,809</u>	<u>\$ 30,429</u>

The accompanying notes are an integral part of these financial statements.

Wright State University Foundation, Inc.
Notes to Financial Statements
June 30, 2004 and 2003

1. Organization and Operation

Wright State University Foundation, Inc. (the "Foundation") was incorporated on December 15, 1966 to receive and hold gifts, grants and bequests of money and property for the benefit of Wright State University (the "University") and its students and faculty. Consistent with such purposes, the mission of the Foundation is to secure, manage and distribute private support to enhance the growth and development of the University. One of its most important roles is to ensure that funds and property contributed are used for purposes specified by the donor. The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Governing direction is provided by a code of regulations most recently revised in October of 2000. Overall policy direction is provided by a board of 25 – 35 community leaders who serve as trustees of the Foundation. Trustees elect a chair and other officers from their number. The Foundation has no employees of its own, but several University employees provide staff support, including the University's vice president for university advancement who serves as president of the board (non-voting).

The 557-acre Wright State campus is located near Dayton, Ohio and was founded in 1964. Wright State is a four-year institution operating under the auspices of the State of Ohio's public university system. Financial statements for the University may be obtained from the Controllers Office, 301 University Hall, 3640 Colonel Glenn Highway, Dayton, Ohio 45435-0001.

2. Summary of Significant Accounting Policies

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

Cash and cash equivalents

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

Pledges Receivable

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

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

Wright State University Foundation, Inc.
Notes to Financial Statements
June 30, 2004 and 2003

in actuarial assumptions during the term of the trust will be recognized as changes in the value of the asset.

Investments in Securities

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

Land Held for Development

Land owned by the Foundation consists primarily of lots adjacent to the University that are carried at historical cost.

Annuity Assets/Payable

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

Deposits Held in Custody for Others

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

Net Assets

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

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

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

Permanently restricted net assets consist of funds arising from a gift or bequest in which the donor has stipulated, as a condition of the gift, that the principal be maintained in perpetuity and only the investment income from investment of the funds be expended. Certain donor endowments also specify that a portion of the earnings from the investment be reinvested as

Wright State University Foundation, Inc.
Notes to Financial Statements
June 30, 2004 and 2003

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.

Estimates

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

Reclassifications

Certain reclassifications have been made to conform data in the accompanying prior year financial statements to the current year's presentation.

Conditional Promises to Give

The Foundation is the beneficiary of several conditional promises to give. These conditional promises to give are dependant on the occurrence of a specified future and uncertain event to bind the promisor. These conditional promises to give, shall be recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional. As the condition for which these promises are based was not achieved for the year ended June 30, 2004 and 2003, these conditional promises to give are not recognized as a gift or contribution at respective dates.

Wright State University Foundation, Inc.
Notes to Financial Statements
June 30, 2004 and 2003

3. Concentrations of Credit Risk

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

Investments are managed by professional investment management companies based on recommendations by the Foundation's investment consultant. Each investment manager is subject to the Foundation's investment policy, approved by the board of trustees, which contains objectives, guidelines and restrictions designed to provide for preservation of capital with an emphasis on providing current income and achieving long-term growth of the funds without undue exposure to risk. Certain funds have been pooled for ease of management and to achieve greater diversification in investments.

4. Pledges Receivable

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

	2004			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Less than one year	\$ 42,015	\$ 3,311,579	\$ 1,464,069	\$ 4,817,663
One to five years	34,600	3,389,971	2,355,950	5,780,521
Gross pledges receivable	<u>76,615</u>	<u>6,701,550</u>	<u>3,820,019</u>	<u>10,598,184</u>
Present value discount	(2,815)	(256,450)	(122,419)	(381,684)
Allowance for uncollectible pledges	<u>(500)</u>	<u>(19,000)</u>	<u>(1,000)</u>	<u>(20,500)</u>
Pledges receivable (net)	<u>\$ 73,300</u>	<u>\$ 6,426,100</u>	<u>\$ 3,696,600</u>	<u>\$ 10,196,000</u>
	2003			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Less than one year	\$ 23,367	\$ 2,913,160	\$ 182,601	\$ 3,119,128
One to five years	34,775	3,581,493	178,800	3,795,068
Gross pledges receivable	<u>58,142</u>	<u>6,494,653</u>	<u>361,401</u>	<u>6,914,196</u>
Present value discount	(1,742)	(178,653)	(7,401)	(187,796)
Allowance for uncollectible pledges	<u>(1,700)</u>	<u>(32,600)</u>	<u>(3,300)</u>	<u>(37,600)</u>
Pledges receivable (net)	<u>\$ 54,700</u>	<u>\$ 6,283,400</u>	<u>\$ 350,700</u>	<u>\$ 6,688,800</u>

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

Wright State University Foundation, Inc.
Notes to Financial Statements
June 30, 2004 and 2003

5. 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, and range from 4.09% to 6.18%. The balances at June 30, 2004 and 2003, by fund type, are as follows:

	2004	2003
Unrestricted	\$ 232,900	\$ 221,900
Temporarily restricted	318,200	760,700
Permanently restricted	<u>915,400</u>	<u>862,100</u>
Totals	<u>\$ 1,466,500</u>	<u>\$ 1,844,700</u>

6. Investment in Securities

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

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

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

7. Other Assets

Other assets include unrestricted funds set aside for a specific group of University students to invest in order to provide them experience in managing a "live" portfolio. The project is known as Raider Asset Management (RAM). As the funds are not under the direct control of the Foundation's investment management system, they have been separately classified from investments in securities. The balance at June 30, 2004 and 2003 was \$131,969 and \$107,896,

Wright State University Foundation, Inc.
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June 30, 2004 and 2003

respectively. Earnings generated from the project are included in other income. Total earnings for 2004 and 2003 amounted to \$24,073 and \$5,436, respectively.

8. Deposits Held in Custody for Others

Assets currently held by the Foundation in custody for others consist of resources deposited by the Western Ohio Education Foundation (WOEF), an educational Foundation that benefits the Lake Campus branch of Wright State University. As of June 30, 2004 and 2003, the balance of these deposits was \$1,064,739 and \$583,010, respectively.

9. Accounts Payable

Most of the Foundation's expenses are processed by the University Controller's Office. The Foundation reimburses the University monthly for those checks written on its behalf. At June 30, 2004 and 2003, the balance owed to the University was \$787,877 and \$602,005, respectively.

10. Loan Payable

The Foundation has a line-of-credit agreement with a bank that provides up to \$1.5 million of borrowings at the bank's prime rate or LIBOR, plus 0.75% (1.85% and 2.07% at June 30, 2004 and 2003, respectively). The line of credit expires December 22, 2004, with an option to extend. The Foundation plans to extend in the normal course of business. The line-of-credit is collateralized with a portion of the Foundation's investments. Outstanding borrowings under the agreement totaled \$1,100,000 and \$1,200,000 at June 30, 2004 and 2003, respectively.

Borrowings under the line-of-credit were used to fund the \$1.5 million grant made in 1999 to the University for the construction of the initial phase of a baseball stadium. The University has expressed intent to fundraise the total amount of the \$1.5 million grant and all associated costs (including interest and loan origination fees, if any). The Foundation believes such a fundraising effort for this specific purpose may take 10 to 15 years. The Foundation may reduce the amount of its annual reimbursement to the University for administrative support in an amount equal to the annual fundraising shortfall. The annual fundraising shortfall is defined as the difference between the cumulative debt service payments incurred by the Foundation to finance the grant and the cumulative amount of funds raised by the University for the baseball stadium project.

Wright State University Foundation, Inc.
Notes to Financial Statements
June 30, 2004 and 2003

11. Net Assets

Net assets, as June 30, 2004 and 2003, are available for the following purposes:

	2004			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Scholarships	\$ 469,252	\$ 13,591,298	\$ 8,641,068	\$22,701,618
Academic programs	-	16,749,491	14,188,170	30,937,661
Athletic programs	-	288,494	-	288,494
Research	-	2,775,196	84,229	2,859,425
Undesignated	1,170,550	65,400	-	1,235,950
	<u>1,639,802</u>	<u>33,469,879</u>	<u>22,913,467</u>	<u>58,023,148</u>
Totals	<u>\$ 1,639,802</u>	<u>\$ 33,469,879</u>	<u>\$22,913,467</u>	<u>\$58,023,148</u>
	2003			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Scholarships	\$ 441,694	\$ 10,007,007	\$ 7,831,636	\$18,280,337
Academic programs	-	15,891,411	8,604,215	24,495,626
Athletic programs	-	814,870	-	814,870
Research	-	992,101	51,142	1,043,243
Undesignated	(95,521)	66,300	-	(29,221)
	<u>346,173</u>	<u>27,771,689</u>	<u>16,486,993</u>	<u>44,604,855</u>
Totals	<u>\$ 346,173</u>	<u>\$ 27,771,689</u>	<u>\$16,486,993</u>	<u>\$44,604,855</u>

Cumulative investment losses on permanently restricted net assets during the fiscal year ended June 30, 2003 resulted in deficit balances in several permanently restricted funds. Generally accepted accounting principles require that these losses reduce unrestricted net assets. Total losses amounted to \$329,954 at June 30, 2003. Of these totals \$244,100 related to academic programs and \$85,854 related to scholarships. Markets gains during the fiscal year ended June 30, 2004 were used to restore this deficiency in unrestricted net assets; gains beyond the deficit amounts increased temporarily restricted net assets.

Wright State University Foundation, Inc.
Notes to Financial Statements
June 30, 2004 and 2003

12. Functional Classification Of Expenses

Total expenses, classified by both service areas and expense categories for the years ended June 30, 2004 and 2003, consist of the following:

Expense Category	2004							Totals
	Program Services				Support Services			
	Scholarships	Academic Programs	Athletic Programs	Research	Miscellaneous Grants	Fund Raising	Management & General	
Salaries and wages	\$ 28,972	\$ 516,895	\$ -	\$ 102,828	\$ -	\$ 172,179	\$ -	\$ 820,874
Employee benefits	-	120,689	-	26,280	-	34,923	-	181,892
Professional services	-	287,191	-	6,000	-	-	198,365	491,556
Supplies	3,117	149,735	69,659	80,109	15	1,031	271	303,937
Travel	-	389,647	48,283	10,704	3,665	19,423	5,303	477,025
Information and communications	2,696	942,645	87,539	2,434	29,187	43,333	6,245	1,114,079
Maintenance and repair	-	16,601	224	18,420	-	-	-	35,245
Student financial aid	1,421,799	18,339	-	100	-	2,460	-	1,442,698
Other	-	17,131	70,067	-	2,290	-	7,709	97,197
Capital outlay	-	75,494	-	60,143	-	-	-	135,637
Debt service	-	-	-	-	-	-	22,809	22,809
Total	\$ 1,456,584	\$ 2,534,367	\$ 275,772	\$ 307,018	\$ 35,157	\$ 273,349	\$ 240,702	\$ 5,122,949

Expense Category	2003							Totals
	Program Services				Support Services			
	Scholarships	Academic Programs	Athletic Programs	Research	Miscellaneous Grants	Fund Raising	Management & General	
Salaries and wages	\$ 9,050	\$ 557,449	\$ 2,850	\$ 53,632	\$ 188	\$ 109,078	\$ -	\$ 732,247
Employee benefits	-	119,598	401	13,237	-	15,486	-	148,722
Professional services	-	247,843	-	325	-	-	287,142	535,310
Supplies	681	253,334	49,966	42,711	2,041	4,004	298	353,035
Travel	-	428,693	163,186	2,463	4,024	19,599	5,458	623,423
Information and communications	2,012	1,023,433	9,437	1,557	49,277	48,641	5,837	1,140,194
Maintenance and repair	-	25,495	3,941	1,875	-	424	-	31,735
Student financial aid	1,443,900	12,281	-	-	-	-	-	1,456,181
Other	-	8,766	3,756	4,000	1,407	100	(11,413)	6,616
Capital outlay	-	163,448	11,603	-	15,000	-	-	190,051
Debt service	-	-	-	-	-	-	30,429	30,429
Total	\$ 1,455,643	\$ 2,840,340	\$ 245,140	\$ 119,800	\$ 71,937	\$ 197,332	\$ 317,751	\$ 5,247,943

Wright State University Foundation, Inc.
Notes to Financial Statements
June 30, 2004 and 2003

13. Fund Raising Expenses

Fund raising expenses, for the years ended June 30, 2004 and 2003, consist of the following:

	2004	2003
Development operations support	\$ 110,521	\$ 115,332
In-college development officers	78,340	82,000
Reimbursement for information services manager	84,488	-
	<u> </u>	<u> </u>
Total	<u>\$ 273,349</u>	<u>\$ 197,332</u>

The Foundation partially supports the University's fund raising efforts by underwriting the costs of several of its development department functions including annual appeals, corporate and foundation appeals, major donor cultivation and donor recognition events.

The salaries and benefits of development officers assigned to several of the University's colleges and schools are partially offset by the Foundation.

14. Management And General Expenses

Management and general expenses, for the years ended June 30, 2004 and 2003, consist of the following:

	2004	2003
Reimbursement for university staff support	\$ 147,941	\$ 240,779
Professional fees	50,424	46,363
Board/committee meetings	6,280	8,158
Loan interest	22,809	30,429
Change in reserve for uncollectible pledges	(17,100)	(33,200)
Other	30,348	25,222
	<u> </u>	<u> </u>
Totals	<u>\$ 240,702</u>	<u>\$ 317,751</u>

The Foundation has agreed to provide the University an annual allocation in the amount of 1% of certain assets as reimbursement for administrative staff support provided by various University employees. The amount of reimbursement is subject to annual review and adjustment.

**Report of Independent Auditors on Compliance and on Internal Control over
Financial Reporting
Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards**

To the Board of Trustees
of Wright State University Foundation:

We have audited the financial statements of Wright State University Foundation, Inc. (the "Foundation") as of and for the year ended June 30, 2004, and have issued our report thereon dated September 30, 2004. We conducted our audit 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.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Foundation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Foundation's Board of Trustees, management, and the Auditor of the State of Ohio and is not intended to be and should not be used by anyone other than those specified parties.

PricewaterhouseCoopers LLP

September 30, 2004
Dayton, Ohio



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

WRIGHT STATE UNIVERSITY FOUNDATION, INC.

GREENE COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 15, 2005**