

WRIGHT STATE UNIVERSITY FOUNDATION, INC.
Dayton, Ohio

FINANCIAL STATEMENTS
June 30, 2008 and 2007



Mary Taylor, CPA
Auditor of State

Board of Trustees
Wright State University Foundation, Inc.
3640 Colonel Glenn Highway
Dayton, Ohio 45435

We have reviewed the *Report of Independent Auditors* of the Wright State University Foundation, Inc., Greene County, prepared by Crowe Horwath LLP, for the audit period July 1, 2007 through June 30, 2008. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

November 10, 2008

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WRIGHT STATE UNIVERSITY FOUNDATION, INC.
Dayton, Ohio

FINANCIAL STATEMENTS
June 30, 2008 and 2007

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Crowe Horwath LLP
Member Horwath International

REPORT OF INDEPENDENT AUDITORS

To Audit Committee of the Board of Trustees
Wright State University Foundation, Inc.
Dayton, Ohio

We have audited the accompanying statements of financial position of Wright State University Foundation, Inc. ("Foundation") as of June 30, 2008 and 2007 and the related statements of activities and cash flows for the years then ended. 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 in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wright State University Foundation, Inc. as of June 30, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2008 on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting, compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing results of our audit.

Crowe Horwath LLP

Crowe Horwath LLP

Columbus, Ohio
October 10, 2008

WRIGHT STATE UNIVERSITY FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
Cash and cash equivalents	\$ 1,012,378	\$ 2,858,861
Pledges receivable (net)	7,051,900	8,138,500
Unremitted pledge payments held by others	2,835,520	2,125,959
Gifts receivable from trusts held by others	1,958,100	2,947,470
Investment in securities	92,298,126	104,293,658
Other investments	583,302	156,635
Interest and dividends receivable	188,520	477,246
Land held for development	650,000	650,000
Current surrender value of life insurance policies	56,466	56,842
Annuity assets	1,149,184	1,310,881
Other assets	<u>193,884</u>	<u>208,375</u>
TOTAL ASSETS	<u>\$ 107,977,380</u>	<u>\$ 123,224,427</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable		
Wright State University	\$ 1,129,141	\$ 1,530,344
Trade and other	171,119	174,152
Deposits held in custody for others	1,312,457	1,417,102
Annuities payable	634,900	645,300
Loan payable	<u>500,000</u>	<u>900,000</u>
TOTAL LIABILITIES	<u>3,747,617</u>	<u>4,666,898</u>
 NET ASSETS		
Unrestricted		
Designated	1,662,516	1,694,867
Undesignated	2,209,511	3,095,127
Temporarily restricted	72,926,632	86,994,917
Permanently restricted	<u>27,431,104</u>	<u>26,772,618</u>
TOTAL NET ASSETS	<u>104,229,763</u>	<u>118,557,529</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 107,977,380</u>	 <u>\$ 123,224,427</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, 2008 with comparative 2007 totals

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	Total <u>2008</u>	Total <u>2007</u>
REVENUE AND OTHER SUPPORT					
Gifts and contributions	\$ 169,772	\$ 7,542,053	\$ 503,454	\$ 8,215,279	\$ 8,756,724
Investment earnings					
Interest and dividends	419,410	1,944,670	--	2,364,080	3,307,068
Net realized and unrealized gains	(845,632)	(7,819,540)	--	(8,665,172)	12,816,048
Administrative fee charged to certain restricted accounts	817,265	(817,265)	--	--	--
Change in value of split interest agreements	(110,300)	(62,700)	(107,292)	(280,292)	(210,155)
Other income	61,460	(36,571)	(63,533)	(38,644)	227,453
Net assets released from restrictions	14,493,275	(14,493,275)	--	--	--
Change in donor restrictions	<u>(200)</u>	<u>(325,657)</u>	<u>325,857</u>	<u>--</u>	<u>--</u>
Total revenue and other support	15,005,050	(14,068,285)	658,486	1,595,251	24,897,138
EXPENSES					
Program services					
Scholarships	2,352,007	--	--	2,352,007	2,177,740
University programs	10,732,749	--	--	10,732,749	3,796,241
Athletic programs	503,462	--	--	503,462	282,840
Research	1,030,633	--	--	1,030,633	1,046,645
Miscellaneous grants	61,072	--	--	61,072	56,702
Fund raising	732,275	--	--	732,275	457,294
Management and general	510,819	--	--	510,819	471,164
Total expenses	<u>15,923,017</u>	<u>--</u>	<u>--</u>	<u>15,923,017</u>	<u>8,288,626</u>
CHANGE IN NET ASSETS	(917,967)	(14,068,285)	658,486	(14,327,766)	16,608,512
NET ASSETS					
Beginning of year	<u>4,789,994</u>	<u>86,994,917</u>	<u>26,772,618</u>	<u>118,557,529</u>	<u>101,949,017</u>
End of year	<u>\$3,872,027</u>	<u>\$72,926,632</u>	<u>\$27,431,104</u>	<u>\$104,229,763</u>	<u>\$118,557,529</u>

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

WRIGHT STATE UNIVERSITY FOUNDATION, INC.
STATEMENT OF ACTIVITIES
For the Year ended June 30, 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2007</u>
REVENUE AND OTHER SUPPORT				
Gifts and contributions	\$ 47,072	\$ 8,254,681	\$ 454,971	\$ 8,756,724
Investment earnings:				
Interest and dividends	505,095	2,801,973	--	3,307,068
Net realized and unrealized gains	1,485,223	11,330,825	--	12,816,048
Administrative fee charged to certain restricted accounts	749,033	(749,033)	--	--
Change in value of split interest agreements	7,100	(94,400)	(122,855)	(210,155)
Other income	33,607	(2,012)	195,858	227,453
Net assets released from restrictions	7,182,560	(7,182,560)	--	--
Change in donor restrictions	--	169,277	(169,277)	--
Total revenue and other support	<u>10,009,690</u>	<u>14,528,751</u>	<u>358,697</u>	<u>24,897,138</u>
EXPENSES				
Program services				
Scholarships	2,177,740	--	--	2,177,740
University programs	3,796,241	--	--	3,796,241
Athletic programs	282,840	--	--	282,840
Research	1,046,645	--	--	1,046,645
Miscellaneous grants	56,702	--	--	56,702
Fund raising	457,294	--	--	457,294
Management and general	<u>471,164</u>	<u>--</u>	<u>--</u>	<u>471,164</u>
Total expenses	<u>8,288,626</u>	<u>--</u>	<u>--</u>	<u>8,288,626</u>
CHANGE IN NET ASSETS	1,721,064	14,528,751	358,697	16,608,512
NET ASSETS				
Beginning of year	<u>3,068,930</u>	<u>72,466,166</u>	<u>26,413,921</u>	<u>101,949,017</u>
End of year	<u>\$ 4,789,994</u>	<u>\$ 86,994,917</u>	<u>\$ 26,772,618</u>	<u>\$118,557,529</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, 2008 and 2007

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from contributors	\$ 9,450,320	\$ 7,181,448
Gifts and contributions received for permanently restricted accounts	(503,454)	(454,971)
Interest and dividends received	2,652,806	3,151,741
Deposits received for investment on behalf of others	22,543	--
Cash received (expended) from other revenue sources	(34,193)	205,520
Cash paid to students, employees and suppliers	(16,319,961)	(7,019,546)
Interest paid	(36,691)	(55,462)
Custodial deposits returned	<u>(85,000)</u>	<u>(40,000)</u>
Net cash from operating activities	(4,853,630)	2,968,730
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash paid for investments	(3,324,676)	(3,562,689)
Cash received from investments	<u>6,228,369</u>	<u>2,703,591</u>
Net cash from investing activities	2,903,693	(859,098)
CASH FLOWS FROM FINANCING ACTIVITIES		
Gifts and contributions received for permanently restricted accounts	503,454	454,971
Payments on loan payable	<u>(400,000)</u>	<u>--</u>
Net cash from financing activities	<u>103,454</u>	<u>454,971</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,846,483)	2,564,603
CASH AND CASH EQUIVALENTS - Beginning of year	<u>2,858,861</u>	<u>294,258</u>
CASH AND CASH EQUIVALENTS - End of year	<u>\$ 1,012,378</u>	<u>\$ 2,858,861</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, 2008 and 2007

RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>2008</u>	<u>2007</u>
Change in net assets	\$(14,327,766)	\$ 16,608,512
Adjustments to reconcile change in net assets to cash provided by operating activities		
Net realized and unrealized gains	8,665,172	(12,816,048)
Gifts and contributions received for permanently restricted accounts	(503,454)	(454,971)
Changes in assets and liabilities		
Pledges receivable	1,086,600	2,142,600
Pledges received, held by others	(709,561)	(1,791,221)
Gifts receivable from trusts held by others	989,370	(1,631,970)
Interest and dividends receivable	288,726	(360,714)
Cash surrender value of life insurance policies	376	2,627
Annuity assets	161,697	(67,856)
Other assets	14,491	(21,934)
Accounts payable	(404,236)	1,213,618
Deposits held in custody for others	(104,645)	165,387
Annuities payable	<u>(10,400)</u>	<u>(19,300)</u>
Net cash from operating activities	<u>\$ (4,853,630)</u>	<u>\$ 2,968,730</u>

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

WRIGHT STATE UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2008 and 2007

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 May of 2006. 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 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.

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WRIGHT STATE UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2008 and 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

Alternative investments, 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 and/or the College's independent investment advisor. 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. Such investments are, by their nature, generally considered to be long-term investments and are not intended to be liquidated on a short-term basis.

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.

(Continued)

WRIGHT STATE UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2008 and 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 gifts 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 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.

(Continued)

WRIGHT STATE UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2008 and 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

New Pronouncements

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement on Financial Accounting Standards No. 157, "Fair Value Measurements" (SFAS No. 157). This standard clarifies the definition of fair value for reporting, establishes a framework for measuring fair value and greatly expands disclosures about the use of fair value measurements. SFAS No. 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007. Additional disclosures will be required regarding the inputs used to develop the measurements of fair value and the effect of certain of the measurements reported in the statement of activities for a fiscal period.

In August 2008, FASB issued Staff Position No. FAS 117-1, "Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds" (FSP 117-1). This FSP provides guidance on classifying the net assets associated with donor-restricted endowment funds held by organizations subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA). Additional disclosures about endowments for both donor-restricted funds and board-designated funds for all organizations, including those that are not yet subject to an enacted version of UPMIFA, are required to enable users to understand its endowment funds' net asset classification, net asset composition, changes in net asset composition, spending policy(ies), and related investment policy(ies). FSP 117-1 is effective for all fiscal years ending after December 15, 2008.

The provisions of FAS 157 and FSP 117-1 become effective for the year ended June 30, 2009. The overall financial statement impact of adoption of these pronouncements has not been determined by the University.

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WRIGHT STATE UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2008 and 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 amounts previously reported in the 2007 financial statements have been reclassified to conform to the current year's presentation.

3. BUSINESS AND CONCENTRATIONS OF CREDIT RISK

The Foundation's financial instruments that are exposed to various risks, such as interest rate, market and concentrations of credit risk consist primarily of cash and investments. The Foundation deposits its cash in federally insured banks. These deposits are generally in excess of the Federal Deposit Insurance Corporation's insurance limit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would result in material changes in the fair value of long-term investments and net assets of the Foundation.

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

(Continued)

WRIGHT STATE UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2008 and 2007

4. PLEDGES RECEIVABLE

Pledges receivable at June 30, 2008 and 2007, by fund type, are as follows:

	2008			<u>Totals</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Less than one year	\$ 60,600	\$ 2,486,961	\$ 1,064,657	\$ 3,612,218
One to five years	4,800	2,634,778	107,270	2,746,848
Six years or greater	--	2,000,000	--	2,000,000
Gross pledges receivable	65,400	7,121,739	1,171,927	8,359,066
Present value discount	(400)	(1,249,639)	(9,727)	(1,259,766)
Allowance for uncollectible pledges	(400)	(41,100)	(5,900)	(47,400)
Pledges receivable (net)	\$ 64,600	\$ 5,831,000	\$ 1,156,300	\$ 7,051,900

	2007			<u>Totals</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Less than one year	\$ 18,917	\$ 2,654,187	\$ 1,053,193	\$ 3,726,297
One to five years	4,800	4,769,550	63,000	4,837,350
Gross pledges receivable	23,717	7,423,737	1,116,193	8,563,647
Present value discount	(317)	(354,637)	(6,193)	(361,147)
Allowance for uncollectible pledges	(300)	(60,000)	(3,700)	(64,000)
Pledges receivable (net)	\$ 23,100	\$ 7,009,100	\$ 1,106,300	\$ 8,138,500

The fair value of pledges receivable was determined using discount rates applicable to the year in which the pledge was established. Rates ranged from 2.46% to 5.10%.

5. PLEDGES RECEIVED, HELD BY OTHERS

This receivable amount represents payments on pledges made to the Lake Campus capital campaign but not transmitted to the Foundation as of June 30, 2008. These payments are being held by the Western Ohio Education Foundation (WOEF).

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WRIGHT STATE UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2008 and 2007

6. 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 4.97%. The balances at June 30, 2008 and 2007, by fund type, are as follows:

	<u>2008</u>	<u>2007</u>
Unrestricted	\$ 38,200	\$ 148,500
Temporarily restricted	1,919,900	1,982,600
Permanently restricted	--	816,370
Totals	<u>\$ 1,958,100</u>	<u>\$ 2,947,470</u>

7. INVESTMENT IN SECURITIES

The cost and fair value of the Foundation's investments, at June 30, 2008 and 2007, are as follows:

	<u>2008</u>		<u>2007</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Mutual funds:				
Equity	\$ 57,027,503	\$ 48,050,857	\$ 60,521,218	\$ 71,778,180
Fixed income	30,603,366	31,460,669	33,380,247	32,515,478
Alternative assets	<u>13,150,000</u>	<u>12,786,600</u>	--	--
Totals	<u>\$100,780,869</u>	<u>\$ 92,298,126</u>	<u>\$ 93,901,465</u>	<u>\$104,293,658</u>

Net realized gains on sales of investments were \$10,026,863 and \$5,638,104 for the years ended June 30, 2008 and 2007, respectively. Calculation of net realized gains on sales of investments is based on original cost.

8. OTHER ASSETS

Included in other assets are 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, 2008 and 2007 was \$187,534 and \$191,986, respectively. Earnings generated from the project are included in other income. Total net returns for 2008 and 2007 amounted to \$(4,452) and \$21,934, respectively.

(Continued)

WRIGHT STATE UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2008 and 2007

9. 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, 2008 and 2007, the balance of these deposits was \$1,312,457 and \$1,417,102, respectively.

10. 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, 2008 and 2007, the balance owed to the University was \$1,129,141 and \$1,530,344, respectively.

11. 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% (3.22% and 6.07% at June 30, 2008 and 2007, respectively). The line of credit expires December 31, 2009, with an option to extend. The line-of-credit is collateralized with a portion of the Foundation's investments. Outstanding borrowings under the agreement totaled \$500,000 and \$900,000 at June 30, 2008 and 2007, respectively.

Borrowings under the line-of-credit were used to fund the \$1.5 million grant made in 1999 to the University for 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). 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.

(Continued)

WRIGHT STATE UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2008 and 2007

12. NET ASSETS

Net assets, as June 30, 2008 and 2007, are available for the following purposes:

	2008			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Scholarships	\$ 470,093	\$ 21,298,495	\$ 11,670,498	\$ 33,439,086
University programs	278,228	47,282,900	14,208,777	61,769,905
Athletic programs	--	77,776	--	77,776
Research	--	4,267,461	1,551,829	5,819,290
Market stabilization	914,195	--	--	914,195
Undesignated	2,209,511	--	--	2,209,511
Totals	\$ 3,872,027	\$ 72,926,632	\$ 27,431,104	\$ 104,229,763

	2007			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Scholarships	\$ 527,071	\$ 19,110,050	\$ 11,203,643	\$ 30,840,764
University programs	250,000	63,102,002	14,017,146	77,369,148
Athletic programs	--	91,912	--	91,912
Research	--	4,690,953	1,551,829	6,242,782
Market stabilization	917,796	--	--	917,796
Undesignated	3,095,127	--	--	3,095,127
Totals	\$ 4,789,994	\$ 86,994,917	\$ 26,772,618	\$ 118,557,529

(Continued)

WRIGHT STATE UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2008 and 2007

13. FUNCTIONAL CLASSIFICATION OF EXPENSES

Total expenses, classified by both service areas and expense categories for the years ended June 30, 2008 and 2007, consist of the following:

2008

Expense Category	Program Services					Support Services			Totals
	Scholarships	University Programs	Athletic Programs	Research	Miscellaneous Grants	Fund Raising	Management & General		
Salaries and wages	\$ 8,525	\$ 1,777,462	\$ 57,798	\$ 398,358	\$ 144	\$ 229,698	\$ --	\$ 2,471,985	
Employee benefits	83	455,197	22,195	96,290	--	75,894	--	649,659	
Professional services	--	364,432	--	44,429	--	90,637	452,800	952,298	
Supplies	52	312,278	6,264	46,136	1,238	9,543	733	376,244	
Travel	(550)	461,010	79,352	57,674	11,400	172,159	7,349	788,394	
Information and communications	219	532,475	151,234	4,669	48,228	153,138	4,768	894,731	
Maintenance and repair	--	20,542	82,750	20,654	--	925	--	124,871	
Student financial aid	2,343,678	161,375	--	--	--	281	--	2,505,334	
Other	--	34,727	100,469	(698)	62	--	8,478	143,038	
Capital outlay	--	6,613,251	3,400	363,121	--	--	--	6,979,772	
Debt service	--	--	--	--	--	--	36,691	36,691	
Totals	\$ 2,352,007	\$ 10,732,749	\$ 503,462	\$ 1,030,633	\$ 61,072	\$ 732,275	\$ 510,819	\$ 15,923,017	

(Continued)

WRIGHT STATE UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
 June 30, 2008 and 2007

13. FUNCTIONAL CLASSIFICATION OF EXPENSES (Continued)

2007

Expense Category	Program Services					Support Services			Totals
	Scholarships	University Programs	Athletic Programs	Research	Miscellaneous Grants	Fund Raising	Management & General		
Salaries and wages	\$ 8,601	\$ 1,577,394	\$ --	\$ 345,288	\$ --	\$ 246,712	\$ --	\$ 2,177,995	
Employee benefits	--	373,550	--	80,826	--	68,117	--	522,493	
Professional services	--	297,439	2,612	57,997	--	750	327,002	685,800	
Supplies	101	173,785	24,225	76,839	1,379	13,893	565	290,787	
Travel	4,508	275,344	108,397	18,181	13,004	49,925	5,096	474,455	
Information and communications	25,788	105,756	61,270	3,190	41,947	76,470	4,577	318,998	
Maintenance and repair	--	20,941	--	26,350	(68)	1,025	--	48,248	
Student financial aid	2,138,742	(24,812)	--	500	--	--	--	2,114,430	
Other	--	14,591	86,336	(635)	440	402	78,462	179,596	
Capital outlay	--	982,253	--	438,109	--	--	--	1,420,362	
Debt service	--	--	--	--	--	--	55,462	55,462	
Totals	\$ 2,177,740	\$ 3,796,241	\$ 282,840	\$ 1,046,645	\$ 56,702	\$ 457,294	\$ 471,164	\$ 8,288,626	

(Continued)

WRIGHT STATE UNIVERSITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2008 and 2007

14. FUND RAISING EXPENSES

Fund raising expenses, for the years ended June 30, 2008 and 2007, consist of the following:

	<u>2008</u>	<u>2007</u>
Development operations	\$ 136,361	\$ 135,181
Development operations support	151,013	132,170
In-college development officers	146,841	165,128
Community/donor relations	233,060	14,828
Capital campaign expense	65,000	9,987
Totals	<u>\$ 732,275</u>	<u>\$ 457,294</u>

The Foundation partially supports the University's fund raising efforts by underwriting the costs of several of its development department functions and also functions supporting development. Included in these functions are annual appeals, corporate and foundation relations, major donor cultivation donor recognition events, planned giving, gift entry and donor database management.

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

The Foundation also underwrites the costs of University events that enhance relations with the University community and its donors.

15. MANAGEMENT AND GENERAL EXPENSES

Management and general expenses, for the years ended June 30, 2008 and 2007, consist of the following:

	<u>2008</u>	<u>2007</u>
Reimbursement for university staff support	\$ 426,000	\$ 305,538
Professional fees	26,801	21,464
Insurance	16,757	17,694
Board or committee meetings	8,873	7,281
Loan interest	36,691	55,462
Change in reserve for uncollectible pledges	(16,600)	48,000
Other	12,297	15,725
Totals	<u>\$ 510,819</u>	<u>\$ 471,164</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 the reimbursement is subject to annual review and adjustment.

SUPPLEMENTARY INFORMATION



Crowe Horwath LLP
Member Horwath International

REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To Audit Committee of the Board of Trustees
Wright State University Foundation, Inc.
Dayton, Ohio

We have audited the financial statements of Wright State University Foundation, Inc. (a nonprofit organization) as of and for the year ended June 30, 2008, and have issued our report thereon dated October 10, 2008. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Wright State University Foundation, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Wright State University Foundation, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Wright State University Foundation, Inc.'s internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Wright State University Foundation Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Wright State University Foundation Inc. in a separate letter dated October 10, 2008.

This report is intended for the information of the Audit Committee of the Board of Trustees, management and the Ohio Auditor of State and is not intended to be and should not be used by anyone other than these specified parties.



Crowe Horwath LLP

Columbus, Ohio
October 10, 2008



Mary Taylor, CPA
Auditor of State

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
NOVEMBER 25, 2008**