

Wayne State University Financial Report **2020**



WAYNE STATE
UNIVERSITY

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Wayne State University

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Independent Auditor's Report

To the Board of Governors
Wayne State University

Report on the Financial Statements

We have audited the accompanying financial statements of 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, 2020 and 2019 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, 2020 and 2019 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 1 to the financial statements, the COVID-19 pandemic has impacted the operations of the University. Our opinion is not modified with respect to this matter.

To the Board of Governors
Wayne State University

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 audits were conducted for the purpose of forming opinions 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 15, 2021 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 15, 2021

Wayne State University

Management's Discussion and Analysis - Unaudited

Introduction

The following discussion and analysis provides an overview of the financial position of Wayne State University (the "University") at September 30, 2020 and the results of its operations and cash flows for the year then ended. Comparative information is provided as of and for the year ended September 30, 2019. 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 2020 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. 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 10th largest employer in the city of Detroit, as ranked by the 2020 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 2019 National Science Foundation Research and Development Expenditures Survey, the University ranked 99th among all universities and 67th 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 2019 National Science Foundation Research and Development Expenditures Survey ranked the University 53rd in the health sciences category. Based on the 2020 Carnegie classification of higher education, Wayne State University ranked within the top 3.0 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 financial statements: the statement of net position; the statement of revenue, expenses, and changes in net position; and the statement of cash flows. The report also includes notes to the financial statements, which are an integral component of the report, and required supplementary information (RSI). These financial statements, accompanying notes, and RSI 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 a discretely presented component unit (DCU) 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.

Novel Coronavirus (COVID-19) Pandemic

In March 2020, the global outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus was declared a pandemic by the World Health Organization, and a national emergency by the President of the United States. In response, federal and state governments have implemented measures to combat the outbreak which have impacted business operations worldwide. Likewise the pandemic has had a significant impact on the University during fiscal year 2020. Effective March 16, 2020, the University cancelled all in-person classes for the remainder of the winter semester and remote instruction began for

Wayne State University

Management's Discussion and Analysis - Unaudited (Continued)

all classes on March 23, 2020. The University reduced the scope of its on-site operations and where possible, certain employees teleworked from their homes. In addition, the University limited on-campus residence, all non-essential travel, and cancelled or postponed athletic or other on-campus conferences or events. The following sections will discuss further the specific impacts reflected in the financial statements for the year ending September 30, 2020.

Overall Financial Highlights

The University's financial position at September 30, 2020 includes assets and deferred outflows of resources of approximately \$1.88 billion and liabilities and deferred inflows of resources of \$1.23 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 \$0.65 billion as of September 30, 2020.

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:

	2020	2019	2018
	(in millions)		
Total assets	\$ 1,861.7	\$ 1,693.8	\$ 1,662.7
Deferred outflows of resources	14.6	13.7	14.4
Total liabilities	971.8	819.5	833.4
Deferred inflows of resources	254.6	226.2	177.0
Net position	649.9	661.8	666.7

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 5-9.

Operations

A summary of revenue and expenses, including the operating, nonoperating, and other categories for the years ended September 30, 2020, 2019, and 2018 is as follows:

	2020	2019	2018
	(in millions)		
Revenue:			
Operating revenues	\$ 562.8	\$ 585.6	\$ 596.7
Nonoperating revenues	312.1	304.6	284.6
Other	7.6	1.2	1.0
Total revenues	<u>\$ 882.5</u>	<u>\$ 891.4</u>	<u>\$ 882.3</u>
Expenses:			
Operating expenses	\$ 869.2	\$ 875.3	\$ 855.7
Nonoperating expenses	25.2	21.0	19.0
Total expenses	<u>\$ 894.4</u>	<u>\$ 896.3</u>	<u>\$ 874.7</u>

During fiscal year 2020, total revenue decreased \$8.9 million (1.0 percent) compared to 2019, while total expenses decreased \$1.9 million (0.2 percent). During fiscal year 2019, total revenue increased \$9.1 million (1.0 percent) compared to 2018, while total expenses increased \$21.6 million (2.5 percent). Specific discussion and analysis of the changes in the components of the revenue and expense categories are provided on pages 9-16.

Wayne State University

Management's Discussion and Analysis - Unaudited (Continued)

Statement of Net Position

The statement of net position presents the financial position of the University at the end of each fiscal year and includes all assets, deferred outflows of resources, 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 2020, 2019, and 2018 is as follows:

	2020	2019	2018
		(in millions)	
Current assets	\$ 594.0	\$ 587.3	\$ 596.0
Noncurrent assets:			
Investments	208.5	78.8	106.8
Capital assets - Net of depreciation	1,030.7	996.3	926.1
Other	28.5	31.4	33.8
Total assets	1,861.7	1,693.8	1,662.7
Deferred outflows of resources	14.6	13.7	14.4
Current liabilities	322.8	313.7	312.3
Noncurrent liabilities:			
Long-term debt - Net of current portion	597.5	448.8	464.7
Other	51.5	57.0	56.4
Total liabilities	971.8	819.5	833.4
Deferred inflows of resources	254.6	226.2	177.0
Total net position	<u>\$ 649.9</u>	<u>\$ 661.8</u>	<u>\$ 666.7</u>

Current Assets and Liabilities

Current assets are comprised primarily of cash and cash equivalents, current investments, and receivables. In 2020, current assets increased \$6.7 million (1.1 percent) to \$594.0 million compared to \$587.3 million at September 30, 2019. This increase consisted of an increase in cash and cash equivalents and current investments of \$3.7 million, an increase in prepaid expenses and deposits of \$7.2 million, and an increase in other assets of \$0.1 million, partially offset by a decrease in net current receivables of \$4.3 million. Changes in cash and cash equivalents and current investments are the result of the University's overall operating performance and timing. The increase in prepaid expenses and deposits resulted largely from an increase in prepaid payroll (\$4.8 million) for compensation paid as of September 30, for service periods in the subsequent fiscal year, combined with an increase in other prepaid expenses and deposits (\$2.4 million).

In 2019, current assets decreased \$8.7 million (1.5 percent) to \$587.3 million compared to \$596.0 million at September 30, 2018. This decrease consisted of a decrease in cash and cash equivalents and current investments of \$9.1 million, and a decrease in net current receivables of \$3.1 million, partially offset by an increase in other assets of \$3.5 million.

Wayne State University

Management's Discussion and Analysis - Unaudited (Continued)

Current liabilities are comprised of amounts payable within one year and consist primarily of accounts payable, accrued liabilities, and unearned revenue. In 2020, total current liabilities increased by \$9.1 million (2.9 percent) to \$322.8 million compared to \$313.7 million at September 30, 2019. The increase consisted of increases in accounts payable and accrued liabilities of \$12.4 million and unearned revenue of \$0.3 million, partially offset by decreases in the current portion of long-term debt of \$3.4 million and deposits of \$0.2 million. The increase in accounts payable and accrued liabilities was largely due to the timing of disbursements for certain program funds (\$11.3 million) collected by the University in an agency capacity that were disbursed to program participants subsequent to September 30 in 2020, whereas in 2019, the funds were disbursed prior to fiscal year-end.

In 2019, total current liabilities increased by \$1.4 million (0.4 percent) to \$313.7 million compared to \$312.3 million at September 30, 2018. The increase consisted of an increase in unearned revenue, the current portion of long-term debt, and deposits of \$3.7 million, \$1.9 million, and \$0.1 million, respectively, partially offset by a decrease in accounts payable and accrued liabilities of \$4.3 million. Unearned revenue primarily consists of 75 percent of student tuition and fees for the current fall term received or due prior to October 2019. The increase in unearned revenue was attributable principally to fall 2019 tuition and fee rate increases of 3.2 percent for undergraduate and graduate students. The decrease in accounts payable and accrued liabilities was largely due to the timing of disbursements (\$9.1 million) for certain program funds collected by the University in an agency capacity that were disbursed to program participants prior to September 30 in 2019, whereas in 2018, the funds were disbursed subsequent to fiscal year-end. The decrease was offset partially by an increase in construction and other trade accounts payables (\$4.8 million).

The University's current ratio (current assets divided by current liabilities), a measure of liquidity, was 1.8 as of September 3, 2020 and 1.9 at September 30, 2019 and 2018.

Deferred Outflow of Resources

Deferred outflow of resources totaled \$14.6 million in 2020, compared to \$13.7 million in 2019 and \$14.4 million in 2018. The 2020 amount includes OPEB-related amounts of \$1.5 million and amounts related to losses recognized in the defeasance of debt of \$13.1 million. The amount in 2019 and 2018 relate, principally, to losses recognized in the defeasance of debt.

Deferred Inflow of Resources

Deferred inflow of resources totaled \$254.6 million in 2020, compared to \$226.2 million and \$177.0 million in 2019 and 2018, respectively. The 2020 amount includes \$246.8 million related to the service concession arrangement (more fully discussed in Note 15), \$4.3 million related to a fiscal year 2021 state appropriations payment received in fiscal year 2020, \$1.7 million related to the defeasance of debt, \$1.3 million for OPEB-related amounts, and \$0.5 million related to an irrevocable split-interest agreement. The 2019 amount includes \$224.3 million related to the service concession arrangement, \$1.4 million for OPEB-related amounts, and \$0.5 million related to an irrevocable split-interest agreement.

Noncurrent Assets and Liabilities

Noncurrent Assets

Noncurrent assets are comprised primarily of investments, capital assets, and noncurrent receivables. Notable changes from 2019 to 2020 in noncurrent assets include increases in investments and net capital assets of \$129.7 million and \$34.4 million, respectively.

Wayne State University

Management's Discussion and Analysis - Unaudited (Continued)

Investments

Noncurrent investments are comprised primarily of the Endowment Fund and Plant Fund investments. 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, 2020, 2019, and 2018 is as follows:

	2020	2019	2018
	(in millions)		
Endowment Fund	\$ 6.7	\$ 6.2	\$ 5.2
Plant Fund - Restricted invested bond proceeds	200.3	72.6	101.6
Other restricted investments	1.5	-	-
Total noncurrent investments	<u>\$ 208.5</u>	<u>\$ 78.8</u>	<u>\$ 106.8</u>

The 2020 invested bond proceeds component of noncurrent investments represents proceeds of \$216.5 million for the Series 2019A, Series 2019B, and the Series 2020 Bonds, issued during fiscal year 2020 and proceeds of \$133.0 million from the Series 2018A Bonds issues in fiscal year 2018, net of bond refunding and expenditures for related capital projects.

The invested bond proceeds component of noncurrent investments decreased \$29.0 million in 2019 as funds were spent for planned capital projects.

Foundation Investments

The Foundation manages approximately 99 percent of the University's endowment funds. The composition of the Foundation's noncurrent investments at September 30, 2020, 2019, and 2018 is as follows:

	2020	2019	2018
	(in millions)		
Endowment Fund investments	<u>\$ 417.2</u>	<u>\$ 394.3</u>	<u>\$ 388.0</u>

In 2020, the Foundation Endowment Fund investments increased \$22.9 million (5.8 percent) to \$417.2 million. The 2020 increase is principally because of a net investment gain (\$27.2 million) and new gifts (\$10.2 million), offset partially by net distributions to the University (\$16.0 million).

In 2019, the Foundation Endowment Fund investments increased \$6.3 million (1.6 percent) to \$394.3 million. The 2019 increase is principally because of a net investment gain (\$5.6 million) and new gifts (\$14.4 million), offset partially by net distributions to the University (\$12.5 million).

Capital Assets

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

Capital additions during 2020 totaled \$97.0 million, compared to \$130.6 million in 2019 and \$149.4 million in 2018. The 2020 capital additions include expenditures for the Chatsworth renovation (\$27.3 million), the renovation and repurposing of the Science and Engineering Library (\$20.0 million), the construction of a new Basketball Arena (\$7.9 million), the Hillberry Gateway Performance Complex expansion, construction,

Wayne State University

Management's Discussion and Analysis - Unaudited (Continued)

and renovation project (\$4.3 million), as well as renovations and upgrades to many other university buildings.

The 2019 capital additions included expenditures for the construction of the Anthony Wayne Drive Apartment project – Phase I&II (\$53.7 million), the renovation and repurposing of the Science and Engineering Library (\$19.5 million), and the Hillberry Gateway Performance Complex expansion, construction and renovation project (\$5.0 million).

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

Noncurrent Liabilities

Notable changes in the noncurrent liability section of the statement of net position from 2019 to 2020 included an increase in long-term debt (net of the current portion) of \$148.7 million, partially offset by a decrease in other noncurrent liabilities of \$5.5 million.

Long-term Debt

Total long-term debt (including the current portion) totaled \$610.1 million, \$464.8 million, and \$478.8 million, at September 30, 2020, 2019, and 2018, respectively.

In its role of financial steward, the University works to manage its financial resources effectively, including the use of debt to finance capital projects. In October 2019, the University issued its tax exempt series 2019A (\$76.3 million) and taxable series 2019B Bonds (\$25.7 million). The 2019A Bonds were issued to fund various university projects and to refund the Series 2009A and Series 2009B Bonds. The Series 2019B Bonds were issued to fund the construction of a new Basketball arena. In July 2020, the University issued its taxable Series 2020A Bonds (\$115.0 million) to fund the renovation of State Hall and other capital projects. The bonds issued in fiscal year 2020 are more fully discussed in Note 6 to the financial statements.

For 2019, total long-term debt decreased \$14.0 million, which 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, 2020, 2019, and 2018 is summarized as follows:

	2020	2019	2018
	(in millions)		
Net investment in capital assets	\$ 378.9	\$ 391.5	\$ 391.4
Restricted:			
Nonexpendable	9.8	11.3	11.1
Expendable	83.1	74.4	73.3
Unrestricted	178.1	184.6	190.9
Total net position	<u>\$ 649.9</u>	<u>\$ 661.8</u>	<u>\$ 666.7</u>

Wayne State University

Management's Discussion and Analysis - Unaudited (Continued)

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.

Statement of Revenues, Expenses, and Changes in Net Position

The statement of revenues, expenses, and changes in net position presents the operating results of the University, as well as the nonoperating revenues and expenses.

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.

Wayne State University

Management's Discussion and Analysis - Unaudited (Continued)

Summarized operating, nonoperating, and other revenues for the years ended September 30, 2020, 2019, and 2018 are presented below:

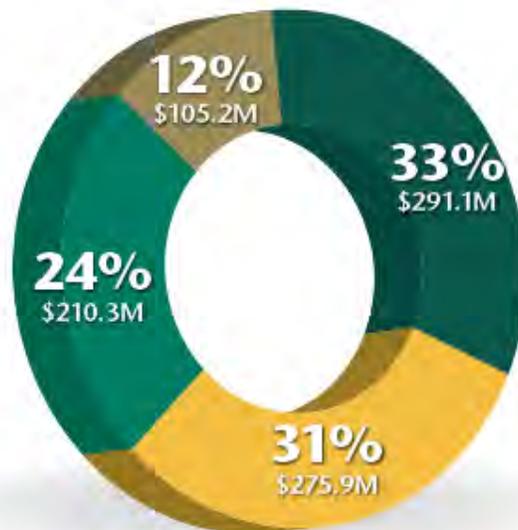
	2020	2019	2018
Operating Revenues		(in millions)	
Student tuition and fees - Gross	\$ 418.9	\$ 404.1	\$ 393.7
Less scholarship allowances	(127.8)	(121.2)	(110.9)
Net student tuition and fees	291.1	282.9	282.8
Grants and contracts	227.1	247.6	255.9
Departmental activities, auxiliary enterprises, and other	44.6	55.1	58.0
Total operating revenues	562.8	585.6	596.7
Nonoperating Revenues			
State operating appropriation	180.7	202.4	199.2
State CARES appropriation	22.8	-	-
Federal economic relief funds	10.8	-	-
Federal Pell grants	38.0	38.9	33.9
Gifts	25.0	22.5	27.7
Investment income:			
Income and realized gains	9.1	12.9	11.6
Unrealized (loss) gain	10.0	9.2	(8.3)
Change in fair value of derivatives	0.2	0.4	0.1
Net distributions from the Foundation	16.0	12.5	11.6
Other	(0.5)	5.8	8.8
Total nonoperating revenues	312.1	304.6	284.6
Other			
State capital appropriation	6.8	-	-
Capital and endowment gifts	0.8	1.2	1.0
Total other	7.6	1.2	1.0
Total revenues	\$ 882.5	\$ 891.4	\$ 882.3

Wayne State University

Management’s Discussion and Analysis - Unaudited (Continued)

The charts below graphically depict total revenue by source for the years ended September 30, 2020, 2019, and 2018:

TOTAL REVENUE



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

2020 – 882.5 million



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

2019 – 891.4 million



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

2018 – 882.3 million

Wayne State University

Management's Discussion and Analysis - Unaudited (Continued)

Primary Revenue Sources

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

Operating Revenues

Operating revenue totaled \$562.8 million in 2020 compared to \$585.6 million and \$596.7 in 2019 and 2018, respectively. The 2020 decrease in total operating revenues of \$22.8 million (3.9 percent) was attributable to several factors:

Student Tuition and Fees - In fiscal year 2020, gross student tuition and fees increased \$14.8 million and scholarship allowances increased by \$6.6 million, resulting in an increase in net student tuition and fees of \$8.2 million. The increase in gross student tuition and fees was attributable principally to the fall 2019 tuition rate increases for undergraduate and graduate students of 3.2 percent.

The 2019 increase in gross student tuition and fees was attributable principally to the fall 2018 undergraduate and graduate tuition rate increases of 2.9 percent.

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 2020, 2019, and 2018 the University provided total scholarships and fellowships of \$153.1 million, \$141.1 million, and \$127.3 million, respectively. For 2020, the \$12.0 million increase represents an 8.5 percent increase in financial aid. The increases in 2019 and 2018 of \$13.8 million and \$4.8 million, respectively, represent percentage increases of 10.8 and 3.9 percent, respectively. The increase in 2020 consisted of \$7.0 million in student emergency grants paid from the federal economic relief funds (CARES), combined with an overall increase in university scholarships and other financial aid of \$5.0 million. The increase in 2019 was driven by 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, combined with an increase in Federal Pell awards of \$5.0 million.

Grants and Contracts - Grants and contracts revenues decreased \$20.5 million (8.3 percent) from 2019 to 2020. The decrease consisted of declines in nongovernmental grants and contracts of \$14.6 million, federal grants and contracts of \$6.7 million, offset partially by an increase in state and local grants and contracts of \$0.8 million. The 2020 decrease in nongovernmental grants and contracts was driven largely by a reduction in the University's share of program revenue for a specific University Health Affairs program (\$12.9 million). The reduction in federal grants and contracts revenue was attributable to an overall decrease in federal grant and contract activity in fiscal year 2020 as most on-campus activity was reduced or ceased in response to the COVID-19 pandemic.

The 2019 decrease in nongovernmental grants and contracts was attributable largely to an increase in adjustments to reduce certain contract receivable amounts due from affiliate organizations, deemed uncollectible, to the net realizable value (\$23.9 million), offset partially by an overall increase other nongovernmental grant revenue (\$9.2 million).

Wayne State University

Management's Discussion and Analysis - Unaudited (Continued)

Departmental Activities, Auxiliary Enterprises, and Other - Departmental activities, auxiliary enterprises, and other revenue decreased \$10.5 million (19.1 percent) to \$44.6 million in 2020, compared to \$55.1 million and \$58.0 million in 2019 and 2018, respectively. The 2020 decrease consisted of declines in auxiliary enterprises and departmental activities revenue of \$6.5 million and \$4.4 million, respectively, offset partially by an increase in other operating revenue of \$0.4 million. The decrease in departmental activities and auxiliary enterprises revenue was attributable principally to the impact of the COVID-19 pandemic on the University housing and parking operations, performing arts events and conferences, and other auxiliary activities and on-campus services.

The 2019 decrease consisted of a decline in auxiliary enterprises and other operating revenues of \$3.7 million and \$0.2 million, respectively, offset partially by an increase in departmental activities revenue of \$1.0 million. The decrease in auxiliary enterprises revenue in 2019 was attributable principally to a reduction in residence hall and apartment revenue. The University entered into a Service Concessionaire Agreement (SCA) with Corvias Campus Living-WSU, LLC (Corvias) in fiscal year 2018 (more fully discussed in Note 15). As part of the agreement, the University's housing operations, including the related housing revenue, was transferred to Corvias, effective November 30, 2017.

Nonoperating and Other Revenues

Nonoperating and other revenues were \$319.7 million in 2020, compared to \$305.8 million and \$285.6 million in 2019 and 2018, respectively. Factors affecting this change are as follows:

Nonoperating Revenues

- The State operating appropriations is the University's primary source of nonoperating revenue. In July 2020, the State amended its 2020 appropriations bill to replace \$22.8 million of the University's state operating appropriations with Coronavirus Relief Funds received under the CARES Act. The state operating appropriations, including the State CARES appropriation, increased \$1.1 million (0.5 percent) to \$203.5 million in 2020, compared to \$202.4 million and \$199.2 million in 2019 and 2018, respectively.
- In addition, the University was awarded \$19.3 million in federal funding through the Coronavirus Aid, Relief, and Economic Security (CARES) Act: Higher Education Emergency Relief Fund during 2020. In accordance with the Act, the University must meet certain eligibility requirements before recognizing the funding. The CARES Act requires that no less than fifty percent of the funds be used to provide emergency financial aid grants to students for expenses related to the disruption of campus operations due to coronavirus. It allows the University to use up to fifty percent of the funds received to cover costs associated with significant changes to the delivery of instruction due to the coronavirus. In 2020, the University incurred eligible expenses and recognized nonoperating revenue totaling \$10,785,000 related to these awards.
- 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)

	2020	2019	2018
	(in millions)		
Net investment income:			
Income and realized gains	\$ 9.1	\$ 12.9	\$ 11.6
Unrealized (loss) gain	10.0	9.2	(8.3)
Change in fair value of derivatives	0.2	0.4	0.1
Total net investment income, including the change in fair value of derivatives	<u>\$ 19.3</u>	<u>\$ 22.5</u>	<u>\$ 3.4</u>

Wayne State University

Management's Discussion and Analysis - Unaudited (Continued)

Investment income is attributable principally to cash pool investments. In 2020, there was a decrease in net investment income of \$3.2 million which was driven largely by a decrease in investment income and realized gains due to market conditions. The 2019 increase in net investment income of \$19.1 million was due to an increase in investment income and unrealized gains resulting from positive financial market performance.

Expenses

Operating and nonoperating expenses for the years ended September 30, 2020, 2019, and 2018 are summarized below:

	2020	2019	2018
	(in millions)		
Operating expenses	\$ 869.2	\$ 875.3	\$ 855.7
Nonoperating expenses:			
Interest	25.1	20.3	19.0
Other	0.1	0.7	-
Total nonoperating expenses	<u>25.2</u>	<u>21.0</u>	<u>19.0</u>
Total expenses	<u>\$ 894.4</u>	<u>\$ 896.3</u>	<u>\$ 874.7</u>

Operating expenses by both functional and natural classification for the years ended September 30, 2020, 2019, and 2018 are as follows:

	2020		2019		2018	
	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	\$ 607.6	69.9%	\$ 600.7	68.6%	\$ 583.7	68.2%
Supplies, services, and other	175.0	20.1%	196.6	22.5%	198.2	23.2%
Depreciation	62.6	7.2%	59.8	6.8%	59.1	6.9%
Scholarships and fellowships ⁽¹⁾	24.0	2.8%	18.2	2.1%	14.7	1.7%
Total	<u>\$ 869.2</u>	<u>100%</u>	<u>\$ 875.3</u>	<u>100%</u>	<u>\$ 855.7</u>	<u>100%</u>
Functional Classification						
Instruction	\$ 280.1	32.2%	\$ 277.8	31.7%	\$ 276.3	32.3%
Research	157.4	18.1%	155.2	17.7%	157.3	18.5%
Public service	58.9	6.8%	65.6	7.5%	62.0	7.2%
Academic support	72.1	8.3%	73.4	8.4%	68.2	8.0%
Student services	42.1	4.8%	42.2	4.8%	39.6	4.6%
Institutional support	93.1	10.7%	94.9	10.8%	92.7	10.8%
Operation and maintenance of plant	60.0	6.9%	66.0	7.6%	62.0	7.2%
Scholarships and fellowships ⁽¹⁾	24.0	2.8%	18.2	2.1%	14.7	1.7%
Auxiliary enterprises	18.9	2.2%	22.2	2.5%	23.8	2.8%
Depreciation	62.6	7.2%	59.8	6.8%	59.1	6.9%
Total	<u>\$ 869.2</u>	<u>100%</u>	<u>\$ 875.3</u>	<u>100%</u>	<u>\$ 855.7</u>	<u>100%</u>

⁽¹⁾ Excludes "scholarship allowances" applied directly to students' tuition and room and board (see pages 10, 12, and 15).

Wayne State University

Management's Discussion and Analysis - Unaudited (Continued)

Operating Expenses

Compensation and benefit expenses increased \$6.9 million (1.1 percent) in 2020 to \$607.6 million compared to \$600.7 million and \$583.7 million in 2019 and 2018, respectively. In 2020, several cost-cutting measures were taken to minimize the increase in compensation and benefit costs in response to the COVID-19 impact. The University suspended merit increases for non-represented employees above a certain salary level, deans and members of the president's cabinet participated in salary reductions, and the University implemented a hiring chill which required presidential approval for all hiring. The moderate increase in 2019 resulted primarily from inflationary increases in salary and benefit costs.

Supplies, services, and other expenses decreased \$21.6 million (11.0 percent) in 2020 to \$175.0 million compared to \$196.6 million and \$198.2 million in 2019 and 2018, respectively. In 2020, the University made efforts to reduce costs and limit spending in response to the financial impact of the COVID-19 pandemic. In addition, most on-campus activity was reduced or ceased which also resulted in a reduction in supplies, services, and other expenses.

Total scholarships and fellowships granted in 2020 increased \$12.0 million (8.5 percent) to \$153.1 million, compared to \$141.1 million in 2019. As discussed previously, the increase in 2020 includes \$7.0 million in student emergency grants paid from the federal economic relief funds (CARES), combined with an overall increase in university scholarships and other financial aid of \$5.0 million. Total scholarships and fellowships granted in 2019 increased \$13.8 million (10.8 percent) to \$141.1 million compared to \$127.3 million in 2018. The increase in 2019 was attributable to an increase in Federal Pell grant awards of \$5.0 million, combined with an overall increase in university scholarships and other financial aid.

Total scholarships and fellowships granted have two components. The scholarships and fellowships reflected on the table on page 14 of \$24.0 million, \$18.2 million, and \$14.7 million are disbursed directly to students and are reported as operating expenses in 2020, 2019, and 2018, respectively. The remaining amounts for 2020, 2019, and 2018 of \$129.1 million, \$122.9 million and \$112.6 million, respectively, are applied directly to the students' accounts receivable balances. These amounts are netted against student tuition and fees, or room and board in the Auxiliary Activities Fund, as "scholarship allowances" in the statement of revenue, expenses, and changes in net position on page 19.

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

In this regard, combined expenses for instruction increased \$2.3 million (0.8 percent) to \$280.1 million in 2020, compared to \$277.8 million and \$276.3 million in 2019 and 2018, respectively. The expenses in 2020 and 2019 remained relatively flat.

Research expenses increased \$2.2 million (1.4 percent) in 2020 to \$157.4 million, compared to \$155.2 million and \$157.3 million in 2019 and 2018, respectively. The increase in 2020 consisted of an increase in compensation-related expenses of \$5.8 million, offset partially by a decline in direct expenses of \$3.6 million attributable generally to the impact of COVID-19. The decrease in 2019 was attributable to a decrease in compensation-related expenses of \$1.8 million, combined with a decrease in direct expenses of \$0.3 million.

Public Service expenses decreased \$6.7 million (10.2 percent) in 2020 to \$58.9 million, compared to \$65.6 million and \$62.0 million in 2019 and 2018, respectively. The decrease in 2020 was driven principally by the termination of certain pediatric faculty as the University ended its relationship with the University Pediatrics physician group.

Operation and maintenance of plant expenses decreased \$6.0 million in 2020 to \$60.0 million, compared to \$66.0 million and \$62.0 million in 2019 and 2018, respectively. In response to the COVID-19 pandemic, as previously discussed, the University transitioned to remote learning for most students, reduced the scope of its on-site operations, and where possible, certain employees teleworked from their homes. The

Wayne State University

Management's Discussion and Analysis - Unaudited (Continued)

combination of these efforts contributed to the overall reduction in operation and maintenance of plant expenses as the University recognized decreases in compensation-related expenses for facilities operations of \$2.2 million, combined with a decrease in direct expenses of \$3.8 million attributable largely to a reduction in utility costs.

Nonoperating Expenses

Interest expense totaled \$25.1 million, \$20.3 million, and \$19.0 million, in 2020, 2019, and 2018, respectively. Interest expense was net of a federal subsidy related to the Series 2009B Build America Bonds of \$0.3 million in 2020, and \$0.5 million in 2019 and 2018.

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 cash equivalents. 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, 2020, 2019, and 2018 is as follows:

	2020	2019	2018
	(in millions)		
Cash and cash equivalents (used in) provided by:			
Operating activities	\$ (246.9)	\$ (234.2)	\$ (149.8)
Noncapital financing activities	269.7	282.9	284.1
Capital and related financing activities	69.9	(109.3)	27.5
Investing activities	(108.4)	32.8	(84.8)
Net increase (decrease) in cash and cash equivalents	(15.7)	(27.8)	77.0
Cash and cash equivalents - Beginning of year	149.2	177.0	100.0
Cash and cash equivalents - End of year	<u>\$ 133.5</u>	<u>\$ 149.2</u>	<u>\$ 177.0</u>

Cash flows used in operating activities reflect tuition and fees, grants and contracts, and auxiliary and departmental activities. Major uses include payment of wages, employee benefits, supplies, utilities, and scholarships. The most significant source of cash flows provided by noncapital financing activities is the state operating appropriation (including the State CARES appropriation), which totaled \$207.8 million in 2020, compared to \$202.4 million and \$199.2 million in 2019 and 2018, 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 cash equivalents as a result of selling investments, and income earned on cash and cash equivalents. Investing activities also include cash proceeds from the sale of bond-related investments to finance construction expenditures.

Wayne State University

Management's Discussion and Analysis - Unaudited (Continued)

Economic Factors That Will Affect the Future

Higher Education Industry

The COVID-19 pandemic has significantly impacted the higher education industry and brings uncertainty to the sector in the short-term. Enrollment for Fall 2020 is down across the industry, but most significantly at community colleges and for-profit four-year institutions. The sector is expecting a decline of 5-10 percent in operating revenues as the pandemic impacts multiple revenue streams such as tuition revenue, state appropriations, and auxiliary enterprises. The federal government responded with financial support to higher education through the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). Universities have responded through cost reduction measures, taxable debt offerings, and delayed capital investments. The duration of the pandemic is unknown and depends on the efficiency and effectiveness of the vaccine program and adherence to the CDC mitigation recommendations. The pandemic remains a significant concern and risk for higher education.

The long-term outlook for higher education remains 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.

State of Michigan – Local Economy

The COVID-19 pandemic significantly impacted the operations of the State of Michigan through reduced state revenues and increased expenses. In response, the State enacted cost reduction strategies including an 11 percent reduction to the fiscal year 2020 higher education appropriations. To mitigate the reduction for higher education institutions, the State provided universities with CARES Act funding to cover the shortfall and make each institution whole. The fiscal year 2021 State budget maintained the same level of total funding for higher education institutions compared to fiscal year 2020. While State funding has remained stable for higher education, the pandemic creates uncertainty about the State's long-term economic situation and the challenges to future budget years.

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.

Wayne State University

Management's Discussion and Analysis - Unaudited (Continued)

- **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, 2020			September 30, 2019		
	Wayne State University Foundation			Wayne State University Foundation		
	University	(DCU)	Total	University	(DCU)	Total
Assets	(in thousands)					
Current Assets						
Cash and cash equivalents	\$ 133,458	\$ 3,511	\$ 136,969	\$ 149,174	\$ 4,716	\$ 153,890
Investments	287,313	-	287,313	267,876	-	267,876
Current receivables - Net (Note 4)	119,932	239	120,171	124,212	736	124,948
Inventories	1,138	-	1,138	1,131	-	1,131
Prepaid expenses and deposits	52,139	-	52,139	44,948	-	44,948
Total current assets	593,980	3,750	597,730	587,341	5,452	592,793
Noncurrent Assets						
Endowment investments	6,700	417,234	423,934	6,213	394,329	400,542
Restricted investments	201,794	-	201,794	72,533	-	72,533
Noncurrent receivables - Net (Note 4)	27,605	10	27,615	30,731	30	30,761
Derivative instruments (Note 7)	860	-	860	677	-	677
Capital assets - Net (Note 5)	1,030,742	-	1,030,742	996,321	-	996,321
Total noncurrent assets	1,267,701	417,244	1,684,945	1,106,475	394,359	1,500,834
Total assets	1,861,681	420,994	2,282,675	1,693,816	399,811	2,093,627
Deferred Outflows of Resources	14,606	-	14,606	13,735	-	13,735
Liabilities						
Current Liabilities						
Accounts payable and accrued liabilities	123,522	349	123,871	111,163	591	111,754
Unearned revenue	180,326	-	180,326	179,981	-	179,981
Deposits	6,293	-	6,293	6,480	-	6,480
Long-term debt - Current portion (Note 6)	12,662	-	12,662	16,026	-	16,026
Total current liabilities	322,803	349	323,152	313,650	591	314,241
Noncurrent Liabilities						
Federal portion of student loan funds	21,653	-	21,653	29,092	-	29,092
Accrued employee benefits and other liabilities	29,911	-	29,911	27,934	-	27,934
Long-term debt - Net of current portion (Note 6)	597,458	-	597,458	448,816	-	448,816
Total noncurrent liabilities	649,022	-	649,022	505,842	-	505,842
Total liabilities	971,825	349	972,174	819,492	591	820,083
Deferred Inflows of Resources (Note 1)	254,580	-	254,580	226,237	-	226,237
Net Position						
Net investment in capital assets	378,828	-	378,828	391,506	-	391,506
Restricted nonexpendable:						
Scholarships, research, academic support, and other	2,244	237,776	240,020	2,290	228,178	230,468
Loans	7,593	-	7,593	9,022	-	9,022
Restricted expendable:						
Scholarships, research, academic support, and other	70,006	174,866	244,872	65,426	163,218	228,644
Capital projects	13,122	-	13,122	8,994	-	8,994
Unrestricted	178,089	8,003	186,092	184,584	7,824	192,408
Total net position	\$ 649,882	\$ 420,645	\$ 1,070,527	\$ 661,822	\$ 399,220	\$ 1,061,042

Wayne State University

Statement of Revenues, Expenses, and Changes in Net Position

	Year Ended September 30, 2020			Year Ended September 30, 2019		
	Wayne State University Foundation		Total	Wayne State University Foundation		Total
	University	(DCU)		University	(DCU)	
Operating Revenues	(in thousands)					
Student tuition and fees	\$ 418,944	\$ -	\$ 418,944	\$ 404,105	\$ -	\$ 404,105
Less scholarship allowances	(127,821)	-	(127,821)	(121,215)	-	(121,215)
Net student tuition and fees	291,123	-	291,123	282,890	-	282,890
Federal grants and contracts	101,903	-	101,903	108,651	-	108,651
State and local grants and contracts	26,605	-	26,605	25,745	-	25,745
Nongovernmental grants and contracts	98,632	-	98,632	113,193	-	113,193
Departmental activities	19,214	-	19,214	23,596	-	23,596
Auxiliary enterprises - Net of scholarship allowances of \$1,299 in 2020 and \$1,670 in 2019	19,904	-	19,904	26,449	-	26,449
Other operating revenues	5,386	-	5,386	5,041	-	5,041
Total operating revenues	562,767	-	562,767	585,565	-	585,565
Operating Expenses (Note 11)						
Instruction	280,074	-	280,074	277,815	-	277,815
Research	157,448	-	157,448	155,212	-	155,212
Public service	58,877	-	58,877	65,567	-	65,567
Academic support	72,089	-	72,089	73,384	-	73,384
Student services	42,118	-	42,118	42,209	-	42,209
Institutional support	93,098	-	93,098	94,932	-	94,932
Operation and maintenance of plant	59,962	-	59,962	66,006	-	66,006
Scholarships and fellowships	24,010	-	24,010	18,241	-	18,241
Auxiliary enterprises	18,886	-	18,886	22,154	-	22,154
Depreciation	62,588	-	62,588	59,750	-	59,750
Total operating expenses	869,150	-	869,150	875,270	-	875,270
Operating Loss	(306,383)	-	(306,383)	(289,705)	-	(289,705)
Nonoperating Revenues (Expenses)						
State operating appropriation	180,663	-	180,663	202,363	-	202,363
State CARES appropriation	22,751	-	22,751	-	-	-
Federal Pell grants	37,944	-	37,944	38,941	-	38,941
Federal economic relief funds	10,785	-	10,785	-	-	-
Gifts	25,032	791	25,823	22,461	342	22,803
Investment income including change in fair value of derivatives of \$183 in 2020 and \$412 in 2019	19,347	27,162	46,509	22,504	5,633	28,137
Net distributions from the Foundation	15,970	(15,970)	-	12,485	(12,485)	-
Interest on capital asset - Related debt	(25,135)	-	(25,135)	(20,340)	-	(20,340)
Gain (Loss) on capital assets retired	(32)	-	(32)	(681)	-	(681)
Other	(482)	-	(482)	5,912	-	5,912
Net nonoperating revenues	286,843	11,983	298,826	283,645	(6,510)	277,135
Income Before Other	(19,540)	11,983	(7,557)	(6,060)	(6,510)	(12,570)
Other						
State capital appropriation	6,770	-	6,770	-	-	-
Capital gifts	830	-	830	1,208	-	1,208
Gifts for permanent endowments	-	9,442	9,442	-	14,076	14,076
Total other	7,600	9,442	17,042	1,208	14,076	15,284
Change in Net Position	(11,940)	21,425	9,485	(4,852)	7,566	2,714
Net Position						
Beginning of year	661,822	399,220	1,061,042	666,674	391,654	1,058,328
End of year	<u>\$ 649,882</u>	<u>\$ 420,645</u>	<u>\$ 1,070,527</u>	<u>\$ 661,822</u>	<u>\$ 399,220</u>	<u>\$ 1,061,042</u>

Wayne State University

Statement of Cash Flows

	Year Ended September 30	
	2020	2019
University		
(in thousands)		
Cash Flows from Operating Activities		
Tuition and fees - Net	\$ 288,563	\$ 289,838
Grants and contracts	236,456	243,634
Auxiliary enterprises	19,091	25,786
Departmental activities	15,535	21,349
Loans issued to students	(1,017)	(725)
Collection of loans from students	5,360	5,895
Scholarships and fellowships	(25,585)	(21,812)
Payments to suppliers	(171,226)	(203,721)
Payments to employees and benefit providers	(619,333)	(599,439)
Other receipts	5,234	5,040
Net cash used in operating activities	(246,922)	(234,155)
Cash Flows from Noncapital Financing Activities		
State operating appropriation	184,960	202,363
State CARES appropriation	22,751	-
Federal Economic Relief Fund	8,954	-
Federal Pell grants	37,944	38,941
Gifts	25,009	22,533
External student lending receipts	188,198	207,880
External student lending disbursements	(191,010)	(203,982)
Net distributions from the Foundation	15,970	12,485
Other	(23,123)	2,666
Net cash provided by noncapital financing activities	269,653	282,886
Cash Flows from Capital and Related Financing Activities		
Capital gifts and grants	1,474	1,705
Proceeds from issuance of debt and other long-term obligations	216,464	-
Expenditures for capital assets	(61,701)	(77,639)
Principal paid on capital debt	(66,005)	(11,265)
Interest paid on capital debt	(20,222)	(20,805)
Other	(66)	(1,359)
Net cash provided by (used in) capital and related financing activities	69,944	(109,363)
Cash Flows from Investing Activities		
Investment income - Net	19,347	1,360
Proceeds from sales and maturities of investments	90,329	31,430
Purchase of investments	(218,067)	-
Net cash (used in) provided by investing activities	(108,391)	32,790
Net (Decrease) Increase in Cash and Cash Equivalents	(15,716)	(27,842)
Cash and Cash Equivalents - Beginning of year	149,174	177,016
Cash and Cash Equivalents - End of year	\$ 133,458	\$ 149,174
Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating loss	\$ (306,383)	\$ (289,705)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation expense	62,588	59,750
Changes in assets and liabilities:		
Receivables - Net	12,356	5,517
Prepaid expenses and inventories	(5,677)	(3,678)
Accounts payable and accrued liabilities	831	(9,020)
Deposits	(317)	(265)
Unearned income	(907)	2,455
Deferred inflow of resources	703	659
Accrued employee benefits and other liabilities	(10,116)	132
Net cash used in operating activities	\$ (246,922)	\$ (234,155)
Noncash Transactions		
Capital expenditures related to the Anthony Wayne Drive housing projects	\$ 28,398	\$ 52,701
Unrealized gains	\$ 10,052	\$ 9,230

Note 1 - Basis of Presentation and Significant Accounting Policies

Overview

Wayne State University (the "University") is a state-supported institution with a fall 2020 enrollment of approximately 26,300 students. The financial statements include the individual schools, colleges, and departments of the University (the primary government) and the controlled organization which is a discretely presented component unit (DCU). 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 (DCU) 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 in the United States 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 using the economic resources measurement focus, 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.

Summary of Significant Accounting Policies

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.

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

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

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. For the year ended September 30, 2020, nonoperating revenues (expenses) includes a loss on nonoperating loans (more fully discussed in Note 13).

Federal Coronavirus Aid, Relief, and Economic Security Act Revenue - Federal economic relief funds represent funding received from the federal government as a result of the Coronavirus Aid, Relief and Economic Security ("CARES") Act. The CARES Act was signed into law in March 2020 in order to provide economic assistance for businesses and individuals that have been negatively impacted by the COVID-19 pandemic. In December 2019, the Novel Coronavirus (COVID-19) was first reported and has since emerged as a global pandemic. The world-wide response to manage the COVID-19 pandemic has included many extraordinary measures designed to reduce physical human interactions, including the temporary suspension of community events and other activities, broad travel restrictions, and the temporary closing of many businesses. Likewise, the University's operations and financial results for the year ended September 30, 2020 were also impacted, including transitioning instruction to remote learning to the fullest extent possible, limiting on-campus residence, eliminating all non-essential travel, and cancelling or postponing athletic and performing arts events. To partially offset the financial impact to students and the losses incurred by the University due to the disruption caused by COVID-19, the University received grants as outlined below.

The University was awarded approximately \$19,306,000 under the Education Stabilization Fund of the Federal Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"). As of September 30, 2020, the University incurred eligible expenses and recognized nonoperating revenue totaling \$10,785,000.

In July 2020, the State amended its 2020 appropriations bill to replace \$22,751,000 of the University's state operating appropriations with Coronavirus Relief Funds received under the CARES Act. The State CARES appropriation revenue represents the University's allocated share of the State Coronavirus Relief Funds. These are restricted federal funds with expenditure eligibility requirements. As of September 30, 2020, the University incurred eligible expenses and recognized nonoperating revenue totaling \$22,751,000.

In December 2020, the University was awarded \$32,377,000 in funding from the Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (CRRSAA), Pub. L. 116-260. In accordance with the Act, the University must meet certain eligibility requirements before utilizing the funds.

Cash and Cash Equivalents – Cash and cash equivalents include highly liquid, short-term investments (90 days or less) that bear little if no market risk and includes the liquidity pool component of the University's cash pool. Small allocations to cash and cash equivalents are also held in the liquidity reserve pool and the diversified pool components of the cash pool, and the Foundation's endowments. Any cash balances held in these funds at the date of these financial statements are due to timing of reinvesting the proceeds in the fund.

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. Investments include the liquidity reserve pool and the diversified pool components of the cash pool and the Foundation's endowments. Investments also include invested bond proceeds and related earnings.

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. Effective April 1, 2017, the University completed a transition from annual distributions equal to 5.00 percent of the three-year moving average of the market value of the endowment fund, measured at quarterly intervals, to annual distributions equal to 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 acquisition value as of the date of donation. Depreciation is computed on the straight-line method over the estimated service lives (5 to 40 years) of the respective assets.

Deferred Outflows of Resources - In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. The University reports deferred outflows of resources of \$1,556,000 for OPEB-related amounts discussed in Note 12 and \$13,050,000 related to the losses recognized in debt defeasance as of September 30, 2020. The University reports deferred outflows of resources of \$12,400 for OPEB-related amounts discussed

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

in Note 12 and \$13,723,000 related to the losses recognized in debt defeasance as of September 30, 2019.

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 \$1,293,000 for OPEB-related amounts discussed in Note 12, \$4,297,000 related to a fiscal year 2021 state appropriations payment received in advance, \$1,729,000 million related to the defeasance of debt, \$246,771,000 related to the service concession arrangement discussed in Note 15, and \$491,000 related to an irrevocable split-interest agreement at September 30, 2020. The University reports deferred inflows of resources of \$1,387,000 for OPEB-related amounts discussed in Note 12, \$224,359,000 related to the service concession arrangement discussed in Note 15, and \$491,000 related to an irrevocable split-interest agreement at September 30, 2019.

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.
- **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.

It is the University's policy to apply restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

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.

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

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.

In July 2020, the State amended its 2020 appropriations bill to replace \$22,751,000 of the University's state operating appropriations with Coronavirus Relief Funds received under the CARES Act. The State CARES appropriation revenue represents the University's allocated share of the State Coronavirus Relief Funds. These are restricted federal funds with expenditure eligibility requirements. As of September 30, 2020, the University incurred eligible expenses and recognized nonoperating revenue totaling \$22,751,000.

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 \$191,010,000 and \$203,982,000 in 2020 and 2019, 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 2 - Cash and Investments

Cash and investments, by classification and investment type, at September 30, 2020 and 2019 are as follows (in thousands):

Classification	2020	2019
Cash and cash equivalents, current	\$ 133,458	\$ 149,174
Investments:		
Investments, current	287,313	267,876
Endowment Fund, noncurrent	6,700	6,213
Restricted investments, noncurrent	201,794	72,533
Total investments	495,807	346,622
Total cash and investments	<u>\$ 629,265</u>	<u>\$ 495,796</u>

Type	2020	2019
Cash and cash equivalents	\$ 192,783	\$ 149,174
Fixed income	342,852	274,053
Equity securities	54,530	40,859
Hedge funds	10,340	9,634
Real assets	15,070	14,342
Other	13,690	7,734
Total cash and investments	<u>\$ 629,265</u>	<u>\$ 495,796</u>

The University's cash pool, which consists of cash, cash equivalents, and current investments, provided a return of 4.1 and 4.8 percent for the fiscal years ended September 30, 2020 and 2019, respectively. Restricted investments include invested bond proceeds and related earnings, which are restricted for capital projects, totaling \$200,271,000 and other restricted investments of \$1,523,000 million as of September 30, 2020. As of September 30, 2019, restricted investments consisted of invested bond proceeds and related earnings of \$72,533,000.

Investment Policies

Cash and cash equivalents 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	Liquidity				Range (Diversified Pool)	Actual at September 30, 2020
	Liquidity Pool	Reserve Pool	Diversified	Total Portfolio		
Cash	100%	0%	0%	30%		34%
Fixed Income	0%	100%	30%	56%	+/- 7%	51%
Equities	0%	0%	45%	9%	+/- 7%	10%
Hedge Funds	0%	0%	10%	2%	+/- 5%	2%
Real Assets	0%	0%	15%	3%	+/- 5%	3%

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. In addition, cash pool investments are comprised of equities, hedge funds, and real assets.

Note 2 - Cash and Investments (Continued)

The cash pool's three tiers (liquidity pool, liquidity reserve pool, and diversified pool) have different time horizons and liquidity needs, therefore, they have different permissible asset classes, credit quality, and maturity/interest rate risk characteristics. 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.

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, 2020 and 2019, the carrying amount of these deposits totaled \$141,237,000 and \$136,491,000, respectively. Of these amounts, \$140,737,000 and \$135,938,000 were uninsured and not collateralized at September 30, 2020 and 2019, 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 \$59,583,000 and \$74,872,000 of its portfolio at September 30, 2020 and 2019, respectively. These investments are either held in the name of the University or a nominee's name for the benefit of the University and would not be subject to any general creditor claims.

Credit Risk

Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. Nationally recognized rating organizations, such as Moody's and Standard & Poor's, assign credit ratings to security issuers and issues that indicate a measure of potential credit risk to investors. As discussed previously, specific credit standards are applied to each of the three tiers of the Cash Pool based on their ability to take risk which is tied to their time horizon and liquidity needs. The minimum credit quality for the Liquidity Pool is A-/A3 for bank deposits, money market funds shall have at least two of the three NRSRO's A1/P1/F1, and short term bond funds must have an average credit rating of A or better. The Liquidity Reserve Pool must have a credit rating of BBB-/Baa3 or better. The Diversified Pool must have an average credit rating of B-/B3 or better. For both years, the University was in compliance with its credit risk policy.

Note 2 - Cash and Investments (Continued)

Fixed-income investments classified by credit ratings at September 30, 2020 and 2019 were as follows (in thousands):

Investment Type	2020 Credit Rating					Total
	AAA	AA	A	BBB	Below BB	
Municipal Bonds ⁽¹⁾	\$ 17,468	\$ 23,735	\$ 14,382	\$ -	\$ -	\$ 55,585
U.S. Treasuries	1,696	-	-	-	-	1,696
Money market mutual funds	10,164	-	-	-	-	10,164
Fixed-income institutional bond funds	4,093	-	215,451	47,947	7,916	275,407
Investments by rating	<u>\$ 33,421</u>	<u>\$ 23,735</u>	<u>\$ 229,833</u>	<u>\$ 47,947</u>	<u>\$ 7,916</u>	<u>\$ 342,852</u>

Investment Type	2019 Credit Rating					Total
	AAA	AA	A	BBB	Below BB	
Municipal Bonds ⁽¹⁾	\$ -	\$ 32,252	\$ 38,232	\$ -	\$ -	\$ 70,484
U.S. Treasuries	2,050	-	-	-	-	2,050
Money market mutual funds	83	-	-	-	-	83
Fixed-income institutional bond funds	-	46,221	117,034	-	38,181	201,436
Investments by rating	<u>\$ 2,133</u>	<u>\$ 78,473</u>	<u>\$ 155,266</u>	<u>\$ -</u>	<u>\$ 38,181</u>	<u>\$ 274,053</u>

(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. For the liquidity and liquidity reserve pools, 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). For the diversified pool, concentration of credit risk is managed in accordance with the fund managers' policies.

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

As of September 30, 2020 and 2019, the University's liquidity and liquidity reserve pools 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. The maximum maturity duration for the liquidity pool is one year. The maximum average duration for the liquidity reserve pool is five years. The diversified pool has no duration restriction.

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

Note 2 - Cash and Investments (Continued)

The University held the following types of fixed-income investments and maturities at September 30, 2020 and 2019 (in thousands):

Investment Type	2020 Maturities (in Years)				Total
	Less Than 1	1-5	6-10	More Than 10	
Municipal Bonds ⁽¹⁾	\$ -	\$ 55,586	\$ -	\$ -	\$ 55,586
U.S. Treasuries	-	1,696	-	-	1,696
Securitized investments ⁽¹⁾	-	-	-	-	-
Money market mutual funds ⁽²⁾	10,164	-	-	-	10,164
Corporate securities	-	-	-	-	-
Fixed-income institutional bond funds ⁽²⁾	49,202	81,068	145,136	-	275,406
Total fixed-income investments	\$ 59,366	\$ 138,350	\$ 145,136	\$ -	\$ 342,852

Investment Type	2019 Maturities (in Years)				Total
	Less Than 1	1-5	6-10	More Than 10	
Municipal Bonds ⁽¹⁾	\$ -	\$ 70,484	\$ -	\$ -	\$ 70,484
U.S. Treasuries	-	2,050	-	-	2,050
Securitized investments ⁽¹⁾	-	-	-	-	-
Money market mutual funds ⁽²⁾	83	-	-	-	83
Corporate securities	-	-	-	-	-
Fixed-income institutional bond funds ⁽²⁾	-	94,337	107,099	-	201,436
Total fixed-income investments	\$ 83	\$ 166,871	\$ 107,099	\$ -	\$ 274,053

⁽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.

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, 2020 and 2019 are as follows (in thousands):

Type	2020	2019
Fixed income	\$ 82,907	\$ 82,607
Equity securities	218,571	197,538
Other investment instrument types not included above:		
Limited partnerships	95,188	106,604
Commingled funds and mutual funds	20,568	7,580
Total investments	<u>\$ 417,234</u>	<u>\$ 394,329</u>

The Foundation's investments had investment performance of 7.0 and 1.6 percent for the years ended September 30, 2020 and 2019, 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, 2020
U.S. equities	22%	12%-32%	25%
Non-U.S. equities	17%	7%-27%	24%
Emerging market equities	8%	0%-18%	8%
Fixed-income securities	25%	15%-35%	21%
Hedge funds	5%	0%-15%	6%
Real assets	11%	1%-21%	10%
Private markets	12%	2%-22%	2%
Opportunistic	0%	0%-10%	1%
Cash	0%	0%-20%	3%

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.

Note 3 - Foundation Investments (Continued)

Custodial Credit Risk

Custodial credit risk for investments was discussed previously in Note 2 - Cash and Investments. The Foundation's investment policies do not limit the value of investments that may be held by an outside party. The Foundation's counterparties held \$57,876,000 and \$58,729,000 of its portfolio at September 30, 2020 and 2019, 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, 2020 and 2019 were as follows (in thousands):

Investment Type	2020 Credit Rating					Total
	AAA	AA	A	BB	Not Rated	
Money market mutual funds ⁽¹⁾	\$ 7,049	\$ -	\$ -	\$ -	\$ -	\$ 7,049
Fixed-income investments ⁽¹⁾	31,501	-	-	41,106	-	72,607
Direct loan fund ⁽¹⁾	-	-	-	-	3,251	3,251
Investments by rating	<u>\$ 38,550</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,106</u>	<u>\$ 3,251</u>	<u>\$ 82,907</u>

Investment Type	2019 Credit Rating					Total
	AAA	AA	A	BB	Not Rated	
Money market mutual funds ⁽¹⁾	\$ 11,529	\$ -	\$ -	\$ -	\$ -	\$ 11,529
Fixed-income investments ⁽¹⁾	32,599	-	-	32,986	-	65,585
Direct loan fund ⁽¹⁾	-	-	-	-	5,493	5,493
Investments by rating	<u>\$ 44,128</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,986</u>	<u>\$ 5,493</u>	<u>\$ 82,607</u>

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

Concentration of Credit Risk

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

As of September 30, 2020 and 2019, 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.

Note 3 - Foundation Investments (Continued)

The Foundation held the following types of fixed-income investments and maturities at September 30, 2020 and 2019 (in thousands):

Investment Type	2020 Maturities (in Years)			
	Less Than 1	1-5	6-10	Total
Money market mutual funds	\$ 7,049	\$ -	\$ -	\$ 7,049
Fixed-income investments ⁽¹⁾	-	31,501	41,106	72,607
Direct loan fund ⁽¹⁾	-	3,251	-	3,251
Total fixed-income investments	\$ 7,049	\$ 34,752	\$ 41,106	\$ 82,907

Investment Type	2019 Maturities (in Years)			
	Less Than 1	1-5	6-10	Total
Money market mutual funds	\$ 11,529	\$ -	\$ -	\$ 11,529
Fixed-income investments ⁽¹⁾	-	32,599	32,986	65,585
Direct loan fund ⁽¹⁾	-	5,493	-	5,493
Total fixed-income investments	\$ 11,529	\$ 38,092	\$ 32,986	\$ 82,607

⁽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

As of September 30, 2020, \$2,166,000 in investments were made to this fund. As of September 30, 2019, \$1,703,000 in investments were made to this fund. The Foundation had approximately \$22,016,000 and \$20,202,000 of investment commitments outstanding at September 30, 2020 and 2019, respectively.

Note 4 - Receivables

At September 30, 2020 and 2019, receivables consisted of the following (in thousands):

	2020	2019
Grants and contracts receivable	\$ 30,594	\$ 46,736
Pledged gifts receivable	4,831	5,577
Student notes receivable	20,751	23,352
Student accounts receivable	73,766	74,003
State appropriations - Capital projects	6,767	-
Other	21,121	50,246
Total	157,830	199,914
Less:		
Provision for loss on receivables	(10,193)	(44,798)
Unamortized discount to present value on pledged gifts receivable	(100)	(173)
Total	147,537	154,943
Less net current portion of receivables	(119,932)	(124,212)
Net noncurrent receivables	<u>\$ 27,605</u>	<u>\$ 30,731</u>

Payments on pledged gifts receivable at September 30, 2020 are expected to occur in the following fiscal years (in thousands):

2021	\$ 3,143
2022-2051	1,688
Total	<u>\$ 4,831</u>

Student notes receivable consist of loans to students made from both federal and university resources. Principal repayment and interest rate terms on these loans vary considerably. The provision for loss on receivables does not apply to the federal portion of federal student notes receivable, since federal regulations do not require the University to provide reserves on the federal portion of uncollectible student loans. Federal loan programs are funded principally with federal advances to the University from the Perkins and various health profession loan programs. 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, 2020 and 2019 was as follows (in thousands):

	Balance				Balance September 30, 2020
	September 30, 2019	Additions	Retirements	Transfers	
Non-depreciated capital assets:					
Land	\$ 39,870	\$ -	\$ -	\$ -	\$ 39,870
Construction in progress	42,841	36,570	-	(10,003)	69,408
Total - Nondepreciable assets	82,711	36,570	-	(10,003)	109,278
Depreciable capital assets:					
Land improvements	30,857	2,396	-	75	33,328
Buildings	1,602,634	42,132	(8,271)	9,928	1,646,423
Library materials	191,622	7,300	(25)	-	198,897
Equipment and software	191,360	8,643	(2,245)	-	197,758
Total - Depreciable assets	2,016,473	60,471	(10,541)	10,003	2,076,406
Less accumulated depreciation:					
Land improvements	20,836	904	-	-	21,740
Buildings	767,273	46,021	(8,271)	-	805,023
Library materials	154,274	6,340	-	-	160,614
Equipment and software	160,480	9,323	(2,238)	-	167,565
Total accumulated depreciation	1,102,863	62,588	(10,509)	-	1,154,942
Total depreciable capital assets, Net	913,610	(2,117)	(32)	10,003	921,464
Net capital assets	\$ 996,321	\$ 34,453	\$ (32)	\$ -	\$ 1,030,742

	Balance				Balance September 30, 2019
	September 30, 2018	Additions	Retirements	Transfers	
Non-depreciated capital assets:					
Land	\$ 38,848	\$ 1,029	\$ (7)	\$ -	\$ 39,870
Construction in progress	23,896	36,595	-	(17,650)	42,841
Total - Nondepreciable assets	62,744	37,624	(7)	(17,650)	82,711
Depreciable capital assets:					
Land improvements	28,557	2,290	-	10	30,857
Buildings	1,526,236	71,256	(12,498)	17,640	1,602,634
Library materials	183,779	8,111	(268)	-	191,622
Equipment and software	181,838	11,302	(1,780)	-	191,360
Total - Depreciable assets	1,920,410	92,959	(14,546)	17,650	2,016,473
Less accumulated depreciation:					
Land improvements	20,016	820	-	-	20,836
Buildings	735,858	43,667	(12,252)	-	767,273
Library materials	148,202	6,072	-	-	154,274
Equipment and software	152,909	9,191	(1,620)	-	160,480
Total accumulated depreciation	1,056,985	59,750	(13,872)	-	1,102,863
Total depreciable capital assets, Net	863,425	33,209	(674)	17,650	913,610
Net capital assets	\$ 926,169	\$ 70,833	\$ (681)	\$ -	\$ 996,321

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.

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, 2020 and 2019 was as follows (in thousands):

	2020				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
General Revenue Bonds, Series 2020, with interest ranging from 3.392% to 3.492%, maturing November 15, 2050	\$ -	\$ 114,985	\$ -	\$ 114,985	\$ -
General Revenue and Refunding Bonds, Series 2019A, with interest ranging from 3.375% to 5.0%, maturing November 15, 2039	-	62,450	-	62,450	700
General Revenue and Refunding Bonds, Series 2019B, with interest ranging from 3.32% to 3.47%, maturing November 15, 2049	-	25,685	-	25,685	-
General Revenue and Refunding Bonds, Series 2018A, with interest ranging from 3.375% to 5.0%, maturing on November 15, 2049	122,225	-	1,855	120,370	1,955
General Revenue and Refunding Bonds, Series 2016A, with interest ranging from 2.5% to 5.0%, maturing on November 15, 2037	89,975	-	355	89,620	2,890
General Revenue and Refunding Bonds, Series 2016B, with interest ranging from 1.5% to 4.0%, maturing on November 15, 2037	10,315	-	600	9,715	460
General Revenue and Refunding Bonds, Series 2015A, with interest ranging from 3.0% to 5.0%, maturing on November 15, 2036	46,710	-	1,680	45,030	1,760
General Revenue Bonds, Series 2013A, with interest ranging from 3.0% to 5.0%, maturing on November 15, 2044	77,795	-	1,645	76,150	1,725
General Revenue Bonds, Series 2009A, with interest ranging from 3.25% to 5.0%, maturing on November 15, 2029	32,790	-	32,790	-	-
Taxable General Revenue Build America Bonds, Series 2009B, with interest ranging from 4.844% to 6.536%, maturing on November 15, 2039	24,745	-	24,745	-	-
General Revenue Bonds, Series 2008, with interest at 5.0%, maturing on November 15, 2019	2,335	-	2,335	-	-
Taxable General Revenue Bonds, Series 2007B, with interest at 6.01%, maturing on November 15, 2030	4,220	-	-	4,220	-
Capital lease payable, with interest at 3.8%, expiring on March 11, 2038 and 2.9% expiring on April 13, 2023	19,045	-	900	18,145	930
Various notes payable with varying interest rates maturing through 2024	133	-	56	77	21
Gross long-term debt	430,288	203,120	66,961	566,447	10,441
Plus unamortized bond premium - Net	34,554	13,479	4,360	43,673	2,221
Total long-term debt	\$ 464,842	\$ 216,599	\$ 71,321	\$ 610,120	\$ 12,662

Note 6 - Long-term Debt (Continued)

	2019				
	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	\$ 1,855
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	355
General Revenue and Refunding Bonds, Series 2016B, with interest ranging from 1.5% to 4.0%, maturing on November 15, 2037	11,285	-	970	10,315	600
General Revenue and Refunding Bonds, Series 2015A, with interest ranging from 3.0% to 5.0%, maturing on November 15, 2036	48,300	-	1,590	46,710	1,680
General Revenue Bonds, Series 2013A, with interest ranging from 3.0% to 5.0%, maturing on November 15, 2044	79,375	-	1,580	77,795	1,645
General Revenue Bonds, Series 2009A, with interest ranging from 3.25% to 5.0%, maturing on November 15, 2029	36,505	-	3,715	32,790	3,905
Taxable General Revenue Build America Bonds, Series 2009B, with interest ranging from 4.844% to 6.536%, maturing on November 15, 2039	25,500	-	755	24,745	780
General Revenue Bonds, Series 2008, with interest at 5.0%, maturing on November 15, 2019	4,555	-	2,220	2,335	2,335
Taxable General Revenue Bonds, Series 2007B, with interest at 6.01%, maturing on November 15, 2030	4,220	-	-	4,220	-
Taxable General Revenue Bonds, Series 2003B, with interest at 5.02%, maturing on November 15, 2018	435	-	435	-	-
Capital lease payable, with interest at 3.8%, expiring on March 11, 2038 and 2.9% expiring on April 13, 2023	19,915	-	870	19,045	900
Various notes payable with varying interest rates maturing through 2024	70	63	-	133	57
Gross long-term debt	442,360	63	12,135	430,288	14,112
Plus unamortized bond premium - Net	36,467	81	1,994	34,554	1,914
Total long-term debt	\$ 478,827	\$ 144	\$ 14,129	\$ 464,842	\$ 16,026

When economically feasible, the University considers defeasance or refunding of prior debt issuances to reduce borrowing costs. There were no defeased bonds outstanding as of September 30, 2020. The total amount of defeased bonds outstanding at September 30, 2019 was \$42,299,000.

Note 6 - Long-term Debt (Continued)

In July 2020, the University issued its taxable Series 2020A Bonds for a par amount of \$114,985,000 and with an average coupon interest rate of 3.3 percent. The proceeds were used to fund the renovation of State Hall and for other general capital projects and operating purposes.

In October 2019, the University issued its tax-exempt Series 2019A Bonds for a par amount of \$62,450,000 and net premium of \$13,831,885 and its taxable Series 2019B Bonds for a par amount of \$25,685,000. The tax-exempt bond proceeds, \$76,281,885 with an average coupon interest rate of 4.8 percent, were used to fund various university projects and related issuance costs. The tax-exempt proceeds also current refunded the Series 2009A bonds par amount of \$28,885,000 and the Series 2009B bonds par amount of \$23,965,000. The refunding resulted in an economic gain of \$8,301,296 and total debt service payments decreased by \$8,529,914. The taxable proceeds, \$25,685,000 with an average coupon of 3.5 percent, were issued to fund a basketball arena for the men's and women's basketball teams.

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.

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.

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 \$4,172,097 and \$3,623,000 as of September 30, 2020 and 2019, 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 \$404,000 and \$218,000 as of September 30, 2020 and 2019.

Note 6 - Long-term Debt (Continued)

Principal and interest maturities on long-term debt at September 30, 2020 are as follows (in thousands):

Fiscal Years	Bond and Various Notes Payable		Capital Lease
	Principal	Interest	Minimum Payments
2021	\$ 9,511	\$ 21,953	\$ 1,608
2022	14,391	22,121	1,608
2023	18,201	21,436	1,556
2024	18,994	20,625	1,383
2025	19,835	19,766	1,383
2026-2030	114,020	84,209	6,953
2031-2035	106,005	60,856	7,032
2036-2040	92,860	39,345	3,456
2041-2045	82,975	21,797	-
2046-2050	65,625	6,697	-
2051-2055	5,885	103	-
Total	<u>\$ 548,302</u>	<u>\$ 318,908</u>	24,979
			<u>6,834</u>
			<u>\$ 18,145</u>
			Less amount representing interest
			Present value of minimum lease payments

Interest paid on long-term debt including the capital lease was \$19,696,000 and \$20,808,000 in 2020 and 2019, respectively.

Effective March 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 March 2022. As of September 30, 2020 and 2019, 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, 2020 and 2019, classified by type and the change in fair value, are shown below (in thousands):

Investment Derivative Instrument	Change in Fair Value		Fair Value at September 30, 2020 (in thousands)		
	Classification	Amount	Classification	Amount	Notional
Series 2015A - Pay-variable, receive variable/fixed annuity	Net investment income (loss)	\$ 183	Asset	\$ 860	\$ 38,165

Investment Derivative Instrument	Change in Fair Value		Fair Value at September 30, 2019 (in thousands)		
	Classification	Amount	Classification	Amount	Notional
Series 2015A# - Pay-variable, receive variable/fixed annuity	Net investment income (loss)	\$ 412	Asset	\$ 677	\$ 39,570

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, 2020 and 2019 were as follows:

Associated Bond Issue	Effective Date	Type	Objective	Pay Terms	Receive Terms	Maturity Date	Counterparty Credit Rating*
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

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

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

Associated Risk - The associated risks of the outstanding swaps as of September 30, 2020 and 2019 were as follows:

The swaps are tax basis swaps, which were executed with the objective of reducing the financing cost of the Series 2006 bonds and their related refunding bonds, the series 2015A bonds. Changes in interest rates as well as the SIFMA/LIBOR ratio cause the fair value of these swaps to rise and fall with financial market conditions. Due to changes in these market factors since inception, these swaps have a positive fair value at September 30, 2020 and September 30, 2019.

Note 7 - Derivative Instruments (Continued)

Credit Risk - As of September 30, 2020 and 2019, the University was exposed to some credit risk from swap counterparties because the existing swaps had a positive fair value \$860,000 and \$677,000, respectively. The University executes swap transactions with various counterparties. At September 30, 2020, 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. This investment strategy provides broad exposure to several equity and fixed income target markets while adding potential for additional return through a 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, 2020 and 2019, the notional value of these contracts was \$39,598,000 and \$37,610,000, 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, 2020 and 2019 was \$4,297,000 and \$2,302,000, respectively, which are recorded as endowment investment in the statement of net position.

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, 2020 and 2019 were approximately \$35,212,000 and \$34,532,000, respectively.

Note 9 - Commitments

Construction Commitments

Approximately \$27,809,000 was committed to current University construction projects at September 30, 2020. This amount includes approximately \$15,066,000 for construction of a new Basketball Arena, \$6,101,000 for the Hillberry Gateway project, 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 \$5,372,000 and \$5,434,000 for the years ended September 30, 2020 and 2019, 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
2021	\$ 3,347
2022	2,922
2023	1,918
2024	1,652
2025	1,666
2026-2030	5,337
2031-2035	4,973
Total	<u>\$ 21,815</u>

On June 28, 2019, the University entered into a sublease agreement with a University affiliate for 55,000 rentable square feet in a medical office building. The lease period commenced on July 1, 2019 with an initial term of 15.5 years. The minimum lease obligation as of September 30, 2020 and 2019 was \$15,088,000 and \$15,535,000, respectively.

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, 2020, was approximately \$1,987,000. 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, 2020 and 2019, totaled approximately \$3,665,000 and \$3,512,000, 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.

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, 2020 and 2019, the aggregate positive fair value of all hedging derivative instruments with these collateral posting provisions is \$860,000 and \$677,000, 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, 2020 and 2019 are summarized as follows (in thousands):

	2020	2019
Compensation and benefits	\$ 607,626	\$ 600,650
Supplies, services, and other	174,926	196,629
Depreciation	62,588	59,750
Scholarships and fellowships	24,010	18,241
Total operating expenses	<u>\$ 869,150</u>	<u>\$ 875,270</u>

Note 12 - Postemployment Benefits Other Than Pensions

The University offers a postemployment benefit of a fixed payout life insurance policy to its retirees. The University's annual postemployment benefits is actuarially determined in accordance with GASB Statement No. 75. For the year ended September 30, 2020, the University's reported OPEB liability was estimated based on an actuarial valuation date of October 1, 2019 and measurement date of September 30, 2019. For the year ended September 30, 2019, the University's reported OPEB liability was estimated based on an actuarial valuation date of October 1, 2017 and measurement date of September 30, 2018.

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 \$9,568,000 and \$7,530,000 at September 30, 2020 and 2019, respectively. The discount rates used in determining the total reported OPEB liability were 2.66 and 4.18 percent for fiscal year 2020 and 2019, respectively. The total OPEB expense in fiscal year 2020 and 2019 was \$401,000 and \$142,000, respectively. There are no OPEB assets set-aside to fund the liability amount disclosed.

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 - Related Party Transaction

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, which eliminated the guarantee, in exchange for a mortgage loan payable to the University in the amount of \$5,820,000. During fiscal year 2019, the mortgage loan was refinanced and the University provided additional funding of \$1,000,000. The outstanding mortgage receivable amount of \$5,936,000 and \$6,149,000 as of September 30, 2020 and 2019, respectively, is included in current and noncurrent receivables in the statement of net position.

In October 2019, the University entered into a loan and security agreement with a University affiliate in which the University agreed to provide certain financing to support the affiliate organization exit bankruptcy. The financing support includes a term loan of \$7,319,576 and a revolving loan (tranche A and tranche B) not to exceed \$7,759,165 with interest rates ranging from zero to 4.0 percent and a maturity date of September 30, 2034. The outstanding loan receivable was approximately \$10,079,000 as of September 30, 2020. The University established a corresponding allowance which reduced the net value of the outstanding loans to zero.

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, 2020 and 2019 (in thousands):

Investments by Fair Value Level	Fair Market Measurements Using:			Total Fair Value at September 30, 2020
	Level 1	Level 2	Level 3	
Fixed-income securities:				
Municipal Bonds	\$ -	\$ 55,586	\$ -	\$ 55,586
U.S. government securities	-	5,788	-	5,788
Corporate bonds	-	442	-	442
Corporate bond funds	213,858	116,546	-	330,404
Money market mutual funds	10,242	-	-	10,242
Other	-	15,070	2,348	17,418
Total fixed-income investments	224,100	193,432	2,348	419,880
Equity securities:				
U.S.	5,319	13,722	-	19,041
Non-U.S.	-	21,008	-	21,008
Total equity securities	5,319	34,730	-	40,049
Other assets:				
Beneficial interest in charitable remainder trust	-	-	491	491
Total other assets	-	-	491	491
Investments measured by fair value level	\$ 229,419	\$ 228,162	\$ 2,839	460,420
Investments Measured at Net Asset Value (NAV) or Equivalent				
Fixed-income securities				19,800
Multistrategy hedge funds				10,708
Total investments measured at NAV				30,508
Total investments measured at fair value				\$ 490,928
Hedging Derivative Instruments				
Interest rate swaps		\$ 860		

Note 14 - Fair Value (Continued)

Investments by Fair Value Level	Fair Market Measurements Using:			Total Fair Value at September 30, 2019
	Level 1	Level 2	Level 3	
Fixed-income securities:				
Municipal Bonds	\$ -	\$ 72,533	\$ -	\$ 72,533
U.S. government securities	-	6,052	-	6,052
Corporate bonds	-	445	-	445
Corporate bond funds	151,944	58,686	-	210,630
Money market mutual funds	148	-	-	148
Other	-	22,365	1,462	23,827
Total fixed-income investments	152,092	160,081	1,462	313,635
Equity securities:				
U.S.	4,789	11,926	-	16,715
Non-U.S.	-	14,302	-	14,302
Total equity securities	4,789	26,228	-	31,017
Other assets:				
Beneficial interest in charitable remainder trust	-	-	491	491
Total other assets	-	-	491	491
Investments measured by fair value level	\$ 156,881	\$ 186,309	\$ 1,953	345,143
Investments Measured at Net Asset Value (NAV) or Equivalent				
Fixed-income securities				19,554
Multistrategy hedge funds				5,134
Total investments measured at NAV				24,688
Total investments measured at fair value				\$ 369,831
Hedging Derivative Instruments				
Interest rate swaps		\$ 677		

Note 14 - Fair Value (Continued)

The Foundation has the following recurring fair value measurements as of September 30, 2020 and 2019 (in thousands):

Investments by Fair Value Level	Fair Market Measurements Using:			Total Fair Value at September 30, 2020
	Level 1	Level 2	Level 3	
Fixed-income securities:				
U.S. government securities	\$ 31,501	\$ -	\$ -	\$ 31,501
Money market mutual funds	7,049	-	-	7,049
Total fixed-income investments	38,550	-	-	38,550
Equity securities:				
U.S.	13,436	-	-	13,436
Non-U.S.	1,982	-	-	1,982
Total equity securities	15,418	-	-	15,418
Exchange traded funds:				
Exchange traded funds	-	-	-	-
Total exchange traded funds	-	-	-	-
Investments measured by fair value level	<u>\$ 53,968</u>	<u>\$ -</u>	<u>\$ -</u>	<u>53,968</u>
Equivalent				
Equity and fixed-income securities				240,351
Credit and loan private investments				6,789
Multistrategy hedge funds				63,276
Equity private investments				7,654
Real assets comingled funds and private investments				45,196
Total investments measured at NAV				<u>363,266</u>
Total investments measured at fair value				<u>\$ 417,234</u>

Investments by Fair Value Level	Fair Market Measurements Using:			Total Fair Value at September 30, 2019
	Level 1	Level 2	Level 3	
Fixed-income securities:				
U.S. government securities	\$ 32,599	\$ -	\$ -	\$ 32,599
Money market mutual funds	11,529	-	-	11,529
Total fixed-income investments	44,128	-	-	44,128
Equity securities:				
U.S.	10,379	-	-	10,379
Non-U.S.	407	-	-	407
Total equity securities	10,786	-	-	10,786
Exchange traded funds:				
Exchange traded funds	2,279	-	-	2,279
Total exchange traded funds	2,279	-	-	2,279
Investments measured by fair value level	<u>\$ 57,193</u>	<u>\$ -</u>	<u>\$ -</u>	<u>57,193</u>
Equivalent				
Equity and fixed-income securities				216,355
Credit and loan private investments				11,281
Multistrategy hedge funds				68,533
Equity private investments				6,136
Real assets comingled funds and private investments				34,831
Total investments measured at NAV				<u>337,136</u>
Total investments measured at fair value				<u>\$ 394,329</u>

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, 2020 and 2019 were valued using prices quoted in active markets for those securities.

The fair value of the University's fixed-income securities and equity securities classified in Level 2 at September 30, 2020 and 2019 were valued using other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

The fair value of the University's fixed-income securities classified in Level 3 at September 30, 2020 and 2019 were 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, 2020 and 2019 were 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, 2020 and 2019, the University's fair value, unfunded commitments, and redemption policies of those investments is as follows (in thousands):

	Total Fair Value at September 30		Outstanding Commitments at September 30, 2020	Redemption Policy at September 30, 2020
	2020	2019		
Equity and fixed-income securities	\$ 19,800	\$ 19,554	\$ -	Primarily daily/monthly Redemption notice of two calendar months
Multistrategy hedge funds	10,708	5,134	-	
Total investments measured at the NAV	<u>\$ 30,508</u>	<u>\$ 24,688</u>	<u>\$ -</u>	

At September 30, 2020 and 2019, the Foundation's fair value, unfunded commitments, and redemption policies of those investments is as follows (in thousands):

	Total Fair Value at September 30		Outstanding Commitments at September 30, 2020	Redemption Policy at September 30, 2020
	2020	2019		
Equity and fixed-income securities	\$ 240,351	\$ 216,355	\$ -	Primarily monthly with a maximum of 30 days notice Redemptions are not permitted
Credit and loan private investments	6,789	11,281	1,625	
Multistrategy hedge funds	63,276	68,533	-	Quarterly with 90 days notice Redemptions are not permitted
Equity private investments	7,654	6,136	16,341	
Commodities private investments	45,196	34,831	-	Maximum of quarterly with 90 days notice
Total investments measured at the NAV	<u>\$ 363,266</u>	<u>\$ 337,136</u>	<u>\$ 17,966</u>	

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, 2020 and 2019 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 University's and the Foundation's September 30, 2020 and 2019 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, 2020 and 2019 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. The investment period for the equity private investment is between three and twenty 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, 2020 and 2019 real assets investments include investments in commingled 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, 2017, 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 the housing projects was \$151,350,000, and all projects were planned for completion by 2020. In 2020, Corvias provided \$27,315,000 for the Chatsworth renovation project and \$1,083,000 million in final costs towards the construction of the Anthony Wayne Drive housing project (substantially Phase II), which is recorded in capital assets as of September 30, 2020. In 2019, Corvias provided \$53,272,000 for construction of the Anthony Wayne Drive housing project (substantially Phase II), which is recorded in capital assets as of September 30, 2019. The total consideration provided by Corvias of \$28,398,000 and \$53,272,000, in 2020 and 2019, respectively, was reflected as deferred inflow of resources. The University amortized \$5,985,000 and \$4,828,000 of the deferred inflow in 2020 and 2019, respectively, leaving a remaining deferred inflow of resources balance of \$246,771,000 and \$224,359,000 at September 30, 2020 and 2019, respectively.

Note 16 - Future Accounting Pronouncements

In January 2017, the Governmental Accounting Standards Board issued GASB Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, which clarifies guidance provided in GASB 84. The University is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement were originally effective for the University's financial statements for the year ending September 30, 2020 were extended to September 30, 2021 with the issuance of GASB Statement No. 95, *Postponement of the Effective Date of Certain Authoritative Guidance*.

In June 2017, the Governmental Accounting Standards Board issued GASB Statement No. 87, *Leases*, which aims to improve accounting and financial reporting for leases. This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. The University is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement were originally effective for the University's financial statements for the year ending September 30, 2020 were extended to September 30, 2021 with the issuance of GASB Statement No. 95, *Postponement of the Effective Date of Certain Authoritative Guidance*.¹

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. With the London Interbank Offered Rate (LIBOR) expecting to cease existence in its current form at the end of 2021, this statement addresses accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR) in hedging derivative instruments and leases. The removal of LIBOR as an appropriate benchmark interest rate for a hedging derivative instrument is effective for the University's financial statements for the September 30, 2021 fiscal year. All other requirements of the statement are effective for the University's financial statements

Note 16 - Future Accounting Pronouncements (Continued)

for the September 30, 2022 fiscal year. Lease modification requirements are effective one year later.

In May 2020, the Governmental Accounting Standards Board issued GASB Statement No. 96, Subscription Based Information Technology Arrangements (SBITAs), which defines SBITAs and provides accounting and financial reporting for SBITAs by governments. This statement requires a government to recognize a subscription liability and an intangible right to use subscription asset for SBITAs. 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, 2023.

Required Supplementary Information

Wayne State University

Schedule of Changes in the University's Total OPEB Liability and Related Ratios September 30, 2020

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

	2020	2019	2018
Service cost	\$ 194,000	\$ 215,000	\$ 380,000
Interest cost	323,000	296,000	254,000
Effect of economic/demographic gains or losses	(318,000)	(393,000)	(385,000)
Changes in assumptions	1,847,000	(510,000)	(627,000)
Difference between expected and actual plan experience	-	-	-
Benefit payments	(8,000)	(10,000)	(11,000)
Net changes	<u>\$ 2,038,000</u>	<u>\$ (402,000)</u>	<u>\$ (389,000)</u>
Total liability - Beginning of year	\$ 7,530,000	\$ 7,932,000	\$ 8,321,000
Total liability - End of year	\$ 9,568,000	\$ 7,530,000	\$ 7,932,000
Covered employee payroll	Not applicable	Not applicable	Not applicable
Total liability as a percentage of covered employee payroll	Not applicable	Not applicable	Not applicable

Discount rates used in determining the total reported liability for postemployment benefits obligations were 2.66, 4.18, and 3.64 percent at the measurement dates of September 30, 2020, 2019, and 2018, respectively. No assets are accumulated in a trust to pay related other postemployment benefits.

Supplemental Information

Wayne State University

Combining Statement of Net Position (Deficit) September 30, 2020 (with comparative total for the year ended September 30, 2019) (in thousands)

	2020											2019		
	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, cash equivalents, and investments	\$ 244,170	\$ 17,563	\$ 6,748	\$ 77	\$ 56,879	\$ 325,437	\$ 41,159	\$ 11,619	\$ 1,496	\$ 41,060	\$ 420,771	\$ 3,511	\$ 424,282	\$ 421,766
Current receivables - Net	70,131	8,174	2,938	805	27,526	109,574	7,021	256	-	3,081	119,932	239	120,171	124,948
Inventories	859	-	279	-	-	1,138	-	-	-	-	1,138	-	1,138	1,131
Prepaid expenses and deposits	49,236	253	139	1	544	50,173	1,663	-	-	303	52,139	-	52,139	44,948
Total current assets	364,396	25,990	10,104	883	84,949	486,322	49,843	11,875	1,496	44,444	593,980	3,750	597,730	592,793
Noncurrent Assets														
Investments	-	-	1,523	-	-	1,523	200,271	-	6,700	-	208,494	417,234	625,728	473,075
Noncurrent receivables - Net	-	6,319	-	34	825	7,178	95	20,332	-	-	27,605	10	27,615	30,761
Derivative instruments	-	-	-	-	-	-	860	-	-	-	860	-	860	677
Capital assets - Net	-	-	-	-	-	-	1,030,742	-	-	-	1,030,742	-	1,030,742	996,321
Total noncurrent assets	-	6,319	1,523	34	825	8,701	1,231,968	20,332	6,700	-	1,267,701	417,244	1,684,945	1,500,834
Total assets	364,396	32,309	11,627	917	85,774	495,023	1,281,811	32,207	8,196	44,444	1,861,681	420,994	2,282,675	2,093,627
Deferred Outflows of Resources	1,556	-	-	-	-	1,556	13,050	-	-	-	14,606	-	14,606	13,735
Liabilities														
Current Liabilities														
Accounts payable and accrued liabilities	45,847	1,927	1,831	125	6,544	56,274	26,943	-	132	40,173	123,522	349	123,871	111,754
Unearned revenue	166,683	729	1,120	-	11,748	180,280	46	-	-	-	180,326	-	180,326	179,981
Deposits	1,761	202	56	-	3	2,022	-	-	-	4,271	6,293	-	6,293	6,480
Long-term debt - Current portion	-	-	-	-	-	-	12,662	-	-	-	12,662	-	12,662	16,026
Total current liabilities	214,291	2,858	3,007	125	18,295	238,576	39,651	-	132	44,444	322,803	349	323,152	314,241
Noncurrent Liabilities														
Federal portion of student loan funds	-	-	-	-	-	-	-	21,653	-	-	21,653	-	21,653	29,092
Accrued employee benefits and other liabilities	23,357	-	3,751	-	-	27,108	-	-	2,803	-	29,911	-	29,911	27,934
Long-term debt - Net of current portion	-	-	-	-	-	-	597,458	-	-	-	597,458	-	597,458	448,816
Total noncurrent liabilities	23,357	-	3,751	-	-	27,108	597,458	21,653	2,803	-	649,022	-	649,022	505,842
Total liabilities	237,648	2,858	6,758	125	18,295	265,684	637,109	21,653	2,935	44,444	971,825	349	972,174	820,083
Deferred Inflow of Resources	5,590	-	11,221	-	-	16,811	237,279	-	490	-	254,580	-	254,580	226,237
Net Position (Deficit)														
Net investment in capital assets	-	-	-	-	-	-	378,828	-	-	-	378,828	-	378,828	391,506
Restricted:														
Nonexpendable	-	-	-	-	-	-	-	7,593	2,244	-	9,837	237,776	247,613	239,490
Expendable	-	-	-	-	67,479	67,479	13,122	-	2,527	-	83,128	174,866	257,994	237,638
Unrestricted	122,714	29,451	(6,352)	792	-	146,605	28,523	2,961	-	-	178,089	8,003	186,092	192,408
Total net position (deficit)	\$ 122,714	\$ 29,451	\$ (6,352)	\$ 792	\$ 67,479	\$ 214,084	\$ 420,473	\$ 10,554	\$ 4,771	\$ -	\$ 649,882	\$ 420,645	\$ 1,070,527	\$ 1,061,042

Combining Statement of Revenues, Expenses, Transfers, and Changes in Net Position (Deficit) (Continued) Year Ended September 30, 2020 (with comparative totals for the year ended September 30, 2019) (in thousands)

	Year Ended September 30													2019
	2020													
	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	\$ 412,411	\$ -	\$ 6,390	\$ -	\$ -	\$ 418,801	\$ 143	\$ -	\$ -		\$ 418,944	\$ -	\$ 418,944	\$ 404,105
Less scholarship allowances	-	-	-	-	-	-	-	-	-	(127,821)	(127,821)	-	(127,821)	(121,215)
Net student tuition and fees	412,411	-	6,390	-	-	418,801	143	-	-	(127,821)	291,123	-	291,123	282,890
Federal grants and contracts	-	-	-	-	101,840	101,840	63	-	-	-	101,903	-	101,903	108,651
State and local grants and contracts	-	-	-	-	26,605	26,605	-	-	-	-	26,605	-	26,605	25,745
Nongovernmental grants and contracts	2,319	48,440	-	-	47,873	98,632	-	-	-	-	98,632	-	98,632	113,193
Departmental activities	9,682	7,222	-	1,104	1,206	19,214	-	-	-	-	19,214	-	19,214	23,596
Auxiliary enterprises - Net of scholarship allowances of \$1,299 in 2020 and \$1,670 in 2019	-	-	21,203	-	-	21,203	-	-	-	(1,299)	19,904	-	19,904	26,449
Recovery of indirect costs of sponsored programs	35,415	-	-	-	(35,415)	-	-	-	-	-	-	-	-	-
Other operating revenues	3,985	-	-	-	-	3,985	1,343	58	-	-	5,386	-	5,386	5,041
Total operating revenues	463,812	55,662	27,593	1,104	142,109	690,280	1,549	58	-	(129,120)	562,767	-	562,767	585,565
Operating Expenses														
Instruction	232,819	33,424	-	-	15,027	281,270	-	-	-	(1,196)	280,074	-	280,074	277,815
Research	47,110	4,041	-	-	110,168	161,319	-	-	-	(3,871)	157,448	-	157,448	155,212
Public service	2,837	24,538	-	3,624	28,268	59,267	-	-	-	(390)	58,877	-	58,877	65,567
Academic support	75,341	3,691	-	-	928	79,960	-	-	-	(7,871)	72,089	-	72,089	73,384
Student services	41,326	758	-	-	181	42,265	-	-	-	(147)	42,118	-	42,118	42,209
Institutional support	46,312	45,853	-	-	1,802	93,967	-	-	-	(869)	93,098	-	93,098	94,932
Operation and maintenance of plant	53,253	1,516	-	-	170	54,939	5,449	-	-	(426)	59,962	-	59,962	66,006
Scholarships and fellowships	96,474	103	-	-	56,553	153,130	-	-	-	(129,120)	24,010	-	24,010	18,241
Auxiliary enterprises	-	-	18,923	-	-	18,923	-	-	-	(37)	18,886	-	18,886	22,154
Depreciation	-	-	-	-	-	-	62,588	-	-	-	62,588	-	62,588	59,750
Capital additions - Net	-	-	-	-	-	-	(14,807)	-	-	14,807	-	-	-	-
Loss on impaired asset	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers out (in):														
Debt service	26,872	542	5,708	-	-	33,122	(33,122)	-	-	-	-	-	-	-
Loan matching	96	-	-	-	-	96	-	(96)	-	-	-	-	-	-
Plant improvement and extension	8,075	12,326	2,002	-	36	22,439	(22,439)	-	-	-	-	-	-	-
Other	(22,925)	(505)	(318)	-	23,739	(9)	-	9	-	-	-	-	-	-
Total operating expenses	607,590	126,287	26,315	3,624	236,872	1,000,688	(2,331)	(87)	-	(129,120)	869,150	-	869,150	875,270
Operating (Loss) Income	(143,778)	(70,625)	1,278	(2,520)	(94,763)	(310,408)	3,880	145	-	-	(306,383)	-	(306,383)	(289,705)

Combining Statement of Revenues, Expenses, Transfers, and Changes in Net Position (Deficit) (Continued) Year Ended September 30, 2020 (with comparative totals for the year ended September 30, 2019) (in thousands)

	Year Ended September 30													2019
	2020													
	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	\$ 180,414	\$ -	\$ -	\$ -	\$ 249	\$ 180,663	\$ -	\$ -	\$ -	\$ -	\$ 180,663	\$ -	\$ 180,663	\$ 202,363
State Cares appropriation	-	-	-	-	22,751	22,751	-	-	-	-	-	-	22,751	-
Federal Pell grant	-	-	-	-	37,944	37,944	-	-	-	-	37,944	-	37,944	38,941
Federal economic relief funds	-	-	-	-	10,785	10,785	-	-	-	-	10,785	-	10,785	-
Gifts	-	9,689	70	2,736	11,886	24,381	-	-	651	-	25,032	791	25,823	22,803
Investment income (loss):														
Change in fair value of derivatives	-	-	-	-	-	-	183	-	-	-	183	-	183	412
Endowment and similar funds	-	-	-	-	122	122	-	-	(122)	-	-	-	-	-
Other	3,456	12,303	5	-	1,036	16,800	2,042	69	253	-	19,164	27,162	46,326	27,725
Net distributions from the Foundation	1,672	(38)	-	7	14,549	16,190	41	(100)	(161)	-	15,970	(15,970)	-	-
Interest on capital asset - Related debt	-	-	-	-	-	-	(25,135)	-	-	-	(25,135)	-	(25,135)	(20,340)
Gain (loss) on capital assets retired	-	-	-	-	-	-	(32)	-	-	-	(32)	-	(32)	(681)
Other	-	(10,079)	-	-	-	(10,079)	10,391	(148)	(646)	-	(482)	-	(482)	5,912
Net nonoperating revenues (expenses)	<u>185,542</u>	<u>11,875</u>	<u>75</u>	<u>2,743</u>	<u>99,322</u>	<u>299,557</u>	<u>(12,510)</u>	<u>(179)</u>	<u>(25)</u>	<u>-</u>	<u>286,843</u>	<u>11,983</u>	<u>298,826</u>	<u>277,135</u>
Income (Loss) Before Other	41,764	(58,750)	1,353	223	4,559	(10,851)	(8,630)	(34)	(25)	-	(19,540)	11,983	(7,557)	(12,570)
Other														
State capital appropriation	-	-	-	-	-	-	6,770	-	-	-	6,770	-	6,770	-
Capital gifts	-	-	-	-	-	-	830	-	-	-	830	-	830	1,208
Gifts for permanent endowments	-	-	-	-	-	-	-	-	-	-	-	9,442	9,442	14,076
Total other	-	-	-	-	-	-	7,600	-	-	-	7,600	9,442	17,042	15,284
Increase (Decrease) in Net Position	41,764	(58,750)	1,353	223	4,559	(10,851)	(1,030)	(34)	(25)	-	(11,940)	21,425	9,485	2,714
Net Position (Deficit) - Beginning of year	80,950	88,201	(7,705)	569	62,920	224,935	421,503	10,588	4,796	-	661,822	399,220	1,061,042	1,058,328
Net Position (Deficit) - End of year	\$ 122,714	\$ 29,451	\$ (6,352)	\$ 792	\$ 67,479	\$ 214,084	\$ 420,473	\$ 10,554	\$ 4,771	\$ -	\$ 649,882	\$ 420,645	\$ 1,070,527	\$ 1,061,042

Combining Statement of Net Position (Deficit) Year Ended September 30, 2019 (in thousands)

	2019												
	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
Assets													
Current Assets													
Cash, cash equivalents, and investments	\$206,883	\$ 67,729	\$ 8,705	\$ -	\$ 55,767	\$ 339,084	\$ 38,428	\$ 16,609	\$ 1,478	\$ 21,451	\$ 417,050	\$ 4,716	\$ 421,766
Current receivables - Net	68,922	19,030	3,878	767	25,732	118,329	1,514	104	-	4,265	124,212	736	124,948
Inventories	863	-	268	-	-	1,131	-	-	-	-	1,131	-	1,131
Prepaid expenses and deposits	44,124	142	131	4	82	44,483	141	-	-	324	44,948	-	44,948
Total current assets	320,792	86,901	12,982	771	81,581	503,027	40,083	16,713	1,478	26,040	587,341	5,452	592,793
Noncurrent Assets													
Investments	-	-	-	-	-	-	72,533	-	6,213	-	78,746	394,329	473,075
Noncurrent receivables - Net	-	6,616	-	4	877	7,497	267	22,967	-	-	30,731	30	30,761
Derivative instruments	-	-	-	-	-	-	677	-	-	-	677	-	677
Capital assets - Net	-	-	-	-	-	-	996,321	-	-	-	996,321	-	996,321
Total noncurrent assets	-	6,616	-	4	877	7,497	1,069,798	22,967	6,213	-	1,106,475	394,359	1,500,834
Total assets	320,792	93,517	12,982	775	82,458	510,524	1,109,881	39,680	7,691	26,040	1,693,816	399,811	2,093,627
Deferred Outflows of Resources	12	-	-	-	-	12	13,723	-	-	-	13,735	-	13,735
Liabilities													
Current Liabilities													
Accounts payable and accrued liabilities	49,551	3,883	2,235	206	8,910	64,785	24,372	-	107	21,899	111,163	591	111,754
Unearned revenue	165,500	1,233	2,571	-	10,625	179,929	52	-	-	-	179,981	-	179,981
Deposits	2,080	200	56	-	3	2,339	-	-	-	4,141	6,480	-	6,480
Long-term debt - Current portion	-	-	-	-	-	-	16,026	-	-	-	16,026	-	16,026
Total current liabilities	217,131	5,316	4,862	206	19,538	247,053	40,450	-	107	26,040	313,650	591	314,241
Noncurrent Liabilities													
Federal portion of student loan funds	-	-	-	-	-	-	-	29,092	-	-	29,092	-	29,092
Accrued employee benefits and other liabilities	21,336	-	4,301	-	-	25,637	-	-	2,297	-	27,934	-	27,934
Long-term debt - Net of current portion	-	-	-	-	-	-	448,816	-	-	-	448,816	-	448,816
Total noncurrent liabilities	21,336	-	4,301	-	-	25,637	448,816	29,092	2,297	-	505,842	-	505,842
Total liabilities	238,467	5,316	9,163	206	19,538	272,690	489,266	29,092	2,404	26,040	819,492	591	820,083
Deferred Inflow of Resources	1,387	-	11,524	-	-	12,911	212,835	-	491	-	226,237	-	226,237
Net Position (Deficit)													
Net investment in capital assets	-	-	-	-	-	-	391,506	-	-	-	391,506	-	391,506
Restricted:													
Nonexpendable	-	-	-	-	-	-	-	9,022	2,290	-	11,312	228,178	239,490
Expendable	-	-	-	-	62,920	62,920	8,994	-	2,506	-	74,420	163,218	237,638
Unrestricted	80,950	88,201	(7,705)	569	-	162,015	21,003	1,566	-	-	184,584	7,824	192,408
Total net position (deficit)	\$ 80,950	\$ 88,201	\$ (7,705)	\$ 569	\$ 62,920	\$ 224,935	\$ 421,503	\$ 10,588	\$ 4,796	\$ -	\$ 661,822	\$ 399,220	\$ 1,061,042

Combining Statement of Revenues, Expenses, Transfers, and Changes in Net Position (Deficit) Year Ended September 30, 2019 (in thousands)

	Year Ended September 30												
	2019												
	General Fund	Designated Fund	Auxiliary Activities Fund	Independent Operations Fund	Expendable Restricted Fund	Subtotal Current Funds	Plant Fund	Student Loan Fund	Endow ment and Similar Funds	Adjustments	University Total	Wayne State University Foundation Total	Total
Operating Revenues													
Student tuition and fees	\$ 397,901	\$ -	\$ 6,060	\$ -	\$ -	\$ 403,961	\$ 144	\$ -	\$ -	\$ -	\$ 404,105	\$ -	\$ 404,105
Less scholarship allowances	-	-	-	-	-	-	-	-	-	(121,215)	(121,215)	-	(121,215)
Net student tuition and fees	397,901	-	6,060	-	-	403,961	144	-	-	(121,215)	282,890	-	282,890
Federal grants and contracts	-	-	-	-	108,146	108,146	505	-	-	-	108,651	-	108,651
State and local grants and contracts	-	-	-	-	25,745	25,745	-	-	-	-	25,745	-	25,745
Nongovernmental grants and contracts	2,531	61,136	-	-	49,526	113,193	-	-	-	-	113,193	-	113,193
Departmental activities	10,910	10,032	-	1,266	1,388	23,596	-	-	-	-	23,596	-	23,596
Auxiliary enterprises - Net of scholarship allowances	-	-	28,119	-	-	28,119	-	-	-	(1,670)	26,449	-	26,449
Recovery of indirect costs of sponsored programs	36,296	-	-	-	(36,296)	-	-	-	-	-	-	-	-
Other operating revenues	4,980	-	-	-	-	4,980	-	61	-	-	5,041	-	5,041
Total operating revenues	452,618	71,168	34,179	1,266	148,509	707,740	649	61	-	(122,885)	585,565	-	585,565
Operating Expenses													
Instruction	230,427	34,452	-	-	15,645	280,524	-	-	-	(2,709)	277,815	-	277,815
Research	43,416	3,666	-	-	113,883	160,965	-	-	-	(5,753)	155,212	-	155,212
Public service	3,539	31,091	-	1,709	29,585	65,924	-	-	-	(357)	65,567	-	65,567
Academic support	76,845	5,123	-	-	1,002	82,970	-	-	-	(9,586)	73,384	-	73,384
Student services	41,273	706	-	-	299	42,278	-	-	-	(69)	42,209	-	42,209
Institutional support	82,439	12,995	-	-	157	95,591	-	-	-	(659)	94,932	-	94,932
Operation and maintenance of plant	58,367	1,681	-	-	33	60,081	6,431	-	-	(506)	66,006	-	66,006
Scholarships and fellowships	89,902	46	-	-	51,178	141,126	-	-	-	(122,885)	18,241	-	18,241
Auxiliary enterprises	-	-	22,245	-	-	22,245	-	-	-	(91)	22,154	-	22,154
Depreciation	-	-	-	-	-	-	59,750	-	-	-	59,750	-	59,750
Capital additions - Net	-	-	-	-	-	-	(19,730)	-	-	19,730	-	-	-
Loss on impaired asset	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers out (in):													
Debt service	22,465	986	5,708	-	-	29,159	(29,159)	-	-	-	-	-	-
Loan matching	124	-	-	-	-	124	-	(124)	-	-	-	-	-
Plant improvement and extension	8,861	6,778	12,498	-	36	28,173	(28,173)	-	-	-	-	-	-
Other	271	-	-	-	(281)	(10)	-	10	-	-	-	-	-
Total operating expenses	657,929	97,524	40,451	1,709	211,537	1,009,150	(10,881)	(114)	-	(122,885)	875,270	-	875,270
Operating (Loss) Income	(205,311)	(26,356)	(6,272)	(443)	(63,028)	(301,410)	11,530	175	-	-	(289,705)	-	(289,705)

Combining Statement of Revenues, Expenses, Transfers, and Changes in Net Position (Deficit) (Continued) Year Ended September 30, 2019 (in thousands)

	Year Ended September 30												
	2019												
	General Fund	Designated Fund	Auxiliary Activities Fund	Independent Operations Fund	Expendable Restricted Fund	Subtotal Current Funds	Plant Fund	Student Loan Fund	Endow ment and Similar Funds	Adjustments	University Total	Wayne State University Foundation Total	Total
Nonoperating Revenues (Expenses)													
State operating appropriation	\$ 202,115	\$ -	\$ -	\$ -	\$ 248	\$ 202,363	\$ -	\$ -	\$ -	\$ -	\$ 202,363	\$ -	\$ 202,363
Federal Pell grant	-	-	-	-	38,941	38,941	-	-	-	-	38,941	-	38,941
Gifts	-	8,866	16	2,035	10,590	21,507	-	3	951	-	22,461	342	22,803
Investment income (loss):													
Change in fair value of derivatives	-	-	-	-	-	-	412	-	-	-	412	-	412
Endow ment and similar funds	-	-	-	-	120	120	-	-	(120)	-	-	-	-
Other	5,017	13,370	12	-	689	19,088	2,550	131	323	-	22,092	5,633	27,725
Net distributions from the Foundation	932	40	-	6	11,532	12,510	39	10	(74)	-	12,485	(12,485)	-
Interest on capital asset - Related debt	-	-	-	-	-	-	(20,340)	-	-	-	(20,340)	-	(20,340)
Gain (loss) on capital assets retired	-	-	-	-	-	-	(681)	-	-	-	(681)	-	(681)
Other	-	-	-	-	-	-	7,011	(122)	(977)	-	5,912	-	5,912
Net nonoperating revenues (expenses)	<u>208,064</u>	<u>22,276</u>	<u>28</u>	<u>2,041</u>	<u>62,120</u>	<u>294,529</u>	<u>(11,009)</u>	<u>22</u>	<u>103</u>	<u>-</u>	<u>283,645</u>	<u>(6,510)</u>	<u>277,135</u>
Income (Loss) Before Other	2,753	(4,080)	(6,244)	1,598	(908)	(6,881)	521	197	103	-	(6,060)	(6,510)	(12,570)
Other													
State capital appropriation	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital gifts	-	-	-	-	-	-	1,208	-	-	-	1,208	-	1,208
Gifts for permanent endow ments	-	-	-	-	-	-	-	-	-	-	-	14,076	14,076
Total other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,208</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,208</u>	<u>14,076</u>	<u>15,284</u>
Increase (Decrease) in Net Position	2,753	(4,080)	(6,244)	1,598	(908)	(6,881)	1,729	197	103	-	(4,852)	7,566	2,714
Net Position (Deficit) - Beginning 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
Net Position (Deficit) - End of year	<u>\$ 80,950</u>	<u>\$ 88,201</u>	<u>\$ (7,705)</u>	<u>\$ 569</u>	<u>\$ 62,920</u>	<u>\$ 224,935</u>	<u>\$ 421,503</u>	<u>\$ 10,588</u>	<u>\$ 4,796</u>	<u>\$ -</u>	<u>\$ 661,822</u>	<u>\$ 399,220</u>	<u>\$ 1,061,042</u>



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