



Year Ended September 30,

**FINANCIAL REPORT**

**2015**

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Provost and Senior Vice  
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**Chacona W. Johnson**  
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**Patrick O. Lindsey**  
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**Julie H. Miller**  
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**William Decatur**  
Vice President for Finance and  
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**Ned Staebler**  
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*Vice President, Treasurer  
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**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*

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# WAYNE STATE UNIVERSITY

This report summarizes the financial position and results of operation of Wayne State University for the fiscal years ended September 30, 2015 and September 30, 2014. 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 \$6.5 million in fiscal year 2015 primarily due to the completion of a number of construction projects. Wayne State's credit rating from Standard and Poor's and Moody's has remained stable.

The University's new Integrative BioSciences Center (IBio, formerly MBRB) opened in October, 2015 and provides an excellent facility to expand research initiatives in a number of key disciplines. Work on our new and renovated Student Center completed with a grand opening late in the summer of 2015. This facility enhances the student engagement with the University community.

Student success, including improvement both in graduation and retention rates, remains the critical focus of the University's academic mission. Although overall enrollment decreased in the fall of 2015, key enrollment components did show increases reflecting results from our efforts of the past few years. Our investments in student success have yielded a six percentage point increase in the six-year graduation rate and an eight percentage point increase in the four-year graduation rate, for full-time "first time in any college" (FTIACs) over the past three years. Additionally, student retention rates into the fourth year are at a 10-year high. Moreover, the Fall 2015 FTIAC cohort boasted a class size that was not only a 17 percent increase from last fall, but was also Wayne State's largest FTIAC class since 2010. Students are showing academic gains as well, in both GPA and in the number of credit hours earned for new students entering in recent years.

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 and recovery of the State of Michigan bodes well for our future.



William Decatur  
Vice President for Finance and Business Operations  
Treasurer and Chief Financial Officer  
February 1, 2016

## 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, 2015 and 2014, 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 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, 2015 and 2014 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.

To the Board of Governors  
Wayne State University

## **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 1, 2016 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 1, 2016

# **Wayne State University**

## **Management's Discussion and Analysis - Unaudited**

### **Introduction**

The following discussion and analysis provides an overview of the financial position of Wayne State University (the "University") at September 30, 2015 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, 2014. 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 2015 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 2015 enrollment of approximately 27,200 students, the University ranks among the top 85 public and private not-for-profit universities in the nation in terms of enrollment and has the most diverse student body of any university in Michigan. As the tenth largest employer in the city of Detroit, as ranked by the 2015 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 2014 National Science Foundation Research and Development Expenditures Survey, the University ranked 96th among all universities and 65th 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 2014 National Science Foundation Research and Development Expenditures Survey ranked the University 53rd in the medical sciences category. Based on the most recent Carnegie Classification of Higher Education, Wayne State University ranked within the top 2.3 percent of the nation's universities and colleges with the Carnegie classification of RU/VH (Research Universities, Very High research activity). Wayne State University, Michigan State University, and the University of Michigan, the state's three largest research universities, are partners in the University Research Corridor (URC). The URC is an alliance among these three universities to spark regional economic development through invention, innovation, and technology transfer, by educating a work force prepared for the "knowledge economy," and by attracting smart and talented people to Michigan.

### **Using this Report**

The University's financial report includes three basic financial statements: the statement of net position, which presents the assets, deferred outflows of resources, liabilities, and net position of the University at September 30, 2015, the statement of revenues, expenses, and changes in net position, which reflects revenue 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 and its 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.

# Wayne State University

## Management's Discussion and Analysis - Unaudited (Continued)

### Overall Financial Highlights

The University's financial position at September 30, 2015 includes assets and deferred outflows of resources of \$1.4 billion and \$3.1 million, respectively, and liabilities of \$0.8 billion. Net position, which represents the residual interest in the University's assets and deferred outflows of resources after liabilities are deducted, was \$583.1 million as of September 30, 2015, an increase of \$6.5 million compared with the prior year. The University has credit ratings of "Aa3" and "AA-" with the rating services of Moody's and Standard & Poor's, respectively, as of December 2014.

### Financial Position

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

	2015	2014	2013
	(in millions)		
Total assets	\$ 1,413.2	\$ 1,391.5	\$ 1,411.4
Deferred outflows of resources	3.1	-	-
Total liabilities	833.2	814.9	805.6
Net position	583.1	576.6	605.8

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 revenue and expenses, including the operating, nonoperating, and other categories for the years ended September 30, 2015, 2014, and 2013, is as follows:

	2015	2014	2013
	(in millions)		
Revenues:			
Operating revenues	\$ 560.9	\$ 546.6	\$ 554.9
Nonoperating revenues	273.7	259.3	260.1
Other	28.5	3.1	3.5
Total revenues	<u>\$ 863.1</u>	<u>\$ 809.0</u>	<u>\$ 818.5</u>
Expenses:			
Operating expenses	\$ 836.4	\$ 817.7	\$ 823.1
Nonoperating expenses	20.2	20.5	20.5
Total expenses	<u>\$ 856.6</u>	<u>\$ 838.2</u>	<u>\$ 843.6</u>

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). During fiscal year 2014, total revenue decreased \$9.5 million (1.2 percent) compared to 2013, while total expenses decreased \$5.4 million (0.6 percent). Specific discussion and analysis of the changes in the components of the revenue and expense categories are provided on pages 12-19.

# Wayne State University

## Management's Discussion and Analysis - Unaudited (Continued)

### 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, deferred outflows of resources, liabilities, and net position at September 30, 2015, 2014, and 2013 is as follows:

	2015	2014	2013
		(in millions)	
Current assets	\$ 516.2	\$ 503.6	\$ 529.6
Noncurrent assets:			
Investments	5.4	34.5	79.6
Capital assets - Net of depreciation	858.6	821.5	771.9
Other	33.0	31.9	30.3
Total assets	1,413.2	1,391.5	1,411.4
Deferred outflows of resources	3.1	-	-
Current liabilities	294.5	290.1	272.1
Noncurrent liabilities:			
Long-term debt - Net of current portion	472.2	474.3	485.4
Other	66.5	50.5	48.1
Total liabilities	833.2	814.9	805.6
Total net position	<u>\$ 583.1</u>	<u>\$ 576.6</u>	<u>\$ 605.8</u>

# Wayne State University

## Management's Discussion and Analysis - Unaudited (Continued)

### Current Assets and Liabilities

Current assets are comprised primarily of cash and temporary investments and receivables. In 2015, current assets increased \$12.6 million (2.5 percent) to \$516.2 million compared with \$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. Changes in cash and temporary investments are the result of the University's overall operating performance and timing. The increase in net current receivables (see Note 4) resulted from 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 (more fully discussed in the "Other Revenue" section on page 16), and a combined net increase of \$3.4 million in grants and contracts, pledged gifts, and other receivables.

In 2014, current assets decreased \$26.0 million (4.9 percent) to \$503.6 million compared with \$529.6 million at September 30, 2013. The decrease consisted of a decline in cash and temporary investments of \$17.6 million and a decrease in net current receivables of \$9.3 million, offset partially by an increase in prepaid expenses and deposits of \$0.9 million. The decrease in net current receivables resulted from several contributing factors including a decrease of \$8.8 million for the Medicaid Disproportionate Share Hospital subsidy (DSH program) because of the timing of reimbursement which was received subsequent to September 30 in 2013, a decrease of \$6.9 million in receivables related to pending temporary investment trades which settled after year end, combined with a decrease in pledge gifts receivable of \$1.8 million, offset partially by increases in grants and contracts, student accounts, and other receivables of \$2.2 million, \$2.5 million, and \$3.5 million, respectively.

Current liabilities are comprised of amounts payable within one year and consist primarily of accounts payable, accrued liabilities, and unearned revenue. In 2015, total current liabilities increased by \$4.4 million (1.5 percent) to \$294.5 million compared with \$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 trade 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 retirement incentive program provides annual lump-sum payments over a period of five years. Those amounts payable after fiscal year 2016 (approximately \$2.2 million) are reflected as accrued employee benefits and other liabilities in the noncurrent section of the statement of net position. The increase in the current portion of long-term debt is attributable largely to the first principal payment on the Series 2013A bonds which is payable in fiscal year 2016. Unearned revenue primarily consists of 75 percent of student tuition and fees for the current fall term received or due prior to October 2015. 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.

# Wayne State University

## Management's Discussion and Analysis - Unaudited (Continued)

In 2014, total current liabilities increased by \$18.0 million (6.6 percent) to \$290.1 million compared with \$272.1 million at September 30, 2013. The increase consisted of a \$12.0 million increase in accounts payable and accrued liabilities and an increase in unearned revenue of \$6.2 million, offset partially by a combined net decrease of \$0.2 million in deposits and the current portion of long-term debt. The increase in accounts payable and accrued liabilities was driven largely by the high volume of construction projects in progress or completed late in 2014 which resulted in an increase of unpaid invoices and contractor retentions. The increase in unearned revenue was attributable principally to fall 2014 tuition and fee rate increases for undergraduate and graduate students of 3.2 percent.

The University's current ratio, a measure of liquidity, was 1.8 at September 30, 2015 compared with a ratio of 1.7 and 1.9 at September 30, 2014 and 2013, respectively.

### Noncurrent Assets and Liabilities

#### **Noncurrent Assets**

Notable changes from 2014 to 2015 in noncurrent assets included an increase in net capital assets of \$37.1 million, and a decline in investments of \$29.1 million.

#### 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, 2015, 2014, and 2013 is as follows:

	2015	2014	2013
	(in millions)		
Endowment Fund	\$ 3.4	\$ 3.5	\$ 2.8
Plant Fund - Invested bond proceeds	<u>2.0</u>	<u>31.0</u>	<u>76.8</u>
Total noncurrent investments	<u>\$ 5.4</u>	<u>\$ 34.5</u>	<u>\$ 79.6</u>

The invested bond proceeds component of noncurrent investments decreased \$29.0 million in 2015 as funds were spent for planned capital projects.

# Wayne State University

## Management's Discussion and Analysis - Unaudited (Continued)

### 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, 2015, 2014, and 2013 is as follows:

	2015	2014	2013
	(in millions)		
Endowment Fund investments	<u>\$ 288.9</u>	<u>\$ 302.7</u>	<u>\$ 284.9</u>

In 2015, the Foundation Endowment Fund investments decreased \$13.8 million (4.6 percent) to \$288.9 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).

The 2014 increase is principally because of net investment income (\$21.5 million) and new gifts (\$6.4 million), offset partially by net distributions to the University (\$9.5 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 to construct new facilities.

Capital additions during 2015 totaled \$94.1 million, compared to \$104.9 million in 2014 and \$79.3 million in 2013. 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), as well as renovations and upgrades to many other university buildings.

In 2014, capital additions included expenditures for IBio (\$42.3 million), renovations of the Advanced Technology Education Center (\$11.4 million), Manoogian Hall second floor renovations (\$5.7 million), and the Student Center Building (\$9.6 million), as well as renovations and upgrades to several parking structures (\$6.9 million).

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

### **Noncurrent Liabilities**

Notable changes in the noncurrent liability section of the statement of net position from 2014 to 2015 included an increase in accrued employee benefits and other liabilities of \$15.3 million, offset partially by a decrease in long-term debt of \$2.1 million.

### Long-term Debt

Long-term debt totaled \$485.9 million, \$486.0 million, and \$497.5 million at September 30, 2015, 2014, and 2013, respectively.

# Wayne State University

## Management's Discussion and Analysis - Unaudited (Continued)

For 2015, long-term debt declined slightly. Principal payments more than offset the additional debt issued as part of the Series 2015A bonds (more fully discussed below). The \$11.5 million decrease in long-term debt in 2014 primarily represented principal payments made during that year.

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 Series 2015A bonds in February 2015 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 2015, other noncurrent liabilities increased \$16.0 million (31.7 percent) to \$66.5 million compared to \$50.5 million and \$48.1 million at September 30, 2014 and 2013, respectively. The 2015 increase is 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).

# Wayne State University

## Management's Discussion and Analysis - Unaudited (Continued)

### Net Position

Net position represents the difference between assets and liabilities. The University's net position at September 30, 2015, 2014, and 2013 is summarized as follows:

	2015	2014	2013
	(in millions)		
Net investment in capital assets	\$ 378.1	\$ 348.1	\$ 345.9
Restricted:			
Nonexpendable	11.6	11.5	14.3
Expendable	69.3	61.9	62.1
Unrestricted	124.1	155.1	183.5
Total net position	<u>\$ 583.1</u>	<u>\$ 576.6</u>	<u>\$ 605.8</u>

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.

# Wayne State University

## Management's Discussion and Analysis - Unaudited (Continued)

### Statement of Revenue, Expenses, and Changes in Net Position

The statement of revenue, expenses, and changes in net position presents the revenue and expenses recognized during fiscal year 2015. Prior fiscal years' data are provided for comparative purposes.

#### Revenues

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

Summarized operating, nonoperating, and other revenue for the years ended September 30, 2015, 2014, and 2013 is presented below:

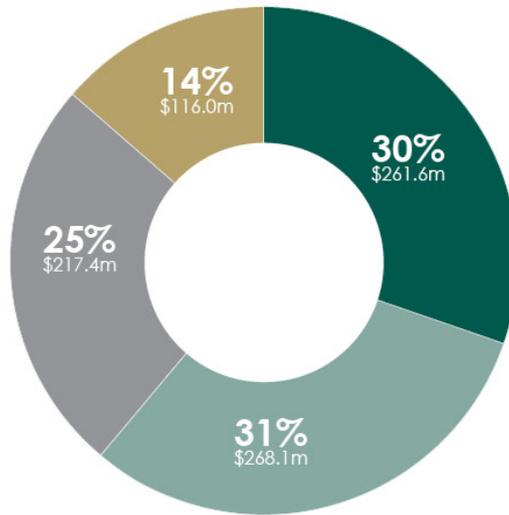
	2015	2014	2013
	(in millions)		
<b>Operating Revenues</b>			
Student tuition and fees - Gross	\$ 355.0	\$ 343.1	\$ 329.7
Less scholarship allowances	(93.4)	(93.7)	(93.4)
Net student tuition and fees	261.6	249.4	236.3
Grants and contracts	234.6	238.1	263.4
Departmental activities, auxiliary enterprises, and other	64.7	59.1	55.2
Total operating revenues	560.9	546.6	554.9
<b>Nonoperating Revenues</b>			
State operating appropriation	190.5	183.4	183.4
Federal Pell grants	33.5	36.2	38.1
Gifts	28.8	17.5	24.0
Investment income:			
Income and realized gains	10.8	11.8	11.8
Unrealized (loss) gain	(4.5)	0.4	(7.4)
Change in fair value of derivatives	1.1	0.5	(0.7)
Net distributions from the Foundation	10.5	9.5	10.9
Other	3.0	-	-
Total nonoperating revenues	273.7	259.3	260.1
<b>Other</b>			
State capital appropriation	26.9	-	-
Capital and endowment gifts	1.6	3.1	3.5
Total other	28.5	3.1	3.5
Total revenues	<u>\$ 863.1</u>	<u>\$ 809.0</u>	<u>\$ 818.5</u>

# Wayne State University

## Management's Discussion and Analysis - Unaudited (Continued)

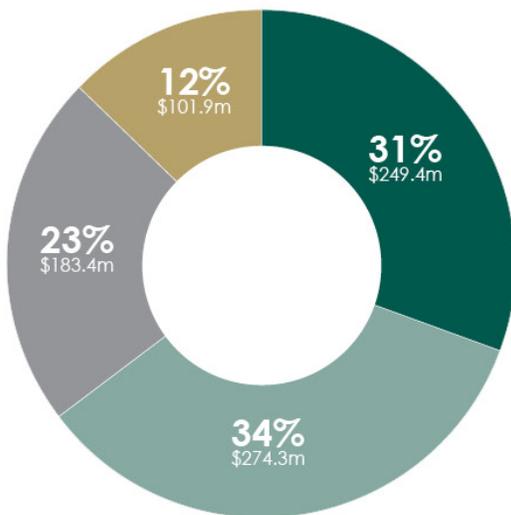
The charts below graphically depict total revenue by source for the years ended September 30, 2015, 2014, and 2013:

### Total Revenue



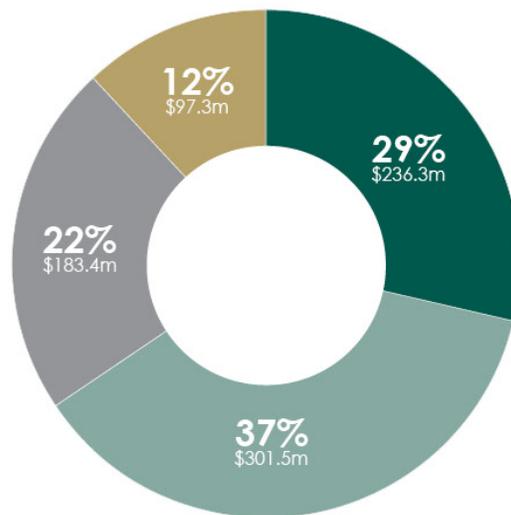
■ Grants and Contracts    ■ State Appropriations  
■ Tuition and Fees, Net    ■ Other

2015 - \$863.1 million



■ Grants and Contracts    ■ State Appropriations  
■ Tuition and Fees, Net    ■ Other

2014 - \$809.0 million



■ Grants and Contracts    ■ State Appropriations  
■ Tuition and Fees, Net    ■ Other

2013 - \$818.5 million

# Wayne State University

## Management's Discussion and Analysis - Unaudited (Continued)

### 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 \$560.9 million in 2015 compared to \$546.6 and \$554.9 million in 2014 and 2013, respectively. The 2015 increase in total operating revenue of \$14.3 million (2.6 percent) from 2014 was attributable to several factors:

Student Tuition and Fees - In fiscal year 2015, gross student tuition and fees increased \$11.9 million and scholarship allowances decreased by \$0.3 million, resulting in an increase in net student tuition and fees of \$12.2 million. The increase in gross student tuition and fees was attributable principally to the fall 2014 undergraduate and graduate tuition rate increases of 3.2 percent, offset partially by a slight decline in credit hours. The 2014 increase in gross student tuition and fees of \$13.4 million resulted primarily from the fall 2013 undergraduate and graduate tuition rate increases of 8.9 percent and 4.0 percent, respectively, offset by a 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 2015, 2014, and 2013, the University provided total scholarships and fellowships of \$110.0 million, \$107.5 million, and \$108.0 million, respectively. For 2015, the \$2.5 million increase represents a 2.3 percent increase in financial aid. The decrease in 2014 of \$0.5 million and the increase in 2013 of \$5.3 million represent percentage changes of -0.5 percent and 5.2 percent, respectively. 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. The decrease in 2014 is attributable to a reduction in federal Pell grant awards of \$1.9 million, offset partially by an overall increase in university scholarships and other financial awards of \$1.4 million.

# Wayne State University

## Management's Discussion and Analysis - Unaudited (Continued)

Grants and Contracts - Grants and contracts revenue decreased \$3.5 million (1.5 percent) from 2014 to 2015. 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 state funding for the University's psychiatry program as 2014 revenue (\$5.0 million) was delayed until 2015. In 2015, the State began funding the program on a cost reimbursement basis which resulted in the recognition of revenue in 2015 equal to the related program expenses (\$4.8 million), resulting in two years of revenue being recognized in 2015. Absent that delay, state and local grants and contracts increased \$4.0 million attributable principally to an increase in awards from the Michigan Department of Community Health (\$2.1 million) combined with an overall increase in state grants awarded or ongoing in 2015 (\$1.9 million). In 2014, grants and contracts revenue decreased \$25.3 million. The decrease consisted of several factors including a decrease in state and local grants of \$12.1 million attributable principally to the timing of certain state grants (\$11.2 million), a decrease in nongovernmental grants and contracts of \$5.8 million partially attributable to the timing of certain revenue (\$2.0 million) and a slight decrease in salary reimbursement activity (\$1.7 million), combined with a decline in federal grants and contracts of \$7.4 million resulting from an overall reduction in federal grants and contract projects ongoing or awarded to the University in 2014.

Departmental Activities, Auxiliary Enterprises, and Other - In 2015, departmental activities, auxiliary enterprises, and other revenue increased \$5.6 million to \$64.7 million compared with \$59.1 million and \$55.2 million in 2014 and 2013, respectively. The increase consisted of 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. The increase in 2014 of \$3.9 million consisted of a \$2.4 million increase in other student fees, combined with increases of \$1.0 million and \$0.5 million in auxiliary enterprises and other revenue, respectively. The increase in other student fees was attributable principally to a full year of revenue for certain Engineering, Sciences, and Honors support fees which were new in fall 2013 compared to a partial year of revenue in 2013 (\$1.5 million), combined with increased revenue from the Fall 2014 replacement of the graduation and orientation fee with a matriculation fee for new undergraduate freshmen (\$0.5 million) and collection fees generated from the University's in-house student accounts receivable collections department which was established in 2014 (\$0.5 million).

### Nonoperating and Other Revenues

Nonoperating and other revenues was \$302.2 million in 2015, compared to \$262.4 million and \$263.6 million in 2014 and 2013, respectively. Factors affecting this change are as follows:

#### Nonoperating Revenues

- The state operating appropriation, totaling \$190.5 million in 2015 and \$183.4 million in both 2014 and 2013, is the most significant component of the University's nonoperating and other revenue. 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). In 2014, the base state operating appropriation remained flat with no increase from the prior year's appropriation amount.

# Wayne State University

## Management's Discussion and Analysis - Unaudited (Continued)

- Gift revenue, excluding capital and endowment gifts, increased \$11.3 million (64.6 percent) to \$28.8 million in 2015 compared to \$17.5 million and \$24.0 million in 2014 and 2013, 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 \$1.0 million in 2015 and decreased \$1.4 million in 2014.
- The fund components of investment income included in nonoperating revenue for the past three years are as follows:

### Investment Income (including realized and unrealized income)

	2015	2014	2013
	(in millions)		
Net investment income:			
Income and realized gains	\$ 10.8	\$ 11.8	\$ 11.8
Unrealized (loss) gain	(4.5)	0.4	(7.4)
Change in fair value of derivatives	<u>1.1</u>	<u>0.5</u>	<u>(0.7)</u>
Total net investment income including the change in fair value of derivatives	<u>\$ 7.4</u>	<u>\$ 12.7</u>	<u>\$ 3.7</u>

Investment income is attributable principally to cash pool investments. The 2015 decline in net investment income of \$5.3 million is 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. The 2014 change in unrealized gain of \$7.8 million was attributable principally to favorable interest rate changes.

### Other Revenues

Other revenues totaled \$28.5 million, \$3.1 million, and \$3.5 million in 2015, 2014, and 2013, respectively. Other revenue in 2015 includes a \$26.9 million state capital appropriation 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 required threshold of project expenditures that the University must meet before the state payments would commence. The University met this threshold during fiscal year 2015.

# Wayne State University

## Management's Discussion and Analysis - Unaudited (Continued)

### Expenses

Operating and nonoperating expenses for the years ended September 30, 2015, 2014, and 2013 are summarized below:

	2015	2014	2013
	(in millions)		
Operating expenses	\$ 836.4	\$ 817.7	\$ 823.1
Nonoperating expenses:			
Interest expense	19.5	19.8	19.0
Other	0.7	0.7	1.5
Total nonoperating expenses	20.2	20.5	20.5
Total expenses	<u>\$ 856.6</u>	<u>\$ 838.2</u>	<u>\$ 843.6</u>

Operating expenses by both functional and natural classification for the years ended September 30, 2015, 2014, and 2013 are as follows:

	2015		2014		2013	
	Dollars	% of Total Operating Expenses	Dollars	% of Total Operating Expenses	Dollars	% of Total Operating Expenses
	(in millions)					
<b>Natural Classification</b>						
Compensation and benefits	\$ 579.0	69.2%	\$ 566.3	69.3%	\$ 565.2	68.7%
Supplies, services, and other	189.5	22.7%	186.5	22.8%	187.3	22.7%
Depreciation	56.3	6.7%	55.0	6.7%	59.9	7.3%
Scholarships and fellowships <sup>(1)</sup>	11.6	1.4%	9.9	1.2%	10.7	1.3%
Total	<u>\$ 836.4</u>	<u>100%</u>	<u>\$ 817.7</u>	<u>100%</u>	<u>\$ 823.1</u>	<u>100%</u>
<b>Functional Classification</b>						
Instruction	\$ 294.5	35.2%	\$ 291.6	35.8%	\$ 293.6	35.5%
Research	147.1	17.6%	150.7	18.4%	155.6	18.9%
Public service	59.3	7.1%	51.2	6.3%	46.1	5.6%
Academic support	64.1	7.6%	60.5	7.4%	63.2	7.7%
Student services	38.1	4.6%	37.9	4.6%	35.9	4.4%
Institutional support	75.2	9.0%	71.2	8.7%	68.2	8.3%
Operation and maintenance of plant	63.4	7.6%	65.8	8.0%	67.1	8.2%
Scholarships and fellowships <sup>(1)</sup>	11.6	1.4%	9.9	1.2%	10.7	1.3%
Auxiliary enterprises	26.8	3.2%	23.9	2.9%	22.8	2.8%
Depreciation	56.3	6.7%	55.0	6.7%	59.9	7.3%
Total	<u>\$ 836.4</u>	<u>100%</u>	<u>\$ 817.7</u>	<u>100%</u>	<u>\$ 823.1</u>	<u>100%</u>

<sup>(1)</sup> Excludes "scholarship allowances" applied directly to students' tuition and room and board (see pages 12, 14, and 18).

# Wayne State University

## Management's Discussion and Analysis - Unaudited (Continued)

### Operating Expenses

Compensation and benefit expenses increased \$12.7 million (2.2 percent) in 2015 to \$579.0 million compared to \$566.3 million and \$565.2 million in 2014 and 2013, respectively. The increase in 2015 resulted principally from one-time costs related to the academic retirement incentive program (\$7.3 million), combined with a net increase in salary and benefit inflationary cost (\$5.4 million). The slight increase in 2014 of \$1.1 million was attributable principally to salary and benefit inflationary cost increases, offset partially by a reduction in employee headcount.

Depreciation expense increased \$1.3 million (2.4 percent) to \$56.3 million in 2015 compared to \$55.0 million and \$59.9 million in 2014 and 2013, respectively. The increase in depreciation expense in 2015 is attributable principally to certain construction and renovation projects completed in 2014 which recognized a partial year of expense in 2014 compared to a full year in 2015. The decrease in depreciation expense in 2014 is attributable principally to certain construction and renovation projects which were fully depreciated in 2013.

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. As discussed previously, the increase in 2015 is attributable principally to a reduction in federal Pell grant awards, offset by an increase in University scholarships and other financial aid. Total scholarships and fellowships granted in 2014 decreased \$0.5 million (0.5 percent) to \$107.5 million, compared to \$108.0 million in 2013. As discussed previously, the decrease in 2014 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 \$11.6 million, \$9.9 million, and \$10.7 million are disbursed directly to students and are reported as operating expenses in 2015, 2014, and 2013, respectively. The remaining amounts for 2015, 2014, and 2013 of \$98.4 million, \$97.6 million, and \$97.3 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 revenue, expenses, and changes in net position on page 22.

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

In this regard, combined expenditures for instruction increased \$2.9 million (1.0 percent) to \$294.5 million in 2015 and decreased \$2.0 million (0.7 percent) to \$291.6 million in 2014, compared to \$293.6 million in 2013. 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). The 2014 decrease was attributable principally to cost reduction measures which more than offset an increase in compensation-related expenses.

Research expenditures decreased \$3.6 million (2.4 percent) in 2015 to \$147.1 million compared to \$150.7 million and \$155.6 million in 2014 and 2013, respectively. The 2015 decrease was attributable principally to a reduction in compensation-related expenses and direct expenses of \$2.8 million and \$0.8 million, respectively. The 2015 and 2014 declines were both driven largely by an overall decrease in research-related grant and contract activity.

# **Wayne State University**

## **Management's Discussion and Analysis - Unaudited (Continued)**

Public service expenses increased \$8.1 million (15.8 percent) to \$59.3 million in 2015, compared to \$51.2 million and \$46.1 million in 2014 and 2013, respectively. 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. The 2014 increase was attributable principally to an increase in salary reimbursement activity in the Designated Fund of \$2.9 million, combined with an increase in other compensation-related expenses of \$1.2 million, and an increase in direct expenditures of \$1.0 million.

Institutional support expenses increased \$4.0 million (5.6 percent) in 2015 to \$75.2 million compared to \$71.2 million and \$68.2 in 2014 and 2013, respectively. 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. The increase in 2014 was attributable principally to compensation-related expenses related to inflationary cost increases and increased headcount to support the University's capital campaign (\$2.2 million), combined with an increase in direct expenditures of \$0.8 million.

### **Nonoperating Expenses**

Interest expense totaled \$19.5 million, \$19.8 million, and \$19.0 million in 2015, 2014, and 2013, respectively. Interest expense was net of a federal subsidy related to the Series 2009B Build America Bonds of \$0.5 million in 2015 and 2014 and \$0.6 million in 2013.

# Wayne State University

## Management's Discussion and Analysis - Unaudited (Continued)

### 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 revenue, 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, 2015, 2014, and 2013 is as follows:

	2015	2014	2013
	(in millions)		
Cash and temporary investments (used in) provided by:			
Operating activities	\$ (205.5)	\$ (208.1)	\$ (219.0)
Noncapital financing activities	260.9	245.9	259.0
Capital and related financing activities	(105.7)	(113.4)	8.3
Investing activities	<u>35.8</u>	<u>58.0</u>	<u>(69.8)</u>
Net decrease in cash and temporary investments	(14.5)	(17.6)	(21.5)
Cash and temporary investments - Beginning of year	<u>353.2</u>	<u>370.8</u>	<u>392.3</u>
Cash and temporary investments - End of year	<u><b>\$ 338.7</b></u>	<u><b>\$ 353.2</b></u>	<u><b>\$ 370.8</b></u>

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 \$190.5 million in 2015 and \$183.4 million in both 2014 and 2013. Cash flows from capital and related financing activities represent Plant Fund and related long-term debt activities and capital gifts. Cash flows from investing activities includes uses of cash to purchase investments, increases in cash and equivalents as a result of selling investments, and income earned on cash and temporary investments. Investing activities also include cash proceeds from the sale of bond-related investments to finance construction expenditures.

### Economic Factors That Will Affect the Future

The Michigan economy continues on its path to recovery and is expected to be reflected in increased revenue at the state level. The University is hopeful that this revenue will result in similar increases to the higher education appropriation. Likewise, 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. These improvements make the University a much more desirable destination for tomorrow's student.

# Wayne State University

## Statement of Net Position

	September 30, 2015			September 30, 2014		
	Wayne State		Total	Wayne State		Total
	University	Foundation		University	Foundation	
<b>Assets</b>						
<b>Current Assets</b>						
Cash and temporary investments (Note 2)	\$ 338,749,153	\$ -	\$ 338,749,153	\$ 353,181,925	\$ -	\$ 353,181,925
Current receivables - Net (Note 4)	139,366,646	1,167,857	140,534,503	113,591,297	2,032,093	115,623,390
Inventories	1,524,646	-	1,524,646	1,743,420	-	1,743,420
Prepaid expenses and deposits	36,523,108	-	36,523,108	35,066,737	-	35,066,737
Total current assets	516,163,553	1,167,857	517,331,410	503,583,379	2,032,093	505,615,472
<b>Noncurrent Assets</b>						
Investments (Notes 2 and 3)	5,368,939	288,908,673	294,277,612	34,514,068	302,687,030	337,201,098
Noncurrent receivables - Net (Note 4)	32,692,865	-	32,692,865	31,958,625	-	31,958,625
Derivative instruments (Note 7)	343,326	-	343,326	-	-	-
Capital assets - Net (Note 5)	858,621,007	-	858,621,007	821,513,928	-	821,513,928
Total noncurrent assets	897,026,137	288,908,673	1,185,934,810	887,986,621	302,687,030	1,190,673,651
Total assets	1,413,189,690	290,076,530	1,703,266,220	1,391,570,000	304,719,123	1,696,289,123
<b>Deferred Outflows of Resources</b>	3,141,925	-	3,141,925	-	-	-
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Accounts payable and accrued liabilities	110,977,682	204,974	111,182,656	110,579,880	200,175	110,780,055
Unearned revenue	162,127,944	-	162,127,944	160,131,977	-	160,131,977
Deposits	7,653,145	-	7,653,145	7,695,077	-	7,695,077
Long-term debt - Current portion (Note 6)	13,718,003	-	13,718,003	11,725,543	-	11,725,543
Total current liabilities	294,476,774	204,974	294,681,748	290,132,477	200,175	290,332,652
<b>Noncurrent Liabilities</b>						
Federal portion of student loan funds	33,054,566	-	33,054,566	31,687,913	-	31,687,913
Accrued employee benefits and other liabilities	33,432,692	-	33,432,692	18,114,180	-	18,114,180
Long-term debt - Net of current portion (Note 6)	472,209,083	-	472,209,083	474,275,336	-	474,275,336
Derivative instruments (Note 7)	-	-	-	723,429	-	723,429
Total noncurrent liabilities	538,696,341	-	538,696,341	524,800,858	-	524,800,858
Total liabilities	833,173,115	204,974	833,378,089	814,933,335	200,175	815,133,510
<b>Net Position</b>						
Net investment in capital assets	378,135,038	-	378,135,038	348,065,298	-	348,065,298
Restricted:						
Nonexpendable	11,656,502	165,528,193	177,184,695	11,575,435	156,906,472	168,481,907
Expendable	69,290,272	117,356,153	186,646,425	61,901,380	139,960,360	201,861,740
Unrestricted	124,076,688	6,987,210	131,063,898	155,094,552	7,652,116	162,746,668
Total net position	\$ 583,158,500	\$ 289,871,556	\$ 873,030,056	\$ 576,636,665	\$ 304,518,948	\$ 881,155,613

# Wayne State University

## Statement of Revenues, Expenses, and Changes in Net Position

	Year Ended September 30, 2015			Year Ended September 30, 2014		
	Wayne State University			Wayne State University		
	University	Foundation	Total	University	Foundation	Total
<b>Operating Revenues</b>						
Student tuition and fees	\$ 355,040,611	\$ -	\$ 355,040,611	\$ 343,113,206	\$ -	\$ 343,113,206
Less scholarship allowances	(93,447,219)	-	(93,447,219)	(93,699,884)	-	(93,699,884)
Net student tuition and fees	261,593,392	-	261,593,392	249,413,322	-	249,413,322
Federal grants and contracts	105,407,979	-	105,407,979	106,223,672	-	106,223,672
State and local grants and contracts	24,141,526	-	24,141,526	10,379,503	-	10,379,503
Nongovernmental grants and contracts	104,997,173	-	104,997,173	121,507,341	-	121,507,341
Departmental activities	22,560,699	-	22,560,699	21,988,913	-	21,988,913
Auxiliary enterprises - Net of scholarship allowances of \$5,015,469 in 2015 and \$3,930,945 in 2014	38,032,862	-	38,032,862	33,370,953	-	33,370,953
Other operating revenue	4,145,410	-	4,145,410	3,709,058	-	3,709,058
Total operating revenues	560,879,041	-	560,879,041	546,592,762	-	546,592,762
<b>Operating Expenses (Note 11)</b>						
Instruction	294,460,609	-	294,460,609	291,589,616	-	291,589,616
Research	147,108,463	-	147,108,463	150,737,120	-	150,737,120
Public service	59,351,473	-	59,351,473	51,223,967	-	51,223,967
Academic support	64,147,614	-	64,147,614	60,540,517	-	60,540,517
Student services	38,147,478	-	38,147,478	37,945,130	-	37,945,130
Institutional support	75,193,563	-	75,193,563	71,163,672	-	71,163,672
Operation and maintenance of plant	63,375,851	-	63,375,851	65,746,095	-	65,746,095
Scholarships and fellowships	11,567,464	-	11,567,464	9,874,922	-	9,874,922
Auxiliary enterprises	26,769,674	-	26,769,674	23,882,913	-	23,882,913
Depreciation	56,321,850	-	56,321,850	54,954,575	-	54,954,575
Total operating expenses	836,444,039	-	836,444,039	817,658,527	-	817,658,527
<b>Operating Loss</b>	(275,564,998)	-	(275,564,998)	(271,065,765)	-	(271,065,765)
<b>Nonoperating Revenues (Expenses)</b>						
State operating appropriation	190,519,800	-	190,519,800	183,398,300	-	183,398,300
Federal Pell grants	33,523,939	-	33,523,939	36,176,846	-	36,176,846
Gifts	28,800,513	225,047	29,025,560	17,482,322	83,284	17,565,606
Investment income (loss) including change in fair value of derivatives of \$1,066,754 in 2015 and \$498,513 in 2014	7,395,577	(12,251,818)	(4,856,241)	12,716,547	21,511,607	34,228,154
Net distributions from the Foundation	10,543,859	(10,543,859)	-	9,546,782	(9,546,782)	-
Interest on capital asset - Related debt	(19,461,981)	-	(19,461,981)	(19,757,375)	-	(19,757,375)
Loss on capital assets retired	(671,588)	-	(671,588)	(307,207)	-	(307,207)
Other	2,975,090	-	2,975,090	(498,714)	-	(498,714)
Net nonoperating revenues (expenses)	253,625,209	(22,570,630)	231,054,579	238,757,501	12,048,109	250,805,610
<b>(Loss) Income Before Other</b>	(21,939,789)	(22,570,630)	(44,510,419)	(32,308,264)	12,048,109	(20,260,155)
<b>Other</b>						
State capital appropriation	26,940,199	-	26,940,199	-	-	-
Capital gifts	1,370,006	-	1,370,006	2,995,393	-	2,995,393
Gifts for permanent endowments	151,419	7,923,238	8,074,657	140,882	6,390,757	6,531,639
Total other	28,461,624	7,923,238	36,384,862	3,136,275	6,390,757	9,527,032
<b>Increase (Decrease) in Net Position</b>	6,521,835	(14,647,392)	(8,125,557)	(29,171,989)	18,438,866	(10,733,123)
<b>Net Position</b>						
Beginning of year	576,636,665	304,518,948	881,155,613	605,808,654	286,080,082	891,888,736
End of year	\$ 583,158,500	\$ 289,871,556	\$ 873,030,056	\$ 576,636,665	\$ 304,518,948	\$ 881,155,613

	Year Ended September 30	
	2015	2014
<b>Cash Flows from Operating Activities</b>		
Tuition and fees - Net	\$ 252,417,375	\$ 258,261,206
Grants and contracts	228,885,725	245,132,956
Auxiliary enterprises	37,863,727	34,099,207
Departmental activities	24,766,093	26,564,852
Loans issued to students	(5,506,214)	(6,037,274)
Collection of loans from students	1,738,102	(706,926)
Scholarships and fellowships	(13,983,958)	(10,767,653)
Payments to suppliers	(164,136,734)	(194,935,350)
Payments to employees and benefit providers	(571,727,230)	(563,414,587)
Other receipts	4,145,437	3,709,005
Net cash used in operating activities	(205,537,677)	(208,094,564)
<b>Cash Flows from Noncapital Financing Activities</b>		
State operating appropriation	190,519,800	183,398,300
Federal Pell grants	33,523,939	36,176,846
Gifts	27,169,415	17,920,659
External student lending receipts	196,663,529	208,140,444
External student lending disbursements	(196,939,379)	(210,661,952)
Net distributions from the Foundation	10,543,859	9,546,782
Other	(494,259)	1,360,354
Net cash provided by noncapital financing activities	260,986,904	245,881,433
<b>Cash Flows from Capital and Related Financing Activities</b>		
State capital appropriations	16,149,607	-
Capital gifts and grants	1,448,354	2,203,804
Proceeds from issuance of debt and other long-term obligations	10,051,972	-
Expenditures for capital assets	(102,749,268)	(85,441,478)
Principal paid on capital debt	(11,015,000)	(10,520,000)
Interest paid on capital debt	(19,587,886)	(19,673,247)
Net cash used in capital and related financing activities	(105,702,221)	(113,430,921)
<b>Cash Flows from Investing Activities</b>		
Investment income - Net	6,766,439	12,854,762
Proceeds from sales and maturities of investments	39,451,574	45,942,992
Purchase of investments	(10,397,791)	(766,003)
Net cash provided by investing activities	35,820,222	58,031,751
<b>Net Decrease in Cash and Temporary Investments</b>	(14,432,772)	(17,612,301)
<b>Cash and Temporary Investments - Beginning of year</b>	353,181,925	370,794,226
<b>Cash and Temporary Investments - End of year</b>	<b>\$ 338,749,153</b>	<b>\$ 353,181,925</b>
<b>Reconciliation of Operating Loss to Net Cash from Operating Activities</b>		
Operating loss	\$ (275,564,998)	\$ (271,065,765)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation expense	56,321,850	54,954,575
(Increase) decrease in assets of current operating funds:		
Receivables - Net	(13,757,642)	1,298,410
Prepaid expenses and inventories	(1,085,649)	1,258,520
Increase (decrease) in liabilities of current operating funds:		
Accounts payable and accrued liabilities	18,537,142	(5,803,389)
Deposits	(87,640)	113,115
Unearned income	1,270,989	10,896,065
Accrued employee benefits and other liabilities	8,828,271	253,905
Net cash used in operating activities	<b>\$ (205,537,677)</b>	<b>\$ (208,094,564)</b>
<b>Noncash Transactions</b>		
Proceeds from issuance of Series 2015A Bonds	\$ 46,180,811	\$ -
Payments related to refunding of Series 2006 Bonds	(42,170,000)	-

### Note I - Basis of Presentation and Significant Accounting Policies

#### Overview

Wayne State University (the "University") is a state-supported institution with a fall 2015 enrollment of approximately 27,200 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 activities 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:

- **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 I - 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 revenue, expenses, and changes in net position, are those activities that generally result from exchange transactions, such as revenue received for tuition and fees, grants and contracts revenue for services performed on sponsored programs, or expenses paid for goods or services. Nonoperating revenue is generally non-exchange in nature. State appropriations, Pell grant revenue, gifts, and investment activity are non-exchange transactions.

Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**Investments** - Investments in marketable securities are recorded at market value as established by the major securities markets. Purchases and sales of investments are accounted for on the trade date basis. Realized and unrealized gains and losses are reported as investment income. Nonmarketable investments are valued based on the most recent available data.

### **Note I - Basis of Presentation and Significant Accounting Policies (Continued)**

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 ended 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. 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.

**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.

**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.

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

**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 financial 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 the General Revenue Bonds Series 2006, net of amortization, at September 30, 2015.

**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.

The University disbursed approximately \$196,939,000 and \$210,652,000 in 2015 and 2014, 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 revenue, 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.

### Note 2 - Cash and Investments

Cash and investments, by classification and investment type, at September 30, 2015 and 2014 are as follows:

Classification	2015	2014
Cash and temporary investments	\$ 338,749,153	\$ 353,181,925
Investments:		
Endowment Fund	3,403,087	3,553,581
Plant Fund - Invested bond proceeds and related earnings	1,965,852	30,960,487
Total investments	<u>5,368,939</u>	<u>34,514,068</u>
Total cash and investments	<u>\$ 344,118,092</u>	<u>\$ 387,695,993</u>

Type	2015	2014
Fixed income	\$ 295,685,912	\$ 354,391,300
Certificates of deposit and savings accounts	112,055	111,500
Real estate investment pool and other investments	44,900	44,900
Other	4,516,113	4,684,355
Cash and checks issued - Net	<u>43,759,112</u>	<u>28,463,938</u>
Total cash and investments	<u>\$ 344,118,092</u>	<u>\$ 387,695,993</u>

The University's cash and temporary investments provided a return of 1.4 percent and 2.9 percent for the fiscal years ended September 30, 2015 and 2014, respectively. Investments in the Plant Fund consist of invested bond proceeds and related earnings which are restricted for capital projects.

#### 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, 2015
Short-term liquidity portfolio	A/A	30%	15% - 70%	17%
Core portfolio	BBB-/Baa3	62%	30% - 85%	75%
Opportunistic portfolio	B-/B3	8%	0% - 12%	8%

### Note 2 - Cash and Investments (Continued)

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, 2015 and 2014, the carrying amount of these deposits totaled \$48,930,951 and \$33,647,041, respectively. Of these amounts, \$48,084,582 and \$32,790,757, respectively, were uninsured and not collateralized at September 30, 2015 and 2014, 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 \$154,223,171 and \$171,153,243 of its portfolio at September 30, 2015 and 2014, respectively. These investments are either held in the name of the University or a nominee's name for the benefit of the University, and would not be subject to any general creditor claims.

#### Credit Risk

Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. Nationally recognized rating organizations, such as Moody's and Standard & 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.

### Note 2 - Cash and Investments (Continued)

Fixed-income investments classified by credit ratings at September 30, 2015 and 2014 were as follows:

Investment Type	2015 Maturities (in Years)				Total
	Less Than 1	1-5	6-10	More Than 10	
U.S. Treasuries	\$ 5,031,651	\$ -	\$ -	\$ -	\$ 5,031,651
Securitized investments <sup>(1)</sup>	-	2,673,894	2,588,564	5,281,646	10,544,104
Money market mutual funds <sup>(2)</sup>	7,114,419	-	-	-	7,114,419
Corporate securities	24,290,097	74,623,601	30,365,287	3,011,501	132,290,486
Fixed-income institutional bond funds <sup>(2)</sup>	4,712,475	90,818,039	12,328,873	-	107,859,387
High yield short-term fund <sup>(2)</sup>	-	15,551,534	-	-	15,551,534
Non-U.S. fixed-income securities	893,746	12,542,900	3,857,685	-	17,294,331
Total fixed-income investments	<u>\$ 42,042,388</u>	<u>\$ 196,209,968</u>	<u>\$ 49,140,409</u>	<u>\$ 8,293,147</u>	<u>\$ 295,685,912</u>

Investment Type	2014 Maturities (in Years)				Total
	Less Than 1	1-5	6-10	More Than 10	
U.S. Treasuries	\$ 20,191,450	\$ 5,114,450	\$ -	\$ -	\$ 25,305,900
Securitized investments <sup>(1)</sup>	-	2,908,957	498,711	13,439,137	16,846,805
Money market mutual funds <sup>(2)</sup>	18,665,343	-	-	-	18,665,343
Corporate securities	27,251,526	63,506,302	28,329,329	787,124	119,874,281
Fixed-income institutional bond funds <sup>(2)</sup>	28,690,528	58,156,902	48,704,994	-	135,552,424
High yield short-term fund <sup>(2)</sup>	-	15,913,720	-	-	15,913,720
Non-U.S. fixed-income securities	507,798	14,222,375	7,502,654	-	22,232,827
Total fixed-income investments	<u>\$ 95,306,645</u>	<u>\$ 159,822,706</u>	<u>\$ 85,035,688</u>	<u>\$ 14,226,261</u>	<u>\$ 354,391,300</u>

<sup>(1)</sup> The effective maturity on securitized investments can be significantly less than the legal maturity date.

<sup>(2)</sup> The maturities indicated for these funds are the average of the overall pool.

### 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, 2015 and 2014, the University's combined cash and temporary investments did not have investments with a particular issuer which equaled or exceeded 5 percent.

### Note 2 - Cash and Investments (Continued)

#### Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting exposure to fair value losses resulting from rising interest rates, the cash management policy limits the maturities 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.

The University held the following types of fixed-income investments and maturities at September 30, 2015 and 2014:

Investment Type	2015 Credit Rating					Total
	AAA	AA	A	BBB	Below BB	
U.S. Treasuries	\$ 5,031,651	\$ -	\$ -	\$ -	\$ -	\$ 5,031,651
Securitized investments	3,332,844	5,261,504	1,446,656	503,100	-	10,544,104
Money market mutual funds	7,114,419	-	-	-	-	7,114,419
Corporate securities	2,329,450	8,999,410	47,758,311	72,308,815	894,500	132,290,486
Fixed-income institutional bond funds	-	40,288,233	36,987,136	30,584,018	-	107,859,387
High yield short-term fund	-	-	-	-	15,551,534	15,551,534
Non-U.S. fixed-income securities	500,045	1,766,512	7,970,331	6,566,193	491,250	17,294,331
Investments by rating	<u>\$ 18,308,409</u>	<u>\$ 56,315,659</u>	<u>\$ 94,162,434</u>	<u>\$ 109,962,126</u>	<u>\$ 16,937,284</u>	<u>\$ 295,685,912</u>

Investment Type	2014 Credit Rating					Total
	AAA	AA	A	BBB	Below BB	
U.S. Treasuries	\$ 25,305,900	\$ -	\$ -	\$ -	\$ -	\$ 25,305,900
Securitized investments	12,861,239	2,218,004	1,228,832	538,730	-	16,846,805
Money market mutual funds	18,665,343	-	-	-	-	18,665,343
Corporate securities	-	9,147,610	49,735,052	60,601,619	390,000	119,874,281
Fixed-income institutional bond funds	-	38,737,026	83,705,481	13,109,917	-	135,552,424
High yield short-term fund	-	-	-	-	15,913,720	15,913,720
Non-U.S. fixed-income securities	1,486,356	1,357,267	8,404,960	10,984,244	-	22,232,827
Investments by rating	<u>\$ 58,318,838</u>	<u>\$ 51,459,907</u>	<u>\$ 143,074,325</u>	<u>\$ 85,234,510</u>	<u>\$ 16,303,720</u>	<u>\$ 354,391,300</u>

**Note 2 - Cash and Investments (Continued)****Foreign Currency Risk**

Foreign currency risk represents the risk that changes in exchange rates will adversely affect the fair value of an investment. The University's cash management policy does not specifically limit foreign currency exposure. The cash and temporary investments portfolio included investments denominated in a foreign currency totaling \$2,572,867 and \$2,066,430 at September 30, 2015 and 2014, respectively. 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). The 2014 balance includes investments denominated in the Canadian dollar (\$1.4 million), the New Zealand dollar (\$0.5 million), the Mexican peso (\$0.5 million), and the Australian dollar (\$0.3 million).

**Note 3 - Foundation Investments**

The Foundation's investments, by statement of net position classification and investment type, at September 30, 2015 and 2014 are as follows:

Type	2015	2014
Fixed income	\$ 77,206,626	\$ 77,729,265
Equity securities	118,192,403	123,547,279
Other investment instrument types not included above:		
Mutual funds	41,247,000	47,096,654
Limited partnerships	34,008,329	35,306,115
Commingled funds	<u>18,254,315</u>	<u>19,007,717</u>
Total investments	<u>\$ 288,908,673</u>	<u>\$ 302,687,030</u>

The Foundation's investments had investment performance of -4.0 percent and 7.5 percent for the years ended September 30, 2015 and 2014, respectively.

### Note 3 - Foundation Investments (Continued)

#### 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, 2015
U.S. equities	30%	20% - 40%	27%
Non-U.S. equities	15%	10% - 30%	14%
Fixed-income securities	20%	10% - 50%	23%
Global asset allocation strategies	15%	0% - 20%	14%
Hedge funds	15%	5% - 25%	6%
Real assets	5%	0% - 15%	8%
Opportunistic investments	0%	0% - 15%	5%
Cash	0%	0% - 25%	3%

The Foundation's board of directors approved an allocation to "opportunistic investments" in order to take advantage of investment strategies that become attractive from a valuation standpoint from time to time. Recognizing that opportunistic investments may not always be available, a target of 0 percent was established, but there is a range of 0 percent to 15 percent. Also, 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 target of 0 percent and a maximum amount of 25 percent.

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.

### Note 3 - Foundation Investments (Continued)

#### 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 \$53,280,862 and \$53,724,177 of its portfolio at September 30, 2015 and 2014, 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, 2015 and 2014 were as follows:

Investment Type	2015 Credit Rating					Total
	AAA	AA	A	BBB	Not Rated	
Money market mutual funds <sup>(1)</sup>	\$ 6,363,577	\$ -	\$ -	\$ -	\$ -	\$ 6,363,577
Corporate securities	-	-	-	1,241,804	-	1,241,804
Fixed-income institutional bond funds <sup>(1)</sup>	-	9,906,909	25,462,871	23,388,930	-	58,758,710
Direct loan fund <sup>(1)</sup>	-	-	-	-	10,842,535	10,842,535
Investments by rating	<u>\$ 6,363,577</u>	<u>\$ 9,906,909</u>	<u>\$ 25,462,871</u>	<u>\$ 24,630,734</u>	<u>\$ 10,842,535</u>	<u>\$ 77,206,626</u>

Investment Type	2014 Credit Rating					Total
	AAA	AA	A	BBB	Not Rated	
Money market mutual funds <sup>(1)</sup>	\$ 2,458,677	\$ -	\$ -	\$ -	\$ -	\$ 2,458,677
Corporate securities	-	-	-	1,228,839	-	1,228,839
Fixed-income institutional bond funds <sup>(1)</sup>	-	-	15,165,247	51,026,680	-	66,191,927
Direct loan fund <sup>(1)</sup>	-	-	-	-	7,849,822	7,849,822
Investments by rating	<u>\$ 2,458,677</u>	<u>\$ -</u>	<u>\$ 15,165,247</u>	<u>\$ 52,255,519</u>	<u>\$ 7,849,822</u>	<u>\$ 77,729,265</u>

<sup>(1)</sup> The credit ratings indicated for these funds are the average of the overall pool.

#### 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, 2015 and 2014, 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.

### Note 3 - Foundation Investments (Continued)

The Foundation held the following types of fixed-income investments and maturities at September 30, 2015 and 2014:

Investment Type	2015 Maturities (in Years)			
	Less Than 1	1-5	6-10	Total
Money market mutual funds	\$ 6,363,577	\$ -	\$ -	\$ 6,363,577
Corporate securities	1,241,804	-	-	1,241,804
Fixed-income institutional bond funds <sup>(1)</sup>	1,826,181	33,543,599	23,388,930	58,758,710
Direct loan fund <sup>(1)</sup>	-	10,842,535	-	10,842,535
Total fixed-income investments	<u>\$ 9,431,562</u>	<u>\$ 44,386,134</u>	<u>\$ 23,388,930</u>	<u>\$ 77,206,626</u>

Investment Type	2014 Maturities (in Years)			
	Less Than 1	1-5	6-10	Total
Money market mutual funds	\$ 2,458,677	\$ -	\$ -	\$ 2,458,677
Corporate securities	1,228,839	-	-	1,228,839
Fixed-income institutional bond funds <sup>(1)</sup>	1,861,878	37,279,934	27,050,115	66,191,927
Direct loan fund <sup>(1)</sup>	-	7,849,822	-	7,849,822
Total fixed-income investments	<u>\$ 5,549,394</u>	<u>\$ 45,129,756</u>	<u>\$ 27,050,115</u>	<u>\$ 77,729,265</u>

<sup>(1)</sup> The maturities indicated for these funds are the average of the overall pool.

### 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 \$40,953,542 and \$47,233,225, which was approximately 14 percent and 16 percent of the Foundation's total endowment fund investments at September 30, 2015 and 2014, respectively. Included in these amounts at September 30, 2015 was foreign currency exposure to the European Union euros (\$7.1 million), the Japanese yen (\$5.1 million), and the United Kingdom British pound sterling (\$4.7 million). Included in these amounts at September 30, 2014 was foreign currency exposure to the European Union euros (\$7.7 million), the United Kingdom British pound sterling (\$5.5 million), and the Japanese yen (\$5.2 million).

### Note 3 - Foundation Investments (Continued)

The Foundation investments in fixed-income institutional bond funds with foreign currency exposure totaled \$11,245,889 and \$20,079,081 at September 30, 2015 and 2014, respectively. 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). Included in the amount at September 30, 2014 was foreign currency exposure to the European Union euro (\$6.8 million), the Mexican peso (\$3.5 million), the Canadian dollar (\$3.2 million), and the Brazilian real (\$3.2 million). Other foreign currency exposures were less significant.

The Foundation had approximately \$9,381,000 and \$6,576,000 of investment commitments outstanding at September 30, 2015 and 2014, respectively.

### Note 4 - Receivables

At September 30, 2015 and 2014, receivables consist of the following:

	2015	2014
Grants and contracts receivable	\$ 46,938,943	\$ 30,960,504
Pledged gifts receivable	11,656,044	10,674,338
Student notes receivable	30,944,341	29,732,047
Student accounts receivable	74,570,409	63,186,889
State appropriations - Capital projects	10,790,592	-
Other	22,612,557	23,814,778
Total	197,512,886	158,368,556
Less:		
Provision for loss on receivables	(25,274,380)	(12,544,407)
Unamortized discount to present value on pledged gifts receivable	(178,995)	(274,227)
Total	172,059,511	145,549,922
Less net current portion of receivables	(139,366,646)	(113,591,297)
Net noncurrent receivables	<u>\$ 32,692,865</u>	<u>\$ 31,958,625</u>

### Note 4 - Receivables (Continued)

Payments on pledged gifts receivable at September 30, 2015 are expected to occur in the following fiscal years:

2016	\$ 9,079,394
2017-2024	<u>2,576,650</u>
Total	<u>\$ 11,656,044</u>

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, 2015 and 2014 was as follows:

	Balance September 30, 2014	Additions	Retirements	Balance September 30, 2015
Land improvements	\$ 25,934,812	\$ 1,083,174	\$ (1,098,434)	\$ 25,919,552
Buildings	1,213,174,232	135,201,247	-	1,348,375,479
Library materials	155,585,023	6,969,055	(60,250)	162,493,828
Equipment and software	<u>181,978,544</u>	<u>11,863,548</u>	<u>(8,041,761)</u>	<u>185,800,331</u>
Subtotal - Depreciable assets	1,576,672,611	155,117,024	(9,200,445)	1,722,589,190
Land	37,868,584	226,619	-	38,095,203
Construction in progress	<u>76,434,701</u>	<u>(61,243,126)</u>	<u>-</u>	<u>15,191,575</u>
Subtotal - Nondepreciable assets	<u>114,303,285</u>	<u>(61,016,507)</u>	<u>-</u>	<u>53,286,778</u>
Total	1,690,975,896	94,100,517	(9,200,445)	1,775,875,968
Less accumulated depreciation:				
Land improvements	16,859,100	1,084,219	(483,368)	17,459,951
Buildings	578,359,492	40,485,771	-	618,845,263
Library materials	126,551,562	4,260,098	-	130,811,660
Equipment and software	<u>147,691,814</u>	<u>10,491,762</u>	<u>(8,045,489)</u>	<u>150,138,087</u>
Total accumulated depreciation	<u>869,461,968</u>	<u>56,321,850</u>	<u>(8,528,857)</u>	<u>917,254,961</u>
Net capital assets	<u>\$ 821,513,928</u>	<u>\$ 37,778,667</u>	<u>\$ (671,588)</u>	<u>\$ 858,621,007</u>

### Note 5 - Capital Assets (Continued)

	Balance September 30, 2013	Additions	Retirements	Balance September 30, 2014
Land improvements	\$ 25,826,160	\$ 108,652	\$ -	\$ 25,934,812
Buildings	1,178,348,994	34,825,238		1,213,174,232
Library materials	148,947,868	6,728,655	(91,500)	155,585,023
Equipment and software	185,088,927	10,281,768	(13,392,151)	181,978,544
Subtotal - Depreciable assets	1,538,211,949	51,944,313	(13,483,651)	1,576,672,611
Land	37,092,176	776,408	-	37,868,584
Construction in progress	24,236,320	52,198,381	-	76,434,701
Subtotal - Nondepreciable assets	61,328,496	52,974,789	-	114,303,285
Total	1,599,540,445	104,919,102	(13,483,651)	1,690,975,896
Less accumulated depreciation:				
Land improvements	16,039,710	819,390	-	16,859,100
Buildings	538,413,461	39,946,031		578,359,492
Library materials	122,600,343	3,951,219	-	126,551,562
Equipment and software	150,630,323	10,237,935	(13,176,444)	147,691,814
Total accumulated depreciation	827,683,837	54,954,575	(13,176,444)	869,461,968
Net capital assets	<u>\$ 771,856,608</u>	<u>\$ 49,964,527</u>	<u>\$ (307,207)</u>	<u>\$ 821,513,928</u>

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 \$2,871,000 and \$2,815,000 was capitalized in 2015 and 2014, 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, 2015 and 2014 was as follows:

	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 November 15, 2036	\$ -	\$ 50,310,000	\$ -	\$ 50,310,000	\$ 240,000
General Revenue Bonds, Series 2013A, with interest ranging from 3.0% to 5.0%, maturing November 15, 2044	83,670,000	-	-	83,670,000	1,370,000
General Revenue Bonds, Series 2009A, with interest ranging from 3.25% to 5.0%, maturing November 15, 2029	96,610,000	-	4,080,000	92,530,000	4,275,000
Taxable General Revenue Build America Bonds, Series 2009B, with interest ranging from 3.753% to 6.536%, maturing November 15, 2039	28,305,000	-	675,000	27,630,000	690,000
General Revenue Bonds, Series 2008, with interest ranging from 5.0% to 5.25%, maturing November 15, 2035	160,045,000	-	4,085,000	155,960,000	4,295,000
General Revenue Bonds, Series 2007A, with interest ranging from 4.0% to 5.0%, maturing November 15, 2037	26,995,000	-	720,000	26,275,000	750,000
Taxable General Revenue Bonds, Series 2007B, with interest at 6.01%, maturing November 15, 2030	4,220,000	-	-	4,220,000	-
General Revenue Bonds, Series 2006, with interest ranging from 4.5% to 5.0%, maturing November 15, 2017	45,630,000	-	43,270,000	2,360,000	1,155,000
Taxable General Revenue Bonds, Series 2003B, with interest at 5.02%, maturing November 15, 2018	1,965,000	-	355,000	1,610,000	375,000
Capital lease payable, with interest at 3.8%, expiring March 11, 2038	21,157,369	-	547,209	20,610,160	568,003
Various notes payable with varying interest rates maturing through 2015	234,526	-	234,526	-	-
Gross long-term debt	468,831,895	50,310,000	53,966,735	465,175,160	13,718,003
Plus unamortized bond premium - Net	17,168,984	5,922,782	2,339,840	20,751,926	-
Total long-term debt	<u>\$ 486,000,879</u>	<u>\$ 56,232,782</u>	<u>\$ 56,306,575</u>	<u>\$ 485,927,086</u>	<u>\$ 13,718,003</u>

### Note 6 - Long-term Debt (Continued)

	2014				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
General Revenue Bonds, Series 2013A, with interest ranging from 3.0% to 5.0%, maturing November 15, 2044	\$ 83,670,000	\$ -	\$ -	\$ 83,670,000	\$ -
General Revenue Bonds, Series 2009A, with interest ranging from 3.0% to 5.0%, maturing November 15, 2029	100,500,000	-	3,890,000	96,610,000	4,080,000
Taxable General Revenue Build America Bonds, Series 2009B, with interest ranging from 3.403% to 6.536%, maturing November 15, 2039	28,965,000	-	660,000	28,305,000	675,000
General Revenue Bonds, Series 2008, with interest ranging from 5.0% to 5.25%, maturing November 15, 2035	163,930,000	-	3,885,000	160,045,000	4,085,000
General Revenue Bonds, Series 2007A, with interest ranging from 4.0% to 5.0%, maturing November 15, 2037	27,690,000	-	695,000	26,995,000	720,000
Taxable General Revenue Bonds, Series 2007B, with interest at 6.01%, maturing November 15, 2030	4,220,000	-	-	4,220,000	-
General Revenue Bonds, Series 2006, with interest ranging from 4.25% to 5.0%, maturing November 15, 2036	46,685,000	-	1,055,000	45,630,000	1,100,000
Taxable General Revenue Bonds, Series 2003B, with interest at 5.02%, maturing November 15, 2018	2,300,000	-	335,000	1,965,000	355,000
Capital lease payable, with interest at 3.8%, expiring March 11, 2038	21,302,713	-	145,344	21,157,369	547,209
Various notes payable with varying interest rates maturing from 2015 through 2016	322,663	282,000	370,137	234,526	163,334
Gross long-term debt	479,585,376	282,000	11,035,481	468,831,895	11,725,543
Plus unamortized bond premium - Net	17,957,924	-	788,940	17,168,984	-
Total long-term debt	\$ 497,543,300	\$ 282,000	\$ 11,824,421	\$ 486,000,879	\$ 11,725,543

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, 2015 and 2014 was \$44,986,000 and \$0, respectively.

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. A total of \$10,077,770 of these bond proceeds was 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 because 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 and accumulated depreciation of approximately \$22,000,000 and \$1,427,000, respectively, as of September 30, 2015.

### Note 6 - Long-term Debt (Continued)

Principal and interest maturities on long-term debt at September 30, 2015 are as follows:

Fiscal Years	Bond and Various Notes Payable		Capital Lease
	Principal	Interest*	Minimum Payments
2016	\$ 13,150,000	\$ 21,259,747	\$ 1,351,189
2017	13,780,000	20,615,921	1,351,189
2018	14,455,000	19,913,141	1,359,909
2019	15,180,000	19,178,513	1,366,900
2020	15,465,000	18,435,818	1,366,900
2021-2025	89,565,000	79,685,468	6,874,646
2026-2030	114,175,000	54,599,080	6,953,203
2031-2035	95,205,000	29,531,082	7,031,760
2036-2040	50,925,000	9,454,952	3,457,316
2041-2046	22,665,000	2,359,750	-
Total	<u>\$ 444,565,000</u>	<u>\$ 275,033,472</u>	31,113,012
			<u>10,502,852</u>
			<u>\$ 20,610,160</u>

\* 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 \$21,817,980 and \$22,488,013 in 2015 and 2014, 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 has a three-year term with a maturity date of December 1, 2015. As of September 30, 2015 and 2014, there were no borrowings outstanding under this facility.

Effective December 1, 2015, the University renewed and increased its line of credit facility to \$35.0 million.

### 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 2015 bonds. As a result, as of September 30, 2015, 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 is still associated with the Series 2006 bonds that remain outstanding.

### Note 7 - Derivative Instruments (Continued)

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. The ineffective swap agreements 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 revenue, expenses, and changes in net position.

The fair value balances and notional amounts of the derivative instruments outstanding at September 30, 2015 and 2014, classified by type and the change in fair value, that are associated with the Series 2015A and Series 2006 bonds, are shown below:

Investment Derivative Instrument	Change in Fair Value		Fair Value at September 30, 2015		
	Classification	Amount	Classification	Amount	Notional
Series 2006 and Series 2015A# - Pay-variable, receive variable/fixed annuity	Net investment income	\$ 1,066,754	Asset	\$ 343,326	\$ 44,530,000

Investment Derivative Instrument	Change in Fair Value		Fair Value at September 30, 2014		
	Classification	Amount	Classification	Amount	Notional
Series 2006 - Pay-variable, receive variable/fixed annuity	Net investment income (loss)	\$ 498,513	Liability	\$ (723,429)	\$ 45,630,000

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

Terms for the years ended September 30, 2015 and 2014 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	AAA/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 is 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

### Note 7 - Derivative Instruments (Continued)

**Associated Risk** - The associated risks of the outstanding swaps as of September 30, 2015 and 2014 were as follows:

The swaps are tax basis swaps, which were executed with the objective of reducing the financing cost of the Series 2006 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, 2015 and a negative fair value at September 30, 2014.

**Credit Risk** - As of September 30, 2015, the University was exposed to some credit risk from swap counterparties because the existing swaps had a positive fair value of \$343,326. As of September 30, 2014, the University was not exposed to any credit risk from swap counterparties because the existing swaps had a negative fair value of \$723,429. The University executes swap transactions with various counterparties. At September 30, 2015, there were two outstanding swaps with two counterparties. The first counterparty held one swap that represented approximately 70 percent of the notional amount of swaps outstanding. This counterparty is rated "AAA" by Standard & Poor's and "Aa2" by Moody's (downgraded from Aa1 in June 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.

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

**Termination** - The swap termination date 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, 2015 and 2014 were approximately \$32,234,000 and \$31,423,000, respectively.

### Note 9 - Commitments

#### Construction Commitments

Approximately \$13,647,000 was committed to current University construction projects at September 30, 2015. This amount includes approximately \$1,900,000 for the Integrative Biosciences Center project, \$1,800,000 for the renovation of 5447 Woodward, \$1,700,000 for the Student Center Building Renovation project, and various smaller construction projects. Commitments will be funded through a combination of resources including external long-term financing, gifts, state capital appropriations, 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 \$6,189,000 and \$5,889,000 for the years ended September 30, 2015 and 2014, respectively. Future minimum lease payments under noncancelable operating leases are expected to be paid in the following years ending September 30:

Fiscal Years	Minimum Lease Obligation
2016	\$ 2,153,000
2017	1,325,000
2018	1,144,000
2019	1,065,000
2020	862,000
2021-2023	1,504,000
Total	<u>\$ 8,053,000</u>

### 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, 2015 is approximately \$2,077,000. 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, 2015 and 2014 totaled approximately \$3,625,000 and \$3,742,000, 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 has guaranteed an operating line of credit of \$2.25 million and a term loan of \$6.0 million for the Research and Technology Park in the City of Detroit, Inc., a 501(c)(3) organization. As of September 30, 2015, guaranteed funds drawn against the operating line of credit and the term loan totaled \$1.0 million and \$5.1 million, respectively. As of September 30, 2014, guaranteed funds drawn against the operating line of credit and the term loan totaled \$1.2 million and \$5.3 million, respectively.

**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, 2015, the aggregate positive fair value of all hedging derivative instruments with these collateral posting provisions is \$343,326. The University's credit ratings were AA-/Aa2; therefore, no collateral has been posted at September 30, 2014.

**Note 11 - Natural Classification of Expenses**

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

	2015	2014
Compensation and benefits	\$ 579,046,885	\$ 566,352,248
Supplies, services, and other	189,507,840	186,476,782
Depreciation	56,321,850	54,954,575
Scholarships and fellowships	11,567,464	9,874,922
Total operating expenses	<u>\$ 836,444,039</u>	<u>\$ 817,658,527</u>

**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, 2014 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 \$9,526,100 and \$8,825,300 at September 30, 2015 and 2014, respectively. The related expense was \$700,800 for 2015 and \$368,000 for 2014.

**Note 12 - Postemployment Benefits Other Than Pensions (Continued)**

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, 2015 and 2014 is as follows:

	2015	2014
Restricted - Nonexpendable:		
Scholarships, research, and academic support	\$ 2,126,306	\$ 2,164,244
Loans	9,530,196	9,411,191
Restricted - Expendable:		
Scholarships, research, and academic support	60,171,763	53,534,380
Capital projects	9,118,509	8,367,000
Total restricted net position	<u>\$ 80,946,774</u>	<u>\$ 73,476,815</u>

## **Supplemental Information**

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## Combining Statement of Net Position (Deficit) September 30, 2015 (with comparative totals for September 30, 2014)

	2015											2014		
	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
<b>Assets</b>														
<b>Current Assets</b>														
Cash and temporary investments	\$ 190,259,332	\$ 26,013,014	\$ 175,577	\$ (1,599,366)	\$ 31,002,689	\$ 245,851,246	\$ 61,185,400	\$ 12,697,392	\$ 1,341,574	\$ 17,673,541	\$ 338,749,153	\$ -	\$ 338,749,153	\$ 353,181,925
Current receivables - Net	72,104,602	14,087,187	4,312,447	386,818	36,811,789	127,702,843	11,305,417	103,028	17	255,341	139,366,646	1,167,857	140,534,503	115,623,390
Inventories	1,072,562	-	452,084	-	-	1,524,646	-	-	-	-	1,524,646	-	1,524,646	1,743,420
Prepaid expenses and deposits	33,962,515	132,077	140,182	14,007	35,517	34,284,298	1,955,866	-	-	282,944	36,523,108	-	36,523,108	35,066,737
Total current assets	297,399,011	40,232,278	5,080,290	(1,198,541)	67,849,995	409,363,033	74,446,683	12,800,420	1,341,591	18,211,826	516,163,553	1,167,857	517,331,410	505,615,472
<b>Noncurrent Assets</b>														
Investments	-	-	-	-	-	-	1,965,852	-	3,403,087	-	5,368,939	288,908,673	294,277,612	337,201,098
Noncurrent receivables - Net	-	679,084	-	9,589	1,072,174	1,760,847	350,370	30,581,648	-	-	32,692,865	-	32,692,865	31,958,625
Derivative instruments	-	-	-	-	-	-	343,326	-	-	-	343,326	-	343,326	-
Capital assets - Net	-	-	-	-	-	-	858,621,007	-	-	-	858,621,007	-	858,621,007	821,513,928
Total noncurrent assets	-	679,084	-	9,589	1,072,174	1,760,847	861,280,555	30,581,648	3,403,087	-	897,026,137	288,908,673	1,185,934,810	1,190,673,651
Total assets	297,399,011	40,911,362	5,080,290	(1,188,952)	68,922,169	411,123,880	935,727,238	43,382,068	4,744,678	18,211,826	1,413,189,690	290,076,530	1,703,266,220	1,696,289,123
<b>Deferred Outflows of Resources</b>														
	-	-	-	-	-	-	3,141,925	-	-	-	3,141,925	-	3,141,925	-
<b>Liabilities</b>														
<b>Current Liabilities</b>														
Accounts payable and accrued liabilities	40,674,345	9,168,699	2,870,182	205,789	14,806,499	67,725,514	30,082,526	-	91,442	13,078,200	110,977,682	204,974	111,182,656	110,780,055
Unearned revenue	145,741,478	204,850	7,369,172	-	8,762,035	162,077,535	50,409	-	-	-	162,127,944	-	162,127,944	160,131,977
Deposits	2,881,547	500,000	234,881	-	158	3,616,586	-	-	-	4,036,559	7,653,145	-	7,653,145	7,695,077
Long-term debt - Current portion	-	-	-	-	-	-	13,718,003	-	-	-	13,718,003	-	13,718,003	11,725,543
Total current liabilities	189,297,370	9,873,549	10,474,235	205,789	23,568,692	233,419,635	43,850,938	-	91,442	17,114,759	294,476,774	204,974	294,681,748	290,332,652
<b>Noncurrent Liabilities</b>														
Federal portion of student loan funds	-	-	-	-	-	-	-	33,054,566	-	-	33,054,566	-	33,054,566	31,687,913
Accrued employee benefits and other liabilities	23,725,951	390,862	6,596,295	18,111	987,622	31,718,841	-	-	616,784	1,097,067	33,432,692	-	33,432,692	18,114,180
Long-term debt - Net of current portion	-	-	-	-	-	-	472,209,083	-	-	-	472,209,083	-	472,209,083	474,275,336
Derivative instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	723,429
Total noncurrent liabilities	23,725,951	390,862	6,596,295	18,111	987,622	31,718,841	472,209,083	33,054,566	616,784	1,097,067	538,696,341	-	538,696,341	524,800,858
Total liabilities	213,023,321	10,264,411	17,070,530	223,900	24,556,314	265,138,476	516,060,021	33,054,566	708,226	18,211,826	833,173,115	204,974	833,378,089	815,133,510
<b>Net Position (Deficit)</b>														
Net investment in capital assets	-	-	-	-	-	-	378,135,038	-	-	-	378,135,038	-	378,135,038	348,065,298
Restricted:														
Nonexpendable	-	-	-	-	-	-	-	9,530,196	2,126,306	-	11,656,502	165,528,193	177,184,695	168,481,907
Expendable	-	-	-	-	58,261,617	58,261,617	9,118,509	-	1,910,146	-	69,290,272	117,356,153	186,646,425	201,861,740
Unrestricted	84,375,690	30,646,951	(11,990,240)	(1,412,852)	(13,895,762)	87,723,787	35,555,595	797,306	-	-	124,076,688	6,987,210	131,063,898	162,746,668
Total net position (deficit)	\$ 84,375,690	\$ 30,646,951	\$ (11,990,240)	\$ (1,412,852)	\$ 44,345,855	\$ 145,985,404	\$ 422,809,142	\$ 10,327,502	\$ 4,036,452	\$ -	\$ 583,158,500	\$ 289,871,556	\$ 873,030,056	\$ 881,155,613

## Combining Statement of Revenues, Expenses, Transfers, and Changes in Net Position (Deficit) Year Ended September 30, 2015 (with comparative totals for the year ended September 30, 2014)

	Year Ended September 30													
	2015											2014		
	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	
<b>Operating Revenues</b>														
Student tuition and fees	\$ 351,453,764	\$ -	\$ 3,448,733	\$ -	\$ -	\$ 354,902,497	\$ 138,114	\$ -	\$ -	\$ -	\$ 355,040,611	\$ -	\$ 355,040,611	\$ 343,113,206
Less scholarship allowances	-	-	-	-	-	-	-	-	-	(93,447,219)	(93,447,219)	-	(93,447,219)	(93,699,884)
Net student tuition and fees	351,453,764	-	3,448,733	-	-	354,902,497	138,114	-	-	(93,447,219)	261,593,392	-	261,593,392	249,413,322
Federal grants and contracts	-	-	-	-	104,884,007	104,884,007	523,972	-	-	-	105,407,979	-	105,407,979	106,223,672
State and local grants and contracts	-	-	-	-	24,141,526	24,141,526	-	-	-	-	24,141,526	-	24,141,526	10,379,503
Nongovernmental grants and contracts	-	48,812,282	-	-	56,184,891	104,997,173	-	-	-	-	104,997,173	-	104,997,173	121,507,341
Departmental activities	9,068,634	11,446,665	-	998,053	1,047,347	22,560,699	-	-	-	-	22,560,699	-	22,560,699	21,988,913
Auxiliary enterprises (net of scholarship allowances)	-	-	43,048,331	-	-	43,048,331	-	-	-	(5,015,469)	38,032,862	-	38,032,862	33,370,953
Recovery of indirect costs of sponsored programs	31,558,947	-	-	-	(31,558,947)	-	-	-	-	-	-	-	-	-
Other operating revenues	4,077,800	-	-	-	-	4,077,800	-	67,610	-	-	4,145,410	-	4,145,410	3,709,058
<b>Total operating revenues</b>	<b>396,159,145</b>	<b>60,258,947</b>	<b>46,497,064</b>	<b>998,053</b>	<b>154,698,824</b>	<b>658,612,033</b>	<b>662,086</b>	<b>67,610</b>	<b>-</b>	<b>(98,462,688)</b>	<b>560,879,041</b>	<b>-</b>	<b>560,879,041</b>	<b>546,592,762</b>
<b>Operating Expenses</b>														
Instruction	224,340,546	27,978,883	-	-	43,162,730	295,482,159	-	-	-	(1,021,550)	294,460,609	-	294,460,609	291,589,616
Research	44,984,103	2,971,219	-	-	104,928,048	152,883,370	-	-	-	(5,774,907)	147,108,463	-	147,108,463	150,737,120
Public service	3,325,680	29,793,410	-	2,454,961	24,123,163	59,697,214	-	-	-	(345,741)	59,351,473	-	59,351,473	51,223,967
Academic support	63,025,092	4,518,782	-	-	4,199,448	71,743,322	-	-	-	(7,595,708)	64,147,614	-	64,147,614	60,540,517
Student services	37,492,395	354,808	-	-	308,284	38,155,487	-	-	-	(8,009)	38,147,478	-	38,147,478	37,945,130
Institutional support	68,120,543	6,951,729	-	-	172,373	75,244,645	-	-	-	(51,082)	75,193,563	-	75,193,563	71,163,672
Operation and maintenance of plant	53,740,723	1,166,180	-	-	303,329	55,210,132	8,612,471	-	-	(446,752)	63,375,851	-	63,375,851	65,746,095
Scholarships and fellowships	66,728,093	90,044	-	-	43,212,015	110,030,152	-	-	-	(98,462,688)	11,567,464	-	11,567,464	9,874,922
Auxiliary enterprises	-	-	27,566,107	-	-	27,566,107	-	-	-	(796,433)	26,769,674	-	26,769,674	23,882,913
Depreciation	-	-	-	-	-	-	56,321,850	-	-	-	56,321,850	-	56,321,850	54,954,575
Capital additions - Net	-	-	-	-	-	-	(16,040,182)	-	-	16,040,182	-	-	-	-
Transfers out (in):														
Debt service	19,204,781	985,982	11,741,739	-	-	31,932,502	(31,932,502)	-	-	-	-	-	-	-
Loan matching	159,452	-	-	-	-	159,452	-	(159,452)	-	-	-	-	-	-
Plant improvement and extension	17,042,114	704,641	8,469,681	-	77,603	26,294,039	(26,294,039)	-	-	-	-	-	-	-
Other	144,110	-	-	-	(192,967)	(48,857)	-	48,857	-	-	-	-	-	-
<b>Total operating expenses</b>	<b>598,307,632</b>	<b>75,515,678</b>	<b>47,777,527</b>	<b>2,454,961</b>	<b>220,293,926</b>	<b>944,349,724</b>	<b>(9,332,402)</b>	<b>(110,595)</b>	<b>-</b>	<b>(98,462,688)</b>	<b>836,444,039</b>	<b>-</b>	<b>836,444,039</b>	<b>817,658,527</b>
<b>Operating (Loss) Income</b>	<b>(202,148,487)</b>	<b>(15,256,731)</b>	<b>(1,280,463)</b>	<b>(1,456,908)</b>	<b>(65,595,102)</b>	<b>(285,737,691)</b>	<b>9,994,488</b>	<b>178,205</b>	<b>-</b>	<b>-</b>	<b>(275,564,998)</b>	<b>-</b>	<b>(275,564,998)</b>	<b>(271,065,765)</b>

## Combining Statement of Revenues, Expenses, Transfers, and Changes in Net Position (Deficit) (Continued) Year Ended September 30, 2015 (with comparative totals for the year ended September 30, 2014)

	Year Ended September 30														
	2015													2014	
	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	
<b>Nonoperating Revenues (Expenses)</b>															
State operating appropriation	\$ 190,280,043	\$ -	\$ -	\$ -	\$ 239,757	\$ 190,519,800	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 190,519,800	\$ -	\$ 190,519,800	\$ 183,398,300
Federal Pell grant	-	-	-	-	33,523,939	33,523,939	-	-	-	-	-	33,523,939	-	33,523,939	36,176,846
Gifts	-	13,682,673	104,400	1,324,162	13,586,725	28,697,960	-	2,553	100,000	-	28,800,513	225,047	29,025,560	17,565,606	
Investment income (loss):															
Change in fair value of derivatives	-	-	-	-	-	-	1,066,754	-	-	-	1,066,754	-	1,066,754	498,513	
Endowment and similar funds	-	-	-	-	60,486	60,486	-	-	(60,486)	-	-	-	-	-	
Other	6,491,808	(3,177,743)	25,298	674	1,201,495	4,541,532	1,643,929	96,645	46,717	-	6,328,823	(12,251,818)	(5,922,995)	33,729,641	
Net distributions from the Foundation	1,287,577	(321,416)	-	5,716	9,835,402	10,807,279	41,212	(31,033)	(273,599)	-	10,543,859	(10,543,859)	-	-	
Interest on capital asset - Related debt	-	-	-	-	-	-	(19,461,981)	-	-	-	(19,461,981)	-	(19,461,981)	(19,757,375)	
Loss on capital assets retired	-	-	-	-	-	-	(671,588)	-	-	-	(671,588)	-	(671,588)	(307,207)	
Other	-	-	-	-	-	-	3,115,074	(26,914)	(113,070)	-	2,975,090	-	2,975,090	(498,714)	
Net nonoperating revenues (expenses)	198,059,428	10,183,514	129,698	1,330,552	58,447,804	268,150,996	(14,266,600)	41,251	(300,438)	-	253,625,209	(22,570,630)	231,054,579	250,805,610	
<b>(Loss) Income Before Other</b>	(4,089,059)	(5,073,217)	(1,150,765)	(126,356)	(7,147,298)	(17,586,695)	(4,272,112)	219,456	(300,438)	-	(21,939,789)	(22,570,630)	(44,510,419)	(20,260,155)	
<b>Other</b>															
State capital appropriation	-	-	-	-	-	-	26,940,199	-	-	-	26,940,199	-	26,940,199	-	
Capital gifts	-	-	-	-	-	-	1,370,006	-	-	-	1,370,006	-	1,370,006	2,995,393	
Gifts for permanent endowments	-	-	-	-	-	-	-	-	151,419	-	151,419	7,923,238	8,074,657	6,531,639	
Total other	-	-	-	-	-	-	28,310,205	-	151,419	-	28,461,624	7,923,238	36,384,862	9,527,032	
<b>(Decrease) Increase in Net Position</b>	(4,089,059)	(5,073,217)	(1,150,765)	(126,356)	(7,147,298)	(17,586,695)	24,038,093	219,456	(149,019)	-	6,521,835	(14,647,392)	(8,125,557)	(10,733,123)	
<b>Net Position (Deficit) - Beginning of year</b>	88,464,749	35,720,168	(10,839,475)	(1,286,496)	51,513,153	163,572,099	398,771,049	10,108,046	4,185,471	-	576,636,665	304,518,948	881,155,613	891,888,736	
<b>Net Position (Deficit) - End of year</b>	\$ 84,375,690	\$ 30,646,951	\$ (11,990,240)	\$ (1,412,852)	\$ 44,365,855	\$ 145,985,404	\$ 422,809,142	\$ 10,327,502	\$ 4,036,452	\$ -	\$ 583,158,500	\$ 289,871,556	\$ 873,030,056	\$ 881,155,613	

## Combining Statement of Net Position (Deficit) September 30, 2014

	2014												
	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
<b>Assets</b>													
<b>Current Assets</b>													
Cash and temporary investments	\$ 189,737,160	\$ 28,255,806	\$ (6,160,334)	\$ (1,585,518)	\$ 42,404,196	\$ 252,651,310	\$ 70,478,632	\$ 12,323,577	\$ 1,307,022	\$ 16,421,384	\$ 353,181,925	\$ -	\$ 353,181,925
Current receivables - Net	61,809,631	14,033,871	5,012,078	476,951	31,254,951	112,587,482	723,477	103,056	191	177,091	113,591,297	2,032,093	115,623,390
Inventories	1,193,169	-	550,251	-	-	1,743,420	-	-	-	-	1,743,420	-	1,743,420
Prepaid expenses and deposits	32,268,356	85,670	125,365	14,968	67,610	32,561,969	2,184,912	-	-	319,856	35,066,737	-	35,066,737
Total current assets	285,008,316	42,375,347	(472,640)	(1,093,599)	73,726,757	399,544,181	73,387,021	12,426,633	1,307,213	16,918,331	503,583,379	2,032,093	505,615,472
<b>Noncurrent Assets</b>													
Investments	-	-	-	-	-	-	30,960,487	-	3,553,581	-	34,514,068	302,687,030	337,201,098
Noncurrent receivables - Net	-	591,870	-	12,446	1,642,701	2,247,017	342,282	29,369,326	-	-	31,958,625	-	31,958,625
Capital assets - Net	-	-	-	-	-	-	821,513,928	-	-	-	821,513,928	-	821,513,928
Total noncurrent assets	-	591,870	-	12,446	1,642,701	2,247,017	852,816,697	29,369,326	3,553,581	-	887,986,621	302,687,030	1,190,673,651
Total assets	285,008,316	42,967,217	(472,640)	(1,081,153)	75,369,458	401,791,198	926,203,718	41,795,959	4,860,794	16,918,331	1,391,570,000	304,719,123	1,696,289,123
<b>Liabilities</b>													
<b>Current Liabilities</b>													
Accounts payable and accrued liabilities	35,327,968	5,851,582	2,560,635	187,408	12,985,716	56,913,309	40,657,574	-	81,517	12,927,480	110,579,880	200,175	110,780,055
Unearned revenue	142,205,873	551,385	7,354,181	-	9,969,751	160,081,190	50,787	-	-	-	160,131,977	-	160,131,977
Deposits	2,884,674	500,000	317,209	-	2,343	3,704,226	-	-	-	3,990,851	7,695,077	-	7,695,077
Long-term debt - Current portion	-	-	-	-	-	-	11,725,543	-	-	-	11,725,543	-	11,725,543
Total current liabilities	180,418,515	6,902,967	10,232,025	187,408	22,957,810	220,698,725	52,433,904	-	81,517	16,918,331	290,132,477	200,175	290,332,652
<b>Noncurrent Liabilities</b>													
Federal portion of student loan funds	-	-	-	-	-	-	-	31,687,913	-	-	31,687,913	-	31,687,913
Accrued employee benefits and other liabilities	16,125,052	344,082	134,810	17,935	898,495	17,520,374	-	-	593,806	-	18,114,180	-	18,114,180
Long-term debt - Net of current portion	-	-	-	-	-	-	474,275,336	-	-	-	474,275,336	-	474,275,336
Derivative instruments	-	-	-	-	-	-	723,429	-	-	-	723,429	-	723,429
Total noncurrent liabilities	16,125,052	344,082	134,810	17,935	898,495	17,520,374	474,998,765	31,687,913	593,806	-	524,800,858	-	524,800,858
Total liabilities	196,543,567	7,247,049	10,366,835	205,343	23,856,305	238,219,099	527,432,669	31,687,913	675,323	16,918,331	814,933,335	200,175	815,133,510
<b>Net Position (Deficit)</b>													
Net investment in capital assets	-	-	-	-	-	-	348,065,298	-	-	-	348,065,298	-	348,065,298
Restricted:													
Nonexpendable	-	-	-	-	-	-	-	9,411,191	2,164,244	-	11,575,435	156,906,472	168,481,907
Expendable	-	-	-	-	51,513,153	51,513,153	8,367,000	-	2,021,227	-	61,901,380	139,960,360	201,861,740
Unrestricted	88,464,749	35,720,168	(10,839,475)	(1,286,496)	-	112,058,946	42,338,751	696,855	-	-	155,094,552	7,652,116	162,746,668
Total net position (deficit)	\$ 88,464,749	\$ 35,720,168	\$ (10,839,475)	\$ (1,286,496)	\$ 51,513,153	\$ 163,572,099	\$ 398,771,049	\$ 10,108,046	\$ 4,185,471	\$ -	\$ 576,636,665	\$ 304,518,948	\$ 881,155,613

## Combining Statement of Revenues, Expenses, Transfers, and Changes in Net Position (Deficit) Year Ended September 30, 2014

Year Ended September 30

	2014												
	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
<b>Operating Revenues</b>													
Student tuition and fees	\$ 339,088,634	\$ -	\$ 3,873,192	\$ -	\$ -	\$ 342,961,826	\$ 151,380	\$ -	\$ -	\$ -	\$ 343,113,206	\$ -	\$ 343,113,206
Less scholarship allowances	-	-	-	-	-	-	-	-	-	(93,699,884)	(93,699,884)	-	(93,699,884)
Net student tuition and fees	339,088,634	-	3,873,192	-	-	342,961,826	151,380	-	-	(93,699,884)	249,413,322	-	249,413,322
Federal grants and contracts	-	-	-	-	105,674,211	105,674,211	549,461	-	-	-	106,223,672	-	106,223,672
State and local grants and contracts	-	-	-	-	10,379,503	10,379,503	-	-	-	-	10,379,503	-	10,379,503
Nongovernmental grants and contracts	-	51,938,569	-	-	69,568,772	121,507,341	-	-	-	-	121,507,341	-	121,507,341
Departmental activities	8,577,627	11,023,866	-	1,079,510	1,307,910	21,988,913	-	-	-	-	21,988,913	-	21,988,913
Auxiliary enterprises (net of scholarship allowances)	-	-	37,301,898	-	-	37,301,898	-	-	-	(3,930,945)	33,370,953	-	33,370,953
Recovery of indirect costs of sponsored programs	31,638,042	-	-	-	(31,638,042)	-	-	-	-	-	-	-	-
Other operating revenues	3,644,407	-	-	-	-	3,644,407	-	64,651	-	-	3,709,058	-	3,709,058
<b>Total operating revenues</b>	<b>382,948,710</b>	<b>62,962,435</b>	<b>41,175,090</b>	<b>1,079,510</b>	<b>155,292,354</b>	<b>643,458,099</b>	<b>700,841</b>	<b>64,651</b>	<b>-</b>	<b>(97,630,829)</b>	<b>546,592,762</b>	<b>-</b>	<b>546,592,762</b>
<b>Operating Expenses</b>													
Instruction	217,847,298	31,557,733	-	-	42,865,486	292,270,517	-	-	-	(680,901)	291,589,616	-	291,589,616
Research	49,233,208	1,532,581	-	-	105,471,464	156,237,253	-	-	-	(5,500,133)	150,737,120	-	150,737,120
Public service	1,631,186	30,099,815	-	2,267,979	17,312,956	51,311,936	-	-	-	(87,969)	51,223,967	-	51,223,967
Academic support	60,343,663	4,092,782	-	-	3,674,810	68,111,255	-	-	-	(7,570,738)	60,540,517	-	60,540,517
Student services	37,176,740	520,732	-	-	262,580	37,960,052	-	-	-	(14,922)	37,945,130	-	37,945,130
Institutional support	69,334,610	1,956,118	-	-	69,540	71,360,268	-	-	-	(196,596)	71,163,672	-	71,163,672
Operation and maintenance of plant	54,993,404	979,243	-	-	775,808	56,748,455	9,671,056	-	-	(673,416)	65,746,095	-	65,746,095
Scholarships and fellowships	61,918,894	162,604	-	-	45,424,253	107,505,751	-	-	-	(97,630,829)	9,874,922	-	9,874,922
Auxiliary enterprises	-	-	23,920,007	-	-	23,920,007	-	-	-	(37,094)	23,882,913	-	23,882,913
Depreciation	-	-	-	-	-	-	54,954,575	-	-	-	54,954,575	-	54,954,575
Capital additions - Net	-	-	-	-	-	-	(14,761,769)	-	-	14,761,769	-	-	-
Transfers out (in):													
Debt service	19,123,773	985,982	11,991,739	-	-	32,101,494	(32,101,494)	-	-	-	-	-	-
Loan matching	168,608	-	-	-	-	168,608	-	(168,608)	-	-	-	-	-
Plant improvement and extension	12,762,125	14,700,562	9,546,948	-	146,194	37,155,829	(37,155,829)	-	-	-	-	-	-
Other	140,919	-	-	-	(762,365)	(621,446)	-	621,446	-	-	-	-	-
<b>Total operating expenses</b>	<b>584,674,428</b>	<b>86,588,152</b>	<b>45,458,694</b>	<b>2,267,979</b>	<b>215,240,726</b>	<b>934,229,979</b>	<b>(19,393,461)</b>	<b>452,838</b>	<b>-</b>	<b>(97,630,829)</b>	<b>817,658,527</b>	<b>-</b>	<b>817,658,527</b>
<b>Operating (Loss) Income</b>	<b>(201,725,718)</b>	<b>(23,625,717)</b>	<b>(4,283,604)</b>	<b>(1,188,469)</b>	<b>(59,948,372)</b>	<b>(290,771,880)</b>	<b>20,094,302</b>	<b>(388,187)</b>	<b>-</b>	<b>-</b>	<b>(271,065,765)</b>	<b>-</b>	<b>(271,065,765)</b>

# Wayne State University

## Combining Statement of Revenues, Expenses, Transfers, and Changes in Net Position (Deficit) (Continued) Year Ended September 30, 2014

	Year Ended September 30												
	2014											Total	
	General Fund	Designated Fund	Auxiliary Activities Fund	Independent Operations Fund	Expendable Restricted Fund	Subtotal Current Funds	Plant Fund	Student Loan Fund	Endowment and Similar Funds	Adjustments	University Total		Wayne State University Foundation Total
<b>Nonoperating Revenues (Expenses)</b>													
State operating appropriation	\$ 183,165,416	\$ -	\$ -	\$ -	\$ 232,884	\$ 183,398,300	\$ -	\$ -	\$ -	\$ -	\$ 183,398,300	\$ -	\$ 183,398,300
Federal Pell grant	-	-	-	-	36,176,846	36,176,846	-	-	-	-	36,176,846	-	36,176,846
Gifts	-	6,267,265	11,330	1,360,640	9,216,767	16,856,002	-	1,320	625,000	-	17,482,322	83,284	17,565,606
Investment income (loss):													
Change in fair value of derivatives	-	-	-	-	-	-	498,513	-	-	-	498,513	-	498,513
Endowment and similar funds	-	-	-	-	56,014	56,014	-	-	(56,014)	-	-	-	-
Other	6,869,482	2,153,775	13,349	-	1,157,472	10,194,078	1,776,009	136,683	111,264	-	12,218,034	21,511,607	33,729,641
Net distributions from the Foundation	1,243,811	(121,749)	-	5,714	10,758,651	11,886,427	40,901	(2,390,127)	9,581	-	9,546,782	(9,546,782)	-
Interest on capital asset - Related debt	-	-	-	-	-	-	(19,757,375)	-	-	-	(19,757,375)	-	(19,757,375)
Loss on capital assets retired	-	-	-	-	-	-	(307,207)	-	-	-	(307,207)	-	(307,207)
Other	-	-	-	-	-	-	(171,028)	(69,332)	(258,354)	-	(498,714)	-	(498,714)
Net nonoperating revenues (expenses)	191,278,709	8,299,291	24,679	1,366,354	57,598,634	258,567,667	(17,920,187)	(2,321,456)	431,477	-	238,757,501	12,048,109	250,805,610
<b>(Loss) Income Before Other</b>	(10,447,009)	(15,326,426)	(4,258,925)	177,885	(2,349,738)	(32,204,213)	2,174,115	(2,709,643)	431,477	-	(32,308,264)	12,048,109	(20,260,155)
<b>Other</b>													
Capital gifts	-	-	-	-	-	-	2,995,393	-	-	-	2,995,393	-	2,995,393
Gifts for permanent endowments	-	-	-	-	-	-	-	-	140,882	-	140,882	6,390,757	6,531,639
Total other	-	-	-	-	-	-	2,995,393	-	140,882	-	3,136,275	6,390,757	9,527,032
<b>(Decrease) Increase in Net Position</b>	(10,447,009)	(15,326,426)	(4,258,925)	177,885	(2,349,738)	(32,204,213)	5,169,508	(2,709,643)	572,359	-	(29,171,989)	18,438,866	(10,733,123)
<b>Net Position (Deficit) - Beginning of year</b>	98,911,758	51,046,594	(6,580,550)	(1,464,381)	53,862,891	195,776,312	393,601,541	12,817,689	3,613,112	-	605,808,654	286,080,082	891,888,736
<b>Net Position (Deficit) - End of year</b>	\$ 88,464,749	\$ 35,720,168	\$ (10,839,475)	\$ (1,286,496)	\$ 51,513,153	\$ 163,572,099	\$ 398,771,049	\$ 10,108,046	\$ 4,185,471	\$ -	\$ 576,636,665	\$ 304,518,948	\$ 881,155,613

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