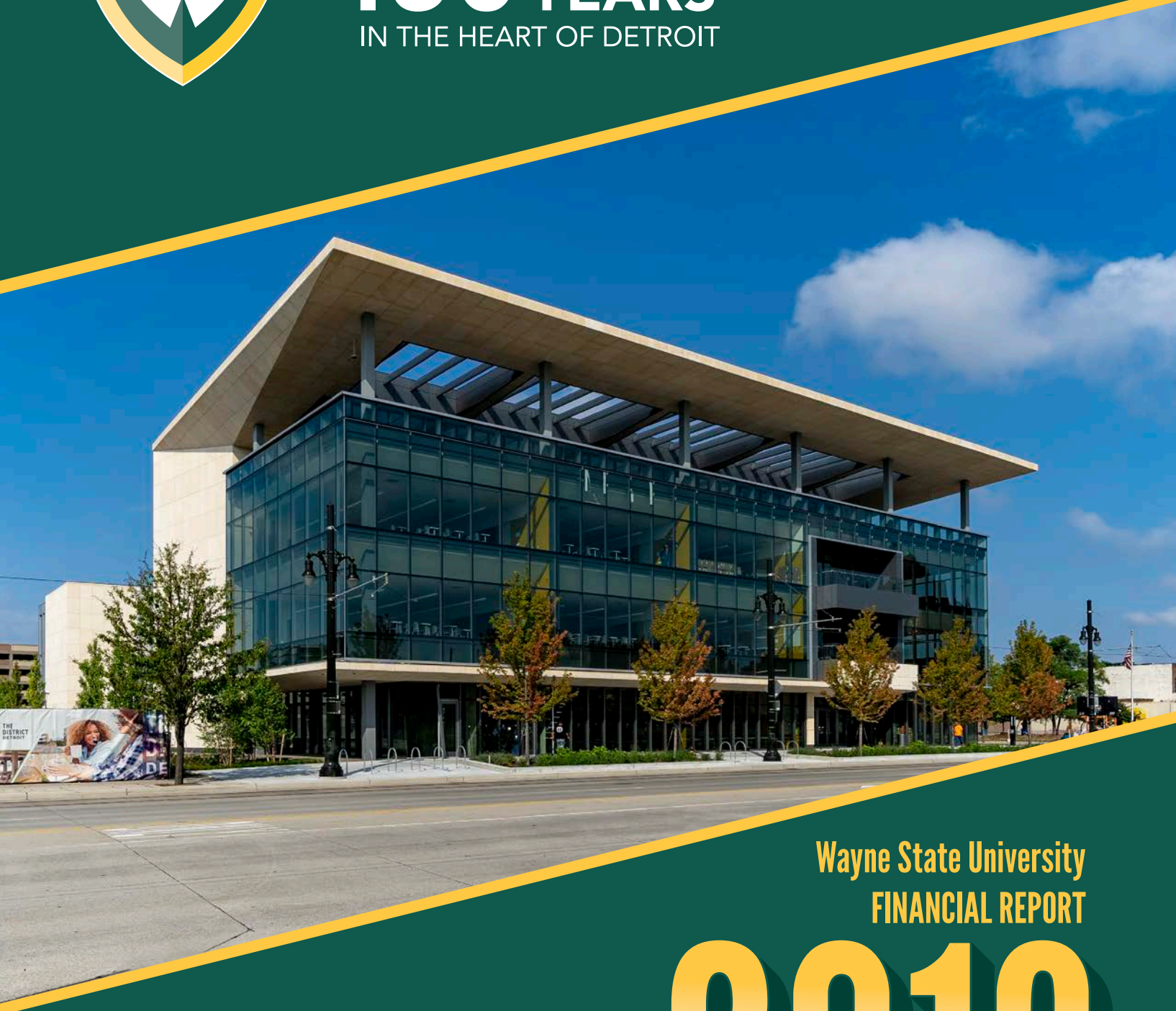
150 YEARS
IN THE HEART OF DETROIT



Wayne State University
FINANCIAL REPORT

2018

Year Ended September 30, 2018

Executive Officers

M. Roy Wilson
President

Keith Whitfield
Provost

Susan E. Burns
Vice President for Development and Alumni Affairs

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

David S. Hefner
Vice President for Health Affairs

Stephen M. Lanier
Vice President for Research

Louis Lessem
Vice President and General Council

Patrick O. Lindsey
Vice President for Government and Community Affairs

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

Ned Staebler
Vice President for Economic Development

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

Board of Governors

Sandra Hughes O'Brien, *chair*

David A. Nicholson, *vice chair*

Michael J. Busuito

Diane L. Dunaskiss

Mark Gaffney

Marilyn Kelly

Dana Thompson

Kim Trent

M. Roy Wilson, *ex officio*

Finance Administrators

William Decatur
Vice President, Treasurer and Chief Financial Officer

Bryan Dadey
Senior Associate Vice President for Finance and Deputy CFO

Marianne Cunningham
Assistant Vice President, Treasury and Assistant Treasurer

Tamaka M. Butler
Assistant Vice President and Controller

Patricia R. Douglas
Director of Accounting

Tony L. Miller
Director of Accounting

Gail L. Ryan
Associate Vice President for Sponsored Program Administration

Wayne State University

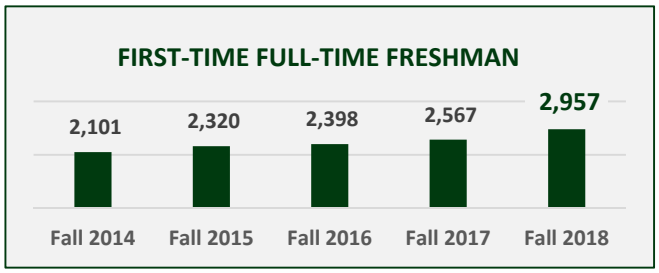
Contents

MESSAGE FROM THE VP / CHIEF FINANCIAL OFFICER

William (Bill) D. Decatur

Vice President for Finance and Business Operations / CFO / Treasurer

Wayne State University celebrated its sesquicentennial anniversary in September of 2018 in acknowledgment of 150 years of excellence in education, research, patient care, and service in the heart of Detroit, Michigan. The University continues to build on its incredible history guided by the University's strategic plan, *Distinctively Wayne State University.* The University's recent highlights include enrollment growth, improved student success, increased revenues from tuition and appropriations, student housing enhancements, continued focus on research, and strong philanthropic support.

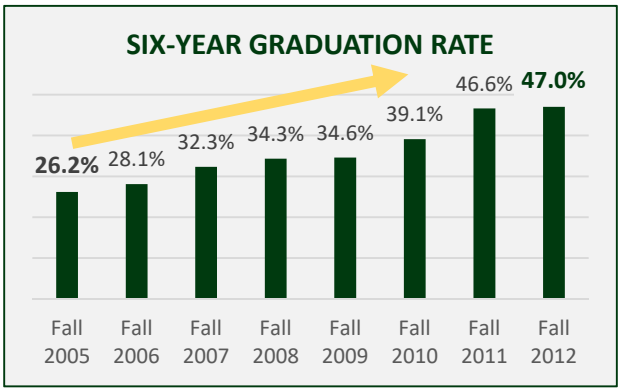


Student Enrollment

The University has experienced historic growth in first-time full-time freshman with increases of 7% and 15.2% for Fall 2017 and Fall 2018, respectively. Fall 2018 marks the highest first-time full-time incoming freshman class in the University's history. Total student credit hours have also steadily increased with growth of 1% and 4.3% for Fall 2017 and Fall 2018, respectively. The University credits these results through enhanced strategies in student recruitment and retention.

Student Success

The University was named the winner of the 2018 Project Degree Completion Award honoring institutions using innovative strategies or programs to increase retention and graduation outcomes and decrease achievement gaps. The University made major investments in retention strategies including the addition of academic advisors, improvements in curriculum of general education courses, increased support for faculty teaching development, improved first-year experiences for new students, and strengthened financial aid programs. The University has dramatically improved its six-year graduation rate from the Fall 2005 cohort of 26.2% to the Fall 2012 cohort of 47%. The increase in retention is the most significant improvement of any University in the country.



Philanthropy - Pivotal Moments

The University successfully reached the $750 million goal for its comprehensive fundraising campaign, *Pivotal Moments* . The campaign focused on key priorities including student success, research and faculty support, facilities and spaces, and community outreach. The campaign concluded with a grand total of over $773.5 million in giving from alumni, friends, faculty, and staff.

Student Housing

The University announced a tremendous new partnership in November 2018 with Corvias Campus Living, LLC. The University and Corvias entered into a 40-year Service Concessionaire Agreement whereby Corvias will manage, maintain, and operate the University's student housing portfolio. The agreement includes significant investment in new housing facilities and renovation of existing facilitates.

The agreement also allowed the University to defease approximately $99.0 million of outstanding debt related to the student housing portfolio.

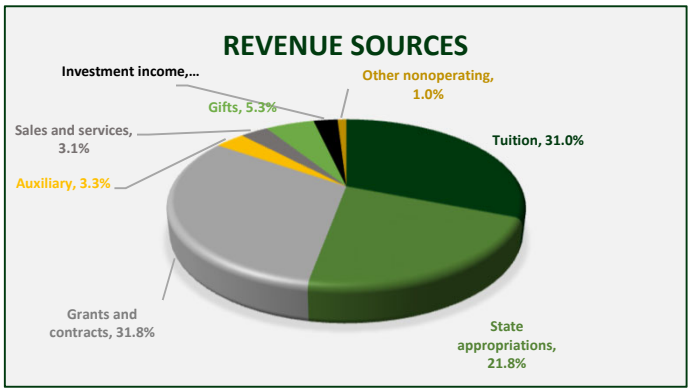
In addition to improved living facilities for our students, the concessionaire agreement also created an endowed scholarship fund.

$307.5 million financing partnership

841 new / 370 renovated beds

Defeased $99.0 million in debt

$1 million endowed scholarship



in millions	2018	2017	2016
Net tuition & fees	$ 282.8	$ 278.6	$ 267.9
State appropriations	$ 199.2	$ 196.7	$ 193.9
Grants & contracts	$ 289.8	$ 331.2	$ 252.2

Revenues Sources

The combined revenue sources of the University and Wayne State University Foundation totaled over $911 million for fiscal year 2018. Grants and contracts made up the largest portion (31.8%) as the University continues to focus on expanding the research and discovery mission. Tuition (31%) and state appropriations (21.8%) have shown steady increases over the last several years based on enrollment and retention initiatives and continued support from the State of Michigan.

Annual Financial Report

This report summarizes the financial position and results of operation of the University for the fiscal years ended September 30, 2018 and September 30, 2017. 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 5 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.

Independent Auditor's Report

To the Board of Directors
Wayne State University

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Wayne State University (the "University") as of and for the years ended September 30, 2018 and 2017 and the related notes to the financial statements, which collectively comprise Wayne State 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 opinions 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*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free 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 the business-type activities and the discretely presented component unit of Wayne State University as of September 30, 2018 and 2017 and the respective changes in its financial position and, where applicable, cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 15 to the financial statements, the University entered into an agreement on November 30, 2017 that has been accounted for under the provisions of GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. Our opinion is not modified with respect to this matter.

To the Board of Directors
Wayne State University

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of changes in the University's total OPEB liability and related ratios 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 an opinion on the financial statements that collectively comprise Wayne State 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 5, 2019 on our consideration of Wayne State 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 Wayne State University's internal control over financial reporting and compliance.

Plante & Moran, PLLC

February 5, 2019

Introduction

The following discussion and analysis provides an overview of the financial position of Wayne State University (the "University") at September 30, 2018 and the results of its operations and cash flows for the year then ended. Selected comparative information is provided as of and for the year ended September 30, 2017. 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 2018 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 2017 enrollment of approximately 27,100 students, the University ranks among the top public universities in the nation and has the most diverse student body of any university in Michigan. As the 7th largest employer in the city of Detroit, as ranked by the 2018 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 2017 National Science Foundation Research and Development Expenditures Survey, the University ranked 99th among all universities and 69th 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 2017 National Science Foundation Research and Development Expenditures Survey ranked the University 53rd in the health sciences category. Based on the 2018 Carnegie classification of higher education, Wayne State University ranked within the top 2.7 percent of the nation's universities and colleges with the Carnegie classification of R1 (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, deferred inflows of resources, and net position of the University at September 30, 2018; the statement of revenue, expenses, and changes in net position, which reflects revenues and expenses recognized during the fiscal year; and the statement of cash flows, which provides information on the major sources and uses of cash during the fiscal year. The report also includes notes to the financial statements, which are an integral component of the report. These financial statements and accompanying notes are prepared in accordance with the principles of the Governmental Accounting Standards Board (GASB). Consistent with the GASB principles, the Wayne State University Foundation (the "Foundation"), as a controlled corporate organization, is considered a component unit of the University. The Foundation's statement of financial position and statement of activities and changes in net position are discretely presented in the University's financial statements. The management's discussion and analysis refers to the University only (excluding the Foundation), unless otherwise noted. Additional supplemental information, which provides the statement of net position and operating information for the various funds of the University, is also included in the report.

Overall Financial Highlights

The University's financial position at September 30, 2018 includes assets and deferred outflows of resources of approximately $1.68 billion and liabilities and deferred inflows of resources of $1.01 billion. Net position, which represents the residual interest in the University's assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted, was $0.67 billion as of September 30, 2018, an increase of $.01 billion compared with the prior year.

Financial Position

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

	2018	2017	2016
		(in millions)	
Total assets	$ 1,662.7	$ 1,454.1	$ 1,421.3
Deferred outflows of resources	14.4	12.8	13.4
Total liabilities	833.4	807.8	821.9
Deferred inflows of resources	177.0	-	-
Net position	666.7	659.1	612.8

Specific discussion and analysis of the changes in the components of the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position categories are provided on pages 7-11.

Operations

A summary of revenue and expenses, including the operating, nonoperating, and other categories for the years ended September 30, 2018, 2017, and 2016, is as follows:

	2018	2017	2016
Revenue:		(in millions)	
Operating revenues	$ 596.7	$ 640.4	$ 553.0
Nonoperating revenues	284.6	271.0	281.3
Other	1.0	4.1	41.5
Total revenues	**$ 882.3**	**$ 915.5**	**$ 875.8**
Expenses:			
Operating expenses	$ 855.7	$ 848.7	$ 824.8
Nonoperating expenses	19.0	20.5	21.3
Total expenses	**$ 874.7**	**$ 869.2**	**$ 846.1**

During fiscal year 2018, total revenue decreased $33.2 million (3.6 percent) compared to 2017, while total expenses increased $5.5 million (0.6 percent). During fiscal year 2017, total revenue increased $39.7 million (4.5 percent) compared to 2016, while total expenses increased $23.1 million (2.7 percent). Specific discussion and analysis of the changes in the components of the revenue and expense categories are provided on pages 12-17.

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, liabilities, and deferred inflows of resources 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, deferred inflows 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, deferred inflows of resources, and net position at September 30, 2018, 2017, and 2016 is as follows:

	2018	2017	2016
		(in millions)	
Current assets	$ 596.0	$ 570.3	$ 514.8
Noncurrent assets:			
Investments	106.8	4.1	3.9
Capital assets - Net of depreciation	926.1	842.7	852.9
Other	33.8	37.0	49.7
Total assets	1,662.7	1,454.1	1,421.3
Deferred outflows of resources	14.4	12.8	13.4
Current liabilities	312.3	300.5	294.2
Noncurrent liabilities:			
Long-term debt - Net of current portion	464.7	446.5	463.3
Other	56.4	60.8	64.4
Total liabilities	833.4	807.8	821.9
Deferred inflows of resources	177.0	-	-
Total net position	**$ 666.7**	**$ 659.1**	**$ 612.8**

Current Assets and Liabilities

Current assets are comprised primarily of cash and temporary investments and receivables. In 2018, current assets increased $25.7 million (4.5 percent) to $596.0 million compared to $570.3 million at September 30, 2017. The increase was attributable to an increase in cash and temporary investments of $71.1 million, partially offset by a decline in net current receivables of $45.4 million. Changes in cash and temporary investments are the result of the University's overall operating performance and timing. The decrease in net current receivables (see Note 4) resulted from several factors, including a decrease in net grants and contracts receivable of $26.8 million attributable principally to certain program revenues collected by an affiliate organization on the University's behalf that were not transferred to the University prior to September 30 in 2017 (more fully discussed in the "Operating Revenues" section on page 14); a decrease in net other receivables of $10.7 million attributable principally to the timing of reimbursement for certain program payments, which was received prior to September 30, whereas in 2017, the reimbursement was received subsequent to fiscal year end; and a decrease in pledge gifts receivable of $11.4 million driven largely by scheduled payments received related to a substantial pledge the University received in 2016 to construct the Mike Ilitch School of Business, offset partially by an increase in student accounts receivable of $3.5 million.

In 2017, current assets increased $55.5 million (10.8 percent) to $570.3 million compared to $514.8 million at September 30, 2016. The increase consisted of increases in cash and temporary investments of $20.8 million, net current receivables of $33.5 million, combined with a net increase in prepaid expenses and deposits and other current assets of $1.2 million.

Current liabilities are comprised of amounts payable within one year and consist primarily of accounts payable, accrued liabilities, and unearned revenue. In 2018, total current liabilities increased by $11.8 million (3.9 percent) to $312.3 million compared to $300.5 million at September 30, 2017. The increase consisted of an increase in accounts payable and accrued liabilities of $15.9 million, partially offset by decreases in the current portion of long-term debt, deposits, and unearned revenue of $2.7 million, $0.8 million, and $0.6 million, respectively. The increase in accounts payable and accrued liabilities was attributable principally to a change in the flow of funds related to a specific University Health Affairs program, which resulted in the University collecting program funds in an agency capacity for program participants. The program funds collected prior to September 30, were disbursed to program participants subsequent to fiscal year-end. Unearned revenue primarily consists of 75 percent of student tuition and fees for the current fall term received or due prior to October 2018.

In 2017, total current liabilities increased by $6.3 million (2.1 percent) to $300.5 million compared to $294.2 million at September 30, 2016. The increase consisted of increases in unearned revenue of $6.2 million and the current portion of long-term debt of $0.6 million, offset partially by a decrease in deposits of $0.5 million. The increase in unearned revenue was attributable principally to fall 2017 tuition and fee rate increases for undergraduate students and graduate students of 3.75 and 4.0 percent, respectively, combined with a slight increase in student credit hours.

The University's current ratio (current assets divided by current liabilities), a measure of liquidity, was 1.9 at September 30, 2018 and 2017 compared with a ratio of 1.7 at September 30, 2016.

Deferred Outflow of Resources

Deferred outflow of resources totaled $14.4 million in 2018, compared to $12.8 million in 2017 and $13.4 million in 2016. The 2018 amount includes $14.4 million related to losses recognized in the defeasance of debt as of September 30, 2018. The 2017 amount includes $12.8 million related to a loss recognized in the defeasance of debt.

Deferred Inflow of Resources

Deferred inflow of resources totaled $177.0 million in 2018. The 2018 amount includes $0.8 million for OPEB-related amounts (more fully discussed in Note 12), $175.7 million related to the service concession arrangement (more fully discussed in Note 15), and $0.4 million related to an irrevocable split-interest agreement. There were no deferred inflows of resources in 2017 or 2016.

Noncurrent Assets and Liabilities

Noncurrent Assets

Noncurrent assets are comprised primarily of investments, capital assets, and noncurrent receivables. Notable changes from 2017 to 2018 in noncurrent assets included increases in investments and net capital assets of $102.7 million and $83.4 million, respectively.

Investments

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

The composition of noncurrent investments at September 30, 2018, 2017, and 2016 is as follows:

	2018	2017	2016
		(in millions)	
Endowment Fund	$ 5.2	$ 4.1	$ 3.9
Plant Fund - Invested bond proceeds	101.6	-	-
Total noncurrent investments	**$ 106.8**	**$ 4.1**	**$ 3.9**

The 2018 invested bond proceeds component of noncurrent investments represents proceeds of $133.0 million from the Series 2018A Bonds issued in February 2018, net of current year's expenditures of bond proceeds for planned capital projects.

Foundation Investments

The Foundation manages approximately 99 percent of the University's endowment funds. The composition of the Foundation's noncurrent investments at September 30, 2018, 2017, and 2016 is as follows:

	2018	2017	2016
		(in millions)	
Endowment Fund investments	**$ 388.0**	**$ 353.6**	**$ 309.6**

In 2018, the Foundation Endowment Fund investments increased $34.4 million (9.7 percent) to $388.0 million. The 2018 increase is principally because of a net investment gain ($20.9 million) and new gifts ($20.0 million), offset partially by net distributions to the University ($11.6 million).

In 2017, the Foundation Endowment Fund investments increased $44.0 million (14.2 percent) to $353.6 million. The 2017 increase is principally because of a net investment gain ($35.4 million) and new gifts ($15.3 million), offset partially by net distributions to the University ($10.4 million).

Capital Assets

One factor critical to enhancing the quality of the University's academic and research programs and residential life is the development and renewal of its capital assets. The University continues to modernize its older teaching, research, and administrative buildings as well as construct new facilities.

Capital additions during 2018 totaled $149.4 million, compared to $51.4 million in 2017 and $51.0 million in 2016. The 2018 capital additions included expenditures for the construction of the Mike Ilitch School of Business ($30.7 million), a New Data Center ($12.7 million), the Anthony Wayne Drive Apartment project – Phase I ($63.0 million), and the purchase of the Next Energy Building ($4.9 million), as well as renovations and upgrades to many other university buildings.

In 2017 capital additions included expenditures for the Mike Ilitch School of Business ($22.1 million), renovation of the Thompson Home to create additional student housing ($5.3 million), the partial renovation of the Elliman Research Building ($3.1 million), as well as renovations and upgrades to many other university buildings.

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

Other Noncurrent Assets

In 2018, other noncurrent assets (primarily noncurrent receivables) decreased $3.2 million (8.6 percent) to $33.8 million, compared to $37.0 million and $49.7 million at September 30, 2017 and 2016, respectively. The 2017 decrease of $12.7 million (25.6 percent) was attributable principally to the reclassification of a pledge, which was received in 2016 to construct the Mike Ilitch School of Business, from noncurrent to current pledge gifts receivable for those payments that were due during fiscal year 2018.

Noncurrent Liabilities

Notable changes in the noncurrent liability section of the statement of net position from 2017 to 2018 included an increase in long-term debt of $18.2 million, partially offset by a decrease in other noncurrent liabilities of $4.4 million.

Long-term Debt

Long-term debt (including the current portion) totaled $478.8 million, $463.3 million, and $479.4 million at September 30, 2018, 2017, and 2016, respectively.

For 2018, long-term debt increased $15.5 million. The increase was attributable principally to the issuance of the Series 2018A bonds (more fully discussed below) for a par amount of $122.2 million, and the related net premium of $10.8 million, offset partially by principal payments made during the year totaling $114.2 million, including the partial advance refunding of Series 2008 and Series 2009A bonds (more fully discussed below).

In its role of financial steward, the University works to manage its financial resources effectively, including the use of debt to finance capital projects. As more fully discussed in Note 6 to the financial statements, the University issued its tax-exempt Series 2018A bonds in February 2018. These bonds were issued to finance or partially finance several projects including the construction of the Mike Ilitch School of Business, the Hillberry Theatre expansion, construction and renovation project, renovation of the Science and Engineering laboratory, construction of a new Data Center, electrical upgrades at various university buildings, a weight room addition, construction of an art gallery, and various relocation activities.

In fiscal year 2018, the University entered into a Service Concessionaire Agreement (SCA) with Corvias Campus Living-WSU, LLC (Corvias), whereby Corvias will manage, maintain, and operate housing resources on campus for a 40-year term. As part of the initial investment, Corvias deposited $102.9 million with a trustee to pay principal and interest on the housing related debt which effectively defeased $79.2 million and $19.8 million, of the Series 2008 and Series 2009A bonds, respectively (more fully discussed in Note 6).

The 2017 decrease of $16.1 million primarily represented principal payments made during the year.

Net Position

Net position represents the difference between assets, deferred outflows of resources, deferred inflows of resources, and liabilities. The University's net position at September 30, 2018, 2017, and 2016 is summarized as follows:

	2018	2017	2016
		(in millions)	
Net investment in capital assets	$ 391.4	$ 393.2	$ 386.9
Restricted:			
Nonexpendable	11.1	11.3	11.5
Expendable	73.3	91.2	106.8
Unrestricted	190.9	163.4	107.6
Total net position	**$ 666.7**	**$ 659.1**	**$ 612.8**

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

- **Net Investment in Capital Assets** - The University's investment in capital assets, net of accumulated depreciation, and outstanding principal balances of debt issued for the acquisition, construction, or improvement of those assets. Changes from year to year result from capital additions, issuance and payments of long-term debt, retirement of assets, and depreciation expense.

- **Restricted:**
  - **Nonexpendable** - The corpus portion of gifts to the University's permanent true endowment funds, certain University funds, which have been specifically allocated and restricted pursuant to specific agreements with individuals or entities, and the University's required funding match for federal student loans and donor-restricted University loans.

  - **Expendable** - Gifts and sponsored and governmental grants and contracts, which are subject to externally imposed restrictions governing their use (scholarships, academic and research programs, and capital projects). This category of net position also includes undistributed accretion from investments of permanent true endowments and funds functioning as endowments with externally imposed restrictions.

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

- **Unrestricted** - Funds which are not subject to externally imposed restrictions; however, most of the University's unrestricted net position is designated by the board of governors and/or management for various academic, research and administrative programs, and capital projects. In 2018, unrestricted net position increased $27.5 million (16.8 percent) to $190.9 million compared to $163.4 million and $107.6 million at September 30, 2017 and 2016, respectively. The 2018 increase was attributable to increases in the General Fund ($14.5 million), Designated Fund ($3.2 million), Auxiliary Operations ($5.7 million), and the Plant Fund ($3.7 million) unrestricted net position. The 2017 increase of $55.8 million resulted largely from an increase in the Designated Fund unrestricted net position of $54.3 million, which was attributable principally to a change in the methodology used to allocate program revenue for a specific University Health Affairs program (more fully discussed in the "Operating Revenues" section on page 14).

Statement of Revenues, Expenses, and Changes in Net Position

The statement of revenues, expenses, and changes in net position presents the revenues and expenses recognized during fiscal year 2018. Prior fiscal years' data is provided for comparative purposes.

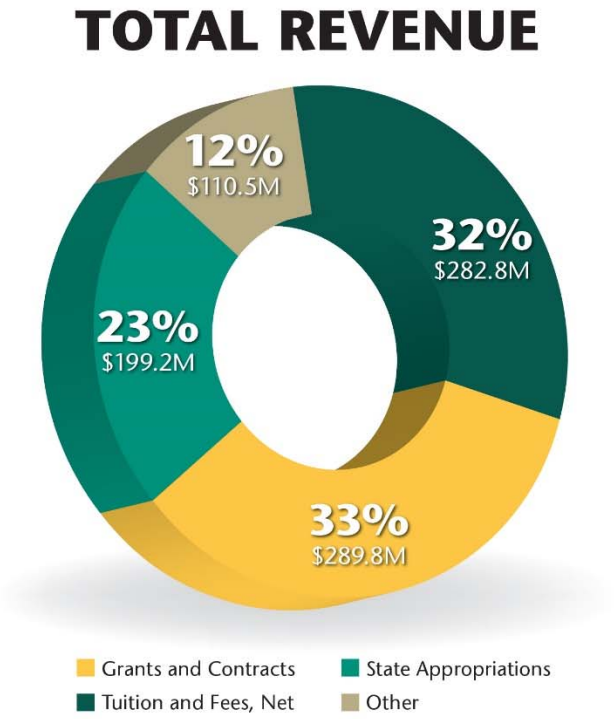
Revenues

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

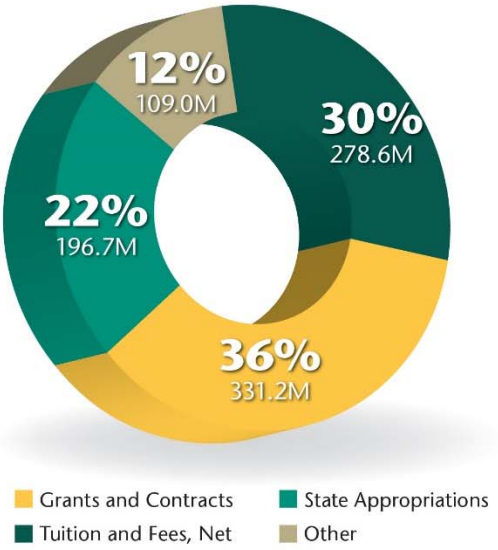
Summarized operating, nonoperating, and other revenues for the years ended September 30, 2018, 2017, and 2016 are presented below:

	2018	2017	2016
Operating Revenues		(in millions)	
Student tuition and fees - Gross	$ 393.7	$ 382.5	$ 366.1
Less scholarship allowances	(110.9)	(103.9)	(98.2)
Net student tuition and fees	282.8	278.6	267.9
Grants and contracts	255.9	298.1	221.0
Departmental activities, auxiliary enterprises, and other	58.0	63.7	64.1
Total operating revenues	596.7	640.4	553.0
Nonoperating Revenues			
State operating appropriation	199.2	196.1	191.4
Federal Pell grants	33.9	33.1	31.2
Gifts	27.7	22.3	28.9
Investment income:			
Income and realized gains	11.6	9.7	10.3
Unrealized (loss) gain	(8.3)	(2.3)	4.7
Change in fair value of derivatives	0.1	(0.3)	0.2
Net distributions from the Foundation	11.6	10.4	10.6
Other	8.8	2.0	4.0
Total nonoperating revenues	284.6	271.0	281.3
Other			
State capital appropriation	-	0.6	2.5
Capital and endowment gifts	1.0	3.5	39.0
Total other	1.0	4.1	41.5
Total revenues	**$ 882.3**	**$ 915.5**	**$ 875.8**

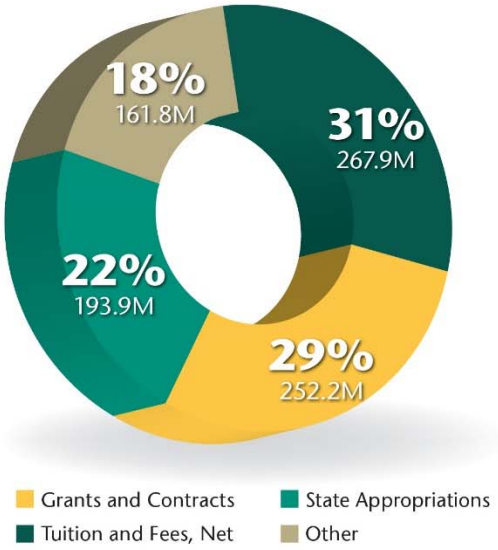
The charts below graphically depict total revenue by source for the years ended September 30, 2018, 2017, and 2016:



2018 – 882.3 million



2017 – 915.5 million



2016 – 875.8 million

Primary Revenue Sources

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

Operating Revenues

Operating revenue totaled $596.7 million in 2018 compared to $640.4 and $553.0 million in 2017 and 2016, respectively. The 2018 decrease in total operating revenues of $43.7 million (6.8 percent) was attributable to several factors:

Student Tuition and Fees - In fiscal year 2018, gross student tuition and fees increased $11.2 million and scholarship allowances increased by $7.0 million, resulting in an increase in net student tuition and fees of $4.2 million. The increase in gross student tuition and fees was attributable principally to the fall 2017 tuition rate increases for undergraduate students and graduate students of 3.75 and 4.0 percent, respectively, combined with a slight increase in student credit hours.

The 2017 increase in gross student tuition and fees was attributable principally to the fall 2016 undergraduate lower and upper division tuition rate increases of 3.8 and 4.5 percent, respectively, and a graduate tuition rate increase of 4.1 percent, combined with a 6.9 percent increase in graduate enrollment.

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 2018, 2017, and 2016 the University provided total scholarships and fellowships of $127.3 million, $122.5 million, and $116.0 million, respectively. For 2018, the $4.8 million increase represents a 3.9 percent increase in financial aid. The increases in 2017 and 2016 of $6.5 million and $6.0 million, respectively, represent percentage increases of 5.6 and 5.5 percent, respectively. The increase in 2018 is attributable principally to an overall increase in university scholarships and other financial aid to help minimize the impact of rising tuition rates for students in need and to provide incentives to increase student retention. The increase in 2017 is attributable principally to an overall increase in university scholarships and other financial aid to help minimize the impact of rising tuition rates for students in need, combined with an increase in Federal Pell grant awards of $1.9 million.

Grants and Contracts - Grants and contracts revenues decreased $42.2 million (14.2 percent) from 2017 to 2018. The decrease consisted of decreases in nongovernmental grants and contracts of $37.1 million, federal grants and contracts of $3.4 million, and state and local grants and contracts of $1.7 million. The 2017 increase in nongovernmental grants and contracts of $71.4 million was attributable largely to a change in the methodology used to allocate program revenue for a specific University Health Affairs program, which increased the University's share of the related program revenue. Implementing the change resulted in recognizing revenue of approximately $51.5 million in 2017. The revenue recognized in 2018 for the same program was $20.6 million, which is more consistent with the anticipated annual revenue. The 2018 decline in the program revenue is the primary driver in the overall decrease in the 2018 nongovernmental grants and contracts revenue. Other factors contributing to the decrease in nongovernmental grants and contracts include an adjustment to 2018 revenue of $4.7 million, which reduced certain contract receivable amounts due from an affiliate organization, deemed uncollectible, to the net realizable value, and other routine and cyclical decreases of approximately $1.5 million.

Grants and contracts revenues increased $77.1 million (34.9 percent) from 2016 to 2017. The increase consisted of several factors including an increase in nongovernmental grants and contracts of $71.4 million (more fully discussed above), federal grants and contracts of $3.1 million, and state and local grants and contracts of $2.6 million.

Departmental Activities, Auxiliary Enterprises, and Other - Departmental activities, auxiliary enterprises, and other revenue decreased $5.7 million (8.9 percent) to $58.0 million in 2018, compared to $63.7 million and $64.1 million in 2017 and 2016, respectively. The 2018 decrease consisted of a decline in auxiliary enterprise revenue of $7.0 million, offset partially by increases in departmental activities and other operating revenues of $1.2 million and $0.1 million, respectively. As previously mentioned, the University entered into a Service Concessionaire Agreement (SCA) with Corvias Campus Living-WSU, LLC (Corvias) in 2018. As part of the agreement, the University's housing operations, including the related housing revenue, was transferred to Corvias, effective November 30, 2018.

Nonoperating and Other Revenues

Nonoperating and other revenues were $285.6 million in 2018, compared to $275.1 million and $322.8 million in 2017 and 2016, respectively. Factors affecting this change are as follows:

Nonoperating Revenues

- The state operating appropriation, totaling $199.2 million, $196.1 million, and $191.4 million in 2018, 2017 and 2016, respectively, is the most significant component of the University's nonoperating and other revenues. The increase in 2018 and 2017 of $3.1 million and $4.7 million, respectively, was attributable principally to additional funding received as the University met certain performance metrics.
- 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 $1.2 million in 2018 and decreased $0.2 million in 2017.
- The fund components of investment income included in nonoperating revenues for the past three years are as follows:

Investment Income
(including realized and unrealized income)

	2018	2017	2016
		(in millions)	
Net investment income:			
Income and realized gains	$ 11.6	$ 9.7	$ 10.3
Unrealized (loss) gain	(8.3)	(2.3)	4.7
Change in fair value of derivatives	0.1	(0.3)	0.2
Total net investment income, including the change in fair value of derivatives	**$ 3.4**	**$ 7.1**	**$ 15.2**

Investment income is attributable principally to cash pool investments. The 2018 decrease in net investment income of $3.7 million was due largely to an increase in the unrealized loss. The unrealized loss in 2018 was due to an increase in interest rate levels during the year. The 2017 decrease in net investment income of $8.1 million was due largely to an unrealized loss in 2017 versus an unrealized gain in 2016. The unrealized loss in 2017 was due to an increase in interest rate levels during the year.

Other Revenues

Other revenues totaled $1.0 million, $4.1 million, and $41.5 million in 2018, 2017, and 2016, respectively. The 2018 decrease of $3.1 million was attributable to decreases in capital gifts ($2.5 million) and state capital appropriations ($0.6 million). In 2016, other revenues consisted of $39.0 million in capital gifts contributed largely for the construction of the Mike Ilitch School of Business and $2.5 million in state capital appropriations for the construction of the Integrative Biosciences Center (IBio). The final payments from the approved state capital appropriation of $30.0 million were received by the University during fiscal year 2017.

Expenses

Operating and nonoperating expenses for the years ended September 30, 2018, 2017, and 2016 are summarized below:

	2018	2017	2016
		(in millions)	
Operating expenses	$ 855.7	$ 848.7	$ 824.8
Nonoperating expenses:			
Interest	19.0	20.5	20.6
Other	-	-	0.7
Total nonoperating expenses	19.0	20.5	21.3
Total expenses	**$ 874.7**	**$ 869.2**	**$ 846.1**

Operating expenses by both functional and natural classification for the years ended September 30, 2018, 2017, and 2016 are as follows:

	2018		2017		2016	
	Dollars	Percentage of Total Operating Expenses	Dollars	Percentage of Total Operating Expenses	Dollars	Percentage of Total Operating Expenses
			(in millions)			
Natural Classification						
Compensation and benefits	$ 583.7	68.2%	$ 580.4	68.4%	$ 573.5	69.5%
Supplies, services, and other	198.2	23.2%	193.3	22.7%	183.1	22.2%
Depreciation	59.1	6.9%	61.6	7.3%	55.9	6.8%
Scholarships and fellowships [1]	14.7	1.7%	13.4	1.6%	12.3	1.5%
Total	**$ 855.7**	**100%**	**$ 848.7**	**100%**	**$ 824.8**	**100%**
Functional Classification						
Instruction	$ 276.3	32.3%	$ 276.5	32.6%	$ 278.6	33.8%
Research	157.3	18.5%	156.4	18.5%	146.9	17.8%
Public service	62.0	7.2%	62.2	7.3%	60.7	7.4%
Academic support	68.2	8.0%	66.4	7.8%	67.0	8.1%
Student services	39.6	4.6%	41.9	4.9%	38.7	4.7%
Institutional support	92.7	10.8%	85.0	10.0%	78.1	9.5%
Operation and maintenance of plant	62.0	7.2%	60.4	7.1%	60.7	7.3%
Scholarships and fellowships [1]	14.7	1.7%	13.4	1.6%	12.3	1.5%
Auxiliary enterprises	23.8	2.8%	24.9	2.9%	25.9	3.1%
Depreciation	59.1	6.9%	61.6	7.3%	55.9	6.8%
Total	**$ 855.7**	**100%**	**$ 848.7**	**100%**	**$ 824.8**	**100%**

[1] Excludes "scholarship allowances" applied directly to students' tuition and room and board (see pages 12, 14, and 17).

Operating Expenses

Compensation and benefit expenses increased $3.3 million (0.6 percent) in 2018 to $583.7 million compared to $580.4 million and $573.5 million in 2017 and 2016, respectively. The moderate increases in 2018 and 2017 were attributable principally to salary and benefit inflationary cost increases.

Supplies, services, and other expenses increased $4.9 million (2.5 percent) in 2018 to $198.2 million compared to $193.3 million and $183.1 million in 2017 and 2016, respectively. The moderate increase in 2018 is attributable largely to several university-wide initiatives which resulted in an increase in consulting costs, legal fees, and software costs. The increase in 2017 was driven largely by a $6.3 million increase in expenses related to the timing of a contract for oncology clinical trials, which resulted in a partial year of expenses in 2016 compared to a full year in 2017.

Total scholarships and fellowships granted in 2018 increased $4.8 million (3.9 percent) to $127.3 million, compared to $122.5 million in 2017. As discussed previously, the increase in 2018 was attributable principally to an overall increase in university scholarships and other financial aid. Total scholarships and fellowships granted in 2017 increased $6.5 million (5.6 percent) to $122.5 million, compared to $116.0 million in 2016. The increase in 2017 was attributable to an overall increase in university scholarships and other financial aid, combined with an increase in Federal Pell grant awards of $1.9 million.

Total scholarships and fellowships granted have two components. The scholarships and fellowships reflected on the table on page 16 of $14.7 million, $13.4 million, and $12.3 million are disbursed directly to students and are reported as operating expenses in 2018, 2017, and 2016, respectively. The remaining amounts for 2018, 2017, and 2016 of $112.6 million, $109.1 million and $103.7 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 decreased $0.2 million (0.1 percent) to $276.3 million in 2018, compared to $276.5 million and $278.6 million in 2017 and 2016, respectively. The expenses in 2018 and 2017 remained relatively flat.

Research expenditures increased $0.9 million (0.6 percent) in 2018 to $157.3 million, compared to $156.4 million and $146.9 million in 2017 and 2016, respectively. The expenses in 2018 remained relatively flat. The 2017 increase was attributable principally to an increase in expenses resulting from the timing of a contract for clinical trials in oncology (as previously discussed), which resulted in a partial year of expenses in 2016 compared to a full year in 2017.

Institutional support expenses increased $7.7 million (9.1 percent) in 2018 to $92.7 million, compared to $85.0 million and $78.1 million in 2017 and 2016, respectively. The increase in 2018 was attributable to an increase in compensation-related expenses of $1.7 million, combined with an increase in direct expenses of $6.0 million. The increase in 2017 was attributable to an increase in compensation-related expenses of $3.6 million, combined with an increase in direct expenses of $3.3 million.

Nonoperating Expenses

Interest expense totaled $19.0 million, $20.5 million, and $20.6 million, in 2018, 2017, and 2016, respectively. Interest expense was net of a federal subsidy related to the Series 2009B Build America Bonds of $0.5 million in 2018, 2017, and 2016.

Statement of Cash Flows

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

A comparative summary of the statement of cash flows for the years ended September 30, 2018, 2017, and 2016 is as follows:

	2018	2017	2016
		(in millions)	
Cash and temporary investments (used in) provided by:			
Operating activities	$ (149.8)	$ (197.4)	$ (207.1)
Noncapital financing activities	284.1	264.1	270.7
Capital and related financing activities	27.5	(54.7)	(80.2)
Investing activities	(90.7)	8.8	12.1
Net increase (decrease) in cash and temporary investments	71.1	20.8	(4.5)
Cash and temporary investments - Beginning of year	355.0	334.2	338.7
Cash and temporary investments - End of year	**$ 426.1**	**$ 355.0**	**$ 334.2**

Cash flows used in operating activities reflect tuition and fees, grants and contracts, and auxiliary and departmental activities. Major uses include payment of wages, employee benefits, supplies, utilities, and scholarships. The most significant source of cash flows provided by noncapital financing activities is the state operating appropriation, which totaled $199.2 million in 2018, compared to $196.1 million and $191.4 million in 2017 and 2016, respectively. Cash flows from capital and related financing activities represent Plant Fund and related long-term debt activities and capital gifts. Cash flows from investing activities include uses of cash to purchase investments, increases in cash and equivalents as a result of selling investments, and income earned on cash and temporary investments. Investing activities also include cash proceeds from the sale of bond-related investments to finance construction expenditures.

Economic Factors That Will Affect the Future

Higher Education Industry

The United States higher education industry remains stable as demand continues to be strong and enrollment is steady. The long-term outlook for higher education is favorable as the number of careers requiring degrees and advanced degrees continues to grow. The lifetime earnings disparity between degreed and non-degreed individuals strongly supports the value of higher education. Despite the strong demand, the sector continues to face a multi-faceted set of challenges. There are continuous pressures on institutions regarding affordability, accountability, and competition. Also, there is uncertainty surrounding the federal policy for higher education and concern regarding the growth in unfunded pension liabilities. Research funding is expected to have moderate increases from both federally funded and non-federally funded agencies, with funding likely to shift to comprehensive universities that offer cross-discipline collaboration.

In the short-term, institutions of higher education are experiencing very modest increases in tuition revenue. State support across the country has varied significantly from state-to-state over the last 5-years with some states still below pre-recession funding levels. Constrained revenue sources require institutions to continuously manage operating costs while balancing the competitive recruitment and retention of its faculty and staff. Universities continue to utilize debt financing and philanthropy to provide the necessary investments in campus infrastructure.

State of Michigan

The State of Michigan has supported higher education by increasing state appropriations to public universities by 2 percent in fiscal year 2018 and fiscal year 2019, respectively. While appropriations have moderately increased recently, the total appropriation support is far below historical amounts. The fiscal year 2019 state appropriations are 9.8 percent lower compared to fiscal year 2002 in nominal value.

The Michigan economy is expected to continue its growth through 2020. Wages and personal income are projected to increases over the next two years while unemployment is to remain low and stable. Michigan is forecasting a shortage of degreed graduates with job demand exceeding supply. Also, Michigan recognized fifty high-demand, high wage occupations in the state with thirty-five occupations requiring advanced degrees, further emphasizing the importance of higher education in the state.

Wayne State University

The University is positioning itself to address the challenges and opportunities guided by its strategic plan, Distinctively Wayne State University. The strategic plan sets forth seven pillars of focus:

- **Student success** – Students remain the University's top priority, and it will provide students with the tools and experience that they need to learn and succeed. Academic excellence, innovative pedagogies, collaborative and interdisciplinary research, career preparation, global experiences, and deep engagement in cultural diversity within a dynamic urban environment all create a "Distinctively Wayne State" student experience.
- **Teaching excellence** – The University will use both proven and thoughtfully innovative, evidence-based, high-impact practices, and culturally responsive and reflective pedagogies to increase the levels of student engagement and learning outcomes, as well as promote greater academic performance and achievement.
- **Research** – The University will increase strategic integrative research and nurture the broad ecosystem for scholarly inquiry, discovery, creativity, and urban location. The University believes the research ecosystem is a key driver for economic growth, for revitalization in Detroit, and for addressing real-world challenges in a rapidly evolving urban environment. By engaging students at all levels enhances the research mission as well as their participation with the University and preparation for careers.
- **Diversity and inclusion** – The University strives to have an inclusive environment where diversity is valued broadly and appreciate the ability of every person to contribute to over diversity of thought. The University's rich multicultural experiences enable us to develop exportable programs and curricula, which provide leadership in a multicultural society.
- **Entrepreneurship** – The University strives to become a bustling hub of innovation, where new ideas are constantly developed into new ventures; students and faculty collaborate through TechTown Detroit to mentor community, urban, and minority entrepreneurs; and industry leaders and startup CEOs seek innovative resources. The lively exchange of new ideas and the innovative collaboration both on and off campus will allow the translation of research and development into entrepreneurship, which will permeate the campus culture and increase the growth and vitality of the University, the city, and region.

- **Community engagement** – The University encourages every faculty member, administrator, and student to participate in meaningful, sustainable, and mutually beneficial relationships with the community. The experiential learning and community service are vital to the academic mission.
- **Financial and operational** – The University is committed to grow revenue and increase the efficiency and effectiveness of business processes in order to provide adequate resources to support the University's mission while maintaining a value-based tuition structure.

Wayne State University

Statement of Net Position

	September 30, 2018			September 30, 2017		
	University	Wayne State University Foundation	Total	University	Wayne State University Foundation	Total
Assets	(in thousands)					
Current Assets						
Cash and temporary investments (Note 2)	$ 426,104	$ 3,630	$ 429,734	$ 355,030	$ 9,047	$ 364,077
Current receivables - Net (Note 4)	127,308	253	127,561	172,747	146	172,893
Inventories	1,204	-	1,204	1,373	-	1,373
Prepaid expenses and deposits	41,270	-	41,270	41,127	-	41,127
Total current assets	595,886	3,883	599,769	570,277	9,193	579,470
Noncurrent Assets						
Investments (Note 2 and Note 3)	106,847	388,023	494,870	4,106	353,579	357,685
Noncurrent receivables - Net (Note 4)	33,503	38	33,541	36,871	132	37,003
Derivative instruments (Note 7)	265	-	265	178	-	178
Capital assets - Net (Note 5)	926,169	-	926,169	842,659	-	842,659
Total noncurrent assets	1,066,784	388,061	1,454,845	883,814	353,711	1,237,525
Total assets	1,662,670	391,944	2,054,614	1,454,091	362,904	1,816,995
Deferred Outflows of Resources	14,405	-	14,405	12,792	-	12,792
Liabilities						
Current Liabilities						
Accounts payable and accrued liabilities	115,502	290	115,792	99,622	555	100,177
Unearned revenue	176,265	-	176,265	176,828	-	176,828
Deposits	6,461	-	6,461	7,287	-	7,287
Long-term debt - Current portion (Note 6)	14,092	-	14,092	16,772	-	16,772
Total current liabilities	312,320	290	312,610	300,509	555	301,064
Noncurrent Liabilities						
Federal portion of student loan funds	28,097	-	28,097	29,379	-	29,379
Accrued employee benefits and other liabilities	28,282	-	28,282	31,374	-	31,374
Long-term debt - Net of current portion (Note 6)	464,735	-	464,735	446,508	-	446,508
Total noncurrent liabilities	521,114	-	521,114	507,261	-	507,261
Total liabilities	833,434	290	833,724	807,770	555	808,325
Deferred Inflows of Resources (Note 1)	176,967	-	176,967	-	-	-
Net Position						
Net investment in capital assets	391,412	-	391,412	393,243	-	393,243
Restricted:						
Nonexpendable	11,117	214,134	225,251	11,286	195,253	206,539
Expendable	73,294	169,893	243,187	91,185	159,323	250,508
Unrestricted	190,851	7,627	198,478	163,399	7,773	171,172
Total net position	**$ 666,674**	**$ 391,654**	**$ 1,058,328**	**$ 659,113**	**$ 362,349**	**$ 1,021,462**

See Notes to Financial Statements.

Wayne State University

Statement of Revenues, Expenses, and Changes in Net Position

	Year Ended September 30, 2018			Year Ended September 30, 2017		
	University	Wayne State University Foundation	Total	University	Wayne State University Foundation	Total
	(in thousands)					
Operating Revenues						
Student tuition and fees	$ 393,769	$ -	$ 393,769	$ 382,544	$ -	$ 382,544
Less scholarship allowances	(110,948)	-	(110,948)	(103,938)	-	(103,938)
Net student tuition and fees	282,821	-	282,821	278,606	-	278,606
Federal grants and contracts	105,128	-	105,128	108,557	-	108,557
State and local grants and contracts	22,822	-	22,822	24,473	-	24,473
Nongovernmental grants and contracts	127,928	-	127,928	165,013	-	165,013
Departmental activities	22,569	-	22,569	21,325	-	21,325
Auxiliary enterprises - Net of scholarship allowances of $1,665 in 2018 and $5,160 in 2017	30,143	-	30,143	37,120	-	37,120
Other operating revenues	5,329	-	5,329	5,264	-	5,264
Total operating revenues	596,740	-	596,740	640,358	-	640,358
Operating Expenses (Note 11)						
Instruction	276,255	-	276,255	276,459	-	276,459
Research	157,281	-	157,281	156,442	-	156,442
Public service	62,021	-	62,021	62,188	-	62,188
Academic support	68,160	-	68,160	66,347	-	66,347
Student services	39,608	-	39,608	41,866	-	41,866
Institutional support	92,738	-	92,738	85,049	-	85,049
Operation and maintenance of plant	62,020	-	62,020	60,408	-	60,408
Scholarships and fellowships	14,721	-	14,721	13,410	-	13,410
Auxiliary enterprises	23,831	-	23,831	24,940	-	24,940
Depreciation	59,147	-	59,147	61,560	-	61,560
Total operating expenses	855,782	-	855,782	848,669	-	848,669
Operating Loss	(259,042)	-	(259,042)	(208,311)	-	(208,311)
Nonoperating Revenues (Expenses)						
State operating appropriation	199,170	-	199,170	196,064	-	196,064
Federal Pell grants	33,882	-	33,882	33,085	-	33,085
Gifts	27,726	1,010	28,736	22,358	832	23,190
Investment income including change in fair value of derivatives of $88 in 2018 and ($343) in 2017	3,367	20,942	24,309	7,117	35,394	42,511
Net distributions from the Foundation	11,633	(11,633)	-	10,393	(10,393)	-
Interest on capital asset - Related debt	(18,960)	-	(18,960)	(20,500)	-	(20,500)
Gain (Loss) on capital assets retired	3,862	-	3,862	(33)	-	(33)
Other	4,909	-	4,909	2,022	-	2,022
Net nonoperating revenues	265,589	10,319	275,908	250,506	25,833	276,339
Income Before Other	6,547	10,319	16,866	42,195	25,833	68,028
Other						
State capital appropriation	-	-	-	585	-	585
Capital gifts	1,014	-	1,014	3,545	-	3,545
Gifts for permanent endowments	-	18,986	18,986	-	14,449	14,449
Total other	1,014	18,986	20,000	4,130	14,449	18,579
Increase in Net Position	7,561	29,305	36,866	46,325	40,282	86,607
Net Position						
Beginning of year	659,113	362,349	1,021,462	612,788	322,067	934,855
End of year	**$ 666,674**	**$ 391,654**	**$ 1,058,328**	**$ 659,113**	**$ 362,349**	**$ 1,021,462**

See Notes to Financial Statements.

Wayne State University

Statement of Cash Flows

	Year Ended September 30	
	2018	2017
	(in thousands)	
Cash Flows from Operating Activities		
Tuition and fees - Net	$ 283,661	$ 282,310
Grants and contracts	296,718	254,313
Auxiliary enterprises	26,369	37,387
Departmental activities	20,799	20,775
Loans issued to students	(1,457)	(3,698)
Collection of loans from students	4,030	3,850
Scholarships and fellowships	(15,294)	(14,106)
Payments to suppliers	(184,209)	(200,985)
Payments to employees and benefit providers	(585,756)	(582,504)
Other receipts	5,328	5,264
Net cash used in operating activities	(149,811)	(197,394)
Cash Flows from Noncapital Financing Activities		
State operating appropriation	199,170	196,064
Federal Pell grants	33,882	33,085
Gifts	28,451	22,441
External student lending receipts	193,606	194,893
External student lending disbursements	(194,361)	(192,618)
Net distributions from the Foundation	11,633	10,393
Payments received from the service concession arrangement	12,104	-
Other	(394)	(193)
Net cash provided by noncapital financing activities	284,091	264,065
Cash Flows from Capital and Related Financing Activities		
State capital appropriations	-	818
Capital gifts and grants	12,538	26,006
Proceeds from issuance of debt and other long-term obligations	133,860	-
Expenditures for capital assets	(96,911)	(47,698)
Principal paid on capital debt	(15,154)	(13,780)
Interest paid on capital debt	(17,369)	(20,061)
Other	10,567	-
Net cash provided by (used in) capital and related financing activities	27,531	(54,715)
Cash Flows from Investing Activities		
Investment income - Net	11,610	8,861
Proceeds from sales and maturities of investments	8,367	97
Purchase of investments	(110,714)	(134)
Net cash (used in) provided by investing activities	(90,737)	8,824
Net Increase in Cash and Temporary Investments	71,074	20,780
Cash and Temporary Investments - Beginning of year	355,030	334,250
Cash and Temporary Investments - End of year	**$ 426,104**	**$ 355,030**
Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating loss	$ (259,042)	$ (208,311)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation expense	59,147	61,560
Changes in assets and liabilities:		
Receivables - Net	38,830	(44,890)
Prepaid expenses and inventories	(830)	(1,331)
Accounts payable and accrued liabilities	18,010	(6,399)
Deposits	(262)	(502)
Unearned income	(998)	6,282
Deferred inflow of resources	449	-
Accrued employee benefits and other liabilities	(5,115)	(3,803)
Net cash used in operating activities	**$ (149,811)**	**$ (197,394)**
Noncash Transactions		
Capital expenditures related to the Anthony Wayne Drive housing project	$ 63,552	$ -
Payments related to refunding of Series 2008 and Series 2009A Bonds	102,890	-

See Notes to Financial Statements.

Note 1 - Basis of Presentation and Significant Accounting Policies

Overview

Wayne State University (the "University") is a state-supported institution with a fall 2018 enrollment of approximately 27,100 students. The financial statements include the individual schools, colleges, and departments and the controlled organization. The controlled organization of the University is the Wayne State University Foundation (the "Foundation"), which manages approximately 99 percent of the University's endowment funds. The Foundation is a legally separate, tax-exempt entity which meets the criteria set forth for component units under GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units,* as amended by GASB No. 61. The Foundation provides financial support for the objectives, purposes, and programs of the University. The University controls the timing and amount of its receipts from the Foundation, and the resources (and income thereon) which the Foundation holds and invests are dedicated to benefit the University. Because the resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and its statement of net position and statement of revenues, expenses, and changes in net position are discretely presented in the University's financial statements. The Foundation does not issue its own financial statements.

While the University is a political subdivision of the State of Michigan, it is not a component unit of the State of Michigan, as defined by the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity,* as amended by GASB No. 61. The University is classified as a state instrumentality under Internal Revenue Code Section 115 and is also classified as an educational organization under Internal Revenue Code Section 501(c)(3) and is generally exempt from federal and state income taxes. Certain activities of the University may be subject to taxation as unrelated business income under Internal Revenue Code Sections 511 to 514.

Basis of Presentation

The financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The University reports as a special purpose government engaged primarily in business-type activities (BTA), as defined by the GASB, on the accrual basis. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods and services.

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

- **Net Investment in Capital Assets** - The University's investment in capital assets, net of accumulated depreciation, and outstanding principal balances of debt issued for the acquisition, construction, or improvement of those assets. Deferred inflows of resources associated with the aforementioned are also included in this component of net position. Changes from year to year result from capital additions, issuance and payments of long-term debt, retirement of assets, amortization of deferred inflows of resources and depreciation expense.

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

- **Restricted Nonexpendable** - The corpus portion of gifts to the University's permanent true endowment funds, certain university funds which have been specifically allocated and restricted pursuant to specific agreements with individuals or entities, and the University's required funding match for federal student loans and donor-restricted university loans.

- **Restricted Expendable** - Gifts and sponsored and governmental grants and contracts, which are subject to externally imposed restrictions governing their use (scholarships, academic and research programs, and capital projects). This category of net position also includes undistributed accretion from investments of permanent true endowments and funds functioning as endowments with externally imposed restrictions.
- **Unrestricted** - Funds which are not subject to externally imposed restrictions; however, most of the University's unrestricted net position is designated by the board of governors and/or management for various academic, research, and administrative programs and capital projects.

Summary of Significant Accounting Policies

The accompanying financial statements have been prepared on the accrual basis. The University reports its operations as a business-type activity. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

Scholarships and fellowships applied directly to student accounts are shown as a reduction to gross student tuition and fees and auxiliary enterprises revenue. Scholarships and fellowships disbursed directly to students are presented as scholarship and fellowship expenses.

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

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

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. Cash and temporary investments consist of cash, cash equivalents and highly liquid and marketable securities which are used to fund daily operations.

Note 1 - 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. 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. Prior to April 1, 2017, distributions were managed toward the new rate by keeping quarter-to-quarter distributions per share unchanged and moving toward the 4.50 percent rate when increases in the value of fund shares would otherwise result in higher per-share distributions. Effective April 1, 2017, the University's endowment rate spending policy provides for an annual distribution of 4.50 percent of a three-year moving average of the market value of endowment assets, measured at quarterly intervals. Of this annual distribution, 4.05 percent is transferred to the beneficiary or operating program accounts and 0.45 percent is used for administration of the University's development efforts. The Foundation follows the spending policy established by the University.

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.

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.

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

Deferred Outflows of Resources - In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. The University reports deferred outflows of resources of $9,000 for OPEB-related amounts discussed in Note 12 and $14,396,000 related to the losses recognized in debt defeasance as of September 30, 2018. For September 30, 2017, $12,792,000 in deferred outflows related to a loss recognized in a debt defeasance.

Deferred Inflows of Resources - In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

The University reports deferred inflows of resources of $840,000 for OPEB-related amounts discussed in Note 12, $175,720,000 related to the service concession arrangement discussed in Note 15, and $407,000 related to an irrevocable split-interest agreement for September 30, 2018. For September 30, 2017, there were no deferred inflows of resources.

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 $194,361,000 and $192,618,000 in 2018 and 2017, respectively, for student loans through the U.S. Department of Education federal direct lending and federal guaranteed student loan programs. These disbursements and the related receipts are not included as revenue or expenditures in the accompanying statement of revenues, expenses, and changes in net position. The disbursements and related receipts are reflected in the noncapital financing activities section of the statement of cash flows.

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

Adoption of New Accounting Pronouncements - Effective for the fiscal year ended September 30, 2018, the University adopted GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, ("GASB No. 75"). This statement supersedes GASB Statement No. 45 and establishes new requirements for calculating and reporting the University's postemployment benefits. In accordance with GASB No. 75, the University OPEB liability as of October 1, 2017 was $8,321,000, compared to $10,832,000 as of September 30, 2017 under the previous guidance. September 30, 2017 amounts have not been restated to reflect the impact of GASB No. 75 because the information is not available to calculate the impact on OPEB expense for the fiscal year ended September 30, 2017.

The GASB issued GASB Statement No. 81, Irrevocable Split-Interest Agreements, which requires governments that receive resources from an irrevocable split-interest agreement to recognize assets, liabilities, and deferred inflows at the inception of the agreement. In accordance with the statements, the University has recorded its beneficial interest in the trust asset for $407,000 and a related deferred inflow of resources for the same amount as of October 1, 2017. September 30, 2017 amounts have not been restated to reflect the impact of GASB No. 81 because it is not significant.

Effective for the fiscal year ended September 30, 2018, the University early adopted GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period. This statement was adopted on a prospective basis as required by the standard. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, for September 30, 2018, interest of approximately $3,012,000 was expensed instead of capitalized.

Note 2 - Cash and Investments

Cash and investments, by classification and investment type, at September 30, 2018 and 2017 are as follows (in thousands):

Classification	2018	2017
Cash and temporary investments	$ 426,104	$ 355,030
Investments:		
Endowment Fund	5,183	4,106
Plant Fund - Restricted invested bond proceeds and related earnings	101,664	-
Total investments	106,847	4,106
Total cash and investments	$ 532,951	$ 359,136

Type	2018	2017
Fixed income	$ 372,220	$ 270,521
Certificates of deposit and savings accounts	114	114
Real estate investment pool and other investments	45	45
Other	6,338	10,713
Cash - Net of checks issued	154,234	77,743
Total cash and investments	$ 532,951	$ 359,136

Note 2 - Cash and Investments (Continued)

The University's cash and temporary investments provided a return of 0.2 and 1.7 percent for the fiscal years ended September 30, 2018 and 2017, 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, 2018
Short-term liquidity portfolio	A/A	30%	15% - 70%	40%
Core portfolio	BBB-/Baa3	62%	30% - 85%	54%
Opportunistic portfolio	B-/B3	8%	0% - 12%	6%

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, 2018 and 2017, the carrying amount of these deposits totaled $162,819,000 and $91,035,000, respectively. Of these amounts, $162,017,000 and $90,233,000 were uninsured and not collateralized at September 30, 2018 and 2017, 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 $239,762,000 and $138,396,000 of its portfolio at September 30, 2018 and 2017, respectively. These investments are either held in the name of the University or a nominee's name for the benefit of the University and would not be subject to any general creditor claims.

Note 2 - Cash and Investments (Continued)

Credit Risk

Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. Nationally recognized rating organizations, such as Moody's and Standard & Poor's, assign credit ratings to security issuers and issues that indicate a measure of potential credit risk to investors. To limit its exposure to credit risk, the cash management policy limits the minimum acceptable credit rating of individual investments as follows (Moody's/Standard & Poor's/Fitch): commercial paper (P1/A1/F1), fixed-income securities in the "liquidity" investment portfolio (A/A), fixed-income securities in the "core" investment portfolio (Baa3/BBB-), and fixed-income securities in the "opportunistic" investment portfolio (B3/B-). For both years, the University was in compliance with its credit risk policy.

Fixed-income investments classified by credit ratings at September 30, 2018 and 2017 were as follows (in thousands):

	2018 Credit Rating (in thousands)					
Investment Type	AAA	AA	A	BBB	Below BB	Total
Municipal Bonds[1]	$ -	$ 93,293	$ 8,371	$ -	$ -	$ 101,664
U.S. Treasuries	2,226	-	-	-	-	2,226
Securitized investments	4,703	2,985	531	-	-	8,219
Money market mutual funds	3,533	-	-	-	-	3,533
Corporate securities	1,924	5,996	38,455	61,489	-	107,864
Fixed-income institutional bond funds	-	33,769	76,553	-	14,671	124,993
High-yield short-term fund	-	-	-	-	9,717	9,717
Non-U.S. fixed-income securities	-	499	5,180	4,989	-	10,668
Municipal securities	575	1,817	456	488	-	3,336
Investments by rating	$ 12,961	$ 138,359	$ 129,546	$ 66,966	$ 24,388	$ 372,220

	2017 Credit Rating					
Investment Type	AAA	AA	A	BBB	Below BB	Total
U.S. Treasuries	$ 1,344	$ -	$ -	$ -	$ -	$ 1,344
Securitized investments	3,129	1,769	-	-	-	4,898
Money market mutual funds	5,772	-	-	-	-	5,772
Corporate securities	1,414	6,977	34,115	66,503	-	109,009
Fixed-income institutional bond funds	-	-	110,615	14,469	-	125,084
High-yield short-term fund	-	-	-	-	9,310	9,310
Non-U.S. fixed-income securities	-	1,311	5,639	5,072	-	12,022
Municipal securities	597	2,485	-	-	-	3,082
Investments by rating	$ 12,256	$ 12,542	$ 150,369	$ 86,044	$ 9,310	$ 270,521

(1) Includes bond proceeds that are collateralized by securities that are held by the pledging financial institution's custodian, in the University's name.

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.

Note 2 - Cash and Investments (Continued)

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

As of September 30, 2018 and 2017, the University's combined cash and temporary investments did not have investments with a particular issuer which equaled or exceeded 5 percent.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting exposure to fair value losses resulting from rising interest rates, the cash management policy limits the maturities or duration of its investments. The policy limits the maximum average duration of the pool to five years and the maximum duration of any individual security held to seven years. Commingled funds' interest rate risk is managed in accordance with the fund managers' policies.

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

The University held the following types of fixed-income investments and maturities at September 30, 2018 and 2017 (in thousands):

	2018 Maturities (in Years)				
Investment Type	Less Than 1	1-5	6-10	More Than 10	Total
Municipal Bonds[1]	$ -	$ 101,664	$ -	$ -	$ 101,664
U.S. Treasuries		2,226			2,226
Securitized investments [1]	-	4,629	1,027	2,563	8,219
Money market mutual funds [2]	3,533	-	-	-	3,533
Corporate securities	5,859	63,131	37,896	978	107,864
Fixed-income institutional bond funds [2]	22,783	16,372	85,838	-	124,993
High-yield short-term fund [2]	-	9,717	-	-	9,717
Non-U.S. fixed-income securities	1,898	7,231	1,539	-	10,668
Municipal securities	-	2,232	944	160	3,336
Total fixed-income investments	$ 34,073	$ 207,202	$ 127,244	$ 3,701	$ 372,220

	2017 Maturities (in Years)				
Investment Type	Less Than 1	1-5	6-10	More Than 10	Total
U.S. Treasuries	$ -	$ 1,344	$ -	$ -	$ 1,344
Securitized investments [1]	-	1,961	276	2,661	4,898
Money market mutual funds [2]	5,772	-	-	-	5,772
Corporate securities	6,457	60,147	40,279	2,126	109,009
Fixed-income institutional bond funds [2]	-	38,394	86,690	-	125,084
High-yield short-term fund [2]	-	9,310	-	-	9,310
Non-U.S. fixed-income securities	1,700	7,938	2,384	-	12,022
Municipal securities	-	2,888	-	194	3,082
Total fixed-income investments	$ 13,929	$ 121,982	$ 129,629	$ 4,981	$ 270,521

(1) The effective maturity on securitized investments can be significantly less than the legal maturity date.
(2) The maturities indicated for these funds are the average of the overall pool.
(3) Includes bond proceeds that are collateralized by securities that are held by the pledging institution's custodian, in the University's name.

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.

Note 3 - Foundation Investments

The Foundation's investments, by statement of net position classification and investment type, at September 30, 2018 and 2017 are as follows (in thousands):

Type	2018	2017
Fixed income	$ 64,092	$ 69,109
Equity securities	185,136	164,579
Other investment instrument types not included above:		
Limited partnerships	127,790	109,091
Commingled funds and mutual funds	11,005	10,800
Total investments	$ 388,023	$ 353,579

The Foundation's investments had investment performance of 6.5 and 10.9 percent for the years ended September 30, 2018 and 2017, respectively.

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. The policy sets a target allocation and ranges for its investments as follows:

Investment Instrument	Target	Range	Actual at September 30, 2018
U.S. equities	18%	8% - 28%	23%
Non-U.S. equities	15%	5% - 25%	20%
Emerging market equities	7%	0% - 17%	7%
Fixed-income securities	20%	10% - 30%	16%
Hedge funds	18%	8% - 28%	21%
Real assets	10%	0% - 20%	8%
Private markets	12%	2% - 22%	2%
Opportunistic	0%	0% - 10%	2%
Cash	0%	0% - 20%	1%

Note 3 - Foundation Investments (Continued)

The Foundation's investment policy uses diversification as a fundamental risk management strategy and these funds are broadly diversified. This policy does not specifically limit interest rate, credit, concentration of credit, or foreign currency risks. These risks are considered as part of the overall risk versus investment return characteristics of the aggregate investment portfolio when establishing its asset allocation and selecting its investment managers. Investments are managed in accordance with the investment policy and are monitored according to the risk versus investment return characteristics as compared to applicable benchmarks in the investment industry.

Other investment instrument types in the Foundation's endowment fund are comprised of limited partnership investments, hedge fund managers, and private markets investment managers who invest in U.S. and international equities and fixed-income instruments. Due to the pooled nature of these investments, the related amounts are not included in the disclosures that follow. Additionally, certain managers utilize derivatives to manage investment risks to increase their portfolio liquidity and flexibility and to increase investment return within the level of risk defined in the manager's investment guidelines.

Custodial Credit Risk

Custodial credit risk for investments was discussed previously in Note 2 - Cash and Investments. The Foundation's investment policies do not limit the value of investments that may be held by an outside party. The Foundation's counterparties held $69,814,000 and $66,646,000 of its portfolio at September 30, 2018 and 2017, 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, 2018 and 2017 were as follows (in thousands):

	2018 Credit Rating					
Investment Type	AAA	AA	A	BB	Not Rated	Total
Money market mutual funds [1]	$ 21,860	$ -	$ -	$ -	$ -	$ 21,860
Fixed-income investments [1]	23,092	-	-	12,592	-	35,684
Direct loan fund [1]	-	-	-	-	6,548	6,548
Investments by rating	$ 44,952	$ -	$ -	$ 12,592	$ 6,548	$ 64,092

	2017 Credit Rating					
Investment Type	AAA	AA	A	BB	Not Rated	Total
Money market mutual funds [1]	$ 25,253	$ -	$ -	$ -	$ -	$ 25,253
Fixed-income investments [1]	-	-	34,345	-	-	34,345
Direct loan fund [1]	-	-	-	-	9,511	9,511
Investments by rating	$ 25,253	$ -	$ 34,345	$ -	$ 9,511	$ 69,109

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

Note 3 - Foundation Investments (Continued)

Concentration of Credit Risk

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

As of September 30, 2018 and 2017, the Foundation's investment portfolio did not have investments with a particular issuer that equaled or exceeded 5 percent.

Interest Rate Risk

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

The Foundation held the following types of fixed-income investments and maturities at September 30, 2018 and 2017 (in thousands):

	2018 Maturities (in Years)			
Investment Type	Less Than 1	1-5	6-10	Total
Money market mutual funds	$ 21,860	$ -	$ -	$ 21,860
Fixed-income investments [1]	-	-	35,684	35,684
Direct loan fund [1]	-	6,548	-	6,548
Total fixed-income investments	$ 21,860	$ 6,548	$ 35,684	$ 64,092

	2017 Maturities (in Years)			
Investment Type	Less Than 1	1-5	6-10	Total
Money market mutual funds	$ 25,253	$ -	$ -	$ 25,253
Fixed-income investments [1]	-	-	34,345	34,345
Direct loan fund [1]	-	9,511	-	9,511
Total fixed-income investments	$ 25,253	$ 9,511	$ 34,345	$ 69,109

[1] 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.

Investment Commitments

In September 2018, the Foundation entered into an investment agreement that commits $20,000,000 in a private equity investment fund. As of September 30, 2018, no investments had been made to this fund. The Foundation had approximately $21,986,000 and $4,376,000 of investment commitments outstanding at September 30, 2018 and 2017, respectively.

Note 4 - Receivables

At September 30, 2018 and 2017, receivables consisted of the following (in thousands):

	2018	2017
Grants and contracts receivable	$ 31,193	$ 58,294
Pledged gifts receivable	9,375	21,389
Student notes receivable	26,468	29,158
Student accounts receivable	76,901	73,134
Other	36,344	41,742
Total	180,281	223,717
Less:		
Provision for loss on receivables	(19,203)	(13,857)
Unamortized discount to present value on pledged gifts receivable	(267)	(242)
Total	160,811	209,618
Less net current portion of receivables	(127,308)	(172,747)
Net noncurrent receivables	$ 33,503	$ 36,871

Payments on pledged gifts receivable at September 30, 2018 are expected to occur in the following fiscal years (in thousands):

2019	$ 6,441
2020-2027	2,934
Total	$ 9,375

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. The Federal Perkins loan program expired on September 30, 2017, which ended the issuance of new loans under this program. Pending additional information from the federal government, the University will continue to service all outstanding loans in accordance with program specifications.

Note 5 - Capital Assets

Capital asset activity for the years ended September 30, 2018 and 2017 was as follows (in thousands):

	Balance September 30, 2017	Additions	Retirements	Balance September 30, 2018
Land improvements	$ 27,691	$ 995	$ (129)	$ 28,557
Buildings	1,409,589	131,188	(14,541)	1,526,236
Library materials	176,356	7,434	(11)	183,779
Equipment and software	183,818	10,865	(12,845)	181,838
Subtotal - Depreciable assets	1,797,454	150,482	(27,526)	1,920,410
Land	38,285	1,698	(1,135)	38,848
Construction in progress	26,715	(2,819)	-	23,896
Subtotal - Nondepreciable assets	65,000	(1,121)	(1,135)	62,744
Total	1,862,454	149,361	(28,661)	1,983,154
Less accumulated depreciation:				
Land improvements	19,204	862	(50)	20,016
Buildings	701,608	43,493	(9,243)	735,858
Library materials	142,603	5,599	-	148,202
Equipment and software	156,380	9,193	(12,664)	152,909
Total accumulated depreciation	1,019,795	59,147	(21,957)	1,056,985
Net capital assets	$ 842,659	$ 90,214	$ (6,704)	$ 926,169

	Balance September 30, 2016	Additions	Retirements	Balance September 30, 2017
Land improvements	$ 26,734	$ 957	$ -	$ 27,691
Buildings	1,381,348	28,241	-	1,409,589
Library materials	169,173	7,187	(4)	176,356
Equipment and software	179,095	5,318	(595)	183,818
Subtotal - Depreciable assets	1,756,350	41,703	(599)	1,797,454
Land	38,035	250	-	38,285
Construction in progress	17,300	9,415	-	26,715
Subtotal - Nondepreciable assets	55,335	9,665	-	65,000
Total	1,811,685	51,368	(599)	1,862,454
Less accumulated depreciation:				
Land improvements	18,319	885	-	19,204
Buildings	658,888	42,720	-	701,608
Library materials	135,407	7,196	-	142,603
Equipment and software	146,187	10,759	(566)	156,380
Total accumulated depreciation	958,801	61,560	(566)	1,019,795
Net capital assets	$ 852,884	$ (10,192)	$ (33)	$ 842,659

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 “transfers” and reflected in the applicable asset classification. Interest of approximately $211,000 was capitalized in 2017.

Note 5 - Capital Assets (Continued)

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, 2018 and 2017 was as follows (in thousands):

2018	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
General Revenue Bonds, Series 2018A, with interest ranging from 3.375% to 5.0%, maturing on November 15, 2049	$ -	$ 122,225	$ -	$ 122,225	$ -
General Revenue and Refunding Bonds, Series 2016A, with interest ranging from 2.5% to 5.0%, maturing on November 15, 2037	89,975	-	-	89,975	-
General Revenue and Refunding Bonds, Series 2016B, with interest ranging from 1.5% to 4.0%, maturing on November 15, 2037	11,285	-	-	11,285	970
General Revenue and Refunding Bonds, Series 2015A, with interest ranging from 3.0% to 5.0%, maturing on November 15, 2036	49,820	-	1,520	48,300	1,590
ranging from 3.0% to 5.0%, maturing on November 15, 2044	80,870	-	1,495	79,375	1,580
ranging from 3.25% to 5.0%, maturing on November 15, 2029	61,060	-	24,555	36,505	3,715
Taxable General Revenue Build America Bonds, Series 2009B, with interest ranging from 4.257% to 6.536%, maturing on November 15, 2039	26,230	-	730	25,500	755
General Revenue Bonds, Series 2008, with interest at 5.0%, maturing on November 15, 2019	88,485	-	83,930	4,555	2,220
General Revenue Bonds, Series 2007A, with interest ranging from 4.0% to 5.0%, maturing on November 15,	820	-	820	-	-
Taxable General Revenue Bonds, Series 2007B, with interest at 6.01%, maturing on November 15, 2030	4,220	-	-	4,220	
General Revenue Bonds, Series 2006, with interest at 5.0%, maturing on November 15, 2017	-	-	-	-	-
Taxable General Revenue Bonds, Series 2003B, with interest at 5.02%, maturing on November 15, 2018	845	-	410	435	435
Capital lease payable, with interest at 3.8%, expiring on March 11, 2038 and 2.9% expiring on April 13, 2023	19,452	1,121	658	19,915	870
Various notes payable with varying interest rates maturing through 2020	111	-	41	70	44
Gross long-term debt	433,173	123,346	114,159	442,360	12,179
Plus unamortized bond premium - Net	30,107	11,220	4,860	36,467	1,913
Total long-term debt	$ 463,280	$ 134,566	$ 119,019	$ 478,827	$ 14,092

Note 6 - Long-term Debt (Continued)

2017	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
General Revenue and Refunding Bonds, Series 2016A, with interest ranging from 2.5% to 5.0%, maturing on November 15, 2037	$ 89,975	$ -	$ -	$ 89,975	$ -
General Revenue and Refunding Bonds, Series 2016B, with interest ranging from 1.5% to 4.0%, maturing on November 15, 2037	11,285	-	-	11,285	-
General Revenue and Refunding Bonds, Series 2015A, with interest ranging from 3.0% to 5.0%, maturing on November 15, 2036	50,070	-	250	49,820	1,520
ranging from 3.0% to 5.0%, maturing on November 15, 2044	82,300	-	1,430	80,870	1,495
ranging from 3.25% to 5.0%, maturing on November 15, 2029	65,555	-	4,495	61,060	4,730
Taxable General Revenue Build America Bonds, Series 2009B, with interest ranging from 4.257% to 6.536%, maturing on November 15, 2039	26,940	-	710	26,230	730
General Revenue Bonds, Series 2008, with interest ranging from 5.0% to 5.25%, maturing on November 15, 2035	93,000	-	4,515	88,485	4,750
ranging from 4.0% to 5.0%, maturing on November 15, 2037	1,605	-	785	820	820
Taxable General Revenue Bonds, Series 2007B, with interest at 6.01%, maturing on November 15, 2030	4,220	-	-	4,220	-
General Revenue Bonds, Series 2006, with interest at 5.0%, maturing on November 15, 2017	1,205	-	1,205	-	-
Taxable General Revenue Bonds, Series 2003B, with interest at 5.02%, maturing on November 15, 2018	1,235	-	390	845	410
Capital lease payable, with interest at 3.8%, expiring on March 11, 2038	20,042	-	590	19,452	621
Various notes payable with varying interest rates maturing through 2020	154	-	43	111	50
Gross long-term debt	447,586	-	14,413	433,173	15,126
Plus unamortized bond premium - Net	31,817	103	1,813	30,107	1,646
Total long-term debt	$ 479,403	$ 103	$ 16,226	$ 463,280	$ 16,772

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, 2018 and 2017 was $186,902,000 and $113,079,000, respectively.

In February 2018, the University issued its tax exempt Series 2018A Bonds for a par amount of $122,225,000 and net premium of $10,793,933. These bond proceeds, $133,018,933 with an average coupon interest rate of 4.5 percent, were used to fund various university projects and related issuance costs The projects include a) construction, renovation and expansion of the Hilberry Theatre; b) construction of the Mike Ilitch School of Business; c) renovation and repurposing of the Science and Engineering Library; d) construction of a new Data Center; e) construction of building electrical upgrades; f) weight room addition; g) construction and relocation of Campus Health Center; h) construction of an art gallery; i) various relocation activities.

Note 6 - Long-term Debt (Continued)

In fiscal year 2018, the University entered into a Service Concessionaire Agreement (SCA) with Corvias Campus Living-WSU, LLC (Corvias) (more fully discussed in Note 15) whereby Corvias defeased $79,180,000 and $19,825,000, of the University's Series 2008 and Series 2009A Bonds, respectively. In November 2017, Corvias deposited $102,890,223 with a trustee to pay principal and interest on the aforementioned bonds when called for redemption on November 15, 2018 and 2019. The difference between the amount deposited with the trustee and the net carrying amount of the debt totaled $2,271,780. This amount, net of amortization, is included in deferred outflows of resources on the statement of net position.

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

On March 19, 2012, the University entered into a capital lease agreement for a medical office building. The lease period commenced on March 12, 2013 with an initial term of 25 years. The capital lease is included in long-term debt and the related asset is included in buildings with cost of $22,000,000 and accumulated depreciation of approximately $3,074,000 and $2,525,000 as of September 30, 2018 and 2017, respectively.

On October 13, 2017, the University entered into a capital lease agreement for lighting retrofit in certain University parking facilities. The lease period commenced on July 13, 2018 with an initial term of 5.5 years. The capital lease is included in long-term debt and the related asset is included in buildings with cost of $1,121,000 and accumulated depreciation of approximately $31,100 as of September 30, 2018.

Note 6 - Long-term Debt (Continued)

Principal and interest maturities on long-term debt at September 30, 2018 are as follows (in thousands):

	Bond and Various Notes Payable		
Fiscal Years	Principal	Interest*	Capital Lease Minimum Payments
2019	$ 11,309	$ 20,254	$ 1,608
2020	13,181	18,744	1,608
2021	13,700	18,102	1,608
2022	14,335	17,426	1,608
2023	14,865	16,718	1,556
2024 - 2028	86,390	71,452	6,922
2029 - 2033	88,525	49,825	7,000
2034- 2038	80,900	30,952	6,284
2039- 2043	49,860	16,077	-
2044 - 2048	42,065	5,233	
2049 - 2053	7,315	146	-
Total	$ 422,445	$ 264,929	28,194
	Less amount representing interest		8,279
	Present value of minimum lease payments		$ 19,915

* Amounts do not reflect 35 percent federal interest rate subsidies to be received for Build America Bonds interest.

Interest paid on long-term debt including the capital lease was $17,366,000 and $19,669,000 in 2018 and 2017, respectively.

On November 27, 2012, the University executed a $25.0 million line of credit facility with a financial institution. This agreement had a three-year term with a maturity date of December 1, 2015. Effective December 1, 2015, the University renewed and increased its line of credit facility to $35.0 million with a borrowing interest rate of .75 percent in excess of the one-month LIBOR. This agreement had a three-year term with a maturity date of December 1, 2018. This agreement was extended until March 1, 2019. Effective January 1, 2019, the University renewed and increased its lines of credit facilities with two financial institutions to $50.0 million total with borrowing rates of .40 percent in excess of one-month LIBOR. The facilities have three-year terms with a maturity date of January 1, 2022. As of September 30, 2018 and 2017, there were no borrowings outstanding under the line of credit facilities.

Note 7 - Derivative Instruments

Interest Rate Swaps

As of September 30, 2014, the University held two interest rate instruments that were associated with the Series 2006 bonds. In February 2015, most of the Series 2006 bonds were advance refunded with proceeds from the Series 2015A bonds. In November 2016, the balance of the Series 2006 bonds was paid. As a result, all of the two interest rate instruments are now associated with the Series 2015A bonds.

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. They were ineffective swap agreements because they did not have consistent critical terms. In accordance with GASB Statement No. 53, an interest rate swap is considered an effective cash flow hedge if the swap payments received substantially offset the payments made on the associated debt, and then such changes in fair value are deferred. An interest rate swap that is not considered an effective cash flow hedge, in accordance with the provisions of this statement, is deemed to be an investment derivative instrument, and changes in fair value are recorded as a component of the change in net investment income (loss) in the statement of revenues, expenses, and changes in net position.

The fair value balances and notional amounts of the derivative instruments outstanding at September 30, 2018 and 2017, classified by type and the change in fair value, are shown below (in thousands):

	Change in Fair Value		Fair Value at September 30, 2018 (in thousands)		
Investment Derivative Instrument	Classification	Amount	Classification	Amount	Notional
Series 2015A# - Pay-variable, receive variable/fixed annuity	Net investment income (loss)	$ 88	Asset	$ 265	$ 40,900

	Change in Fair Value		Fair Value at September 30, 2017 (in thousands)		
Investment Derivative Instrument	Classification	Amount	Classification	Amount	Notional
Series 2015A# - Pay-variable, receive variable/fixed annuity	Net investment income (loss)	$ (343)	Asset	$ 178	$ 42,170

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, 2018 and 2017 were as follows:

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

The associated bond issue was substantially changed from the Series 2006 bonds to the Series 2015A bonds effective February 5, 2015 as a result of an advance refunding of most of the Series 2006 bonds. As of September 30, 2016, almost all of the two interest rate instruments were associated with the Series 2015A bonds, and only a small portion was associated with the Series 2006 bonds. In November 2016, the balance of the Series 2006 bonds was paid. As a result, all of the two interest rate instruments are now associated with the Series 2015A 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, 2018 and 2017 were as follows:

The swaps are tax basis swaps, which were executed with the objective of reducing the financing cost of the Series 2006 and 2015A bonds and their related refunding bonds, the series 2015A bonds. Changes in interest rates as well as the SIFMA/LIBOR ratio cause the fair value of these swaps to rise and fall with financial market conditions. Due to changes in these market factors since inception, these swaps have a positive fair value at September 30, 2018 and September 30, 2017.

Credit Risk - As of September 30, 2018 and 2017, the University was exposed to some credit risk from swap counterparties because the existing swaps had a positive fair value $265,000 and $178,000, respectively. The University executes swap transactions with various counterparties. At September 30, 2018, there were two outstanding swaps with two counterparties. The first counterparty held one swap that represented approximately 70 percent of the notional amount of swaps outstanding. This counterparty is rated "AA-" by Standard & Poor's (downgraded from AA+ in May 2016) and "Aa2" by Moody's (downgraded from Aa1 in 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 (down from A1 in November 2010).

Basis Risk - The swaps expose the University to basis risk. This is the risk that arises when the variable interest rates of a derivative instrument and a hedged item are based upon different interest rate reference indices. For the basis swaps, the University is exposed to the risk that the SIFMA interest rate, which it pays to the counterparties, will be more than the amount that 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.

Futures Contract

The Foundation utilizes derivative financial instruments in a “portable alpha” investment strategy. During fiscal year 2018, this investment strategy provided broad exposure to several equity and fixed income target markets while adding potential for additional return through a separate investment product. During fiscal year 2017, this investment strategy was implemented by providing broad exposure to an equity target market while adding potential for additional return through the separate investment product. The portable alpha investment strategy utilizes futures contracts, which aid in obtaining incremental income or profit on the underlying investment exposures.

As of September 30, 2018 and 2017, the notional value of these contracts was $9,975,000 and $10,316,000, respectively. The notional values associated with these derivative financial instruments are generally not recorded on the financial statements; however, the 2018 amounts for exposure (realized gains/losses and investment income) on these instruments have been recorded. The fair value of these derivative instruments as of September 30, 2018 and 2017 was $784,000 and $599,000, respectively.

Note 7 - Derivative Instruments (Continued)

The use of derivative financial instruments reduces certain investment risks and generally adds value to the portfolio. The instruments themselves, however, do involve some investment and counterparty risk not fully reflected in the financial statements.

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, 2018 and 2017 were approximately $33,819,000 and $33,053,000, respectively.

Note 9 - Commitments

Construction Commitments

Approximately $14,010,000 was committed to current university construction projects at September 30, 2018. This amount includes approximately $4,140,000 for the Hillberry Gateway Project, $2,100,000 for construction of the New Data Center, and various smaller construction projects. Commitments will be funded through a combination of resources, including external long-term financing, gifts, investment income, and various other University sources.

Lease Obligations

The University leases various buildings, office space, and equipment under operating lease agreements. Operating lease expenses totaled $7,080,000 and $6,327,000 for the years ended September 30, 2018 and 2017, respectively. Future minimum lease payments under noncancelable operating leases are expected to be paid in the following years ended September 30 (in thousands):

Fiscal Years	Minimum Lease Obligation
2019	$ 1,410
2020	1,055
2021	758
2022	590
2023-2024	156
Total	$ 3,969

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, 2018 is approximately $1,652,000. 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 2018 and 2017, totaled approximately $3,484,000 and $3,527,000, respectively. Specific excess (umbrella) coverage has been purchased by the University for its self-insured workers' compensation and medical insurance programs. For those risks that the University has purchased commercial insurance, settled claims have not exceeded the commercial coverage in any of the past three years.

Pending Litigation

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

Loan Guarantees

The University guaranteed an operating line of credit of $2.25 million and a term loan of $6.0 million for the Research and Technology Park in the City of Detroit, Inc., a 501(c)(3) organization. During fiscal year 2016, the University paid the outstanding balances on the Research and Technology Park debt in exchange for a mortgage loan payable to the University in the amount of $5,820,000. The outstanding mortgage receivable amount of $5,361,000 and $5,570,000 as of September 30, 2018 and 2017, respectively, is included in current and noncurrent receivables in the statement of net position.

Note 10 - Contingencies (Continued)

Derivative Instruments

One of the University's derivative instrument agreements requires the University to post collateral when the University credit rating is suspended, withdrawn, or downgraded to BBB+ or below by Standard & Poor's or Baa1 or below by Moody's in order to preclude an additional termination event from occurring. The collateral would be posted in the amount of the fair value of the hedging instrument in a liability position over a specified threshold, which varies with the University's credit rating. The collateral could be posted in the form of cash, U.S. Treasury securities, agency notes, or other securities to which the parties may agree, and the valuation percentage allowed would vary by the creditworthiness and maturities of the underlying securities used for collateral. An additional termination event would occur if the University's rating is suspended, withdrawn, or downgraded to BBB- or below by Standard & Poor's or Baa3 or below by Moody's. The other university derivative instrument agreement does not require the University to post collateral. However, this agreement provides that an additional termination event occurs when the University's 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, 2018 and 2017, the aggregate positive fair value of all hedging derivative instruments with these collateral posting provisions is $265,000 and $178,000, respectively. There were no posting requirements because the University maintained credit ratings above the thresholds.

Note 11 - Natural Classification of Expenses

Operating expenses by natural classification for the years ended September 30, 2018 and 2017 are summarized as follows (in thousands):

	2018	2017
Compensation and benefits	$ 583,685	$ 580,399
Supplies, services, and other	198,229	193,300
Depreciation	59,147	61,560
Scholarships and fellowships	14,721	13,410
Total operating expenses	$ 855,782	$ 848,669

Note 12 - Postemployment Benefits Other Than Pensions

The University offers a postemployment benefit of a fixed payout life insurance policy to its retirees. For the year ended September 30, 2018, the University's reported OPEB liability is estimated based on an actuarial valuation date of October 1, 2017 and measurement date of September 30, 2017. For the year ended September 30, 2017, the University's unfunded accrued liability was based on an actuarial valuation as of September 30, 2016.

Note 12 - Postemployment Benefits Other Than Pensions (Continued)

The total OPEB accrued liability, which has been recorded as accrued employee benefits on the statement of net position, was $7,932,000 and $10,832,000 at September 30, 2018 and 2017, respectively. In accordance with GASB No. 75, the University OPEB liability was reduced from $10,832,000 as of September 30, 2017 to $8,321,000 as of October 1, 2017. The discount rates used in determining the total reported OPEB liability were 3.64 percent and 3.00 percent for fiscal year 2018 and 2017, respectively. The 2018 decrease in the discount rate resulted in a decrease in the liability and a credit to expense of $2,900,000. The related expense in 2017 was $653,000.

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, 2018 and 2017 is as follows (in thousands):

	2018	2017
Restricted - Nonexpendable:		
Scholarships, research, and academic support	$ 2,234	$ 2,261
Loans	8,883	9,025
Restricted - Expendable:		
Scholarships, research, and academic support	66,287	63,750
Capital projects	7,007	27,435
Total restricted net position	$ 84,411	$ 102,471

Note 14 - Fair Value

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

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

Note 14 - Fair Value (Continued)

The University has the following recurring fair value measurements as of September 30, 2018 and 2017 (in thousands):

	Fair Market Measurements Using:			
Investments by Fair Value Level	Level 1	Level 2	Level 3	Total Fair Value at September 30, 2018
Fixed-income securities:				
Municipal Bonds	$ -	$ 101,664	$ -	$ 101,664
U.S. government securities	2,226	-	-	2,226
Corporate bonds	-	122,823	-	122,823
Corporate bond funds	91,224	-	-	91,224
Money market mutual funds	3,616	-	-	3,616
Asset-backed securities/CMOs	-	7,688	-	7,688
Other	-	-	1,200	1,200
Total fixed-income investments	97,066	232,175	1,200	330,441
Equity securities:				
U.S.	3,960	-	-	3,960
Total equity securities	3,960	-	-	3,960
Other assets:				
Beneficial interest in charitable remainder trust	-	-	407	407
Total other assets	-	-	407	407
Investments measured by fair value level	$ 101,026	$ 232,175	$ 1,607	334,808
Investments Measured at Net Asset Value (NAV) or Equivalent				
Fixed-income securities				43,486
Multistrategy hedge funds				309
Total investments measured at NAV				43,795
Total investments measured at fair value				$ 378,603
Hedging Derivative Instruments				
Interest rate swaps - Effective		$ 265		

Note 14 - Fair Value (Continued)

Investments by Fair Value Level	Fair Market Measurements Using: Level 1	Level 2	Level 3	Total Fair Value at September 30, 2017
Fixed-income securities:				
U.S. government securities	$ 1,353	$ -	$ -	$ 1,353
Corporate bonds	-	124,548	-	124,548
Corporate bond funds	90,187	-	-	90,187
Money market mutual funds	5,847	-	-	5,847
Asset-backed securities/CMOs	-	4,898	-	4,898
Other	-	-	6,652	6,652
Total fixed-income investments	97,387	129,446	6,652	233,485
Equity securities:				
U.S.	3,296	-	-	3,296
Non-U.S.	-	-	-	-
Total equity securities	3,296	-	-	3,296
Investments measured by fair value level	$ 100,683	$ 129,446	$ 6,652	236,781
Investments Measured at Net Asset Value (NAV) or Equivalent				
Fixed-income securities				44,213
Multistrategy hedge funds				285
Total investments measured at NAV				44,498
Total investments measured at fair value				$ 281,279
Hedging Derivative Instruments				
Interest rate swaps - Effective		$ 178		

Note 14 - Fair Value (Continued)

The Foundation has the following recurring fair value measurements as of September 30, 2018 and 2017 (in thousands):

	Fair Market Measurements Using:			
Investments by Fair Value Level	Level 1	Level 2	Level 3	September 30, 2018
Fixed-income securities:				
U.S. government securities	$ 23,092	$ -	$ -	$ 23,092
Money market mutual funds	21,860	-	-	21,860
Total fixed-income investments	44,952	-	-	44,952
Equity securities:				
U.S.	15,526	-	-	15,526
Non-U.S.	6,830	-	-	6,830
Total equity securities	22,356	-	-	22,356
Investments measured by fair value level	$ 67,308	$ -	$ -	67,308
Investments Measured at Net Asset Value (NAV) or Equivalent				
Equity and fixed-income securities				172,867
Credit and loan private investments				17,224
Multistrategy hedge funds				92,947
Equity private investments				5,049
Real assets comingled funds and private investments				32,628
Total investments measured at NAV				320,715
Total investments measured at fair value				$ 388,023

	Fair Market Measurements Using:			
Investments by Fair Value Level	Level 1	Level 2	Level 3	Total Fair Value at September 30,
Fixed-income securities:				
U.S. government securities	$ 25,395	$ -	$ -	$ 25,395
Money market mutual funds	25,252	-	-	25,252
Total fixed-income investments	50,647	-	-	50,647
Equity securities:				
U.S.	11,944	-	-	11,944
Non-U.S.	2,235	-	-	2,235
Total equity securities	14,179	-	-	14,179
Investments measured by fair value level	$ 64,826	$ -	$ -	64,826
Investments Measured at Net Asset Value (NAV) or Equivalent				
Equity and fixed-income securities				157,532
Credit and loan private investments				18,481
Multistrategy hedge funds				79,834
Equity private investments				5,206
Real assets comingled funds and private investments				27,700
Total investments measured at NAV				288,753
Total investments measured at fair value				$ 353,579

Note 14 - Fair Value (Continued)

The fair value of the University's and the Foundation's fixed-income and equity securities classified in Level 1 at September 30, 2018 and 2017 was valued using prices quoted in active markets for those securities.

The fair value of the University's fixed-income securities classified in Level 2 at September 30, 2018 and 2017 was valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices given that it is not a holding available to be bought or sold in active markets (i.e., the holding does not trade using a ticker symbol).

The fair value of the University's fixed-income securities classified in Level 3 at September 30, 2018 and 2017 was valued using otherwise unobservable inputs. The securities (primarily donated life insurance policies and gifted investments that are not actively traded in public markets) were valued using their cash surrender values or book values.

The fair value of the University's other assets classified in Level 3 at September 30, 2018 was valued using otherwise unobservable inputs. The University's beneficial interest in the charitable remainder trust was valued based on the trust asset details.

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

Investments in Entities that Calculate Net Asset Value per Share

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

At September 30, 2018 and 2017, the University's fair value, unfunded commitments, and redemption policies of those investments is as follows (in thousands):

	Total Fair Value at September 30			
	2018	2017	Outstanding Commitments at September 30, 2018	Redemption Policy at September 30, 2018
Equity and fixed-income securities	$ 43,486	$ 44,213	$ -	Primarily daily/monthly
Multistrategy hedge funds	309	285	-	Redemptions are not permitted
Total investments measured at NAV	$ 43,795	$ 44,498	$ -	

At September 30, 2018 and 2017, the Foundation's fair value, unfunded commitments, and redemption policies of those investments is as follows (in thousands):

	Total Fair Value at September 30			
	2018	2017	Outstanding Commitments at September 30, 2018	Redemption Policy at September 30, 2018
Equity and fixed-income securities	$ 172,867	$ 157,532	$ -	Primarily monthly with a maximum of 30 days notice
Credit and loan private investments	17,224	18,481	1,625	Redemptions are not permitted
Multistrategy hedge funds	92,947	79,834	-	Quarterly with 90 days notice
Equity private investments	5,049	5,206	20,361	Redemptions are not permitted
Commodities private investments	32,628	27,700	-	Maximum of quarterly with 90 days notice
Total investments measured at the NAV	$ 320,715	$ 288,753	$ 21,986	

Note 14 - Fair Value (Continued)

The University's and the Foundation's equity and fixed-income investments include limited partnership investments and commingled investment funds that invest primarily in publicly traded domestic and publicly traded international long only equity investments and domestic fixed-income securities and instruments. These are investments in long only publicly listed equity securities. The fair values of the investments in this class have been estimated using the net asset value per share of the investments. A majority of these investments can typically be liquidated on a monthly basis, with a 30-day notification period.

The Foundation's September 30, 2018 and 2017 credit and loan private investments include investments in private limited partnership investments that invest in domestic and European loan funds. The fair values of these investments have been estimated using the net asset values of the investments. The remaining investment period of these investments is less than five years. The nature of these investments involve capital calls and distributions being made throughout the investment period based upon the activity of the underlying investments. Because no public market exists for selling these types of investments, they are viewed as long-term investments in nature with funds being committed over the life of the investment.

The Foundation's September 30, 2018 and 2017 multi-strategy hedge funds class includes investments in hedge funds that pursue a variety of strategies to diversify risks and reduce volatility. The strategies may include equity long/short strategies, equity market-neutral strategies, fixed-income relative value, credit long/short, and global macro strategies, risk parity strategies, short bias, even driven, and fixed-income arbitrage positions. The fair values of the multi-strategy hedge funds investments have been estimated using the net asset value per share of the investments. The redemption policy is quarterly, with a 90-day notification period. The University's small hedge fund investment in this class is held within a trust in which the University is a minority beneficiary. Therefore, the University cannot request redemptions.

The Foundation's September 30, 2018 and 2017 equity private investments include investments in private equity funds that invest in venture capital, growth equity, buyout funds, and direct lending strategies. The fair values of the investments in this class have been estimated using the net asset value of the University's ownership interest in partners' capital. Effective September 2018, the Foundation committed to invest $20,000,000 in an equity private investment fund. As of September 30, 2018, no investments had been made to this fund. The investment period for the new equity private investment is less than twenty years. The remaining investment period of the prior investments is less than four years. The nature of these investments involves capital calls being made throughout the investment period, as well as income distributions being received as underlying investments are bought and sold. Because no public market exists for selling these types of investments, they are viewed as long-term in nature with funds being committed over the life of the investment.

The Foundation's September 30, 2018 and 2017 real assets investments include investments in comingled funds and private investments that invest in inflation-linked fixed-income instruments, commodity derivative instruments, and real estate funds. The fair values of the investments in this class have been estimated using the net asset value of the University's ownership interest in partners' capital. The Foundation's real assets investments have a variety of redemption policies and notification periods, the most restrictive of which permit quarterly redemptions with a 90-day notification period.

Note 15 - Service Concession Arrangement

On November 30, 2018, the University entered into a Service Concessionaire Agreement (SCA) with Corvias Campus Living-WSU, LLC (Corvias), whereby Corvias will manage, maintain, and operate housing resources on campus for a 40-year term, which ends in November 2057. As part of the SCA, the University retains ownership of the housing projects and the ability, with certain limitations, to modify and approve rates, and specify or limit to whom services may be provided.

In accordance with the SCA, Corvias will construct and renovate housing projects on campus. The budget for these housing projects is $151,350,000, and all projects are planned for completion by 2020. In 2018, Corvias provided $63,552,000 for construction of the Anthony Wayne Drive housing project (Phase 1) which is recorded in capital assets at September 30, 2018, $102,890,000 to cover the total debt defeased by the project (see Note 6), and $12,104,000 in up-front cash proceeds for additional transactional and housing expenses. The total consideration of $178,546,000 provided by Corvias was reflected as deferred inflow of resources. The University amortized $2,826,000 of the deferred inflow, leaving a remaining deferred inflow of resources balance of $175,720,000 at September 30, 2018.

Note 16 - Future Accounting Pronouncements

In November 2016, the Governmental Accounting Standards Board issued GASB Statement No. 83, Certain Asset Retirement Obligations, which establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. The University is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the University's financial statements for the year ending September 30, 2019.

In January 2017, the Governmental Accounting Standards Board issued GASB Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities of governments and improves guidance for accounting and financial reporting related to how these activities should be reported. The University is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the University's financial statements for the year ending September 30, 2020.

In June 2017, the Governmental Accounting Standards Board issued GASB Statement No. 87, *Leases*, which aims to improve accounting and financial reporting for leases. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The University is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the University's financial statements for the year ending September 30, 2021.

Required Supplementary Information

Wayne State University

Schedule of Changes in the University's Total OPEB Liability and Related Ratios
September 30, 2018

The historical reconciliation of the total reported liability for postemployment benefits obligations for the year ended September 30, 2018 is summarized as follows:

	2018
Service cost	$ 380,000
Interest cost	254,000
Effect of economic/demographic gains or losses	(385,000)
Changes in assumptions	(627,000)
Differences between expected and actual plan experience	-
Benefit payments	(11,000)
Net changes	$ (389,000)

Total liability, beginning of year	$ 8,321,000
Total liability, ending of year	$ 7,932,000
Covered employee payroll	Not applicable
Total liability as a percentage of covered employee payroll	Not applicable

Discount rates used in determining the total reported liability for postemployment benefits obligations were 3.64 percent and 3.06 percent at the measurement dates of September 30, 2017 and 2016, respectively.

Supplemental Information

Wayne State University

Combining Statement of Net Position (Deficit)
September 30, 2018
(with comparative total for the year ended September 30, 2017)
(in thousands)

	2018													2017
	General Fund	Designated Fund	Auxiliary Activities Fund	Independent Operations Fund	Expendable Restricted Fund	Subtotal Current Funds	Plant Fund	Student Loan Fund	Endowment and Similar Funds	Agency Fund	University Total	Wayne State University Foundation Total	Total	Total
Assets														
Current Assets														
Cash and temporary investments	$ 194,886	$ 77,084	$ 16,010	$ (1,582)	$ 55,686	$ 342,084	$ 40,382	$ 12,316	$ 1,443	$ 29,879	$ 426,104	$ 3,630	$ 429,734	364,077
Current receivables - Net	74,452	16,563	3,681	657	26,667	122,020	1,023	103	-	4,162	127,308	253	127,561	172,893
Inventories	870	-	334	-	-	1,204	-	-	-	-	1,204	-	1,204	1,373
Prepaid expenses and deposits	40,266	193	124	23	79	40,685	207	-	-	378	41,270	-	41,270	41,127
Total current assets	310,474	93,840	20,149	(902)	82,432	505,993	41,612	12,419	1,443	34,419	595,886	3,883	599,769	579,470
Noncurrent Assets														
Investments	-	-	-	-	-	-	101,664	-	5,183	-	106,847	388,023	494,870	357,685
Noncurrent receivables - Net	-	5,769	-	4	930	6,703	731	26,069	-		33,503	38	33,541	37,003
Derivative instruments	-	-	-	-	-	-	265	-	-	-	265	-	265	178
Capital assets - Net	-	-	-	-	-	-	926,169	-	-	-	926,169	-	926,169	842,659
Total noncurrent assets	-	5,769	-	4	930	6,703	1,028,829	26,069	5,183	-	1,066,784	388,061	1,454,845	1,237,525
Total assets	310,474	99,609	20,149	(898)	83,362	512,696	1,070,441	38,488	6,626	34,419	1,662,670	391,944	2,054,614	1,816,995
Deferred Outflows of Resources	9	-	-	-	-	9	14,396	-	-	-	14,405	-	14,405	12,792
Liabilities														
Current Liabilities														
Accounts payable and accrued liabilities	47,175	5,120	2,142	131	7,982	62,550	22,289	-	101	30,562	115,502	290	115,792	100,177
Unearned revenue	159,917	2,008	2,737	-	11,549	176,211	54	-	-	-	176,265	-	176,265	176,828
Deposits	2,348	200	53	-	3	2,604	-	-	-	3,857	6,461	-	6,461	7,287
Long-term debt - Current portion	-	-	-	-	-	-	14,092	-	-	-	14,092	-	14,092	16,772
Total current liabilities	209,440	7,328	4,932	131	19,534	241,365	36,435	-	101	34,419	312,320	290	312,610	301,064
Noncurrent Liabilities														
Federal portion of student loan funds	-	-	-	-	-	-	-	28,097	-	-	28,097	-	28,097	29,379
Accrued employee benefits and other liabilities	22,006	-	4,851	-	-	26,857	-	-	1,425	-	28,282	-	28,282	31,374
Long-term debt - Net of current portion	-	-	-	-	-	-	464,735	-	-	-	464,735	-	464,735	446,508
Total noncurrent liabilities	22,006	-	4,851	-	-	26,857	464,735	28,097	1,425	-	521,114	-	521,114	507,261
Total liabilities	231,446	7,328	9,783	131	19,534	268,222	501,170	28,097	1,526	34,419	833,434	290	833,724	808,325
Deferred Inflow of Resources	840	-	11,827	-	-	12,667	163,893	-	407	-	176,967	-	176,967	-
Net Position (Deficit)														
Net investment in capital assets	-	-	-	-	-	-	391,412	-	-	-	391,412	-	391,412	393,243
Restricted:														
Nonexpendable	-	-	-	-	-	-	-	8,883	2,234	-	11,117	214,134	225,251	206,539
Expendable					63,828	63,828	7,007	-	2,459	-	73,294	169,893	243,187	250,508
Unrestricted	78,197	92,281	(1,461)	(1,029)	-	167,988	21,355	1,508	-	-	190,851	7,627	198,478	171,172
Total net position (deficit)	**$ 78,197**	**$ 92,281**	**$ (1,461)**	**$ (1,029)**	**$ 63,828**	**$ 231,816**	**$ 419,774**	**$ 10,391**	**$ 4,693**	**$ -**	**$ 666,674**	**$ 391,654**	**$ 1,058,328**	**$ 1,021,462**

Wayne State University

Combining Statement of Revenues, Expenses, Transfers, and Changes in Net Position (Deficit)
Year Ended September 30, 2018

(with comparative totals for the year ended September 30, 2017)
(in thousands)

	Year Ended September 30													
	2018													2017
	General Fund	Designated Fund	Auxiliary Activities Fund	Independent Operations Fund	Expendable Restricted Fund	Subtotal Current Funds	Plant Fund	Student Loan Fund	Endowment and Similar Funds	Adjustments	University Total	Wayne State University Foundation Total	Total	Total
Operating Revenues														
Student tuition and fees	387,558	-	6,066	-	-	393,624	145	-	-	-	393,769	-	393,769	$ 382,544
Less scholarship allowances	-	-	-	-	-	-	-	-	-	(110,948)	(110,948)	-	(110,948)	(103,938)
Net student tuition and fees	387,558	-	6,066	-	-	393,624	145	-	-	(110,948)	282,821	-	282,821	278,606
Federal grants and contracts	-	-	-	-	104,613	104,613	515	-	-		105,128	-	105,128	108,557
State and local grants and contracts	-	-	-	-	22,822	22,822	-	-	-		22,822	-	22,822	24,473
Nongovernmental grants and contracts	1,836	76,831	-	-	49,261	127,928	-	-	-		127,928	-	127,928	165,013
Departmental activities	10,483	9,798	-	1,149	1,139	22,569	-	-	-		22,569	-	22,569	21,325
Auxiliary enterprises - Net of scholarship allowances	-	-	31,808	-	-	31,808	-	-	-	(1,665)	30,143	-	30,143	37,120
Recovery of indirect costs of sponsored programs	36,136	-	-	-	(36,136)	-	-	-	-	-	-	-	-	-
Other operating revenues	5,263	-	-	-	-	5,263	-	66	-	-	5,329	-	5,329	5,264
Total operating revenues	441,276	86,629	37,874	1,149	141,699	708,627	660	66	-	(112,613)	596,740	-	596,740	640,358
Operating Expenses														
Instruction	223,516	40,536	-	-	13,841	277,893	-	-	-	(1,638)	276,255	-	276,255	276,459
Research	46,842	2,083	-	-	112,864	161,789	-	-	-	(4,508)	157,281	-	157,281	156,442
Public service	1,933	30,869	-	2,873	27,032	62,707	-	-	-	(686)	62,021	-	62,021	62,188
Academic support	70,641	5,156	-	-	800	76,597	-	-	-	(8,437)	68,160	-	68,160	66,347
Student services	38,538	794	-	-	311	39,643	-	-	-	(35)	39,608	-	39,608	41,866
Institutional support	85,533	7,226	-	-	129	92,888	-	-	-	(150)	92,738	-	92,738	85,049
Operation and maintenance of plant	55,073	1,161	-	-	7	56,241	6,593	-	-	(814)	62,020	-	62,020	60,408
Scholarships and fellowships	81,930	245	-	-	45,159	127,334	-	-	-	(112,613)	14,721	-	14,721	13,410
Auxiliary enterprises	-	-	23,895	-	-	23,895	-	-	-	(64)	23,831	-	23,831	24,940
Depreciation	-	-	-	-	-	-	59,147	-	-	-	59,147	-	59,147	61,560
Capital additions - Net	-	-	-	-	-	-	(16,332)	-	-	16,332	-	-	-	-
Transfers out (in):														
Debt service	17,667	986	5,441	-	-	24,094	(24,094)	-	-		-	-	-	-
Loan matching	-	-	-	-	-	-	-	-	-		-	-	-	-
Plant improvement and extension	10,882	(1,313)	2,852	-	(42)	12,379	(12,379)	-	-	-	-	-	-	-
Other	3	11	-	-	(49)	(35)	-	35	-	-	-	-	-	-
Total operating expenses	632,558	87,754	32,188	2,873	200,052	955,425	12,935	35	-	(112,613)	855,782	-	855,782	848,669
Operating (Loss) Income	(191,282)	(1,125)	5,686	(1,724)	(58,353)	(246,798)	(12,275)	31	-	-	(259,042)	-	(259,042)	(208,311)

Wayne State University

Combining Statement of Revenues, Expenses, Transfers, and Changes in Net Position (Deficit) (Continued)
Year Ended September 30, 2018

(with comparative totals for the year ended September 30, 2017)
(in thousands)

	Year Ended September 30													
	2018													2017
	General Fund	Designated Fund	Auxiliary Activities Fund	Independent Operations Fund	Expendable Restricted Fund	Subtotal Current Funds	Plant Fund	Student Loan Fund	Endowment and Similar Funds	Adjustments	University Total	Wayne State University Foundation Total	Total	Total
Nonoperating Revenues (Expenses)														
State operating appropriation	198,924	$ -	-	-	246	199,170	-	-	-	-	199,170	-	199,170	$ 196,064
Federal Pell grant	-	-	-	-	33,882	33,882	-	-	-	-	33,882	-	33,882	33,085
Gifts	-	12,142	70	1,808	13,162	27,182	-	3	541	-	27,726	1,010	28,736	23,190
Investment income (loss):														
Change in fair value of derivatives	-	-	-	-	-	-	88	-	-	-	88	-	88	(343)
Endowment and similar funds	-	-	-	-	120	120	-	-	(120)	-	-	-	-	-
Other	5,433	(5,249)	12	-	708	904	2,016	111	248	-	3,279	20,942	24,221	42,854
Net distributions from the Foundation	1,427	(2,602)	-	5	12,635	11,465	38	7	123	-	11,633	(11,633)	-	-
Interest on capital asset - Related debt	-	-	-	-	-	-	(18,960)	-	-	-	(18,960)	-	(18,960)	(20,500)
Gain (loss) on capital assets retired	-	-	-	-	-	-	3,862	-	-	-	3,862	-	3,862	(33)
Other	-	-	-	-	-	-	5,683	(92)	(682)	-	4,909	-	4,909	2,022
Net nonoperating revenues (expenses)	205,784	4,291	82	1,813	60,753	272,723	(7,273)	29	110	-	265,589	10,319	275,908	276,339
Income (Loss) Before Other	14,502	3,166	5,768	89	2,400	25,925	(19,548)	60	110	-	6,547	10,319	16,866	68,028
Other														
State capital appropriation	-	-	-	-	-	-	-	-	-	-	-	-	-	585
Capital gifts	-	-	-	-	-	-	1,014	-	-	-	1,014	-	1,014	3,545
Gifts for permanent endowments	-	-	-	-	-	-	-	-	-	-	-	18,986	18,986	14,449
Total other	-	-	-	-	-	-	1,014	-	-	-	1,014	18,986	20,000	18,579
Increase (Decrease) in Net Position	14,502	3,166	5,768	89	2,400	25,925	(18,534)	60	110	-	7,561	29,305	36,866	86,607
Net Position (Deficit) - Beginning of year	63,695	89,115	(7,229)	(1,118)	61,428	205,891	438,308	10,331	4,583	-	659,113	362,349	1,021,462	934,855
Net Position (Deficit) - End of year	**$ 78,197**	**$ 92,281**	**$ (1,461)**	**$ (1,029)**	**$ 63,828**	**$ 231,816**	**$ 419,774**	**$ 10,391**	**$ 4,693**	**$ -**	**$ 666,674**	**$ 391,654**	**$ 1,058,328**	**$ 1,021**

Wayne State University

Combining Statement of Net Position (Deficit)
Year Ended September 30, 2017
(in thousands)

	2017												
	General Fund	Designated Fund	Auxiliary Activities Fund	Independent Operations Fund	Expendable Restricted Fund	Subtotal Current Funds	Plant Fund	Student Loan Fund	Endowment and Similar Funds	Agency Fund	University Total	Wayne State University Foundation Total	Total
Assets													
Current Assets													
Cash and temporary investments	$ 183,678	$ 32,485	$ 2,678	$ (1,764)	$ 52,733	$ 269,810	$ 54,801	$ 10,829	$ 1,411	$ 18,179	$ 355,030	$ 9,047	$ 364,077
Current receivables - Net	69,646	58,763	6,341	761	24,979	160,490	11,900	103	-	254	172,747	146	172,893
Inventories	895	-	478	-	-	1,373	-	-	-	-	1,373	-	1,373
Prepaid expenses and deposits	39,258	196	144	20	162	39,780	1,072	-	-	275	41,127	-	41,127
Total current assets	293,477	91,444	9,641	(983)	77,874	471,453	67,773	10,932	1,411	18,708	570,277	9,193	579,470
Noncurrent Assets													
Investments	-	-	-	-	-	-	-	-	4,106	-	4,106	353,579	357,685
Noncurrent receivables - Net	-	5,928	-	3	875	6,806	1,287	28,778	-	-	36,871	132	37,003
Derivative instruments	-	-	-	-	-	-	178	-	-	-	178	-	178
Capital assets - Net	-	-	-	-	-	-	842,659	-	-	-	842,659	-	842,659
Total noncurrent assets	-	5,928	-	3	875	6,806	844,124	28,778	4,106	-	883,814	353,711	1,237,525
Total assets	293,477	97,372	9,641	(980)	78,749	478,259	911,897	39,710	5,517	18,708	1,454,091	362,904	1,816,995
Deferred Outflows of Resources	-	-	-	-	-	-	12,792	-	-	-	12,792	-	12,792
Liabilities													
Current Liabilities													
Accounts payable and accrued liabilities	46,662	6,518	2,522	138	6,723	62,563	23,048	-	89	13,922	99,622	555	100,177
Unearned revenue	156,062	1,239	8,881	-	10,593	176,775	53	-	-	-	176,828	-	176,828
Deposits	2,296	500	66	-	5	2,867	-	-	-	4,420	7,287	-	7,287
Long-term debt - Current portion	-	-	-	-	-	-	16,772	-	-	-	16,772	-	16,772
Total current liabilities	205,020	8,257	11,469	138	17,321	242,205	39,873	-	89	18,342	300,509	555	301,064
Noncurrent Liabilities													
Federal portion of student loan funds	-	-	-	-	-	-	-	29,379	-	-	29,379	-	29,379
Accrued employee benefits and other	24,762	-	5,401	-	-	30,163	-	-	845	366	31,374	-	31,374
Long-term debt - Net of current portion	-	-	-	-	-	-	446,508	-	-	-	446,508	-	446,508
Total noncurrent liabilities	24,762	-	5,401	-	-	30,163	446,508	29,379	845	366	507,261	-	507,261
Total liabilities	229,782	8,257	16,870	138	17,321	272,368	486,381	29,379	934	18,708	807,770	555	808,325
Net Position (Deficit)													
Net investment in capital assets	-	-	-	-	-	-	393,243	-	-	-	393,243	-	393,243
Restricted:													
Nonexpendable	-	-	-	-	-	-	-	9,025	2,261	-	11,286	195,253	206,539
Expendable					61,428	61,428	27,435	-	2,322	-	91,185	159,323	250,508
Unrestricted	63,695	89,115	(7,229)	(1,118)	-	144,463	17,630	1,306	-	-	163,399	7,773	171,172
Total net position (deficit)	**$ 63,695**	**$ 89,115**	**$ (7,229)**	**$ (1,118)**	**$ 61,428**	**$ 205,891**	**$ 438,308**	**$ 10,331**	**$ 4,583**	**$ -**	**$ 659,113**	**$ 362,349**	**$ 1,021,462**

Wayne State University

Combining Statement of Revenues, Expenses, Transfers, and Changes in Net Position (Deficit)
Year Ended September 30, 2017
(in thousands)

	Year Ended September 30												
	2017												
	General Fund	Designated Fund	Auxiliary Activities Fund	Independent Operations Fund	Expendable Restricted Fund	Subtotal Current Funds	Plant Fund	Student Loan Fund	Endowment and Similar Funds	Adjustments	University Total	Wayne State University Foundation Total	Total
Operating Revenues													
Student tuition and fees	$ 378,063	$ -	$ 4,343	$ -	$ -	$ 382,406	$ 138	$ -	$ -		$ 382,544	$ -	$ 382,544
Less scholarship allowances	-	-	-	-	-	-	-	-	-	(103,938)	(103,938)	-	(103,938)
Net student tuition and fees	378,063	-	4,343	-	-	382,406	138	-	-	(103,938)	278,606	-	278,606
Federal grants and contracts	-	-	-	-	108,032	108,032	525	-	-		108,557	-	108,557
State and local grants and contracts	-	-	-	-	24,473	24,473	-	-	-		24,473	-	24,473
Nongovernmental grants and contracts	2,672	118,340	-	-	44,001	165,013	-	-	-		165,013	-	165,013
Departmental activities	9,614	8,732	-	952	2,027	21,325	-	-	-		21,325	-	21,325
Auxiliary enterprises - Net of scholarship allowances	-	-	42,280	-	-	42,280	-	-	-	(5,160)	37,120	-	37,120
Recovery of indirect costs of sponsored programs	34,217	-	-	-	(34,217)	-	-	-	-	-	-	-	-
Other operating revenues	5,203	-	-	-	-	5,203	-	61	-	-	5,264	-	5,264
Total operating revenues	429,769	127,072	46,623	952	144,316	748,732	663	61	-	(109,098)	640,358	-	640,358
Operating Expenses													
Instruction	224,213	42,413	-	-	10,763	277,389	-	-	-	(930)	276,459	-	276,459
Research	46,385	2,712	-	-	110,387	159,484	-	-	-	(3,042)	156,442	-	156,442
Public service	3,724	27,563	-	2,435	28,888	62,610	-	-	-	(422)	62,188	-	62,188
Academic support	70,467	2,929	-	-	712	74,108	-	-	-	(7,761)	66,347	-	66,347
Student services	41,059	568	-	-	310	41,937	-	-	-	(71)	41,866	-	41,866
Institutional support	80,440	4,653	-	-	134	85,227	-	-	-	(178)	85,049	-	85,049
Operation and maintenance of plant	52,235	1,086	-	-	5	53,326	7,417	-	-	(335)	60,408	-	60,408
Scholarships and fellowships	80,278	64	-	-	42,166	122,508	-	-	-	(109,098)	13,410	-	13,410
Auxiliary enterprises	-	-	24,992	-	-	24,992	-	-	-	(52)	24,940	-	24,940
Depreciation	-	-	-	-	-	-	61,560	-	-		61,560	-	61,560
Capital additions - Net	-	-	-	-	-	-	(12,791)	-	-	12,791	-	-	-
Transfers out (in):													
Debt service	21,244	986	12,153	-	-	34,383	(34,383)	-	-		-	-	-
Loan matching	-	-	-	-	-	-	-	-	-		-	-	-
Plant improvement and extension	10,102	156	4,026	-	181	14,465	(14,465)	-	-	-	-	-	-
Other	142	4	-	-	(175)	(29)	-	33	(4)	-	-	-	-
Total operating expenses	630,289	83,134	41,171	2,435	193,371	950,400	7,338	33	(4)	(109,098)	848,669	-	848,669
Operating (Loss) Income	(200,520)	43,938	5,452	(1,483)	(49,055)	(201,668)	(6,675)	28	4	-	(208,311)	-	(208,311)

Wayne State University

Combining Statement of Revenues, Expenses, Transfers, and Changes in Net Position (Deficit) (Continued)
Year Ended September 30, 2017
(in thousands)

	Year Ended September 30												
	2017												
	General Fund	Designated Fund	Auxiliary Activities Fund	Independent Operations Fund	Expendable Restricted Fund	Subtotal Current Funds	Plant Fund	Student Loan Fund	Endowment and Similar Funds	Adjustments	University Total	Wayne State University Foundation Total	Total
Nonoperating Revenues (Expenses)													
State operating appropriation	$ 195,821	$ -	$ -	$ -	$ 243	$ 196,064	$ -	$ -	$ -	$ -	$ 196,064	$ -	$ 196,064
Federal Pell grant	-	-	-	-	33,085	33,085	-	-	-	-	33,085	-	33,085
Gifts	-	11,584	20	2,069	8,548	22,221	-	7	130	-	22,358	832	23,190
Investment (loss) income:													
Change in fair value of derivatives	-	-	-	-	-	-	(343)	-	-	-	(343)	-	(343)
Endowment and similar funds	-	-	-	-	91	91	-	-	(91)	-	-	-	-
Other	5,421	(723)	10	-	1,147	5,855	1,100	96	409	-	7,460	35,394	42,854
Net distributions from the Foundation	1,395	(501)	-	6	9,601	10,501	39	(32)	(115)	-	10,393	(10,393)	-
Interest on capital asset - Related debt	-	-	-	-	-	-	(20,500)	-	-	-	(20,500)	-	(20,500)
Loss on capital assets retired	-	-	-	-	-	-	(33)	-	-	-	(33)	-	(33)
Other	-	-	-	-	-	-	2,280	(75)	(183)	-	2,022	-	2,022
Net nonoperating revenues (expenses)	202,637	10,360	30	2,075	52,715	267,817	(17,457)	(4)	150	-	250,506	25,833	276,339
Income (Loss) Before Other	2,117	54,298	5,482	592	3,660	66,149	(24,132)	24	154	-	42,195	25,833	68,028
Other													
State capital appropriation	-	-	-	-	-	-	585	-	-	-	585	-	585
Capital gifts	-	-	-	-	-	-	3,545	-	-	-	3,545	-	3,545
Gifts for permanent endowments	-	-	-	-	-	-	-	-	-	-	-	14,449	14,449
Total other	-	-	-	-	-	-	4,130	-	-	-	4,130	14,449	18,579
Increase (Decrease) in Net Position	2,117	54,298	5,482	592	3,660	66,149	(20,002)	24	154	-	46,325	40,282	86,607
Net Position (Deficit) - Beginning of year	61,578	34,817	(12,711)	(1,710)	57,768	139,742	458,310	10,307	4,429	-	612,788	322,067	934,855
Net Position (Deficit) - End of year	**$ 63,695**	**$ 89,115**	**$ (7,229)**	**$ (1,118)**	**$ 61,428**	**$ 205,891**	**$ 438,308**	**$ 10,331**	**$ 4,583**	**$ -**	**$ 659,113**	**$ 362,349**	**$ 1,021,462**

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