AIM HIGHER

FINANCIAL REPORT

Year Ended September 30, 2011

Executive Officers

Allan Gilmour
President

Ronald T. Brown
Provost and Senior Vice President for Academic Affairs

Louis Lessem
Vice President and General Counsel

Patrick O. Lindsey
Vice President for Government and Community Affairs

Julie H. Miller
Secretary to the Board of Governors

Rick Nork
Vice President for Finance and Business Operations, Treasurer and Chief Financial Officer

Hilary Ratner
Vice President for Research

David W. Ripple
Vice President for Development and Alumni Affairs

Ned Staebler
Vice President for Economic Development

Michael Wright
Chief of Staff and Vice President for Marketing and Communications

Board of Governors

Tina Abbott, *chair*

Debbie Dingell, *vice chair*

Eugene Driker

Diane L. Dunaskiss

Danialle Karmanos

Paul E. Massaron

Annetta Miller

Gary S. Pollard

Allan Gilmour, *ex officio*

Finance Administrators

Rick Nork
Vice President, Treasurer and Chief Financial Officer

James D. Barbret
Associate Vice President for Fiscal Operations and Controller

Roger W. Kempa
Investment, Debt and Risk Officer and Assistant Treasurer

Tamaka Butler
Associate Controller

Patricia R. Douglas
Director of Accounting

Gail L. Ryan
Assistant Vice President for Sponsored Program Administration

Wayne State University

Contents

WAYNE STATE UNIVERSITY

This report summarizes the financial position and results of operations of Wayne State University for the fiscal years ended September 30, 2011 and September 30, 2010. These financial statements have been audited by Plante & Moran PLLC, Certified Public Accountants, who again have issued an unqualified opinion regarding Wayne State's statements. Management's discussion and analysis of these financial statements and results begins on page 4 and provides details regarding the operations of the University during the past three years.

Wayne State's net assets declined $15.7 million during fiscal year 2011, including $3.8 million in the General Fund. The decrease is more than accounted for by several one-time items totaling about $26 million, including accruing for a Special Retirement Incentive Program ($10.9 million) which will help Wayne State to offset reduced funding from the State of Michigan in fiscal year 2012, and write-off of the net book value ($11.1 million) of a building which will be decommissioned. Excluding one-time items, net assets would have increased over $10 million.

The University continues to invest in new facilities, supported heavily in 2011 by philanthropy. During the past year we opened a new athletic facility, the Damon J. Keith Center for Civil Rights, and the completely renovated and expanded A. Paul Schaap Chemistry building.

Wayne State enjoys strong credit ratings from both Standard and Poor's (AA-) and Moody's (Aa2), and our S & P rating was recently reaffirmed with a stable outlook. Effective management of resources in this environment of declining State financial support is key to maintaining these favorable ratings as well as to improving student success while pursuing our dual mission of teaching and research.

In this regard, the University has launched a number of initiatives in 2011 to improve the efficiency and effectiveness of processes and services, and redirected savings from these initiatives toward enhancing student retention and success. Specifically, during fiscal year 2011 the University engaged the services of external consultants to evaluate our business processes and develop recommendations for improvement. Wayne State is aggressively implementing many of these recommendations and expects to realize significant savings in the areas of Purchasing, Information Technology, Utilities, and Facilities Management. At the same time, the University is funding expanded retention initiatives including increasing the number of academic advisors and amount of financial aid available to students, support for increased faculty engagement in teaching and learning, and enhanced first year experience programs including learning communities and support for underprepared students, all of which will help us to continue to improve the freshman-to-sophomore retention rate that has already increased 8 percentage points over the past 5 years.

The University is well positioned for continued success in fiscal year 2012. Wayne State has emerged this past year as a stronger University that absorbed a $32 million reduction in our State appropriation and still continued to build on our strengths, leverage process improvement opportunities, implement creative restructuring measures and eliminate less productive programs.

Rick Nork

Rick Nork
Vice President for Finance and Business Operations
Treasurer and Chief Financial Officer
January 20, 2012

Plante & Moran, PLLC
27400 Northwestern Highway
P.O. Box 307
Southfield, MI 48037-0307
Tel: 248.352.2500
Fax: 248.352.0018
plantemoran.com

Independent Auditor's Report

To the Board of Governors
Wayne State University

We have audited the accompanying balance sheet of Wayne State University (the "University") as of September 30, 2011 and 2010 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, 2011 and 2010 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.

In accordance with *Government Auditing Standards*, we have also issued a report under separate cover dated January 6, 2012 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, 2011. 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 audits.

To the Board of Governors
Wayne State University

The management's discussion and analysis presented on pages 4 through 20 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 6, 2012

Introduction

The following discussion and analysis provides an overview of the financial position of Wayne State University (the "University") at September 30, 2011 and of its operations and cash flows for the year then ended. Selected comparative information is provided for the years ended September 30, 2011 and 2010. 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 2011 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 the University's schools and colleges. With fall 2011 enrollment of approximately 30,800 students, the University ranks among the top 40 public and private not-for-profit universities in the nation in terms of enrollment and has the most diverse student body of any university in Michigan. As the sixth largest employer in the city of Detroit, as ranked by the 2011 Crain's 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 2009 National Science Foundation Research and Development Expenditures Survey, the University ranked 76th among all universities and 52nd 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 2009 National Science Foundation Research and Development Expenditures Survey ranked the University 46th in the medical sciences category. Based on the 2010 Carnegie Classification of Higher Education, Wayne State University ranked within the top 2.3 percent of the nation's universities and colleges with the Carnegie classification of RU/VH (Research Universities, Very High research activity). 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 among 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, 2011, 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 Foundation (the "Foundation"), as a controlled corporate organization, is included in the combined financial statements. Additional supplemental information, which provides balance sheet and operating information for the various funds of the University, is also included in the report.

Overall Financial Highlights

The University's financial position remained stable and strong at September 30, 2011 with assets and liabilities of $1.59 billion and $0.71 billion, respectively. Net assets, which represent the residual interest in the University's assets after liabilities are deducted, were $879.1 million as of September 30, 2011. The University has credit ratings of "Aa2" and "AA-" with the rating services of Moody's and Standard & Poor's, respectively, and the Standard and Poor's rating was recently reaffirmed in September 2011.

Financial Position

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

	2011	2010	2009
		(in millions)	
Total assets	$ 1,586.9	$ 1,592.4	$ 1,542.9
Total liabilities	707.8	697.7	661.1
Net assets	879.1	894.7	881.8

Specific discussion and analysis of the changes in the components of the assets, liabilities, and net asset categories are provided on pages 6-11.

Operations

A summary of revenues and expenses, including the operating, nonoperating, and other categories for the years ended September 30, 2011, 2010, and 2009, is as follows:

	2011	2010	2009
		(in millions)	
Revenues:			
Operating revenues	$ 520.9	$ 499.3	$ 476.6
Nonoperating revenues	291.1	313.7	287.4
Other revenues	12.3	6.7	12.3
Total revenues	**$ 824.3**	**$ 819.7**	**$ 776.3**
Expenses:			
Operating expenses	$ 819.3	$ 780.2	$ 753.5
Nonoperating expenses	20.7	26.6	22.8
Total expenses	**$ 840.0**	**$ 806.8**	**$ 776.3**

During fiscal year 2011, total revenues increased $4.6 million (0.6 percent) compared to 2010, while total expenses increased $33.2 million (4.1 percent), principally because of one-time costs. Excluding one-time costs, total expenses increased approximately $9.3 million (1.2 percent). During fiscal year 2010, revenues increased $43.4 million (5.6 percent) compared to 2009, while total expenses increased $30.5 million (3.9 percent). Specific discussion and analysis of the changes in the components of the revenue and expense categories are provided on pages 11-19.

Balance Sheet

The balance sheet presents the financial position of the University at the end of each 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 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 assets, liabilities, and net assets at September 30, 2011, 2010, and 2009 is as follows:

	2011	2010	2009
		(in millions)	
Current assets	$ 544.5	$ 517.7	$ 498.8
Noncurrent assets:			
Investments	235.0	258.1	230.6
Capital assets - Net of depreciation	770.8	775.1	761.5
Other	36.6	41.5	52.0
Total assets	**$ 1,586.9**	**$ 1,592.4**	**$ 1,542.9**
Current liabilities	$ 263.2	$ 245.3	$ 234.8
Noncurrent liabilities:			
Long-term debt - Net of current portion	398.9	410.6	375.4
Other	45.7	41.8	50.9
Total liabilities	707.8	697.7	661.1
Net assets	879.1	894.7	881.8
Total liabilities and net assets	**$ 1,586.9**	**$ 1,592.4**	**$ 1,542.9**

Current Assets and Liabilities

Current assets are comprised primarily of cash and temporary investments and receivables. In 2011, current assets increased $26.8 million (5.2 percent) to $544.5 million compared with $517.7 million at September 30, 2010. The increase was mainly attributable to an increase in cash and temporary investments of $15.7 million, combined with an $8.9 million increase in net current receivables. Changes in cash and temporary investments are affected by the University's overall operations, changes in financial position, and changes in net assets. The increase in net current receivables (see Note 3) was principally due to the timing of reimbursement for the Medicaid disproportionate share subsidy (DSH program). The University received the DSH reimbursement of $9.1 million subsequent to September 30, whereas in 2010, the reimbursement was received prior to fiscal year end.

In 2010, current assets increased $18.9 million (3.8 percent) to $517.7 million compared to $498.8 million at September 30, 2009. The increase was attributable to an increase in cash and temporary investments of $26.9 million, partially offset by a $9.6 million decrease in net current receivables. The decrease in net current receivables resulted from several contributing factors including a decrease in capital appropriations receivable from the State of Michigan as the related project was substantially complete, more timely payments for certain unbilled and salary reimbursement related receivables, and a decrease in pledge receivables, offset partially by a routine and ordinary increase in student accounts receivable.

Current liabilities are comprised of amounts payable within one year and consist primarily of accounts payable, accrued liabilities, and deferred income. In 2011, total current liabilities increased by $17.9 million (7.3 percent) to $263.2 million compared with $245.3 million at September 30, 2010. The increase consisted of a $9.9 million increase in accounts payable and accrued liabilities and an increase of approximately $9.0 million in deferred income, offset slightly by a $0.9 million decrease in the current portion of long-term debt. The increase in accounts payable and accrued liabilities reflected an accrual of approximately $7.1 million for incentives related to a special early retirement program offered during fiscal year 2011 and an increase in accrued payroll of $1.4 million because of one additional day accrued at year end. The retirement incentive program provided the option of lump-sum payments or monthly payments extending over a period of up to 20 months for a predetermined amount for eligible employees. The program also provided medical benefits for a period up to three years. Those amounts payable after fiscal year 2012 (approximately $3.4 million) are reflected as accrued employee benefits in the noncurrent section of the balance sheet. The increase in deferred income resulted from an increase in tuition-related deferred income of approximately $7.2 million attributable to fall 2011 tuition and fee increases of 6.9 percent for undergraduate residents and 7.1 percent for graduate students, combined with an increase of approximately $1.1 million in grant and contract activity.

In 2010, total current liabilities increased by $10.5 million (4.5 percent) to $245.3 million compared to $234.8 million at September 30, 2009. The increase consisted of a $5.8 million increase in deferred income associated with fall 2010 tuition and fee rate increases of 4.4 percent for undergraduate residents and 4.9 percent for graduate students, combined with moderate increases in accounts payable and accrued liabilities and the current portion of long-term debt of $2.2 million and $2.7 million, respectively.

The University's current ratio, a measure of liquidity, was 2.1 at September 30, 2011, 2010, and 2009.

Noncurrent Assets and Liabilities

Noncurrent Assets

Notable changes from 2010 to 2011 in noncurrent assets included a decrease in total investments, net capital assets, and other noncurrent assets of $23.1 million, $4.3 million, and $4.9 million, respectively.

Investments

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

The composition of noncurrent investments at September 30, 2011, 2010, and 2009 is as follows:

	2011	2010	2009
		(in millions)	
Endowment Fund	$ 230.5	$ 241.4	$ 224.3
Plant Fund:			
Invested bond proceeds	4.5	16.7	5.3
Other	-	-	1.0
Total noncurrent investments	**$ 235.0**	**$ 258.1**	**$ 230.6**

Endowment Fund investments decreased $10.9 million (4.5 percent) in 2011 principally because of distributions ($10.9 million) and net investment losses ($3.9 million), offset partially by new gifts and transfers ($7.6 million). The invested bond proceeds component of noncurrent investments decreased $12.2 million during the year as the funds were spent for the planned capital projects.

In 2010, investments in the Endowment Fund increased $17.1 million (7.6 percent) because of investment performance. The increase in invested bond proceeds of $11.4 million from 2009 to 2010 resulted from the issuance of the Series 2009B bonds of $30.9 million in December 2009, net of the related construction project expenditures.

Capital Assets

One factor critical to 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 modernize its older teaching, research, and administrative buildings as well as to construct new facilities.

Capital additions during 2011 totaled $59.0 million, compared to $69.7 million in 2010 and $49.9 million in 2009. The 2011 capital additions included final expenditures for the substantial completion of the Chemistry Building Expansion project, the Chemistry Building Renovation Project Phase II, the Parking Structure One structural repairs and improvements, the Damon J. Keith Center for Civil Rights, and renovation of space in the 5057 Woodward building to accommodate the relocation of the Computer Science Department. Also included were construction in progress expenditures for the Parking Structure Two improvement project and renovations for other University facilities. During 2011, an impairment loss of $11.1 million was recognized for a University building which will no longer be used after the remaining occupants are relocated. Correspondingly, the asset was adjusted to fair value as of September 30, 2011 (see Note 4).

In 2010, capital expenditures of $69.7 million included construction in progress expenditures for the Chemistry Building Expansion and Renovation Project Phase II, Parking Structure One structural repairs and improvements, and renovation of certain space in the 5057 Woodward building, as well as final expenditures for the substantial completion of the renovations of the Macomb Library which was renovated to establish the Wayne State University Macomb County Education Center.

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

Other Noncurrent Assets

In 2011, other noncurrent assets (primarily noncurrent receivables) decreased $4.9 million (11.8 percent) to $36.6 million at September 30 compared to $41.5 million at September 30, 2010. The decrease was primarily due to a decline in noncurrent pledged gifts receivable and student notes receivable of $2.7 million and $1.1 million, respectively, combined with a decrease in net other receivables of approximately $0.9 million because of a reclassification of certain University Physician Group and other affiliated entities' salary reimbursement receivables from noncurrent to current for those payments due during fiscal year 2012.

In 2010, other noncurrent assets decreased $10.5 million to $41.5 million, compared to $52.0 million at September 30, 2009. The decrease was attributable principally to the $6.8 million reclassification of certain University Physician Group and other affiliated entities' salary reimbursement receivables from noncurrent to current during 2010 for those payments due during fiscal year 2011. In addition, noncurrent pledged gifts receivable and student notes receivable declined $2.9 million and $0.7 million, respectively.

Noncurrent Liabilities

Notable changes in the noncurrent liability section of the balance sheet from 2010 to 2011 included a decrease in long-term debt of $11.7 million, offset partially by an increase in other noncurrent liabilities of $3.9 million as explained below.

Long-term Debt

Long-term debt totaled $410.0 million, $422.7 million, and $384.8 million at September 30, 2011, 2010, and 2009, respectively.

The $12.7 million decrease in long-term debt from 2010 to 2011 represented primarily current year principal payments. From 2009 to 2010, total long-term debt increased by $37.9 million principally for new debt incurred for the Chemistry Building Expansion and Renovation projects.

As discussed more fully in Note 5 to the financial statements, the University issued Series 2009A and 2009B bonds on October 14, 2009 and December 3, 2009, respectively. The Series 2009A bonds were issued to refund all of the outstanding Series 1999 bonds and to terminate the forward starting swaps associated with the Series 1999 bonds. The Series 2009B bonds are taxable Build America Bonds which were issued to finance a portion of the Chemistry Building Expansion and Renovation projects. In conjunction with these bond issuances, 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.

Other Noncurrent Liabilities

Other noncurrent liabilities include the federal portion of student loan funds, accrued employee benefits, and derivative instruments. In 2011, other noncurrent liabilities increased by $3.9 million (9.3 percent) to $45.7 million at September 30, compared to $41.8 million at September 30, 2010. The 2011 increase was attributable principally to the retirement incentive program which resulted in approximately $3.4 million in noncurrent liabilities as of September 30, 2011.

In 2010, other noncurrent liabilities decreased by $9.1 million (17.9 percent) to $41.8 million, compared to $50.9 million at September 30, 2009. The decline was primarily due to the derivative instrument liability which decreased from $13.2 million in 2009 to $1.7 million in 2010 upon termination of swaps related to the Series 1999 bonds.

Net Assets

Net assets represent the difference between assets and liabilities. The University's net assets at September 30, 2011, 2010, and 2009 are summarized as follows:

	2011	2010	2009
		(in millions)	
Invested in capital assets - Net of related debt	$ 362.7	$ 354.2	$ 367.4
Restricted:			
Nonexpendable	144.4	137.8	130.8
Expendable	152.0	167.6	151.6
Unrestricted	220.0	235.1	232.0
Total net assets	**$ 879.1**	**$ 894.7**	**$ 881.8**

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

- **Invested in Capital Assets - Net of Related Debt** - The University's investment in capital assets, 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** - The corpus portion of gifts to the University's permanent true 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** - Gifts and 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 true endowments and funds functioning as endowments with externally imposed restrictions. Funds functioning as endowments included in restricted expendable net assets were $74.1 million, $77.8 million, and $69.4 million at September 30, 2011, 2010, and 2009, respectively.

The restricted nonexpendable funds and the funds functioning as endowments included in the restricted expendable components of net assets are directly affected by the performance of the University's long-term investments and its spending policy. These restricted balances presented for the three-year period were significantly affected by the financial market trends and investment performance during the three-year period.

- **Unrestricted** - Funds which are not subject to externally imposed restrictions; however, most of the University's unrestricted net assets are designated by the 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 which have no externally imposed restrictions. Unrestricted funds functioning as endowments were $6.5 million at September 30, 2011, and $7.1 million and $5.7 million at September 30, 2010 and 2009, 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 fiscal year 2011. Prior fiscal years' data are provided for comparative purposes.

Revenues

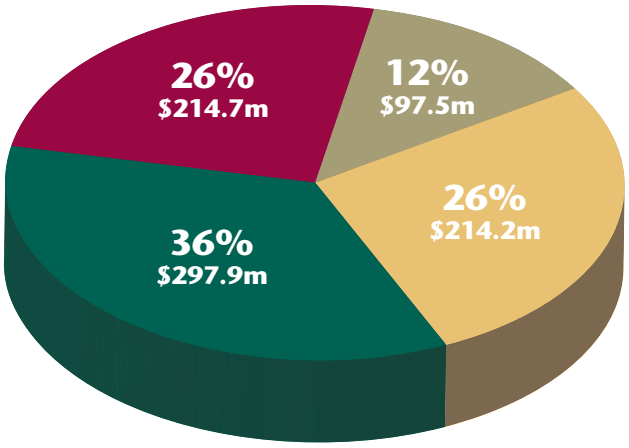
Consistent with GASB principles, revenues are categorized as operating, nonoperating, or other. Operating revenues generally result from exchange transactions, such as revenues received for tuition and fees or grants and contracts revenue for services performed on sponsored programs. Nonoperating revenues are primarily non-exchange in nature, such as state operating appropriations and investment income. Other revenues represent capital and endowment transactions.

Summarized operating, nonoperating, and other revenues for the years ended September 30, 2011, 2010, and 2009 are presented below:

	2011	2010	2009
		(in millions)	
Operating Revenues			
Student tuition and fees - Gross	$ 310.8	$ 296.9	$ 272.6
Less scholarship allowances	(96.1)	(91.0)	(71.0)
Net student tuition and fees	214.7	205.9	201.6
Grants and contracts	251.5	243.3	227.6
Departmental activities, auxiliary enterprises, and other	54.7	50.1	47.4
Total operating revenues	520.9	499.3	476.6
Nonoperating Revenues			
State operating appropriation	214.2	214.3	221.2
State fiscal stabilization funds	-	6.0	-
Federal Pell grants	46.4	42.6	31.8
Gifts	29.0	25.8	26.0
Investment income including realized and unrealized income and change in fair value of derivatives	0.9	25.0	8.4
Other	0.6	-	-
Total nonoperating revenues	291.1	313.7	287.4
Other Revenues			
State capital appropriation	-	0.2	4.8
Capital and endowment gifts	12.3	6.5	7.5
Total other revenues	12.3	6.7	12.3
Total revenues	**$ 824.3**	**$ 819.7**	**$ 776.3**

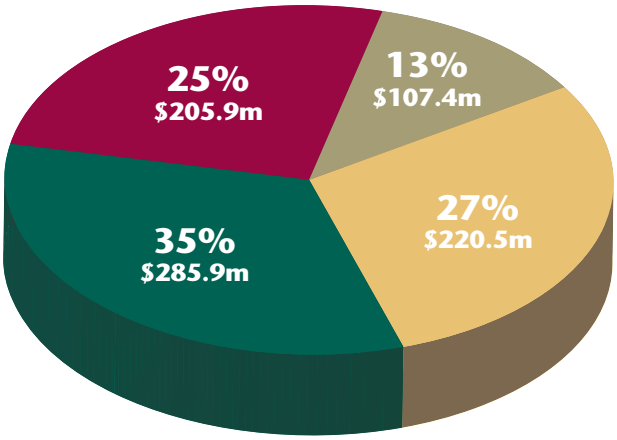
The charts below graphically depict total revenue by source for the years ended September 30, 2011, 2010, and 2009.

Total Revenue



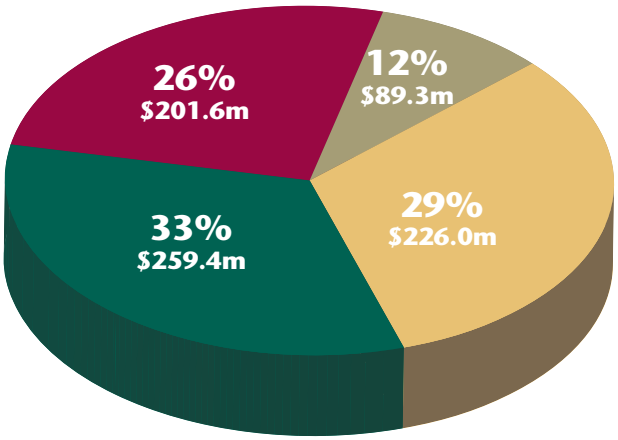
Grants and Contracts
State Appropriations and Stabilization Funds
Tuition and Fees, Net
Other

2011 - $824.3 million



Grants and Contracts
State Appropriations
Tuition and Fees, Net
Other

2010 - $819.7 million



Grants and Contracts
State Appropriations
Tuition and Fees, Net
Other

2009 - $776.3 million

Primary 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 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 $520.9 million in 2011, compared to $499.3 million and $476.6 million in 2010 and 2009, respectively. The 2011 increase in total operating revenues of $21.6 million (4.3 percent) from 2010 was attributable to several factors:

Student Tuition and Fees - In fiscal year 2011, gross student tuition and fees increased $13.9 million, offset by higher scholarship allowances ($5.1 million), resulting in an increase in net student tuition and fees of $8.8 million. The increase in gross student tuition and fees was attributable principally to the fall 2010 undergraduate and graduate tuition rate increases of 4.4 percent and 4.9 percent, respectively, offset partially by a slight decline in credit hours.

For financial reporting purposes, student tuition and fees and auxiliary enterprise revenue are reduced by "scholarship allowances." These scholarship allowances represent financial aid granted to students which is applied directly to their accounts to pay tuition and fee assessments (in the General Fund) and room and board assessments (in the Auxiliary Activities Fund).

The University continues to increase its allocation of financial aid to mitigate the impact of tuition rate increases. In 2011, 2010, and 2009, the University provided total scholarships and fellowships of $108.3 million, $102.5 million, and $85.7 million, respectively. This represents percentage increases in financial aid of 5.7 percent for 2011, 19.6 percent for 2010, and 19.5 percent for 2009.

Grants and Contracts - Grants and contracts revenues increased $8.2 million (3.4 percent) from 2010 to 2011. This change was related primarily to routine and cyclical fluctuations in nongovernmental grants and contracts.

The 2010 increase in operating revenues of $22.7 million (4.8 percent) resulted primarily from an increase in American Recovery and Reinvestment Act (ARRA) grant and contract revenue of approximately $12.1 million and fall 2009 tuition rate increases ranging from 4.8 percent for undergraduate residents to 5.4 percent for all other undergraduate and graduate students, which resulted in an increase of approximately $4.3 million in net student tuition and fee revenue.

Nonoperating and Other Revenues

Nonoperating and other revenues were $303.4 million in 2011, compared to $320.4 million and $299.7 million in 2010 and 2009, respectively. Factors affecting this change are as follows:

Nonoperating Revenues

- The state operating appropriation, totaling $214.2 million, $214.3 million, and $221.2 million in 2011, 2010, and 2009, respectively, is the most significant component of the University's nonoperating and other revenues. In 2011, the base operating appropriation amount decreased slightly ($0.1 million) compared to the 2010 base appropriation amount. In 2010, the University received $6.0 million from the State as a one-time fiscal stabilization appropriation (more fully discussed below) which partially offset the decrease of $6.9 million in base operations from 2009. The aggregate decrease in the base state appropriation and the fiscal stabilization appropriation was $6.1 million in 2011 compared to 2010.
- The 2011 decrease in state fiscal stabilization funds of $6.0 million (100 percent) was a direct result of the $6.0 million one-time appropriation awarded to the University in 2010. These funds, which were authorized by the American Recovery and Reinvestment Act of 2009, represent a one-time appropriation awarded to the University to help offset the decrease in the 2010 state operating appropriation. The University used these funds to mitigate the need to raise tuition and fees for in-state students during the 2009-2010 academic year.
- Federal Pell grant revenue and the related expense increased by $3.8 million and $10.8 million during 2011 and 2010, respectively. Federal legislation increased the maximum Federal Pell award per student by $200 (3.7 percent) and $619 (13.1 percent) for the 2010-2011 and 2009-2010 academic years, respectively. The impact of the 2010-2011 regulatory increase of $200 per student was in effect for the full fiscal year in 2011, as compared to a partial term in fiscal year 2010. Similarly, the impact of the 2009-2010 regulatory increase of $619 per student was in effect for the full fiscal year in 2010, as compared to a partial term in fiscal year 2009. The regulatory increases accounted for the increase in Pell grant activity.
- The fund components of investment income (loss) included in nonoperating revenues for the past three years are as follows:

Investment Income
(including realized and unrealized income)

	2011	2010	2009
		(in millions)	
Net investment income (loss):			
Attributable to Endowment Funds	$ (3.9)	$ 21.3	$ 10.1
Attributable to all other funds	4.7	4.7	5.8
Total net investment income	0.8	26.0	15.9
Change in fair value of derivatives	0.1	(1.0)	(7.5)
Total net investment income including the change in fair value of derivatives	**$ 0.9**	**$ 25.0**	**$ 8.4**

  - The fluctuation in the overall investment performance was primarily associated with the University's endowments which are impacted significantly by the volatility of the financial markets.

- The change in fair value of derivatives totaled $0.1 million in 2011, compared to $(1.0) million and $(7.5) million in 2010 and 2009, respectively. This change reflected the mark-to-market revaluation of interest rate swaps. As more fully discussed in Note 6 to the financial statements, the change in fair value of derivatives in 2010 was primarily attributable to the termination of the swap agreement related to the Series 1999 bonds which resulted in a termination fee of $12.5 million, offset partially by a net increase in the unrealized fair value of derivative instruments of $11.4 million.

Other Revenues

Total other revenues were $12.3 million, $6.7 million, and $12.3 million for the fiscal years ended September 30, 2011, 2010, and 2009, respectively, as summarized below:

	2011	2010	2009
		(in millions)	
Capital and endowment gifts	$ 12.3	$ 6.5	$ 7.5
State capital appropriation	-	0.2	4.8
Total other revenues	**$ 12.3**	**$ 6.7**	**$ 12.3**

Capital gifts were $7.1 million higher in 2011 compared with 2010, principally because of a $6.0 million gift received for the Chemistry Building Expansion project. State capital appropriation funds received in 2009 and 2010 were for the Marvin I. Danto Engineering Development Center project, which was completed in 2010.

The recording of gifts and capital gifts in the financial statements is governed by generally accepted accounting principles which dictate the types and timing of gifts recognized for financial reporting purposes. 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 not capitalized, 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 foundations 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, 2011, 2010, and 2009 are summarized below:

	2011	2010	2009
		(in millions)	
Operating expenses	$ 819.3	$ 780.2	$ 753.5
Nonoperating expenses:			
Interest expense	18.4	20.2	18.9
Other	2.3	6.4	3.9
Total nonoperating expenses	20.7	26.6	22.8
Total expenses	**$ 840.0**	**$ 806.8**	**$ 776.3**

Operating expenses by both functional and natural classification for the years ended September 30, 2011, 2010, and 2009 are as follows:

	2011		2010		2009	
	Dollars	% of Total Operating Expenses	Dollars	% of Total Operating Expenses	Dollars	% of Total Operating Expenses
	(in millions)					
Natural Classification						
Compensation and benefits	$ 565.2	69.0%	$ 546.9	70.1%	$ 531.7	70.6%
Supplies, services, and other	184.0	22.4%	174.6	22.4%	160.4	21.3%
Depreciation	50.0	6.1%	50.5	6.4%	50.1	6.6%
Loss on impaired asset	11.1	1.4%	-	0.0%	-	-
Scholarships and fellowships [1]	9.0	1.1%	8.2	1.1%	11.3	1.5%
Total	**$ 819.3**	**100.0%**	**$ 780.2**	**100.0%**	**$ 753.5**	**100.0%**
Functional Classification						
Instruction	$ 280.3	34.2%	$ 277.5	35.6%	$ 265.3	35.2%
Research	163.9	20.0%	153.6	19.7%	145.1	19.3%
Public service	59.2	7.2%	51.0	6.5%	46.6	6.2%
Academic support	66.7	8.1%	62.8	8.0%	61.5	8.2%
Student services	35.9	4.4%	36.7	4.7%	34.0	4.5%
Institutional support	68.4	8.4%	59.9	7.7%	58.3	7.7%
Operation and maintenance of plant	63.8	7.8%	58.2	7.5%	60.1	8.0%
Scholarships and fellowships [1]	9.0	1.1%	8.2	1.1%	11.3	1.5%
Auxiliary enterprises	22.1	2.7%	21.8	2.8%	21.2	2.8%
Depreciation	50.0	6.1%	50.5	6.4%	50.1	6.6%
Total	**$ 819.3**	**100.0%**	**$ 780.2**	**100.0%**	**$ 753.5**	**100.0%**

[1] Excludes "scholarship allowances" applied directly to students' tuition and room and board (see pages 12, 14, and 18).

Operating Expenses

Compensation and benefit expenses increased $18.3 million in 2011 to $565.2 million compared to $546.9 million and $531.7 million in 2010 and 2009, respectively. The 2011 increase resulted principally from one-time costs related to the retirement incentive program ($10.9 million) and the average salary increase of 2.0 percent (approximately $8.7 million).

Supplies, services, and other expenses increased $9.4 million (5.4 percent) to $184.0 million in 2011 compared to $174.6 million and $160.4 million in 2010 and 2009, respectively. The 2011 increase was attributable principally to information technology and related project costs ($2.9 million), consulting services for a review of the University's business processes ($1.9 million), and a write-off of certain uncollectible grant receivables ($1.8 million).

The loss on impaired asset of $11.1 million in fiscal year 2011 related to a University building which will be decommissioned after it is vacated. In accordance with GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, an impairment loss was recognized to revalue the building to fair value as of September 30, 2011. The loss was allocated to the appropriate expense function categories based on the activity conducted in the building.

University scholarships and fellowships have been increased in an effort to help mitigate rising tuition costs. Total scholarships and fellowships granted in 2011 increased $5.8 million (5.7 percent) to $108.3 million, compared to $102.5 million in 2010. As previously discussed, Federal Pell awards increased $3.8 million during 2011, accounting for the majority of the increase. In 2010, total scholarships granted increased $16.8 million to $102.5 million compared to the $85.7 million reported in 2009. The 2010 increase resulted from an increase in Federal Pell awards of $10.8 million and $6.0 million in state fiscal stabilization funds, which were used to fund additional scholarships to students.

Total scholarships and fellowships granted have two components. The scholarships and fellowships reflected on the table on page 17 of $9.0 million, $8.2 million, and $11.3 million are disbursed directly to students and are reported as operating expenses in 2011, 2010, and 2009, respectively. The remaining amounts for 2011, 2010, and 2009 of $99.3 million, $94.3 million, and $74.4 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 22.

Another way to analyze this same pool of operating expenses is by function. This analysis shows the University's operating expense trends reflect its ongoing commitment to the core missions of instruction and research.

In this regard, combined expenditures for instruction increased $2.8 million (1.0 percent) to $280.3 million in 2011 and $12.2 million (4.6 percent) to $277.5 million in 2010, compared to $265.3 million in 2009.

Research expenditures increased $10.3 million (6.7 percent) in 2011 to $163.9 million compared to $153.6 million and $145.1 million in 2010 and 2009, respectively. The 2011 increase was attributable principally to approximately $5.2 million related to the allocated impairment loss discussed previously and an increase in compensation-related expenses of approximately $4.6 million. The 2010 change was a direct result of increased research awards attained through the American Recovery and Reinvestment Act (ARRA) which resulted in an increase of approximately $10.8 million in research expenditures in fiscal year 2010.

Public service expenses increased $8.2 million (16.1 percent) to $59.2 million in 2011, compared to $51.0 million in 2010. The increase was largely due to increased activity in the Designated Fund totaling $7.5 million for new and existing programs.

Institutional support expenses increased $8.5 million (14.2 percent) during 2011 to $68.4 million, compared to $59.9 million and $58.3 million in 2010 and 2009, respectively. The 2011 increase was due to several non-recurring factors including $1.2 million related to the retirement incentive program, $1.9 million related to consulting services for a review of the University's business processes, $2.3 million related to an increase in allocated costs for information technology based on project costs incurred during the year, and a write-off of $1.8 million for certain uncollectible grant receivables. The remaining $1.3 million increase resulted from the average salary increase of 2.0 percent ($0.7 million), an increase in fringe benefit costs ($0.4 million), and an increase in temporary staff (approximately $0.2 million).

Operation and maintenance of plant expenses increased $5.6 million (9.6 percent) during 2011 to $63.8 million. The increase relates to the allocated loss on impaired asset of $2.0 million, an increase in non-capitalizable plant projects of $1.3 million, combined with an increase in compensation-related expenses of $1.8 million which is attributable principally to an increase in fringe benefit costs ($0.8 million), the retirement incentive program ($0.6 million), and an average salary increase of 2.0 percent ($0.3 million).

Nonoperating Expenses

Interest expense totaled $18.4 million, $20.2 million, and $18.9 million in 2011, 2010, and 2009, respectively. Interest expense in 2011 was net of a federal subsidy of $0.6 million related to the Series 2009B Build America Bonds. The decrease of $1.8 million compared with 2010 resulted from the interest expense of $1.8 million incurred for the Series 1999 Bonds prior to the final payment being made in early fiscal year 2010.

The decrease in Other Expenses of $4.1 million in 2011 to $2.3 million, compared to $6.4 million in 2010, is attributable principally to the reduced loss on disposal of capital assets.

Statement of Cash Flows

The statement of cash flows provides information about the University's cash receipts and cash disbursements during the fiscal year. Unlike the statement of revenues, expenses, and changes in net assets, which reports revenues when they are earned and expenses when they are incurred regardless of when cash is received or disbursed, the statement of cash flows reports actual cash received and disbursed during the period. The focus of the statement of cash flows is on the resulting increase or decrease in cash and temporary investments. The statement of cash flows assists the users in assessing the University's ability to meet its obligations as they come due and the needs for external financing.

A comparative summary of the statement of cash flows for the years ended September 30, 2011, 2010, and 2009 is as follows:

	2011	2010	2009
		(in millions)	
Cash and temporary investments (used in) provided by:			
Operating activities	$ (225.9)	$ (216.7)	$ (243.0)
Noncapital financing activities	298.1	299.9	282.2
Capital and related financing activities	(80.1)	(53.3)	(63.8)
Investing activities	23.6	(3.0)	18.3
Net increase (decrease) in cash and temporary investments	15.7	26.9	(6.3)
Cash and Temporary Investments - Beginning of year	379.5	352.6	358.9
Cash and Temporary Investments - End of year	**$ 395.2**	**$ 379.5**	**$ 352.6**

Cash flows provided by operating activities reflect tuition and fees, grants and contracts, and auxiliary and departmental activities. Major components include payment of wages, employee benefits, supplies, utilities, and scholarships. The most significant source of cash flows provided by noncapital financing activities is the state operating appropriation, which totaled $214.2 million, $214.3 million, and $221.2 million in 2011, 2010, and 2009, respectively. Cash flows from capital and related financing activities represent plant fund and related long-term debt activities 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. Investing activities also include cash proceeds from the sale of bond-related investments to finance construction expenditures.

Economic Factors That Will Affect the Future

The Michigan economic climate and the resulting ongoing reductions in state operating appropriations and dwindling capital appropriations for higher education, continue to remain one of the University's most significant challenges. Uncertainty over the level of state support presents a significant challenge to long-term planning and development. To help mitigate this challenge, the University has launched a series of initiatives designed to improve the efficiency and effectiveness of processes, services, and resources.

Wayne State University

Balance Sheet

	September 30	
	2011	2010
Assets		
Current Assets		
Cash and temporary investments (Note 2)	$ 395,275,673	$ 379,536,881
Current receivables - Net (Note 3)	116,235,694	107,366,115
Inventories	1,457,515	1,592,795
Prepaid expenses and deposits	31,528,927	29,187,725
Total current assets	544,497,809	517,683,516
Noncurrent Assets		
Investments (Note 2)	235,047,152	258,104,221
Noncurrent receivables - Net (Note 3)	33,336,183	38,109,010
Unamortized bond issue costs	3,269,468	3,397,606
Capital assets - Net (Note 4)	770,751,244	775,111,161
Total noncurrent assets	1,042,404,047	1,074,721,998
Total assets	**$ 1,586,901,856**	**$ 1,592,405,514**
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities	$ 99,418,851	$ 89,519,374
Deferred income	145,543,601	136,583,924
Deposits	7,131,736	7,103,569
Long-term debt - Current portion (Note 5)	11,131,926	12,071,800
Total current liabilities	263,226,114	245,278,667
Noncurrent Liabilities		
Federal portion of student loan funds	28,634,050	27,432,479
Accrued employee benefits	15,493,181	12,729,299
Long-term debt - Net of current portion (Note 5)	398,928,930	410,557,950
Derivative instruments (Note 6)	1,563,948	1,680,587
Total noncurrent liabilities	444,620,109	452,400,315
Total liabilities	707,846,223	697,678,982
Net Assets		
Invested in capital assets - Net of related debt	362,727,810	354,198,430
Restricted:		
Nonexpendable	144,372,164	137,811,405
Expendable	151,916,172	167,607,056
Unrestricted	220,039,487	235,109,641
Total net assets	879,055,633	894,726,532
Total liabilities and net assets	**$ 1,586,901,856**	**$ 1,592,405,514**

See Notes to Financial Statements.

Wayne State University

Statement of Revenues, Expenses, and Changes in Net Assets

	Year Ended September 30	
	2011	2010
Operating Revenues		
Student tuition and fees	$ 310,753,529	$ 296,952,984
Less scholarship allowances	(96,061,398)	(91,007,514)
Net student tuition and fees	214,692,131	205,945,470
Federal grants and contracts	126,387,073	123,815,088
State and local grants and contracts	15,652,475	19,174,274
Nongovernmental grants and contracts	109,456,901	100,339,955
Departmental activities	21,176,104	18,355,165
Auxiliary enterprises - Net of scholarship allowances of $3,198,428 in 2011 and $3,281,911 in 2010	30,872,124	29,322,046
Other operating revenues	2,649,585	2,378,649
Total operating revenues	520,886,393	499,330,647
Operating Expenses (Note 10)		
Instruction	280,336,086	277,485,712
Research	163,944,192	153,631,812
Public service	59,198,595	51,022,821
Academic support	66,689,263	62,766,474
Student services	35,865,531	36,706,537
Institutional support	68,357,136	59,854,187
Operation and maintenance of plant	63,753,133	58,203,906
Scholarships and fellowships	9,004,147	8,193,074
Auxiliary enterprises	22,145,969	21,843,745
Depreciation	49,998,747	50,537,196
Total operating expenses	819,292,799	780,245,464
Operating Loss	(298,406,406)	(280,914,817)
Nonoperating Revenues (Expenses)		
State operating appropriation	214,167,658	214,325,400
State fiscal stabilization funds	-	6,003,800
Federal Pell grants	46,379,965	42,623,613
Gifts	29,034,023	25,789,991
Investment income including change in fair value of derivatives of $116,639 in 2011 and ($1,049,710) in 2010	943,500	24,958,505
Interest on capital asset - Related debt	(18,438,182)	(20,232,966)
Loss on capital assets retired	(2,255,755)	(5,587,693)
Other	561,005	(772,845)
Net nonoperating revenues	270,392,214	287,107,805
(Loss) Income Before Other Revenues	(28,014,192)	6,192,988
Other Revenues		
State capital appropriation	-	177,159
Capital gifts	7,276,027	207,734
Gifts for permanent endowments	5,067,266	6,310,210
Total other revenues	12,343,293	6,695,103
(Decrease) Increase in Net Assets	(15,670,899)	12,888,091
Net Assets		
Beginning of year	894,726,532	881,838,441
End of year	**$ 879,055,633**	**$ 894,726,532**

See Notes to Financial Statements.

Wayne State University

Statement of Cash Flows

	Year Ended September 30	
	2011	2010
Cash Flows from Operating Activities		
Tuition and fees - Net	$ 222,768,076	$ 209,945,228
Grants and contracts	241,674,735	257,457,686
Auxiliary enterprises	31,202,233	29,358,318
Departmental activities	21,423,172	19,374,777
Loans issued to students	(2,815,186)	(2,549,119)
Collection of loans from students	3,930,546	3,150,243
Scholarships and fellowships	(10,477,367)	(8,889,957)
Payments to suppliers	(182,217,282)	(183,544,705)
Payments to employees and benefit providers	(553,993,692)	(543,365,715)
Other receipts	2,650,845	2,380,271
Net cash used in operating activities	(225,853,920)	(216,682,973)
Cash Flows from Noncapital Financing Activities		
State operating appropriation	214,167,658	214,325,400
State fiscal stabilization funds	-	6,003,800
Federal Pell grants	46,379,965	42,623,613
Gifts	29,923,179	25,982,799
Gifts for permanent endowments	5,007,062	6,368,399
External student lending receipts	236,918,424	233,885,045
External student lending disbursements	(237,217,121)	(230,677,993)
Other	2,945,591	1,443,239
Net cash provided by noncapital financing activities	298,124,758	299,954,302
Cash Flows from Capital and Related Financing Activities		
State capital appropriation	148,298	1,126,538
Capital gifts and grants	9,608,061	3,017,182
Proceeds from issuance of debt and other long-term obligations	-	151,297,540
Expenditures for capital assets	(59,862,466)	(61,234,321)
Principal paid on capital debt	(11,425,000)	(114,250,000)
Interest paid on capital debt	(18,572,159)	(20,745,751)
Payment of swap termination fee	-	(12,485,000)
Net cash used in capital and related financing activities	(80,103,266)	(53,273,812)
Cash Flows from Investing Activities		
Investment income - Net	10,474,259	10,796,539
Proceeds from sales and maturities of investments	148,450,881	179,943,569
Purchase of investments	(135,353,920)	(193,769,324)
Net cash provided by (used in) investing activities	23,571,220	(3,029,216)
Net Increase in Cash and Temporary Investments	15,738,792	26,968,301
Cash and Temporary Investments - Beginning of year	379,536,881	352,568,580
Cash and Temporary Investments - End of year	**$ 395,275,673**	**$ 379,536,881**
Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating loss	$ (298,406,406)	$ (280,914,817)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation expense	49,998,747	50,537,196
Loss on impaired asset	11,091,598	-
(Increase) decrease in assets of current operating funds:		
Receivables - Net	(7,663,933)	14,904,877
Prepaid expenses and inventories	(2,357,962)	(1,655,299)
Increase (decrease) in liabilities of current operating funds:		
Accounts payable and accrued liabilities	10,687,055	(6,282,523)
Deposits	(175,598)	(153,119)
Deferred income	8,192,872	5,438,032
Accrued employee benefits	2,779,707	1,442,680
Net cash used in operating activities	**$ (225,853,920)**	**$ (216,682,973)**

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 fall 2011 enrollment of approximately 30,800 students. The financial statements include the individual schools, colleges, and departments and the controlled organization. The controlled organization of the University is the Wayne State University Foundation (the "Foundation"), which 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 addition, the University applies all applicable Financial Accounting Standards Board (FASB) statements and interpretations, Accounting Principles Board (APB) opinions, and accounting research bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The University has elected not to apply FASB pronouncements issued after November 30, 1989. In accordance with GASB principles, 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.

Net Assets - Consistent with GASB principles, the University reports its net assets in four categories:

- **Invested in Capital Assets - Net of Related Debt** - The University's investment in capital assets, 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** - The corpus portion of gifts to the University's permanent true 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** - Gifts and 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 true endowments and funds functioning as endowments with externally imposed restrictions.

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

- **Unrestricted** - Funds which are not subject to externally imposed restrictions; however, most of the University's unrestricted net assets are designated by the 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 which have no externally imposed restrictions.

Summary of Significant Accounting Policies

The accompanying financial statements have been prepared on the accrual basis. The University reports its operations as a business-type activity. 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 shown as a reduction to gross student tuition and fees and auxiliary enterprises revenue. Scholarships and fellowships disbursed directly to students are presented as scholarship and fellowship expenses.

Operating activities, as reported in the statement of revenues, expenses, and changes in net assets, are those activities that generally result from exchange transactions, such as revenues received for tuition and fees, grants and contracts revenue for services performed on sponsored programs, or expenses paid for goods or services. Nonoperating revenues are generally non-exchange in nature. State appropriation, Pell grant revenue, gifts, and investment activity are non-exchange transactions.

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 and Uniform Prudent Management of Institutional Funds Acts, as adopted in Michigan on September 15, 2009, 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 5.00 percent of a three-year moving average of the market value of endowment assets, measured at quarterly intervals. Of this annual distribution, 4.50 percent is transferred to the beneficiary or operating program accounts and 0.5 percent is used for administration of the University's development efforts.

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

Deferred Income - Deferred income represents amounts received and/or receivable in advance of an event or in advance 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 the applicable grant and contract terms and conditions.

Derivative Instruments - Derivative instruments consist of interest rate swap agreements and are stated at fair value based on the proprietary pricing model.

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 fiscal year end consist primarily of prepaid student financial aid which is paid to students at the beginning of the fall term each fiscal year, with the expense recognized for accounting purposes over the financial reporting period (fall semester) 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 - State operating appropriations are 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 eligible capital project expenditures are incurred.

Pledges and bequests of financial support from corporations, foundations, and individuals are recognized as revenue 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 a 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.

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

The University disbursed approximately $237,217,000 and $230,678,000 in 2011 and 2010, 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 revenue or expenditures in the accompanying statement of revenues, expenses, and changes in net assets. The disbursements and related receipts are reflected in the noncapital financing activities section of the statement of cash flows.

Reclassifications - Certain reclassifications have been made to the 2010 balances to conform to the 2011 presentation.

Note 2 - Cash and Investments

Cash and investments, by balance sheet classification and investment type, at September 30, 2011 and 2010 are as follows:

Classification	2011	2010
Cash and temporary investments	$ 395,275,673	$ 379,536,881
Investments:		
Endowment Fund	230,508,264	241,366,257
Plant Fund - Invested bond proceeds and related earnings	4,538,888	16,737,964
Total investments	235,047,152	258,104,221
Total cash and investments	$ 630,322,825	$ 637,641,102

Type	2011	2010
Fixed income	$ 429,250,278	$ 507,561,664
Equity securities	75,086,976	81,664,513
Certificates of deposit and savings accounts	109,517	108,300
Real estate investment pool and other investments	158,172	158,172
Commingled investment funds	71,991,654	63,160,406
Other	1,541,267	1,617,204
Cash and (checks issued in excess of available cash balances)	52,184,961	(16,629,157)
Total cash and investments	$ 630,322,825	$ 637,641,102

The University's cash and temporary investments provided a return of 0.5 percent for the fiscal years ended September 30, 2011 and 2010. The University's endowment-related investments provided a return of -1.4 percent and 9.4 percent for the years ended September 30, 2011 and 2010, respectively.

Note 2 - Cash and Investments (Continued)

Investment Policies

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

The Foundation manages approximately 99 percent of the endowment investments. They are managed in accordance with the Statement of Investment Policy ("Endowment Investment Policy") as approved by the Foundation's board of directors. Certain investments which are restricted by external agreements or by special donor restrictions are not subject to these policies.

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%-50%
Global asset allocation strategies	15%	0%-20%
Hedge funds	15%	5%-25%
Real assets	5%	0%-15%
Opportunistic investments	0%	0%-15%

The Foundation's board of directors approved an allocation to "opportunistic investments" in order to take advantage of investment strategies that become attractive from a valuation standpoint from time to time. Recognizing that opportunistic investments may not always be available, a target of 0 percent was established.

The endowment investment policy uses diversification as a fundamental risk management strategy and these funds are broadly diversified. This policy does not specifically limit interest rate, credit, concentration of credit, or foreign currency risks. These risks are considered as part of the overall risk versus investment return characteristics of the aggregate Endowment Fund investment portfolio when establishing its asset allocation and selecting its investment managers. Investments are managed in accordance with the endowment investment policy 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)

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. 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 deposits, 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 governing custodial credit risk. At September 30, 2011 and 2010, the carrying amount of deposits was $57,928,479 and $3,656,028, respectively. Of those amounts, $57,928,479 and $637,251, respectively, were insured.

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 counterparty is the firm that sells investments to or buys them from the University. 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 $393,675,948 and $348,127,662 of its portfolio at September 30, 2011 and 2010, 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.

Credit Risk

Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. Nationally recognized 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 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.

As previously discussed, the Endowment investment policy does not specifically limit the credit risk that an issuer or counterparty to an investment assumes.

Note 2 - Cash and Investments (Continued)

Fixed-income investments classified by credit ratings at September 30, 2011 and 2010 were as follows:

	2011 Credit Rating							
Investment Type	AAA	AA	A	BBB	Below BB	A1/P1	Not Rated	Total
U.S. Treasuries	$ -	$ -	$ -	$ -	$ -	$ -	$ 75,523,689	$ 75,523,689
U.S. government-sponsored enterprises	5,014,200	3,614,132	-	-	-	-	-	8,628,332
U.S. government guaranteed bank securities	10,120,900	-	-	-	-	-	-	10,120,900
Corporate asset-backed securities	3,055,707	354,186	1,035,094	-	-	-	-	4,444,987
Money market mutual funds	185,636,069	-	-	-	-	-	400,178	186,036,247
Corporate securities	-	2,229,202	3,588,305	309,462	-	-	-	6,126,969
Commercial paper	-	-	-	-	-	64,954,042		64,954,042
Fixed-income institutional bond funds	-	36,546,703	-	17,235,945	-	-	-	53,782,648
High yield short-term fund	-	-	-	-	19,386,523	-	-	19,386,523
Non-U.S. fixed-income securities	-	-	245,941	-	-	-	-	245,941
Investments by rating	$ 203,826,876	$ 42,744,223	$ 4,869,340	$ 17,545,407	$ 19,386,523	$ 64,954,042	$ 75,923,867	$ 429,250,278

	2010 Credit Rating						
Investment Type	AAA	AA	A	BBB	Below BB	Not Rated	Total
U.S. Treasuries	$ -	$ -	$ -	$ -	$ -	$ 206,806,954	$ 206,806,954
U.S. government-sponsored enterprises	67,116,325	-	-	-	-	-	67,116,325
U.S. government guaranteed bank securities	11,209,651	-	-	-	-	-	11,209,651
Corporate asset-backed securities	2,819,477	225,207	349,305	-	-	649,482	4,043,471
Money market mutual funds	142,195,745	-	-	-	-	979,525	143,175,270
Corporate securities	2,040,402	766,625	1,976,010	-	-	-	4,783,037
Fixed-income institutional bond funds	-	44,206,879	-	16,050,416	-	-	60,257,295
High yield short-term fund	-	-	-	-	10,169,661	-	10,169,661
Investments by rating	$ 225,381,600	$ 45,198,711	$ 2,325,315	$ 16,050,416	$ 10,169,661	$ 208,435,961	$ 507,561,664

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 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.

As previously discussed, the Endowment investment policy does not specifically limit the concentration of credit risk. This is the risk that an issuer or counterparty to an investment will not fulfill its obligations.

Investments with a particular issuer which equal or exceed 5 percent of the University's combined cash and temporary investments and endowment investment portfolio as of September 30, 2011 and 2010 are presented below:

2011	2010
None	Federal National Mortgage Association Securities

Note 2 - Cash and Investments (Continued)

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 exposure to fair value losses resulting from rising interest rates, the 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.

As previously discussed, the Endowment investment policy does not specifically limit the interest rate risk of its investments.

The University held the following types of fixed-income investments and maturities at September 30, 2011 and 2010:

	2011 Maturities (in Years)				
Investment Type	Less Than 1	1-5	6-10	More Than 10 [(a)]	Total
U.S. Treasuries	$ 10,050,800	$ 65,472,889	$ -	$ -	$ 75,523,689
U.S. government-sponsored enterprises	-	8,628,332	-	-	8,628,332
U.S. government guaranteed bank securities	10,120,900	-	-	-	10,120,900
Corporate asset-backed securities	-	4,182,922	262,065	-	4,444,987
Money market mutual funds [(1)]	186,036,247	-	-	-	186,036,247
Corporate securities	439,732	5,687,237	-	-	6,126,969
Commercial paper	64,954,042	-	-	-	64,954,042
Fixed-income institutional bond funds [(1)]	-	14,601,152	21,945,551	17,235,945	53,782,648
High yield short-term fund [(1)]	-	19,386,523	-	-	19,386,523
Non-U.S. fixed-income securities	-	245,941	-	-	245,941
Total fixed-income investments	$271,601,721	$118,204,996	$22,207,616	$17,235,945	$429,250,278

	2010 Maturities (in Years)				
Investment Type	Less Than 1	1-5	6-10	More Than 10 [(a)]	Total
U.S. Treasuries	$159,885,090	$ 45,658,397	$ 1,263,467	$ -	$206,806,954
U.S. government-sponsored enterprises	59,962,753	7,153,572	-	-	67,116,325
U.S. government guaranteed bank securities	-	11,209,651	-	-	11,209,651
Corporate asset-backed securities	-	3,724,795	318,676	-	4,043,471
Money market mutual funds [(1)]	143,175,270	-	-	-	143,175,270
Corporate securities	-	4,783,037	-	-	4,783,037
Fixed-income institutional bond funds [(1)]	-	-	44,206,879	16,050,416	60,257,295
High yield short-term fund [(1)]	-	10,169,661	-	-	10,169,661
Total fixed-income investments	$363,023,113	$ 82,699,113	$45,789,022	$16,050,416	$507,561,664

(1) The maturities indicated for these funds are the average of the overall pool.
(a) Endowment Fund only

Note 2 - Cash and Investments (Continued)

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 and temporary investment portfolio did not include any significant direct investments denominated in foreign currencies at September 30, 2011 and 2010.

As previously discussed, the Endowment investment policy does not specifically limit foreign currency risk.

Endowment Fund investments in non-U.S. equities totaled $30,773,617 and $30,216,759, approximately 13 percent of the University's total endowment fund investments, at September 30, 2011 and 2010, respectively. Of these amounts, 14 percent and 28 percent was exposed to European Union euro currency risk at September 30, 2011 and 2010, respectively, while 12 percent and 11 percent was exposed to the British pound sterling currency risk at September 30, 2011 and 2010, respectively.

Endowment fund investments in fixed-income institutional bond funds and high yield short-term funds that could have currency exposure totaled $73,169,171 and $70,426,956 at September 30, 2011 and 2010, respectively. Of these amounts, 11 percent and 4 percent was exposed to European Union euro currency risk at September 30, 2011 and 2010, respectively. In addition, 5 percent was exposed to both the Canadian dollar and Brazilian real currency risk at September 30, 2011 and 2010.

Note 3 - Receivables

At September 30, 2011 and 2010, receivables consist of the following:

	2011	2010
Grants and contracts receivable	$ 23,727,959	$ 24,620,243
Pledged gifts receivable	20,985,230	24,796,241
Student notes receivable	27,373,734	28,606,759
Student accounts receivable	55,888,092	56,997,360
State appropriations receivable - Capital projects	-	148,298
Other	38,343,343	26,980,475
Total	166,318,358	162,149,376
Less:		
Provision for loss on receivables	(15,786,515)	(15,158,872)
Unamortized discount to present value on pledged gifts receivable	(959,966)	(1,515,379)
Total	149,571,877	145,475,125
Less net current portion of receivables	(116,235,694)	(107,366,115)
Net noncurrent receivables	$ 33,336,183	$ 38,109,010

Note 3 - Receivables (Continued)

Payments on pledged gifts receivable at September 30, 2011 are expected to occur in the following fiscal years:

2012	$ 11,365,768
2013-2019	9,619,462
Total	$ 20,985,230

Student notes receivable consist of loans to students made from both federal and University resources. Principal repayment and interest rate terms on these loans vary considerably. The provision for loss on receivables does not apply to the federal portion of federal student notes receivable, 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 4 - Capital Assets

Capital assets activity for the years ended September 30, 2011 and 2010 was as follows:

	Balance September 30, 2010	Additions	Impairments	Retirements	Balance September 30, 2011
Land improvements	$ 22,737,286	$ 172,729	$ -	$ -	$ 22,910,015
Buildings	1,044,466,767	77,247,543	(11,091,598)	-	1,110,622,712
Library materials	132,991,628	6,321,846	-	(2,020,447)	137,293,027
Equipment and software	165,069,624	11,585,507	-	(947,018)	175,708,113
Subtotal - Depreciable assets	1,365,265,305	95,327,625	(11,091,598)	(2,967,465)	1,446,533,867
Land	35,130,330	884,833	-	-	36,015,163
Construction in progress	47,819,811	(37,226,275)	-	-	10,593,536
Subtotal - Nondepreciable assets	82,950,141	(36,341,442)	-	-	46,608,699
Total	1,448,215,446	58,986,183	(11,091,598)	(2,967,465)	1,493,142,566
Less accumulated depreciation:					
Land improvements	13,675,064	797,128	-	-	14,472,192
Buildings	415,548,594	36,196,135	-	-	451,744,729
Library materials	112,142,451	3,407,619	-	-	115,550,070
Equipment and software	131,738,176	9,597,865	-	(711,710)	140,624,331
Total accumulated depreciation	673,104,285	49,998,747	-	(711,710)	722,391,322
Net capital assets	$ 775,111,161	$ 8,987,436	$ (11,091,598)	$ (2,255,755)	$ 770,751,244

Note 4 - Capital Assets (Continued)

	Balance September 30, 2009	Additions	Retirements	Balance September 30, 2010
Land improvements	$ 22,507,641	$ 229,645	$ -	$ 22,737,286
Buildings	1,038,941,318	10,242,929	(4,717,480)	1,044,466,767
Library materials	128,447,036	6,264,354	(1,719,762)	132,991,628
Equipment and software	172,523,403	11,233,134	(18,686,913)	165,069,624
Subtotal - Depreciable assets	1,362,419,398	27,970,062	(25,124,155)	1,365,265,305
Land	31,581,553	3,578,348	(29,571)	35,130,330
Construction in progress	9,656,261	38,163,550	-	47,819,811
Subtotal - Nondepreciable assets	41,237,814	41,741,898	(29,571)	82,950,141
Total	1,403,657,212	69,711,960	(25,153,726)	1,448,215,446
Less accumulated depreciation:				
Land improvements	12,837,659	837,405	-	13,675,064
Buildings	381,825,034	36,586,863	(2,863,303)	415,548,594
Library materials	108,727,824	3,414,627	-	112,142,451
Equipment and software	138,742,605	9,698,301	(16,702,730)	131,738,176
Total accumulated depreciation	642,133,122	50,537,196	(19,566,033)	673,104,285
Net capital assets	$ 761,524,090	$ 19,174,764	$ (5,587,693)	$ 775,111,161

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. Interest of $1,126,000 and $934,000 was capitalized in 2011 and 2010, respectively.

Operating expenses include an impairment loss of $11,092,000 to revalue a University building which will no longer be used to fair value as of September 30, 2011. The loss is allocated to the appropriate expense function categories in the statement of revenues, expenses, and changes in net assets based on the activity conducted in the building.

Several 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 among the SBA, the State of Michigan, and the University. During the lease term, the SBA holds title to the buildings, the State of Michigan makes all lease payments directly to the SBA, and the University is 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, 2011 and 2010 was as follows:

2011	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
General Revenue Bonds, Series 2009A, with interest ranging from 2.0% to 5.0%, maturing November 15, 2029	$ 112,430,000	$ -	$ 3,855,000	$ 108,575,000	$ 3,955,000
Taxable General Revenue Build America Bonds, Series 2009B, with interest ranging from 1.412% to 6.536%, maturing November 15, 2039	30,890,000	-	635,000	30,255,000	640,000
General Revenue Bonds, Series 2008, with interest ranging from 5.0% to 5.25%, maturing November 15, 2035	174,485,000	-	3,345,000	171,140,000	3,515,000
General Revenue Bonds, Series 2007A, with interest ranging from 4.0% to 5.0%, maturing November 15, 2037	31,080,000	-	1,070,000	30,010,000	1,130,000
Taxable 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	49,585,000	-	930,000	48,655,000	965,000
Taxable General Revenue Bonds, Series 2003B, with interest at 5.02%, maturing November 15, 2018	3,215,000	-	290,000	2,925,000	305,000
Various notes payable with varying interest rates maturing from 2012 through 2015	3,443,157	67,695	1,914,057	1,596,795	621,926
Gross long-term debt	409,348,157	67,695	12,039,057	397,376,795	11,131,926
Plus unamortized bond premium - Net	13,281,593	-	597,532	12,684,061	-
Total long-term debt	$ 422,629,750	$ 67,695	$ 12,636,589	$ 410,060,856	$ 11,131,926

Note 5 - Long-term Debt (Continued)

2010	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
General Revenue Bonds, Series 2009A, with interest ranging from 2.0% to 5.0%, maturing November 15, 2029	$ -	$ 112,430,000	$ -	$ 112,430,000	$ 3,855,000
Taxable General Revenue Build America Bonds, Series 2009B, with interest ranging from 1.412% to 6.536%, maturing November 15, 2039	-	30,890,000	-	30,890,000	635,000
General Revenue Bonds, Series 2008, with interest ranging from 5.0% to 5.25%, maturing November 15, 2035	177,665,000	-	3,180,000	174,485,000	3,345,000
General Revenue Bonds, Series 2007A, with interest ranging from 4.0% to 5.0%, maturing November 15, 2037	32,105,000	-	1,025,000	31,080,000	1,070,000
Taxable 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	50,475,000	-	890,000	49,585,000	930,000
Taxable General Revenue Bonds, Series 2003B, with interest at 5.02%, maturing November 15, 2018	3,490,000	-	275,000	3,215,000	290,000
General Revenue and Refunding Bonds, Series 1999, with interest ranging from 4.75% to 5.50%, refunded with Series 2009A	108,780,000	-	108,780,000	-	-
Various notes payable with varying interest rates maturing from 2011 through 2014	4,111,541	45,524	713,908	3,443,157	1,946,800
Gross long-term debt	380,846,541	143,365,524	114,863,908	409,348,157	12,071,800
Plus/(less) unamortized bond premium/(discount) - Net	3,915,578	7,274,284	(2,091,731)	13,281,593	-
Total long-term debt	$ 384,762,119	$ 150,639,808	$ 112,772,177	$ 422,629,750	$ 12,071,800

During the fiscal year ended September 30, 2010, the University issued the Series 2009A and 2009B bonds on October 14, 2009 and December 3, 2009, respectively. The Series 2009A bonds are tax-exempt bonds that were issued at a par amount of $112,430,000. The bond proceeds were used to refund all of the outstanding General Revenue Bonds, Series 1999, maturing November 15, 2010 and thereafter and to terminate the forward starting swaps associated with the Series 1999 bonds for $12,485,000. The Series 2009B bonds are taxable Build America Bonds (BABs) issued with a par amount of $30,890,000 to finance a portion of the Chemistry Building Expansion and Renovation projects. These BABs are taxable municipal bonds. They are Direct Payment type BABs, which provide a federal subsidy of 35 percent of the interest paid on the bonds to the issuer. The purpose of BABs is to reduce the cost of borrowing for state and local government issuers and governmental agencies. Taking into account the federal subsidy, the net financing cost on the Series 2009B BABs was less than that which could have been obtained if traditional tax-exempt bonds had been issued.

General Revenue Bonds are secured by unrestricted operating revenues. When economically feasible, the University considers defeasance or refunding of prior debt issuances to reduce borrowing costs. The total amount of defeased bonds outstanding at September 30, 2011 and 2010 was $375,000 and $750,000, respectively.

Note 5 - Long-term Debt (Continued)

Principal and interest maturities on long-term debt at September 30, 2011 are as follows:

Fiscal Years	Principal	Interest*	Total
2012	$ 11,131,926	$ 19,473,298	$ 30,605,224
2013	11,565,557	18,993,842	30,559,399
2014	10,903,700	18,480,161	29,383,861
2015	11,020,612	17,975,527	28,996,139
2016	11,540,000	17,447,433	28,987,433
2017-2021	65,920,000	77,969,167	143,889,167
2022-2026	82,430,000	59,706,944	142,136,944
2027-2031	96,255,000	36,713,714	132,968,714
2032-2036	82,680,000	14,898,207	97,578,207
2037-2040	13,930,000	1,163,980	15,093,980
Total	$ 397,376,795	$ 282,822,273	$ 680,199,068

* Amounts do not reflect federal subsidies to be received for Build America Bonds interest.

Interest paid on long-term debt was $19,698,000 in 2011 and $20,752,000 in 2010.

Note 6 - Derivative Instruments

Interest Rate Swaps

The University currently holds two interest rate swap instruments that are associated with its Series 2006 bonds. The University entered into these swap agreements at the same time and for the same amount as the issuance of the related bonds, with the intent of lowering its borrowing cost by creating a cash flow hedge, at a net interest rate that is lower than the fixed rate debt on the debt that was issued. The swap agreements are not effective hedges because they did not have consistent critical terms. In accordance with GASB Statement No. 53, an interest rate swap is considered an effective cash flow hedge if the swap payments received substantially offset the payments made on the associated debt and changes in fair value are deferred. An interest rate swap that is not considered an effective cash flow hedge, in accordance with the provisions of this statement, is deemed to be an investment derivative instrument and changes in fair value are recorded as a component of the change in net investment income (loss) in the statement of revenues, expenses, and changes in net assets.

At October 1, 2009, the University held four interest rate swaps. Two of these were forward-starting swaps associated with the Series 1999 bonds. The intent of these swaps was to lock in favorable refunding interest rates prior to the date that the Series 1999 bonds would be refunded. These swaps were terminated when the Series 1999 bonds were refunded in October 2009 and a $12,485,000 swap termination fee was paid and is included in the change in fair value of derivatives in the statement of revenues, expenses, and changes in net assets in fiscal year 2010.

Note 6 - Derivative Instruments (Continued)

The fair value balances and notional amounts of the derivative instruments outstanding at September 30, 2011 and 2010 or terminated during the fiscal year, classified by type and the change in fair value associated with the Series 2006 and Series 1999 bonds, are shown below:

Investment Derivative Instrument	Change in Fair Value		Fair Value at September 30, 2011		
	Classification	Amount	Classification	Amount	Notional
Series 2006 - Pay-variable, Receive variable/fixed annuity	Net investment income (loss)	$ 116,639	Liability	$ (1,563,948)	$ 48,655,000
Total change in fair value of derivatives		$ 116,639			

Investment Derivative Instrument	Change in Fair Value		Fair Value at September 30, 2010		
	Classification	Amount	Classification	Amount	Notional
Series 2006 - Pay-variable, Receive variable/fixed annuity	Net investment (loss) income	$ (243,016)	Liability	$ (1,680,587)	$ 49,585,000
Series 1999 - Pay-fixed, Receive variable	Net investment income	11,678,306	None	$ -	$ -
Change in fair value		11,435,290			
Swap termination fee - Series 1999		(12,485,000)			
Total change in fair value of derivatives		$ (1,049,710)			

The fair value of the swaps was estimated using the proprietary pricing model of an independent derivative valuation service.

Terms for the years ended September 30, 2011 and 2010 were as follows:

Associated Bond Issue	Effective Date	Type	Objective	Pay Terms	Receive Terms	Maturity Date	Counterparty Credit Rating
Series 2006 (2 swaps)	9/18/2006	Pay variable, Receive variable plus fixed annuity	Cash flow hedge for Series 2006 bonds	SIFMA	67% LIBOR plus 40.73 bps	11/15/2036	AAA/A+

LIBOR - London Interbank Offered Rate
SIFMA - Securities Industry and Financial Markets Association
bps - basis points

Note 6 - Derivative Instruments (Continued)

Associated Risk - The associated risks of the outstanding swaps as of September 30, 2011 and 2010 were as follows:

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 of these swaps to rise and fall with financial market conditions. Due to changes in these market factors since inception, these swaps have a negative fair value at September 30, 2011 and 2010.

Credit Risk - As of September 30, 2011 and 2010, the University was not exposed to any credit risk from swap counterparties because the existing swaps had a negative fair value of $1,563,948 and $1,680,587, respectively. The University executes swap transactions with various counterparties. At September 30, 2011, there were two outstanding swaps with two counterparties. The first counterparty held one swap that represented approximately 70 percent of the notional amount of swaps outstanding. This counterparty is rated "AAA" by Standard and Poor's and "Aa1" by Moody's. A second counterparty held one swap that represented approximately 30 percent of the notional amount of the swaps outstanding. This counterparty was rated "A+" by Fitch, "A+" by Standard and Poor's, and "Aa3" by Moody's (downgraded from "Aa2" in November 2009). Effective October 13, 2011, Fitch has downgraded this counterparty from "A+" to "A." Effective November 29, 2011, Standard and Poor's has downgraded this counterparty from "A+" to "A."

Basis Risk - The swaps expose the University to basis risk. This is the risk that arises when the variable interest rates of a derivative instrument and a hedged item are based upon different interest rate reference indices. For the basis swaps, the University is exposed to the risk that the SIFMA interest rate which it pays to the counterparties will be more than the amount which it receives from the counterparties, which is based upon 67 percent of LIBOR plus an additional fixed annuity amount of 40.73 basis points (0.4073 percent).

Termination - The swap termination date for the Series 2006 bonds is November 2036. The derivative contracts are documented by the International Swap Dealers Associations (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 is liable for a payment equal to the swap's fair value.

Note 7 - Defined Contribution Retirement Plan

The University offers 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 results. Prior to August 1, 2010, all employees were eligible to participate after they reached 26 years of age and completed two years of service. For eligible employees, the University contributed an amount equal to 10 percent of an employee's salary each pay period provided that the employee contributed 5 percent of his/her salary. The University's contributions for each employee were fully vested immediately.

Note 7 - Defined Contribution Retirement Plan (Continued)

Effective August 1, 2010 and January 24, 2011, the University modified its defined contribution retirement plan for certain represented employee groups and effective October 4, 2010 for non-represented employees to make them eligible to participate immediately upon reaching age 26. Under the modified plan, eligible employees that contribute at least 1 percent of their salary will receive a University matching contribution equal to two times their contribution up to a maximum University contribution of 10 percent. The University contribution under the modified plan is not vested until the employee has completed two years of service. Until agreements are reached with the remaining represented employee groups, the employees in those groups will continue to receive benefits in accordance with the original terms of the plan.

University contributions to the plan for the years ended September 30, 2011 and 2010 were $30,107,000 and $29,041,000, respectively.

Note 8 - Commitments

Approximately $6,508,000 was committed to current University construction projects at September 30, 2011. This amount includes various small construction projects. Commitments will be funded through a combination of resources including external long-term financing, gifts, investment income, and various other University sources.

Note 9 - Contingencies

Insurance Program

In conjunction with the conduct of its operations, the University is exposed to various risks of loss and legal actions. To 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. The University participates in all of the aforementioned insurance programs except property insurance. The University maintains property insurance with FM Global. 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 shares this obligation. 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, 2011 is approximately $1,088,000. The University has not been subjected to additional assessments since the formation of MUSIC in 1987.

Note 9 - Contingencies (Continued)

The University is self-insured for certain employee benefits. Claim expenditures and liabilities are recorded when it is probable that a 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, 2011 and 2010 totaled approximately $3,864,000 and $5,318,000, 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 an operating line of credit of $2.25 million and a term loan of $6.0 million for the Research and Technology Park in the City of Detroit, Inc., a 501(c)(3) organization. As of September 30, 2011, guaranteed funds drawn against the operating line of credit and the term loan totaled $.75 million and $5.9 million, respectively.

Derivative Instruments

One of the University's derivative instrument agreements requires the University to post collateral when the University credit rating is suspended, withdrawn, or downgraded to BBB+ or below by Standard & Poor's or Baa1 or below by Moody's in order to preclude an Additional Termination Event from occurring. The collateral would be posted in the amount of the fair value of the hedging instrument in a liability position over a specified threshold, which varies with the University's credit rating. The collateral could be posted in the form of cash, U.S. Treasury securities, agency notes, or other securities that the parties may agree to, and the valuation percentage allowed would vary by the creditworthiness and maturities of the underlying securities used for collateral. An Additional Termination Event would occur if the University's rating is suspended, withdrawn, or downgraded to BBB- or below by Standard & Poor's or Baa3 or below by Moody's. The other University derivative instrument agreement does not require the University to post collateral. However, this agreement provides that an Additional Termination Event occurs when the University credit rating is suspended, withdrawn, or downgraded below BBB- by Standard & Poor's or below Baa3 by Moody's. In order to preclude this Additional Termination Event from terminating the swap, the University would need to provide the counterparty with an acceptable Credit Support Document.

At September 30, 2011, the aggregate negative fair value of all hedging derivative instruments with these collateral posting provisions is $1,563,948. If the collateral posting requirements were triggered at September 30, 2011 for the swap agreement for which the University would need to provide an acceptable Credit Support Document, the amount of that credit support would be $1,095,048. In addition, the other counterparty would require the University to post approximately $468,900 based upon the fair value of the hedging instrument in a liability position. The University's credit ratings are AA-/Aa2; therefore, no collateral has been posted at September 30, 2011.

Note 10 - Natural Classification of Expenses

Operating expenses by natural classification for the years ended September 30, 2011 and 2010 are summarized as follows:

	2011	2010
Compensation and benefits	$ 565,238,041	$ 546,875,884
Supplies, services, and other	183,960,266	174,639,310
Depreciation	49,998,747	50,537,196
Loss on impaired asset	11,091,598	-
Scholarships and fellowships	9,004,147	8,193,074
Total operating expenses	$ 819,292,799	$ 780,245,464

Note 11 - Postemployment Benefits Other Than Pensions

The University offers a postemployment benefit of a fixed payout life insurance policy to its retirees. The University obtained an actuarial valuation as of September 30, 2010 to determine its future obligations for these benefits. The aggregate unfunded accrued liability which has been recorded as accrued employee benefits on the balance sheet was $5,200,000 and $4,900,000 at September 30, 2011 and 2010, respectively. The related expense was $300,000 for 2011 and $387,800 in 2010.

In addition, the University makes available a plan under which certain retirees may receive healthcare coverage. 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 12 - Future Accounting Pronouncements

GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements (SCAs)*, becomes effective for the University for the fiscal year ending September 30, 2013. This statement establishes guidance for accounting and financial reporting for SCAs which are a type of public-private or public-public partnership.

GASB Statement No. 61, *The Financial Reporting Entity Omnibus*, becomes effective for the University for the fiscal year ending September 30, 2013. This statement modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity and financial reporting entity display and disclosure requirements.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, also becomes effective for the University's fiscal year ending September 30, 2013. This statement provides financial reporting guidance for deferred outflows and deferred inflows of resources. It defines those elements as a consumption of net assets by the University that is applicable to a future reporting period and an acquisition of net assets by the University that is applicable to a future reporting period, respectively.

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

Supplemental Information

Plante & Moran, PLLC
27400 Northwestern Highway
P.O. Box 307
Southfield, MI 48037-0307
Tel: 248.352.2500
Fax: 248.352.0018
plantemoran.com

Independent Auditor's 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, 2011 and 2010. 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 6, 2012

Wayne State University

Combining Balance Sheet
September 30, 2011
(with comparative totals for September 30, 2010)

	2011											2010
	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	$ 224,724,054	$ 23,059,152	$ 4,975,454	$ (2,048,135)	$ 43,246,660	293,957,185	$ 66,360,956	$ 13,956,664	$ 1,830,091	$ 19,170,777	$ 395,275,673	$ 379,536,881
Current receivables - Net	51,581,877	30,019,975	3,562,627	332,895	24,257,940	109,755,314	5,057,694	103,140	985,549	333,997	116,235,694	107,366,115
Inventories	1,049,600	-	407,915	-	-	1,457,515	-	-	-	-	1,457,515	1,592,795
Prepaid expenses and deposits	30,434,732	397,011	142,863	-	264,602	31,239,208	-	-	-	289,719	31,528,927	29,187,725
Total current assets	307,790,263	53,476,138	9,088,859	(1,715,240)	67,769,202	436,409,222	71,418,650	14,059,804	2,815,640	19,794,493	544,497,809	517,683,516
Noncurrent assets:												
Investments	-	-	-	-	-	-	4,538,888	-	230,508,264	-	235,047,152	258,104,221
Noncurrent receivables - Net	-	1,335,562	-	7,312	2,523,956	3,866,830	2,491,502	26,977,851	-	-	33,336,183	38,109,010
Unamortized bond issue costs	-	-	-	-	-	-	3,269,468	-	-	-	3,269,468	3,397,606
Capital assets - Net	-	-	-	-	-	-	770,751,244	-	-	-	770,751,244	775,111,161
Total noncurrent assets	-	1,335,562	-	7,312	2,523,956	3,866,830	781,051,102	26,977,851	230,508,264	-	1,042,404,047	1,074,721,998
Total assets	**$ 307,790,263**	**$ 54,811,700**	**$ 9,088,859**	**$ (1,707,928)**	**$ 70,293,158**	**$ 440,276,052**	**$ 852,469,752**	**$ 41,037,655**	**$ 233,323,904**	**$ 19,794,493**	**$ 1,586,901,856**	**$ 1,592,405,514**
Liabilities and Net Assets (Deficit)												
Liabilities												
Current liabilities:												
Accounts payable and accrued liabilities	$ 41,264,225	$ 9,367,895	$ 2,260,939	$ 159,850	$ 10,952,510	$ 64,005,419	$ 19,980,834	$ -	$ 205,110	$ 15,227,488	$ 99,418,851	$ 89,519,374
Deferred income	129,311,321	642,153	5,930,595	19,772	9,381,065	145,284,906	258,695	-	-	-	145,543,601	136,583,924
Deposits	2,407,299	503,472	300,800	-	-	3,211,571	-	-	-	3,920,165	7,131,736	7,103,569
Long-term debt - Current portion	-	-	-	-	-	-	11,131,926	-	-	-	11,131,926	12,071,800
Total current liabilities	172,982,845	10,513,520	8,492,334	179,622	20,333,575	212,501,896	31,371,455	-	205,110	19,147,653	263,226,114	245,278,667
Noncurrent liabilities:												
Federal portion of student loan funds	-	-	-	-	-	-	-	28,634,050	-	-	28,634,050	27,432,479
Accrued employee benefits	13,092,202	450,270	188,143	8,286	654,974	14,393,875	-	-	452,466	646,840	15,493,181	12,729,299
Long-term debt - Net of current portion	-	-	-	-	-	-	398,928,930	-	-	-	398,928,930	410,557,950
Derivative instruments	-	-	-	-	-	-	1,563,948	-	-	-	1,563,948	1,680,587
Total noncurrent liabilities	13,092,202	450,270	188,143	8,286	654,974	14,393,875	400,492,878	28,634,050	452,466	646,840	444,620,109	452,400,315
Total liabilities	186,075,047	10,963,790	8,680,477	187,908	20,988,549	226,895,771	431,864,333	28,634,050	657,576	19,794,493	707,846,223	697,678,982
Net Assets (Deficit)												
Invested in capital assets - Net of related debt	-	-	-	-	-	-	362,727,810	-	-	-	362,727,810	354,198,430
Restricted:												
Nonexpendable	-	-	-	-	-	-	-	11,756,924	132,615,240	-	144,372,164	137,811,405
Expendable	-	-	-	-	49,304,609	49,304,609	9,042,328	-	93,569,235	-	151,916,172	167,607,056
Unrestricted	121,715,216	43,847,910	408,382	(1,895,836)	-	164,075,672	48,835,281	646,681	6,481,853	-	220,039,487	235,109,641
Total net assets (deficit)	121,715,216	43,847,910	408,382	(1,895,836)	49,304,609	213,380,281	420,605,419	12,403,605	232,666,328	-	879,055,633	894,726,532
Total liabilities and net assets (deficit)	**$ 307,790,263**	**$ 54,811,700**	**$ 9,088,859**	**$ (1,707,928)**	**$ 70,293,158**	**$ 440,276,052**	**$ 852,469,752**	**$ 41,037,655**	**$ 233,323,904**	**$ 19,794,493**	**$ 1,586,901,856**	**$ 1,592,405,514**

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

	2011	2010
Contractually committed, encumbrances	$ 13,319	$ 15,578
Rainy Day Fund	19,720	19,612
Faculty, instructional, and research	64,027	54,763
Academic support	9,296	8,612
Divisions and central unit funds carried forward	14,136	20,393
Financial aid commitments	1,217	1,572
Funds available for allocation in subsequent years	-	4,955
Total General Fund unrestricted net assets	**$ 121,715**	**$ 125,485**

Wayne State University

Combining Statement of Revenues, Expenses, Transfers and Changes in Net Assets (Deficit)
Year Ended September 30, 2011
(with comparative totals for the year ended September 30, 2010)

	Year Ended September 30											
	2011											2010
	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	$ 306,787,550	$ -	$ 3,769,443	$ -	$ -	$ 310,556,993	$ 196,536	$ -	$ -	$ -	$ 310,753,529	$ 296,952,984
Less scholarship allowances	-	-	-	-	-	-	-	-	-	(96,061,398)	(96,061,398)	(91,007,514)
Net student tuition and fees	306,787,550	-	3,769,443	-	-	310,556,993	196,536	-	-	(96,061,398)	214,692,131	205,945,470
Federal grants and contracts	-	-	-	-	125,528,707	125,528,707	858,366	-	-	-	126,387,073	123,815,088
State and local grants and contracts	-	-	-	-	15,652,475	15,652,475	-	-	-	-	15,652,475	19,174,274
Nongovernmental grants and contracts	-	69,641,280	-	-	39,815,621	109,456,901	-	-	-	-	109,456,901	100,339,955
Departmental activities	6,738,191	13,683,721	-	754,192	-	21,176,104	-	-	-	-	21,176,104	18,355,165
Auxiliary enterprises (net of scholarship allowances)	-	-	34,070,552	-	-	34,070,552	-	-	-	(3,198,428)	30,872,124	29,322,046
Recovery of indirect costs of sponsored programs	39,601,144	-	-	-	(39,601,144)	-	-	-	-	-	-	-
Other operating revenues	2,567,943	-	-	-	-	2,567,943	-	81,642	-	-	2,649,585	2,378,649
Total Operating Revenues	355,694,828	83,325,001	37,839,995	754,192	141,395,659	619,009,675	1,054,902	81,642	-	(99,259,826)	520,886,393	499,330,647
Operating Expenses												
Instruction	220,323,192	46,377,317	-	-	13,412,222	280,112,731	-	-	-	223,355	280,336,086	277,485,712
Research	43,751,789	1,865,888	-	-	120,518,266	166,135,943	-	-	-	(2,191,751)	163,944,192	153,631,812
Public service	1,839,397	30,462,973	-	2,132,771	23,711,523	58,146,664	-	-	-	1,051,931	59,198,595	51,022,821
Academic support	65,920,664	5,523,502	-	-	2,451,570	73,895,736	-	-	-	(7,206,473)	66,689,263	62,766,474
Student services	35,515,584	95,255	-	-	261,520	35,872,359	-	-	-	(6,828)	35,865,531	36,706,537
Institutional support	66,964,424	1,807,359	-	-	8,528	68,780,311	-	-	-	(423,175)	68,357,136	59,854,187
Operation and maintenance of plant	52,682,406	36,228	-	-	1,516,250	54,234,884	7,756,194	-	-	1,762,055	63,753,133	58,203,906
Scholarships and fellowships	54,186,299	107,788	-	-	53,969,886	108,263,973	-	-	-	(99,259,826)	9,004,147	8,193,074
Auxiliary enterprises	-	-	22,186,194	-	-	22,186,194	-	-	-	(40,225)	22,145,969	21,843,745
Depreciation	-	-	-	-	-	-	49,998,747	-	-	-	49,998,747	50,537,196
Capital additions - Net	-	-	-	-	-	-	(17,922,709)	-	-	17,922,709	-	-
Loss on impaired asset	-	-	-	-	-	-	11,091,598	-	-	(11,091,598)	-	-
Transfers (in) out:												
Debt service	15,973,773	985,982	12,001,739	-	-	28,961,494	(28,961,494)	-	-	-	-	-
Loan matching	140,769	-	-	-	-	140,769	-	(140,769)	-	-	-	-
Plant improvement and extension	18,327,849	2,852,323	4,140,531	-	340,590	25,661,293	(25,661,293)	-	-	-	-	-
Other	168,666	956,242	-	-	1,355,878	2,480,786	(130,039)	5,668	(2,356,415)	-	-	-
Total Operating Expenses	575,794,812	91,070,857	38,328,464	2,132,771	217,546,233	924,873,137	(3,828,996)	(135,101)	(2,356,415)	(99,259,826)	819,292,799	780,245,464
Operating (Loss) Income	(220,099,984)	(7,745,856)	(488,469)	(1,378,579)	(76,150,574)	(305,863,462)	4,883,898	216,743	2,356,415	-	(298,406,406)	(280,914,817)

Wayne State University

Combining Statement of Revenues, Expenses, Transfers and Changes in Net Assets (Deficit) (Continued)
Year Ended September 30, 2011
(with comparative totals for the year ended September 30, 2010)

	Year Ended September 30											
	2011											2010
	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	$ 213,897,413	$ -	$ -	$ -	$ 270,245	$ 214,167,658	$ -	$ -	$ -	$ -	$ 214,167,658	$ 214,325,400
State fiscal stabilization funds	-	-	-	-	-	-	-	-	-	-	-	6,003,800
Federal Pell grant	-	-	-	-	46,379,965	46,379,965	-	-	-	-	46,379,965	42,623,613
Gifts	-	5,963,002	63,702	1,312,444	21,464,978	28,804,126	-	6,027	223,870	-	29,034,023	25,789,991
Investment income (loss):												
Change in fair value of derivatives	-	-	-	-	-	-	116,639	-		-	116,639	(1,049,710)
Endowment and similar funds	1,062,269	155,933	-	3,357	9,617,108	10,838,667	37,562	31,109	(10,907,338)	-	-	-
Other	1,370,194	1,078,875	1,842	-	1,913,541	4,364,452	313,559	41,900	(3,893,050)	-	826,861	26,008,215
Interest on capital asset - Related debt	-	-	-	-	-	-	(18,438,182)	-	-	-	(18,438,182)	(20,232,966)
Loss on capital assets retired	-	-	-	-	-	-	(2,255,755)	-	-	-	(2,255,755)	(5,587,693)
Other	-	-	-	-	-	-	1,015,755	(410,373)	(44,377)	-	561,005	(772,845)
Net nonoperating revenues (expenses)	216,329,876	7,197,810	65,544	1,315,801	79,645,837	304,554,868	(19,210,422)	(331,337)	(14,620,895)	-	270,392,214	287,107,805
(Loss) Income Before Other Revenues	(3,770,108)	(548,046)	(422,925)	(62,778)	3,495,263	(1,308,594)	(14,326,524)	(114,594)	(12,264,480)	-	(28,014,192)	6,192,988
Other Revenues												
State capital appropriation	-	-	-	-	-	-	-	-	-	-	-	177,159
Capital gifts	-	-	-	-	-	-	7,276,027	-	-	-	7,276,027	207,734
Gifts for permanent endowments	-	-	-	-	-	-	-	-	5,067,266	-	5,067,266	6,310,210
Total other revenues	-	-	-	-	-	-	7,276,027	-	5,067,266	-	12,343,293	6,695,103
(Decrease) Increase in Net Assets	(3,770,108)	(548,046)	(422,925)	(62,778)	3,495,263	(1,308,594)	(7,050,497)	(114,594)	(7,197,214)	-	(15,670,899)	12,888,091
Net Assets (Deficit) - Beginning of year	125,485,324	44,395,956	831,307	(1,833,058)	45,809,346	214,688,875	427,655,916	12,518,199	239,863,542	-	894,726,532	881,838,441
Net Assets (Deficit) - End of year	**$ 121,715,216**	**$ 43,847,910**	**$ 408,382**	**$ (1,895,836)**	**$ 49,304,609**	**$ 213,380,281**	**$ 420,605,419**	**$ 12,403,605**	**$ 232,666,328**	**$ -**	**$ 879,055,633**	**$ 894,726,532**

Wayne State University

Combining Balance Sheet
September 30, 2010

	2010										
	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	$ 209,804,296	$ 32,924,047	$ 7,812,402	$ (1,916,373)	$ 37,250,150	285,874,522	$ 65,419,444	$ 11,723,511	$ (2,214,135)	$ 18,733,539	$ 379,536,881
Current receivables - Net	52,969,535	18,208,935	3,669,982	255,327	25,098,489	100,202,268	5,307,665	104,399	1,375,965	375,818	107,366,115
Inventories	1,086,429	-	506,366	-	-	1,592,795	-	-	-	-	1,592,795
Prepaid expenses and deposits	28,351,910	175,290	93,106	5,742	223,838	28,849,886	16,762	-	-	321,077	29,187,725
Total current assets	292,212,170	51,308,272	12,081,856	(1,655,304)	62,572,477	416,519,471	70,743,871	11,827,910	(838,170)	19,430,434	517,683,516
Noncurrent assets:											
Investments	-	-	-	-	-	-	16,737,964	-	241,366,257	-	258,104,221
Noncurrent receivables - Net	-	2,374,434	-	11,482	2,792,851	5,178,767	4,807,475	28,122,768	-	-	38,109,010
Interfund receivables (payables)	-	-	(2,200,000)	-	-	(2,200,000)	2,200,000	-	-	-	-
Unamortized bond issue costs	-	-	-	-	-	-	3,397,606	-	-	-	3,397,606
Capital assets - Net	-	-	-	-	-	-	775,111,161	-	-	-	775,111,161
Total noncurrent assets	-	2,374,434	(2,200,000)	11,482	2,792,851	2,978,767	802,254,206	28,122,768	241,366,257	-	1,074,721,998
Total assets	**$ 292,212,170**	**$ 53,682,706**	**$ 9,881,856**	**$ (1,643,822)**	**$ 65,365,328**	**$ 419,498,238**	**$ 872,998,077**	**$ 39,950,678**	**$ 240,528,087**	**$ 19,430,434**	**$ 1,592,405,514**
Liabilities and Net Assets (Deficit)											
Liabilities											
Current liabilities:											
Accounts payable and accrued liabilities	$ 32,268,182	$ 7,854,638	$ 2,833,153	$ 166,710	$ 10,583,857	$ 53,706,540	$ 20,769,169	$ -	$ 196,253	$ 14,847,412	$ 89,519,374
Deferred income	122,087,655	212,625	5,674,179	16,700	8,330,110	136,321,269	262,655	-	-	-	136,583,924
Deposits	2,277,774	774,933	334,462	-	-	3,387,169	-	-	-	3,716,400	7,103,569
Long-term debt - Current portion	-	-	-	-	-	-	12,071,800	-	-	-	12,071,800
Total current liabilities	156,633,611	8,842,196	8,841,794	183,410	18,913,967	193,414,978	33,103,624	-	196,253	18,563,812	245,278,667
Noncurrent liabilities:											
Federal portion of student loan funds	-	-	-	-	-	-	-	27,432,479	-	-	27,432,479
Accrued employee benefits	10,093,235	444,554	208,755	5,826	642,015	11,394,385	-	-	468,292	866,622	12,729,299
Long-term debt - Net of current portion	-	-	-	-	-	-	410,557,950	-	-	-	410,557,950
Derivative instruments	-	-	-	-	-	-	1,680,587	-	-	-	1,680,587
Total noncurrent liabilities	10,093,235	444,554	208,755	5,826	642,015	11,394,385	412,238,537	27,432,479	468,292	866,622	452,400,315
Total liabilities	166,726,846	9,286,750	9,050,549	189,236	19,555,982	204,809,363	445,342,161	27,432,479	664,545	19,430,434	697,678,982
Net Assets (Deficit)											
Invested in capital assets - Net of related debt	-	-	-	-	-	-	354,198,430	-	-	-	354,198,430
Restricted:											
Nonexpendable	-	-	-	-	-	-	-	11,543,317	126,268,088	-	137,811,405
Expendable	-	-	-	-	45,809,346	45,809,346	15,336,742	-	106,460,968	-	167,607,056
Unrestricted	125,485,324	44,395,956	831,307	(1,833,058)	-	168,879,529	58,120,744	974,882	7,134,486	-	235,109,641
Total net assets (deficit)	125,485,324	44,395,956	831,307	(1,833,058)	45,809,346	214,688,875	427,655,916	12,518,199	239,863,542	-	894,726,532
Total liabilities and net assets (deficit)	**$ 292,212,170**	**$ 53,682,706**	**$ 9,881,856**	**$ (1,643,822)**	**$ 65,365,328**	**$ 419,498,238**	**$ 872,998,077**	**$ 39,950,678**	**$ 240,528,087**	**$ 19,430,434**	**$ 1,592,405,514**

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

	2010
Contractually committed, encumbrances	$ 15,578
Rainy Day Fund	19,612
Faculty, instructional, and research	54,763
Academic support	8,612
Divisions and central unit funds carried forward	20,393
Financial aid commitments	1,572
Funds available for allocation in subsequent years	4,955
Total General Fund unrestricted net assets	**$ 125,485**

Wayne State University

Combining Statement of Revenues, Expenses, Transfers, and Changes in Net Assets (Deficit)
Year Ended September 30, 2010

	Year Ended September 30										
	2010										
	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	$ 293,020,205	$ -	$ 3,751,165	$ -	$ -	$ 296,771,370	$ 181,614	$ -	$ -	$ -	$ 296,952,984
Less scholarship allowances	-	-	-	-	-	-	-	-	-	(91,007,514)	(91,007,514)
Net student tuition and fees	293,020,205	-	3,751,165	-	-	296,771,370	181,614	-	-	(91,007,514)	205,945,470
Federal grants and contracts	-	-	-	-	122,998,128	122,998,128	816,960	-	-	-	123,815,088
State and local grants and contracts	-	-	-	-	19,174,274	19,174,274	-	-	-	-	19,174,274
Nongovernmental grants and contracts	-	60,853,919	-	-	39,486,036	100,339,955	-	-	-	-	100,339,955
Departmental activities	6,561,563	11,225,791	-	567,811	-	18,355,165	-	-	-	-	18,355,165
Auxiliary enterprises (net of scholarship allowances)	-	-	32,603,957	-	-	32,603,957	-	-	-	(3,281,911)	29,322,046
Recovery of indirect costs of sponsored programs	35,574,557	-	-	-	(35,574,557)	-	-	-	-	-	-
Other operating revenues	2,287,629	-	-	-	-	2,287,629	-	91,020	-	-	2,378,649
Total Operating Revenues	337,443,954	72,079,710	36,355,122	567,811	146,083,881	592,530,478	998,574	91,020	-	(94,289,425)	499,330,647
Operating Expenses											
Instruction	220,834,632	46,511,433	-	-	12,680,337	280,026,402	-	-	-	(2,540,690)	277,485,712
Research	36,757,747	1,961,539	-	-	121,173,575	159,892,861	-	-	-	(6,261,049)	153,631,812
Public service	2,862,375	23,011,053	-	1,993,366	23,212,513	51,079,307	-	-	-	(56,486)	51,022,821
Academic support	66,267,271	2,646,469	-	-	1,880,545	70,794,285	-	-	-	(8,027,811)	62,766,474
Student services	35,391,205	999,428	-	-	351,515	36,742,148	-	-	-	(35,611)	36,706,537
Institutional support	58,022,466	1,747,827	-	-	254,452	60,024,745	-	-	-	(170,558)	59,854,187
Operation and maintenance of plant	50,984,767	15,723	-	-	1,126,455	52,126,945	6,095,111	-	-	(18,150)	58,203,906
Scholarships and fellowships	47,446,936	188,768	-	-	54,846,795	102,482,499	-	-	-	(94,289,425)	8,193,074
Auxiliary enterprises	-	-	21,918,540	-	-	21,918,540	-	-	-	(74,795)	21,843,745
Depreciation	-	-	-	-	-	-	50,537,196	-	-	-	50,537,196
Capital additions - Net	-	-	-	-	-	-	(17,185,150)	-	-	17,185,150	-
Transfers (in) out:											
Debt service	15,973,773	985,982	12,000,880	-	-	28,960,635	(28,960,635)	-	-	-	-
Loan matching	88,568	-	-	-	-	88,568	-	(88,568)	-	-	-
Plant improvement and extension	17,268,673	2,544,026	885,340	125,000	951,341	21,774,380	(21,774,380)	-	-	-	-
Other	187,085	(58,254)	-	-	348,243	477,074	-	92,993	(570,067)	-	-
Total Operating Expenses	552,085,498	80,553,994	34,804,760	2,118,366	216,825,771	886,388,389	(11,287,858)	4,425	(570,067)	(94,289,425)	780,245,464
Operating (Loss) Income	(214,641,544)	(8,474,284)	1,550,362	(1,550,555)	(70,741,890)	(293,857,911)	12,286,432	86,595	570,067	-	(280,914,817)

Wayne State University

Combining Statement of Revenues, Expenses, Transfers, and Changes in Net Assets (Deficit) (Continued)
Year Ended September 30, 2010

	Year Ended September 30										
	2010										
	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	$ 214,043,521	$ -	$ -	$ -	$ 281,879	$ 214,325,400	$ -	$ -	$ -	$ -	$ 214,325,400
State fiscal stabilization funds	-	-	-	-	6,003,800	6,003,800	-	-	-	-	6,003,800
Federal Pell Grant	-	-	-	-	42,623,613	42,623,613	-	-	-	-	42,623,613
Gifts	-	5,269,272	17,026	1,145,513	18,879,862	25,311,673	-	8,688	469,630	-	25,789,991
Investment income (loss):											
Change in fair value of derivatives	-	-	-	-	-	-	(1,049,710)	-	-	-	(1,049,710)
Endowment and similar funds	1,052,206	159,504	-	161	9,488,826	10,700,697	37,585	31,772	(10,770,054)	-	-
Other	1,522,278	2,198,402	931	(4)	1,237,975	4,959,582	(244,338)	37,224	21,255,747	-	26,008,215
Interest on capital asset - Related debt	-	-	-	-	-	-	(20,232,966)	-	-	-	(20,232,966)
Loss on capital assets retired	-	-	-	-	-	-	(5,587,693)	-	-	-	(5,587,693)
Other	-	-	-	-	-	-	(642,326)	(19,840)	(110,679)	-	(772,845)
Net nonoperating revenues (expenses)	216,618,005	7,627,178	17,957	1,145,670	78,515,955	303,924,765	(27,719,448)	57,844	10,844,644	-	287,107,805
Income (Loss) Before Other Revenues	1,976,461	(847,106)	1,568,319	(404,885)	7,774,065	10,066,854	(15,433,016)	144,439	11,414,711	-	6,192,988
Other Revenues											
State capital appropriation	-	-	-	-	-	-	177,159	-	-	-	177,159
Capital gifts	-	-	-	-	-	-	207,734	-	-	-	207,734
Gifts for permanent endowments	-	-	-	-	-	-	-	-	6,310,210	-	6,310,210
Net other revenues	-	-	-	-	-	-	384,893	-	6,310,210	-	6,695,103
Increase (Decrease) in Net Assets	1,976,461	(847,106)	1,568,319	(404,885)	7,774,065	10,066,854	(15,048,123)	144,439	17,724,921	-	12,888,091
Net Assets (Deficit) - Beginning of year	123,508,863	45,243,062	(737,012)	(1,428,173)	38,035,281	204,622,021	442,704,039	12,373,760	222,138,621	-	881,838,441
Net Assets (Deficit) - End of year	**$ 125,485,324**	**$ 44,395,956**	**$ 831,307**	**$ (1,833,058)**	**$ 45,809,346**	**$ 214,688,875**	**$ 427,655,916**	**$ 12,518,199**	**$ 239,863,542**	**$ -**	**$ 894,726,532**

WAYNE STATE UNIVERSITY

wayne.edu ❖ (877) WSU-INFO