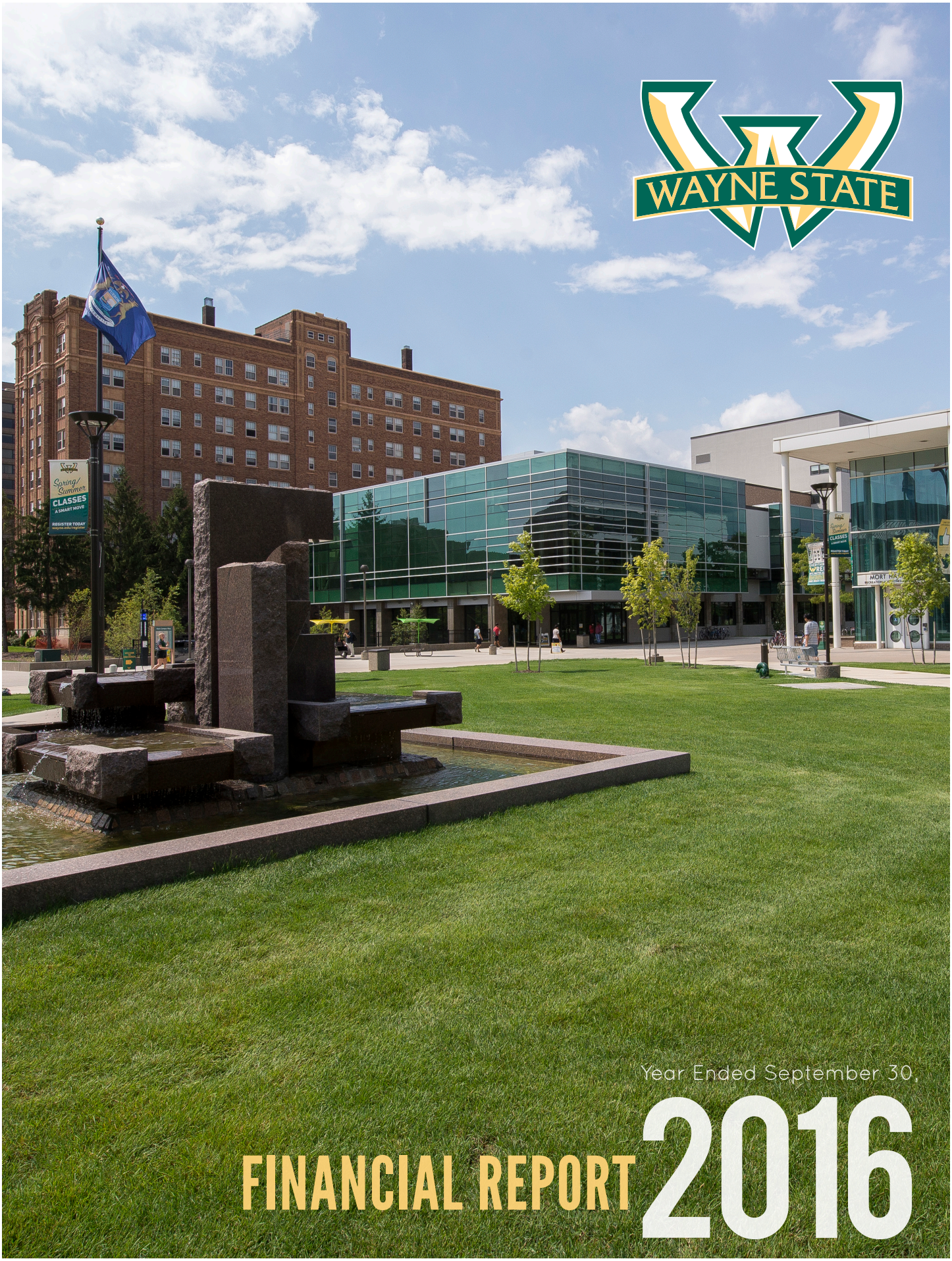

WAYNE STATE

Year Ended September 30,

FINANCIAL REPORT 2016

Executive Officers

M. Roy Wilson
President

Keith Whitfield
Provost

Susan E. Burns
Vice President for Development and Alumni Affairs

William Decatur
Vice President for Finance and Business Operations, Treasurer and Chief Financial Officer

David S. Hefner
Vice President for Health Affairs

Stephen M. Lanier
Vice President for Research

Louis Lessem
Vice President and General Counsel

Patrick O. Lindsey
Vice President for Government and Community Affairs

Julie H. Miller
Vice President and Secretary to the Board of Governors

Ned Staebler
Vice President for Economic Development

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

Board of Governors

Sandra Hughes O'Brien, *chair*

David A. Nicholson, *vice chair*

Michael J. Busuito

Diane L. Dunaskiss

Mark Gaffney

Marilyn Kelly

Dana Thompson

Kim Trent

M. Roy Wilson, *ex officio*

Finance Administrators

William Decatur
Vice President, Treasurer and Chief Financial Officer

James D. Barbret
Associate Vice President for Finance

Roger W. Kempa
Assistant Vice President for Investment, Debt and Risk and Assistant Treasurer

Tamaka M. Butler
Controller

Patricia R. Douglas
Director of Accounting

Tony L. Miller
Director of Accounting

Gail L. Ryan
Associate Vice President for Sponsored Program Administration

Wayne State University

Financial Report
with Supplemental Information
September 30, 2016

Wayne State University

Contents

WAYNE STATE UNIVERSITY

This report summarizes the financial position and results of operation of Wayne State University for the fiscal years ended September 30, 2016 and September 30, 2015. These financial statements have been audited by Plante & Moran PLLC, Certified Public Accountants who have again issued an unmodified 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 operation of the University during the past three years. These financial statements discretely show the results and financial position of the Wayne State University Foundation separate from the University in accordance with GASB Statement No. 61.

Wayne State's net position increased $29.7 million in fiscal year 2016 attributable principally to capital gifts pledged for the construction of the Mike Ilitch School of Business. Wayne State has a midgrade investment credit rating as determined by Moody's and Standard and Poor's.

Student success, including improvement both in graduation and retention rates, remains the critical focus of the University's academic mission. The University continues to see a change in the make-up of its student population and is becoming less of a commuter campus and more of a residential campus. Over the next 2-3 years, Wayne State will embark on a major construction initiative to increase its student housing capacity and update all of its existing housing facilities.

We continue to experience an increase in the academic prowess of our incoming freshmen. This increase is demonstrated in an incoming freshmen class that had an average GPA of 3.43, up from 3.37 in the previous fall. The average ACT scores for this same cohort was 24.1, up from 23.7 in the previous fall.

As Wayne State moves forward under its new Strategic Plan, we look to strengthening the overall financial health of the institution through strategic investments and strong fiscal management. The recent success of our enrollment picture, the continued recovery of the State of Michigan and the resurgence of the City of Detroit bodes well for our future.

William Decatur
Vice President for Finance and Business Operations
Treasurer and Chief Financial Officer
February 8, 2017

plante moran

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Independent Auditor's Report

To the Board of Governors
Wayne State University

Report on the Financial Statements

We have audited the accompanying financial statements of Wayne State University (the "University") and its discretely presented component unit as of and for the years ended September 30, 2016 and 2015 and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Wayne State University and its discretely presented component unit as of September 30, 2016 and 2015, and the respective changes in its financial position and, where applicable, cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As explained in Note 1 to the basic financial statements, the University adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, as of October 1, 2015. Our opinion is not modified with respect to this matter.

Praxity MEMBER
GLOBAL ALLIANCE OF INDEPENDENT FIRMS

To the Board of Governors
Wayne State University

As explained in Note 14, the discretely presented component unit's financial statements include investments valued at $127.8 million (39.7 percent of the discretely presented component unit net position) at September 30, 2016 and at $118.2 million (40.8 percent of the discretely presented component unit net position) at September 30, 2015, whose fair values have been estimated by management in the absence of readily determinable market values. Management's estimates are based on information provided by the investment fund managers. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The other supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2017 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

Plante & Moran, PLLC

February 8, 2017

Introduction

The following discussion and analysis provides an overview of the financial position of Wayne State University (the "University") at September 30, 2016 and the results of its operations and cash flows for the year then ended. Selected comparative information is provided for the year ended September 30, 2015. 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 2016 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 2016 enrollment of approximately 27,300 students, the University ranks among the top 50 public universities in the nation and has the most diverse student body of any university in Michigan. As the seventh largest employer in the city of Detroit, as ranked by the 2013 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 2015 National Science Foundation Research and Development Expenditures Survey, the University ranked 101st among all universities and 70th 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 2015 National Science Foundation Research and Development Expenditures Survey ranked the University 54th in the medical sciences category. Based on the 2015 Carnegie Classification of Higher Education, Wayne State University ranked within the top 2.5 percent of the nation's universities and colleges with the Carnegie classification of R1 (highest 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 statement of net position, which presents the assets, deferred outflows of resources, liabilities, and net position of the University at September 30, 2016, the statement of revenues, expenses, and changes in net position, 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). Consistent with the GASB principles, the Wayne State University Foundation (the "Foundation"), as a controlled corporate organization, is considered a component unit of the University. The Foundation's statement of financial position and statement of activities and changes in net position are discretely presented in the University's financial statements. The management's discussion and analysis refers to the University only (excluding the Foundation), unless otherwise noted. Additional supplemental information, which provides the statement of net position and operating information for the various funds of the University, is also included in the report.

Overall Financial Highlights

The University's financial position at September 30, 2016 includes assets and deferred outflows of resources of $1.4 billion and $13.4 million, respectively, and liabilities of $821.9 million. Net position, which represents the residual interest in the University's assets and deferred outflows of resources after liabilities are deducted, was $612.8 million as of September 30, 2016, an increase of $29.7 million compared with the prior year. The University has credit ratings of "Aa3" and "A+" with the rating services of Moody's and Standard & Poor's, respectively, as of June 2016.

Financial Position

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

	2016	2015	2014
		(in millions)	
Total assets	$ 1,421.3	$ 1,413.2	$ 1,391.5
Deferred outflows of resources	13.4	3.1	-
Total liabilities	821.9	833.2	814.9
Net position	612.8	583.1	576.6

Specific discussion and analysis of the changes in the components of the assets, liabilities, and net position 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, 2016, 2015, and 2014, is as follows:

	2016	2015	2014
Revenues:		(in millions)	
Operating revenues	$ 553.0	$ 560.9	$ 546.6
Nonoperating revenues	281.3	273.7	259.3
Other	41.5	28.5	3.1
Total revenues	**$ 875.8**	**$ 863.1**	**$ 809.0**
Expenses:			
Operating expenses	$ 824.8	$ 836.4	$ 817.7
Nonoperating expenses	21.3	20.2	20.5
Total expenses	**$ 846.1**	**$ 856.6**	**$ 838.2**

During fiscal year 2016, total revenues increased $12.7 million (1.5 percent) compared to 2015, while total expenses decreased $10.5 million (1.2 percent). During fiscal year 2015, total revenues increased $54.1 million (6.7 percent) compared to 2014, while total expenses increased $18.4 million (2.2 percent). Specific discussion and analysis of the changes in the components of the revenue and expense categories are provided on pages 12-18.

Statement of Net Position

The statement of net position presents the financial position of the University at the end of each fiscal year and includes all assets, deferred outflows of resources, and liabilities of the University. Net position is one key indicator of the current financial position of the University, while the change in net position is a key indicator of how the current year's operations affected the overall financial condition of the University. Assets, deferred outflows of resources, 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, deferred outflows of resources, and net position at September 30, 2016, 2015, and 2014 is as follows:

	2016	2015	2014
		(in millions)	
Current assets	$ 514.8	$ 516.2	$ 503.6
Noncurrent assets:			
Investments	3.9	5.4	34.5
Capital assets - Net of depreciation	852.9	858.6	821.5
Other	49.7	33.0	31.9
Total assets	1,421.3	1,413.2	1,391.5
Deferred outflows of resources	13.4	3.1	-
Current liabilities	294.2	294.5	290.1
Noncurrent liabilities:			
Long-term debt - Net of current portion	463.3	472.2	474.3
Other	64.4	66.5	50.5
Total liabilities	821.9	833.2	814.9
Total net position	**$ 612.8**	**$ 583.1**	**$ 576.6**

Current Assets and Liabilities

Current assets are comprised primarily of cash and temporary investments and receivables. In 2016, current assets decreased $1.4 million (0.3 percent) to $514.8 million compared to $516.2 million at September 30, 2015. The decrease consisted of a decline in cash and temporary investments of $4.5 million and a decrease in net current receivables of $0.1 million, offset partially by an increase in prepaid expenses and deposits and other current assets of $3.2 million. Changes in cash and temporary investments are the result of the University's overall operating performance and timing. The decrease in net current receivables (see Note 4) resulted from a decrease in grant and contract receivables of $9.9 million attributable principally to the write-off of certain receivable amounts from an affiliate organization deemed uncollectible, combined with a decrease in capital appropriations receivable from the State Building Authority of $10.6 million related to the Integrative Biosciences Center (IBio) project (more fully discussed in the "Other Revenues" section on page 16), offset partially by an increase in pledge gifts receivable of $20.3 million driven largely by a substantial pledge received to construct the Mike Ilitch School of Business (more fully discussed in the "Other Revenues" section on page 16), and a combined net increase of $0.1 million in student accounts and other receivables.

In 2015, current assets increased $12.6 million (2.5 percent) to $516.2 million compared to $503.6 million at September 30, 2014. The increase consisted of increases in net current receivables of $25.8 million and prepaid expenses and deposits of $1.5 million, offset partially by declines in cash and temporary investments and inventories of $14.5 million and $0.2 million, respectively. The increase in net current receivables resulted from the following: an increase in net student accounts receivable of $11.6 million, attributable principally to a reduction in the amount of financial aid awarded for the 2015 fall semester as of September 30, compared to the prior year as a result of delays in processing awards; an increase in capital appropriations receivable from the State Building Authority of $10.8 million related to the Integrative Biosciences Center (IBio) project; and a combined net increase of $3.4 million in grants and contracts, pledged gifts, and other receivables.

Current liabilities are comprised of amounts payable within one year and consist primarily of accounts payable, accrued liabilities, and unearned revenue. In 2016, total current liabilities decreased by $0.3 million (0.1 percent) to $294.2 million compared to $294.5 million at September 30, 2015. The decrease consisted of an $11.4 million decrease in accounts payable and accrued liabilities, partially offset by increases in unearned revenue, the current portion of long-term debt, and deposits of $8.6 million, $2.4 million, and $0.1 million, respectively. The decrease in accounts payable and accrued liabilities resulted from a decrease of $10.6 million in construction and trade accounts payables due to having fewer major construction projects in progress at the end of 2016 than existed at the end of 2015, combined with a decrease of $3.4 million in accrued liabilities related to pay-outs for the 2015 academic retirement incentive program (discussed more fully below) and a decrease of $1.3 million in other accrued liabilities, offset partially by an increase in accrued payroll of $3.9 million, attributable largely to the timing of the 2016 year end pay date resulting from the accrual of two additional days combined with an accrual for termination benefits for certain 2016 retirement agreements. The 2015 academic retirement incentive program provides annual lump-sum payments over a period of five years. Those amounts payable after fiscal year 2016 (approximately $1.2 million) are reflected as accrued employee benefits and other liabilities in the noncurrent section of the statement of net position. Unearned revenue primarily consists of 75 percent of student tuition and fees for the current fall term received or due prior to October 2016. The increase in unearned revenue was attributable principally to fall 2016 tuition and fee rate increases for undergraduate lower and upper division of 3.8 percent and 4.5 percent, respectively, and tuition and fee rate increases for graduate students of 4.1 percent, combined with a 6.9 percent increase in graduate enrollment.

In 2015, total current liabilities increased by $4.4 million (1.5 percent) to $294.5 million compared to $290.1 million at September 30, 2014. The increase consisted of a $2.0 million increase in the current portion of long-term debt, an increase in unearned revenue of $1.9 million, combined with slight increases in accounts payable and accrued liabilities and deposits of $0.4 million and $0.1 million, respectively. The increase in accounts payable and accrued liabilities includes an accrual of approximately $4.9 million for incentives related to an academic retirement program offered during fiscal year 2015, an increase in accrued payroll of $1.3 million, attributable principally to the timing of the 2015 year end pay date, which resulted in the accrual of one additional day, and an accrual of $0.5 million related to the University's food service contract, offset partially by a reduction in other routine and trades accounts payable of approximately $6.3 million, which resulted principally from having fewer major construction projects in progress at the end of 2015 than existed at the end of 2014. The increase in the current portion of long-term debt was attributable largely to the first principal payment on the Series 2013A bonds, which was payable in fiscal year 2016. The increase in unearned revenue was attributable principally to fall 2015 tuition and fee rate increases for undergraduate and graduate students of 3.2 percent, offset by slight declines in undergraduate enrollment.

The University's current ratio, a measure of liquidity, was 1.7 at September 30, 2016 compared with a ratio of 1.8 and 1.7 at September 30, 2015 and 2014, respectively.

Noncurrent Assets and Liabilities

Noncurrent Assets

Noncurrent assets are comprised primarily of investments, capital assets, and noncurrent receivables. Notable changes from 2015 to 2016 in noncurrent assets included an increase in noncurrent receivables of $16.5 million, and a decline in net capital assets and investments of $5.7 million and $1.5 million, respectively.

Investments

Investments are categorized in either the Endowment Fund or the Plant Fund. The Endowment Fund investments consist of gift annuity, life income funds, and endowments not managed by the Foundation. Investments in the Plant Fund consist primarily of invested bond proceeds and related earnings which are restricted for capital projects. The invested bond proceeds and the majority of these endowment fund investments are managed by the University.

The composition of noncurrent investments at September 30, 2016, 2015, and 2014 is as follows:

	2016	2015	2014
		(in millions)	
Endowment Fund	$ 3.9	$ 3.4	$ 3.5
Plant Fund - Invested bond proceeds	-	2.0	31.0
Total noncurrent investments	**$ 3.9**	**$ 5.4**	**$ 34.5**

The invested bond proceeds component of noncurrent investments decreased $2.0 million and $29.0 million in 2016 and 2015, respectively, as funds were spent for planned capital projects.

Foundation Investments

The Foundation manages approximately 99 percent of the University's endowment funds. The composition of the Foundation's noncurrent investments at September 30, 2016, 2015, and 2014 is as follows:

	2016	2015	2014
		(in millions)	
Endowment Fund investments	**$ 309.6**	**$ 286.7**	**$ 302.7**

In 2016, the Foundation Endowment Fund investments increased $22.9 million (8.0 percent) to $309.6 million. The 2016 increase is principally because of a net investment gain ($26.2 million) and new gifts ($16.6 million), offset partially by net distributions to the University ($10.6 million).

The 2015 decrease is principally because of a net investment loss ($12.3 million) and net distributions to the University ($10.5 million), offset partially by new gifts ($8.1 million).

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 construct new facilities.

Capital additions during 2016 totaled $51.0 million, compared to $94.1 million in 2015 and $104.9 million in 2014. The 2016 capital additions included expenditures for the Student Center Building renovations ($5.3 million), the partial renovation of the Elliman Research Building ($4.4 million), Scott Hall Research Laboratory and Mechanical System Upgrades ($3.4 million), Phase I renovations of 5447 Woodward ($2.6 million), as well as renovations and upgrades to many other university buildings.

The 2015 capital additions included expenditures for the Integrative Biosciences Center (IBio), formerly known as the Multidisciplinary Biomedical Research Building ($27.0 million), the Student Center Building renovations ($21.2 million), and renovations and upgrades to other university buildings.

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 2016, other noncurrent assets (primarily noncurrent receivables) increased $16.7 million (50.6 percent) to $49.7 million, compared to $33.0 million and $31.9 million at September 30, 2015 and 2014, respectively. The increase is attributable principally to the noncurrent portion of a substantial pledge received to construct the Mike Ilitch School of Business. The pledge payments scheduled to be paid within one year are included in current receivables in the statement of net position.

Noncurrent Liabilities

Notable changes in the noncurrent liability section of the balance sheet from 2015 to 2016 included declines in long-term debt and other noncurrent liabilities of $8.9 million and $2.1 million, respectively.

Long-term Debt

Long-term debt totaled $479.4 million, $485.9 million, and $486.0 million at September 30, 2016, 2015, and 2014, respectively.

For 2016, long-term debt (including the current portion) declined $6.5 million. The decline primarily represented principal payments made during the year, partially offset by the net impact of the advance refunding of the University's Series 2007A, Series 2008 and Series 2009A bonds (more fully discussed below). For 2015, long-term debt declined slightly. Principal payments more than offset the additional debt issued as part of the Series 2015A bonds.

In its role of financial steward, the University works to manage its financial resources effectively, including the use of debt to finance capital projects. As more fully discussed in Note 6 to the financial statements, the University issued its tax-exempt Series 2016A and its taxable Series 2016B bonds in July 2016. The Series 2016A bonds were issued for a par amount of $90.0 million and net premium of $15.7 million. The Series 2016B bonds were issued for a par amount of $11.3 million less a net discount of $0.2 million. These bonds were issued to fully or partially advance refund the University's Series 2007A, Series 2008, and Series 2009A bonds aggregating $105.3 million.

In February 2015, the University issued Series 2015A bonds for a par amount of $50.3 million and net premium of $6.1 million. The bonds were issued to refund $42.2 million of the outstanding Series 2006 bonds and related issuance costs and to fund additional university projects ($10.1 million).

Other Noncurrent liabilities

Other noncurrent liabilities are comprised primarily of the federal portion of the student loan fund and accrued employee benefits and other liabilities. In 2016, other noncurrent liabilities decreased $2.1 million (3.2 percent) to $64.4 million compared to $66.5 million and $50.5 million at September 30, 2015 and 2014, respectively. The 2015 increase was attributable principally to unearned rental revenue of $6.6 million related to the lease space in the newly constructed IBio building, $6.5 million related to the unearned value of financial investments provided by the University's food service contractor, and $2.2 million related to the noncurrent portion of the academic retirement incentive program liability (more fully discussed on page 7). The noncurrent portion of those liabilities decreased in 2016 as the amounts related to fiscal year 2017 were reclassified from noncurrent to current liabilities in the statement of net position.

Net Position

Net position represents the difference between assets, deferred outflows of resources, and liabilities. The University's net position at September 30, 2016, 2015, and 2014 is summarized as follows:

	2016	2015	2014
		(in millions)	
Net investment in capital assets	$ 386.9	$ 375.8	$ 348.1
Restricted:			
Nonexpendable	11.5	11.6	11.5
Expendable	106.8	69.3	61.9
Unrestricted	107.6	126.4	155.1
Total net position	**$ 612.8**	**$ 583.1**	**$ 576.6**

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

- **Net Investment in Capital Assets** - 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 position also includes undistributed accretion from investments of permanent true endowments and funds functioning as endowments with externally imposed restrictions.

The restricted nonexpendable funds and the funds functioning as endowments included in the restricted expendable components of net position are directly affected by the performance of the University's long-term investments and its spending policy.

- **Unrestricted** - Funds which are not subject to externally imposed restrictions; however, most of the University's unrestricted net position is designated by the board of governors and/or management for various academic, research, and administrative programs and capital projects. In 2016, unrestricted net position decreased $18.8 million (14.9 percent) to $107.6 million compared to $126.4 million and $155.1 million at September 30, 2015 and 2014, respectively. The 2016 decline resulted primarily from a reduction in the Plant Fund unrestricted net assets of $13.1 million, as funds were spent for planned capital projects, combined with a net decrease of $5.9 million attributable to the write-off of certain receivable amounts from an affiliate organization deemed uncollectible.

Statement of Revenues, Expenses, and Changes in Net Position

The statement of revenues, expenses, and changes in net position presents the revenues and expenses recognized during fiscal year 2016. Prior fiscal years' data is provided for comparative purposes.

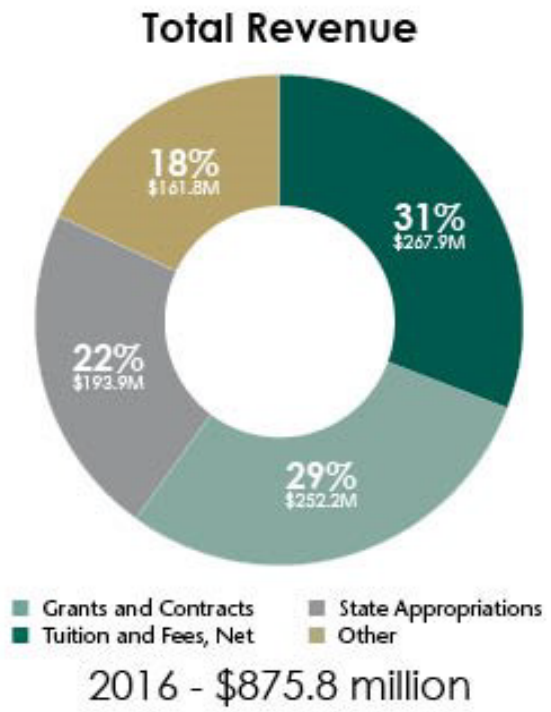
Revenues

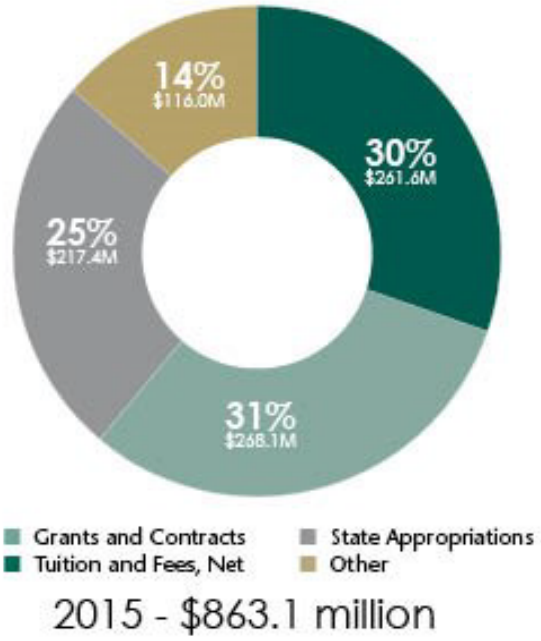
Consistent with GASB principles, revenues are categorized as operating, nonoperating, or other. Operating revenues generally result from exchange transactions, such as revenues received for tuition and fees or grants and contracts revenue for services performed on sponsored programs. Nonoperating revenues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

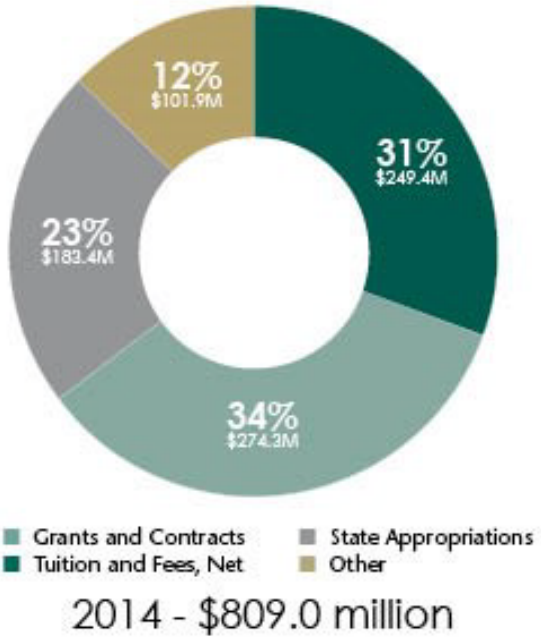
Summarized operating, nonoperating, and other revenues for the years ended September 30, 2016, 2015, and 2014 are presented below:

	2016	2015	2014
Operating Revenues		(in millions)	
Student tuition and fees - Gross	$ 366.1	$ 355.0	$ 343.1
Less scholarship allowances	(98.2)	(93.4)	(93.7)
Net student tuition and fees	267.9	261.6	249.4
Grants and contracts	221.0	234.6	238.1
Departmental activities, auxiliary enterprises, and other	64.1	64.7	59.1
Total operating revenues	553.0	560.9	546.6
Nonoperating Revenues			
State operating appropriation	191.4	190.5	183.4
Federal Pell grants	31.2	33.5	36.2
Gifts	28.9	28.8	17.5
Investment income:			
Income and realized gains	10.3	10.8	11.8
Unrealized gain (loss)	4.7	(4.5)	0.4
Change in fair value of derivatives	0.2	1.1	0.5
Net distributions from the Foundation	10.6	10.5	9.5
Other	4.0	3.0	-
Total nonoperating revenues	281.3	273.7	259.3
Other			
State capital appropriation	2.5	26.9	-
Capital and endowment gifts	39.0	1.6	3.1
Total other	41.5	28.5	3.1
Total revenues	**$ 875.8**	**$ 863.1**	**$ 809.0**

The charts below graphically depict total revenue by source for the years ended September 30, 2016, 2015, and 2014:







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 $553.0 million in 2016 compared to $560.9 and $546.6 million in 2015 and 2014, respectively. The 2016 decrease in total operating revenues of $7.9 million (1.4 percent) was attributable to several factors:

Student Tuition and Fees - In fiscal year 2016, gross student tuition and fees increased $11.1 million and scholarship allowances increased by $4.8 million, resulting in an increase in net student tuition and fees of $6.3 million. The increase in gross student tuition and fees was attributable principally to the fall 2015 undergraduate and graduate tuition rate increases of 3.2 percent, offset partially by a slight decline in undergraduate enrollment. The 2015 increase in gross student tuition and fees of $11.9 million resulted primarily from the fall 2014 undergraduate and graduate tuition rate increases of 3.2 percent, 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 provide a substantial amount of financial aid to mitigate the impact of tuition rate increases. In 2016, 2015, and 2014, the University provided total scholarships and fellowships of $116.0 million, $110.0 million, and $107.5 million, respectively. For 2016, the $6.0 million increase represents a 5.5 percent increase in financial aid. The increase in 2015 of $2.5 million and the decrease in 2014 of $0.5 million represent percentage changes of 2.3 percent and (0.5 percent), respectively. The increase in 2016 is attributable principally to an overall increase in university scholarships and other financial aid to help minimize the impact of rising tuition rates for students in need and to provide incentives to increase student retention. The increase in 2015 is attributable principally to a reduction in federal Pell grant awards of $2.7 million, offset by a net increase in university scholarships and other financial aid awards of $5.2 million.

Grants and Contracts - Grants and contracts revenues decreased $13.6 million (5.8 percent) from 2015 to 2016. The decrease consisted of a decline in nongovernmental grants and contracts of $11.3 million, attributable principally to an adjustment to 2016 revenue, which reduced certain contract receivable amounts from an affiliate organization, deemed uncollectible, to the net realizable value, combined with a decline in state and local grants and contracts of $2.3 million, attributable principally to the timing of certain state grants. In 2015, grants and contracts revenues decreased $3.5 million (1.5 percent). The decrease consisted of several factors, including a decline in nongovernmental grants and contracts of $16.5, million attributable principally to an adjustment to 2015 revenue, which reduced certain contract receivable amounts from an affiliate organization, deemed uncollectible, to the net realizable value ($13.0 million), combined with a decline in federal grants and contracts of $0.8 million, offset partially by an increase in state and local grants and contracts of $13.8 million. The increase in state and local grants and contracts was attributable partially to the timing of certain state funding, which resulted in two years of revenue being recognized in 2015 ($4.8 million), combined with an increase in awards from the Michigan Department of Community Health ($2.1 million) and an overall increase in state grants awarded or on-going in 2015 ($1.9 million).

Departmental Activities, Auxiliary Enterprises, and Other - In 2016, departmental activities, auxiliary enterprises, and other revenue decreased $0.6 million to $64.1 million compared with $64.7 million and $59.1 million in 2015 and 2014, respectively. The decrease consisted of declines in departmental activities and auxiliary enterprises revenue of $0.6 million and $0.3 million, respectively, offset partially by an increase of $0.3 million in other revenue. The increase in 2015 of $5.6 million consisted a $4.6 million increase in auxiliary enterprises revenue, combined with increases of $0.6 million and $0.4 million in departmental and other revenue, respectively. The increase in auxiliary enterprises revenue was attributable principally to an increase in residence hall, apartment, and meal plan revenue ($3.7 million) resulting from an increase in rates and an overall increase in occupancy during 2015.

Nonoperating and Other Revenues

Nonoperating and other revenues were $322.8 million in 2016, compared to $302.2 million and $262.4 million in 2015 and 2014, respectively. Factors affecting this change are as follows:

Nonoperating Revenues

- The state operating appropriation, totaling $191.4 million, $190.5 million, and $183.4 million in 2016, 2015 and 2014, respectively, is the most significant component of the University's nonoperating and other revenues. The increase in 2016 of $0.9 million is attributable principally to additional funding received as the University met certain performance metrics. The increase in 2015 of $7.1 million consisted of increased funding intended to restore the State of Michigan legislative reductions to higher education appropriations in fiscal year 2011 ($5.6 million) and additional funding received as the University met certain performance metrics ($1.5 million).
- Gift revenues, excluding capital and endowment gifts, increased $0.1 million (0.3 percent) to $28.9 million in 2016 compared to $28.8 million and $17.5 million in 2015 and 2014, respectively. The increase in 2015 includes the distribution of a sizable estate gift combined with an overall increase in donor giving reflecting the impact of the University's Pivotal Moments capital campaign, which was publicly launched in October 2014.
- Net distributions from the Foundation consist of endowment distributions received from the Foundation based on the University's endowment rate spending policy, offset by transfers from the University to establish or increase endowment funds held by the Foundation. Net distributions from the Foundation increased $0.1 million and $1.0 million in 2016 and 2015, respectively.
- The fund components of investment income included in nonoperating revenues for the past three years are as follows:

Investment Income
(including realized and unrealized income)

	2016	2015	2014
		(in millions)	
Net investment income:			
Income and realized gains	$ 10.3	$ 10.8	$ 11.8
Unrealized gain (loss)	4.7	(4.5)	0.4
Change in fair value of derivatives	0.2	1.1	0.5
Total net investment income, including the change in fair value of derivatives	**$ 15.2**	**$ 7.4**	**$ 12.7**

Investment income is attributable principally to cash pool investments. The 2016 increase in net investment income of $7.8 million was due largely to an unrealized gain in 2016 versus an unrealized loss in 2015. The unrealized gain in 2016 was due to a decline in interest rate levels. The 2015 decline in net investment income of $5.3 million was due largely to the unrealized loss, which was attributable to the increase in interest rate credit spreads during the year as well as several other factors.

Other Revenues

Other revenues totaled $41.5 million, $28.5 million, and $3.1 million in 2016, 2015, and 2014, respectively. Other revenues in 2016 include $39.0 million in capital gifts contributed largely for the construction of the Mike Ilitch School of Business and $2.5 million in state capital appropriations for the construction of the Integrative Biosciences Center (IBio). The State Building Authority approved the project at an estimated project cost of $90.4 million with a total state capital appropriation of $30.0 million. The remaining $60.4 million represents the threshold of project expenditures that the University was required to meet before the state payments would commence. The University met the required threshold during fiscal year 2015.

Expenses

Operating and nonoperating expenses for the years ended September 30, 2016, 2015, and 2014 are summarized below:

	2016	2015	2014
		(in millions)	
Operating expenses	$ 824.8	$ 836.4	$ 817.7
Nonoperating expenses:			
Interest expense	20.6	19.5	19.8
Other	0.7	0.7	0.7
Total nonoperating expenses	21.3	20.2	20.5
Total expenses	**$ 846.1**	**$ 856.6**	**$ 838.2**

Operating expenses by both functional and natural classification for the years ended September 30, 2016, 2015, and 2014 are as follows:

	2016		2015		2014	
	Dollars	Percentage of Total Operating Expenses	Dollars	Percentage of Total Operating Expenses	Dollars	Percentage of Total Operating Expenses
			(in millions)			
Natural Classification						
Compensation and benefits	$ 573.5	69.5%	$ 579.0	69.2%	$ 566.3	69.3%
Supplies, services, and other	183.1	22.2%	189.5	22.7%	186.5	22.8%
Depreciation	55.9	6.8%	56.3	6.7%	55.0	6.7%
Scholarships and fellowships [1]	12.3	1.5%	11.6	1.4%	9.9	1.2%
Total	**$ 824.8**	**100%**	**$ 836.4**	**100%**	**$ 817.7**	**100%**
Functional Classification						
Instruction	$ 278.6	33.8%	$ 294.5	35.2%	$ 291.6	35.8%
Research	146.9	17.8%	147.1	17.6%	150.7	18.4%
Public service	60.7	7.4%	59.3	7.1%	51.2	6.3%
Academic support	67.0	8.1%	64.1	7.6%	60.5	7.4%
Student services	38.7	4.7%	38.1	4.6%	37.9	4.6%
Institutional support	78.1	9.5%	75.2	9.0%	71.2	8.7%
Operation and maintenance of plant	60.7	7.3%	63.4	7.6%	65.8	8.0%
Scholarships and fellowships [1]	12.3	1.5%	11.6	1.4%	9.9	1.2%
Auxiliary enterprises	25.9	3.1%	26.8	3.2%	23.9	2.9%
Depreciation	55.9	6.8%	56.3	6.7%	55.0	6.7%
Total	**$ 824.8**	**100%**	**$ 836.4**	**100%**	**$ 817.7**	**100%**

[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 decreased $5.5 million (0.9 percent) in 2016 to $573.5 million compared to $579.0 million and $566.3 million in 2015 and 2014, respectively. The decrease in 2016 resulted principally from one-time costs related to the academic retirement incentive program offered during fiscal year 2015 and the 2016 impact of the reduction in headcount, offset partially by inflationary increases in salary and benefit costs.

Total scholarships and fellowships granted in 2016 increased $6.0 million (5.5 percent) to $116.0 million, compared to $110.0 million in 2015. As discussed previously, the increase in 2016 is attributable to an overall increase in university scholarships and other financial aid. Total scholarships and fellowships granted in 2015 increased $2.5 million (2.3 percent) to $110.0 million, compared to $107.5 million in 2014. The increase in 2015 is attributable principally to a reduction in Pell grant awards, offset by an increase in University scholarships and other financial aid.

Total scholarships and fellowships granted have two components. The scholarships and fellowships reflected on the table on page 17 of $12.3 million, $11.6 million, and $9.9 million are disbursed directly to students and are reported as operating expenses in 2016, 2015, and 2014, respectively. The remaining amounts for 2016, 2015, and 2014 of $103.7 million, 98.4 million, and $97.6 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 position on page 21.

Another way to analyze this same pool of operating expenses is by function.

In this regard, combined expenditures for instruction decreased $15.9 million (5.4 percent) to $278.6 million in 2016 and increased $2.9 million (1.0 percent) to $294.5 million in 2015, compared to $291.6 million in 2014. The 2016 decrease was attributable to a decline in compensation-related expenses of $14.8 million, combined with a reduction in other expenses of $1.1 million. The 2016 decrease in compensation-related expenses resulted principally from the one-time costs related to the academic retirement incentive program offered during fiscal year 2015 and the 2016 impact of the headcount reduction. The 2015 increase resulted principally from one-time costs related to the academic retirement incentive program ($6.1 million), offset by a reduction in graduate medical education program activity ($1.8 million), combined with declines in the allocation of information technology project-based costs ($0.4 million) and one-time nonrecurring equipment purchases ($0.4 million).

Research expenditures decreased $0.2 million (0.1 percent) in 2016 to $146.9 million compared to $147.1 million and $150.7 million in 2015 and 2014, respectively. The expenses in 2016 remained relatively flat. The 2015 decrease of $3.6 million (2.4 percent) was attributable principally to a reduction in compensation-related expenses and direct expenses of $2.8 million and $0.8 million, respectively.

Public service expenses increased $1.4 million (2.4 percent) to $60.7 million in 2016, compared to $59.3 million and $51.2 million in 2015 and 2014, respectively. The 2016 increase was attributable principally to an increase in compensation-related expenses of $2.2 million, partially offset by other expenses of $0.8 million. The 2015 increase resulted principally from an overall increase in state grants awarded or on-going in 2015, which was driven largely by grant activity related to the Michigan Department of Community Health.

Institutional support expenses increased $2.9 million (3.9 percent) in 2016 to $78.1 million compared to $75.2 million and $71.2 million in 2015 and 2014, respectively. The increase in 2016 was attributable to an increase in compensation-related expenses of $3.9 million, partially offset by a reduction in other expenses of $1.0 million. The increase in 2015 was attributable to an increase in compensation-related expenses and direct expenses of $2.9 million and $1.1 million, respectively.

Nonoperating Expenses

Interest expense totaled $20.6 million, $19.5 million, and $19.8 million in 2016, 2015, and 2014, respectively. Interest expense was net of a federal subsidy related to the Series 2009B Build America Bonds of $0.5 million in 2016, 2015, and 2014.

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 position, which reports revenue when it is 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, 2016, 2015, and 2014 is as follows:

	2016	2015	2014
Cash and temporary investments (used in) provided by:		(in millions)	
Operating activities	$ (207.1)	$ (205.5)	$ (208.1)
Noncapital financing activities	270.7	261.0	245.9
Capital and related financing activities	(80.2)	(105.7)	(113.4)
Investing activities	12.1	35.8	58.0
Net decrease in cash and temporary investments	(4.5)	(14.4)	(17.6)
Cash and temporary investments - Beginning of year	338.8	353.2	370.8
Cash and temporary investments - End of year	**$ 334.3**	**$ 338.8**	**$ 353.2**

Cash flows used in operating activities reflect tuition and fees, grants and contracts, and auxiliary and departmental activities. Major uses 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 $191.4 million in 2016, compared to $190.5 million and $183.4 million in 2015 and 2014, 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 include 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 economy continues on its path to recovery and is expected to be reflected in increased revenues at the state level. For the second consecutive year, the University has received an increase in the state operating appropriation after years of reductions. Similarly, the City of Detroit emerged from its bankruptcy in 2015 and continues to improve infrastructure in the Midtown area, which includes the Wayne State University campus. In 2017, the M-1 Rail will begin operations, increasing access to the University campus. Finally, private investment in the city and the area, surrounding the University has increased the viability of Wayne State University as a destination for tomorrow's student.

Wayne State University

Statement of Net Position

	September 30, 2016			September 30, 2015		
	University	Wayne State University Foundation	Total	University	Wayne State University Foundation	Total
	(in thousands)					
Assets						
Current Assets						
Cash and temporary investments (Note 2)	$ 334,250	$ 11,807	$ 346,057	$ 338,750	$ 2,222	$ 340,972
Current receivables - Net (Note 4)	139,280	836	140,116	139,367	1,168	140,535
Inventories	1,468	-	1,468	1,525	-	1,525
Prepaid expenses and deposits	39,828	-	39,828	36,523	-	36,523
Total current assets	514,826	12,643	527,469	516,165	3,390	519,555
Noncurrent Assets						
Investments (Note 2 and Note 3)	3,940	309,647	313,587	5,369	286,687	292,056
Noncurrent receivables - Net (Note 4)	49,152	-	49,152	32,692	-	32,692
Derivative instruments (Note 7)	521	-	521	343	-	343
Capital assets - Net (Note 5)	852,884	-	852,884	858,621	-	858,621
Total noncurrent assets	906,497	309,647	1,216,144	897,025	286,687	1,183,712
Total assets	1,421,323	322,290	1,743,613	1,413,190	290,077	1,703,267
Deferred Outflows of Resources	13,408	-	13,408	3,142	-	3,142
Liabilities						
Current Liabilities						
Accounts payable and accrued liabilities	99,613	223	99,836	110,977	205	111,182
Unearned revenue	170,662	-	170,662	162,127	-	162,127
Deposits	7,817	-	7,817	7,654	-	7,654
Long-term debt - Current portion (Note 6)	16,129	-	16,129	13,718	-	13,718
Total current liabilities	294,221	223	294,444	294,476	205	294,681
Noncurrent Liabilities						
Federal portion of student loan funds	32,526	-	32,526	33,055	-	33,055
Accrued employee benefits and other liabilities	31,922	-	31,922	33,433	-	33,433
Long-term debt - Net of current portion (Note 6)	463,274	-	463,274	472,209	-	472,209
Total noncurrent liabilities	527,722	-	527,722	538,697	-	538,697
Total liabilities	821,943	223	822,166	833,173	205	833,378
Net Position						
Net investment in capital assets	386,906	-	386,906	375,837	-	375,837
Restricted:						
Nonexpendable	11,459	180,400	191,859	11,656	165,528	177,184
Expendable	106,816	134,389	241,205	69,290	117,356	186,646
Unrestricted	107,607	7,278	114,885	126,376	6,988	133,364
Total net position	**$ 612,788**	**$ 322,067**	**$ 934,855**	**$ 583,159**	**$ 289,872**	**$ 873,031**

See Notes to Financial Statements.

Wayne State University

Statement of Revenues, Expenses, and Changes in Net Position

	Year Ended September 30, 2016			Year Ended September 30, 2015		
	University	Wayne State University Foundation	Total	University	Wayne State University Foundation	Total
	(in thousands)					
Operating Revenues						
Student tuition and fees	$ 366,085	$ -	$ 366,085	$ 355,040	$ -	$ 355,040
Less scholarship allowances	(98,200)	-	(98,200)	(93,447)	-	(93,447)
Net student tuition and fees	267,885	-	267,885	261,593	-	261,593
Federal grants and contracts	105,446	-	105,446	105,408	-	105,408
State and local grants and contracts	21,850	-	21,850	24,142	-	24,142
Nongovernmental grants and contracts	93,655	-	93,655	104,997	-	104,997
Departmental activities	21,998	-	21,998	22,561	-	22,561
Auxiliary enterprises - Net of scholarship allowances of $5,502 in 2016 and $5,015 in 2015	37,685	-	37,685	38,032	-	38,032
Other operating revenues	4,480	-	4,480	4,145	-	4,145
Total operating revenues	552,999	-	552,999	560,878	-	560,878
Operating Expenses (Note 11)						
Instruction	278,551	-	278,551	294,462	-	294,462
Research	146,916	-	146,916	147,108	-	147,108
Public service	60,697	-	60,697	59,352	-	59,352
Academic support	66,978	-	66,978	64,147	-	64,147
Student services	38,724	-	38,724	38,147	-	38,147
Institutional support	78,120	-	78,120	75,194	-	75,194
Operation and maintenance of plant	60,733	-	60,733	63,375	-	63,375
Scholarships and fellowships	12,254	-	12,254	11,567	-	11,567
Auxiliary enterprises	25,929	-	25,929	26,770	-	26,770
Depreciation	55,944	-	55,944	56,322	-	56,322
Total operating expenses	824,846	-	824,846	836,444	-	836,444
Operating Loss	(271,847)	-	(271,847)	(275,566)	-	(275,566)
Nonoperating Revenues (Expenses)						
State operating appropriation	191,451	-	191,451	190,520	-	190,520
Federal Pell grants	31,174	-	31,174	33,524	-	33,524
Gifts	28,871	2,260	31,131	28,801	225	29,026
Investment income including change in fair value of derivatives of $177 in 2016 and $1,067 in 2015	15,171	26,184	41,355	7,396	(12,252)	(4,856)
Net distributions from the Foundation	10,611	(10,611)	-	10,544	(10,544)	-
Interest on capital asset - Related debt	(20,656)	-	(20,656)	(19,462)	-	(19,462)
Loss on capital assets retired	(675)	-	(675)	(672)	-	(672)
Other	4,050	-	4,050	2,976	-	2,976
Net nonoperating revenues (expenses)	259,997	17,833	277,830	253,627	(22,571)	231,056
(Loss) Income Before Other	(11,850)	17,833	5,983	(21,939)	(22,571)	(44,510)
Other						
State capital appropriation	2,474	-	2,474	26,940	-	26,940
Capital gifts	38,993	-	38,993	1,370	-	1,370
Gifts for permanent endowments	12	14,362	14,374	151	7,924	8,075
Total other	41,479	14,362	55,841	28,461	7,924	36,385
Increase (Decrease) in Net Position	29,629	32,195	61,824	6,522	(14,647)	(8,125)
Net Position						
Beginning of year	583,159	289,872	873,031	576,637	304,519	881,156
End of year	**$ 612,788**	**$ 322,067**	**$ 934,855**	**$ 583,159**	**$ 289,872**	**$ 873,031**

See Notes to Financial Statements.

Wayne State University

Statement of Cash Flows

	Year Ended September 30	
	2016	2015
Cash Flows from Operating Activities	(in thousands)	
Tuition and fees - Net	$ 275,143	$ 252,417
Grants and contracts	219,994	228,886
Auxiliary enterprises	36,182	37,864
Departmental activities	27,879	24,766
Loans issued to students	(3,805)	(5,506)
Collection of loans from students	4,125	1,737
Scholarships and fellowships	(14,817)	(13,984)
Payments to suppliers	(184,593)	(164,137)
Payments to employees and benefit providers	(571,697)	(571,727)
Other receipts	4,480	4,146
Net cash used in operating activities	(207,109)	(205,538)
Cash Flows from Noncapital Financing Activities		
State operating appropriation	191,451	190,520
Federal Pell grants	32,065	33,524
Gifts	30,982	27,169
External student lending receipts	195,835	196,664
External student lending disbursements	(195,962)	(196,939)
Net distributions from the Foundation	10,610	10,544
Other	5,701	(494)
Net cash provided by noncapital financing activities	270,682	260,988
Cash Flows from Capital and Related Financing Activities		
State capital appropriations	13,033	16,150
Capital gifts and grants	4,095	1,448
Proceeds from issuance of debt and other long-term obligations	371	10,052
Expenditures for capital assets	(63,422)	(102,749)
Principal paid on capital debt	(13,150)	(11,015)
Interest paid on capital debt	(21,205)	(19,588)
Other	100	-
Net cash used in capital and related financing activities	(80,178)	(105,702)
Cash Flows from Investing Activities		
Investment income - Net	10,706	6,766
Proceeds from sales and maturities of investments	1,969	39,452
Purchase of investments	(570)	(10,398)
Net cash provided by investing activities	12,105	35,820
Net Decrease in Cash and Temporary Investments	(4,500)	(14,432)
Cash and Temporary Investments - Beginning of year	338,750	353,182
Cash and Temporary Investments - End of year	**$ 334,250**	**$ 338,750**
Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating loss	$ (271,847)	$ (275,566)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation expense	55,944	56,322
Increase (decrease) in assets of current operating funds:		
Receivables - Net	13,622	(13,758)
Prepaid expenses and inventories	(4,013)	(1,086)
(Decrease) increase in liabilities of current operating funds:		
Accounts payable and accrued liabilities	(192)	18,537
Deposits	(248)	(88)
Unearned income	7,240	1,271
Accrued employee benefits and other liabilities	(7,615)	8,830
Net cash used in operating activities	**$ (207,109)**	**$ (205,538)**
Noncash Transactions		
Proceeds from issuance of Series 2016A and Series 2016B Bonds	$ 116,538	$ -
Payments related to refunding of Series 2007A, Series 2008, and Series 2009A Bonds	(105,285)	-
Proceeds from issuance of Series 2015A Bonds	-	46,181
Payments related to refunding of Series 2006 Bonds	-	(42,170)

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 a fall 2016 enrollment of approximately 27,300 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. The Foundation is a legally separate, tax-exempt entity which meets the criteria set forth for component units under GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units,* as amended by GASB No. 61. The Foundation provides financial support for the objectives, purposes, and programs of the University. The University controls the timing and amount of its receipts from the Foundation, and the resources (and income thereon) which the Foundation holds and invests are dedicated to benefit the University. Because the resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and its statement of net position and statement of revenues, expenses, and changes in net position are discretely presented in the University's financial statements. The Foundation does not issue its own financial statements.

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,* as amended by GASB No. 61. 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). The University reports as a special purpose government engaged primarily in business-type activities (BTA), as defined by the GASB, on the accrual basis. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods and services.

Net Position - Consistent with GASB principles, the University reports its net position in four categories as follows:

- **Net Investment in Capital Assets** - 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

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

- **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 position also includes undistributed accretion from investments of permanent true endowments and funds functioning as endowments with externally imposed restrictions.

- **Unrestricted** - Funds which are not subject to externally imposed restrictions; however, most of the University's unrestricted net position is designated by the board of governors and/or management for various academic, research and administrative programs, and capital projects.

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 position, 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 nonexchange in nature. State appropriations, Pell grant revenue, gifts, and investment activity are nonexchange 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.

Change in Accounting Policy - Effective with the fiscal year ended September 30, 2016, the University adopted GASB Statement No. 72, *Fair Value Measurement and Application*. This statement provides guidance for determining and applying fair value measurement to certain investments for financial reporting and disclosure purposes. There were no changes to prior year balances as a result of applying the new standard.

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

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 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. The Foundation follows the spending policy established by the University.

Commencing with the quarter ending December 31, 2013, the annual distribution rate began to be reduced from 5 percent of the one-quarter lagged three-year moving average fair value of fund shares to 4.5 percent. Effective through April 1, 2017, distributions will be managed toward the new rate by keeping quarter-to-quarter distributions per share unchanged and moving toward the 4.5 percent rate when increases in the value of fund shares would otherwise result in higher per-share distributions. To protect endowment principal in the event of a prolonged market downturn, distributions are limited to 5.0 percent of the current fair value of fund shares. Effective April 1, 2017, the annual distribution rate will be 4.5 percent.

Unearned Revenue - Unearned revenue 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. Unearned revenue 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.

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

Compensated Absences - Certain university employees earn vacation and sick leave benefits based, in part, on length of service. After the completion of the probation period, vacation pay is fully vested when earned. Upon separation from service, employees are paid accumulated vacation and sick pay based upon the nature of separation (death, retirement, or termination). Certain limitations have been placed on the hours of vacation and sick leave that employees may accumulate and carry over for payment at death, retirement, or termination. Unused hours exceeding these limitations are forfeited.

Inventories - Inventories are stated at the lower of cost or market, determined by the first-in, first-out method.

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.

Deferred Outflows of Resources - In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The deferred outflows include the loss on the defeasance of certain General Revenues Bonds Series, net of amortization, at September 30, 2016 and 2015 (see Note 6).

Revenue Recognition - State operating appropriations are recognized in the period for which they are appropriated. Grants and contract revenue are 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 $195,961,000 and $196,939,000 in 2016 and 2015, 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 position. The disbursements and related receipts are reflected in the noncapital financing activities section of the statement of cash flows.

Reclassifications - Certain university amounts have been reclassified from restricted-expendable net position to unrestricted net position to conform to the current year's presentation. Certain amounts for the Foundation have been reclassified from investments to cash and temporary investments to conform to the current year's presentation.

Note 2 - Cash and Investments

Cash and investments, by classification and investment type, at September 30, 2016 and 2015 are as follows (in thousands):

Classification	2016	2015
Cash and temporary investments	$ 334,250	$ 338,750
Investments:		
Endowment Fund	3,940	3,403
Plant Fund - Invested bond proceeds and related earnings	-	1,966
Total investments	3,940	5,369
Total cash and investments	$ 338,190	$ 344,119

Type	2016	2015
Fixed income	$ 302,611	$ 295,686
Certificates of deposit and savings accounts	113	112
Real estate investment pool and other investments	45	45
Other	5,314	4,516
Cash and checks issued - Net	30,107	43,760
Total cash and investments	$ 338,190	$ 344,119

The University's cash and temporary investments provided a return of 3.8 percent and 1.4 percent for the fiscal years ended September 30, 2016 and 2015, respectively. Investments in the Plant Fund consist of invested bond proceeds and related earnings, which are restricted for capital projects.

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. This policy sets a general target allocation for its investments as follows:

Asset Class	Quality Limits (Standard & Poor's/Moody's)	Target	Range	Actual at September 30, 2016
Short-term liquidity portfolio	A/A	30%	15% - 70%	17%
Core portfolio	BBB-/Baa3	62%	30% - 85%	74%
Opportunistic portfolio	B-/B3	8%	0% - 12%	9%

The investment policy permits investments in money market funds, U.S. government and government agency obligations, municipal obligations, certificates of deposit, commercial paper, corporate debt and securitized investments, certain additional securitized investments and fixed-income funds with intermediate duration, multi-strategy, and short-term high-yield strategies.

Custodial Credit Risk

For amounts deposited in commercial banks, 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, 2016 and 2015, the carrying amount of these deposits totaled $46,642,000 and $49,038,000, respectively. Of these amounts, $45,840,000 and $48,236,000, respectively, were uninsured and not collateralized at September 30, 2016 and 2015, respectively.

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 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 $155,999,000 and $154,233,000 of its portfolio at September 30, 2016 and 2015, 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.

Note 2 - Cash and Investments (Continued)

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 & 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 & Poor's/Fitch): commercial paper (P1/A1/F1); fixed-income securities in the "liquidity" investment portfolio (A/A); fixed-income securities in the "core" investment portfolio (Baa3/BBB-); and fixed-income securities in the "opportunistic" investment portfolio (B3/B-). For both years, the University was in compliance with its credit risk policy.

Fixed-income investments classified by credit ratings at September 30, 2016 and 2015 were as follows (in thousands):

	2016 Credit Rating					
Investment Type	AAA	AA	A	BBB	Below BB	Total
U.S. Treasuries	$ 5,140	$ -	$ -	$ -	$ -	$ 5,140
Securitized investments	6,076	3,106	292	-	-	9,474
Money market mutual funds	4,115	-	-	-	-	4,115
Corporate securities	1,300	6,941	40,196	75,187	504	124,128
Fixed-income institutional bond funds	-	41,138	67,265	13,527	-	121,930
High-yield short-term fund	-	-	-	-	16,517	16,517
Non-U.S. fixed-income securities	500	1,766	7,524	7,870	-	17,660
Municipal securities	611	2,627	409	-	-	3,647
Investments by rating	$ 17,742	$ 55,578	$ 115,686	$ 96,584	$ 17,021	$ 302,611

	2015 Credit Rating					
Investment Type	AAA	AA	A	BBB	Below BB	Total
U.S. Treasuries	$ 6,037	$ -	$ -	$ -	$ -	$ 6,037
Securitized investments	3,333	5,262	1,447	503	-	10,545
Money market mutual funds	7,114	-	-	-	-	7,114
Corporate securities	715	7,071	47,757	72,309	895	128,747
Fixed-income institutional bond funds	-	40,288	36,987	30,584	-	107,859
High-yield short-term fund	-	-	-	-	15,551	15,551
Non-U.S. fixed-income securities	500	1,767	7,970	6,566	491	17,294
Municipal securities	610	1,929	-	-	-	2,539
Investments by rating	$ 18,309	$ 56,317	$ 94,161	$ 109,962	$ 16,937	$ 295,686

Note 2 - Cash and Investments (Continued)

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 investment in the securities of a single issuer shall not be in excess of 5 percent of the total market value of the assets under management at the time of purchase (excluding U.S. Treasury and agency obligations and commingled funds). Total funds in any investment mandate shall not constitute more than 30 percent of the cash pool. Commingled funds' concentration of credit risk is managed in accordance with the fund managers' policies.

The University is in compliance with its concentration of credit risk policy.

As of September 30, 2016 and 2015, the University's combined cash and temporary investments did not have investments with a particular issuer which equaled or exceeded 5 percent.

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 or duration of its investments. The policy limits the maximum average duration of the pool to five years and the maximum duration of any individual security held to seven years. Commingled funds' interest rate risk is managed in accordance with the fund managers' policies.

For both years, the University was in compliance with its interest rate risk policy.

Note 2 - Cash and Investments (Continued)

The University held the following types of fixed-income investments and maturities at September 30, 2016 and 2015 (in thousands):

	2016 Maturities (in Years)				
Investment Type	Less Than 1	1-5	6-10	More Than 10	Total
U.S. Treasuries	$ -	$ 860	$ 4,280	$ -	$ 5,140
Securitized investments [1]	-	2,510	742	6,222	9,474
Money market mutual funds [2]	4,115	-	-	-	4,115
Corporate securities	17,479	65,591	39,806	1,252	124,128
Fixed-income institutional bond funds [2]	14,968	57,513	49,449	-	121,930
High-yield short-term fund [2]	-	16,517	-	-	16,517
Non-U.S. fixed-income securities	2,985	10,721	3,954	-	17,660
Municipal securities	407	2,634	380	226	3,647
Total fixed-income investments	$ 39,954	$ 156,346	$ 98,611	$ 7,700	$ 302,611

	2015 Maturities (in Years)				
Investment Type	Less Than 1	1-5	6-10	More Than 10	Total
U.S. Treasuries	$ 5,032	$ 1,005	$ -	$ -	$ 6,037
Securitized investments [1]	-	2,674	2,589	5,282	10,545
Money market mutual funds [2]	7,114	-	-	-	7,114
Corporate securities	24,290	71,891	29,866	2,700	128,747
Fixed-income institutional bond funds [2]	4,712	90,818	12,329	-	107,859
High-yield short-term fund [2]	-	15,551	-	-	15,551
Non-U.S. fixed-income securities	894	12,542	3,858	-	17,294
Municipal securities	-	1,727	500	312	2,539
Total fixed-income investments	$ 42,042	$ 196,208	$ 49,142	$ 8,294	$ 295,686

(1) The effective maturity on securitized investments can be significantly less than the legal maturity date.
(2) The maturities indicated for these funds are the average of the overall pool.

Foreign Currency Risk

Foreign currency risk represents the risk that changes in exchange rates will adversely affect the fair value of an investment. The University's cash management policy does not specifically limit foreign currency exposure. The cash and temporary investments portfolio included investments denominated in a foreign currency totaling $1,882,000 and $2,573,000 at September 30, 2016 and 2015, respectively. The 2016 balance includes investments denominated in the Canadian dollar ($0.8 million), the New Zealand dollar ($0.6 million), and the Mexican peso ($0.3 million). The 2015 balance includes investments denominated in the Canadian dollar ($1.2 million), the New Zealand dollar ($0.4 million), the Mexican peso ($0.3 million) and the Australian dollar ($0.2 million).

Note 3 - Foundation Investments

The Foundation's investments, by balance sheet classification and investment type, at September 30, 2016 and 2015 are as follows (in thousands):

Type	2016	2015
Fixed income	$ 79,447	$ 77,207
Equity securities	131,095	115,971
Other investment instrument types not included above:		
Mutual funds	44,113	41,247
Limited partnerships	35,467	34,008
Commingled funds	19,525	18,254
Total investments	$ 309,647	$ 286,687

The Foundation's investments had investment performance of 9.3 percent for the years ended September 30, 2016, as compared to an investment return of -4.0 percent for the year ended September 30, 2015.

Investment Policy

The Foundation investments are managed in accordance with the Statement of Investment Policy (Foundation Investment Policy) as approved by the Foundation's board of directors. This policy sets a general target allocation for its investments as follows:

Investment Instrument	Target	Range	Actual at September 30, 2016
U.S. equities	27%	20% - 40%	28%
Non-U.S. equities	15%	10% - 22%	15%
Fixed-income securities	18%	10% - 25%	22%
Global asset allocation strategies	13%	10% - 15%	14%
Hedge funds	7%	5% - 10%	5%
Real assets	5%	0% - 10%	8%
Private markets	13%	5% - 15%	5%
Cash	2%	0% - 10%	3%

In order to address periods of abnormally high volatility that may arise periodically in the capital markets, an allocation to cash was approved with a range of 0 percent to a maximum amount of 10 percent.

Note 3 - Foundation Investments (Continued)

The Foundation's 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 investment portfolio when establishing its asset allocation and selecting its investment managers. Investments are managed in accordance with the investment policy and are monitored according to the risk versus investment return characteristics as compared to applicable benchmarks in the investment industry.

Other investment instrument types in the Foundation's endowment fund are comprised of global asset allocation investment managers, hedge fund managers, and opportunistic investment 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

Custodial credit risk for investments was discussed previously in Note 2, Cash and Investments. The Foundation's investment policies do not limit the value of investments that may be held by an outside party. The Foundation's counterparties held $59,905,000 and $53,281,000 of its portfolio at September 30, 2016 and 2015, respectively. These investments are held in a nominee's name for the benefit of the Foundation, and would not be subject to any general creditor claims.

Credit Risk

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

Fixed-income investments classified by credit ratings at September 30, 2016 and 2015 were as follows (in thousands):

	2016 Credit Rating					
Investment Type	AAA	AA	A	BBB	Not Rated	Total
Money market mutual funds [1]	$ 6,518	$ -	$ -	$ -	$ -	$ 6,518
Corporate securities	-	-	-	1,255	-	1,255
Fixed-income institutional bond funds [1]	-	9,937	25,381	25,450	-	60,768
Direct loan fund [1]	-	-	-	-	10,906	10,906
Investments by rating	$ 6,518	$ 9,937	$ 25,381	$ 26,705	$ 10,906	$ 79,447

	2015 Credit Rating					
Investment Type	AAA	AA	A	BBB	Not Rated	Total
Money market mutual funds [1]	$ 6,364	$ -	$ -	$ -	$ -	$ 6,364
Corporate securities	-	-	-	1,242	-	1,242
Fixed-income institutional bond funds [1]	-	9,907	25,463	23,388	-	58,758
Direct loan fund [1]	-	-	-	-	10,843	10,843
Investments by rating	$ 6,364	$ 9,907	$ 25,463	$ 24,630	$ 10,843	$ 77,207

[1] The credit ratings indicated for these funds are the average of the overall pool.

Note 3 - Foundation Investments (Continued)

Concentration of Credit Risk

As discussed previously, the Foundation's investment policy does not specifically limit the concentration of credit risk.

As of September 30, 2016 and 2015, the Foundation's investment portfolio did not have investments with a particular issuer which equaled or exceeded 5 percent.

Interest Rate Risk

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

The Foundation held the following types of fixed-income investments and maturities at September 30, 2016 and 2015 (in thousands):

	2016 Maturities (in Years)			
Investment Type	Less Than 1	1-5	6-10	Total
Money market mutual funds	$ 6,518	$ -	$ -	$ 6,518
Corporate securities	1,255	-	-	1,255
Fixed-income institutional bond funds [1]	1,834	9,937	48,997	60,768
Direct loan fund [1]	-	10,906	-	10,906
Total fixed-income investments	$ 9,607	$ 20,843	$ 48,997	$ 79,447

	2015 Maturities (in Years)			
Investment Type	Less Than 1	1-5	6-10	Total
Money market mutual funds	$ 6,364	$ -	$ -	$ 6,364
Corporate securities	1,242	-	-	1,242
Fixed-income institutional bond funds [1]	1,826	33,544	23,388	58,758
Direct loan fund [1]	-	10,843	-	10,843
Total fixed-income investments	$ 9,432	$ 44,387	$ 23,388	$ 77,207

[1] The maturities indicated for these funds are the average of the overall pool.

Note 3 - Foundation Investments (Continued)

Foreign Currency Risk

As discussed previously, the Foundation's investment policy does not specifically limit foreign currency risk. The Foundation's investments in non-U.S. equity funds totaled $45,661,000 and $40,954,000, which was approximately 15 percent and 14 percent of the Foundation's total endowment fund investments at September 30, 2016 and 2015, respectively. Included in these amounts at September 30, 2016 was foreign currency exposure to the European Union euros ($7.4 million), the Japanese yen ($5.7 million), and the United Kingdom British pound sterling ($4.7 million). Included in these amounts at September 30, 2015 was foreign currency exposure to the European Union euro ($7.1 million), the Japanese yen ($5.1 million), and the United Kingdom British pound sterling ($4.7 million).

The Foundation investments in fixed-income institutional bond funds with foreign currency exposure totaled $5,538,000 and $11,246,000 at September 30, 2016 and 2015, respectively. Included in the amount at September 30, 2016 was foreign currency exposure to the Canadian dollar ($2.0 million), the New Zealand dollar ($1.1 million), and the Mexican peso ($0.7 million). Included in the amount at September 30, 2015 was foreign currency exposure to the European Union euro ($5.6 million), the Canadian dollar ($2.3 million), the Mexican peso ($1.8 million), and the United Kingdom British pound sterling ($1.5 million). Other foreign currency exposures were less significant.

The Foundation had approximately $6,246,000 and $9,381,000 of investment commitments outstanding at September 30, 2016 and 2015, respectively.

Note 4 - Receivables

At September 30, 2016 and 2015, receivables consist of the following (in thousands):

	2016	2015
Grants and contracts receivable	$ 24,024	$ 46,939
Pledged gifts receivable	44,358	11,656
Student notes receivable	29,506	30,944
Student accounts receivable	72,455	74,570
State appropriations - Capital projects	232	10,791
Other	30,182	22,612
Total	200,757	197,512
Less:		
Provision for loss on receivables	(11,935)	(25,274)
Unamortized discount to present value on pledged gifts receivable	(390)	(179)
Total	188,432	172,059
Less net current portion of receivables	(139,280)	(139,367)
Net noncurrent receivables	$ 49,152	$ 32,692

Note 4 - Receivables (Continued)

Payments on pledged gifts receivable at September 30, 2016 are expected to occur in the following fiscal years (in thousands):

2017	$ 28,808
2018-2027	15,550
Total	$ 44,358

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 5 - Capital Assets

Capital asset activity for the years ended September 30, 2016 and 2015 was as follows (in thousands):

	Balance September 30, 2015	Additions	Retirements	Balance September 30, 2016
Land improvements	$ 25,920	$ 814	$ -	$ 26,734
Buildings	1,348,375	32,973	-	1,381,348
Library materials	162,494	6,764	(85)	169,173
Equipment and software	185,800	8,323	(15,028)	179,095
Subtotal - Depreciable assets	1,722,589	48,874	(15,113)	1,756,350
Land	38,095	-	(60)	38,035
Construction in progress	15,192	2,108	-	17,300
Subtotal - Nondepreciable assets	53,287	2,108	(60)	55,335
Total	1,775,876	50,982	(15,173)	1,811,685
Less accumulated depreciation:				
Land improvements	17,460	859	-	18,319
Buildings	618,845	40,043	-	658,888
Library materials	130,812	4,595	-	135,407
Equipment and software	150,138	10,447	(14,398)	146,187
Total accumulated depreciation	917,255	55,944	(14,398)	958,801
Net capital assets	$ 858,621	$ (4,962)	$ (775)	$ 852,884

Note 5 - Capital Assets (Continued)

	Balance September 30, 2014	Additions	Retirements	Balance September 30, 2015
Land improvements	$ 25,935	$ 1,083	$ (1,098)	$ 25,920
Buildings	1,213,174	135,201	-	1,348,375
Library materials	155,585	6,969	(60)	162,494
Equipment and software	181,979	11,863	(8,042)	185,800
Subtotal - Depreciable assets	1,576,673	155,116	(9,200)	1,722,589
Land	37,869	226	-	38,095
Construction in progress	76,435	(61,243)	-	15,192
Subtotal - Nondepreciable assets	114,304	(61,017)	-	53,287
Total	1,690,977	94,099	(9,200)	1,775,876
Less accumulated depreciation:				
Land improvements	16,859	1,084	(483)	17,460
Buildings	578,359	40,486	-	618,845
Library materials	126,552	4,260	-	130,812
Equipment and software	147,692	10,491	(8,045)	150,138
Total accumulated depreciation	869,462	56,321	(8,528)	917,255
Net capital assets	$ 821,515	$ 37,778	$ (672)	$ 858,621

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 approximately $648,000 and $2,871,000 was capitalized in 2016 and 2015, respectively.

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 6 - Long-term Debt

Long-term debt activity for the years ended September 30, 2016 and 2015 was as follows (in thousands):

2016	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
General Revenue and Refunding Bonds, Series 2016A, with interest ranging from 2.5% to 5.0%, maturing on November 15, 2037	$ -	$ 89,975	$ -	$ 89,975	$ -
General Revenue and Refunding Bonds, Series 2016B, with interest ranging from 1.5% to 4.0%, maturing on November 15, 2037	-	11,285	-	11,285	-
General Revenue and Refunding Bonds, Series 2015A, with interest ranging from 3.0% to 5.0%, maturing on November 15, 2036	50,310	-	240	50,070	250
General Revenue Bonds, Series 2013A, with interest ranging from 3.0% to 5.0%, maturing on November 15, 2044	83,670	-	1,370	82,300	1,430
General Revenue Bonds, Series 2009A, with interest ranging from 3.25% to 5.0%, maturing on November 15, 2029	92,530	-	26,975	65,555	4,495
Taxable General Revenue Build America Bonds, Series 2009B, with interest ranging from 3.753% to 6.536%, maturing on November 15, 2039	27,630	-	690	26,940	710
General Revenue Bonds, Series 2008, with interest ranging from 5.0% to 5.25%, maturing on November 15, 2035	155,960	-	62,960	93,000	4,515
General Revenue Bonds, Series 2007A, with interest ranging from 4.0% to 5.0%, maturing on November 15, 2037	26,275	-	24,670	1,605	785
Taxable General Revenue Bonds, Series 2007B, with interest at 6.01%, maturing on November 15, 2030	4,220	-	-	4,220	-
General Revenue Bonds, Series 2006, with interest ranging from 4.5% to 5.0%, maturing on November 15, 2017	2,360	-	1,155	1,205	1,205
Taxable General Revenue Bonds, Series 2003B, with interest at 5.02%, maturing on November 15, 2018	1,610	-	375	1,235	390
Capital Lease Payable, with interest at 3.8%, expiring on March 11, 2038	20,610	-	568	20,042	590
Various notes payable with varying interest rates maturing through 2020	-	154	-	154	48
Gross long-term debt	465,175	101,414	119,003	447,586	14,418
Plus unamortized bond premium - Net	20,752	15,442	4,377	31,817	1,711
Total long-term debt	$ 485,927	$ 116,856	$ 123,380	$ 479,403	$ 16,129

Note 6 - Long-term Debt (Continued)

2015	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
General Revenue and Refunding Bonds, Series 2015A, with interest ranging from 3.0% to 5.0%, maturing on November 15, 2036	$ -	$ 50,310	$ -	$ 50,310	$ 240
General Revenue Bonds, Series 2013A, with interest ranging from 3.0% to 5.0%, maturing on November 15, 2044	83,670	-	-	83,670	1,370
General Revenue Bonds, Series 2009A, with interest ranging from 3.25% to 5.0%, maturing on November 15, 2029	96,610	-	4,080	92,530	4,275
Taxable General Revenue Build America Bonds, Series 2009B, with interest ranging from 3.753% to 6.536%, maturing on November 15, 2039	28,305	-	675	27,630	690
General Revenue Bonds, Series 2008, with interest ranging from 5.0% to 5.25%, maturing on November 15, 2035	160,045	-	4,085	155,960	4,295
General Revenue Bonds, Series 2007A, with interest ranging from 4.0% to 5.0%, maturing on November 15, 2037	26,995	-	720	26,275	750
Taxable General Revenue Bonds, Series 2007B, with interest at 6.01%, maturing on November 15, 2030	4,220	-	-	4,220	-
General Revenue Bonds, Series 2006, with interest ranging from 4.5% to 5.0%, maturing on November 15, 2017	45,630	-	43,270	2,360	1,155
Taxable General Revenue Bonds, Series 2003B, with interest at 5.02%, maturing on November 15, 2018	1,965	-	355	1,610	375
Capital Lease Payable, with interest at 3.8%, expiring on March 11, 2038	21,157	-	547	20,610	568
Various notes payable with varying interest rates maturing through 2015	235	-	235	-	-
Gross long-term debt	468,832	50,310	53,967	465,175	13,718
Plus unamortized bond premium - Net	17,169	5,923	2,340	20,752	-
Total long-term debt	$ 486,001	$ 56,233	$ 56,307	$ 485,927	$ 13,718

Note 6 - Long-term Debt (Continued)

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, 2016 and 2015 was $161,473,000 and $43,212,000, respectively.

In July 2016, the University issued its tax exempt Series 2016A Bonds for a par amount of $89,975,000 and net premium of $15,667,458. The University also issued its taxable Series 2016B Bonds for a par amount of $11,285,000, less a net discount of $157,421. These bonds were issued to refinance prior outstanding debt to achieve interest rate savings. These bond proceeds, $116,770,037 with an average coupon interest rate of 4.3 percent, were used to fully or partially advance refund the University's Series 2007A, Series 2008 and Series 2009A Bonds, aggregating $105,285,000 with an average coupon interest rate of 4.93 percent. Of the $116,770,037 in bond proceeds, $603,231 was used to pay related issuance costs and $116,166,806 was deposited with the trustee to pay principal and interest on the Series 2007A, Series 2008, and Series 2009A Bonds when called for redemption on November 15, 2017, 2018, and 2019, respectively. The advance refunding resulted in an economic gain of $12,652,409 and total debt service payments decreased by $15,662,379.

In February 2015, the University issued its tax exempt Series 2015A Bonds for a par amount of $50,310,000 and net premium of $6,067,073. $10,077,770 of these bond proceeds were used to fund additional university projects and related issuance costs. The balance of the bond proceeds, $46,299,304 with an average coupon interest rate of 4.3 percent, was used to advance refund $42,170,000 in outstanding Series 2006 Bonds with an average coupon interest rate of 4.95 percent. Of the $46,299,304, $344,649 was used to pay related issuance cost and $45,954,655 was deposited with the trustee to pay principal and interest on the Series 2006 Bonds when called for redemption on November 15, 2016. The advance refunding resulted in an economic gain of $4,227,689 and total debt service payments decreased by $5,806,712.

On March 19, 2012, the University entered into a capital lease agreement for a medical office building. The lease period commenced on March 12, 2013 with an initial term of 25 years. The capital lease is included in long-term debt and the related asset is included in buildings with cost of $22,000,000 and accumulated depreciation of approximately $1,976,000 and $1,427,000 as of September 30, 2016 and 2015, respectively.

Note 6 - Long-term Debt (Continued)

Principal and interest maturities on long-term debt at September 30, 2016 are as follows (in thousands):

	Bond and Various Notes Payable		Capital Lease
Fiscal Years	Principal	Interest*	Minimum Payments
2017	$ 13,829	$ 19,011	$ 1,351
2018	14,501	19,202	1,360
2019	15,323	18,477	1,367
2020	15,555	17,752	1,367
2021	16,195	16,988	1,367
2022 - 2026	92,930	71,979	6,890
2027 - 2031	109,475	46,598	6,969
2032 - 2036	98,175	23,379	7,047
2037 - 2041	33,065	7,235	2,043
2042 - 2046	18,496	1,516	-
Total	$ 427,544	$ 242,137	29,761
	Less amount representing interest		9,719
	Present value of minimum lease payments		$ 20,042

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

Interest paid on long-term debt including the capital lease was $21,837,000 and $21,818,000 in 2016 and 2015, respectively.

On November 27, 2012, the University executed a $25.0 million line of credit facility with a financial institution with a borrowing interest rate of .25 percent in excess of the one-month LIBOR. This agreement had a three-year term with a maturity date of December 1, 2015. Effective December 1, 2015, the University renewed and increased its line of credit facility to $35.0 million with a borrowing interest rate of .75 percent in excess of the one-month LIBOR. This agreement has a three-year term with a maturity date of December 1, 2018. As of September 30, 2016 and 2015, there were no borrowings outstanding under this facility.

Note 7 - Derivative Instruments

Interest Rate Swaps

As of September 30, 2014, the University held two interest rate instruments that were associated with the Series 2006 bonds. In February 2015, most of the Series 2006 bonds were advance refunded with proceeds from the Series 2015A bonds. As a result, almost all of the two interest rate instruments are now associated with the Series 2015A bonds, and only a small portion of the two interest rate swaps are still associated with the Series 2006 bonds that remain outstanding.

The University initially entered into these swap agreements at the same time and for the same amount as the issuance of the Series 2006 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 on the debt that was issued. The swap agreements are not effective hedges. They were ineffective swap agreements 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 then such 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 position.

The fair value balances and notional amounts of the derivative instruments outstanding at September 30, 2016 and 2015, classified by type and the change in fair value associated with the Series 2015A and Series 2006 bonds, are shown below (in thousands):

	Change in Fair Value		Fair Value at September 30, 2016		
Investment Derivative Instrument	Classification	Amount	Classification	Amount	Notional
Series 2006 and Series 2015A# - Pay-variable, receive variable/fixed annuity	Net investment income	$ 177	Asset	$ 521	$ 43,375

	Change in Fair Value		Fair Value at September 30, 2015		
Investment Derivative Instrument	Classification	Amount	Classification	Amount	Notional
Series 2006 and Series 2015A# - Pay-variable, receive variable/fixed annuity	Net investment income	$ 1,067	Asset	$ 343	$ 44,530

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

Note 7 - Derivative Instruments (Continued)

Terms for the years ended September 30, 2016 and 2015 were as follows:

Associated Bond Issue	Effective Date	Type	Objective	Pay Terms	Receive Terms	Maturity Date	Counterparty Credit Rating*
Series 2006 and Series 2015A# (2 swaps)	2/5/2015	Pay variable, receive variable plus fixed annuity	Cash flow hedge for associated bond issue	SIFMA	67% LIBOR plus 40.73 bps	11/15/2036	AA-/A

The associated bond issue was substantially changed from the Series 2006 bonds to the Series 2015A bonds effective February 5, 2015 as a result of an advance refunding of most of the Series 2006 bonds. Almost all of the two interest rate instruments are now associated with the Series 2015A bonds, and only a small portion are still associated with the Series 2006 bonds.

* Effective March 1, 2012, one of the original counterparties transferred by novation all the rights, liabilities, duties, and obligations to a new counterparty.

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

Associated Risk - The associated risks of the outstanding swaps as of September 30, 2016 and 2015 were as follows:

The swaps are tax basis swaps, which were executed with the objective of reducing the financing cost of the Series 2006 and 2015A bonds and their related refunding bonds, the series 2015A 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 positive fair value at September 30, 2016 and September 30, 2015.

Credit Risk - As of September 30, 2016 and 2015 the University was exposed to some credit risk from swap counterparties because the existing swaps had a positive fair value $521,000 and $343,000, respectively. The University executes swap transactions with various counterparties. At September 30, 2016, 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 "AA-" by Standard & Poor's (downgraded from AA+ in May 2016) and "Aa2" by Moody's (downgraded from Aa1 in May 2012). 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 & Poor's (downgraded from A+ in December 2011), and "A2" by Moody's (down from A1 in November 2010).

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).

Note 7 - Derivative Instruments (Continued)

Termination - The swap termination date 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 8 - 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. Employees are eligible to participate after they reach 26 years of age. 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's contribution is not vested until the employee has completed two years of service. University contributions to the plan for the years ended September 30, 2016 and 2015 were approximately $32,593,000 and $32,234,000, respectively.

Note 9 - Commitments

Construction Commitments

Approximately $9,257,000 was committed to current university construction projects at September 30, 2016. This amount includes approximately $2,260,000 for the Elliman renovation and the 110 E. Warren Relocation Plan, $1,095,000 for the renovation of the Matthaei Baseball Stadium, and various smaller construction projects. Commitments will be funded through a combination of resources, including external long-term financing, gifts, investment income, and various other university sources.

Lease Obligations

The University leases various buildings, office space, and equipment under operating lease agreements. Operating lease expenses totaled $6,119,000 and $6,189,000 for the years ended September 30, 2016 and 2015, respectively. Future minimum lease payments under noncancelable operating leases are expected to be paid in the following years ended September 30 (in thousands):

Fiscal Years	Minimum Lease Obligation
2017	$ 1,761
2018	1,198
2019	1,108
2020	862
2021	758
2022-2023	746
Total	$ 6,433

Note 10 - 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. MUSIC 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 MUSIC member 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, 2016 is approximately $2,558,000. The University has not been subjected to additional assessments since the formation of MUSIC in 1987.

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, 2016 and 2015 totaled approximately $3,378,000 and $3,625,000, respectively. Specific excess (umbrella) coverage has been purchased by the University for its self-insured workers' compensation and medical insurance programs. For those risks that the University has purchased commercial insurance, settled claims have not exceeded the commercial coverage in any of the past three years.

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 significant effect on the financial statements.

Loan Guarantees

The University 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, 2015, guaranteed funds drawn against the operating line of credit and the term loan totaled $1.0 million and $5.1 million, respectively. During fiscal year 2016, the University paid the outstanding balances on the Research and Technology Park debt in exchange for a mortgage loan payable to the University in the amount of $5,820,000. As of September 30, 2016, the outstanding mortgage receivable amount of $5,771,000 is included in current and noncurrent receivables in the statement of net position.

Note 10 - Contingencies (Continued)

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 to which the parties may agree, 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, 2016 and 2015, the aggregate positive fair value of all hedging derivative instruments with these collateral posting provisions is $521,000 and $343,000, respectively. There were no posting requirements because the University was in an asset position.

Note 11 - Natural Classification of Expenses

Operating expenses by natural classification for the years ended September 30, 2016 and 2015 are summarized as follows (in thousands):

	2016	2015
Compensation and benefits	$ 573,529	$ 579,046
Supplies, services, and other	183,119	189,509
Depreciation	55,944	56,322
Scholarships and fellowships	12,254	11,567
Total operating expenses	$ 824,846	$ 836,444

Note 12 - 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, 2016 to determine its future obligations for these benefits. The aggregate unfunded accrued liability, which has been recorded as accrued employee benefits on the statement of net position, was $10,179,000 and $9,526,000 at September 30, 2016 and 2015, respectively. The related expense was $653,000 for 2016 and $701,000 for 2015.

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 13 - Restricted Net Position

Restricted net position for the years ended September 30, 2016 and 2015 is as follows (in thousands):

	2016	2015
Restricted - Nonexpendable:		
Scholarships, research, and academic support	$ 2,019	$ 2,126
Loans	9,440	9,530
Restricted - Expendable:		
Scholarships, research, and academic support	60,178	60,172
Capital projects	46,638	9,119
Total restricted net position	$ 118,275	$ 80,947

Note 14 - Fair Value

The University categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The University's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

Note 14 - Fair Value (Continued)

The University has the following recurring fair value measurements as of September 30, 2016 and 2015 (in thousands):

	Fair Market Measurements Using:			
Investments by Fair Value Level	Level 1	Level 2	Level 3	Total Fair Value at September 30, 2016
Fixed-income securities:				
U.S. government securities	$ 5,140	$ -	$ -	$ 5,140
Corporate bonds	-	145,864	-	145,864
Corporate bond funds	86,014	-	-	86,014
Money market mutual funds	4,279	-	-	4,279
Asset-backed securities/CMOs	-	9,474	-	9,474
Other	-	-	1,420	1,420
Total fixed-income investments	$ 95,433	$ 155,338	$ 1,420	$ 252,191
Equity securities:				
U.S.	$ 1,245	$ -	$ -	$ 1,245
Non-U.S.	1,764	-	-	1,764
Total equity securities	3,009	-	-	3,009
Investments measured by fair value level	$ 98,442	$ 155,338	$ 1,420	$ 255,200
Investments Measured at Net Asset Value (NAV) or Equivalent				
Equity and fixed-income securities				$ 52,438
Multi-strategy hedge funds				332
Total investments measured at NAV				52,770
Total investments measured at fair value				$ 307,970
Hedging Derivative Instruments				
Interest rate swaps - Effective		$ 521		

Note 14 - Fair Value (Continued)

Investments by Fair Value Level	Fair Market Measurements Using: Level 1	Level 2	Level 3	Total Fair Value at September 30, 2015
Fixed-income securities:				
U.S. government securities	$ 6,037	$ -	$ -	$ 6,037
Corporate bonds	-	149,028	-	149,028
Corporate bond funds	72,724	-	-	72,724
Money market mutual funds	7,162	-	-	7,162
Asset-backed securities/CMOs	-	10,544	-	10,544
Other	-	-	1,159	1,159
Total fixed-income investments	$ 85,923	$ 159,572	$ 1,159	$ 246,654
Equity securities:				
U.S.	$ 1,273	$ -	$ -	$ 1,273
Non-U.S.	1,273	-	-	1,273
Total equity securities	2,546	-	-	2,546
Investments measured by fair value level	$ 88,469	$ 159,572	$ 1,159	$ 249,200

Investments Measured at Net Asset Value (NAV) or Equivalent	
Equity and fixed-income securities	$ 50,693
Multi-strategy hedge funds	354
Total investments measured at NAV	51,047
Total investments measured at fair value	$ 300,247

Hedging Derivative Instruments	
Interest rate swaps - Effective	$ 343

Note 14 - Fair Value (Continued)

The Foundation has the following recurring fair value measurements as of September 30, 2016 and 2015 (in thousands):

	Fair Market Measurements Using:			
Investments by Fair Value Level	Level 1	Level 2	Level 3	Total Fair Value at September 30, 2016
Fixed-income securities:				
Corporate securities	$ -	$ 1,255	$ -	$ 1,255
Corporate bond funds	82,449	-	-	82,449
Money market mutual funds	6,518	-	-	6,518
Total fixed-income investments	$ 88,967	$ 1,255	$ -	$ 90,222
Equity securities:				
U.S.	$ 52,135	$ -	$ -	$ 52,135
Non-U.S.	36,025	-	-	36,025
Other	3,437	-	-	3,437
Total equity securities	91,597	-	-	91,597
Investments measured by fair value level	$ 180,564	$ 1,255	$ -	$ 181,819

Investments Measured at Net Asset Value (NAV) or Equivalent	
Equity and fixed-income securities	$ 81,455
Credit and loan limited partnership investments	17,450
Multi-strategy hedge funds	17,029
Equity private investments	7,353
Commodities private investments	4,541
Total investments measured at NAV	127,828
Total investments measured at fair value	$ 309,647

Note 14 - Fair Value (Continued)

Investments by Fair Value Level	Fair Market Measurements Using: Level 1	Level 2	Level 3	Total Fair Value at September 30, 2015
Fixed-income securities:				
Corporate securities	$ -	$ 1,242	$ -	$ 1,242
Corporate bond funds	78,486	-	-	78,486
Money market mutual funds	6,364	-	-	6,364
Total fixed-income investments	$ 84,850	$ 1,242	$ -	$ 86,092
Equity securities:				
U.S.	$ 47,337	$ -	$ -	$ 47,337
Non-U.S.	32,524	-	-	32,524
Other	2,538	-	-	2,538
Total equity securities	82,399	-	-	82,399
Investments measured by fair value level	$ 167,249	$ 1,242	$ -	$ 168,491
Investments Measured at Net Asset Value (NAV) or Equivalent				
Equity and fixed-income securities				$ 73,345
Credit and loan limited partnership investments				15,501
Multi-strategy hedge funds				16,073
Equity private investments				8,487
Commodities private investments				4,790
Total investments measured at NAV				118,196
Total investments measured at fair value				$ 286,687

The fair value of the University's and the Foundation's fixed-income and equity securities classified in Level 1 at September 30, 2016 and 2015 was valued using prices quoted in active markets for those securities.

The fair value of the University's and the Foundation's fixed-income securities classified in Level 2 at September 30, 2016 and 2015 was valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices given that it is not a holding available to be bought or sold in active markets (i.e. the holding does not trade using a ticker symbol).

Note 14 - Fair Value (Continued)

The fair value of the University's fixed-income securities classified in Level 3 at September 30, 2016 and 2015 was valued using otherwise unobservable inputs. The securities (primarily donated life insurance policies and gifted investments that are not actively traded in public markets) were valued using their cash surrender values or book values.

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) is presented in the table that follows.

Investments in Entities that Calculate Net Asset Value per Share

The University and the Foundation hold shares or interests in investment companies whereby the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

At September 30, 2016 and 2015, the University's fair value, unfunded commitments, and redemption rules of those investments is as follows (in thousands):

	Total Fair Value at September 30			
	2016	2015	Outstanding Commitments at September 30, 2016	Redemption Policy at September 30, 2016
Equity and fixed-income securities	$ 52,438	$ 50,693	$ -	Primarily Daily / Monthly
Multi-strategy hedge funds	332	354	-	Redemptions are not permitted
Total investments measured at NAV	$ 52,770	$ 51,047	$ -	

At September 30, 2016 and 2015, the Foundation's fair value, unfunded commitments, and rules of those investments is as follows (in thousands):

	Total Fair Value at September 30			
	2016	2015	Outstanding Commitments at September 30, 2016	Redemption Policy at September 30, 2016
Equity and fixed-income securities	$ 81,455	$ 73,345	$ -	Primarily Daily / Monthly
Credit and loan private investments	17,450	15,501	5,025	Redemptions are not permitted
Multi-strategy hedge funds	17,029	16,073	-	Primarily monthly with 30 days' notice
Equity private investments	7,353	8,487	1,221	Redemptions are not permitted
Commodities private investments	4,541	4,790	-	Monthly with five days' notice
	$ 127,828	$ 118,196	$ 6,246	

Note 14 - Fair Value (Continued)

The University's and the Foundation's equity and fixed-income securities class include commingled investment funds that invest primarily in publicly traded domestic and publicly traded international equity investments and domestic fixed-income securities and instruments. These are investments in long only publicly listed equity securities. The fair values of the investments in this class have been estimated using the net asset value per share of the investments. A majority of these investments can typically be liquidated on a daily basis; two of the funds have a monthly redemption policy.

The credit and loan private investments class includes three foundation investments in private limited partnership investments that invest in domestic and European loan funds. The fair values of these investments have been estimated using the net asset values of the investments. The remaining investment period of these investments is less than five years. The nature of these investments involve capital calls and distributions being made throughout the investment period based upon the activity of the underlying investments. Because no public market exists for selling these types of investments, they are viewed as long-term investments in nature with funds being committed over the life of the investment.

The Foundation's multi-strategy hedge funds class includes two investments in hedge funds that pursue multiple strategies to diversify risks and reduce volatility. The strategies may include long only strategies, risk parity strategies, short bias, event driven, global macro, and fixed-income arbitrage positions. The fair values of the investments in this class have been estimated using the net asset value per share of the investments. The redemption policy for a majority of these investments is monthly with 30 days' notification period. The small University's hedge fund investment in this class is held within a trust in which the University is a minority beneficiary. Therefore, the University cannot request redemptions.

The Foundation's equity private investments class includes two investments in private equity funds that invest in venture capital, growth equity, buyout funds, and direct lending strategies. The fair values of the investments in this class have been estimated using the net asset value of the University's ownership interest in partners' capital. The remaining investment period of these investments is less than four years. The nature of these investments involves capital calls being made throughout the investment period, as well as income distributions being received as underlying investments are bought and sold. Because no public market exists for selling these types of investments, they are viewed as long-term in nature with funds being committed over the life of the investment.

The Foundation's commodities private investments class includes a fund that invests in derivative instruments that are based on a variety of commodities investments, such as energy, industrial metals, agriculture, precious metals, and livestock. The fair values of the investments, in this class have been estimated using the net asset value of the University's ownership interest in partners' capital. Redemptions are permitted monthly.

Supplemental Information

Wayne State University

Combining Statement of Net Position (Deficit)
September 30, 2016
(with comparative totals for September 30, 2015)
(in thousands)

	2016													2015
	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	University Total	Wayne State University Foundation Total	Total	Total
Assets														
Current Assets														
Cash and temporary investments	$ 169,889	$ 30,543	$ (2,123)	$ (1,818)	$ 53,854	$ 250,345	$ 51,454	$ 13,609	$ 1,376	$ 17,466	$ 334,250	$ 11,807	$ 346,057	$ 340,972
Current receivables - Net	70,558	14,910	5,015	404	24,864	115,751	23,184	103	0	242	139,280	836	140,116	140,535
Inventories	952	-	516	-	-	1,468	-	-	-	-	1,468	-	1,468	1,525
Prepaid expenses and deposits	37,495	610	135	-	128	38,368	1,169	-	-	291	39,828	-	39,828	36,523
Total current assets	278,894	46,063	3,543	(1,414)	78,846	405,932	75,807	13,712	1,376	17,999	514,826	12,643	527,469	519,555
Noncurrent Assets														
Investments	-	-	-	-	-	-	-	-	3,940	-	3,940	309,647	313,587	292,056
Noncurrent receivables - Net	-	6,224	-	2	1,002	7,228	12,803	29,121	-	-	49,152	-	49,152	32,692
Derivative instruments	-	-	-	-	-	-	521	-	-	-	521	-	521	343
Capital assets - Net	-	-	-	-	-	-	852,884	-	-	-	852,884	-	852,884	858,621
Total noncurrent assets	-	6,224	-	2	1,002	7,228	866,208	29,121	3,940	-	906,497	309,647	1,216,144	1,183,712
Total assets	278,894	52,287	3,543	(1,412)	79,848	413,160	942,015	42,833	5,316	17,999	1,421,323	322,290	1,743,613	1,703,267
Deferred Outflows of Resources	-	-	-	-	-	-	13,408	-	-	-	13,408	-	13,408	3,142
Liabilities														
Current Liabilities														
Accounts payable and accrued liabilities	39,600	15,460	2,833	264	10,895	69,052	17,659	-	82	12,820	99,613	223	99,836	111,182
Unearned revenue	151,996	960	7,221	-	10,434	170,611	51	-	-	-	170,662	-	170,662	162,127
Deposits	2,732	500	132	-	5	3,369	-	-	-	4,448	7,817	-	7,817	7,654
Long-term debt - Current portion	-	-	-	-	-	-	16,129	-	-	-	16,129	-	16,129	13,718
Total current liabilities	194,328	16,920	10,186	264	21,334	243,032	33,839	-	82	17,268	294,221	223	294,444	294,681
Noncurrent Liabilities														
Federal portion of student loan funds	-	-	-	-	-	-	-	32,526	-	-	32,526	-	32,526	33,055
Accrued employee benefits and other	22,988	550	6,068	34	746	30,386	-	-	805	731	31,922	-	31,922	33,433
Long-term debt - Net of current portion	-	-	-	-	-	-	463,274	-	-	-	463,274	-	463,274	472,209
Total noncurrent liabilities	22,988	550	6,068	34	746	30,386	463,274	32,526	805	731	527,722	-	527,722	538,697
Total liabilities	217,316	17,470	16,254	298	22,080	273,418	497,113	32,526	887	17,999	821,943	223	822,166	833,378
Net Position (Deficit)														
Net investment in capital assets	-	-	-	-	-	-	386,906	-	-	-	386,906		386,906	375,837
Restricted:														
Nonexpendable	-	-	-	-	-	-	-	9,440	2,019	-	11,459	180,400	191,859	177,184
Expendable	-	-	-	-	57,768	57,768	46,638	-	2,410	-	106,816	134,389	241,205	186,646
Unrestricted	61,578	34,817	(12,711)	(1,710)	-	81,974	24,766	867	-	-	107,607	7,278	114,885	133,364
Total net position (deficit)	**$ 61,578**	**$ 34,817**	**$ (12,711)**	**$ (1,710)**	**$ 57,768**	**$ 139,742**	**$ 458,310**	**$ 10,307**	**$ 4,429**	**$ -**	**$ 612,788**	**$ 322,067**	**$ 934,855**	**$ 873,031**

Wayne State University

Combining Statement of Revenues, Expenses, Transfers, and Changes in Net Position (Deficit)
Year Ended September 30, 2016
(with comparative totals for the year ended September 30, 2015)
(in thousands)

	Year Ended September 30													
	2016													2015
	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	University Total	Wayne State University Foundation Total	Total	Total
Operating Revenues														
Student tuition and fees	$ 361,871	$ -	$ 4,077	$ -	$ -	$ 365,948	$ 137	$ -	$ -	$ -	$ 366,085	$ -	$ 366,085	$ 355,040
Less scholarship allowances	-	-	-	-	-	-	-	-	-	(98,200)	(98,200)	-	(98,200)	(93,447)
Net student tuition and fees	361,871	-	4,077	-	-	365,948	137	-	-	(98,200)	267,885	-	267,885	261,593
Federal grants and contracts	-	-	-	-	104,910	104,910	536	-	-	-	105,446	-	105,446	105,408
State and local grants and contracts	-	-	-	-	21,850	21,850	-	-	-	-	21,850	-	21,850	24,142
Nongovernmental grants and contracts	-	56,328	-	-	37,327	93,655	-	-	-	-	93,655	-	93,655	104,997
Departmental activities	9,706	10,088	-	931	1,273	21,998	-	-	-	-	21,998	-	21,998	22,561
Auxiliary enterprises (net of scholarship allowances)	-	-	43,187	-	-	43,187	-	-	-	(5,502)	37,685	-	37,685	38,032
Recovery of indirect costs of sponsored programs	32,070	-	-	-	(32,070)	-	-	-	-	-	-	-	-	-
Other operating revenues	4,414	-	-	-	-	4,414	-	66	-	-	4,480	-	4,480	4,145
Total operating revenues	408,061	66,416	47,264	931	133,290	655,962	673	66	-	(103,702)	552,999	-	552,999	560,878
Operating Expenses														
Instruction	252,113	16,105	-	-	11,668	279,886	-	-	-	(1,335)	278,551	-	278,551	294,462
Research	39,332	3,717	-	-	108,504	151,553	-	-	-	(4,637)	146,916	-	146,916	147,108
Public service	1,559	29,365	-	2,567	27,710	61,201	-	-	-	(504)	60,697	-	60,697	59,352
Academic support	66,044	7,900	-	-	681	74,625	-	-	-	(7,647)	66,978	-	66,978	64,147
Student services	38,055	311	-	-	358	38,724	-	-	-	-	38,724	-	38,724	38,147
Institutional support	72,765	5,794	-	-	164	78,723	-	-	-	(603)	78,120	-	78,120	75,194
Operation and maintenance of plant	52,775	1,104	-	-	9	53,888	7,233	-	-	(388)	60,733	-	60,733	63,375
Scholarships and fellowships	75,124	159	-	-	40,672	115,955	-	-	-	(103,701)	12,254	-	12,254	11,567
Auxiliary enterprises	-	-	25,929	-	-	25,929	-	-	-	-	25,929	-	25,929	26,770
Depreciation	-	-	-	-	-	-	55,944	-	-	-	55,944	-	55,944	56,322
Capital additions - Net	-	-	-	-	-	-	(15,113)	-	-	15,113	-	-	-	-
Transfers out (in):														
Debt service	21,244	986	12,153	-	-	34,383	(34,383)	-	-	-	-	-	-	-
Loan matching	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Plant improvement and extension	10,709	1,472	9,922	98	479	22,680	(22,680)	-	-	-	-	-	-	-
Other	131	-	-	-	(202)	(71)	-	71	-	-	-	-	-	-
Total operating expenses	629,851	66,913	48,004	2,665	190,043	937,476	(8,999)	71	-	(103,702)	824,846	-	824,846	836,444
Operating (Loss) Income	(221,790)	(497)	(740)	(1,734)	(56,753)	(281,514)	9,672	(5)	-	-	(271,847)	-	(271,847)	(275,566)

Wayne State University

Combining Statement of Revenues, Expenses, Transfers, and Changes in Net Position (Deficit)
Year Ended September 30, 2016
(with comparative totals for the year ended September 30, 2015)
(in thousands)

	Year Ended September 30													
	2016													2015
	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	University Total	Wayne State University Foundation Total	Total	Total
Nonoperating Revenues (Expenses)														
State operating appropriation	$ 191,211	$ -	$ -	$ -	$ 240	$ 191,451	$ -	$ -	$ -	$ -	$ 191,451	$ -	$ 191,451	$ 190,520
Federal Pell grant	-	-	-	-	31,174	31,174	-	-	-	-	31,174	-	31,174	33,524
Gifts	-	13,631	12	1,431	13,343	28,417	-	4	450	-	28,871	2,260	31,131	29,026
Investment income (loss):														
Change in fair value of derivatives	-	-	-	-	-	-	177	-	-	-	177	-	177	1,067
Endowment and similar funds	-	-	-	-	109	109	-	-	(109)	-	-	-	-	-
Other	6,418	5,854	7	-	1,261	13,540	1,040	86	328	-	14,994	26,184	41,178	(5,923)
Net distributions from the Foundation	1,363	(922)	-	6	10,132	10,579	41	4	(13)	-	10,611	(10,611)	-	-
Interest on capital asset - Related debt	-	-	-	-	-	-	(20,656)	-	-	-	(20,656)	-	(20,656)	(19,462)
Loss on capital assets retired	-	-	-	-	-	-	(675)	-	-	-	(675)	-	(675)	(672)
Other	-	-	-	-	-	-	4,434	(109)	(275)	-	4,050	-	4,050	2,976
Net nonoperating revenues (expenses)	198,992	18,563	19	1,437	56,259	275,270	(15,639)	(15)	381	-	259,997	17,833	277,830	231,056
(Loss) Income Before Other	(22,798)	18,066	(721)	(297)	(494)	(6,244)	(5,967)	(20)	381	-	(11,850)	17,833	5,983	(44,510)
Other														
State capital appropriation	-	-	-	-	-	-	2,474	-	-	-	2,474	-	2,474	26,940
Capital gifts	-	-	-	-	-	-	38,993	-	-	-	38,993	-	38,993	1,370
Gifts for permanent endowments	-	-	-	-	-	-	-	-	12	-	12	14,362	14,374	8,075
Total other	-	-	-	-	-	-	41,467	-	12	-	41,479	14,362	55,841	36,385
(Decrease) Increase in Net Position	(22,798)	18,066	(721)	(297)	(494)	(6,244)	35,500	(20)	393	-	29,629	32,195	61,824	(8,125)
Net Position (Deficit)														
Beginning of year	84,376	16,751	(11,990)	(1,413)	58,262	145,986	422,810	10,327	4,036	-	583,159	289,872	873,031	881,156
End of year	**$ 61,578**	**$ 34,817**	**$ (12,711)**	**$ (1,710)**	**$ 57,768**	**$ 139,742**	**$ 458,310**	**$ 10,307**	**$ 4,429**	**$ -**	**$ 612,788**	**$ 322,067**	**$ 934,855**	**$ 873,031**

Wayne State University

Combining Statement of Net Position (Deficit)
September 30, 2015
(in thousands)

	2015												
	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	University Total	Wayne State University Foundation Total	Total
Assets													
Current Assets													
Cash and temporary investments	$ 190,259	$ 4,563	$ 176	$ (1,599)	$ 52,452	$ 245,851	$ 61,187	$ 12,697	$ 1,341	$ 17,674	$ 338,750	$ 2,222	$ 340,972
Current receivables - Net	72,105	22,844	4,312	387	28,056	127,704	11,305	103	-	255	139,367	1,168	140,535
Inventories	1,073	-	452	-	-	1,525	-	-	-	-	1,525	-	1,525
Prepaid expenses and deposits	33,962	132	140	14	36	34,284	1,956	-	-	283	36,523	-	36,523
Total current assets	297,399	27,539	5,080	(1,198)	80,544	409,364	74,448	12,800	1,341	18,212	516,165	3,390	519,555
Noncurrent Assets													
Investments	-	-	-	-	-	-	1,966	-	3,403	-	5,369	286,687	292,056
Noncurrent receivables - Net	-	679	-	9	1,072	1,760	350	30,582	-	-	32,692	-	32,692
Derivative instruments	-	-	-	-	-	-	343	-	-	-	343	-	343
Capital assets - Net	-	-	-	-	-	-	858,621	-	-	-	858,621	-	858,621
Total noncurrent assets	-	679	-	9	1,072	1,760	861,280	30,582	3,403	-	897,025	286,687	1,183,712
Total assets	297,399	28,218	5,080	(1,189)	81,616	411,124	935,728	43,382	4,744	18,212	1,413,190	290,077	1,703,267
Deferred Outflows of Resources	-	-	-	-	-	-	3,142	-	-	-	3,142	-	3,142
Liabilities													
Current Liabilities													
Accounts payable and accrued liabilities	40,674	10,371	2,870	206	13,604	67,725	30,083	-	91	13,078	110,977	205	111,182
Unearned revenue	145,741	205	7,369	-	8,762	162,077	50	-	-	-	162,127	-	162,127
Deposits	2,882	500	235	-	-	3,617	-	-	-	4,037	7,654	-	7,654
Long-term debt - Current portion	-	-	-	-	-	-	13,718	-	-	-	13,718	-	13,718
Total current liabilities	189,297	11,076	10,474	206	22,366	233,419	43,851	-	91	17,115	294,476	205	294,681
Noncurrent Liabilities													
Federal portion of student loan funds	-	-	-	-	-	-	-	33,055	-	-	33,055	-	33,055
Accrued employee benefits and other liabilities	23,726	391	6,596	18	988	31,719	-	-	617	1,097	33,433	-	33,433
Long-term debt - Net of current portion	-	-	-	-	-	-	472,209	-	-	-	472,209	-	472,209
Total noncurrent liabilities	23,726	391	6,596	18	988	31,719	472,209	33,055	617	1,097	538,697	-	538,697
Total liabilities	213,023	11,467	17,070	224	23,354	265,138	516,060	33,055	708	18,212	833,173	205	833,378
Net Position (Deficit)													
Net investment in capital assets	-	-	-	-	-	-	375,837	-	-	-	375,837		375,837
Restricted:													
Nonexpendable	-	-	-	-	-	-	-	9,530	2,126	-	11,656	165,528	177,184
Expendable	-	-	-	-	58,262	58,262	9,118	-	1,910	-	69,290	117,356	186,646
Unrestricted	84,376	16,751	(11,990)	(1,413)	-	87,724	37,855	797	-	-	126,376	6,988	133,364
Total net position (deficit)	**$ 84,376**	**$ 16,751**	**$ (11,990)**	**$ (1,413)**	**$ 58,262**	**$ 145,986**	**$ 422,810**	**$ 10,327**	**$ 4,036**	**$ -**	**$ 583,159**	**$ 289,872**	**$ 873,031**

Wayne State University

Combining Statement of Revenues, Expenses, Transfers, and Changes in Net Position (Deficit)
Year Ended September 30, 2015
(in thousands)

	Year Ended September 30												
	2015												
	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	University Total	Wayne State University Foundation Total	Total
Operating Revenues													
Student tuition and fees	$ 351,453	$ -	$ 3,449	$ -	$ -	$ 354,902	$ 138	$ -	$ -	$ -	$ 355,040	$ -	$ 355,040
Less scholarship allowances	-	-	-	-	-	-	-	-	-	(93,447)	(93,447)	-	(93,447)
Net student tuition and fees	351,453	-	3,449	-	-	354,902	138	-	-	(93,447)	261,593	-	261,593
Federal grants and contracts	-	-	-	-	104,884	104,884	524	-	-	-	105,408	-	105,408
State and local grants and contracts	-	-	-	-	24,142	24,142	-	-	-	-	24,142	-	24,142
Nongovernmental grants and contracts	-	67,559	-	-	37,438	104,997	-	-	-	-	104,997	-	104,997
Departmental activities	9,069	11,447	-	998	1,047	22,561	-	-	-	-	22,561	-	22,561
Auxiliary enterprises (net of scholarship allowances)	-	-	43,048	-	-	43,048	-	-	-	(5,016)	38,032	-	38,032
Recovery of indirect costs of sponsored programs	31,559	-	-	-	(31,559)	-	-	-	-	-	-	-	-
Other operating revenues	4,078	-	-	-	-	4,078	-	67	-	-	4,145	-	4,145
Total operating revenues	396,159	79,006	46,497	998	135,952	658,612	662	67	-	(98,463)	560,878	-	560,878
Operating Expenses													
Instruction	224,341	57,630	-	-	13,512	295,483	-	-	-	(1,021)	294,462	-	294,462
Research	44,984	2,886	-	-	105,013	152,883	-	-	-	(5,775)	147,108	-	147,108
Public service	3,326	29,814	-	2,455	24,103	59,698	-	-	-	(346)	59,352	-	59,352
Academic support	63,025	7,575	-	-	1,143	71,743	-	-	-	(7,596)	64,147	-	64,147
Student services	37,492	355	-	-	308	38,155	-	-	-	(8)	38,147	-	38,147
Institutional support	68,121	6,952	-	-	172	75,245	-	-	-	(51)	75,194	-	75,194
Operation and maintenance of plant	53,740	1,166	-	-	303	55,209	8,613	-	-	(447)	63,375	-	63,375
Scholarships and fellowships	66,728	90	-	-	43,212	110,030	-	-	-	(98,463)	11,567	-	11,567
Auxiliary enterprises	-	-	27,566	-	-	27,566	-	-	-	(796)	26,770	-	26,770
Depreciation	-	-	-	-	-	-	56,322	-	-	-	56,322	-	56,322
Capital additions - Net	-	-	-	-	-	-	(16,040)	-	-	16,040	-	-	-
Transfers out (in):													
Debt service	19,205	986	11,742	-	-	31,933	(31,933)	-	-	-	-	-	-
Loan matching	160	-	-	-	-	160	-	(160)	-	-	-	-	-
Plant improvement and extension	17,042	705	8,470	-	78	26,295	(26,295)	-	-	-	-	-	-
Other	144	-	-	-	(193)	(49)	-	49	-	-	-	-	-
Total operating expenses	598,308	108,159	47,778	2,455	187,651	944,351	(9,333)	(111)	-	(98,463)	836,444	-	836,444
Operating (Loss) Income	(202,149)	(29,153)	(1,281)	(1,457)	(51,699)	(285,739)	9,995	178	-	-	(275,566)	-	(275,566)

Wayne State University

Combining Statement of Revenues, Expenses, Transfers, and Changes in Net Position (Deficit) (Continued)
Year Ended September 30, 2015
(in thousands)

	Year Ended September 30												
	2015												
	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	University Total	Wayne State University Foundation Total	Total
Nonoperating Revenues (Expenses)													
State operating appropriation	$ 190,280	$ -	$ -	$ -	$ 240	$ 190,520	$ -	$ -	$ -	$ -	$ 190,520	$ -	$ 190,520
Federal Pell grant	-	-	-	-	33,524	33,524	-	-	-	-	33,524	-	33,524
Gifts	-	13,683	105	1,324	13,587	28,699	-	2	100	-	28,801	225	29,026
Investment income (loss):													
Change in fair value of derivatives	-	-	-	-	-	-	1,067	-	-	-	1,067	-	1,067
Endowment and similar funds	-	-	-	-	60	60	-	-	(60)	-	-	-	-
Other	6,492	(3,178)	25	-	1,202	4,541	1,644	97	47	-	6,329	(12,252)	(5,923)
Net distributions from the Foundation	1,288	(321)	-	6	9,835	10,808	41	(31)	(274)	-	10,544	(10,544)	-
Interest on capital asset - Related debt	-	-	-	-	-	-	(19,462)	-	-	-	(19,462)	-	(19,462)
Loss on capital assets retired	-	-	-	-	-	-	(672)	-	-	-	(672)	-	(672)
Other	-	-	-	-	-	-	3,116	(27)	(113)	-	2,976	-	2,976
Net nonoperating revenues (expenses)	198,060	10,184	130	1,330	58,448	268,152	(14,266)	41	(300)	-	253,627	(22,571)	231,056
(Loss) Income Before Other	(4,089)	(18,969)	(1,151)	(127)	6,749	(17,587)	(4,271)	219	(300)	-	(21,939)	(22,571)	(44,510)
Other													
State capital appropriation	-	-	-	-	-	-	26,940	-	-	-	26,940	-	26,940
Capital gifts	-	-	-	-	-	-	1,370	-	-	-	1,370	-	1,370
Gifts for permanent endowments	-	-	-	-	-	-	-	-	151	-	151	7,924	8,075
Total other	-	-	-	-	-	-	28,310	-	151	-	28,461	7,924	36,385
(Decrease) Increase in Net Position	(4,089)	(18,969)	(1,151)	(127)	6,749	(17,587)	24,039	219	(149)	-	6,522	(14,647)	(8,125)
Net Position (Deficit)													
Beginning of year	88,465	35,720	(10,839)	(1,286)	51,513	163,573	398,771	10,108	4,185	-	576,637	304,519	881,156
End of year	**$ 84,376**	**$ 16,751**	**$ (11,990)**	**$ (1,413)**	**$ 58,262**	**$ 145,986**	**$ 422,810**	**$ 10,327**	**$ 4,036**	**$ -**	**$ 583,159**	**$ 289,872**	**873,031**

WAYNE STATE UNIVERSITY

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