WAYNE STATE

financial report

AIM HIGHER 2008

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Wayne State University

Financial Report

September 30, 2008

Wayne State University

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Independent Auditor's Report

To the Board of Governors
Wayne State University

We have audited the accompanying balance sheet of Wayne State University as of September 30, 2008 and 2007 and the related statements of revenues, expenses, and changes in net assets and cash flows for the years then ended. 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 in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards 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. 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 Wayne State University as of September 30, 2008 and 2007 and the results of its operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 10 to the financial statements, the University adopted Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

In accordance with *Government Auditing Standards*, we have also issued a report under separate cover dated January 8, 2009 on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters for the year ended September 30, 2008. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Praxity
MEMBER
GLOBAL ALLIANCE OF INDEPENDENT FIRMS

To the Board of Governors
Wayne State University

The management's discussion and analysis presented on pages 3 through 22 is not a required part of the basic 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 methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Plante & Moran, PLLC

January 8, 2009

Introduction

The following discussion and analysis provides an overview of the financial position of Wayne State University (the "University") at September 30, 2008 and of its operations and cash flows for the year then ended. Selected comparative information is provided for the years ended September 30, 2007 and 2006. This discussion has been prepared by management and should be read in conjunction with the accompanying financial statements and related notes to facilitate and enhance the reader's understanding of the 2008 financial report.

Wayne State University is a nationally recognized public research university with urban roots and a global reputation. The main campus, located in Detroit's University Cultural Center, includes more than 350 undergraduate, graduate, doctoral, certificate, and professional programs offered through 11 of the University's 12 schools and colleges in operation at September 30, 2008. With enrollment of approximately 31,600 students, the University has the 36th largest enrollment in the nation and the most diverse student body of any university in Michigan. As the ninth largest employer in the City of Detroit, as ranked by the 2008 Crains Business Survey of Detroit's Largest Employers, the University has a significant impact on the local economy and contributes to the state and nation as well through its research and public service programs.

Excellence in research is essential to the University's mission. Based on the 2007 National Science Foundation Research and Development Expenditures Survey, the University ranked 73rd among all universities and 50th among public universities in research and development expenditures. A substantial portion of the University's research is conducted at the School of Medicine, the nation's largest single-campus medical school. The 2007 National Science Foundation Research and Development Survey ranked the University 47th in the medical sciences category. Wayne State University, Michigan State University, and the University of Michigan, the state's three largest research universities, are partners in the University Research Corridor (URC). The URC is an alliance between these three universities to spark regional economic development through invention, innovation, and technology transfer, by educating a work force prepared for the "knowledge economy," and by attracting smart and talented people to Michigan.

Using this Report

The University's financial report includes three basic financial statements: the balance sheet, which presents the assets, liabilities, and net assets of the University at September 30, 2008, 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 the major sources and uses of cash during the fiscal year. The report also includes notes to the financial statements which are an integral component of the report. These financial statements and accompanying notes are prepared in accordance with the principles of the Governmental Accounting Standards Board (GASB), which establish standards for external financial reporting for public colleges and universities and require that the financial statements be presented on a combined basis to focus on the University as a whole, including all of its relevant activities. Accordingly, consistent with the GASB principles, the Wayne State University Housing Authority (the "Housing Authority") and the Wayne State University Foundation (the "Foundation"), as controlled corporate organizations, are included in the combined financial statements. Additional supplemental information, which provides balance sheet and operating information for all individual funds of the University, is also included in the report.

Overall Financial Highlights

The University's financial position remained strong at September 30, 2008 with assets of $1.55 billion and liabilities of $.66 billion. Combined net assets, which represent the residual interest in the University's assets after liabilities are deducted, increased $11.6 million (1.3 percent) to $.89 billion at September 30, 2008.

Financial Position

The table below reflects the University's combined assets, liabilities, and net assets at September 30 for the past three fiscal years:

	2008	2007	2006
		(in millions)	
Total assets	$ 1,546.8	$ 1,503.8	$ 1,433.2
Total liabilities	659.3	627.9	596.3
Net assets	**$ 887.5**	**$ 875.9**	**$ 836.9**

Specific discussion and analysis of the changes in the components of the combined assets, liabilities, and net assets categories are provided on pages 5-13.

Operations

Summarized combined revenues and expenses including the operating, nonoperating, and other categories (see pages 14-21) for the years ended September 30, 2008, 2007, and 2006 are as follows:

	2008	2007	2006
		(in millions)	
Revenues:			
Operating revenues	$ 500.9	$ 455.7	$ 450.6
Nonoperating revenues	268.2	303.0	293.8
Other revenues	28.3	16.6	14.0
Total combined revenues	**$ 797.4**	**$ 775.3**	**$ 758.4**
Expenses:			
Operating expenses	$ 746.5	$ 719.2	$ 715.5
Nonoperating expenses	33.5	14.9	12.7
Other expenses	2.0	2.2	2.8
Total combined expenses	**$ 782.0**	**$ 736.3**	**$ 731.0**

During 2008, total combined revenues increased $22.1 million (2.9 percent) compared to 2007, while total expenses increased $45.7 million (6.2 percent) during the period. In 2007, total revenues increased $16.9 million (2.2 percent), while total expenses increased $5.3 million (0.7 percent) compared to 2006. Specific discussion and analysis of the changes in the components of the specific revenue and expense categories are provided on pages 14-21.

Balance Sheet

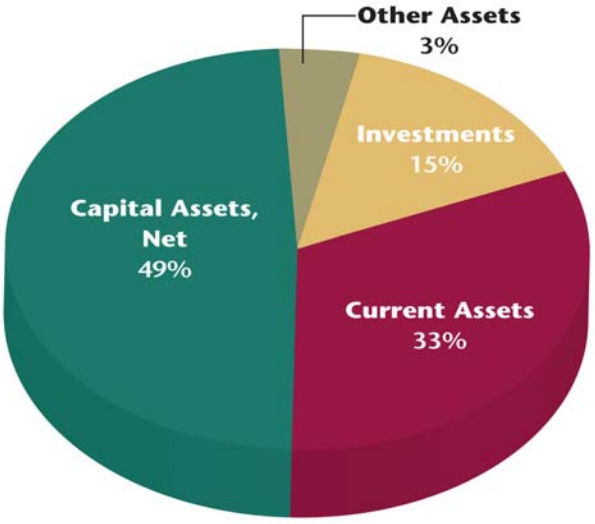
The balance sheet presents the financial position of the University at the end of the fiscal year and includes all assets and liabilities of the University. The difference between total assets and total liabilities, net assets, is one key indicator of the current financial position of the University, while the change in net assets is a key 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 accumulated depreciation.

A summarized comparison of the University's combined assets, liabilities, and net assets at September 30, 2008, 2007, and 2006 is as follows:

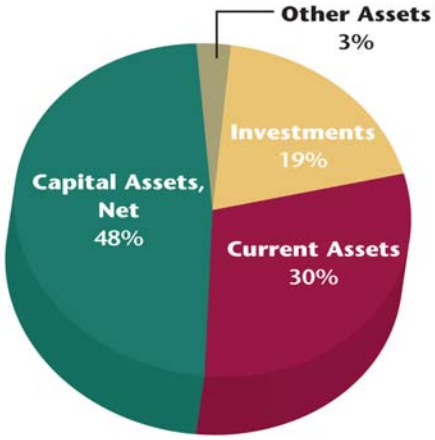
	2008	2007	2006
		(in millions)	
Current assets	$ 504.3	$ 452.0	$ 412.3
Noncurrent assets:			
Investments	234.0	278.8	276.2
Noncurrent receivables - Net	41.8	40.2	40.9
Unamortized bond issue costs	3.6	2.0	2.1
Capital assets - Net	763.1	730.8	701.7
Total assets	1,546.8	1,503.8	1,433.2
Current liabilities	240.4	255.4	217.8
Noncurrent liabilities:			
Federal portion of student loan funds	26.0	26.1	25.6
Accrued employee benefits	10.6	6.7	6.1
Long-term debt	382.3	339.7	346.8
Total liabilities	659.3	627.9	596.3
Net assets	**$ 887.5**	**$ 875.9**	**$ 836.9**

The following charts graphically depict the composition of the University's combined assets, as a percentage of the total, at September 30, 2008, 2007, and 2006:

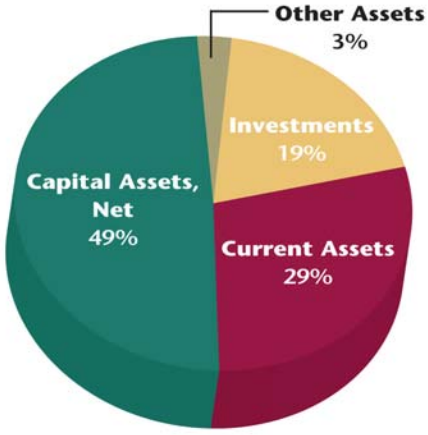
Total Assets



2008 – $1,546.8 million



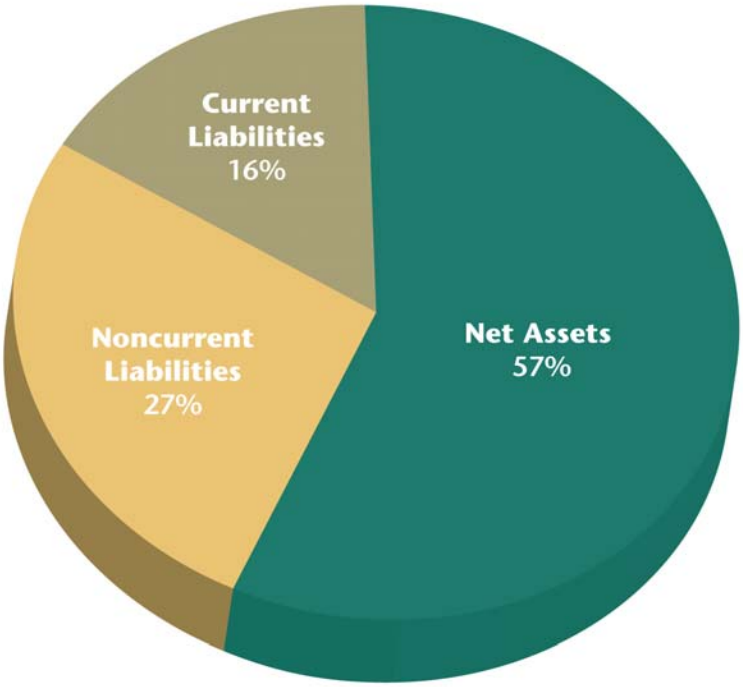
2007 – $1,503.8 million



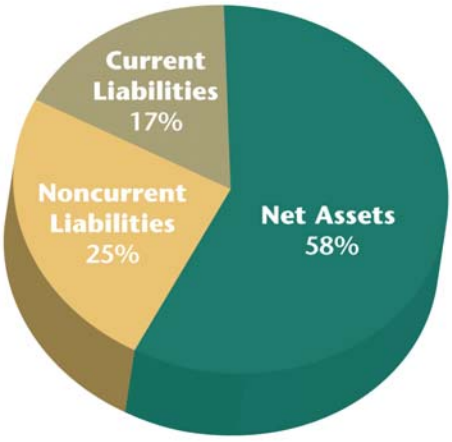
2006 – $1,433.2 million

The following charts graphically depict the composition of the University's combined liabilities and net assets, as a percentage of the total, at September 30, 2008, 2007, and 2006:

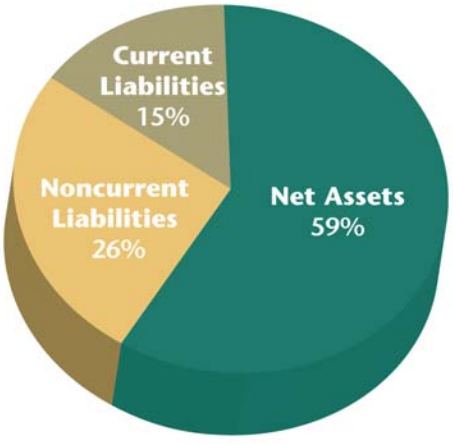
Total Liabilities and Net Assets



2008 – $1,546.8 million



2007 – $1,503.8 million



2006 – $1,433.2 million

Current Assets and Liabilities

Current assets are comprised primarily of cash and temporary investments and receivables. The composition of total current assets at September 30, 2008, 2007, and 2006 was as follows:

	2008	2007	2006
		(in millions)	
Cash and temporary investments	$ 358.9	$ 303.5	$ 276.7
Current receivables - Net	126.4	130.4	121.2
Inventories	1.7	1.5	1.5
Prepaid expenses and other	17.3	16.6	12.9
Total current assets	**$ 504.3**	**$ 452.0**	**$ 412.3**

At September 30, 2008, current assets increased $52.3 million (11.6 percent) to $504.3 million compared to $452.0 million at September 30, 2007. The change in total current assets is attributable to a:

- Cash and temporary investment increase of $55.4 million (18.3 percent). Changes from year to year in cash and temporary investments can be generally influenced by a number of factors related to the University's overall operations and changes in financial position. These factors include such things as changes in net assets, the timing of payments to employees and vendors, and timing of cash receipts from students and other funding sources.

- Net decrease in current receivables of $4.0 million (3.1 percent) comprised of several offsetting factors including:

  - A decrease in notes receivable from the previous year of $24.2 million due to the University ceasing its participation in the School as Lender (SAL) program (see page 9), offset by $1.4 million due from the Department of Education (DOE) in conjunction with the University re-entry into the Federal Direct Loan Program which replaced the SAL program.

  - An increase resulting from a current year capital appropriation receivable from the State of Michigan of $10 million at September 30, 2008 relating to the Marvin I. Danto Engineering Development Center.

  - A $7.7 million increase in School of Medicine salary reimbursement agreement accounts receivable related to the medical practice plans, and an increase of $1.6 million for new salary reimbursement agreements for medical residency programs, which the University's School of Medicine started with non-Detroit Medical Center (DMC) hospitals. These residency programs replaced similar programs with the DMC that had been terminated.

  - A $2.6 million increase in the current portion of pledged gifts receivable.

  - A slight decline in tuition related and other receivables of $3.4 million.

The 2007 cash and temporary investments increase of $26.8 million (9.7 percent) from 2006 resulted primarily from increases in fall term tuition revenue. Other contributing factors included the improved collections on grants receivable and the receipt of certain funds during 2007 which were held and included in cash in the University's Agency Fund for the benefit of other entities. Current receivables increased $9.2

million (7.6 percent), of which approximately $3.7 million is attributable to increased tuition and fee receivables related to the tuition rate increase, $4.0 million of the increase related to salary reimbursement receivables from the University Physicians Group (UPG) relating to changes in the timing of the flow of funds between the University and UPG during 2007, and $.7 million increase in accrued interest receivable related to increased investment earnings. The increase of $3.7 million in prepaid expenses was primarily attributable to the fall 2007 term prepaid financial aid of $4.2 million.

Current liabilities are comprised of amounts payable within one year and consist primarily of accounts payable and accrued liabilities, and deferred income. The composition of total current liabilities at September 30, 2008, 2007, and 2006 was as follows:

	2008	2007	2006
		(in millions)	
Accounts payable and accrued liabilities	$ 101.8	$ 91.7	$ 75.9
Deferred income	121.4	122.1	107.7
Deposits	9.3	9.3	4.6
Short-term loans	-	24.9	22.0
Current portion of long-term debt	7.9	7.4	7.6
Total current liabilities	**$ 240.4**	**$ 255.4**	**$ 217.8**

At September 30, 2008, total current liabilities decreased by $15 million (5.9 percent) to $240.4 million compared to $255.4 million at September 30, 2007. The net decrease in total current liabilities in 2008 is due to both increases and decreases within the various liability categories as follows:

- Accounts payable and accrued liabilities - Increased by $10.1 million attributable to the following:
  - Accrued payroll increased by $2.8 million due primarily to timing of this year's pay dates in relation to September 30 which resulted in two additional days being accrued at year end.
  - Accrued interest payable increased by $4.1 million as a result of issuing additional debt including refunding bonds during 2008. Approximately $.7 million of the accrual is attributable to the increased debt outstanding, and the remaining $3.4 million relates to the fact that interest payments on the debt issuances retired were due monthly while the payments on the Series 2007A, 2007B, and 2008 bonds are due semi-annually. The difference in the timing of the payments on the new issuances results in less frequent interest payments and increased accrued interest at September 30, 2008. Also see debt activities on page 12.
  - Trade accounts payable increased by $3.4 million compared to fiscal year 2007, representing inflationary cost increases on commodities purchased during 2008 over 2007 costs and lower trade payable balances generally at September 30, 2007 resulting from the aggressive cost containment program which restricted purchases during the last three months of the 2007 fiscal year.
- Short-term loans - These loans to University students decreased by $24.9 million due to the University's withdrawal from the School as Lender program. The uncertainty in the financial markets made it no longer financially and economically feasible for the University to participate as a lender. Students now borrow similar loan funds from private lenders and the Federal Direct Loan program.

At September 30, 2007, current liabilities increased $37.6 million (17.3 percent) to $255.4 million compared to $217.8 million at September 30, 2006. The increases in current liabilities from 2006 to 2007 included the following:

- A $15.8 million increase in accounts payable and accrued liabilities primarily related to invoices and contractors' retentions due on major in-process construction activity and projects in the Plant Fund at September 30, 2007.
- A $14.4 million increase in deferred income resulting from a $16.8 million increase in deferred tuition and fees related to increased tuition and fee rates, student enrollment, and increase in the aggregate credit hours taken by students for the fall 2007 semester (as more fully discussed in Note 1, tuition and fee revenue is prorated between two fiscal years resulting in the recording of the deferred income liability). The deferred tuition amount was partially offset by a decline of approximately $2 million in deferred income relating to grant and contract activity, the nature of which is conducive to slight year-to-year routine fluctuation.
- A $4.0 million increase in deposits attributable to the receipt of certain funds in the Agency Fund due to and for the benefit of other entities, for which the University is merely the fiduciary.

An overall analysis of the University's current assets and current liabilities indicates favorable current ratios, a measure of liquidity, of 2.1, 1.8, and 1.9 at September 30, 2008, 2007, and 2006, respectively.

Noncurrent Assets and Liabilities

Significant changes in the noncurrent sections of the balance sheet from 2007 to 2008 include a decline in investments of $44.8 million, an increase in net capital assets of $32.3 million, and an increase in long-term debt of $42.6 million. These and other changes are discussed in the investments and capital asset and debt activities sections below and on pages 11 and 12.

Investments

The University's investments are included in either the Endowment Fund or the Plant Fund. The investments in the Plant Fund consist primarily of invested bond proceeds which are restricted for capital projects. The Wayne State University Foundation manages approximately 99 percent of the endowment investments. The invested bond proceeds are managed by the University.

The table below reflects the composition of noncurrent investments at September 30, 2008, 2007, and 2006:

	2008	2007	2006
		(in millions)	
Endowment Fund	$ 221.1	$ 241.8	$ 209.6
Plant Fund:			
Invested bond proceeds	11.8	35.7	65.4
Other	1.1	1.3	1.2
Total noncurrent investments	**$ 234.0**	**$ 278.8**	**$ 276.2**

Total investments decreased $44.8 million (16.1 percent) to $234 million at September 30, 2008, compared to $278.8 million at September 30, 2007. The value of Endowment Fund investments declined $20.7 million (8.6 percent) during the year. This decline is impacted by all activities of the Endowment Fund which includes the receipt of new gifts, net investment income or losses, and distributions to the related beneficiary accounts.

Current unfavorable trends in the financial markets, which directly impact the investment income and loss component, significantly contributed to the 2008 decline.

In 2007, total investments increased $2.6 million (0.9 percent) to $278.8 million at September 30, 2007, compared to $276.2 million at September 30, 2006. Endowment Fund investments increased by $32.2 million (15.4 percent). The impact of the favorable market trends on investment income during 2007 and the continuing recognition of gifts for endowments resulting from the University's on-going capital campaign, *Wayne First*, net of distributions from the Endowment Fund to spending accounts, contributed to increases in endowment investments in both 2007 and 2006.

The decrease in the invested bond proceeds component of total investments in 2008 and 2007 primarily represents the planned capital expenditure of bond proceeds on the underlying projects which are either on-going or completed during the respective years.

The net assets of the University's endowment funds are comprised of three components; nonexpendable, expendable, and unrestricted. These classifications dictate how the University must maintain or utilize the funds and the income they produce. The nonexpendable portion is comprised of permanent endowments which represent funds received from donors or University funds which have been specifically allocated and restricted pursuant to specific agreements with individuals and entities with stipulations that the original principal be maintained in perpetuity. The expendable and unrestricted portions consist of funds functioning as endowments which represent amounts (restricted gifts or unrestricted funds) that have been designated by the University's Board of Governors to function as if they were permanent endowments. Accordingly, funds functioning as endowments are not subject to donor or other outside restrictions that require the University to preserve the principal in perpetuity. The nonexpendable portion of the Endowment Fund net assets was $116.6 million and $96.9 million at September 30, 2008 and 2007, respectively. The expendable plus unrestricted portion was $103.0 million and $147.1 million at September 30, 2008 and 2007, respectively, and includes undistributed accretion on both the permanent endowments and the funds functioning as endowments. Programs supported by endowments include scholarships, fellowships, named chairs or professorships, research efforts, and other significant University programs, activities, and initiatives.

The table below reflects summarized activity for the University's Endowment Fund for the past three years.

	2008	2007	2006
		(in millions)	
Endowment net assets - Beginning of year	$ 244.0	$ 209.9	$ 194.2
Summary of additions:			
Gifts and transfers	20.2	7.6	6.7
Investment income and appreciation (net, marker losses)	(34.6)	35.8	17.3
Total (declines) additions	(14.4)	43.4	24.0
Distributions to spending accounts	(10.0)	(9.3)	(8.3)
Endowment net assets - End of year	**$ 219.6**	**$ 244.0**	**$ 209.9**

The University manages its endowment funds to support programs in a way that strikes a balance between generating a stream of annual income for current programs while preserving and increasing the purchasing power of the endowment funds for future periods over the long term.

Capital Assets

One of the critical factors in continually enhancing 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, research, and other administrative support buildings with the construction of new facilities. In an effort to eliminate the University's reliance on purchased steam, the University has finalized the completion of 30 new steam boiler plants which service either a specific building or cluster of buildings throughout the campus.

Capital additions during 2008 totaled $85.9 million, compared to $81.0 million in 2007 and $48.1 million in 2006. The 2008 capital additions included final expenditures for completion of the South University Village Parking Structure, the steam boiler project, the completion and renovation of an existing campus building for housing the Public Safety department and major renovations of Mott Center, Manoogian Hall, and other University facilities. Major 2008 capital additions recorded as construction in progress include the Richard J. Mazurek, M.D. Medical Education Commons and the Marvin I. Danto Engineering Development Center.

Capital additions in 2007 included expenditures for in-progress construction of the South University Village Parking Structure, the steam boiler project, major renovations to an existing building to house the University's Public Safety department, and renovations to the Mott Center. During 2007, construction projects completed included expenditures for major renovation of the fitness center and renovations of several other University facilities.

Capital asset additions are funded primarily with bond proceeds, gifts, state capital appropriations, and unrestricted net assets designated for capital purposes.

Debt Activities

Long-term debt totaled $390.2 million, $347.1 million, and $354.4 million at September 30, 2008, 2007, and 2006, respectively. During fiscal year 2008, the University issued General Revenue Bonds Series 2007A and 2007B for $36.7 million and Series 2008 for $180.7 million. Series 2008 bonds were used to refinance existing variable rate debt and to pay the related swap termination fees which totaled $14.7 million. The proceeds from the 2007A and 2007B Series general bond issuance were used to refinance the remaining outstanding liability of $2.7 million of the 1993 Series Bonds and to finance the construction of the South University Village Parking Structure and to partially fund two new buildings – the Marvin I. Danto Engineering Development Center and the Richard J. Mazurek, M.D. Medical Education Commons.

In its role of financial steward, the University works to manage its financial resources effectively, including the use of debt to finance capital projects. In conjunction with the most recent bond issuance in March 2008, the rating services of Moody's and Standard & Poor's affirmed the University's credit rating at "Aa3" and "AA-", respectively, with the highest achievable rating being "AAA". Management believes its current ratings are key indicators of the University's capacity to borrow effectively and its ability to meet its financial obligations.

Net Assets

Net assets represent the residual interest in the University's assets after liabilities are deducted. The University's net assets at September 30, 2008, 2007, and 2006 are summarized as follows:

	2008	2007	2006
		(in millions)	
Invested in capital assets - Net of related debt	$ 377.6	$ 400.1	$ 408.4
Restricted:			
Nonexpendable	127.9	108.1	101.4
Expendable	163.3	206.8	167.9
Unrestricted	218.7	160.9	159.2
Total net assets	**$ 887.5**	**$ 875.9**	**$ 836.9**

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

- **Invested in 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 issued for the acquisition, construction, or improvement of those assets. Changes from year to year result from capital additions, issuance and payments of long-term debt, retirement of assets, and depreciation expense.
- **Restricted:**
  - **Nonexpendable** - Represents the corpus portion of gifts to the University's permanent endowment funds, certain University funds which have been specifically allocated and restricted pursuant to specific agreements with individuals or entities, and the University's required funding match for federal student loans and donor-restricted University loans.
  - **Expendable** - Represents gifts and other sponsored and governmental grants and contracts, which are subject to externally imposed restrictions governing their use (scholarships, academic and research programs, and capital projects). This category of net assets also includes undistributed accretion from investments of permanent endowments and funds functioning as endowments with externally imposed restrictions.

  The restricted expendable and nonexpendable components of net assets are directly affected by the performance of the University's long-term investments. The upward and downward trends for the three-year period presented were significantly affected by the financial market trends and performance during the three-year period.
- **Unrestricted** - Represents funds which are not subject to externally imposed restrictions; however, most of the University's unrestricted net assets are designated by its Board of Governors and management for various academic, research and administrative programs, and capital projects. Unrestricted net assets also include certain funds functioning as endowments that have no externally imposed restrictions. The upward three-year trend in unrestricted funds is largely reflective of the University's recent operations, primarily in the General Fund. The Auxiliary Activities and Independent Operations funds of the University, which have struggled with declining operations over the past several years, experienced combined losses of $1.0 million and $2.4 million for the fiscal years ended September 30, 2008 and 2007, respectively.

Statement of Revenues, Expenses, and Changes in Net Assets

The statement of revenues, expenses, and changes in net assets presents the revenues and expenses recognized during the fiscal year. Prior fiscal years' data is provided for comparative purposes.

Revenues

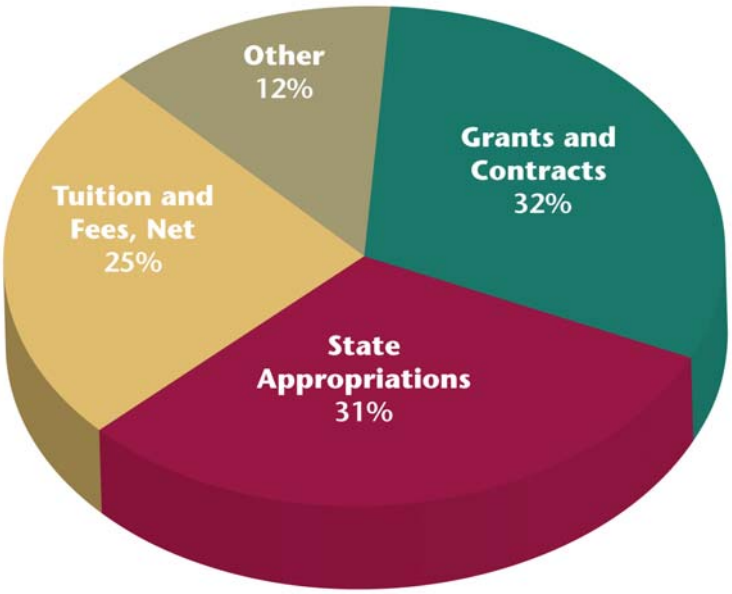
Consistent with GASB Statement No. 35, revenues are categorized as operating, nonoperating, or other. Operating revenues generally result from exchange transactions such as revenues received for tuition and fees or grants and contracts revenue for services performed on sponsored programs, while nonoperating revenues are primarily nonexchange in nature such as state operating appropriations and investment income. Other revenues generally represent capital and endowment transactions.

Prior to 2008, Federal Pell Grant revenue was treated as an exchange transaction and included in the Grants and Contract category of operating revenues. During 2008, the GASB issued authoritative literature indicating that Pell grant revenue characteristics were more nonexchange in nature and should be recorded as nonoperating revenue. The 2008 financial statements reflect this change and the 2007 and 2006 amounts have been reclassified to conform to the current year presentation. Summarized revenue classifications in each category for the years ended September 30, 2008, 2007, and 2006 are presented below:

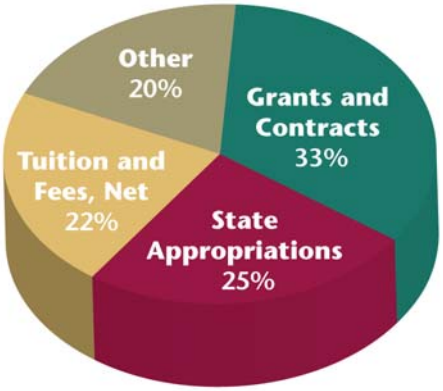
	2008	2007	2006
		(in millions)	
Operating Revenues			
Student tuition and fees	$ 262.3	$ 232.2	$ 211.6
Less scholarship allowances	(58.4)	(61.6)	(50.1)
Net student tuition and fees	203.9	170.6	161.5
Grants and contracts	232.6	235.5	240.1
Other	64.4	49.6	49.0
Total operating revenues	500.9	455.7	450.6
Nonoperating Revenues			
State operating appropriation	239.0	196.8	216.4
Federal Pell grant	20.1	21.0	17.4
Gifts	28.3	30.8	27.0
Investment (loss) income	(20.9)	54.4	31.7
Other	1.7	-	1.3
Total nonoperating revenues	268.2	303.0	293.8
Other Revenues			
State capital appropriations	10.0	-	-
Capital and endowment gifts	18.3	16.6	14.0
Total other revenues	28.3	16.6	14.0
Total revenues	**$ 797.4**	**$ 775.3**	**$ 758.4**

The following charts graphically depict total revenue by source for the years ended September 30, 2008, 2007, and 2006.

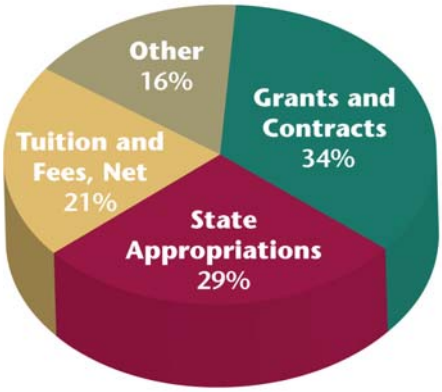
Total Revenue



2008 – $797.4 million



2007 – $775.3 million



2006 – $758.4 million

Major Revenue Sources

The University's research and public service mission and significant components of instruction are supported primarily by federal, state, and nongovernmental grants and contracts which, in the aggregate, typically comprise the largest single revenue source to the University. The state operating appropriation and student tuition and fees represent the majority of resources available to fund the University's General Fund operations.

Operating Revenues

Operating revenues totaled $500.9 million in 2008, compared to $455.7 million and $450.6 million in 2007 and 2006, respectively. The 2008 increase in total operating revenues of $45.2 million (9.9 percent) over 2007 was attributable to several factors:

Student Tuition and Fees - Net student tuition and fees increased by $33.3 million (19.5 percent) primarily as a result of the 12.8 percent tuition rate increase and a tuition "contingency fee" assessment approved by the University's Board of Governors in July 2007 and, to a lesser extent, by an increase in registered student credit hours. The contingency fee was intended to provide the University with required funding for its 2008 operations in the event the State of Michigan was unable to fulfill its commitment to provide a delayed state appropriation payment from fiscal year 2007. This portion of the University's appropriation had been withheld due to the State's budget constraints. Since the State did make the payment to the University in October 2007, the contingency fee was assessed only for the fall 2007 semester.

To mitigate the impact of tuition rate increases, the University continues to increase its allocation of financial aid for some of its students. In 2008, 2007, and 2006, the University provided total scholarships and fellowships of $71.7 million, $67.9 million, and $58.6 million, respectively. This represents percentage increases of 5.6 percent for 2008, 15.9 percent for 2007, and 12.5 percent for 2006.

As more fully discussed in Note 1 in the Summary of Significant Accounting Policies section, there are two components of the scholarship and fellowship amounts discussed in the preceding paragraph which are reflected in the financial statements. Student tuition and fee revenue for financial statement reporting purposes is reduced by "scholarship allowances" to arrive at net tuition and fees. These scholarship allowances represent financial aid granted to students which are applied directly to students' accounts to pay their tuition and fee assessments (in the General Fund) and in some cases, room and board assessments (in the Auxiliary Activities Fund). The second component, scholarships in excess of assessed tuition and fees, is disbursed directly to students and reported as scholarship and fellowship expenses (also see page 24).

Enrollment growth has leveled off in the past several years primarily due to declines in graduate enrollment. A slight increase in undergraduate credit hours has been offset by similar declines in graduate credit hours such that the net changes in enrollment and credit hour course activity had only a negligible impact on the change in net tuition and fee revenue.

Grants and Contracts - Grants and contract revenues were essentially flat from 2007 to 2008, experiencing a slight overall decline of 1.3 percent.

Other Operating Revenues - Other operating revenues increased $14.8 million (29.8 percent) over 2007 primarily due to the sale of future royalty rights related to certain intellectual property in which the University had a significant investment.

The 2007 increase in operating revenues of $5.1 million (1.1 percent) was influenced by several factors:

- Gross student tuition and fees increases of $20.6 million (9.7 percent) from $211.6 million in 2006 to $232.2 million in 2007, attributable to the tuition rate increases approved by the University's Board of Governors in July 2006 and 2007, higher student enrollment, and continued increases in registered student credit hours in both years were also contributing factors, which resulted in an increase in net student tuition and fees of $9.1 million (5.6 percent).
- A decline of $4.6 million in grants and contracts revenue comprised of decreased Detroit Medical Center (DMC) contract revenue of approximately $5.5 million which resulted from evolving contract and operating agreement changes between the DMC and the University related to operational and functional changes to the relationship and affiliation between the two entities.

Nonoperating and Other Revenues

Nonoperating and other revenues were $296.5 million in 2008, compared to $319.6 million and $307.8 million in 2007 and 2006, respectively. Factors affecting this change are as follows:

Nonoperating Revenues

- The state operating appropriation is a primary source of the University's nonoperating and other revenues. During 2008, the state operating appropriation was $239 million, a $42.2 million (21.4 percent) increase over 2007. In fiscal year 2007, due to State budget constraints, the State imposed reductions which included a $20 million delayed payment of the University's operating appropriation. For financial statement purposes, the delayed payment, received by the University in October 2007, reduced the 2007 operating appropriation by $20 million and increased the 2008 appropriation by the same amount which accounted for approximately $40 million of the $42.2 million change between 2008 and 2007. The remaining $2.2 million resulted from a small increase in the 2008 appropriations over the 2007 base appropriation amount.
- Gift revenue in 2008, excluding capital and endowment gifts, decreased by $2.5 million (8.1 percent) to $28.3 million compared to $30.8 million in 2007. The decrease (see related comments below) reflects the impact economic conditions have on donor donations. Gift revenue in 2007 increased $3.8 million (14.1 percent) to $30.8 million compared to $27.0 million in 2006.
- Investment income, another component of nonoperating revenue, decreased by $75.3 million (138.4 percent) resulting in a net investment loss of $20.9 million in 2008, compared to net investment income of $54.4 million in 2007. The 2008 decline is primarily associated with unfavorable endowment investment performance which related to current financial market conditions. The portion of the investment income decline related to endowment funds was $70.4 million. Interest earned on short-term investments also declined by $4.8 million during 2008 due to decreasing market interest rates, further negatively impacting overall investment portfolio performance. Of the $20.9 million net investment loss in 2008 from all sources, the University's endowments experienced a net loss of $34.6 million and all other University funds realized net investment income of $13.7 million. In fiscal year 2007, net investment income increased approximately $22.7 million (71.6 percent) to $54.4 million, compared to an increase of $2.2 million (7.5 percent) to $31.7 million in 2006. The increase in 2007 was due to favorable endowment investment performance, and higher short-term interest rates earned on cash and temporary investments. As a result of the ongoing capital campaign and other increases in net assets, the University also had larger investable balances which further improved investment returns in 2007 and 2006. In addition, both the University's long-term investment strategy and favorable market conditions contributed to gains in 2007. Of the 2007 net investment income from all sources, $35.8 million was related to the University's endowments, with the remaining $18.6 million representing the investment income for all other University funds.

Other Revenues

Other revenues in 2008 include a $10 million state capital appropriation for the Marvin I. Danto Engineering Development Center. The State Building Authority approved the project in 2007 at an estimated project cost of $27.35 million with a total state capital appropriation of $15.0 million. The remaining funding of $12.35 million will be provided by capital gifts and bond proceeds from the issuance of the 2007 General Revenue Bonds.

Capital gifts are used to finance the construction and renovation of university buildings while endowment gifts support university programs and initiatives as designated by the respective donor. During 2008, aggregate capital and endowment gifts increased by $1.7 million to $18.3 million, compared to $16.6 million in 2007, and endowment gifts increased by $3.0 million (54.5 percent), while capital gifts decreased by $1.3 million (10.8 percent).

The recording of gifts and capital gifts in the financial statements are governed by generally accepted accounting principles which dictate the type and timing of gifts recognized for reporting. Gifts included in the financial statements include cash, stocks, and unconditional pledges for operating activities and capital projects, and gifts-in-kind which meet the University's asset capitalization guidelines. Gifts reported for capital campaign reporting purposes also include other sources and types of gifts given or pledged during each year which are not included in the financial statements. These include planned giving, conditional pledges, endowment fund pledges, gifts-in-kind not capitalized, certain gift annuities, and the face amount of life insurance policies in excess of cash surrender values. These gift types, with the exception of gifts-in-kind, will be recognized for financial statement purposes in future years when the cash is received. Additionally, capital campaign reporting recognizes as gifts, certain grants and contract-type funds from foundation and other sources, which are classified as nongovernmental grants and contracts revenue for financial statement purposes.

Expenses

Operating and nonoperating expenses for the years ended September 30, 2008, 2007, and 2006 are presented below:

	($ in millions) 2008	2007	2006
Operating expenses	$ 746.5	$ 719.2	$ 715.5
Nonoperating and other expenses:			
Interest expense	18.8	14.5	12.7
Loss on swap termination (Note 5)	14.7	-	-
Other	2.0	2.6	2.8
Total nonoperating and other expenses	35.5	17.1	15.5
Total expenses	**$ 782.0**	**$ 736.3**	**$ 731.0**

Operating expenses by functional classification for the years ended September 30, 2008, 2007, and 2006 are detailed as follows:

($ in millions)

	2008		2007		2006	
	Dollars	% of Total Operating Expenses	Dollars	% of Total Operating Expenses	Dollars	% of Total Operating Expenses
Operating Expenses - By Function						
Instruction	$ 256.9	34.4%	$ 252.2	35.1%	$ 249.5	34.9%
Research	143.6	19.2%	144.9	20.1%	149.2	20.8%
Public service	47.0	6.3%	47.3	6.6%	47.9	6.7%
Academic support	63.3	8.5%	57.7	8.0%	58.6	8.2%
Student services	30.3	4.1%	29.3	4.1%	28.4	4.0%
Institutional support	58.8	7.9%	53.2	7.4%	52.4	7.3%
Operation and maintenance of plant	62.7	8.4%	62.4	8.7%	57.4	8.0%
Scholarships and fellowships [1]	10.3	1.4%	4.1	0.6%	6.8	1.0%
Auxiliary enterprises	21.9	2.9%	20.5	2.8%	20.7	2.9%
Depreciation	51.7	6.9%	47.6	6.6%	44.6	6.2%
Total operating expenses	**$ 746.5**	**100.0%**	**$ 719.2**	**100.0%**	**$ 715.5**	**100.0%**

[1] Excluding "scholarship allowances" applied directly to students' tuition and room and board (see pages 14 and 20).

The natural classification of operating expenses for the same periods are as follows:

($ in millions)

	2008		2007		2006	
	Dollars	% of Total Operating Expenses	Dollars	% of Total Operating Expenses	Dollars	% of Total Operating Expenses
Compensation and benefits	$ 515.8	69.1%	$ 500.6	69.6%	$ 492.1	68.8%
Supplies and services	168.7	22.6%	166.9	23.2%	172.0	24.0%
Depreciation	51.7	6.9%	47.6	6.6%	44.6	6.2%
Scholarships and fellowships	10.3	1.4%	4.1	0.6%	6.8	1.0%
Total operating expenses	**$ 746.5**	**100.0%**	**$ 719.2**	**100.0%**	**$ 715.5**	**100.0%**

Operating Expenses

The University continues to maintain its commitment to instruction and research. Combined expenditures for instruction increased $4.7 million (1.9 percent) to $256.9 million in 2008 and $2.7 million (1.1 percent) to $252.2 million in 2007, compared to $249.5 million in 2006. The summary below was extracted from the supplemental information (pages 48 and 51) and illustrates the three-year trend in operating expenses relating to instruction by fund for the years ended September 30, 2008, 2007, and 2006:

Instruction by Fund	($ in millions)		
	2008	2007	2006
General Fund	$ 202.0	$ 194.8	$ 186.3
% Change from Prior Year	***3.7%***	***4.6%***	***5.3%***
Designated Fund	45.0	46.5	51.7
% Change from Prior Year	***-3.2%***	***-10.1%***	***6.8%***
Expendable Restricted Fund	12.9	13.4	14.3
% Change from Prior Year	***-3.7%***	***-6.3%***	***-5.9%***

Research expenditures have remained relatively stable when comparing 2008 to 2007, declining slightly by .9 percent in 2008. The slight three-year downward trend in research expenditures is essentially attributable to a general decline in grant and contract related expenditures and the fluctuating nature of grant and contract award cycles of various sponsors, grantor agencies, and other funding sources.

Institutional support expenses have increased from 2008 to 2007 by approximately $5.5 million. This occurred because the University made a conscious effort to strategically commit and allocate additional resources to certain targeted areas. These areas include new marketing initiatives, public safety enhancements, University Development related activities, funding for research stimulation, expenses incurred in conjunction with the preparation and negotiation of a new Facilities and Administrative (F&A) cost rate, and costs associated with the presidential search.

Operation and maintenance of plant expenses during 2008 were comparable to 2007, increasing only $.3 million.

In 2007, operation and maintenance of plant expenses increased $5.0 million (8.7 percent) over 2006 due to a large number of significant projects during 2007 which did not meet the University criteria for capitalization, either based on the required dollar threshold or other criteria and considerations. The most significant projects were the $1.5 million in demolition costs relating to the Forest Apartments ($1.1 million) and the former Federal Mogul facility ($.4 million), where there were no immediate plans for capitalized construction, and a number of general facilities repairs and improvements including reconfiguration and design of internal space for various purposes, which either by policy or because of the relative cost involved were not capitalized.

University scholarships and fellowships have increased continually in an effort to partially mitigate rising tuition costs for students. Total scholarships and fellowships granted in 2008 increased by $3.8 million (5.6 percent) to $71.7 million, compared to $67.9 million in 2007. In 2007, the total scholarships granted increased to $67.9 million (15.9 percent) compared to the $58.6 million reported in 2006.

Total scholarships and fellowships granted have two components. Of the scholarships and fellowships reflected on the table on page 19, $10.3 million, $4.1 million, and $6.8 million are disbursed directly to students and are reported as operating expenses in 2008, 2007, and 2006, respectively. The remaining amounts for 2008, 2007, and 2006 of $61.4 million, $63.8 million, and $51.8 million, respectively, are applied directly to the students' accounts receivable balances. These amounts are netted against student tuition and fees, or room and board in the Auxiliary Activities Fund, as "scholarship allowances" in the statement of revenues, expenses, and changes in net assets on page 24.

Auxiliary enterprises operating expenses increased by $1.4 million (6.8 percent) to $21.9 million in 2008, compared to $20.5 million in 2007. A significant portion of the increase occurred as a result of refining the University's utility expense allocations to more appropriately allocate utility cost to certain auxiliary entities.

Depreciation expense increased $4.1 million to $51.7 million in 2008 and $3.0 million to $47.6 million in 2007, compared to $44.6 million in 2006. The increase in depreciation expense relates primarily to the University's additions of new buildings to its infrastructure.

Nonoperating and Other Expenses

Interest expense totaled $18.8 million, $14.5 million, and $12.7 million in 2008, 2007, and 2006, respectively. Approximately one half of the increase in 2008 was due to higher auction rate security interest rates and the overlapping bond interest costs associated with the Series 2008 bonds and the related refunded bonds. The balance of the increased interest expense for 2008, as well as all of the increase for 2007, was directly related to the increases in bond indebtedness incurred in conjunction with construction of new buildings and other capital projects on campus.

In evaluating and considering the volatilities and uncertainties of the current financial market conditions, in 2008 the University decided to terminate all swap agreements related to the Series 2001, 2002, 2003, and 2004 bonds. In conjunction with this transaction, the University incurred a termination fee of $14.7 million which is the "loss on swap termination" reflected in the 2008 nonoperating expenses.

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 during the year. A comparative summary of the statement of cash flows for the years ended September 30, 2008, 2007, and 2006 is as follows:

Cash Flows	2008	2007	2006
		(in millions)	
Cash received from operations	$ 515.8	$ 466.9	$ 481.8
Cash expended for operations	(680.2)	(679.1)	(671.3)
Net cash used in operating activities	(164.4)	(212.2)	(189.5)
Net cash provided by noncapital financing activities	266.2	261.1	251.9
Net cash used in capital and related financing activities	(70.0)	(72.8)	(19.1)
Net cash provided by (used in) investing activities	23.6	50.7	(10.2)
Net increase in cash and temporary investments	55.4	26.8	33.1
Cash and Temporary Investments - Beginning of year	303.5	276.7	243.6
Cash and Temporary Investments - End of year	**$ 358.9**	**$ 303.5**	**$ 276.7**

The majority of cash receipts from operating activities consist of tuition and fees, grants and contracts, and auxiliary and departmental activities. Significant cash outlays include payment of wages, fringe benefits, supplies, utilities, and scholarships. Net cash used in operating activities was $164.4 million. Significant sources of cash provided by noncapital financing activities, as defined by GASB, include state operating appropriations and private gifts used to fund operating activities. The University's most significant source of cash provided by noncapital financing activities is the state operating appropriation, which totaled $239.0 million, $196.8 million, and $216.4 million in 2008, 2007, and 2006, respectively. Included in cash flows from capital and related financing activities are all plant fund and related long-term debt activities (excluding depreciation and amortization of bond costs) and capital gifts. Cash flows from investing activities includes uses of cash to purchase investments, increases in cash and equivalents as a result of selling investments, and income earned on cash and temporary investments. The net cash provided by and used in investing activities is comprised of bond proceed related investments sold to finance construction expenditures as they are incurred and the conversion of short-term investments to cash equivalents during the year.

Economic Factors That Will Affect the Future

The continuing economic climate, both nationally and particularly in the state of Michigan, continue to strain and challenge the University's operations and resources. Over the last six years, the University has addressed significant financial challenges stemming from unprecedented cuts in the state operating appropriation which is a significant source of the General Fund revenue. The reductions over the last several years, combined with obligatory commitments such as increases in employee compensation, costs of utilities, health care, and other services, have required management to stringently control costs and to increase tuition rates. During 2008, these conditions were further compounded by the adversity currently being experienced in the financial markets domestically and globally. These conditions have, amongst other things, adversely impacted the University's Endowment Fund, other investments and the related earnings, its debt positions, and the student loan environment which is extremely critical to segments of the student population. Notwithstanding these difficulties, the measures and strategies employed must continue to be aimed at assuring optimum levels of operations and quality. While by necessity, the University continues to pursue cost control strategies and reductions, the University continues to seek funding from all possible sources, consistent with its mission, to supplement tuition revenue and the state appropriation to fund its general operations. Even with increased and enhanced revenue sources, state appropriation funding levels will continue to have a direct correlation with future tuition rates and policies.

In the current environment, private gifts are an increasingly important supplement to the state appropriation and student tuition to maintain academic quality and support future initiatives. However, economic pressures affecting donors may also impact the future level of support the University receives from corporate and individual giving.

Wayne State University

Balance Sheet

	September 30 2008	September 30 2007
Assets		
Current Assets		
Cash and temporary investments (Note 2)	$ 358,909,795	$ 303,526,145
Current receivables - Net (Note 3)	126,443,125	130,379,931
Inventories	1,662,998	1,479,368
Prepaid expenses and deposits	17,250,894	16,635,135
Total current assets	504,266,812	452,020,579
Noncurrent Assets		
Investments (Note 2)	234,041,722	278,781,718
Noncurrent receivables - Net (Note 3)	41,785,319	40,197,976
Unamortized bond issue costs	3,633,654	1,998,653
Capital assets - Net (Note 4)	763,062,822	730,756,595
Total noncurrent assets	1,042,523,517	1,051,734,942
Total assets	**$ 1,546,790,329**	**$ 1,503,755,521**
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities	$ 101,769,355	$ 91,753,893
Deferred income	121,445,612	122,054,114
Deposits	9,260,397	9,339,091
Short-term loans (Note 3)	-	24,889,437
Long-term debt - Current portion (Note 5)	7,925,725	7,396,657
Total current liabilities	240,401,089	255,433,192
Noncurrent Liabilities		
Federal portion of student loan funds	26,067,623	26,073,627
Accrued employee benefits	10,584,675	6,689,934
Long-term debt - Net of current portion (Note 5)	382,280,971	339,691,739
Total noncurrent liabilities	418,933,269	372,455,300
Total liabilities	659,334,358	627,888,492
Net Assets		
Invested in capital assets - Net of related debt	377,574,339	400,070,184
Restricted:		
Nonexpendable	127,937,231	108,146,423
Expendable	163,297,316	206,814,719
Unrestricted	218,647,085	160,835,703
Total net assets	887,455,971	875,867,029
Total liabilities and net assets	**$ 1,546,790,329**	**$ 1,503,755,521**

See Notes to Financial Statements.

Wayne State University

Statement of Revenues, Expenses, and Changes in Net Assets

	Year Ended September 30	
	2008	2007
Operating Revenues		
Student tuition and fees	$ 262,324,690	$ 232,192,297
Less scholarship allowances	(58,410,394)	(61,574,043)
Net student tuition and fees	203,914,296	170,618,254
Federal grants and contracts	111,491,827	114,449,644
State and local grants and contracts	22,192,143	22,715,681
Nongovernmental grants and contracts	98,902,136	98,326,741
Departmental activities	32,559,869	22,880,543
Auxiliary enterprises - Net of scholarship allowances of $2,947,038 in 2008 and $2,247,038 in 2007	25,402,337	24,952,339
Other operating revenues	6,424,515	1,781,335
Total operating revenues	500,887,123	455,724,537
Operating Expenses (Note 9)		
Instruction	256,939,349	252,216,121
Research	143,603,537	144,886,274
Public service	46,950,202	47,313,943
Academic support	63,296,646	57,668,795
Student services	30,319,197	29,298,539
Institutional support	58,738,199	53,182,427
Operation and maintenance of plant	62,738,139	62,417,945
Scholarships and fellowships	10,286,646	4,076,982
Auxiliary enterprises	21,939,745	20,551,976
Depreciation	51,720,107	47,596,025
Total operating expenses	746,531,767	719,209,027
Operating Loss	(245,644,644)	(263,484,490)
Nonoperating Revenues (Expenses)		
State operating appropriation	239,026,890	196,819,300
Federal Pell Grant	20,091,403	20,959,699
Gifts	28,331,538	30,742,157
Loss on swap termination (Note 5)	(14,671,000)	-
Investment (loss) income	(20,930,878)	54,384,022
Interest on capital asset - Related debt	(18,758,517)	(14,523,081)
Other	1,669,011	(384,646)
Net nonoperating revenues	234,758,447	287,997,451
(Loss) Income Before Other Revenues (Expenses)	(10,886,197)	24,512,961
Other Revenues (Expenses)		
State capital appropriations	9,975,131	-
Capital gifts	9,878,733	11,128,653
Gifts for permanent endowments	8,466,007	5,466,210
Loss on capital assets retired	(1,957,032)	(2,164,540)
Net other revenues	26,362,839	14,430,323
Increase in Net Assets	15,476,642	38,943,284
Net Assets		
Beginning of year (Note 10)	871,979,329	836,923,745
End of year	**$ 887,455,971**	**$ 875,867,029**

See Notes to Financial Statements.

Wayne State University

Statement of Cash Flows

	Year Ended September 30	
	2008	2007
Cash Flows from Operating Activities		
Tuition and fees - Net	$ 205,766,008	$ 184,660,408
Grants and contracts	217,532,701	233,505,744
Auxiliary enterprises	26,224,109	25,567,127
Departmental activities	36,299,091	24,944,053
Loans issued to students	20,683,220	(7,500,605)
Collection of loans from students	2,838,661	3,907,552
Scholarships and fellowships	(10,840,139)	(8,285,240)
Payments to suppliers	(160,757,102)	(170,462,108)
Payments to employees and benefit providers	(508,593,834)	(500,366,528)
Other receipts	6,425,806	1,780,983
Net cash used in operating activities	(164,421,479)	(212,248,614)
Cash Flows from Noncapital Financing Activities		
State operating appropriation	239,026,890	196,819,300
Federal Pell Grants	20,091,403	20,959,699
Gifts	27,875,448	31,085,682
Gifts for permanent endowments	8,695,524	5,154,410
External student lending receipts	150,192,693	115,806,884
External student lending disbursements	(176,887,474)	(112,052,908)
Other	(2,712,557)	3,374,209
Net cash provided by noncapital financing activities	266,281,927	261,147,276
Cash Flows from Capital and Related Financing Activities		
Capital gifts and grants	7,684,210	9,965,635
Proceeds from issuance of debt and other long-term obligations	217,430,000	-
Bond issue costs paid and discount	2,076,591	-
Expenditures for capital assets	(87,901,492)	(62,892,887)
Principal paid on capital debt	(180,025,000)	(7,285,000)
Interest paid on capital debt	(14,630,427)	(13,854,500)
Loss on swap termination	(14,671,000)	-
Proceeds from retirement of capital assets	-	1,245,925
Net cash used in capital and related financing activities	(70,037,118)	(72,820,827)
Cash Flows from Investing Activities		
Investment income - Net	33,591,831	47,923,191
Proceeds from sales and maturities of investments	353,377,271	236,671,579
Purchase of investments	(363,408,782)	(233,883,130)
Net cash provided by investing activities	23,560,320	50,711,640
Net Increase in Cash and Temporary Investments	55,383,650	26,789,475
Cash and Temporary Investments - Beginning of year	303,526,145	276,736,670
Cash and Temporary Investments - End of year	**$ 358,909,795**	**$ 303,526,145**
Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating loss	$ (245,644,644)	$ (263,484,490)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation expense	51,720,107	47,596,025
(Increase) decrease in assets of current operating funds:		
Receivables - Net	16,481,777	(3,479,244)
Prepaid expenses and inventories	(799,388)	(3,914,526)
Increase (decrease) in liabilities of current operating funds:		
Accounts payable and accrued liabilities	9,251,241	(2,720,590)
Deposits	3,184,589	497,857
Deferred income	(2,542,861)	12,753,351
Accrued employee benefits	3,927,700	503,003
Net cash used in operating activities	**$ (164,421,479)**	**$ (212,248,614)**

See Notes to Financial Statements.

Note 1 - Basis of Presentation and Significant Accounting Policies

Overview

Wayne State University (the "University") is a state-supported institution with enrollment in excess of 31,600 students. The financial statements include the individual schools, colleges, and departments, and all controlled organizations. The controlled organizations of the University are the Wayne State University Housing Authority (the "Housing Authority") and the Wayne State University Foundation (the "Foundation"). The Housing Authority manages the University's residence halls, apartments, and related activities and the Foundation manages approximately 99 percent of the University's endowment funds. While the University is a political subdivision of the State of Michigan, it is not a component unit of the State of Michigan 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 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.

Basis of Presentation

The financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) in Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. The balance sheet, statement of revenues, expenses, and changes in net assets, and statement of cash flows are reported on a combined basis and all intra-university transactions are eliminated in accordance with GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - of Public Colleges and Universities*.

Net Assets - Consistent with GASB Statement No. 35, the University reports its net assets in four categories:

- **Invested in 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 issued for the acquisition, construction, or improvement of those assets. Changes from year to year result from capital additions, issuance and payments of long-term debt, retirement of assets, and depreciation expense.
- **Restricted Nonexpendable** - Represents the corpus portion of gifts to the University's permanent endowment funds, certain University funds which have been specifically allocated and restricted pursuant to specific agreements with individuals or entities, and the University's required funding match for federal student loans and donor-restricted University loans.
- **Restricted Expendable** - Represents gifts and other sponsored and governmental grants and contracts, which are subject to externally imposed restrictions governing their use (scholarships, academic programs, and capital projects). This category of net assets also includes undistributed accretion from investments of permanent endowments and funds functioning as endowments with externally imposed restrictions.
- **Unrestricted** - Represents funds which are not subject to externally imposed restrictions; however, most of the University's unrestricted net assets are designated by its Board of Governors and management for various academic, research and administrative programs, and capital projects. Unrestricted net assets also include certain funds functioning as endowments that have no externally imposed restrictions.

Note 1 - Basis of Presentation and Significant Accounting Policies (Continued)

Summary of Significant Accounting Policies

The accompanying financial statements have been prepared on an accrual basis. The University reports its operations 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.

Scholarships and fellowships applied directly to student accounts are netted with student tuition and fee revenues. Scholarships and fellowships disbursed directly to students are presented as scholarship and fellowship expenses.

Consistent with GASB Statement 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 revenues received for tuition and fees or grants and contracts revenue for services performed on sponsored programs, or expenses paid for goods or services. Nonoperating revenues are primarily non-exchange in nature. State appropriation, Pell Grants, gifts, and investment activity are non-exchange, and therefore, are recorded as nonoperating 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 may differ from those estimates.

Investments - Investments in marketable securities are recorded at market 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. Nonmarketable investments are valued based on the most recent available data.

For donor-restricted endowments, the Uniform Management of Institutional Funds Act, as adopted in Michigan, permits the Board of Governors to spend an amount of realized and unrealized endowment appreciation as they deem prudent. The University's policy is to retain the realized and unrealized appreciation with the endowment after the spending policy distributions are applied. The University's endowment rate spending policy provides for an annual distribution of 4.75 percent of a three-year moving average of the market value of endowment assets, measured at quarterly intervals. Of this annual distribution, 4.25 percent is transferred to the beneficiary or operating program accounts and 0.5 percent is used for administration of the University's development efforts. Effective October 1, 2008, the annual distribution amount was increased to 5 percent, of which 4.5 percent will be transferred to the beneficiary or operating program accounts.

Deferred Income - Deferred income represents amounts received and/or receivable in advance of an event or of incurring the related costs. This includes 75 percent of the student tuition and fees for the current fall term received or due prior to October 1, with the remaining 25 percent being recognized as revenue during the current fiscal year. It also includes amounts received from grant and contract sponsors which have not yet been earned under the terms of the underlying agreements. Deferred income will be recognized as revenue in subsequent periods commensurate with generally accepted accounting principles and/or grant and contract terms and conditions.

Note 1 - Basis of Presentation and Significant Accounting Policies (Continued)

Inventories - Inventories are stated at the lower of cost or market.

Prepaid Expenses and Deposits - Prepaid expenses and deposits primarily represent cash payments made in advance of when the related expenditures are recognized for financial statement purposes. The balances at September 30, 2008 and 2007 consist primarily of prepaid student financial aid which is paid to students at the beginning of the fall term each fiscal year, but recognized for accounting purposes over the financial reporting period to which it relates.

Capital Assets - Capital assets are 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 (5 to 40 years) of the respective assets.

Revenue Recognition - The state operating appropriation is recognized in the period for which they are appropriated. Grants and contracts revenue is recognized as the related expenditures are incurred. State capital appropriations, funded through the State Building Authority, are recognized as the University incurs eligible capital project expenditures.

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 give 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 gifts are received.

Donor 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. The allowance for uncollectible pledge receivables is provided based on management's judgment of potential uncollectible amounts.

The University disbursed approximately $183,990,000 and $176,096,000 in 2008 and 2007, respectively, for student loans through the U.S. Department of Education federal direct lending and federal guaranteed student loan programs. These disbursements and the related receipts are not included as revenues or expenditures in the accompanying statement of revenues, expenses, and changes in net assets. The disbursements and related receipts are, however, reflected in the noncapital financing activities section of the statement of cash flows.

Reclassifications - Certain reclassifications have been made to the 2007 balances to conform to the 2008 presentation. Among the reclassifications are Federal Pell Grant reimbursements which have been reclassified from operating to nonoperating revenues based on guidance issued by the GASB during the year concluding that the Pell transactions were nonexchange in nature. The Pell Grant amounts received for 2008 and 2007 are $20,091,403 and $20,959,699, respectively.

Note 2 - Cash and Investments

Cash and investments at September 30, 2008 and 2007 are included on the University's balance sheet in the following categories:

	2008	2007
Cash and temporary investments	$ 358,909,795	$ 303,526,145
Investments:		
Endowment Fund	221,096,904	241,823,781
Plant Fund:		
Invested bond proceeds	11,791,914	35,656,821
Other	1,152,904	1,301,116
Total investments	234,041,722	278,781,718
Total cash and investments	$ 592,951,517	$ 582,307,863

Cash and investments, by type of investment, at September 30, 2008 and 2007 are as follows:

	2008	2007
Fixed income	$ 438,266,088	$ 353,425,684
Repurchase agreements	-	24,478,603
Total fixed income	438,266,088	377,904,287
Equity securities	66,485,306	92,732,434
Certificates of deposit and savings accounts	7,004,538	30,637,008
Real estate investment pool and other investments	975,699	13,355,577
Commingled investment funds	80,988,943	71,256,239
Other	1,819,650	2,592,247
Checks issued in excess of available cash balances	(2,588,707)	(6,169,929)
Total cash and investments	$ 592,951,517	$ 582,307,863

Deposits

Deposits are managed in accordance with the Board of Governors' cash management policy. The policy permits investment in bank certificates of deposit, bankers' acceptances, and secondary market certificates of deposit. The policy also provides that investments in bank instruments may be in those issued by any bank chartered in the United States of America (U.S.) which is a member of the Federal Reserve System or in any bank chartered by the State of Michigan.

Note 2 - Cash and Investments (Continued)

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the University's deposits may not be available or returned. The University does not have a deposit policy for custodial credit risk. At September 30, 2008 and 2007, the carrying amount of the University's deposits was $13,331,251 and $33,537,602, respectively. Of that amount, $513,091 and $607,575, respectively, was insured. The remaining $12,818,160 and $32,930,027 at September 30, 2008 and 2007, respectively, was uninsured and uncollateralized. The University does not require deposits to be insured or collateralized, and is legally prohibited from collateralizing its deposits.

Investments

The cash and temporary investments and bond proceed investments are managed in accordance with the Board of Governors' cash management policy. The Wayne State University Foundation (the "Foundation") manages approximately 99 percent of the endowment investments in accordance with the Statement of Investment Policy ("Endowment Investment Policy") as approved by the Foundation's Board of Trustees. The University also has some investments that are restricted by external agreements or by special donor limitations which are not subject to the above-mentioned policies.

The Board of Governors' cash management policy permits investments in bank repurchase agreements, corporate fixed income securities with limited maturities, municipal obligations, U.S. Treasury bills and notes, other U.S. agency notes, commercial paper, and any instruments that have been selected and approved by the Common Fund short- and intermediate-term investment pools, including the Global Fund.

The endowment investment policy sets a general target allocation for investments as follows:

Investment Instrument	Target	Range
U.S. equities	30%	20%-40%
Non-U.S. equities	15%	10%-30%
Fixed income securities	20%	10%-30%
Global asset allocation strategies	15%	0%-20%
Hedge funds	15%	5%-25%
Real assets	5%	0%-15%

Diversification is a fundamental risk management strategy and these funds are broadly diversified.

The endowment investment policy does not specifically address interest rate, credit, concentration of credit, or foreign currency risks. These risks are considered part of the overall risk versus investment return characteristics of the aggregate Endowment Fund investment portfolio when establishing its asset allocation. Investments are managed in accordance with the asset allocation guidelines in the endowment investment policy at the time of manager appointment and are monitored according to the risk versus investment return characteristics as compared to applicable benchmarks in the investment industry.

Note 2 - Cash and Investments (Continued)

The commingled investment funds in the Endowment Fund are comprised of global asset allocation investment managers and hedge fund managers who invest in U.S. and international equities and fixed income instruments while utilizing derivatives in the execution of their investment strategies. Due to the pooled nature of these investments, the related amounts are not included in the disclosures that follow. Additionally, certain managers utilize derivatives to manage investment risks to increase their portfolio liquidity and flexibility and to increase investment return within the level of risk defined in the manager's investment guidelines.

Custodial Credit Risk - For investments, custodial credit risk is the risk that in the event of the failure of the counterparty, the University may not be able to recover the value of its investments that are in the possession of an outside party. The University's cash management and endowment investment policies do not limit the value of investments that may be held by an outside party. Investments in external investment pools and open-ended mutual funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. The University's counterparties held $294,551,396 and $298,626,659 of its portfolio at September 30, 2008 and 2007, respectively. These investments are either held in the name of the University or a nominee's name for the benefit of the University, and would not be subject to any general creditor claims against these counterparties.

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses resulting from rising interest rates, the University's cash management policy limits the maturities of its investments. Securities exceeding maturities of one year are limited to corporate fixed income securities maturing in less than or equal to three years, U.S. Treasury notes and instruments maturing in less than or equal to seven years, and intermediate-term investment pools (those with securities maturing on an average of seven years or less). Additionally, securities with maturities exceeding one year are limited to 70 percent of the total short-term cash pool of the University.

The University held the following types of fixed income investments and maturities, in years, at September 30, 2008 and 2007:

	2008 Maturities (in Years)				
Investment Type	Less Than 1	1-5	6-10	More Than 10	Total
U.S. Treasuries	$ 22,392,426	$ 5,170,092	$ -	$ -	$ 27,562,518
U.S. government-sponsored enterprises	56,065,274	19,718,415	-	91,911	75,875,600
Corporate asset-backed securities	797,819	240,539	-	-	1,038,358
External investment pools [1]	-	4,962,197	-	-	4,962,197
Money market mutual funds [1] [2]	124,613,988	-	-	-	124,613,988
Corporate securities	-	2,247,622	466,060	-	2,713,682
Commercial paper	140,790,690	-	-	-	140,790,690
Fixed Income Institutional Bond Funds [1]	-	-	46,905,660	13,572,562	60,478,222
Non-U.S. fixed income securities	186,666	44,167	-	-	230,833
Total fixed income investments	$ 344,846,863	$ 32,383,032	$ 47,371,720	$ 13,664,473	$ 438,266,088

Note 2 - Cash and Investments (Continued)

Investment Type	2007 Maturities (in Years) Less Than 1	1-5	6-10	More Than 10	Total
Repurchase agreements [3]	$ 24,478,603	$ -	$ -	$ -	$ 24,478,603
U.S. Treasuries	52,014	6,577,157	-	-	6,629,171
U.S. government-sponsored enterprises	35,537,360	8,209,056	-	143,584	43,890,000
Corporate asset-backed securities	-	1,647,828	-	-	1,647,828
External investment pools [1]	27,464,053	30,872,489	-	-	58,336,542
Money market mutual funds [1] [2]	32,382,102	-	-	-	32,382,102
Corporate securities	1,087,489	1,292,185	-	-	2,379,674
Commercial paper	148,979,171	-	-	-	148,979,171
Fixed Income Institutional Bond Funds [1]	-	-	42,634,202	16,167,827	58,802,029
Non-U.S. fixed income securities	193,333	185,834	-	-	379,167
Total fixed income investments	$ 270,174,125	$ 48,784,549	$ 42,634,202	$ 16,311,411	$ 377,904,287

[1] This represents the range in which the average maturity falls for these investment types.
[2] Includes bond proceeds of $11,791,914 and $11,178,218 which were invested in money market funds at September 30, 2008 and 2007, respectively.
[3] Includes bond proceeds that are collateralized by securities that are held by the pledging financial institution's custodian, in the University's name.

Credit Risk - Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. Nationally recognized statistical rating organizations, such as Moody's and Standard and Poor's, assign credit ratings to security issuers and issues that indicate a measure of potential credit risk to investors. To limit its exposure to credit risk, the University's cash management policy limits the minimum acceptable credit rating of individual investments as follows (Moody's/Standard and Poor's): commercial paper (P1/A1), municipal obligations (A/A), and corporate fixed income securities (A/A). The University is in compliance with its credit risk policy for its related portfolios.

The endowment investment policy does not limit the credit risk that an issuer or counterparty to an investment assumes. The credit risk of the endowment's fixed income securities is considered within the overall portfolio risk when establishing its total expected risk and investment return assumptions. Investments are managed in accordance with asset allocation guidelines and manager guidelines at the time of manager appointment.

Note 2 - Cash and Investments (Continued)

The University's fixed income investments by credit ratings at September 30, 2008 and 2007 were as follows:

	2008 Credit Rating					
Investment Type	AAA	AA	A	A1/P1	Not Rated	Total
U.S. Treasuries	$ 1,044,828	$ -	$ -	$ -	$ 26,517,690	$ 27,562,518
U.S. government-sponsored enterprises	75,875,600	-	-	-	-	75,875,600
Corporate asset-backed securities	348,989	448,830	240,539	-	-	1,038,358
External investment pools	-	4,962,197	-	-	-	4,962,197
Money market mutual funds	124,613,988	-	-	-	-	124,613,988
Corporate securities	2,713,682	-	-	-	-	2,713,682
Commercial paper	-	-	-	140,790,690	-	140,790,690
Fixed Income Institutional Bond Funds	-	46,905,660	13,572,562	-	-	60,478,222
Non-U.S. fixed income securities	-	-	-	-	230,833	230,833
Investments by rating	$ 204,597,087	$ 52,316,687	$ 13,813,101	$ 140,790,690	$ 26,748,523	$ 438,266,088

	2007 Credit Rating					
Investment Type	AAA	AA	A	A1/P1	Not Rated	Total
Repurchase agreements	$ -	$ 24,478,603	$ -	$ -	$ -	$ 24,478,603
U.S. Treasuries	-	-	-	-	6,629,171	6,629,171
U.S. government-sponsored enterprises	43,890,000	-	-	-	-	43,890,000
Corporate asset-backed securities	1,647,828	-	-	-	-	1,647,828
External investment pools	27,464,053	30,872,489	-	-	-	58,336,542
Money market mutual funds	32,382,102	-	-	-	-	32,382,102
Corporate securities	342,629	1,229,299	807,746	-	-	2,379,674
Commercial paper	-	-	-	148,979,171	-	148,979,171
Fixed Income Institutional Bond Funds	-	42,634,202	16,167,827	-	-	58,802,029
Non-U.S. fixed income securities	-	-	-	-	379,167	379,167
Investments by rating	$ 105,726,612	$ 99,214,593	$ 16,975,573	$ 148,979,171	$ 7,008,338	$ 377,904,287

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer of fixed-income securities. The University's cash management policy provides that investment pool funds be sufficiently diversified and that no more than 10 percent of its assets can be in any particular issue. Direct placements are limited to 20 percent of total resources with any given institution (banks, companies, or other institutions), including investment pools. The foregoing restrictions do not apply to securities that are issued or fully guaranteed by the United States government. The University is in compliance with its concentration of credit risk policy.

The endowment investment policy does not limit the concentration of credit risk that an issuer or counterparty to an investment will not fulfill its obligations. The credit risk of the endowment's fixed income securities is considered within the overall risk of this portfolio when establishing its total expected risk and investment return assumptions. Investments are managed in accordance with asset allocation guidelines and manager guidelines at the time of manager appointment.

Note 2 - Cash and Investments (Continued)

As of September 30, 2008 and 2007, the University investment portfolio did not have investments in any single issuer that equaled 5 percent or more.

Foreign Currency Risk - Foreign currency risk represents the risk that changes in exchange rates will adversely affect the fair value of an investment. The University's cash management policy allows for investment in instruments that have been selected and approved by the Common Fund short-term and intermediate-term investment pools, including the Global Fund. The University's cash and temporary investment portfolio did not include direct investments denominated in foreign currencies at September 30, 2008 and 2007.

The endowment investment policy does not limit the foreign currency risk. The asset allocation provides a target of 15 percent for non-U.S. equities (with a maximum limit of 30 percent), but does not establish limits on non-U.S. fixed income securities. The foreign currency risk of the endowment investments is considered within the overall risk of this portfolio when establishing its total expected risk and investment return assumptions. Investments are managed in accordance with asset allocation guidelines and manager guidelines at the time of manager appointment. The University had Endowment Fund investments in non-U.S. equities of $21,665,607, 10 percent of the University's total Endowment Fund investments at September 30, 2008. Of this amount, 34 percent was exposed to European Union euro currency risk, 17 percent was exposed to the British pound sterling currency risk, 7 percent was exposed to Swiss franc currency risk, 5 percent was exposed to Indian rupee currency risk, and 4 percent was exposed to South Korean won currency risk. At September 30, 2007, the University had Endowment Fund investments in non-U.S. equities of $41,036,825, approximately 17 percent of the University's total Endowment Fund investments. Of this amount, 39 percent was exposed to European Union euro currency risk, 25 percent was exposed to the British pound sterling currency risk, and 6 percent was exposed to Japanese yen currency risk. For 2008 and 2007, the remaining investments in non-U.S. equities had small exposures in the individual currencies of several foreign countries.

At September 30, 2008, the University had Endowment Fund investments in fixed income institutional mutual funds which totaled $60,478,222. Of this amount, 30 percent was exposed to British pound sterling currency risk, 6 percent was exposed to European Union euro currency risk, and 4 percent was exposed to Canadian dollar and Brazilian real currency risk. At September 30, 2007, the University had Endowment Fund investments in fixed income institutional mutual funds which totaled $58,802,029. Of this amount, 49 percent was exposed to British pound sterling currency risk and European Union euro currency risk and 4 percent was exposed to Canadian dollar and Brazilian real currency risk. In 2008 and 2007, the fixed income mutual fund investment managers had smaller exposures in the individual currencies of several other foreign countries.

The University's cash and temporary investments provided a return of 3.1 percent and 4.9 percent for the years ended September 30, 2008 and 2007, respectively. The University's endowment-related investments incurred a loss of (13.4) percent and a return of 17.0 percent for the years ended September 30, 2008 and 2007, respectively.

Note 3 - Receivables

At September 30, 2008 and 2007, receivables consist of the following:

	2008	2007
Grants and contracts receivable	$ 26,539,877	$ 26,487,777
Pledged gifts receivable	29,459,256	26,017,185
Student notes receivable	28,099,618	52,330,303
Student accounts receivable	54,945,043	56,503,320
State appropriations receivable - Capital projects	9,975,131	-
Other	34,573,687	23,194,364
Total	183,592,612	184,532,949
Less:		
Provision for loss on receivables	(12,604,516)	(10,903,423)
Unamortized discount to present value on pledged gifts receivable	(2,759,652)	(3,051,619)
Total	168,228,444	170,577,907
Less net current portion of receivables	(126,443,125)	(130,379,931)
Net noncurrent receivables	$ 41,785,319	$ 40,197,976

Payments on pledged gifts receivable at September 30, 2008 are expected to occur in the following years ending September 30:

2009	$ 10,706,364
2010-2018	18,752,892
Total	$ 29,459,256

Student notes receivable consist of loans to students made from both federal and University resources. The principal repayment and interest rate terms on these loans vary considerably. The provision for loss on receivables, which is applicable to the student notes receivable, 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 from the Perkins and various health profession loan programs.

Note 3 - Receivables (Continued)

In March 2008, the University ceased its participation in the *School as Lender* program and began utilizing the Federal Direct Loan program as its primary federal student loan program. Under the former *School as Lender* program, the University disbursed approximately $31,991,000 and $61,200,000 in loans to students during the years ended September 30, 2008 and 2007, respectively. All loans associated with the former *School As Lender* program, $58,700,000 and $57,800,000 during the years ended September 30, 2008 and 2007, respectively, have been sold to a third party.

The University secured a line of credit with a bank to fund loans issued in conjunction with the *School as Lender* program which is no longer utilized as of September 30, 2008. Outstanding loans against the line of credit, at September 30, 2007, was approximately $24,900,000.

Note 4 - Capital Assets

Capital assets activity for the years ended September 30, 2008 and 2007 was as follows:

	Balance September 30, 2007	Additions	Retirements	Balance September 30, 2008
Land improvements	$ 21,238,569	$ 1,051,958	$ -	$ 22,290,527
Buildings	884,648,938	81,245,820	-	965,894,758
Library materials	120,772,819	4,090,570	(1,585,100)	123,278,289
Equipment and software	161,911,613	10,039,063	(10,721,475)	161,229,201
Subtotal - Depreciable assets	1,188,571,939	96,427,411	(12,306,575)	1,272,692,775
Land	31,325,483	141,272	-	31,466,755
Construction in progress	62,910,808	(10,684,788)	-	52,226,020
Subtotal - Nondepreciable assets	94,236,291	(10,543,516)	-	83,692,775
Total	1,282,808,230	85,883,895	(12,306,575)	1,356,385,550
Less accumulated depreciation:				
Land improvements	11,201,944	800,407	-	12,002,351
Buildings	312,556,735	34,178,863	-	346,735,598
Library materials	101,631,863	3,745,845	-	105,377,708
Equipment and software	126,661,093	12,994,992	(10,449,014)	129,207,071
Total accumulated depreciation	552,051,635	51,720,107	(10,449,014)	593,322,728
Net capital assets	$ 730,756,595	$ 34,163,788	$ (1,857,561)	$ 763,062,822

Note 4 - Capital Assets (Continued)

	Balance September 30, 2006	Additions	Retirements	Balance September 30, 2007
Land improvements	$ 20,427,222	$ 920,003	$ (108,656)	$ 21,238,569
Buildings	879,020,666	18,857,991	(13,229,719)	884,648,938
Library materials	117,590,365	3,952,504	(770,050)	120,772,819
Equipment and software	154,235,310	8,300,730	(624,427)	161,911,613
Subtotal - Depreciable assets	1,171,273,563	32,031,228	(14,732,852)	1,188,571,939
Land	30,722,131	765,510	(162,158)	31,325,483
Construction in progress	14,737,931	48,172,877	-	62,910,808
Subtotal - Nondepreciable assets	45,460,062	48,938,387	(162,158)	94,236,291
Total	1,216,733,625	80,969,615	(14,895,010)	1,282,808,230
Less accumulated depreciation:				
Land improvements	10,534,710	775,890	(108,656)	11,201,944
Buildings	293,182,318	29,473,956	(10,099,539)	312,556,735
Library materials	97,807,165	3,824,698	-	101,631,863
Equipment and software	113,480,962	13,521,481	(341,350)	126,661,093
Total accumulated depreciation	515,005,155	47,596,025	(10,549,545)	552,051,635
Net capital assets	$ 701,728,470	$ 33,373,590	$ (4,345,465)	$ 730,756,595

Construction in progress represents expenditures for new projects that are underway but not yet completed. As projects are completed, they are removed from construction in progress and recorded as "additions" and reflected in the applicable asset classification.

Several of the buildings on campus were financed through the issuance of bonds by the State of Michigan Building Authority (SBA). The SBA bonds are secured by a pledge of rentals to be received from the State of Michigan pursuant to a lease agreement entered into between the SBA, the State of Michigan, and the University. During the lease term, the SBA will hold title to the buildings, the State of Michigan will make all lease payments directly to the SBA, and the University will be responsible for all operating and maintenance costs. At the expiration of the lease, the SBA will transfer title to the buildings to the University.

Note 5 - Long-term Debt

Long-term debt activity for the years ended September 30, 2008 and 2007 was as follows:

	2008				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
General Revenue Bonds, Series 2008, with interest ranging from 5.0% to 5.25%, maturing November 15, 2035	$ -	$ 180,690,000	$ -	$ 180,690,000	$ 3,025,000
General Revenue Bonds, Series 2007A, with interest ranging from 4.0% to 5.0%, maturing November 15, 2037	-	32,520,000	-	32,520,000	415,000
General Revenue Bonds, Series 2007B, with interest at 6.01%, maturing November 15, 2030	-	4,220,000	-	4,220,000	-
General Revenue Bonds, Series 2006, with interest ranging from 4.0% to 5.0%, maturing November 15, 2036	51,335,000	-	-	51,335,000	860,000
General Revenue Bonds, Series 2004A, with interest at 4.12%, refunded with Series 2008	58,200,000	-	58,200,000	-	-
General Revenue Bonds, Series 2003A, with interest at fixed and variable rates ranging from 1.8% to 3.45%, refunded with Series 2008	48,300,000	-	48,300,000	-	-
General Revenue Bonds, Series 2003B, with interest at 5.02%, maturing November 15, 2018	4,000,000	-	250,000	3,750,000	260,000
General Revenue Bonds, Series 2002, with interest at 4.33%, refunded with Series 2008	43,150,000	-	43,150,000	-	-
General Revenue Bonds, Series 2001, Tranche 1, with interest at 4.85%, refunded with Series 2008	17,550,000	-	17,550,000	-	-
General Revenue Bonds, Series 2001, Tranche 2, with interest at 4.27%, refunded with Series 2008	6,850,000	-	6,850,000	-	-
General Revenue and Refunding Bonds, Series 1999, with interest ranging from 4.75% to 5.50%, maturing November 15, 2029	114,790,000	-	2,935,000	111,855,000	3,075,000
General Revenue Bonds, Series 1993, with interest ranging from 5.50% to 5.65%, refunded with Series 2007A	2,690,000	-	2,690,000	-	-
Various notes payable with varying interest rates maturing from 2008 through 2013	2,074,440	95,936	346,166	1,824,210	290,725
Gross long-term debt	348,939,440	217,525,936	180,271,166	386,194,210	7,925,725
Less unamortized bond premium/(discount), net	(1,851,044)	4,964,124	(899,406)	4,012,486	-
Total long-term debt	$ 347,088,396	$ 222,490,060	$179,371,760	$ 390,206,696	$ 7,925,725

Note 5 - Long-term Debt (Continued)

	2007				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
General Revenue Bonds, Series 2006, with interest ranging from 4.0% to 5.0%, maturing November 15, 2036	$ 51,335,000	$ -	$ -	$ 51,335,000	$ -
General Revenue Bonds, Series 2004A, with interest at 4.12%, maturing November 15, 2034	59,300,000	-	1,100,000	58,200,000	950,000
General Revenue Bonds, Series 2003A, with interest at fixed and variable rates ranging from 1.8% to 3.45%, maturing November 15, 2033	49,500,000	-	1,200,000	48,300,000	1,050,000
General Revenue Bonds, Series 2003B, with interest at 5.02%, maturing November 15, 2018	4,240,000	-	240,000	4,000,000	250,000
General Revenue Bonds, Series 2002, with interest at 4.33%, maturing November 15, 2032	44,100,000	-	950,000	43,150,000	950,000
General Revenue Bonds, Series 2001, Tranche 1, with interest at 4.85%, maturing November 15, 2031	17,950,000	-	400,000	17,550,000	350,000
General Revenue Bonds, Series 2001, Tranche 2, with interest at 4.27%, maturing November 15, 2031	7,000,000	-	150,000	6,850,000	150,000
General Revenue and Refunding Bonds, Series 1999, with interest ranging from 4.75% to 5.50%, maturing November 15, 2029	117,585,000	-	2,795,000	114,790,000	2,935,000
General Revenue Bonds, Series 1993, with interest ranging from 5.50% to 5.65%, maturing November 15, 2012	3,040,000	-	350,000	2,690,000	375,000
Various notes payable with varying interest rates maturing from 2008 through 2012	2,257,757	157,138	340,455	2,074,440	386,657
Gross long-term debt	356,307,757	157,138	7,525,455	348,939,440	7,396,657
Less unamortized bond premium/(discount), net	(1,951,522)	-	(100,478)	(1,851,044)	-
Total long-term debt	$ 354,356,235	$ 157,138	$ 7,424,977	$ 347,088,396	$ 7,396,657

The University issued the Series 2007A and 2007B bonds on October 25, 2007. The Series 2007A bonds are tax-exempt bonds with a par amount of $32,520,000. These bonds were issued to finance all or a portion of a number of projects and to refund the Series 1993 bonds ($2,315,000). The Series 2007B bonds are taxable bonds with a par amount of $4,220,000.

The University issued the Series 2008 bonds on March 20, 2008. The Series 2008 bonds are tax-exempt bonds with a par amount of $180,690,000. These bonds were issued to finance the refunding of all of the University's outstanding Series 2001 bonds, Series 2002 bonds, Series 2003A bonds, and the Series 2004A bonds (collectively, the "Refunded Bonds") and to terminate the swap transactions in connection with the Refunded Bonds.

The Series 2007A, 2007B, and 2008 bonds were issued as natural fixed interest rate bonds.

Note 5 - Long-term Debt (Continued)

The University's General Revenue Bonds are secured by the unrestricted operating revenues of the University. When economically feasible, the University considers defeasance of prior debt issuances to reduce its borrowing cost. The total amount of defeased bonds outstanding at September 30, 2008 and 2007 was $0 and $1,725,000, respectively.

The University redeemed the balance of its 1993 bonds with the issuance of its Series 2007A bonds. The remaining balance outstanding on the Series 1993 bonds was redeemed on November 26, 2007.

Total principal and interest maturities on all debt obligations as of September 30, 2008 are as follows:

Years	Principal	Interest	Total
2009	$ 7,925,725	$ 18,957,531	$ 26,883,256
2010	8,773,465	18,699,261	27,472,726
2011	9,191,667	18,261,054	27,452,721
2012	10,715,614	17,796,814	28,512,428
2013	9,997,739	17,305,273	27,303,012
2014-2018	52,765,000	78,892,558	131,657,558
2019-2023	65,955,000	63,934,678	129,889,678
2024-2028	84,250,000	45,178,326	129,428,326
2029-2033	81,355,000	22,998,048	104,353,048
2034-2038	55,265,000	5,057,988	60,322,988
Total	$ 386,194,210	$ 307,081,531	$ 693,275,741

Cash paid for interest was $17,033,496 in 2008 and $15,120,373 in 2007.

Interest Rate Swaps

Objective of the Swaps - As a means of lowering its borrowing costs and/or to protect against the potential of rising interest rates, the University has entered into four separate interest rate swaps, including pay-fixed, receive-variable swaps, pay-variable, and receive-variable basis swaps.

Terms, Fair Values, and Associate Risk - The terms, fair values, and associate risk of the outstanding swaps as of September 30, 2008 were as follows:

Associated Bond Issue	Notional Amounts	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Values
Series 1999 (2 swaps)	$ 107,500,000	11/15/09	3.58%	67% LIBOR	$ (4,273,491)
Series 2006 (2 swaps)	51,335,000	09/18/06	SIFMA	67% LIBOR plus 40.73bps	(1,399,625)
					$ (5,673,116)

LIBOR - London Interbank Offered Rate
SIFMA (Formerly known as BMA - Bond Market Association Index) - Securities Industry and Financial Markets Association
bps - basis points

Note 5 - Long-term Debt (Continued)

The fair value of the swaps was estimated using the proprietary pricing model of an independent derivative valuation service. The Series 1999 swaps are forward starting swaps and were transacted in connection with the anticipated refunding of the Series 1999 bonds. For the Series 1999 swaps, LIBOR swap rates are lower at September 30, 2008 than at the inception of the swaps, causing these swaps to have a negative fair value.

The Series 2006 swaps are tax basis swaps, which were executed with the objective of reducing the financing cost of the Series 2006 bonds. Changes in interest rates as well as the SIFMA/LIBOR ratio cause the fair value to rise and fall with financial market conditions. Due to changes in these market factors since the inception of the swaps through September 30, 2008, these swaps have a negative fair value at September 30, 2008.

In conjunction with the Series 2008 bond issue, the Series 2001 (Tranche 1 and 2), Series 2002, Series 2003A, and Series 2004A bonds were refunded. The related swap agreements were terminated and a $14,671,000 swap termination fee was paid.

Credit Risk - As of September 30, 2008, the University was not exposed to any credit risk from swap counterparties because none of the swaps had a positive fair value. The University executes swap transactions with various counterparties. At September 30, 2008, there are four outstanding swaps held by two counterparties. The first counterparty holds two swaps that represent approximately 70 percent of the notional amount of swaps outstanding. This counterparty is rated "AAA" by Standard and Poor's and "Aaa" by Moody's. A second counterparty holds two swaps that represent approximately 30 percent of the notional amount of the swaps outstanding. This counterparty is rated "A+" by Fitch (downgraded from "AA-" in October 2008), "AA-" by Standard and Poor's (downgraded from "AA" in April 2008), and "Aa2" (downgraded from "Aa1" in July 2008) by Moody's.

Basis Risk - The swaps expose the University to basis risk which would change the anticipated spread on the swaps should the relationship between LIBOR and SIFMA converge. If a change occurs that results in the rates moving toward convergence, the expected cost savings may not be realized.

Termination Risk - The swap termination dates are November 2029 for the Series 1999 bonds and November 2037 for the Series 2006 bonds. The derivative contracts are documented by the International Swap Dealers Association (ISDA) Master Agreement which includes standard termination events such as failure to pay and bankruptcy. The schedule to the master agreement also provides that the swaps may be terminated by the University if the counterparty's credit quality rating falls below certain specified levels. The University or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If at the time of termination the swap has a negative fair value, the University would be liable to the counterparty for a payment equal to the swap's fair value.

Note 6 - Defined Contribution 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 completed two years of service. For eligible employees, the University will contribute 10 percent of an employee's salary each pay period provided that the employee contributes 5 percent of his/her salary. The University's contributions for each employee are fully vested immediately. University contributions to the plan for the years ended September 30, 2008 and 2007 were $26,659,000 and $25,928,000, respectively.

Note 7 - Commitments

The University has approximately $20,320,000 committed to ongoing construction projects at September 30, 2008. Included in this amount is approximately $11,263,000 related to the Richard J. Mazurek, M.D. Medical Education Commons, $3,858,000 related to the Marvin I. Danto Engineering Development Center, and various other construction projects. These commitments will be funded through a combination of sources including external long-term financing, gifts, state capital appropriations, investment income, and various other University resources.

Note 8 - Contingencies

Insurance Program

In conjunction with the conduct of its routine operations, the University is exposed to various risks of loss and legal actions. To help mitigate such risks, the University participates with 10 other Michigan public universities in the Michigan Universities Self-Insurance Corporation (MUSIC). This corporation 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. By agreements with MUSIC, in the event the insurance reserves established by MUSIC are insufficient to meet its second tier obligations, each of the participating universities share this obligation.

The participating universities are subject to additional assessments if the obligations and expenses (claims) of MUSIC exceed the combined periodic payments and accumulated operational reserves for any given year. The maximum possible additional assessment for the University for the year ended September 30, 2008 is approximately $1,926,000. The University has not been subjected to additional assessments since the formation of MUSIC in 1987.

Note 8 - Contingencies (Continued)

The University is self-insured for certain employee benefits. Claim 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, 2008 and 2007 totaled approximately $5,200,000 and $5,900,000, 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 financial statements.

Loan Guarantees

The University has guaranteed a construction loan of $13 million for the Research and Technology Park in the City of Detroit, Inc., a 501(c)(3) organization. As of September 30, 2008, guaranteed funds drawn against the construction loan totaled $10 million.

Note 9 - Natural Classification of Expenses

Operating expenses by natural classification for the years ended September 30, 2008 and 2007 are summarized as follows:

	2008	2007
Compensation and benefits	$ 515,824,596	$ 500,622,793
Supplies and services	168,700,418	166,913,227
Depreciation	51,720,107	47,596,025
Scholarships and fellowships	10,286,646	4,076,982
Total operating expenses	$ 746,531,767	$ 719,209,027

Note 10 - Postemployment Benefits Other Than Pensions

The University implemented Governmental Accounting Standards Board (GASB) No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* for the fiscal year ended September 30, 2008. This standard requires accrual-based measurement and recognition of the cost of postemployment benefits during the periods when employees render their services. The University's only obligation under this standard relates to a fixed payout life insurance benefit it offers to retirees. The University obtained an actuarial valuation as of September 30, 2008 to determine its future obligations for these benefits. The aggregate unfunded actuarial accrued liability was determined to be $4,153,700 (including current year expense of $266,000) which has been recorded in accrued employee benefits on the balance sheet. The University implemented this standard retroactively and the beginning net assets in the statement of revenue, expenses, and changes in net assets were restated to accrue a liability of $3,887,700 at October 1, 2007.

In addition, the University makes available a plan under which certain retirees may receive retiree health care. There is no implicit rate subsidy and the employees pay 100 percent of the cost. As a result, there is no required or recorded liability relating to the retiree healthcare plan.

Note 11 - Future Accounting Pronouncements

In November 2006, the Governmental Accounting Standards Board (GASB) issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations,* effective for the University's fiscal year beginning October 1, 2008. Statement No. 49 requires estimation of expected pollution remediation outlays, when specified obligating events occur, and a determination of whether these outlays should be accrued for as a liability.

In June 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets,* effective for the University's fiscal year beginning October 1, 2009. This Statement requires capitalization of identifiable intangible assets in the statement of net assets and provides guidance for amortization of intangible assets unless they are considered to have an indefinite useful life.

In June 2008, the GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, effective for the University's fiscal year beginning October 1, 2009. This Statement requires derivative instruments to be reported at fair value. In addition, for derivative instruments that qualify as effective hedges, changes in fair value will be reported as deferrals in the statement of net assets, while changes in the fair value of the derivative instruments that do not qualify as effective hedges, including investment derivative instruments, will be reported as investment income. This Statement also will require additional disclosures about the University's derivative instruments.

The University is evaluating the effect that these Statements may have on its financial statements in the applicable subsequent years.

Note 12 - Subsequent Events

Subsequent to year end, the University's investment portfolio and interest rate swaps have declined in value, reflective of the general decline in financial markets. Because the values of individual investments and swap agreements fluctuate with market conditions, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined at this time.

Supplemental Information

Report on Supplemental Information

To the Board of Governors
Wayne State University

We have audited the financial statements of Wayne State University for the years ended September 30, 2008 and 2007. Our audits were made for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental information, as listed in the table of contents, is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Plante & Moran, PLLC

January 8, 2009

Wayne State University

Combining Balance Sheet
September 30, 2008
(with comparative totals for September 30, 2007)

	2008											2007
	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	Combined Fund Totals	Combined Fund Totals
Assets												
Current assets:												
Cash and temporary investments	$ 206,742,517	$ 27,683,867	$ 6,295,722	$ (802,026)	$ 28,033,828	$ 267,953,908	$ 66,028,359	$ 10,647,709	$ (2,078,295)	$ 16,358,114	$ 358,909,795	$ 303,526,145
Current receivables - Net	49,663,912	28,449,121	3,353,053	292,323	26,903,753	108,662,162	15,743,676	594,981	1,266,383	175,923	126,443,125	130,379,931
Inventories	1,038,378	-	624,620	-	-	1,662,998	-	-	-	-	1,662,998	1,479,368
Prepaid expenses and deposits	16,811,560	8,975	90,684	-	15,938	16,927,157	16,762	-	-	306,975	17,250,894	16,635,135
Total current assets	274,256,367	56,141,963	10,364,079	(509,703)	54,953,519	395,206,225	81,788,797	11,242,690	(811,912)	16,841,012	504,266,812	452,020,579
Noncurrent assets:												
Investments	-	-	-	-	-	-	12,944,818	-	221,096,904	-	234,041,722	278,781,718
Noncurrent receivables - Net	-	1,075,695	-	1,572	3,171,673	4,248,940	10,483,516	27,052,863	-	-	41,785,319	40,197,976
Interfund receivables (payables)	-	-	(2,200,000)	-	-	(2,200,000)	2,200,000	-	-	-	-	-
Unamortized bond issue costs	-	-	-	-	-	-	3,633,654	-	-	-	3,633,654	1,998,653
Capital assets - Net	-	-	-	-	-	-	763,062,822	-	-	-	763,062,822	730,756,595
Total noncurrent assets	-	1,075,695	(2,200,000)	1,572	3,171,673	2,048,940	792,324,810	27,052,863	221,096,904	-	1,042,523,517	1,051,734,942
Total assets	**$ 274,256,367**	**$ 57,217,658**	**$ 8,164,079**	**$ (508,131)**	**$ 58,125,192**	**$ 397,255,165**	**$ 874,113,607**	**$ 38,295,553**	**$ 220,284,992**	**$ 16,841,012**	**$ 1,546,790,329**	**$ 1,503,755,521**
Liabilities and Net Assets (Deficit)												
Liabilities												
Current liabilities:												
Accounts payable and accrued liabilities	$ 38,829,781	$ 8,197,343	$ 2,789,350	$ 175,748	$ 12,606,466	$ 62,598,688	$ 24,639,163	$ -	$ 208,573	$ 14,322,931	$ 101,769,355	$ 91,753,893
Deferred income	106,476,479	313,025	4,788,706	-	9,604,891	121,183,101	262,511	-	-	-	121,445,612	122,054,114
Deposits	2,604,497	3,249,692	888,127	-	-	6,742,316	-	-	-	2,518,081	9,260,397	9,339,091
Short-term loans	-	-	-	-	-	-	-	-	-	-	-	24,889,437
Long-term debt - Current portion	-	-	-	-	-	-	7,925,725	-	-	-	7,925,725	7,396,657
Total current liabilities	147,910,757	11,760,060	8,466,183	175,748	22,211,357	190,524,105	32,827,399	-	208,573	16,841,012	240,401,089	255,433,192
Noncurrent liabilities:												
Federal portion of student loan funds	-	-	-	-	-	-	-	26,067,623	-	-	26,067,623	26,073,627
Accrued employee benefits	9,059,540	325,918	226,374	8,239	537,278	10,157,349	-	-	427,326	-	10,584,675	6,689,934
Long-term debt - Net of current portion	-	-	-	-	-	-	382,280,971	-	-	-	382,280,971	339,691,739
Total noncurrent liabilities	9,059,540	325,918	226,374	8,239	537,278	10,157,349	382,280,971	26,067,623	427,326	-	418,933,269	372,455,300
Total liabilities	156,970,297	12,085,978	8,692,557	183,987	22,748,635	200,681,454	415,108,370	26,067,623	635,899	16,841,012	659,334,358	627,888,492
Net Assets (Deficit)												
Invested in capital assets - Net of related debt	-	-	-	-	-	-	377,574,339	-	-	-	377,574,339	400,070,184
Restricted:												
Nonexpendable	-	-	-	-	-	-	-	11,306,567	116,630,664	-	127,937,231	108,146,423
Expendable	-	-	-	-	35,376,557	35,376,557	30,633,370	-	97,287,389	-	163,297,316	206,814,719
Unrestricted	117,286,070	45,131,680	(528,478)	(692,118)	-	161,197,154	50,797,528	921,363	5,731,040	-	218,647,085	160,835,703
Total net assets (deficit)	117,286,070	45,131,680	(528,478)	(692,118)	35,376,557	196,573,711	459,005,237	12,227,930	219,649,093	-	887,455,971	875,867,029
Total liabilities and net assets (deficit)	**$ 274,256,367**	**$ 57,217,658**	**$ 8,164,079**	**$ (508,131)**	**$ 58,125,192**	**$ 397,255,165**	**$ 874,113,607**	**$ 38,295,553**	**$ 220,284,992**	**$ 16,841,012**	**$ 1,546,790,329**	**$ 1,503,755,521**

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

	2008	2007
Contractually committed, encumbrances	$ 10,100	$ 6,700
Appropriated in subsequent year budget	-	-
Rainy Day Fund	16,800	13,100
Committed for research	22,100	19,700
Academic unit funds carried forward	45,100	54,600
Operating and central unit funds carried forward	17,800	7,500
Funds available (deficit) for allocation in subsequent years*	5,400	(19,718)
Total General Fund unrestricted net assets	**$ 117,300**	**$ 81,882**

*As more fully discussed on page 17 of the Management's Discussion and Analysis, the 2007 funds deficit for allocation in subsequent years of $(19,718) were funded with the 2007 deferred State of Michigan operating appropriation of $20 million received in October 2007.

Wayne State University

Combining Statement of Revenues, Expenses, Transfers and Changes in Net Assets (Deficit)
Year Ended September 30, 2008
(with comparative totals for the year ended September 30, 2007)

	Year Ended September 30											
	2008											2007
	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	Adjustments	Combined Total	Combined Total
Operating Revenues												
Student tuition and fees	$ 258,085,100	$ -	$ 4,051,871	$ -	$ -	$ 262,136,971	$ 187,719	$ -	$ -	$ -	$ 262,324,690	$ 232,192,297
Less scholarship allowances	-	-	-	-	-	-	-	-	-	(58,410,394)	(58,410,394)	(61,574,043)
Net student tuition and fees	258,085,100	-	4,051,871	-	-	262,136,971	187,719	-	-	(58,410,394)	203,914,296	170,618,254
Federal grants and contracts	-	-	-	-	111,239,976	111,239,976	251,851	-	-	-	111,491,827	114,449,644
State and local grants and contracts	-	-	-	-	22,192,143	22,192,143	-	-	-	-	22,192,143	22,715,681
Nongovernmental grants and contracts	-	61,543,199	-	-	37,358,937	98,902,136	-	-	-	-	98,902,136	98,326,741
Departmental activities	3,364,396	28,547,669	-	647,804	-	32,559,869	-	-	-	-	32,559,869	22,880,543
Auxiliary enterprises (net of scholarship allowances)	-	-	28,349,375	-	-	28,349,375	-	-	-	(2,947,038)	25,402,337	24,952,339
Recovery of indirect costs of sponsored programs	36,483,790	-	-	-	(36,483,790)	-	-	-	-	-	-	-
Other operating revenues	6,316,791	-	-	-	-	6,316,791	-	107,724	-	-	6,424,515	1,781,335
Total Operating Revenues	304,250,077	90,090,868	32,401,246	647,804	134,307,266	561,697,261	439,570	107,724	-	(61,357,432)	500,887,123	455,724,537
Operating Expenses												
Instruction	201,968,868	45,003,873	-	-	12,878,743	259,851,484	-	-	-	(2,912,135)	256,939,349	252,216,121
Research	32,043,569	1,601,125	-	-	114,218,128	147,862,822	-	-	-	(4,259,285)	143,603,537	144,886,274
Public service	1,147,508	23,595,665	-	2,509,884	20,112,926	47,365,983	-	-	-	(415,781)	46,950,202	47,313,943
Academic support	61,539,937	4,369,792	-	-	2,499,090	68,408,819	-	-	-	(5,112,173)	63,296,646	57,668,795
Student services	29,694,697	406,411	-	-	308,211	30,409,319	-	-	-	(90,122)	30,319,197	29,298,539
Institutional support	55,619,976	3,193,782	-	-	103,410	58,917,168	-	-	-	(178,969)	58,738,199	53,182,427
Operation and maintenance of plant	51,398,148	59,206	-	-	1,262,922	52,720,276	10,029,170	-	-	(11,307)	62,738,139	62,417,945
Scholarships and fellowships	41,111,818	57,813	-	-	30,474,447	71,644,078	-	-	-	(61,357,432)	10,286,646	4,076,982
Auxiliary enterprises	-	-	22,023,121	-	-	22,023,121	-	-	-	(83,376)	21,939,745	20,551,976
Depreciation	-	-	-	-	-	-	51,720,107	-	-	-	51,720,107	47,596,025
Capital additions - Net	-	-	-	-	-	-	(13,063,148)	-	-	13,063,148	-	-
Transfers (in) out:												
Debt service	10,627,454	985,982	10,882,684	-	-	22,496,120	(22,496,120)	-	-	-	-	-
Loan matching	4,990	-	-	-	-	4,990	-	(4,990)	-	-	-	-
Plant improvement and extension	25,766,373	5,030,307	678,630	-	30,979	31,506,289	(31,544,101)	-	37,812	-	-	-
Other	151,705	11,203,846	-	(965,000)	(96,794)	10,293,757	965,000	51,317	(11,310,074)	-	-	-
Total Operating Expenses	511,075,043	95,507,802	33,584,435	1,544,884	181,792,062	823,504,226	(4,389,092)	46,327	(11,272,262)	(61,357,432)	746,531,767	719,209,027
Operating Income (Loss)	(206,824,966)	(5,416,934)	(1,183,189)	(897,080)	(47,484,796)	(261,806,965)	4,828,662	61,397	11,272,262	-	(245,644,644)	(263,484,490)

Wayne State University

Combining Statement of Revenues, Expenses, Transfers and Changes in Net Assets (Deficit) (Continued)
Year Ended September 30, 2008
(with comparative totals for the year ended September 30, 2007)

	Year Ended September 30											
	2008											2007
	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	Adjustments	Combined Total	Combined Total
Nonoperating Revenues (Expenses)												
State operating appropriation	$ 238,769,291	$ -	$ -	$ -	$ 257,599	$ 239,026,890	$ -	$ -	$ -	$ -	$ 239,026,890	$ 196,819,300
Federal Pell Grant	-	-	-	-	20,091,403	20,091,403	-	-	-	-	20,091,403	20,959,699
Gifts	-	5,582,461	2,440	942,873	21,377,162	27,904,936	-	11,974	414,628	-	28,331,538	30,742,157
Loss on swap termination	-	-	-	-	-	-	(14,671,000)	-	-	-	(14,671,000)	-
Investment income (loss):												
Endowment and similar funds	954,279	153,987	-	155	8,782,983	9,891,404	36,514	32,128	(9,960,046)	-	-	-
Other	6,393,575	3,151,859	148,443	(63)	1,502,900	11,196,714	2,259,867	186,699	(34,574,158)	-	(20,930,878)	54,384,022
Interest on capital asset - Related debt	-	-	-	-	-	-	(18,758,517)	-	-	-	(18,758,517)	(14,523,081)
Other	-	-	-	-	-	-	1,791,790	(111,326)	(11,453)	-	1,669,011	(384,646)
Net nonoperating revenues (expenses)	246,117,145	8,888,307	150,883	942,965	52,012,047	308,111,347	(29,341,346)	119,475	(44,131,029)	-	234,758,447	287,997,451
Income (Loss) Before Other Revenues (Expenses)	39,292,179	3,471,373	(1,032,306)	45,885	4,527,251	46,304,382	(24,512,684)	180,872	(32,858,767)	-	(10,886,197)	24,512,961
Other Revenues (Expenses)												
State capital appropriations	-	-	-	-	-	-	9,975,131	-	-	-	9,975,131	-
Capital gifts	-	-	-	-	-	-	9,878,733	-	-	-	9,878,733	11,128,653
Gifts for permanent endowments	-	-	-	-	-	-	-	-	8,466,007	-	8,466,007	5,466,210
Loss on capital assets retired	-	-	-	-	-	-	(1,957,032)	-	-	-	(1,957,032)	(2,164,540)
Net other revenues	-	-	-	-	-	-	17,896,832	-	8,466,007	-	26,362,839	14,430,323
Increase (Decrease) in Net Assets	39,292,179	3,471,373	(1,032,306)	45,885	4,527,251	46,304,382	(6,615,852)	180,872	(24,392,760)		15,476,642	38,943,284
Net Assets (Deficit) - Beginning of year	77,993,891	41,660,307	503,828	(738,003)	30,849,306	150,269,329	465,621,089	12,047,058	244,041,853	-	871,979,329	836,923,745
Net Assets (Deficit) - End of year	**$ 117,286,070**	**$ 45,131,680**	**$ (528,478)**	**$ (692,118)**	**$ 35,376,557**	**$ 196,573,711**	**$ 459,005,237**	**$ 12,227,930**	**$ 219,649,093**	**$ -**	**$ 887,455,971**	**$ 875,867,029**

Wayne State University

Combining Balance Sheet
September 30, 2007

	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	Combined Fund Totals
Assets											
Current assets:											
Cash and temporary investments	$ 159,436,540	$ 33,066,212	$ 6,489,675	$ (12,719)	$ 25,197,267	$ 224,176,975	$ 48,636,923	$ 11,098,438	$ 1,712,831	$ 17,900,978	$ 303,526,145
Current receivables - Net	51,754,086	14,645,259	3,653,939	419,985	26,876,515	97,349,784	4,929,580	25,894,480	1,250,965	955,122	130,379,931
Inventories	1,052,788	-	426,580	-	-	1,479,368	-	-	-	-	1,479,368
Prepaid expenses and deposits	16,237,756	8,976	90,128	-	15,938	16,352,798	16,762	-	-	265,575	16,635,135
Total current assets	228,481,170	47,720,447	10,660,322	407,266	52,089,720	339,358,925	53,583,265	36,992,918	2,963,796	19,121,675	452,020,579
Noncurrent assets:											
Investments	-	-	-	-	-	-	36,957,937	-	241,823,781	-	278,781,718
Noncurrent receivables - Net	-	1,317,284	-	893	2,427,399	3,745,576	10,435,196	26,017,204	-	-	40,197,976
Interfund receivables (payables)	-	125,000	(2,200,000)	(965,000)	-	(3,040,000)	3,040,000	-	-	-	-
Unamortized bond issue costs	-	-	-	-	-	-	1,998,653	-	-	-	1,998,653
Capital assets - Net	-	-	-	-	-	-	730,756,595	-	-	-	730,756,595
Total noncurrent assets	-	1,442,284	(2,200,000)	(964,107)	2,427,399	705,576	783,188,381	26,017,204	241,823,781	-	1,051,734,942
Total assets	**$ 228,481,170**	**$ 49,162,731**	**$ 8,460,322**	**$ (556,841)**	**$ 54,517,119**	**$ 340,064,501**	**$ 836,771,646**	**$ 63,010,122**	**$ 244,787,577**	**$ 19,121,675**	**$ 1,503,755,521**
Liabilities and Net Assets (Deficit)											
Liabilities											
Current liabilities											
Accounts payable and accrued liabilities	$ 33,683,642	$ 6,971,454	$ 1,731,828	$ 161,503	$ 11,781,642	$ 54,330,069	$ 23,798,075	$ -	$ 285,440	$ 13,340,309	$ 91,753,893
Deferred income	105,164,732	200,750	5,228,851	-	11,195,695	121,790,028	264,086	-	-	-	122,054,114
Deposits	2,844,162	-	713,563	-	-	3,557,725	-	-	-	5,781,366	9,339,091
Short-term loans	-	-	-	-	-	-	-	24,889,437	-	-	24,889,437
Long-term debt - Current portion	-	-	-	-	-	-	7,396,657	-	-	-	7,396,657
Total current liabilities	141,692,536	7,172,204	7,674,242	161,503	22,977,337	179,677,822	31,458,818	24,889,437	285,440	19,121,675	255,433,192
Noncurrent liabilities											
Federal portion of student loan funds	-	-	-	-	-	-	-	26,073,627	-	-	26,073,627
Accrued employee benefits	4,907,043	330,220	282,252	19,659	690,476	6,229,650	-	-	460,284	-	6,689,934
Long-term debt - Net of current portion	-	-	-	-	-	-	339,691,739	-	-	-	339,691,739
Total noncurrent liabilities	4,907,043	330,220	282,252	19,659	690,476	6,229,650	339,691,739	26,073,627	460,284	-	372,455,300
Total liabilities	146,599,579	7,502,424	7,956,494	181,162	23,667,813	185,907,472	371,150,557	50,963,064	745,724	19,121,675	627,888,492
Net Assets (Deficit)											
Invested in capital assets - Net of related debt	-	-	-	-	-	-	400,070,184	-	-	-	400,070,184
Restricted:											
Nonexpendable	-	-	-	-	-	-	-	11,194,568	96,951,855	-	108,146,423
Expendable	-	-	-	-	30,849,306	30,849,306	35,989,039	-	139,976,374	-	206,814,719
Unrestricted	81,881,591	41,660,307	503,828	(738,003)	-	123,307,723	29,561,866	852,490	7,113,624	-	160,835,703
Total net assets (deficit)	81,881,591	41,660,307	503,828	(738,003)	30,849,306	154,157,029	465,621,089	12,047,058	244,041,853	-	875,867,029
Total liabilities and net assets (deficit)	**$ 228,481,170**	**$ 49,162,731**	**$ 8,460,322**	**$ (556,841)**	**$ 54,517,119**	**$ 340,064,501**	**$ 836,771,646**	**$ 63,010,122**	**$ 244,787,577**	**$ 19,121,675**	**$ 1,503,755,521**

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

	2007
Contractually committed, encumbrances	$ 6,700
Appropriated in subsequent year budget	-
Rainy Day Fund	13,100
Committed for research	19,700
Academic unit funds carried forward	54,600
Operating and central unit funds carried forward	7,500
Funds available (deficit) for allocation in subsequent years	(19,718)
Total General Fund unrestricted net assets	**$ 81,882**

Wayne State University

Combining Statement of Revenues, Expenses, Transfers, and Changes in Net Assets (Deficit)
Year Ended September 30, 2007

	2007										
	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	Adjustments	Combined Total
Operating Revenues											
Student tuition and fees	$ 228,366,925	$ -	$ 3,617,463	$ -	$ -	$ 231,984,388	$ 207,909	$ -	$ -	$ -	$ 232,192,297
Less scholarship allowances	-	-	-	-	-	-	-	-	-	(61,574,043)	(61,574,043)
Net student tuition and fees	228,366,925	-	3,617,463	-	-	231,984,388	207,909	-	-	(61,574,043)	170,618,254
Federal grants and contracts	-	-	-	-	111,249,479	111,249,479	3,200,165	-	-	-	114,449,644
State and local grants and contracts	-	-	-	-	22,715,681	22,715,681	-	-	-	-	22,715,681
Nongovernmental grants and contracts	-	62,139,065	-	-	36,187,676	98,326,741	-	-	-	-	98,326,741
Departmental activities	7,912,790	14,321,910	-	645,843	-	22,880,543	-	-	-	-	22,880,543
Auxiliary enterprises (net of scholarship allowances)	-	-	27,199,377	-	-	27,199,377	-	-	-	(2,247,038)	24,952,339
Recovery of indirect costs of sponsored programs	35,027,833	-	-	-	(35,027,833)	-	-	-	-	-	-
Other operating revenues	1,653,310	-	-	-	-	1,653,310	-	128,025	-	-	1,781,335
Total Operating Revenues	272,960,858	76,460,975	30,816,840	645,843	135,125,003	516,009,519	3,408,074	128,025	-	(63,821,081)	455,724,537
Operating Expenses											
Instruction	194,765,462	46,500,898	-	-	13,384,608	254,650,968	-	-	-	(2,434,847)	252,216,121
Research	25,551,317	3,709,253	-	-	120,087,365	149,347,935	-	-	-	(4,461,661)	144,886,274
Public service	1,450,439	20,898,615	-	2,335,588	22,648,720	47,333,362	-	-	-	(19,419)	47,313,943
Academic support	59,230,038	2,069,101	-	-	1,171,617	62,470,756	-	-	-	(4,801,961)	57,668,795
Student services	28,767,982	307,043	-	-	308,721	29,383,746	-	-	-	(85,207)	29,298,539
Institutional support	51,294,225	1,851,519	-	-	85,452	53,231,196	-	-	-	(48,769)	53,182,427
Operation and maintenance of plant	53,432,422	45,171	-	-	1,246,637	54,724,230	7,752,559	-	-	(58,844)	62,417,945
Scholarships and fellowships	35,989,622	45,389	-	-	31,863,052	67,898,063	-	-	-	(63,821,081)	4,076,982
Auxiliary enterprises	-	-	20,566,674	-	-	20,566,674	-	-	-	(14,698)	20,551,976
Depreciation	-	-	-	-	-	-	47,596,025	-	-	-	47,596,025
Capital additions - Net	-	-	-	-	-	-	(11,925,406)	-	-	11,925,406	-
Transfers (in) out:											
Debt service	9,796,773	985,982	10,831,674	-	-	21,614,429	(21,614,429)	-	-	-	-
Loan matching	4,877	-	-	-	-	4,877	-	(4,877)	-	-	-
Plant improvement and extension	11,821,718	714,880	1,318,114	-	87,500	13,942,212	(13,942,212)	-	-	-	-
Other	165,920	1,687,312	-	-	(82,539)	1,770,693	-	22,089	(1,792,782)	-	-
Total Operating Expenses	472,270,795	78,815,163	32,716,462	2,335,588	190,801,133	776,939,141	7,866,537	17,212	(1,792,782)	(63,821,081)	719,209,027
Operating Income (Loss)	(199,309,937)	(2,354,188)	(1,899,622)	(1,689,745)	(55,676,130)	(260,929,622)	(4,458,463)	110,813	1,792,782	-	(263,484,490)

Wayne State University

Combining Statement of Revenues, Expenses, Transfers, and Changes in Net Assets (Deficit) (Continued)
Year Ended September 30, 2007

	2007										
	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	Adjustments	Combined Total
Nonoperating Revenues (Expenses)											
State operating appropriation	$ 191,709,927	$ -	$ -	$ -	$ 5,109,373	$ 196,819,300	$ -	$ -	$ -	$ -	$ 196,819,300
Federal Pell Grant	-	-	-	-	20,959,699	20,959,699	-	-	-	-	20,959,699
Gifts	-	9,053,851	7,840	958,336	20,350,906	30,370,933	-	5,434	365,790	-	30,742,157
Investment income (loss):											
Endowment and similar funds	1,128,026	102,825	-	147	7,897,091	9,128,089	35,165	30,931	(9,194,185)	-	-
Other	9,267,024	2,873,025	247,594	(9)	2,047,867	14,435,501	3,894,855	249,680	35,803,986	-	54,384,022
Interest on capital asset - Related debt	-	-	-	-	-	-	(14,523,081)	-	-	-	(14,523,081)
Other	-	-	-	-	-	-	(98,148)	(177,229)	(109,269)	-	(384,646)
Net nonoperating revenues (expenses)	202,104,977	12,029,701	255,434	958,474	56,364,936	271,713,522	(10,691,209)	108,816	26,866,322	-	287,997,451
Income (Loss) Before Other Revenues and Expenses	2,795,040	9,675,513	(1,644,188)	(731,271)	688,806	10,783,900	(15,149,672)	219,629	28,659,104	-	24,512,961
Other Revenues (Expenses)											
Capital gifts	-	-	-	-	-	-	11,128,653	-	-	-	11,128,653
Gifts for permanent endowments	-	-	-	-	-	-	-	-	5,466,210	-	5,466,210
Loss on capital assets retired	-	-	-	-	-	-	(2,164,540)	-	-	-	(2,164,540)
Net other revenues	-	-	-	-	-	-	8,964,113	-	5,466,210	-	14,430,323
Increase (Decrease) in Net Assets	2,795,040	9,675,513	(1,644,188)	(731,271)	688,806	10,783,900	(6,185,559)	219,629	34,125,314	-	38,943,284
Net Assets (Deficit) - Beginning of year	79,086,551	31,984,794	2,148,016	(6,732)	30,160,500	143,373,129	471,806,648	11,827,429	209,916,539	-	836,923,745
Net Assets (Deficit) - End of year	**$ 81,881,591**	**$ 41,660,307**	**$ 503,828**	**$ (738,003)**	**$ 30,849,306**	**$ 154,157,029**	**$ 465,621,089**	**$ 12,047,058**	**$ 244,041,853**	**$ -**	**$ 875,867,029**

WAYNE STATE UNIVERSITY

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