

## **2012**

On September 2, 2011, the Wright State Applied Research Corporation (WSARC) signed an agreement to purchase fee simple interest in an office building located at 4035 Colonel Glenn Highway, Beavercreek, Ohio 45435, for a purchase price of \$1,800,000. The building consists of approximately 34,000 rentable square feet of space and is located on approximately 4.4 acres of land. WSARC completed this purchase agreement and closed on the property on July 13, 2012.

But shows Property and equipment at a value of \$941,986

The have a Due to Wright State liability of \$1,114,822. Per an agreement reached with the University during the year ended June 30, 2012, the amount outstanding of \$1,011,357 was forgiven by the University. This is reflected as a contribution to equity by a related party on the Statement of Activities. So in effect the University loaned them \$1,114,822 and then forgave \$1,011,357 of the loan. Without this contribution to equity they would have had net assets of \$103,525, close to being insolvent.

Total Revenue \$1,837,023

Total Expenses \$2,463,841

Loss (626,818)

They showed impairment of software & equipment of \$(5,851,769)

**They received a contribution to equity from Wright State of \$1,011,357**

## **2013**

As I noted above without WSU's contribution to equity WSARC would have had become insolvent the following year when it had a loss of \$(1,993,982).

Total revenue of \$7,030,581

Total expenses of \$9,024,563

loss of \$(1,993,982).

It recorded more impairment of software and equipment but only \$114,259.

Net Cash Used for Operations

The University made another contribution to equity of 2,186,173. During the year ended June 30, 2013, the state of Ohio awarded the University a grant, a part of which was to be operated by WSARC. The University purchased \$2,186,173 of capital assets for WSARC to use to fulfill the

requirements of the grant. This is reflected as a contribution to equity by a related party on the Statement of Activities.

In 2012 WSARC reported that it had purchased a building. Actually it was WSU that purchased the building as is noted in the 2013 financial statements note 4. Part of the \$5,206,447 Due to Wright State was \$1,800,000 used to purchase the building. As we will see later WSU forgave this debt.

Separately WSARC reports owning land worth \$735,480 and building and improvements worth \$1,437,936 for a total of \$2,173,416. This means they spent \$373,416 making improvement on the building WSU purchased for them.

**The running total of WSU contributions to WSARC as of June 30, 2013 was \$3,197,530.**

## **2014**

Due to Wright State of \$1,972,252.

In 2014 there was also for the first time an asset for WSARC Due from Wright State University \$1,607,132 (includes \$172,760 for rent). This means they figured out a way of charging WSU i.e., more WSU money is flowing to WSARC. Effectively this wipes out most of the \$2 million Due to WSU.

Total Revenue \$11,627,052

Total Expenses \$12,554,955

Loss (927,903)

Net Cash Used for Operations \$(816,171)

Purchases of Property and equipment \$551,327

In 2014 WSARC lists land at \$751,085. This is an increase over the \$735,480 they reported in 2013. This number should not increase unless they purchased additional land i.e., it is not due to appreciation in the value of land. All plant and property is reported at historical costs i.e., purchase price. Buildings and improvements were reported at \$1,973,167 compared to \$1,437,936 in 2013.

The Corporation issued a note receivable to a research foundation on June 30, 2014 for \$300,000. The note bears interest at the five-year treasury rate plus 250 basis points, with the interest rate reset on January 1 of each year. Quarterly payments of accrued interest are to be made beginning July 1, 2014, with the principal due at maturity on December 31, 2024. The note is collateralized by all assets of the borrower. The note receivable is included in other asset in the statement of financial position.

During the year ended June 30, 2014, WSARC began recognizing revenue for space leased to the University in WSARC's building. This is a new development. First WSU buys the building for WSARC and now is paying \$172,760 in rent. We should ask for the number of square feet that the University is renting. The going rate at Wright Executive Center office park is \$17.95 per square foot.

During fiscal year 2014, a donor made a bequest to the University of an office building in the donor's name. The donor has a mortgage on the building of approximately \$2,700,000. During fiscal year 2014, WSARC entered into an agreement with the lender guarantying the debt service payments of the mortgage. As of June 30, 2014, no amounts were recognized as a liability under the financial guaranty in WSARC's statement of financial position.

The University purchased \$924,251 of capital assets for WSARC during the year ended June 30, 2014.

In addition to the capital assets purchased during the year ended June 30, 2014, the University also forgave \$1,800,000 of amount due from WSARC for the purchase of the building. This is reflected as a contribution to equity by a related party on the Statement of Activities for the year ended June 30, 2014.

Thus the University made another contribution to equity of \$2,724,251.

**The running total of WSU contributions to WSARC as of June 30, 2014 was \$5,921,781.**

**I think you can add to that the Due from WSU which would bring the total to \$7,528,913.**

## **2015**

Due to Wright State University 7,126,607

Due from Wright State University 1,718,742 (includes 813,000 for rent)

Total Revenue \$15,243,528

Total Expenses \$15,968,382

Loss \$(724,854)

Net Cash Used for Operations \$(414,948)

Purchases of Property and equipment \$344,445

WSU increased the amount it paid in rent in 2015. It had a Due to for Rent in 2015 of \$813,000 compared to \$172,760 in 2014. The increase in the Due to reflects the additional rent paid by WSU to WSARC, which was \$640,240.

There was no contribution for equity in 2015, but WSU donated \$150,000 in equipment. I think you could add the donation, plus the *additional* Due from WSU which would bring the running total of WSU's subsidy for WSARC to \$7,790,523 since 2012.