

Wayne State University
Consolidated Financial Statements and
Supplemental Information
September 30, 2003 and 2002

Wayne State University
Index
September 30, 2003 and 2002

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Wayne State University

Management's Discussion and Analysis (Unaudited)

INTRODUCTION

The following discussion and analysis provides an overview of the financial position and activities of Wayne State University (the "University") for the year ending September 30, 2003, with selected comparative information for the year ending September 30, 2002. This discussion has been prepared by management and should be read in conjunction with the University's financial statements and related notes.

The University is a comprehensive public institution of higher learning in southeast Michigan with enrollment of over 33,000 students and approximately 2,739 faculty members. It offers a diverse range of programs from bachelor's degrees to post-doctoral degrees, through a framework of departmental units in 13 schools and colleges. The University contributes to the State and nation through related research and public service programs. It employs over 8,000 people.

Excellence in research is a crucial element in the University's mission. Based on the 2001 National Science Foundation Research and Development Expenditures Survey, the most recent survey results available, the University ranked 63rd among all universities and 42nd among public universities. A substantial portion of the University's research is conducted at the School of Medicine. The fiscal year 2001 National Science Foundation Research and Development Expenditures Survey ranked the University 59th in the life sciences category. The University has a research affiliation agreement with the Karmanos Cancer Institute, one of 28 comprehensive cancer research centers designated by the National Cancer Institute. The University also has an Affiliation Agreement (the "agreement") with the Detroit Medical Center ("DMC") which outlines provisions relating to shared resources, facilities and faculties, medical research and teaching, medical student residency programs and medical practice plans. The agreement encompasses critical components and aspects of the University's medical education and life sciences research. The University recently began establishing similar affiliations with other healthcare organizations further ensuring its ability to accomplish those aspects of its mission related to medical education and life sciences research. During 2002, the University was awarded a significant contract from the National Institutes of Health Perinatology Research Branch covering the next 10 years. This is the first such Research Branch program established permanently on a university campus.

USING THE FINANCIAL STATEMENTS

The University's financial report includes three basic financial statements: the Statement of Net Assets, which presents the assets, liabilities, and net assets of the University at the end of the fiscal year, the Statement of Revenues, Expenses and Changes in Net Assets, which reflects revenues and expenses recognized during the fiscal year, and the Statement of Cash Flows, which provides information on major sources and uses of cash during the fiscal year. These financial statements are prepared in accordance with Government Accounting Standards Board (GASB) principles, which establish standards for external financial reporting for public colleges and universities and require that financial statements be presented on a consolidated basis to focus on the university as a whole.

OVERALL FINANCIAL HIGHLIGHTS

The University's financial position remained strong at September 30, 2003 with total assets of \$1.2 billion and liabilities of \$391.6 million. Consolidated net assets, which represent the residual interest in the University's assets after liabilities are deducted, increased \$27.4 million during the year to \$775.1 million.

Wayne State University

Management's Discussion and Analysis (Unaudited)

Summarized aggregate revenues and expenses for the years ending September 30, 2003 and 2002 are as follows:

<i>(in millions of dollars)</i>	2003	2002
Total revenues	\$ 709.1	\$ 669.3
Total expenses	<u>681.7</u>	<u>653.2</u>
Increase in net assets	<u>\$ 27.4</u>	<u>\$ 16.1</u>

Fiscal year 2003 revenues increased \$39.8 million (6.0%), while expenses increased \$28.5 million (4.4%). The relationship between the relative increases in revenues and expenses demonstrates the University's continued commitment to fiscal restraint. A detailed discussion of specific revenue and expense categories and activity is included on pages 7-10 of Management's Discussion and Analysis.

STATEMENT OF NET ASSETS

The Statement of Net Assets presents the financial position of the University at the end of the fiscal year and includes all assets and liabilities of the University. The difference between total assets and total liabilities, net assets, is one indicator of the current financial condition of the University while the change in net assets is an indicator of how the current year's operations have affected the overall financial condition of the University. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allowance for depreciation.

A summarized comparison of the University's assets, liabilities and net assets on September 30, 2003 and 2002 is as follows:

<i>(in millions of dollars)</i>	2003	2002
Current assets	\$ 358.2	\$ 324.4
Noncurrent assets		
Investments	149.7	131.2
Capital assets, net	621.3	586.0
Noncurrent receivables, net	36.4	38.0
Other	<u>1.1</u>	<u>.8</u>
Total assets	<u>1,166.7</u>	<u>1,080.4</u>
Current liabilities	165.4	149.7
Noncurrent liabilities	<u>226.2</u>	<u>183.0</u>
Total liabilities	<u>391.6</u>	<u>332.7</u>
Net assets	<u>\$ 775.1</u>	<u>\$ 747.7</u>

Wayne State University Management's Discussion and Analysis (Unaudited)

Current assets are comprised primarily of cash and temporary investments and accounts receivable of \$346 million and \$313 million for 2003 and 2002, respectively. Cash and temporary investments were \$249 million at September 30, 2003, as compared to \$216 million at September 30, 2002. Cash and investments at September 30, 2003 represent approximately five months of operating expenses (excluding depreciation).

Current liabilities consist primarily of deferred income, accounts payable and accrued expenses due within one year. Current liabilities at September 30, 2003 have increased by \$15.8 million when compared to September 30, 2002. This increase was primarily due to an increase in tuition related deferred income of \$8.4 million, which represents student tuition payments for the 2003 fall academic term, which will be recognized as revenue in fiscal year 2004. This increase resulted from tuition rate increases and favorable enrollment trends for fall term 2003. There were also deferred income increases related to sponsored programs, (\$2.8 million) and fall term residence hall room and board payments (\$1.2 million). The balance of the current liability increase results from routine operating activity associated with trade payables.

An overall analysis of the University current assets and current liabilities indicate strong current ratios, 2.2 for fiscal years 2003 and 2002.

The most significant change in the noncurrent asset section of the statement of net assets was the \$35.3 million increase in net capital assets. This was due primarily to new building activity, which is discussed in the Capital and Debt Activities section on page 4, offset by depreciation expense of \$43.3 million. There is a related increase in noncurrent liabilities, which represents the issuance of additional bonds to finance the aforementioned capital activity, more fully discussed on page 4.

INVESTMENTS

The University's investments are accounted for in the Endowment Fund and are held and managed by the Wayne State University Foundation. These investments increased \$18.5 million to \$149.7 million at September 30, 2003, compared to \$131.2 million at September 30, 2002. Factors contributing to the increase in investments include investment income and gifts to permanent endowments, net of distributions from endowment funds to beneficiary accounts.

The University's endowment funds consist of both permanent endowments and funds functioning as endowment. Permanent endowments are those funds received from donors with the stipulation that the principal remain inviolate and be invested into perpetuity to produce income to be distributed consistent with the donors' restrictions. Funds functioning as endowments consist of amounts (restricted gifts or unrestricted funds) that have been allocated by the University for long-term investment purposes, although these amounts are not subject to donor restrictions requiring the University to preserve the principal in perpetuity. Programs supported by the endowments include scholarships, fellowships, professorships, research efforts and other important programs and activities.

The University uses its endowments to support operations in a way that strikes a balance by generating a predictable stream of annual support for current needs and preserving the purchasing power of the endowment funds for future periods. The endowment spending rate policy provides for an annual distribution of 5% of a 2½-year moving average market value (measured at six month intervals) of endowment assets. Actual distributions were 4.7% and 5.4% of the current market value of the endowments in fiscal year 2003 and 2002, respectively.

Wayne State University

Management's Discussion and Analysis (Unaudited)

CAPITAL AND DEBT ACTIVITIES

One of the critical factors in continuing the quality of the University's academic and research programs and residential life is the development and renewal of its capital assets. The University continues to implement its long-range facilities plan by balancing its efforts to modernize its complement of older teaching and research facilities with the construction of new facilities.

Capital additions during 2003 totalled \$93.5 million, as compared to \$112.2 million in 2002. Capital additions consist primarily of the replacement, renovation and new construction of academic, research, and other ancillary facilities, and the significant investment in equipment including information technology. Current year capital asset additions were funded with capital appropriations, debt proceeds, gifts, and unrestricted net assets, which were designated for capital purposes.

In its role of financial stewardship, the University works to manage its financial resources effectively, including the use of debt to finance capital projects. Its most recent credit rating is AA- by Fitch, Inc. and Standard & Poor's Rating Service. The highest achievable ratings are "AAA." Management believes these ratings represent key indicators of its capacity to meet its financial obligations.

Bonds payable totalled \$202.0 million and \$158.3 million at September 30, 2003 and 2002, respectively. This increase is largely attributable to the \$45.7 million of General Revenue bonds issued in October 2002. The proceeds of this issuance were used to finance construction of the University's South Residence Hall, acquisition and renovation of the building at 110 E. Warren, major parking structure and lot improvements and renovations, and renovations related to facilities associated with the Perinatology Research Branch contract.

Subsequent to September 30, 2003, the University issued \$56.2 million in additional bonds. These funds will be used to finance major renovations to research laboratories across the campus, renovations to 5057 Woodward, and additional renovations associated with the Perinatology Research Branch laboratories.

The University continues to invest in its facilities infrastructure. Over the past five years, the University has spent approximately \$320 million on new buildings, renovation of existing buildings, land acquisitions and land improvements. Among the new buildings and renovations are the Eugene Applebaum College of Pharmacy and Health Sciences building and parking garage, the Welcome Center, bookstore and parking garage, two residence halls, the Law School addition, and the acquisition of the buildings at 110 E. Warren and 5057 Woodward.

Wayne State University

Management's Discussion and Analysis (Unaudited)

NET ASSETS

Net assets represent the residual interest in the University's assets after liabilities are deducted. The University's net assets on September 30, 2003 and 2002 are summarized as follows:

<i>(in millions of dollars)</i>	2003	2002
Invested in capital assets, net of related debt	\$ 423.1	\$ 428.5
Restricted		
Nonexpendable	84.3	76.4
Expendable	106.0	100.1
Unrestricted	<u>161.7</u>	<u>142.7</u>
Total net assets	<u>\$ 775.1</u>	<u>\$ 747.7</u>

Descriptions of the components of total net assets are as follows:

Capital assets, net of related debt - Represents the University's investment in property, plant and equipment, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. Changes in the balance from year to year result from capital additions, issuance and payments of debt, retirement of assets, and depreciation expense.

Restricted nonexpendable - Represents the University's permanent endowment funds. Such net assets represent the corpus portion of gifts to the University's permanent endowment funds.

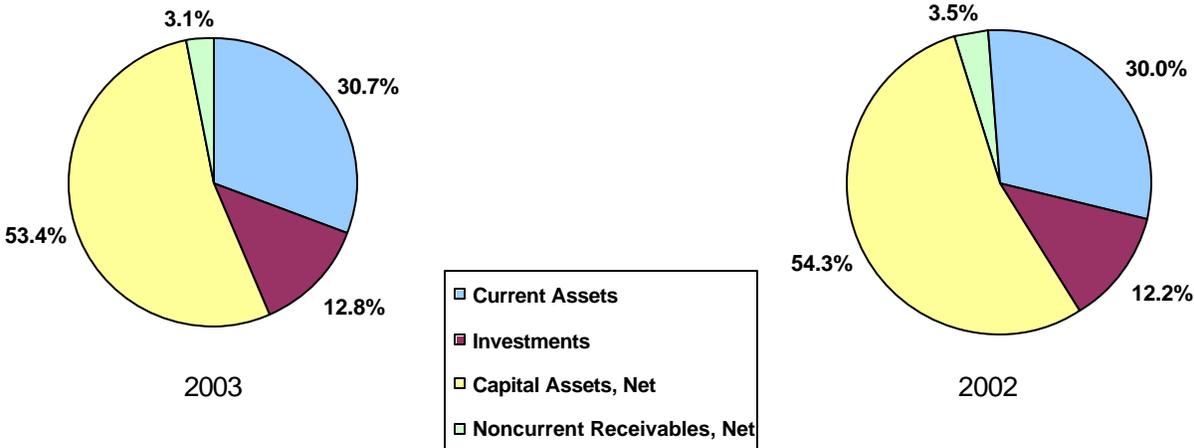
Restricted expendable - Are comprised primarily of external gifts and are subject to externally imposed restrictions governing their use. This category of net assets includes \$63.3 million of funds functioning as endowments. This category of net assets also include undistributed accretions of permanent endowment investments.

Unrestricted - Represents funds which are not subject to externally imposed stipulations, however most of the University's unrestricted net assets at September 30, 2003 have been designated for various academic, research and administrative programs, as well as capital projects.

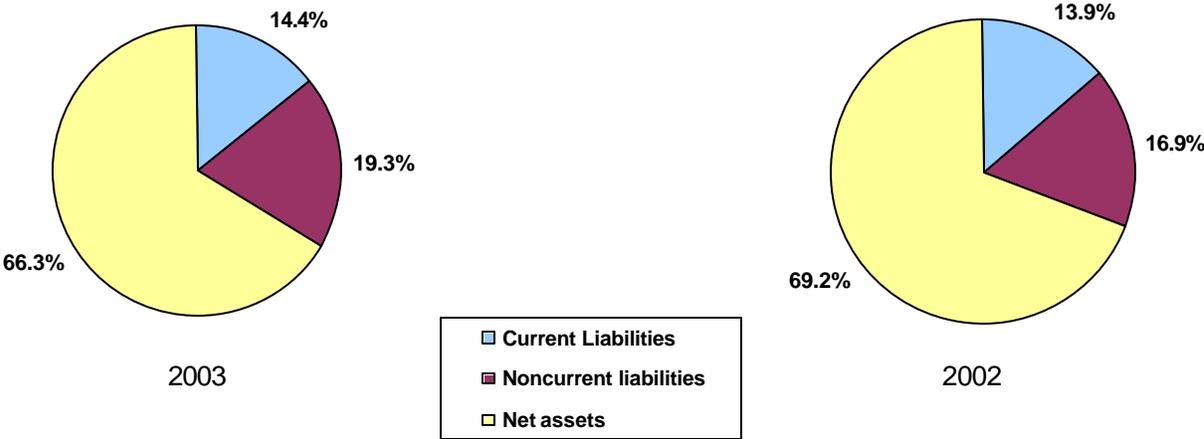
**Wayne State University
Management's Discussion and Analysis (Unaudited)**

The following is a graphic illustration of the composition of the University's Consolidated Statement of Net Assets at September 30, 2003 and 2002:

Assets



Liabilities and Net Assets



Wayne State University

Management's Discussion and Analysis (Unaudited)

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

The Statement of Revenues, Expenses and Changes in Net Assets presents the operating results of the University. A brief summary, discussion, and analysis of various aspects of this statement follow.

Various revenue categories included in the statement are as follows:

<i>(in millions of dollars)</i>	2003	2002
Operating revenues		
Student tuition and fees	\$ 148.0	\$ 131.7
Less: Scholarship allowances	<u>39.9</u>	<u>34.1</u>
Net student tuition and fees	108.1	97.6
Sponsored programs	237.8	233.6
Other	<u>29.7</u>	<u>28.9</u>
Operating revenues	375.6	360.1
Nonoperating revenues		
State appropriations	245.5	256.9
Private gifts	30.2	22.4
Net investment (loss) income	40.1	(1.5)
State capital appropriations	6.1	19.3
Capital and endowment gifts and grants	<u>11.6</u>	<u>12.1</u>
Net nonoperating revenues	333.5	309.2
Total revenues	<u>\$ 709.1</u>	<u>\$ 669.3</u>

Revenue streams from various sources supplement the University's student tuition and fees revenue. These sources include state appropriations, federal and state sponsored programs, private gifts and grants and investment income. The state appropriations are the University's largest single revenue source. As a result, the University is reliant on state appropriations to fund its operations. The University has in the past and will continue to seek funding from all possible sources consistent with its mission, to supplement student tuition, and to prudently manage the financial resources realized from these efforts to fund its operating activities.

Operating revenues for fiscal year 2003 were \$375.6 million compared to \$360.1 million in fiscal year 2002, an increase of 4.3%. This increase is primarily attributable to increases in net student tuition and fees and sponsored program revenue. Net tuition and fees, which provide a significant component of the funding for instructional programs and fellowships, increased \$10.5 million, or 10.8% to \$108.1 million in 2003. This trend was primarily a result of increased student enrollment (6.2%), increased average credit hours per student (5.5%) and tuition/fee rate increases of approximately 9%. Revenues for sponsored programs increased 1.8%, or \$4.2 million, to \$237.8 million during fiscal year 2003. These two revenue sources comprise over 90% of the University's operating revenues.

Auxiliary activities, which are included in the "other" category, experienced a \$2.9 million revenue increase as well. This revenue increase relates primarily to room and board fees generated since the opening of the new residence halls and parking rate increases for staff and students.

Wayne State University Management's Discussion and Analysis (Unaudited)

Net nonoperating revenues for 2003 and 2002 totalled \$333.5 million and \$309.2 million, respectively. The primary source of nonoperating revenue is state appropriations. During 2003, the University experienced an \$11.4 million (4.4%) overall reduction in its operating appropriation as a result of mid-year budget reductions imposed by the State of Michigan. State capital appropriations were down for the year as well, declining \$13.1 million (68.4%) from \$19.2 million in 2002 to \$6.1 million in 2003.

Net investment income, also a significant source of nonoperating income during 2003, increased by \$41.6 million (including unrealized market value appreciation of \$12.0 million) over 2002. Of the actual current year net investment income from all sources, which totalled \$40.1 million in 2003, compared to net investment losses of (\$1.5) million in 2002, \$21.6 million of this investment income is attributable to the University's endowments with the remainder (\$18.5 million) representing the investment income of all other University funds.

The revenue trends, discussed above, coupled with the University's cost reductions, helped mitigate the impact of the \$11.4 million reduction in the University's state appropriations.

The University's endowment investment policies are designed to maximize long-term total return while its income distribution policies are designed to preserve the value of the endowment and to generate a predictable stream of spendable income. The income distribution from the University's endowment fund investment portfolios for the support of operating activities, in accordance with the University's spending rate policy, totalled \$7.2 million in 2003 as compared to \$7.1 million in 2002.

State capital appropriations received from the State of Michigan in 2003 funded a portion of the new Welcome Center and Eugene Applebaum College of Pharmacy and Health Sciences buildings.

Capital and endowment gifts and grants represent funds received from foundations, individuals and other private sources.

Wayne State University Management's Discussion and Analysis (Unaudited)

Operating and nonoperating expenses by functional classification, are presented below:

<i>(in millions of dollars)</i>	2003	2002
Operating expenses		
Instruction	\$ 227.7	\$ 229.2
Research	148.1	143.6
Public service	40.3	41.4
Academic support	57.4	58.8
Student services	30.6	30.0
Scholarships and fellowships	2.7	3.2
Institutional support	59.7	58.6
Operations and maintenance of plant	54.2	47.6
Auxiliary activities	15.0	11.3
Depreciation expense	43.3	41.4
Capital additions, net	<u>(21.0)</u>	<u>(20.9)</u>
Total operating expenses	658.0	644.2
Nonoperating		
Interest expense and other	<u>23.7</u>	<u>9.0</u>
Total expenses	<u>\$ 681.7</u>	<u>\$ 653.2</u>

Operating expenses for 2003, including depreciation of \$43.3 million, totalled \$658.0 million compared to \$644.2 million in 2002.

As previously discussed, despite necessary cost reductions, the University maintained its commitment to instruction. General Fund expenditures for instruction increased \$4.4 million (2.8%) to \$159.5 in 2003 as compared to \$155.1 million in 2002. The overall decline in consolidated instruction expenditures is attributable to decreases in the Expendable Restricted Fund and the Designated Fund of 1.4% and 3.7%, respectively.

Significant expense increases include a \$4.5 million (3.1%) increase in research expenses, which bears a direct correlation to the increase in research revenues, a \$6.6 million (13.9%) increase in plant maintenance and operations resulting from increases in utilities and maintenance associated with new buildings and facilities and overall rapidly escalating utility rates which affected virtually all university buildings and facilities. Lastly, a \$3.7 million or 32.7% increase in the expenses associated with the University's Auxiliary activities is attributed to the costs associated with operations and maintenance of two new residence halls, the opening of a new parking structure and increased expenditures to improve the University's parking facilities and operations. The increase in depreciation expense is a result of the University's on-going investment in its physical facilities and equipment.

Net capital additions represents equipment, library books and administrative information technology systems expenditures that are included in the operating functional classifications of expenses, but are capitalized for financial statement reporting.

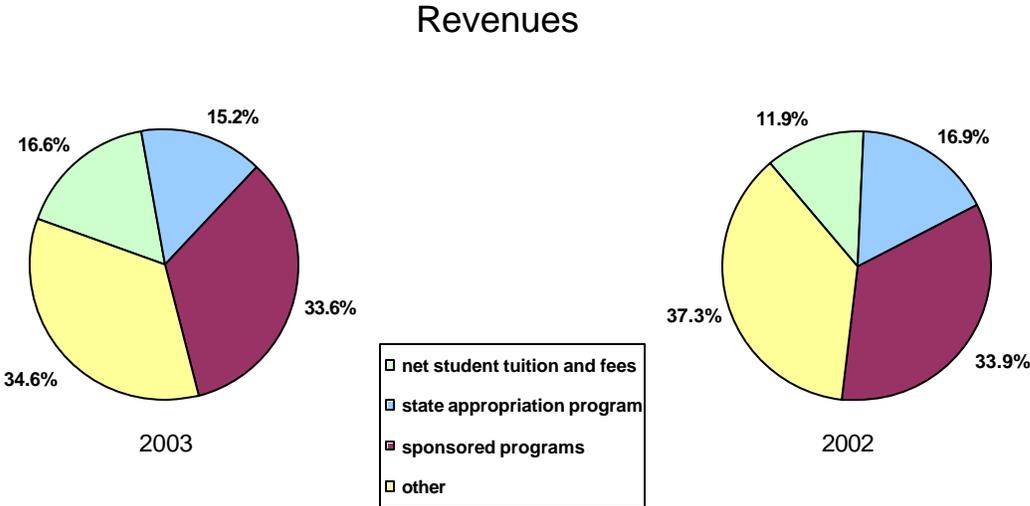
**Wayne State University
Management’s Discussion and Analysis (Unaudited)**

The \$14.7 million increase in nonoperating expenses in fiscal year 2003 is comprised of an increase of \$1.5 million in interest expense on the increased bond indebtedness and an increase of \$11 million related to the write off of the undepreciated costs of assets below \$2,500, consistent with recent changes to the University’s asset capitalization policy.

The overall impact of expense increases was partially offset by decreased spending levels necessitated by the reduction in state appropriations and achieved by the cost control measures adopted by the university early in the fiscal year.

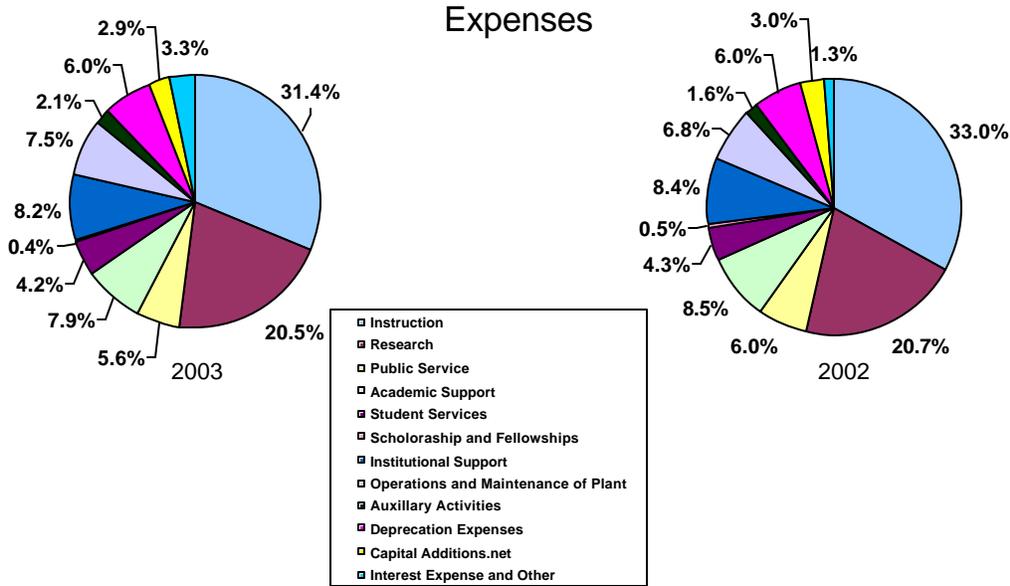
Notwithstanding required expense reductions and cutbacks, the university remains committed to assuring that the expenditure of its resources focuses on its core missions of instruction, research, and public service.

The following is a graphic illustration of fiscal year 2003 and 2002 revenues by source:



**Wayne State University
Management’s Discussion and Analysis (Unaudited)**

The following is a graphic illustration of fiscal year 2003 and 2002 expenses by function:



It should be noted that General Fund expenditures for instruction increased by \$4.4 million (2.8%) to \$159.5 in 2003 as compared to \$155.1 million in 2002.

STATEMENT OF CASH FLOWS

The statement of cash flows provides additional information about the University’s financial results by reporting the major sources and uses of cash. A comparative summary of the statement of cash flows for the years ending September 30, 2003 and 2002 is as follows:

<i>(in millions of dollars)</i>	2003	2002
Cash received from operations	\$ 389.9	\$ 369.8
Cash expended from operations	(610.7)	(610.9)
Net cash used in operating activities	(220.8)	(241.1)
Net cash provided by investing activities	18.1	6.5
Net cash used in capital and related financing activities	(41.6)	(63.5)
Net cash provided by noncapital financing activities	277.6	286.8
Net increase (decrease) in cash and temporary investments	33.3	(11.3)
Cash and temporary investments		
Beginning of year	216.0	227.3
End of year	\$ 249.3	\$ 216.0

Wayne State University Management's Discussion and Analysis (Unaudited)

The amount of cash used in operating activities in 2003 was \$20.3 million less than in 2002 as a result of the University implementing numerous cost control initiatives. In addition, the positive flow of funds provided by noncapital financing activities offset the use of funds by operating activities and capital and related financing activities. The University's most significant source of cash provided by noncapital financing activities is State appropriations which totalled \$245.5 and \$256.9 million in fiscal years 2003 and 2002, respectively.

ECONOMIC FACTORS AFFECTING THE FUTURE

These are challenging financial times for higher education, particularly in the State of Michigan. As a result of economic pressures affecting the State of Michigan, state appropriations, our largest single revenue source, has been reduced 10.2% (\$25.4 million), as a result of the 4.4% mid-year reduction in 2003 and a 5.8% reduction for fiscal year 2004. This reduction, combined with continued increases in the cost of utilities, health care and compensation, have required management to institute cost containment measures and operating efficiencies in an effort to balance the budget. The University's reliance on state appropriations creates a direct relationship between future appropriation reductions and the need to increase tuition and fees. While the State of Michigan's State Building Authority has supported the University's renewal of core academic facilities in the past, the economic pressures affecting the State may also affect future support in this area.

Private gifts are an important supplement to the fundamental support provided by state appropriations and student tuition, and a significant factor in the growth of academic units. Economic pressures affecting donors may also affect the future level of support the University receives from corporate and individual giving.

Report of Independent Auditors

To the Board of Governors of
Wayne State University

In our opinion, the accompanying consolidated statements of net assets and the related consolidated statements of revenues, expenses and changes in net assets, and cash flows present fairly, in all material respects, the consolidated financial position of Wayne State University at September 30, 2003 and 2002, and its consolidated revenues, expenses and 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 University'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 audits 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.

The Management's Discussion and Analysis on pages 1-12 is not a required part of the consolidated financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the method of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

PricewaterhouseCoopers LLP

January 30, 2004

Wayne State University
Consolidated Statements of Net Assets
September 30, 2003 and 2002

	2003	2002
Assets		
Current assets		
Cash and temporary investments	\$ 249,255,780	\$ 215,967,058
Current receivables, net	96,314,454	97,399,444
Inventories	1,708,014	1,732,619
Deposits and prepaid expenses	10,880,720	9,281,589
Total current assets	<u>358,158,968</u>	<u>324,380,710</u>
Investments	149,679,940	131,189,330
Noncurrent receivables, net	36,369,923	37,991,597
Unamortized bond issue costs	1,135,437	843,084
Property, plant and equipment, net	621,361,940	585,965,876
Total assets	<u>\$ 1,166,706,208</u>	<u>\$ 1,080,370,597</u>
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	\$ 70,651,593	\$ 69,148,854
Deferred income	86,011,219	73,458,426
Deposits	4,541,849	3,499,260
Current portion of long-term debt	4,240,109	3,522,559
Total current liabilities	<u>165,444,770</u>	<u>149,629,099</u>
Federal portion of student loan funds	24,636,350	24,742,684
Accrued employee benefits	3,732,115	3,471,705
Long-term debt	197,758,031	154,831,141
Total liabilities	<u>391,571,266</u>	<u>332,674,629</u>
Net assets		
Investment in capital assets, net of related debt	423,086,813	428,455,260
Restricted		
Nonexpendable	84,302,661	76,370,685
Expendable	106,044,679	100,128,557
Unrestricted	161,700,789	142,741,466
Total net assets	<u>775,134,942</u>	<u>747,695,968</u>
Total liabilities and net assets	<u>\$ 1,166,706,208</u>	<u>\$ 1,080,370,597</u>

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

Wayne State University
Consolidated Statements of Revenues, Expenses
and Changes in Net Assets
Years Ended September 30, 2003 and 2002

	2003	2002
Operating revenues		
Student tuition and fees	\$ 147,965,818	\$ 131,761,424
Less: Scholarship allowances	<u>39,889,148</u>	<u>34,105,041</u>
Net student tuition and fees	108,076,670	97,656,383
Federal grants and contracts	121,232,516	115,249,562
State and local grants and contracts	20,557,777	19,656,880
Nongovernmental grants and contracts	95,963,900	98,647,134
Departmental activities	11,246,574	13,969,127
Auxiliary activities (net of scholarship allowance of \$1,825,107 in 2003 and \$1,451,000 in 2002)	17,091,975	12,418,306
Other	<u>1,385,717</u>	<u>2,554,381</u>
Total operating revenues	<u>375,555,129</u>	<u>360,151,773</u>
Operating expenses		
Instruction	227,668,787	229,153,434
Research	148,101,861	143,566,920
Public service	40,341,344	41,491,278
Academic support	57,402,803	58,842,406
Student services	30,593,501	29,993,064
Scholarships and fellowships	2,666,563	3,173,690
Institutional support	59,718,125	58,590,179
Operations and maintenance of plant	54,174,312	47,607,896
Auxiliary activities	15,036,654	11,342,404
Depreciation expense	43,313,757	41,371,062
Capital additions, net	<u>(21,047,124)</u>	<u>(20,937,740)</u>
Total operating expenses	<u>657,970,583</u>	<u>644,194,593</u>
Operating loss	(282,415,454)	(284,042,820)
Nonoperating revenues (expenses)		
State appropriations	245,520,223	256,899,036
Gifts	30,162,916	22,431,642
Interest expense on capital asset related debt	(8,389,354)	(6,915,064)
Net investment income (loss)	40,141,401	(1,504,692)
Other	<u>(1,692,064)</u>	<u>(539,109)</u>
Net nonoperating revenues	<u>305,743,122</u>	<u>270,371,813</u>
Income (loss) before capital and endowment activity	23,327,668	(13,671,007)
State capital appropriations	6,123,696	19,272,879
Capital gifts	7,697,970	9,689,969
Write off of capital assets	(13,620,013)	(1,603,529)
Private gifts for endowment purposes	<u>3,909,653</u>	<u>2,395,655</u>
Increase in net assets	27,438,974	16,083,967
Net assets		
Beginning of year	<u>747,695,968</u>	<u>731,612,001</u>
End of year	<u>\$ 775,134,942</u>	<u>\$ 747,695,968</u>

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

Wayne State University
Consolidated Statements of Cash Flows
Years Ended September 30, 2003 and 2002

	2003	2002
Cash flows from operating activities		
Tuition and fees	\$ 109,594,866	\$ 100,056,334
Grants and contracts	242,900,151	230,493,540
Auxiliary activities	16,090,293	13,802,714
Departmental activities	11,523,415	16,930,954
Loans issued to students	(5,119,021)	(5,356,902)
Collection of loans from students	8,344,710	5,905,650
Scholarships and fellowships	(4,282,773)	(4,640,774)
Payments to suppliers	(151,330,115)	(166,246,088)
Payments to employees	(449,925,460)	(434,636,901)
Other receipts	<u>1,366,086</u>	<u>2,564,381</u>
Net cash used by operating activities	<u>(220,837,848)</u>	<u>(241,127,092)</u>
Cash flows from noncapital financing activities		
State appropriations	244,766,818	257,487,916
Gifts	32,599,356	25,883,938
Private gifts for endowment purposes	3,909,653	2,395,655
Student direct lending receipts	65,495,139	57,171,108
Student direct lending disbursements	(65,363,185)	(56,516,553)
FFELPS student lending receipts	41,345,984	17,617,828
FFELPS student lending disbursements	(43,999,520)	(17,518,439)
Other	<u>(1,139,921)</u>	<u>317,606</u>
Net cash provided by noncapital financing activities	<u>277,614,324</u>	<u>286,839,059</u>
Cash flows from capital and related financing activities		
State capital appropriations	14,670,824	18,955,154
Capital gifts and grants	10,406,436	3,426,842
Proceeds from issuance of debt and other long term obligations	45,700,000	26,400,000
Bond issue costs paid and discount	(577,412)	(469,574)
Purchase of capital assets	(100,440,732)	(102,040,298)
Principal paid on capital debt	(2,936,667)	(2,826,667)
Interest paid on capital debt	<u>(8,434,983)</u>	<u>(6,961,965)</u>
Net cash used by capital and related financing activities	<u>(41,612,534)</u>	<u>(63,516,508)</u>
Cash flows from investing activities		
Investment income, net	28,322,233	11,730,715
Proceeds from sales and maturities of investments	146,834,966	137,737,279
Purchase of investments	<u>(157,032,419)</u>	<u>(142,955,169)</u>
Net cash provided by investing activities	18,124,780	6,512,825
Net increase (decrease) in cash and temporary investments	33,288,722	(11,291,716)
Cash and temporary investments		
Beginning of year	<u>215,967,058</u>	<u>227,258,774</u>
End of year	<u>\$ 249,255,780</u>	<u>\$ 215,967,058</u>
Reconciliation of operating loss to net cash used by operating activities		
Operating loss	\$ (282,415,454)	\$ (284,042,820)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation expense	43,313,757	41,371,062
Change in assets and liabilities		
Accounts receivable, net	3,015,433	109,044
Inventories and other assets	(1,574,527)	(175,085)
Accounts payable and accrued expenses	10,432,594	(2,341,905)
Deposits held for others	1,042,590	315,596
Deferred income	5,087,349	3,995,808
Accrued employee benefits	<u>260,410</u>	<u>(358,792)</u>
Net cash used by operating activities	<u>\$ (220,837,848)</u>	<u>\$ (241,127,092)</u>

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

Wayne State University

Notes to Consolidated Financial Statements

1. Organization and Summary of Significant Accounting Policies

Organization and Basis of Presentation

Wayne State University (The University) is a state-supported institution with an enrollment of over 33,000 students. The financial statements include the individual schools, colleges and departments and all controlled organizations. The controlled organizations are the Wayne State University Housing Authority and the Wayne State University Foundation. The Housing Authority manages the University's residence halls and apartment related activities, while the Foundation facilitates the University's fund-raising activities and manages its endowment funds. While the University is a political subdivision of the State of Michigan, it is not a component unit of the State as defined by the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*. The University is classified as a State instrumentality under Internal Revenue Code Section 115, and is also classified as an educational organization under Internal Revenue Code Section 501 (c) (3), and is therefore generally exempt from federal and state income taxes. Certain activities of the University may be subject to taxation as unrelated business income under Internal Revenue Code Sections 511 to 514.

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, as prescribed by the GASB and the American Institute of Certified Public Accountants' Audit and Accounting Guide, *State and Local Governments*. The statements of net assets, revenues, expenses and changes in net assets, and cash flows are reported on a consolidated basis, and all intra-university transactions are eliminated as required by GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis – for Public Colleges and Universities*.

The university has the option of applying pronouncements issued by the Financial Accounting Standards Board ("FASB") after November 30, 1989, provided that such pronouncements do not conflict or contradict GASB pronouncements. The university has elected not to apply FASB pronouncements issued after November 30, 1989.

Consistent with GASB Statement No. 35, the University classifies its resources for accounting purposes into the following four net assets categories:

- **Invested in capital assets, net of related debt** - Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.
- **Restricted**
 - Nonexpendable** – Net assets subject to externally imposed stipulations that require they be maintained permanently by the University. Such net assets represent the corpus portion of gifts to the University's permanent endowment funds.
 - Expendable** – Net assets whose use by the University is subject to externally imposed stipulations that can be fulfilled by actions of the University or that expire with the passage of a specified time. Such net assets include restricted gifts for current operations and undistributed accretions of permanent endowment investments in the amount of \$17,600,000 and \$9,130,000 as of September 30, 2003 and 2002, respectively.

Wayne State University

Notes to Consolidated Financial Statements

- **Unrestricted:** Net assets that are not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of management or the Board of Governors or may otherwise be limited by contractual agreements with outside parties. Substantially all unrestricted net assets have been designated for academic and research programs and initiatives, and capital programs.

Summary of Significant Accounting Policies

The accompanying financial statements have been prepared on the accrual basis. The University reports as a Business Type Activity, as defined by GASB Statement No. 35. Business Type Activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

Student tuition and residence fees are presented net of scholarships and fellowships applied to student accounts, while stipends and other payments made directly to students are presented as scholarship and fellowship expenses.

Consistent with GASB No. 35, the University defines operating activities as reported in the statement of revenues, expenses and changes in net assets as those that generally result from exchange transactions such as payments received for tuition and fees, as well as research services and payments made for services or goods received. Nearly all of the University's expenses are from exchange transactions. State appropriations, gifts and investment activity are recorded as non-operating revenue.

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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Investments

Investments in marketable securities are carried at fair value, as established by the major securities markets. Purchases and sales of investments are accounted for on the trade date basis. Realized and unrealized gains and losses are reported as investment income.

For donor restricted endowments, the Uniform Management of Institutional Funds Act, as adopted in Michigan, permits the Board of Governors to appropriate an amount of realized and unrealized endowment appreciation as they determine prudent. The University's policy is to retain the realized and unrealized appreciation with the endowment after spending rule distributions are applied.

Deferred Income

Deferred income includes amounts received in advance of an event, such as portions of student tuition received prior to the beginning of the fall term. Deferred revenue also consists of amounts received from grant and contract sponsors which have not yet been earned under the agreement. This revenue is recognized only to the extent resources have been expended.

Receivables

Receivables from sponsoring agencies include billed amounts of \$24,772,917 and \$24,681,759 and unbilled amounts of \$13,811,476 and \$19,192,341 at September 30, 2003 and 2002, respectively. Reserves have been provided for possible losses on receivables from sponsoring agencies, student accounts receivable and student and other notes receivable.

Wayne State University

Notes to Consolidated Financial Statements

Inventories

Inventories are stated at the lower of cost or market.

Property, Plant and Equipment

Property, plant and equipment is recorded at cost or, if acquired by gift, at the fair market value as of the date of donation. Depreciation is computed on the straight-line method over the estimated service lives (five to forty years) of the respective assets.

Revenue Recognition

State appropriations for current and capital funds are recognized in the period they are appropriated. State Building Authority funds are recognized when the State Building Authority receives the proceeds from the bonds issued for the project or when the University incurs State Building Authority capital project expenditures, whichever occurs first.

The University receives pledges and bequests of financial support from corporations, foundations and individuals. Revenue is recognized when a pledge representing an unconditional promise to pay is received and all eligibility requirements, including time requirements, have been met. In the absence of such promise, revenue is recognized when the gift is received. Endowment pledges and conditional promises do not meet eligibility requirements, as defined by GASB Statement No. 33, *Financial Reporting for Non-Exchange Transactions*, and are not recorded as assets until the related gift is received.

Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the estimated future cash flows. The discounts on these amounts are computed using risk-free interest rates applicable to the years in which the promises are made, commensurate with expected future payments. An allowance for uncollectible pledges receivable is provided based on management's judgment of potential uncollectible amounts. The determination includes such factors as prior collection history, type of gift and nature of the fundraising.

The University disbursed approximately \$109,363,000 and \$74,034,000 in 2003 and 2002, respectively, for student loans through the U.S. Department of Education federal direct lending and federal guaranteed student loan programs. These distributions and related funding sources are not included as expenditures and revenues in the accompanying consolidated Statement of Revenues, Expenses and Changes in Net Assets.

Reclassifications

Certain fiscal year 2002 balances have been reclassified to conform to the current-year presentation.

Wayne State University

Notes to Consolidated Financial Statements

2. Cash and Temporary Investments

Cash and temporary investments are stated at fair value.

In accordance with Governmental Accounting Standards Board Statement No. 3, investments are classified into three categories to give an indication of the level of credit risk assumed by the University. These categories are defined as follows:

Category 1: Investments that are insured or registered, or securities held by the University or its agent in the University's name.

Category 2: Uninsured and unregistered investments held by the broker's or dealer's trust department or agent in the University's name.

Category 3: Uninsured and unregistered investments held by the broker or dealer, or by its trust department or agent, but not in the University's name.

Of the total cash balances, \$3,807,135 and \$5,026,955 at September 30, 2003 and 2002, respectively, \$469,509 in 2003 and \$458,123 in 2002 were covered by federal depository insurance. The remaining amounts were uninsured and uncollateralized, as the University is precluded by state law from collateralizing its deposits.

The classification, category and fair value (carrying amount) of cash and temporary investments as of September 30, 2003 and 2002 are as follows:

Classification	September 30, 2003			Total Fair Value
	Category			
	1	2	3	
Temporary investments				
Fixed income investment pools				
Intermediate	\$ -	\$ -	\$ 53,041,366	\$ 53,041,366
U.S. government and short-term	-	-	144,362,724	144,362,724
Institutional prime money market	-	-	5,465,373	5,465,373
Commercial paper	-	9,988,450	-	9,988,450
Certificates of deposit	127,058	11,250,442	-	11,377,500
Student loan-backed securities	-	31,000,000	-	31,000,000
Other	5,251,830	-	-	5,251,830
	<u>\$ 5,378,888</u>	<u>\$ 52,238,892</u>	<u>\$202,869,463</u>	<u>260,487,243</u>
Cash overdraft				<u>(11,231,463)</u>
				<u>\$249,255,780</u>

Wayne State University
Notes to Consolidated Financial Statements

Classification	September 30, 2002			Total Fair Value
	Category			
	1	2	3	
Temporary investments				
Fixed income investment pools				
Intermediate	\$ -	\$ -	\$ 52,155,500	\$ 52,155,500
U.S. government and short-term	-	-	112,389,326	112,389,326
Institutional prime money market	-	-	24,314,777	24,314,777
Commercial paper	-	11,992,860	-	11,992,860
Certificates of deposit	126,164	8,000,000	-	8,126,164
Student loan-backed securities	-	21,000,000	-	21,000,000
Other	624,811	-	-	624,811
	<u>\$ 750,975</u>	<u>\$ 40,992,860</u>	<u>\$188,859,603</u>	<u>230,603,438</u>
Cash overdraft				<u>(14,636,380)</u>
				<u>\$215,967,058</u>

Cash and temporary investments include bond proceeds of \$19.4 million and \$19.3 million, for fiscal years 2003 and 2002, respectively, that are restricted for capital purposes.

Cash balances in the various funds of the University are pooled and may be invested in short-term, interest-bearing instruments. The Board of Governors' policy allows investments to be made in bank repurchase agreements, corporate fixed income securities (maturing less than or equal to three years), municipal obligations, bank certificates of deposit, United States Treasury bills and notes, other United States agency notes, commercial paper, bankers' acceptances, secondary market certificates of deposit and any other instruments that have been selected and approved by the Common Fund Short and Intermediate-Term investment pools, including the Global Fund.

Board policy states that commercial paper shall have a minimum rating of P-1 by Moody's and/or an A-1 by Standard & Poor's. Investments in bank instruments may be in those issued by any bank chartered in the United States of America which is a member of the Federal Reserve System or in any bank chartered by the State of Michigan. Direct placements are limited to 20% of total resources with any institution, and investment pools must not have more than 10% of their assets in any particular issue. Management believes that investments were made in accordance with Board policy.

The University's cash and temporary investments provided a return of 2.12% and 3.10% for the years ended September 30, 2003 and 2002, respectively.

Wayne State University
Notes to Consolidated Financial Statements

3. Investments

The classification, category and fair value (carrying amount) of investments held as of September 30, 2003 and 2002 are as follows:

Classification	September 30, 2003			Total Fair Value
	Category			
	1	2	3	
U.S. common and preferred stocks	\$ 1,302	\$ -	\$ 75,525,340	\$ 75,526,642
U. S. Treasury bills, notes, bonds and asset-backed	10,000	-	10,519,188	10,529,188
Fixed income investment pools	-	-	26,705,463	26,705,463
Corporate bonds	9,207	-	8,625,294	8,634,501
Foreign stocks	-	-	26,887,116	26,887,116
Real estate	-	-	639,228	639,228
Other	2	-	757,800	757,802
	<u>\$ 20,511</u>	<u>\$ -</u>	<u>\$ 149,659,429</u>	<u>\$ 149,679,940</u>

Classification	September 30, 2002			Total Fair Value
	Category			
	1	2	3	
U.S. common and preferred stocks	\$ 1,302	\$ -	\$ 82,495,125	\$ 82,496,427
U. S. Treasury bills, notes, bonds and asset-backed	10,384	-	15,915,020	15,925,404
Corporate bonds	9,259	-	22,296,677	22,305,936
Fixed income investment pools	-	-	5,015,339	5,015,339
Real estate	-	-	689,180	689,180
Other	14	-	4,757,030	4,757,044
	<u>\$ 20,959</u>	<u>\$ -</u>	<u>\$ 131,168,371</u>	<u>\$ 131,189,330</u>

At September 30, 2003 and 2002, approximately 99% of the long-term investments were administered by outside managers. These funds must be invested in accordance with University policy, as outlined in the managers' contracts, and in a manner that achieves the University's return on investment objectives. These long-term investments provided a total return (loss) of 15.9% and (6.4)% for the years ended September 30, 2003 and 2002, respectively. Total return includes ordinary income as well as realized and unrealized gains and losses. Investments under management are allocated approximately 70% to equity managers and 30% to fixed income managers.

Wayne State University

Notes to Consolidated Financial Statements

4. Receivables

As of September 30, 2003 and 2002, receivables consist of the following:

	2003	2002
Receivables from sponsoring agencies	\$ 38,584,393	\$ 43,874,100
Pledged gift receivables	10,750,370	14,033,972
Student notes receivables	34,253,997	32,137,141
Student accounts receivable	43,129,063	36,273,246
State appropriations receivable, capital projects	140,992	8,688,119
Other	11,012,423	7,723,638
	<u>137,871,238</u>	<u>142,730,216</u>
Less: Provision for loss on receivables	(4,648,954)	(6,468,998)
Less: Unamortized discount to present value on pledged gift receivables	(537,907)	(870,177)
	<u>132,684,377</u>	<u>135,391,041</u>
Less: Current portion receivables, net	(96,314,454)	(97,399,444)
Total noncurrent receivables, net	<u>\$ 36,369,923</u>	<u>\$ 37,991,597</u>

The principal repayment and interest rate terms of federal and University loans vary considerably. The allowance applicable to student notes receivables applies only to University funded notes and the University portion of federal student loans, since Federal regulations do not require the University to provide reserves on the federal portion of uncollectible student loans. Federal loan programs are funded principally with federal advances to the University under the Perkins and various health profession loan programs.

During 2003, the University became a participant in the School as Lender program and disbursed approximately \$5,711,000 in loans to students, which is included in student notes receivable. The University secured a line of credit with a bank to fund loans issued in conjunction with this program.

Payments on pledges receivable at September 30, 2003 are expected to occur in the following years ending September 30:

2004	\$ 7,405,544
2005-2008	3,029,616
2009	315,210
	<u>\$ 10,750,370</u>

Wayne State University

Notes to Consolidated Financial Statements

5. Property, Plant and Equipment

Capital assets activity for the year ended September 30, 2003 is summarized as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Land	\$ 24,554,201	\$ 5,153,547	\$ 37,939	\$ 29,669,809
Land improvements	14,360,994	2,343,838	81,844	16,622,988
Buildings	660,022,073	63,428,923	2,445,830	721,005,166
Construction in progress	4,738,663	(583,442)	-	4,155,221
Equipment and software	242,238,989	18,075,069	71,002,313	189,311,745
Library materials	103,535,382	3,911,898	261,650	107,185,630
Subtotal	1,049,450,302	92,329,833	73,829,576	1,067,950,559
Less: Accumulated depreciation	463,484,426	43,313,757	60,209,564	446,588,619
Net capital assets	<u>\$ 585,965,876</u>	<u>\$ 49,016,076</u>	<u>\$ 13,620,012</u>	<u>\$ 621,361,940</u>

Construction in progress additions represents expenditures for new projects, net of the amount of capital assets placed in service.

Retirements include the net effect of the University changing its capitalization threshold from \$2,500 to \$5,000 in fiscal 2003. The net effect of this change resulted in approximately an \$11 million (1.9)% decrease in the University's property, plant and equipment.

6. Long-Term Debt

Long-term debt consists of the following as of September 30, 2003 and 2002:

	Interest Rate	Maturity	Outstanding Principal	
			2003	2002
Bonds				
Series 2002 General Revenue	4.33%	2003 - 2032	\$ 45,700,000	\$ -
Series 2001 General Revenue, Tranche A	4.85%	2003 - 2031	19,000,000	19,000,000
Series 2001 General Revenue, Tranche B	4.27%	2003 - 2031	7,400,000	7,400,000
Series 1999 General Revenue	4.25% to 5.50%	2003 - 2029	125,250,000	127,595,000
Series 1993 General Revenue	5.10% to 5.65%	2003 - 2012	3,955,000	4,220,000
Notes				
Various	Various	2003 - 2013	4,561,297	3,910,820
			<u>205,866,297</u>	<u>162,125,820</u>
Less: Amounts due within one year			(4,240,109)	(3,522,559)
Less: Unamortized bond discount			<u>(3,868,157)</u>	<u>(3,772,120)</u>
			<u>\$ 197,758,031</u>	<u>\$ 154,831,141</u>

Wayne State University

Notes to Consolidated Financial Statements

The University's General Revenue Bonds are secured primarily by the unrestricted operating revenues of the University. When possible, the University defeases prior debt issuances to reduce its borrowing costs. The total amount of defeased bonds outstanding at September 30, 2003 and 2002 totalled \$59,315,000 and \$62,250,000, respectively.

Maturities of bonds and notes payable and obligations under installment purchases for the next five years are as follows:

2004	\$ 4,240,108
2005	4,669,798
2006	4,583,417
2007	4,902,177
2008	5,007,009
Thereafter	<u>182,463,788</u>
	<u>\$205,866,297</u>

Cash paid for interest was approximately \$8,434,983 in 2003 and \$6,961,965 in 2002.

Interest Rate Swaps

The University has entered into interest rate swap agreements whereby it pays a fixed interest rate to, and receives a variable rate from, the counterparty to the swaps based on the following notional amounts:

Bond Issue	Period	Amount	Interest Rate
Series 2001, Tranche A	30 years	\$ 19,000,000	4.85%
Series 2001, Tranche B	30 years	7,400,000	4.27%
Series 2002	30 years	<u>45,700,000</u>	4.33%
Total		<u>\$ 72,100,000</u>	

The variable interest rates for these bonds for the period that the swaps were outstanding ranged from 1% to 1.5% for fiscal years 2003 and 2002.

The estimated fair value of the interest rate swaps at September 30, 2003 was a liability of approximately \$9 million. The fair value represents the estimated amount that the University would pay to terminate the swap agreements at the balance sheet date, taking into account current interest rates and creditworthiness of the underlying counterparty. In accordance with government accounting standards, this amount is not required to be included in the accompanying financial statements.

The purpose of these transactions is to reduce the University's risk exposure to rising interest rates and to effectively lower its cost of borrowing over time.

Wayne State University

Notes to Consolidated Financial Statements

7. Retirement Plan

The University provides pension benefits for substantially all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate after they reach 26 years of age and have two years of service. For eligible employees, the University will contribute 10% of an employee's salary each pay period provided that the employee contributes 5% of their salary. The University's contributions for each employee are fully vested immediately.

The University's total payroll was approximately \$363,351,000 and \$353,611,000 in 2003 and 2002, respectively. The University's contributions were calculated using the base salary amount of \$230,553,000 in 2003 and \$223,897,000 in 2002. The University and employees made the required contribution of \$23,055,000 and \$11,257,500, respectively in 2003 and \$22,390,000 and \$11,195,000, respectively in 2002.

8. Commitments

In connection with the University's ongoing construction program, approximately \$10,900,000 was committed at September 30, 2003. Included in this amount is approximately \$2,300,000 related to Perinatal Research Branch renovations, \$2,200,000 related to Parking improvements, \$1,300,000 for the NIH Pharmacy lab renovation and various other construction projects. The commitments will be funded through a combination of sources including state appropriations, gifts, investment income, various university resources and transfers from the General Fund.

9. Contingencies

Insurance program

In conjunction with the conduct of its routine operations, the University is exposed to various risks of loss and legal actions. The University and ten other state-supported universities participant in the Michigan Universities Self-Insurance Corporation ("MUSIC"), which provides comprehensive general liability, errors and omissions, property and vehicle liability, and excess liability insurance. Loss coverages are structured on a three-layer basis with each member retaining a portion of its losses, MUSIC covering the second layer and commercial carriers covering the third.

Comprehensive general liability coverage is provided on an occurrence basis, errors and omissions coverage is provided on a claims made basis and property coverage is provided on a blanket basis. Each university is responsible for its regular anticipated losses, determined actuarially, for both general liability and errors and omissions. The aggregate retention amounts for each member are actuarially determined annually. MUSIC provides coverage for claims in excess of these retentions.

All of the participating universities are subject to additional assessments, if the obligations and expenses (claims) of MUSIC exceed the consolidated periodic payments and accumulated operational reserves for any given year. The maximum possible additional assessment for the University for the year ended September 30, 2003 is approximately \$1.8 million. The University has not been subjected to additional assessments since the formation of MUSIC in 1987.

Wayne State University

Notes to Consolidated Financial Statements

The University is also self-insured for certain employee benefits. Claims expenditures and liabilities are recorded when it is probable that a significant loss has occurred and the amount of that loss can be reasonably estimated. This would include an estimate of any significant claims that have been incurred but not reported. The University's recorded reserves for its self-insured workers' compensation, dental and certain medical insurance programs at September 30, 2003 and 2002 totalled approximately \$3,750,000 and \$3,400,000, respectively. Specific excess (umbrella) coverage has been purchased by the University for its self-insured workers' compensation and medical insurance programs.

Pending litigation

The University is named as a defendant in certain civil actions. The University is of the opinion that the resulting disposition of these actions will not have a material effect on the consolidated financial statements.

Loan Guarantees

The University has guaranteed an operating line of credit of \$500,000 for the Wayne State University Research and Technology Park in the City of Detroit (a 501(c)(3) organization). As of September 30, 2003, there have been no funds drawn against the line of credit. Subsequent to September 30, 2003, the University's Board of Governors authorized the Administration to guarantee a construction loan of \$10 million for the Research and Technology Park facilities.

10. Natural Classification of Expenses

Operating expenses by natural classification for the years ended September 30, 2003 and 2002 are summarized as follows:

	2003	2002
Compensation and benefits	\$ 451,202,617	\$ 436,984,413
Supplies and services	160,787,646	162,665,428
Depreciation	43,313,757	41,371,062
Scholarship and fellowships	2,666,563	3,173,690
Total operating expenses	<u>\$ 657,970,583</u>	<u>\$ 644,194,593</u>

**Report of Independent Auditors on
Supplemental Information**

To the Board of Governors of
Wayne State University

Our report on the audits of the consolidated financial statements of Wayne State University as of September 30, 2003 and 2002, and for the years then ended, appears on page 13. These audits were conducted for the purpose of forming an opinion on the consolidated financial statements, taken as a whole, which are set forth on pages 14 to 28, inclusive. The supplemental information included herein on pages 30 to 33, inclusive, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The supplemental information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

PricewaterhouseCoopers LLP

January 30, 2004

Wayne State University
Consolidating Statement of Net Assets
September 30, 2003 with Comparative Totals for 2002

	2003											2002
	General Fund	Designated Fund	Auxiliary Activities Fund	Independent Operations Fund	Expendable Restricted Fund	Subtotal Current Funds	Plant Fund	Student Loan Fund	Endowment and Similar Funds	Agency Fund	Consolidated Total	Consolidated Total
Assets												
Current assets												
Cash and temporary investments	\$ 106,928,517	\$ 31,168,053	\$ 8,997,579	\$ (679,151)	\$ 23,534,463	\$ 169,949,461	\$ 56,266,557	\$ 7,580,640	\$ 5,532,860	\$ 9,926,262	\$ 249,255,780	\$ 215,967,058
Current receivables, net	41,985,647	3,666,345	3,560,533	1,571,296	39,490,520	90,274,341	4,776,989	122,631	267,061	873,432	96,314,454	97,399,444
Inventories	1,001,387	-	706,627	-	-	1,708,014	-	-	-	-	1,708,014	1,732,619
Deposits and prepaid expenses	10,438,114	8,976	138,800	-	15,938	10,601,828	16,762	-	-	262,130	10,880,720	9,281,589
Total current assets	160,353,665	34,843,374	13,403,539	892,145	63,040,921	272,533,644	61,060,308	7,703,271	5,799,921	11,061,824	358,158,968	324,380,710
Investments												
Noncurrent receivables, net	-	188,241	-	8,679	203,247	400,167	2,414,616	33,555,140	149,679,940	-	149,679,940	131,189,330
Unamortized bond issue costs	-	-	-	-	-	-	1,135,437	-	-	-	1,135,437	843,084
Property, plant and equipment, net	-	-	-	-	-	-	621,361,940	-	-	-	621,361,940	585,965,876
Total assets	\$ 160,353,665	\$ 35,031,615	\$ 13,403,539	\$ 900,824	\$ 63,244,168	\$ 272,933,811	\$ 685,972,301	\$ 41,258,411	\$ 155,479,861	\$ 11,061,824	\$ 1,166,706,208	\$ 1,080,370,597
Liabilities												
Current liabilities												
Accounts payable and accrued expenses	\$ 29,383,617	\$ 2,786,219	\$ 1,954,617	\$ 165,569	\$ 14,726,506	\$ 49,016,528	\$ 5,470,609	\$ 5,908,421	\$ 187,267	\$ 10,068,768	\$ 70,651,593	\$ 69,148,854
Deferred income	63,123,616	353,850	2,898,507	12,036	19,353,274	85,741,283	269,936	-	-	-	86,011,219	73,458,426
Deposits	2,863,617	41,125	594,051	-	-	3,498,793	50,000	-	-	993,056	4,541,849	3,499,260
Current portion of long-term debt	-	-	-	-	-	-	4,240,109	-	-	-	4,240,109	3,522,559
Total current liabilities	95,370,850	3,181,194	5,447,175	177,605	34,079,780	138,256,604	10,030,654	5,908,421	187,267	11,061,824	165,444,770	149,629,099
Federal portion of student loan funds	-	-	-	-	-	-	-	24,636,350	-	-	24,636,350	24,742,684
Accrued employee benefits	2,906,547	52,262	559,146	12,999	201,161	3,732,115	-	-	-	-	3,732,115	3,471,705
Long-term debt	-	-	-	-	-	-	197,758,031	-	-	-	197,758,031	154,831,141
Total liabilities	98,277,397	3,233,456	6,006,321	190,604	34,280,941	141,988,719	207,788,685	30,544,771	187,267	11,061,824	391,571,266	332,674,629
Net assets												
Investment in capital assets, net of related debt	-	-	-	-	-	-	423,086,813	-	-	-	423,086,813	428,455,260
Restricted												
Nonexpendable												
Expendable	-	-	-	-	28,963,227	28,963,227	947,521	10,326,289	73,930,402	-	84,302,661	76,370,685
Unrestricted	62,076,268	31,798,159	7,397,218	710,220	-	101,981,865	54,103,312	387,351	5,228,261	-	161,700,789	142,741,466
Total net assets	62,076,268	31,798,159	7,397,218	710,220	28,963,227	130,945,092	478,183,616	10,713,640	155,292,594	-	775,134,942	747,695,968
Total liabilities and net assets	\$ 160,353,665	\$ 35,031,615	\$ 13,403,539	\$ 900,824	\$ 63,244,168	\$ 272,933,811	\$ 685,972,301	\$ 41,258,411	\$ 155,479,861	\$ 11,061,824	\$ 1,166,706,208	\$ 1,080,370,597

(A) General Fund unrestricted net assets are appropriated or allocated as follows (in thousands):

	2003	2002
Contractually committed, encumbrances	\$ 11,849	\$ 8,152
Appropriated in subsequent year's budget	4,800	3,560
Rainy Day Fund	7,961	7,791
Committed for research	18,659	19,449
Academic unit funds carried forward	6,506	7,123
Operating unit funds carried forward	10,460	9,710
Funds available for allocation in subsequent years	1,841	3,320
Total General Fund unrestricted net assets	\$ 62,076	\$ 59,105

Wayne State University
Consolidating Statement of Revenues, Expenses and Changes in Net Assets
Year Ended September 30, 2003 with Comparative Totals for 2002

	2003										2002 Consolidated Total	
	General Fund	Designated Fund	Auxiliary Activities Fund	Independent Operations Fund	Expendable Restricted Fund	Subtotal Current Funds	Plant Fund	Student Loan Fund	Endowment and Similar Funds	Adjustment		Consolidated Total
Operating revenues												
Student tuition and fees	\$ 145,428,622	\$ -	\$ 2,314,728	\$ -	\$ -	\$ 147,743,350	\$ 222,468	\$ -	\$ -	\$ -	\$ 147,965,818	\$ 131,761,424
Less: Scholarship allowances	-	-	-	-	-	-	-	-	-	(39,889,148)	(39,889,148)	(34,105,041)
Net student tuition and fees	145,428,622	-	2,314,728	-	-	147,743,350	222,468	-	-	(39,889,148)	108,076,670	97,656,383
Federal grants and contracts	-	-	-	-	120,980,665	120,980,665	251,851	-	-	-	121,232,516	115,249,562
State and local grants and contracts	-	-	-	-	20,557,777	20,557,777	-	-	-	-	20,557,777	19,656,880
Nongovernmental grants and contracts	-	52,270,926	-	-	43,692,974	95,963,900	-	-	-	-	95,963,900	98,647,134
Departmental activities	3,782,038	6,546,905	-	917,631	-	11,246,574	-	-	-	-	11,246,574	13,969,127
Auxiliary activities	-	-	18,917,082	-	-	18,917,082	-	-	-	(1,825,107)	17,091,975	12,418,306
Recovery of indirect costs of sponsored programs	32,296,224	-	-	-	(32,296,224)	-	-	-	-	-	-	-
Other	1,213,455	-	-	-	-	1,213,455	-	172,262	-	-	1,385,717	2,554,381
Total operating revenue	182,720,339	58,817,831	21,231,810	917,631	152,935,192	416,622,803	474,319	172,262	-	(41,714,255)	375,555,129	360,151,773
Operating expenses												
Instruction	159,530,293	43,460,537	-	-	24,677,957	227,668,787	-	-	-	-	227,668,787	229,153,434
Research	24,422,382	3,248,453	-	-	120,431,026	148,101,861	-	-	-	-	148,101,861	143,566,920
Public service	1,602,786	12,722,945	-	3,018,676	22,996,937	40,341,344	-	-	-	-	40,341,344	41,491,278
Academic support	52,835,044	3,217,014	-	-	1,350,745	57,402,803	-	-	-	-	57,402,803	58,842,406
Student services	29,598,778	390,617	-	-	604,106	30,593,501	-	-	-	-	30,593,501	29,993,064
Scholarships and fellowships	21,257,206	10,662	-	-	23,112,950	44,380,818	-	-	-	(41,714,255)	2,666,563	3,173,690
Institutional support	53,159,247	6,425,969	-	-	132,909	59,718,125	-	-	-	-	59,718,125	58,590,179
Operation and maintenance of plant	48,574,968	-	-	-	1,087,044	49,662,012	4,512,300	-	-	-	54,174,312	47,607,896
Auxiliary activities	-	-	15,036,654	-	-	15,036,654	-	-	-	-	15,036,654	11,342,404
Depreciation expense	-	-	-	-	-	-	43,313,757	-	-	-	43,313,757	41,371,062
Capital additions, net	-	-	-	-	-	-	(21,047,124)	-	-	-	(21,047,124)	(20,937,740)
Transfers (in) out												
Debt service	8,872,203	-	2,534,557	-	-	11,406,760	(11,406,760)	-	-	-	-	-
Loan matching	126,683	-	-	-	-	126,683	-	(126,683)	-	-	-	-
Plant improvement and extension	15,471,367	1,178,689	3,437,742	-	484,900	20,572,698	(20,572,698)	-	-	-	-	-
Other	206,293	1,550,324	-	-	2,086,952	3,843,569	-	59,584	(3,903,153)	-	-	-
Total operating expenses	415,657,250	72,205,210	21,008,953	3,018,676	196,965,526	708,855,615	(5,200,525)	(67,099)	(3,903,153)	(41,714,255)	657,970,583	644,194,593
Operating income (loss)	(232,936,911)	(13,387,379)	222,857	(2,101,045)	(44,030,334)	(292,232,812)	5,674,844	239,361	3,903,153	-	(282,415,454)	(284,042,820)
Nonoperating revenues (expenses)												
State appropriations	233,134,077	-	-	-	12,386,146	245,520,223	-	-	-	-	245,520,223	256,899,036
Gifts	-	7,428,329	-	1,851,236	20,485,575	29,765,140	-	20,278	377,498	-	30,162,916	22,431,642
Interest expense on capital asset related debt	-	-	-	-	-	-	(8,389,354)	-	-	-	(8,389,354)	(6,915,064)
Investment income												
Endowment and similar funds	-	106,956	-	3,148	6,744,728	6,854,832	33,667	30,545	(6,919,044)	-	-	-
Other	2,773,695	12,752,312	66,059	(200)	1,419,374	17,011,240	1,436,214	49,475	21,644,472	-	40,141,401	(1,504,692)
Other	-	-	-	-	-	-	(1,474,744)	(198,824)	(18,496)	-	(1,692,064)	(539,109)
Net nonoperating revenues (expenses)	235,907,772	20,287,597	66,059	1,854,184	41,035,823	299,151,435	(8,394,217)	(98,526)	15,084,430	-	305,743,122	270,371,813
Income (loss) before capital and endowment additions	2,970,861	6,900,218	288,916	(246,861)	(2,994,511)	6,918,623	(2,719,373)	140,835	18,987,583	-	23,327,668	(13,671,007)
State capital appropriations	-	-	-	-	-	-	6,123,696	-	-	-	6,123,696	19,272,879
Capital gifts	-	-	-	-	-	-	7,697,970	-	-	-	7,697,970	9,689,969
Write off of capital assets	-	-	-	-	-	-	(13,620,013)	-	-	-	(13,620,013)	(1,603,529)
Private gifts for endowment purposes	-	-	-	-	-	-	-	-	3,909,653	-	3,909,653	2,395,655
Increase (decrease) in net assets	2,970,861	6,900,218	288,916	(246,861)	(2,994,511)	6,918,623	(2,517,720)	140,835	22,897,236	-	27,438,974	16,083,967
Net assets, beginning of year	59,105,407	24,897,941	7,108,302	957,081	31,957,738	124,026,469	480,701,336	10,572,805	132,395,358	-	747,695,968	731,612,001
Net assets, end of year	\$ 62,076,268	\$ 31,798,159	\$ 7,397,218	\$ 710,220	\$ 28,963,227	\$ 130,945,092	\$ 478,183,616	\$ 10,713,640	\$ 155,292,594	\$ -	\$ 775,134,942	\$ 747,695,968

Wayne State University
Consolidating Statement of Net Assets
September 30, 2002

	2002										
	General Fund	Designated Fund	Auxiliary Activities Fund	Independent Operations Fund	Expendable Restricted Fund	Subtotal Current Funds	Plant Fund	Student Loan Fund	Endowment and Similar Funds	Agency Fund	Consolidated Total
Assets											
Current assets											
Cash and temporary investments	\$ 101,128,112	\$ 25,885,721	\$ 8,940,723	\$ 173,301	\$ 15,682,913	\$ 151,810,770	\$ 50,695,348	\$ 4,123,094	\$ 805,744	\$ 8,532,102	\$ 215,967,058
Current receivables, net	34,126,024	1,228,435	1,375,286	1,199,230	45,210,916	83,139,891	12,691,097	103,000	598,557	866,899	97,399,444
Inventories	956,580	-	776,039	-	-	1,732,619	-	-	-	-	1,732,619
Deposits and prepaid expenses	8,718,833	14,933	122,083	-	15,938	8,871,787	16,762	-	-	393,040	9,281,589
Total current assets	144,929,549	27,129,089	11,214,131	1,372,531	60,909,767	245,555,067	63,403,207	4,226,094	1,404,301	9,792,041	324,380,710
Investments	-	-	-	-	-	-	-	-	131,189,330	-	131,189,330
Noncurrent receivables, net	-	692,735	-	21,466	1,234,540	1,948,741	4,953,461	31,089,395	-	-	37,991,597
Unamortized bond issue costs	-	-	-	-	-	-	843,084	-	-	-	843,084
Property, plant and equipment, net	-	-	-	-	-	-	585,965,876	-	-	-	585,965,876
Total assets	\$ 144,929,549	\$ 27,821,824	\$ 11,214,131	\$ 1,393,997	\$ 62,144,307	\$ 247,503,808	\$ 655,165,628	\$ 35,315,489	\$ 132,593,631	\$ 9,792,041	\$ 1,080,370,597
Liabilities											
Current liabilities											
Accounts payable and accrued expenses	\$ 27,047,614	\$ 2,580,101	\$ 1,279,821	\$ 418,669	\$ 13,353,189	\$ 44,679,394	\$ 15,841,124	\$ -	\$ 198,273	\$ 8,430,063	\$ 69,148,854
Deferred income	54,714,468	223,800	1,652,329	13,532	16,584,829	73,188,958	269,468	-	-	-	73,458,426
Deposits	1,424,760	99,341	613,181	-	-	2,137,282	-	-	-	1,361,978	3,499,260
Current portion of long-term debt	-	-	-	-	-	-	3,522,559	-	-	-	3,522,559
Total current liabilities	83,186,842	2,903,242	3,545,331	432,201	29,938,018	120,005,634	19,633,151	-	198,273	9,792,041	149,629,099
Federal portion of student loan funds	-	-	-	-	-	-	-	24,742,684	-	-	24,742,684
Accrued employee benefits	2,637,300	20,641	560,498	4,715	248,551	3,471,705	-	-	-	-	3,471,705
Long-term debt	-	-	-	-	-	-	154,831,141	-	-	-	154,831,141
Total liabilities	85,824,142	2,923,883	4,105,829	436,916	30,186,569	123,477,339	174,464,292	24,742,684	198,273	9,792,041	332,674,629
Net assets											
Investment in capital assets, net of related debt	-	-	-	-	-	-	428,455,260	-	-	-	428,455,260
Restricted											
Nonexpendable	-	-	-	-	-	-	45,970	10,003,137	66,321,578	-	76,370,685
Expendable	-	-	-	-	31,957,738	31,957,738	6,798,755	-	61,372,064	-	100,128,557
Unrestricted	59,105,407	24,897,941	7,108,302	957,081	-	92,068,731	45,401,351	569,668	4,701,716	-	142,741,466
Total net assets	59,105,407	24,897,941	7,108,302	957,081	31,957,738	124,026,469	480,701,336	10,572,805	132,395,358	-	747,695,968
Total liabilities and net assets	\$ 144,929,549	\$ 27,821,824	\$ 11,214,131	\$ 1,393,997	\$ 62,144,307	\$ 247,503,808	\$ 655,165,628	\$ 35,315,489	\$ 132,593,631	\$ 9,792,041	\$ 1,080,370,597

(A) General Fund unrestricted net assets are appropriated or allocated as follows (in thousands):

2002

Contractually committed, encumbrances	\$ 8,152
Appropriated in subsequent year's budget	3,560
Rainy Day Fund	7,791
Committed for research	19,449
Academic unit funds carried forward	7,123
Operating unit funds carried forward	9,710
Funds available for allocation in subsequent years	<u>3,320</u>
Total General Fund unrestricted net assets	\$ 59,105

Wayne State University
Consolidating Statement of Revenues, Expenses and Changes in Net Assets
Year Ended September 30, 2002

	2002										
	General Fund	Designated Fund	Auxiliary Activities Fund	Independent Operations Fund	Expendable Restricted Fund	Subtotal Current Funds	Plant Fund	Student Loan Fund	Endowment and Similar Funds	Adjustment	Consolidated Total
Operating revenues											
Student tuition and fees	\$ 129,318,752	\$ -	\$ 2,234,022	\$ -	\$ -	\$ 131,552,774	\$ 208,650	\$ -	\$ -	\$ -	\$ 131,761,424
Less: Scholarship allowances	-	-	-	-	-	-	-	-	-	(34,105,041)	(34,105,041)
Net student tuition and fees	129,318,752	-	2,234,022	-	-	131,552,774	208,650	-	-	(34,105,041)	97,656,383
Federal grants and contracts	-	-	-	-	114,997,711	114,997,711	251,851	-	-	-	115,249,562
State and local grants and contracts	-	-	-	1,500,803	18,156,077	19,656,880	-	-	-	-	19,656,880
Nongovernmental grants and contracts	-	39,811,329	-	-	58,835,805	98,647,134	-	-	-	-	98,647,134
Departmental activities	3,474,861	9,474,307	-	1,019,959	-	13,969,127	-	-	-	-	13,969,127
Auxiliary activities	-	-	13,869,306	-	-	13,869,306	-	-	-	(1,451,000)	12,418,306
Recovery of indirect costs of sponsored programs	29,837,304	-	-	-	(29,837,304)	-	-	-	-	-	-
Other	2,359,411	-	-	-	-	2,359,411	-	194,970	-	-	2,554,381
Total operating revenue	164,990,328	49,285,636	16,103,328	2,520,762	162,152,289	395,052,343	460,501	194,970	-	(35,556,041)	360,151,773
Operating expenses											
Instruction	155,165,369	45,129,379	-	-	28,858,686	229,153,434	-	-	-	-	229,153,434
Research	25,112,718	691,878	-	-	117,762,324	143,566,920	-	-	-	-	143,566,920
Public service	1,832,571	1,524,952	-	7,120,840	31,012,915	41,491,278	-	-	-	-	41,491,278
Academic support	55,852,172	1,851,969	-	-	1,138,265	58,842,406	-	-	-	-	58,842,406
Student services	29,038,731	526,789	-	-	427,544	29,993,064	-	-	-	-	29,993,064
Scholarships and fellowships	19,499,323	87,758	-	-	19,142,650	38,729,731	-	-	-	(35,556,041)	3,173,690
Institutional support	54,048,439	4,382,004	-	-	159,736	58,590,179	-	-	-	-	58,590,179
Operation and maintenance of plant	43,918,533	-	-	-	1,016,137	44,934,670	2,673,226	-	-	-	47,607,896
Auxiliary activities	-	-	11,342,404	-	-	11,342,404	-	-	-	-	11,342,404
Depreciation expense	-	-	-	-	-	-	41,371,062	-	-	-	41,371,062
Capital additions, net	-	-	-	-	-	-	(20,937,740)	-	-	-	(20,937,740)
Transfers (in) out											
Debt service	6,857,900	-	2,276,434	-	-	9,134,334	(9,134,334)	-	-	-	-
Loan matching	126,683	-	-	-	-	126,683	-	(126,683)	-	-	-
Plant improvement and extension	16,597,108	62,240	891,415	-	130,880	17,681,643	(17,792,902)	-	111,259	-	-
Other	722,683	187,066	-	50,000	191,171	1,150,920	(511,162)	(29,875)	(609,883)	-	-
Total operating expenses	408,772,230	54,444,035	14,510,253	7,170,840	199,840,308	684,737,666	(4,331,850)	(156,558)	(498,624)	(35,556,041)	644,194,593
Operating income (loss)	(243,781,902)	(5,158,399)	1,593,075	(4,650,078)	(37,688,019)	(289,685,323)	4,792,351	351,528	498,624	-	(284,042,820)
Nonoperating revenues (expenses)											
State appropriations	240,882,300	-	-	3,254,336	12,762,400	256,899,036	-	-	-	-	256,899,036
Gifts	-	5,844,471	-	1,669,181	14,854,469	22,368,121	-	(55,218)	118,739	-	22,431,642
Interest expense on capital asset related debt	-	-	-	-	-	-	(6,915,064)	-	-	-	(6,915,064)
Investment income											
Endowment and similar funds	-	115,383	-	159	7,006,371	7,121,913	36,324	47,247	(7,205,484)	-	-
Other	3,181,834	1,838,365	72,574	(154)	1,212,897	6,305,516	2,585,979	58,113	(10,454,300)	-	(1,504,692)
Other	-	(585,123)	-	-	-	(585,123)	303,893	(243,263)	(14,616)	-	(539,109)
Net nonoperating revenues (expenses)	244,064,134	7,213,096	72,574	4,923,522	35,836,137	292,109,463	(3,988,868)	(193,121)	(17,555,661)	-	270,371,813
Income (loss) before capital and endowment additions	282,232	2,054,697	1,665,649	273,444	(1,851,882)	2,424,140	803,483	158,407	(17,057,037)	-	(13,671,007)
State capital appropriations	-	-	-	-	-	-	19,272,879	-	-	-	19,272,879
Capital gifts	-	-	-	-	-	-	9,689,969	-	-	-	9,689,969
Write off of capital assets	-	-	-	-	-	-	(1,603,529)	-	-	-	(1,603,529)
Private gifts for endowment purposes	-	-	-	-	-	-	-	-	2,395,655	-	2,395,655
Increase (decrease) in net assets	282,232	2,054,697	1,665,649	273,444	(1,851,882)	2,424,140	28,162,802	158,407	(14,661,382)	-	16,083,967
Net assets, beginning of year	58,823,175	22,843,244	5,442,653	683,637	33,809,620	121,602,329	452,538,534	10,414,398	147,056,740	-	731,612,001
Net assets, end of year	\$ 59,105,407	\$ 24,897,941	\$ 7,108,302	\$ 957,081	\$ 31,957,738	\$ 124,026,469	\$ 480,701,336	\$ 10,572,805	\$ 132,395,358	\$ -	\$ 747,695,968