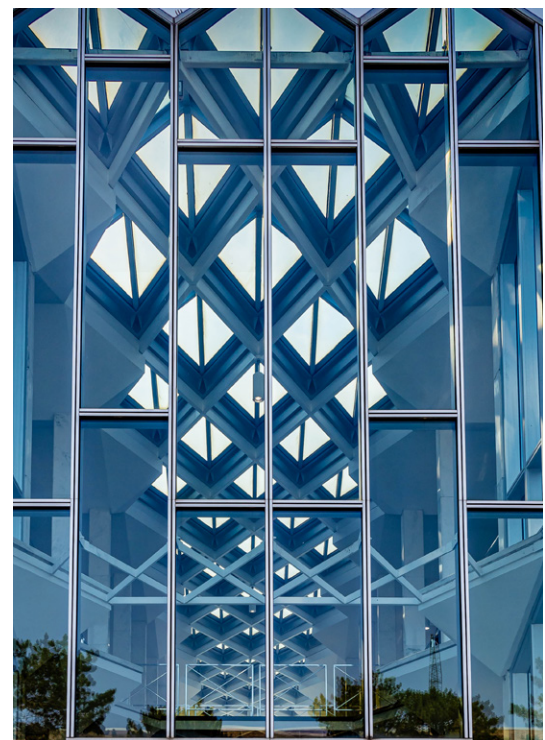


WAYNE STATE UNIVERSITY FINANCIAL REPORT 2022



Executive Officers

M. Roy Wilson
President

Stephen M. Lanier
Vice President for Research

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

Mark L. Kornbluh
Provost

Louis Lessem
Vice President and General Counsel

Ned Staebler
*Vice President for
Economic Development*

Susan E. Burns
*Vice President for Development and
Alumni Affairs*

Patrick O. Lindsey
*Vice President for Government and
Community Affairs*

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

David P. Massaron
*Vice President for Finance and
Business Operations, Treasurer and
Chief Financial Officer*

Board of Governors

Bryan C. Barnhill II

Marilyn Kelly

Dana Thompson

Michael J. Busuito

Anil Kumar

Shirley Stancato

Mark Gaffney, chair

Terri Lynn Land

M. Roy Wilson, ex officio

Finance Administrators

David P. Massaron
*Vice President, Treasurer
and Chief Financial Officer*

Thomas Lamarbe
*Assistant Vice President,
Treasury and Assistant Treasurer*

Tony L. Miller
*Interim Senior Director and Associate
Controller*

Tamaka M. Butler
*Interim Senior Associate Vice
President for Finance and Deputy CFO*

Colleen Cilia
Director of Accounting

Gail L. Ryan
*Associate Vice President for Sponsored
Program Administration*

Wayne State University

Contents

Independent Auditor's Report	1-3
Management's Discussion and Analysis - Unaudited	4-19
Financial Statements	
Statement of Net Position	20
Statement of Revenues, Expenses, and Changes in Net Position	21
Statement of Cash Flows	22
Notes to Financial Statements	23-50
Required Supplementary Information - Unaudited	51
Schedule of Changes in the University's Total OPEB Liability and Related Ratios	52
Supplemental Information	53
Combining Statement of Net Position (Deficit)	54
Combining Statement of Revenues, Expenses, Transfers, and Changes in Net Position (Deficit)	55-56
Combining Statement of Net Position (Deficit) - 2021	57
Combining Statement of Revenues, Expenses, Transfers, and Changes in Net Position (Deficit) - 2021	58-59

Independent Auditor's Report

To the Board of Governors
Wayne State University

Report on the Audits of the Financial Statements

Opinions

We have audited the 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, 2022 and 2021 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.

In our opinion, the accompanying 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 the University as of September 30, 2022 and 2021 and the respective changes in its financial position and, where applicable, its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audits of the Financial Statements* section of our report. We are required to be independent of the University and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in the fiscal year ended September 30, 2022, the University adopted new accounting guidance, Governmental Accounting Standards Board (GASB) 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

To the Board of Governors
Wayne State University

Auditor's Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that audits conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing audits in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits 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 University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Required Supplementary 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 is the responsibility of management and, 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 supplementary 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.

To the Board of Governors
Wayne State University

Supplemental Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The 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. Such 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. The information has been subjected to the auditing procedures applied in the audits 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 supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the accompanying lists of executive officers, board of governors, and finance administrators, which are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Our opinions on the financial statements do not cover such information, and we do not express an opinion or any form of assurance thereon.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2023 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely 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 effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

Plante & Moran, PLLC

February 20, 2023

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, 2022 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, 2021. 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 2022 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 12th largest employer in the city of Detroit, as ranked by the 2021 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 2021 National Science Foundation Research and Development Expenditures Survey, the University ranked 108th among all universities and 72nd 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 2021 National Science Foundation Research and Development Expenditures Survey ranked the University 57th in the health sciences category. Based on the 2021 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

Effective for the fiscal year ended September 30, 2022, the University adopted GASB Statement No. 87, Leases ("GASB 87"). This statement supersedes certain paragraphs in GASB Statement No. 62 and established new requirements for calculating and reporting the University's lease activities. The University recognized lease assets and related lease payables at the present value of expected future payments for lease agreements in which the University is the lessee. The University recognized lease receivables and related deferred inflows of resources at the present value of expected future receipts for lease agreements in which the University is the lessor. The impacts to the Statement of Revenues, Expenses, and Changes in Net Position include reclassifying certain lease payments from operating revenues and expenses to nonoperating revenues and expenses and recognizing annual amortization of lease assets and deferred inflows of resources over the term of the lease. The adoption of GASB 87 has been reflected as of October 1, 2020. The financial statements for the year ended September 30, 2021 have been restated to present the impact of GASB 87. See footnote 1 for more details.

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.

Wayne State University

Management's Discussion and Analysis - Unaudited (Continued)

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 implemented measures to combat the outbreak which impacted business operations worldwide. Likewise, the pandemic had a significant impact on the University during fiscal year 2021 and 2020. Effective March 16, 2020, the University cancelled all in-person classes for the remainder of the winter semester and remote instruction began for 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. Classes remained remote throughout spring/summer 2020 semester. Although traditional on campus classes were offered in Fall 2020, the majority of classes remained remote in academic year 2020-2021. All on campus face-to-face instruction was suspended from November 2020 through January 2021 and again in April 2021. In Fall 2021, approximately 30 percent of the courses were offered in a traditional face to face format while the remaining courses were either remote or hybrid. The following sections will discuss further the specific impacts reflected in the financial statements for the year ending September 30, 2022 and 2021.

Overall Financial Highlights

The University's financial position at September 30, 2022 includes assets and deferred outflows of resources of approximately \$1.93 billion and liabilities and deferred inflows of resources of \$1.21 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 \$0.72 billion as of September 30, 2022.

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:

	2022	2021 (as restated) (in millions)	2020
Total assets	\$ 1,921.6	\$ 1,958.2	\$ 1,861.7
Deferred outflows of resources	13.0	14.2	14.6
Total liabilities	938.1	975.1	971.8
Deferred inflows of resources	276.9	272.2	254.6
Net position	719.6	725.1	649.9

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

Wayne State University

Management's Discussion and Analysis - Unaudited (Continued)

Operations

A summary of revenue and expenses, including the operating, nonoperating, and other categories for the years ended September 30, 2022, 2021, and 2020 is as follows:

	2022	2021 (as restated) (in millions)	2020
Revenue:			
Operating revenues	\$ 597.8	\$ 565.7	\$ 562.8
Nonoperating revenues	309.9	373.7	312.1
Other	4.8	2.7	7.6
Total revenues	<u>\$ 912.5</u>	<u>\$ 942.1</u>	<u>\$ 882.5</u>
Expenses:			
Operating expenses	\$ 894.8	\$ 846.3	\$ 869.2
Nonoperating expenses	23.2	20.6	25.2
Total expenses	<u>\$ 918.0</u>	<u>\$ 866.9</u>	<u>\$ 894.4</u>

During fiscal year 2022, total revenue decreased \$29.6 million (3.1 percent) compared to 2021, while total expenses increased \$51.1 million (5.9 percent). During fiscal year 2021, total revenue increased \$59.6 million (6.8 percent) compared to 2020, while total expenses decreased \$27.5 million (3.1 percent). Specific discussion and analysis of the changes in the components of the revenue and expense categories are provided on pages 12-18.

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 and amortization. A summarized comparison of the University's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at 2022, 2021, and 2020 is as follows:

	2022	2021 (as restated) (in millions)	2020
Current assets	\$ 691.3	\$ 698.2	\$ 609.9
Noncurrent assets:			
Investments	116.0	152.2	192.6
Capital assets - Net of depreciation	1,056.4	1,058.6	1,030.7
Other	57.9	49.2	28.5
Total assets	1,921.6	1,958.2	1,861.7
Deferred outflows of resources	13.0	14.1	14.6
Current liabilities	332.4	344.6	322.8
Noncurrent liabilities:			
Long-term debt - Net of current portion	562.9	586.9	597.5
Other	42.8	43.6	51.5
Total liabilities	938.1	975.1	971.8
Deferred inflows of resources	276.9	272.1	254.6
Total net position	<u>\$ 719.6</u>	<u>\$ 725.1</u>	<u>\$ 649.9</u>

Current Assets and Liabilities

Current assets are comprised primarily of cash and cash equivalents, current investments, and receivables. In 2022, current assets decreased \$6.9 million (1.0 percent) to \$691.3 million compared to \$698.2 million at September 30, 2021. This decrease consisted of a decrease in current receivables of \$45.6 million, a decrease in prepaid expenses and deposits of \$3.6 million, partially offset by increases in cash and cash equivalents and current investments of \$42.3 million. Changes in cash and cash equivalents and current investments are the result of the University's overall operating performance and timing. The decrease in net current receivables resulted from a decrease in net grants and contracts receivable of \$18.5 million which was attributable principally to eligible costs incurred for federal economic relief grants in fiscal year 2021, which were reimbursed in fiscal year 2022, a decrease in net student accounts receivable of \$22.6 million driven largely by the School of Medicine transition from billing for a one-term academic year to a four-term academic year, effective July 2022, and a decrease in state appropriations receivable of \$8.9 million primarily due to a one-time supplemental operating appropriation of \$7.9 million which did not recur in fiscal year 2022.

In 2021, current assets increased \$88.3 million (14.5 percent) to \$698.2 million compared to \$609.9 million at September 30, 2020. This increase consisted of an increase in cash and cash equivalents and current investments of \$49.7 million, an increase in current receivables of \$38.5 million, and an increase in other assets of \$0.1 million. The increase in net current receivables resulted largely from an increase in net grants and contracts receivable due to eligible costs incurred for federal economic relief grants which were not reimbursed as of September 30.

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 2022, total current liabilities decreased by \$12.2 million (3.5 percent) to \$332.4 million compared to \$344.6 million at September 30, 2021. The decrease consisted of a decrease in unearned revenue of \$23.7 million, partially offset by an increase in accounts payable and accrued liabilities of \$9.4 million and other current liabilities of \$2.1 million. The decrease in unearned revenue was attributable principally to the School of Medicine transition from billing for a one-term academic year to a four-term academic year, effective July 2022. The increase in accounts payable and accrued liabilities was largely due to the timing of disbursements for certain program funds (\$18.7 million) collected by the University in an agency capacity that were disbursed to program members or participants subsequent to September 30, partially offset by a decrease in payroll related liabilities (\$7.8 million) driven largely by a scheduled payment made in fiscal year 2022 for employment tax which was authorized for deferral by the CARES Act, combined with a decrease in accrued payroll (\$1.5 million).

In 2021, total current liabilities increased by \$21.8 million (6.8 percent) to \$344.6 million compared to \$322.8 million at September 30, 2020. The increase consisted of increases in accounts payable and accrued liabilities of \$9.5 million, unearned revenue of \$1.7 million, deposits of \$1.6 million, and the current portion of long-term debt of \$9.0 million. The increase in accounts payable and accrued liabilities was largely due to the deferral of employment tax payments authorized by the CARES Act, combined with an increase in accrued payroll due to the timing of the 2021 year-end pay date which resulted in the accrual of one additional day and one-time payments related to a bargaining unit agreement which was paid subsequent to fiscal year-end.

The University's current ratio (current assets divided by current liabilities), a measure of liquidity, was 2.1 as of September 30, 2022, 2.0 as of September 30, 2021, and 1.9 as of September 30, 2020.

Deferred Outflow of Resources

Deferred outflow of resources totaled \$13.0 million in 2022, \$14.1 million in 2021, compared to \$14.6 million in 2020. The deferred outflow includes OPEB related amounts of \$1.3 million and \$1.8 million in 2022 and 2021, and amounts related to losses recognized in the defeasance of debt of \$11.7 million and \$12.3 million, in 2022 and 2021, respectively.

Deferred Inflow of Resources

Deferred inflow of resources totaled \$276.9 million in 2022, compared to \$272.1 million and \$254.6 million in 2021 and 2020, respectively. The 2022 amount includes \$234.0 million related to the service concession arrangement (more fully discussed in Note 15), \$39.1 million related to lease agreements in which the University serves as the lessor, \$1.4 million related to the defeasance of debt, \$1.9 million for OPEB-related amounts, and \$0.5 million related to an irrevocable split-interest agreement. The 2021 amount includes \$240.7 million related to the service concession arrangement, \$28.1 million related to lease agreements in which the University serves as the lessor, \$1.5 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.

Noncurrent Assets and Liabilities

Noncurrent Assets

Noncurrent assets are comprised primarily of investments, capital assets, and noncurrent receivables. Notable changes from 2021 to 2022 in noncurrent assets include a decrease in investments of \$36.2 million and an increase in noncurrent receivables of \$9.2 million.

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, 2022, 2021, and 2020 are as follows:

	2022	2021	2020
	(in millions)		
Endowment Fund	\$ 7.8	\$ 8.0	\$ 6.7
Plant Fund - Restricted invested bond proceeds	106.7	142.7	184.4
Other restricted investments	1.5	1.5	1.5
Total noncurrent investments	<u>\$ 116.0</u>	<u>\$ 152.2</u>	<u>\$ 192.6</u>

The 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 and the current portion of restricted invested bond proceeds.

The invested bond proceeds component of noncurrent investments decreased \$36.0 million and \$41.7 million in 2022 and 2021, respectively, as funds were spent for planned capital projects.

Foundation Investments

The Foundation manages approximately 99 percent of the University's endowment funds. The composition of the Foundation's noncurrent investments at September 30, 2022, 2021, and 2020 are as follows:

	2022	2021	2020
	(in millions)		
Endowment Fund investments	<u>\$ 445.7</u>	<u>\$ 514.4</u>	<u>\$ 417.2</u>

In 2022, the Foundation Endowment Fund investments decreased \$68.7 million (13.4 percent) to \$445.7 million. The 2022 decrease is principally because of a net investment loss (\$68.4 million), net distributions to the University (\$8.9 million), offset partially by new gifts (\$15.9 million),

In 2021, the Foundation Endowment Fund investments increased \$97.2 million (23.3 percent) to \$514.4 million. The 2021 increase is principally because of a net investment gain (\$98.0 million) and new gifts (\$13.3 million), offset partially by net distributions to the University (\$17.8 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 2022 totaled \$68.2 million, compared to \$82.8 million in 2021 and \$97.0 million in 2020. The 2022 capital additions include expenditures for the Scott Hall Vivarium renovation (\$6.9 million), the Hilberry Gateway Performance Complex expansion, construction, and renovation project (\$20.8 million), the State Hall renovation project (\$9.7 million), as well as renovations and upgrades to many other university buildings.

Wayne State University

Management's Discussion and Analysis - Unaudited (Continued)

The 2021 capital additions include expenditures for the construction of a new Basketball Arena (\$17.5 million), the Hilberry Gateway Performance Complex expansion, construction, and renovation project (\$17.9 million), the purchase of a medical office building (\$16.2 million), as well as renovations and upgrades to many other university buildings.

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

Noncurrent Liabilities

Notable changes in the noncurrent liability section of the statement of net position from 2021 to 2022 included a decrease in long-term debt (net of the current portion) of \$24.0 million, a decrease in the federal portion of student loan funds of \$2.3 million, partially offset by an increase in other noncurrent liabilities of \$1.5 million.

Long-term Debt

Total long-term debt (including the current portion) totaled \$586.9 million, \$608.6 million, and \$610.1 million, at September 30, 2022, 2021, and 2020, respectively.

For 2022, total long-term debt decreased \$21.7 million, which primarily represented principal payments made during the year.

For 2021, total long-term debt decreased \$1.5 million, which represented principal payments made during the year, net of the increase in the right-to-use lease liability which resulted from the adoption of GASB 87 (more fully discussed in Note 1).

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 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.

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, 2022, 2021, and 2020 is summarized as follows:

	2022	2021 (as restated)	2020
		(in millions)	
Net investment in capital assets	\$ 365.0	\$ 375.2	\$ 378.9
Restricted:			
Nonexpendable	8.8	9.6	9.8
Expendable	88.0	82.5	83.1
Unrestricted	<u>257.8</u>	<u>257.8</u>	<u>178.1</u>
Total net position	<u>\$ 719.6</u>	<u>\$ 725.1</u>	<u>\$ 649.9</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 amortization, 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 and amortization 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. Unrestricted net position was \$257.8 million in 2022 and 2021 compared to \$178.1 million at September 30, 2020.

Wayne State University

Management's Discussion and Analysis - Unaudited (Continued)

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.

Summarized operating, nonoperating, and other revenues for the years ended September 30, 2022, 2021, and 2020 are presented below:

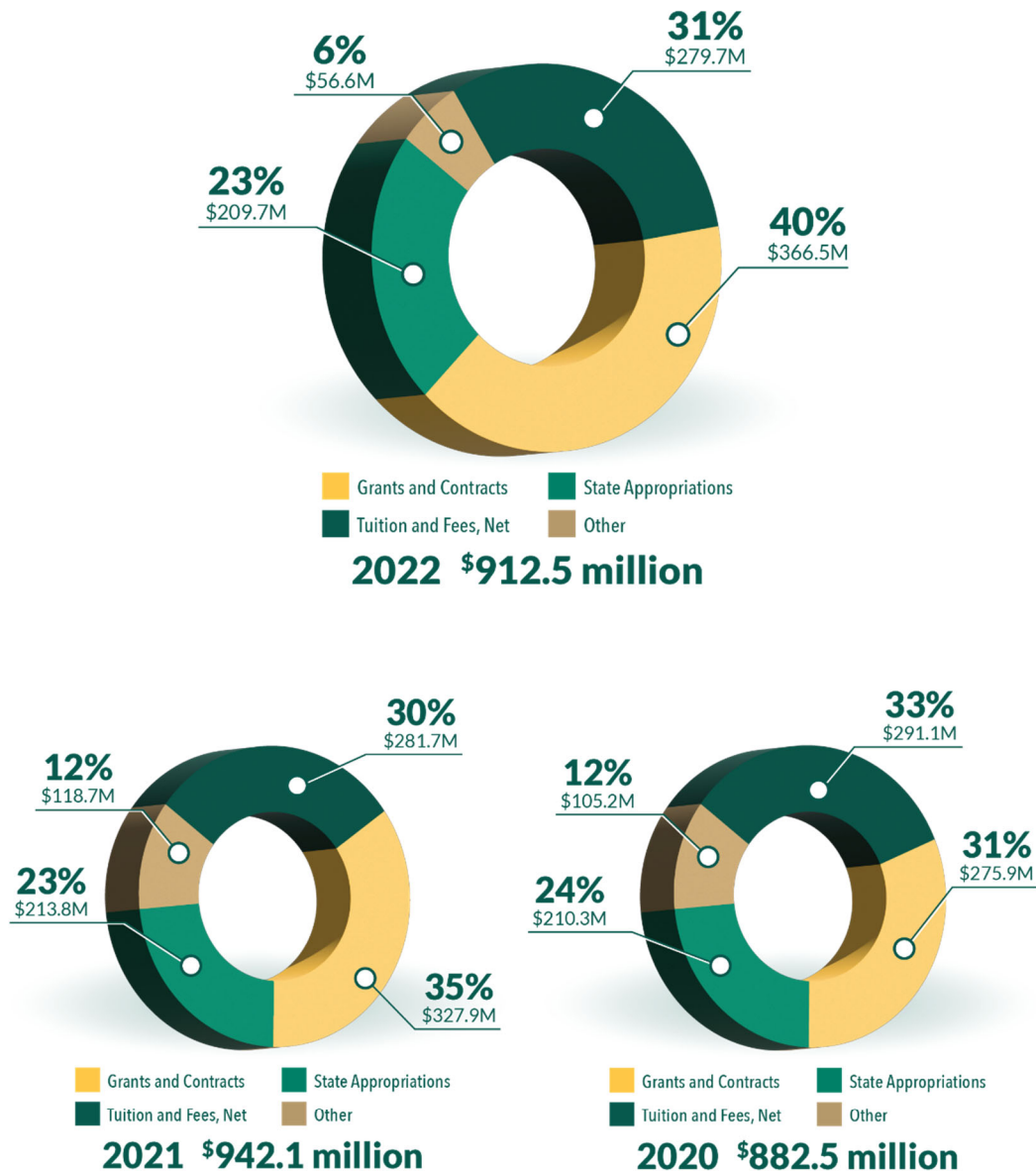
	2022	2021 (as restated)	2020
	(in millions)		
Operating Revenues			
Student tuition and fees - Gross	\$ 410.1	\$ 414.9	\$ 418.9
Less scholarship allowances	(130.4)	(133.2)	(127.8)
Net student tuition and fees	279.7	281.7	291.1
Grants and contracts	271.0	247.9	227.1
Departmental activities, auxiliary enterprises, and other	47.1	36.1	44.6
Total operating revenues	597.8	565.7	562.8
Nonoperating Revenues			
State operating appropriation	205.5	211.4	180.7
State CARES appropriation	-	-	22.8
Federal Pell grants	38.1	39.3	38.0
Federal economic relief funds	57.4	40.7	10.8
Gifts	34.6	24.3	25.0
Investment income:			
Income and realized gains	15.7	16.4	9.1
Unrealized (loss) gain	(59.6)	14.0	10.0
Change in fair value of derivatives	(0.8)	(0.3)	0.2
Net distributions from the Foundation	8.9	17.8	16.0
Other	10.1	10.1	(0.5)
Total nonoperating revenues	309.9	373.7	312.1
Other			
State capital appropriation	4.2	2.4	6.8
Capital and endowment gifts	0.6	0.3	0.8
Total other	4.8	2.7	7.6
Total revenues	<u>\$ 912.5</u>	<u>\$ 942.1</u>	<u>\$ 882.5</u>

Wayne State University

Management's Discussion and Analysis - Unaudited (Continued)

The charts below graphically depict total revenue by source for the years ended September 30, 2022, 2021, and 2020:

Total Revenue



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 \$597.8 million in 2022, compared to \$565.7 million in 2021 and \$562.8 million in 2020, respectively. The 2022 increase in total operating revenues of \$32.1 million (5.7 percent) was attributable to several offsetting factors:

Student Tuition and Fees - In fiscal year 2022, gross student tuition and fees decreased \$4.8 million and scholarship allowances decreased by \$2.8 million, resulting in a decrease in net student tuition and fees of \$2.0 million. The decrease in gross student tuition and fees was attributable principally to a decline in student credit hours, partially offset by fall 2021 tuition rate increases for undergraduate and graduate students of 3.9 percent.

The 2021 decrease in gross student tuition and fees was attributable principally to a decline in student credit hours in academic year 2020-2021.

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 2022, 2021, and 2020 the University provided total scholarships and fellowships of \$184.1 million, \$163.1 million, and \$153.1 million, respectively. For 2022, the \$21.0 million increase represents a 12.9 percent increase in financial aid. The increase in 2022 consisted of a \$16.5 million increase in student financial aid grants paid from the federal economic relief funds, combined with an overall increase in university scholarships of \$5.7 million, offset partially by a decrease in Federal Pell awards of \$1.2 million. The increases in 2021 and 2020 of \$10.0 and 12.0 million, respectively, represent percentage increases of 6.5 and 8.5 percent, respectively. The increase in 2021 consisted of \$5.2 million in student emergency grants paid from the federal economic relief funds, combined with an overall increase in university scholarships and other financial aid of \$4.8 million.

Grants and Contracts - Grants and contracts revenues increased \$23.1 (9.3 percent) to \$271.0 million in 2022, compared to \$247.9 million and \$227.1 million in 2021 and 2020, respectively. The 2022 increase consisted of increases in federal grants and contracts of \$11.6 million, state and local grants and contracts of \$2.7 million, and nongovernmental grants and contracts of \$8.8 million. The 2022 increase in federal grants and contracts revenue was attributable principally to new grants awarded from the National Institute of Health, Centers for Disease Control and Prevention, and the United States Army. The increase in nongovernmental grants and contracts revenue consisted of an increase in School of Medicine salary reimbursement revenue (\$14.8 million), offset partially by a decrease in Expendable Restricted Fund grant and contract revenue (\$9.9 million) as certain contracts ended in fiscal year 2021 or experienced a substantial decrease in activity in 2022.

The 2021 increase consisted of increases in nongovernmental grants and contracts of \$14.0 million, federal grants and contracts of \$6.7 million, state and local grants and contracts of \$4.6 million, and federal grants and contracts of \$2.2 million. The 2021 increase in nongovernmental grants and contracts was driven largely by an increase in the University's share of program revenue for a specific University Health Affairs program (\$7.0 million) as certain one-time reductions did not recur, combined with an overall increase in other nongovernmental grant revenue.

Wayne State University

Management's Discussion and Analysis - Unaudited (Continued)

Departmental Activities, Auxiliary Enterprises, and Other - Departmental activities, auxiliary enterprises, and other revenue increased \$11.0 million (30.5 percent) to \$47.1 million in 2022, compared to \$36.1 million and \$44.6 million in 2021 and 2020, respectively. The 2022 increase consisted of increases in auxiliary enterprises, departmental activities, and other revenues of \$4.7 million, \$6.2 million, and \$0.1, respectively. The increase in 2022 is largely attributable to the easing of restrictions from the COVID-19 pandemic and the related impact to University housing, parking operations, student programs, and other auxiliary or departmental activities and on-campus services. The 2022 increase also included an additional \$1.6 million in rental revenues for a building that was purchased in the last quarter of fiscal year 2021 and an additional \$0.5 million in revenue from a University lessee exercising its 10-year lease renewal option. The decrease in 2021 consisted of a decline in auxiliary enterprises of \$7.4 million, combined with a decrease in departmental activities and other operating revenues of \$1.0 million. The 2021 decrease 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.

Nonoperating and Other Revenues

Nonoperating and other revenues were \$314.7 million in 2022, compared to \$376.4 million and \$319.7 million, in 2021 and 2020, 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, decreased \$5.9 million (2.8 percent) to \$205.5 million in 2022, compared to \$211.4 million and \$203.5 million in 2021 and 2020, respectively. The 2021 amount includes a one-time supplemental operating appropriation of \$7.9 million, which was authorized by Public Act 86 of 2021, which was effective September 29, 2021.
- In 2021, the University was awarded \$32.4 million in federal funding through the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act and \$57.2 million in federal funding through the American Rescue Plan (ARP). In 2020, the University was awarded \$19.3 million in federal funding through the Coronavirus Aid, Relief, and Economic Security (CARES) Act. In accordance with these Acts, the University had to meet certain eligibility requirements before recognizing these funds as revenue. In 2022, the University recognized federal economic relief fund revenue of \$57.4 million which included \$28.8 million in emergency student financial aid grants to students and \$28.6 million in institutional aid. In 2021, the University recognized federal economic relief fund revenue of \$40.7 million which included \$12.2 million in emergency student financial aid grants to students and \$28.5 million in institutional aid.
- 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)

	2022	2021	2020
	(in millions)		
Net investment income:			
Income and realized gains	\$ 15.7	\$ 16.4	\$ 9.1
Unrealized (loss) gain	(59.6)	14.0	10.0
Change in fair value of derivatives	(0.8)	(0.3)	0.2
Total net investment income, including the change in fair value of derivatives	<u>\$ (44.7)</u>	<u>\$ 30.1</u>	<u>\$ 19.3</u>

Wayne State University

Management's Discussion and Analysis - Unaudited (Continued)

Investment income is attributable principally to cash pool investments. In 2022, there was decrease in net investment income of \$74.8 million which was driven largely by a decrease in the unrealized market value of \$73.6 million. The 2021 increase in net investment income of \$10.8 million was driven largely by an increase in investment income and realized gains which resulted from positive financial market performance.

Expenses

Operating and nonoperating expenses for the years ended September 30, 2022, 2021, and 2020 are summarized below:

	2022	2021 (as restated) (in millions)	2020
Operating expenses	\$ 894.8	\$ 846.3	\$ 869.2
Nonoperating expenses:			
Interest	23.2	20.6	25.1
Other	-	-	0.1
Total nonoperating expenses	23.2	20.6	25.2
Total expenses	<u>\$ 918.0</u>	<u>\$ 866.9</u>	<u>\$ 894.4</u>

Operating expenses by both functional and natural classification for the years ended September 30, 2022, 2021, and 2020 are as follows:

	2022		2021 (as restated)		2020	
	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	\$ 581.2	65.0%	\$ 583.8	69.0%	\$ 607.6	69.0%
Supplies, services, and other	190.5	21.3%	163.9	19.4%	175.0	19.4%
Depreciation and amortization	70.4	7.9%	69.4	8.2%	62.6	8.2%
Scholarships and fellowships ⁽¹⁾	52.7	5.9%	29.2	3.5%	24.0	3.5%
Total	<u>\$ 894.8</u>	<u>100%</u>	<u>\$ 846.3</u>	<u>100%</u>	<u>\$ 869.2</u>	<u>100%</u>
Functional Classification						
Instruction	\$ 273.3	30.5%	\$ 275.7	32.6%	\$ 280.1	32.2%
Research	151.2	16.9%	143.1	16.9%	154.3	17.8%
Public service	60.0	6.6%	62.6	7.3%	62.0	7.1%
Academic support	69.4	7.8%	64.6	7.6%	72.1	8.3%
Student services	40.5	4.5%	41.1	4.9%	42.1	4.8%
Institutional support	88.4	9.9%	86.8	10.3%	93.1	10.7%
Operation and maintenance of plant	67.8	7.6%	57.2	6.8%	60.0	6.9%
Scholarships and fellowships ⁽¹⁾	52.7	5.9%	29.2	3.5%	24.0	2.8%
Auxiliary enterprises	21.1	2.4%	16.6	2.0%	18.9	2.2%
Depreciation and amortization	70.4	7.9%	69.4	8.1%	62.6	7.2%
Total	<u>\$ 894.8</u>	<u>100%</u>	<u>\$ 846.3</u>	<u>100%</u>	<u>\$ 869.2</u>	<u>100%</u>

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

Wayne State University

Management's Discussion and Analysis - Unaudited (Continued)

Operating Expenses

Compensation and benefit expenses decreased \$2.6 million (0.4 percent) in 2022 to \$581.2 million compared to \$583.8 million and \$607.6 million in 2021 and 2020, 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 University continued these cost-cutting measures in 2021 and expanded it to suspend merit increases for all non-represented employees. In 2022, the University restored non-represented employee merit increases but continued with other cost cutting measures which contributed to the decrease in 2022.

Supplies, services, and other expenses increased \$26.6 million (16.2 percent) in 2022 to \$190.5 million compared to \$163.9 million and \$175.0 million in 2021 and 2020, respectively. The 2022 increase is generally attributable to the easing of restrictions from the COVID-19 pandemic and a return to more on-site operations. The decreases in 2021 was a direct result of the University's cost cutting initiatives and the impact of the COVID-19 pandemic.

Total scholarships and fellowships granted in 2022 increased \$21.0 million (12.9 percent) to \$184.1 million, compared to \$163.1 million in 2021. As discussed previously, the increase in 2022 includes an increase of \$16.5 million in student financial aid grants paid from the federal economic relief funds, combined with an overall increase in university scholarships and other financial aid of \$5.7 million, offset partially by a decrease of \$1.2 million in Federal Pell awards. Total scholarships and fellowships granted in 2021 increased \$10.0 million (6.5 percent) to \$163.1 million, compared to \$153.1 million in 2020. The increase in 2021 includes \$5.2 million increase in student emergency grants paid from the federal economic relief funds, combined with an overall increase in university scholarships and other financial aid of \$4.8 million.

Total scholarships and fellowships granted have two components. The scholarships and fellowships reflected on the table on page 16 of \$52.7 million, \$29.2 million, and \$24.0 million, are disbursed directly to students and are reported as operating expenses in 2022, 2021, and 2020, respectively. The remaining amounts for 2022, 2021, and 2020 of \$131.4 million, \$133.9 million, and \$129.1 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 21.

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

In this regard, combined expenses for instruction decreased \$2.4 million (0.9 percent) to \$273.3 million in 2022, compared to \$275.7 million and \$280.1 million in 2021, and 2020, respectively.

Research expenses increased \$8.1 million (5.7 percent) in 2022 to \$151.2 million, compared to \$143.1 million, and \$154.3 million in 2021 and 2020, respectively. The 2022 increase was driven by increases in General and Expendable Restricted Fund research expenses totaling \$4.4 million and \$3.0 million, respectively. The increase is largely attributable to the easing of restrictions from the COVID-19 pandemic and a return to more on-site operations combined with an increase in new federal grants and contracts awarded. The 2021 decrease was largely attributable to a decrease in General and Designated Fund research expenses totaling \$6.9 million attributable generally to the impact of COVID-19.

Academic support expenses increased \$4.8 million (7.4 percent) to \$69.4 million in 2022, compared to \$64.6 million and \$72.1 million in 2021 and 2020, respectively. The 2022 increase included an increase in direct expenses of \$4.9 million, partially offset by a decrease in compensation-related expenses of \$0.1 million. The decrease in 2021 included a decrease in compensation-related expenses of \$1.5 million, combined with a decrease in direct expenses of \$5.9 million.

Wayne State University

Management's Discussion and Analysis - Unaudited (Continued)

Operation and maintenance of plant expenses increased \$10.6 million in 2022 to \$67.8 million, compared to \$57.2 million and \$60.0 million in 2021 and 2020, respectively. The 2022 increase is attributable largely to the increase in non-capitalizable plant projects (\$6.0 million), combined with an increase in utility expenses (\$1.5 million), and other costs (\$3.1 million).

Nonoperating Expenses

Interest expense totaled \$23.2 million, \$20.6 million, and \$25.1 million, in 2022, 2021, and 2020, respectively. Interest expense was net of a federal subsidy related to the Series 2009B Build America Bonds of \$0.3 million in 2020.

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, 2022, 2021, and 2020 is as follows:

	2022	2021	2020
	(in millions)		
Cash and cash equivalents (used in) provided by:			
Operating activities	\$ (249.9)	\$ (217.2)	\$ (249.7)
Noncapital financing activities	360.3	299.0	272.5
Capital and related financing activities	(99.8)	(96.1)	69.9
Investing activities	35.5	40.0	(108.4)
Net increase (decrease) in cash and cash equivalents	46.1	25.7	(15.7)
Cash and cash equivalents - Beginning of year	159.2	133.5	149.2
Cash and cash equivalents - End of year	<u>\$ 205.3</u>	<u>\$ 159.2</u>	<u>\$ 133.5</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 \$213.5 million in 2022, compared to \$199.2 million and \$207.8 million in 2021 and 2020, 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

The State budget for fiscal year 2023 included a 5.0 percent increase in base operating appropriations for Wayne State. While this represents an improvement over the fiscal year 2022 budget which maintained the same level of base funding from 2021 and a one-time, 1.0 percent supplemental appropriation for operations, the total support remains well below historical amounts in nominal value.

The COVID-19 pandemic continues to impact the University as it relates to the ongoing expectations and required accommodations of the University's students, faculty and staff.

The University will continue positioning itself to address its challenges and opportunities guided by its new five-year strategic plan, "*Our Moment in Time*". The strategic plan sets forth five strategic focus areas:

- **Research and Discovery:** An unrelenting quest
- **Teaching, Learning and Student Success:** The heart of our university
- **Outreach and Engagement:** Our inextricable ties with our community
- **Diversity, Equity and Inclusion:** An unwavering commitment
- **Financial Sustainability and Operational Excellence:** The building blocks for a strong future

Wayne State University

Statement of Net Position

	September 30, 2022			September 30, 2021 (as restated)		
	Wayne State University Foundation			Wayne State University Foundation		
	University	(DCU)	Total	University	(DCU)	Total
Assets	(in thousands)					
Current Assets						
Cash and cash equivalents	\$ 205,389	\$ 7,068	\$ 212,457	\$ 159,250	\$ -	\$ 159,250
Investments	302,744	-	302,744	308,450	-	308,450
Restricted investments	20,540	-	20,540	18,699	-	18,699
Current receivables - Net (Note 4)	112,754	458	113,212	158,393	361	158,754
Inventories	1,151	-	1,151	1,115	-	1,115
Prepaid expenses and deposits	48,724	-	48,724	52,293	-	52,293
Total current assets	691,302	7,526	698,828	698,200	361	698,561
Noncurrent Assets						
Endowment investments	7,831	445,739	453,570	7,987	514,363	522,350
Restricted investments	108,180	-	108,180	144,241	-	144,241
Noncurrent receivables - Net (Note 4)	57,870	90	57,960	48,711	130	48,841
Derivative instruments (Note 7)	-	-	-	528	-	528
Capital assets - Net (Note 5)	1,056,396	-	1,056,396	1,058,566	-	1,058,566
Total noncurrent assets	1,230,277	445,829	1,676,106	1,260,033	514,493	1,774,526
Total assets	1,921,579	453,355	2,374,934	1,958,233	514,854	2,473,087
Deferred Outflows of Resources	13,029	-	13,029	14,151	-	14,151
Liabilities						
Current Liabilities						
Accounts payable and accrued liabilities	142,402	657	143,059	132,969	722	133,691
Unearned revenue	158,343	-	158,343	182,055	-	182,055
Deposits	7,701	-	7,701	7,845	-	7,845
Long-term debt - Current portion (Note 6)	23,990	-	23,990	21,700	-	21,700
Total current liabilities	332,436	657	333,093	344,569	722	345,291
Noncurrent Liabilities						
Federal portion of student loan funds	16,803	-	16,803	19,152	-	19,152
Accrued employee benefits and other liabilities	25,762	-	25,762	24,486	-	24,486
Derivative instruments (Note 7)	253	-	253	-	-	-
Long-term debt - Net of current portion (Note 6)	562,904	-	562,904	586,892	-	586,892
Total noncurrent liabilities	605,722	-	605,722	630,530	-	630,530
Total liabilities	938,158	657	938,815	975,099	722	975,821
Deferred Inflows of Resources (Note 1)	276,869	-	276,869	272,152	-	272,152
Net Position						
Net investment in capital assets	365,030	-	365,030	375,183	-	375,183
Restricted nonexpendable:						
Scholarships, research, academic support, and other	2,019	265,524	267,543	2,501	249,875	252,376
Loans	6,809	-	6,809	7,165	-	7,165
Restricted expendable:						
Scholarships, research, academic support, and other	80,366	169,015	249,381	74,669	254,905	329,574
Capital projects	7,556	-	7,556	7,860	-	7,860
Unrestricted	257,801	18,159	275,960	257,755	9,352	267,107
Total net position	\$ 719,581	\$ 452,698	\$ 1,172,279	\$ 725,133	\$ 514,132	\$ 1,239,265

Wayne State University

Statement of Revenues, Expenses, and Changes in Net Position

	Year Ended September 30, 2022			Year Ended September 30, 2021 (as restated)		
	Wayne State University Foundation			Wayne State University Foundation		
	University	(DCU)	Total	University	(DCU)	Total
Operating Revenues	(in thousands)					
Student tuition and fees	\$ 410,149	\$ -	\$ 410,149	\$ 414,855	\$ -	\$ 414,855
Less scholarship allowances	(130,401)	-	(130,401)	(133,178)	-	(133,178)
Net student tuition and fees	279,748	-	279,748	281,677	-	281,677
Federal grants and contracts	115,721	-	115,721	104,094	-	104,094
State and local grants and contracts	33,897	-	33,897	31,172	-	31,172
Nongovernmental grants and contracts	121,361	-	121,361	112,604	-	112,604
Departmental activities	25,228	-	25,228	18,978	-	18,978
Auxiliary enterprises - Net of scholarship allowances of \$968 in 2022 and \$696 in 2021	17,214	-	17,214	12,473	-	12,473
Other operating revenues	4,703	-	4,703	4,628	-	4,628
Total operating revenues	597,872	-	597,872	565,626	-	565,626
Operating Expenses (Note 11)						
Instruction	273,269	-	273,269	275,713	-	275,713
Research	151,263	-	151,263	143,083	-	143,083
Public service	59,976	-	59,976	62,578	-	62,578
Academic support	69,384	-	69,384	64,636	-	64,636
Student services	40,498	-	40,498	41,142	-	41,142
Institutional support	88,396	-	88,396	86,745	-	86,745
Operation and maintenance of plant	67,768	-	67,768	57,207	-	57,207
Scholarships and fellowships	52,653	-	52,653	29,175	-	29,175
Auxiliary enterprises	21,185	-	21,185	16,621	-	16,621
Depreciation and amortization expense	70,401	-	70,401	69,379	-	69,379
Total operating expenses	894,793	-	894,793	846,279	-	846,279
Operating Loss	(296,921)	-	(296,921)	(280,653)	-	(280,653)
Nonoperating Revenues (Expenses)						
State operating appropriation	205,532	-	205,532	211,422	-	211,422
Federal Pell grants	38,054	-	38,054	39,309	-	39,309
Federal economic relief funds	57,386	-	57,386	40,687	-	40,687
Gifts	34,558	715	35,273	24,345	965	25,310
Investment income including change in fair value of derivatives of (\$781) in 2022 and (\$332) in 2021	(44,735)	(68,401)	(113,136)	30,146	97,985	128,131
Net distributions from the Foundation	8,898	(8,898)	-	17,825	(17,825)	-
Interest on capital asset - Related debt	(23,234)	-	(23,234)	(20,564)	-	(20,564)
Gain (Loss) on capital assets retired	(10)	-	(10)	(55)	-	(55)
Other	10,149	-	10,149	10,042	-	10,042
Net nonoperating revenues	286,598	(76,584)	210,014	353,157	81,125	434,282
Income Before Other	(10,323)	(76,584)	(86,907)	72,504	81,125	153,629
Other						
State capital appropriation	4,171	-	4,171	2,413	-	2,413
Capital gifts	600	-	600	334	-	334
Gifts for permanent endowments	-	15,150	15,150	-	12,362	12,362
Total other	4,771	15,150	19,921	2,747	12,362	15,109
Change in Net Position	(5,552)	(61,434)	(66,986)	75,251	93,487	168,738
Net Position						
Beginning of year, as restated	725,133	514,132	1,239,265	649,882	420,645	1,070,527
End of year	<u>\$ 719,581</u>	<u>\$ 452,698</u>	<u>\$ 1,172,279</u>	<u>\$ 725,133</u>	<u>\$ 514,132</u>	<u>\$ 1,239,265</u>

Statement of Cash Flows

	Year Ended September 30	
	2022	2021 (as restated)
	University	
	(in thousands)	
Cash Flows from Operating Activities		
Tuition and fees - Net	\$ 268,947	\$ 278,022
Grants and contracts	248,516	247,430
Auxiliary enterprises	18,076	11,137
Departmental activities	39,907	4,849
Loans issued to students	(718)	(1,036)
Collection of loans from students	3,674	3,993
Scholarships and fellowships	(49,415)	(29,445)
Payments to suppliers	(195,948)	(150,616)
Payments to employees and benefit providers	(582,692)	(585,630)
Direct lending, scholarship, and other receipts	176,845	194,991
Direct lending, scholarship, and other disbursements	(181,763)	(195,655)
Other receipts	4,686	4,781
Net cash used in operating activities	(249,885)	(217,179)
Cash Flows from Noncapital Financing Activities		
State operating appropriation	213,495	199,163
Federal Economic Relief Fund	75,375	24,530
Federal Pell grants	38,054	39,309
Gifts	35,188	23,031
Net distributions from the Foundation	8,898	17,825
Other	(10,685)	(4,807)
Net cash provided by noncapital financing activities	360,325	299,051
Cash Flows from Capital and Related Financing Activities		
State capital appropriations	5,079	7,782
Capital gifts and grants	667	350
Proceeds from issuance of debt and other long-term obligations	-	505
Expenditures for capital assets	(67,650)	(69,098)
Principal paid on capital debt	(17,990)	(13,280)
Interest paid on capital debt	(22,106)	(22,684)
Other	2,206	329
Net cash provided by (used in) capital and related financing activities	(99,794)	(96,096)
Cash Flows from Investing Activities		
Investment income - Net	1,269	1,162
Proceeds from sales and maturities of investments	34,242	97,324
Purchase of investments	(18)	(58,470)
Net cash (used in) provided by investing activities	35,493	40,016
Net (Decrease) Increase in Cash and Cash Equivalents	46,139	25,792
Cash and Cash Equivalents - Beginning of year	159,250	133,458
Cash and Cash Equivalents - End of year	\$ 205,389	\$ 159,250
Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating loss	\$ (296,921)	\$ (280,652)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation and amortization expense	70,401	69,379
Changes in assets and liabilities:		
Receivables - Net	(12,252)	(18,335)
Prepaid expenses and inventories	(859)	(1,784)
Accounts payable and accrued liabilities	36,374	10,779
Deposits	707	1,902
Unearned income	(41,364)	635
Deferred inflow of resources	914	703
Accrued employee benefits and other liabilities	(6,887)	194
Net cash used in operating activities	\$ (249,887)	\$ (217,179)
Noncash Transactions		
Capital expenditures funded by the service concessionaire (Note 15)	\$ -	\$ 555
Unrealized (loss) gain	\$ (59,639)	\$ 14,039

Note 1 - Basis of Presentation and Significant Accounting Policies

Overview

Wayne State University (the "University") is a state-supported institution with a fall 2022 enrollment of approximately 23,800 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 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.

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

Federal Coronavirus Aid, Relief, and Economic Security Act Revenue - Federal economic relief funds represent funding received from the federal government in response to the Novel Coronavirus (COVID-19) global pandemic. 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.

In April 2020, 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"). 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 March 2021, the University was awarded \$57,175,000 in funding from the American Rescue Plan (ARP). In accordance with the Acts, the University was required to meet certain eligibility requirements before utilizing the funds. In fiscal year 2022 and 2021, the University incurred eligible expenses and recognized nonoperating revenue totaling \$57,386,000 and \$40,687,000, respectively.

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.

For donor-restricted endowments, the Uniform Prudent Management of Institutional Funds Acts, as adopted in Michigan on September 15, 2009, permits the board of governors to spend an amount of realized and unrealized endowment appreciation, as they deem prudent. The University's policy is to retain the realized and unrealized appreciation with the endowment after the spending policy distributions are applied. The University annual distributions equal 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.

Commencing with the quarter ending December 31, 2021, the annual distribution rate increased from 4.50 percent to 5.00 percent. Of the annual distribution, 4.00 percent will be transferred to the beneficiary or operating program accounts and 1.00 percent will be used for administration of the University's development efforts.

Unearned Revenue - Unearned revenue represents amounts received and/or receivable in advance of an event or in advance of incurring the related costs. This includes 75 percent of the student tuition and fees for the current fall term received or due prior to October 1, with the remaining 25 percent being recognized as revenue during the current fiscal year. It also includes amounts received from grant and contract sponsors which have not yet been earned under the terms of the underlying agreements. Unearned revenue will be recognized as revenue in subsequent periods commensurate with generally accepted accounting principles and/or the applicable grant and contract terms and conditions.

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

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

Compensated Absences - Certain University employees earn vacation and sick leave benefits based, in part, on length of service. After the completion of the probation period, vacation pay is fully vested when earned. Upon separation from service, employees are paid accumulated vacation and sick pay based upon the nature of separation (death, retirement, or termination). Certain limitations have been placed on the hours of vacation and sick leave that employees may accumulate and carry over for payment at death, retirement, or termination. Unused hours exceeding these limitations are forfeited. For the year-ended September 30, 2022, the beginning balance, increases, decreases, and ending balance are \$32,870,000, \$20,399,000, \$ 20,858,000, and \$32,411,000, respectively. For the year-ended September 30, 2021, the beginning balance, increases, decreases, and ending balance are \$34,878,000, \$17,672,000, \$19,680,000, and \$32,870,000, respectively. The current portion of compensated absences is \$24,046,000 and \$24,785,000 at September 30, 2022 and 2021, respectively.

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 \$1,324,000 for OPEB-related amounts discussed in Note 12 and \$11,705,000 related to the losses recognized in debt defeasance as of September 30, 2022. The University reports deferred outflows of resources of \$1,773,000 for OPEB-related amounts discussed in Note 12 and \$12,378,000 related to the losses recognized in debt defeasance as of September 30, 2021.

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 \$1,949,000 for OPEB-related amounts discussed in Note 12, \$1,350,000 related to the defeasance of debt, \$234,005,000 related to the service concession arrangement discussed in Note 15, \$39,074,000 related to lease agreements in which the University serves as the lessor, and \$491,000 related to an irrevocable split-interest agreement at September 30, 2022. The University reports deferred inflows of resources of \$1,312,000 for OPEB-related amounts discussed in Note 12, \$1,539,000 related to the defeasance of debt, \$240,666,000 related to the service concession arrangement discussed in Note 15, \$28,143,000 related to lease agreements in which the University serves as the lessor, and \$491,000 related to an irrevocable split-interest agreement at September 30, 2021.

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

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 amortization, 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.

Pledges and bequests of financial support from corporations, foundations, and individuals are recognized as revenue when a pledge representing an unconditional promise to give is received and all eligibility requirements, including time requirements, have been met. In the absence of such a promise, revenue is recognized when the gift is received. Endowment pledges and conditional promises do not meet eligibility requirements, as defined by GASB Statement No. 33, *Financial Reporting for Non-Exchange Transactions*, and are not recorded as assets until the related gifts are received.

Donor unconditional promises to give that are expected to be collected in future years are recorded at the present value of the estimated future cash flows. The discounts on these amounts are computed using risk-free interest rates applicable to the years in which the promises are made, commensurate with expected future payments. The allowance for uncollectible pledge receivables is provided based on management's judgment of potential uncollectible amounts.

The University disbursed approximately \$160,759,000 and \$174,405,000 in 2022 and 2021, 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 operating activities section of the statement of cash flows.

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

Adoption of New Accounting Pronouncements – During fiscal year 2022, the University adopted GASB Statement No. 87, Leases (“GASB 87”), which establishes a single model for lease accounting based on the principle that leases serve to finance the right to use an underlying asset. The statement requires lessees to recognize right-to-use assets and related liabilities, and lessors to recognize receivables and corresponding deferred inflows of resources, for leases that were previously classified as operating and recognized as inflows or outflows of resources. The adoption of GASB 87 has been reflected at the beginning of the earliest period presented in the financial statements, or October 1, 2020.

Beginning net position as of October 1, 2020 was restated for the effects of the University’s adoption of GASB 87 as follows (in thousands):

	September 30, 2020 as Originally		October 1, 2020 as
	Reported	GASB 87 Adoption	Restated
Current assets	\$ 609,897	\$ 293	\$ 610,190
Noncurrent assets	1,251,784	27,288	1,279,072
Total assets	1,861,681	27,581	1,889,262
Deferred outflows of resources	14,606	-	14,606
Current liabilities	322,803	3,441	326,244
Noncurrent liabilities	649,022	5,806	654,828
Total liabilities	971,825	9,247	981,072
Deferred inflows of resources	254,580	18,334	272,914
Net position	\$ 649,882	\$ -	\$ 649,882

The Statement of Net Position as of September 30, 2021 was restated for the effects of the University’s adoption of GASB 87 as follows (in thousands):

	September 30, 2021 as Originally		September 30, 2021 as Restated
	Reported	GASB 87 Adoption	
Current assets	\$ 697,503	\$ 697	\$ 698,200
Noncurrent assets	1,226,089	33,944	1,260,033
Total assets	1,923,592	34,641	1,958,233
Deferred outflows of resources	14,151	-	14,151
Current liabilities	341,298	3,271	344,569
Noncurrent liabilities	627,996	2,534	630,530
Total liabilities	969,294	5,805	975,099
Deferred inflows of resources	244,009	28,143	272,152
Net position	\$ 724,440	\$ 693	\$ 725,133

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

The Statement of Revenues, Expenses, and Changes in Net Position for the year ended September 30, 2021 was restated for the effects of the University's adoption of GASB 87 as follows (in thousands):

	September 30, 2021 as Originally Reported	GASB 87 Adoption	September 30, 2021 as Restated
Operating revenues	\$ 565,188	\$ 438	\$ 565,626
Operating expenses	846,291	12	846,279
Operating loss	(281,103)	450	(280,653)
Net nonoperating revenues	352,914	243	353,157
Income before other	71,811	693	72,504
Other	2,747	-	2,747
Change in net position	74,558	693	75,251
Net position, beginning of year	649,882	-	649,882
Net position, end of year	\$ 724,440	\$ 693	\$ 725,133

The Statement of Cash Flows as of September 30, 2021 was restated for the effects of the University's adoption of GASB 87 as follows (in thousands):

	September 30, 2021 as Originally Reported	GASB 87 Adoption	September 30, 2021 as Restated
Net cash used by operating activities	\$ (220,745)	\$ 3,566	\$ (217,179)
Net cash provided by noncapital financing activities	299,051	-	299,051
Net cash used in capital and related financing activities	(92,530)	(3,566)	(96,096)
Net cash provided by investing activities	40,016	-	40,016
Net increase in cash and cash equivalents	25,792	-	25,792
Cash and cash equivalents - Beginning of year	133,458	-	133,458
Cash and cash equivalents - End of year	\$ 159,250	\$ -	\$ 159,250

Note 2 - Cash and Investments

University Cash and investments, by classification and investment type, at September 30, 2022 and 2021 are as follows (in thousands):

Classification	2022	2021
Cash and cash equivalents, current	\$ 205,389	\$ 159,250
Investments:		
Investments, current	302,744	308,450
Restricted investments, current	20,540	18,699
Endowment Fund, noncurrent	7,831	7,987
Restricted investments, noncurrent	108,180	144,241
Total investments	439,295	479,377
Total cash and investments	\$ 644,684	\$ 638,627

Note 2 - Cash and Investments (Continued)

Type	2022	2021
Cash and cash equivalents	\$ 208,038	\$ 155,383
Fixed income	349,473	380,830
Equity securities	47,734	61,059
Hedge funds	11,306	11,495
Real assets	17,802	19,383
Other	10,331	10,477
Total cash and investments	<u>\$ 644,684</u>	<u>\$ 638,627</u>

The University's cash pool, which consists of cash, cash equivalents, and current investments, provided a return of (7.1) percent and 5.5 percent for the fiscal years ended September 30, 2022 and 2021, respectively. Restricted investments include invested bond proceeds and related earnings, which are restricted for capital projects, totaling \$127,192,000 and other restricted investments of \$1,528,000 as of September 30, 2022. As of September 30, 2021, restricted investments consisted of invested bond proceeds and related earnings of \$161,417,000 and other restricted investments of \$1,523,000.

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 Pool	Liquidity Reserve Pool	Diversified	Total Portfolio	Range (Diversified Pool)	Actual at September 30, 2022
Cash	100%	0%	0%	30%		31%
Fixed Income	0%	100%	30%	56%	+/- 7%	56%
Equities	0%	0%	45%	9%	+/- 7%	8%
Hedge Funds	0%	0%	10%	2%	+/- 5%	2%
Real Assets	0%	0%	15%	3%	+/- 5%	3%

The University's cash pool 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.

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.

Note 2 - Cash and Investments (Continued)**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, 2022 and 2021, the carrying amount of these deposits totaled \$215,055,000 and \$154,975,000, respectively. Of these amounts, \$214,555,000 and \$154,475,000 were uninsured and not collateralized at September 30, 2022 and 2021, 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 \$2,131,000 and \$2,603,000 of its portfolio at September 30, 2022 and 2021, 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 Statistical Rating Organizations (NRSRO), 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.

Fixed-income investments classified by credit ratings at September 30, 2022 and 2021 were as follows (in thousands):

thousands).

	2022 Credit Rating					
	(in thousands)					
Investment Type	AAA	AA	A	BBB	Below BB	Total
Money market mutual funds	\$ 7,158	\$ -	\$ -	\$ -	\$ -	\$ 7,158
Fixed-income institutional bond funds	6,532	68,386	193,135	20,120	54,142	342,315
Investments by rating	<u>\$ 13,690</u>	<u>\$ 68,386</u>	<u>\$ 193,135</u>	<u>\$ 20,120</u>	<u>\$ 54,142</u>	<u>\$ 349,473</u>

	2021 Credit Rating					
	(in thousands)					
Investment Type	AAA	AA	A	BBB	Below BB	Total
Municipal Bonds ⁽¹⁾	\$ 3,872	\$ -	\$ -	\$ -	\$ -	\$ 3,872
Fixed-income institutional bond funds	7,297	87,599	197,338	23,429	61,295	376,958
Investments by rating	<u>\$ 11,169</u>	<u>\$ 87,599</u>	<u>\$ 197,338</u>	<u>\$ 23,429</u>	<u>\$ 61,295</u>	<u>\$ 380,830</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.

Note 2 - Cash and Investments (Continued)**Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer of fixed-income securities. The cash management policy provides that investment pool funds be sufficiently diversified. 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 the concentration limits set forth in the cash pool investment policy.

As of September 30, 2022 and 2021, 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 the maturity/duration limit set forth in the cash pool investment policy.

The University held the following types of fixed-income investments and maturities at September 30, 2022 and 2021 (in thousands):

Investment Type	2022 Maturities (in Years)			
	Less Than 1	1-5	6-10	Total
Money market mutual funds ⁽²⁾	\$ 7,158	\$ -	\$ -	\$ 7,158
Fixed-income institutional bond funds ⁽²⁾	36,883	173,757	131,675	342,315
Total fixed-income investments	<u>\$ 44,041</u>	<u>\$ 173,757</u>	<u>\$ 131,675</u>	<u>\$ 349,473</u>
Investment Type	2021 Maturities (in Years)			
	Less Than 1	1-5	6-10	Total
Municipal Bonds ⁽¹⁾	\$ 3,872	\$ -	\$ -	\$ 3,872
Fixed-income institutional bond funds ⁽²⁾	94,723	130,527	151,708	376,958
Total fixed-income investments	<u>\$ 98,595</u>	<u>\$ 130,527</u>	<u>\$ 151,708</u>	<u>\$ 380,830</u>

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

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

Foreign Currency Risk

Foreign currency risk represents the risk that changes in exchange rates will adversely affect the fair value of an investment. The University's cash management policy does not specifically limit foreign currency exposure.

Note 3 - Foundation Investments

The Foundation's investments, by statement of net position classification and investment type, at September 30, 2022 and 2021 are as follows (in thousands):

Type	2022	2021
Fixed income	\$ 95,060	\$ 108,174
Equity securities	242,211	257,282
Other investment instrument types not included above:		
Limited partnerships	108,468	116,493
Commingled funds and mutual funds	-	32,414
Total investments	<u>\$ 445,739</u>	<u>\$ 514,363</u>

The Foundation's investments had investment performance of (13.0) and 22.6 percent for the years ended September 30, 2022 and 2021, 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, 2022
Global equities	38%	37%-57%	52%
Fixed-income securities	20%	6%-47%	22%
Real assets	10%	1%-25%	11%
Private markets	22%	2%-22%	5%
Diversifying strategies	10%	0%-15%	10%

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

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

Custodial Credit Risk

Custodial credit risk for investments was discussed previously in Note 2 - Cash and Investments. The Foundation's investment policies do not limit the value of investments that may be held by an outside party. The Foundation's counterparties held \$6,401,00 and \$83,785,000 of its portfolio at September 30, 2022 and 2021, 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.

Note 3 - Foundation Investments (Continued)

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, 2022 and 2021 were as follows (in thousands):

Investment Type	2022 Credit Rating					Total
	AAA	AA	BB	B	Not Rated	
Money market mutual funds ⁽¹⁾	\$ 6,401	\$ -	\$ -	\$ -	\$ -	\$ 6,401
Fixed-income investments ⁽¹⁾	-	58,241	-	30,418	-	88,659
Direct loan fund ⁽¹⁾	-	-	-	-	-	-
Investments by rating	<u>\$ 6,401</u>	<u>\$ 58,241</u>	<u>\$ -</u>	<u>\$ 30,418</u>	<u>\$ -</u>	<u>\$ 95,060</u>

Investment Type	2021 Credit Rating					Total
	AAA	AA	BB	B	Not Rated	
Money market mutual funds ⁽¹⁾	\$ 24,162	\$ -	\$ -	\$ -	\$ -	\$ 24,162
Fixed-income investments ⁽¹⁾	34,813	-	46,958	-	-	81,771
Direct loan fund ⁽¹⁾	-	-	-	-	2,241	2,241
Investments by rating	<u>\$ 58,975</u>	<u>\$ -</u>	<u>\$ 46,958</u>	<u>\$ -</u>	<u>\$ 2,241</u>	<u>\$ 108,174</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, 2022 and 2021, 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, 2022 and 2021 (in thousands):

Investment Type	2022 Maturities (in Years)				
	Less Than 1	1-5	6-10	More Than 10	Total
Money market mutual funds	\$ 6,401	\$ -	\$ -	\$ -	\$ 6,401
Fixed-income investments ⁽¹⁾	-	-	88,659	-	88,659
Direct loan fund ⁽¹⁾	-	-	-	-	-
Total fixed-income investments	<u>\$ 6,401</u>	<u>\$ -</u>	<u>\$ 88,659</u>	<u>\$ -</u>	<u>\$ 95,060</u>

Investment Type	2021 Maturities (in Years)				
	Less Than 1	1-5	6-10	More Than 10	Total
Money market mutual funds	\$ 24,162	\$ -	\$ -	\$ -	\$ 24,162
Fixed-income investments ⁽¹⁾	-	-	81,771	-	81,771
Direct loan fund ⁽¹⁾	-	2,241	-	-	2,241
Total fixed-income investments	<u>\$ 24,162</u>	<u>\$ 2,241</u>	<u>\$ 81,771</u>	<u>\$ -</u>	<u>\$ 108,174</u>

(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

The Foundation had approximately \$59,106,000 and \$17,075,000 of investment commitments outstanding at September 30, 2022 and 2021, respectively.

Note 4 - University Receivables

At September 30, 2022 and 2021, receivables consisted of the following (in thousands):

	2022	2021 (as restated)
Grants and contracts receivable	\$ 33,825	\$ 52,308
Pledged gifts receivable	4,726	4,656
Student notes receivable	16,862	18,825
Student accounts receivable	53,398	75,996
State appropriations	-	8,871
Lease receivable	36,166	24,214
Other	40,872	34,214
Total	185,849	219,084
Less:		
Provision for loss on receivables	(15,064)	(11,902)
Unamortized discount to present value on pledged gifts receivable	(161)	(78)
Total	170,624	207,104
Less net current portion of receivables	(112,754)	(158,393)
Net noncurrent receivables	<u>\$ 57,870</u>	<u>\$ 48,711</u>

Note 4 - University Receivables (Continued)

Payments on pledged gifts receivable at September 30, 2022 are expected to occur in the following fiscal years (in thousands):

2023	\$	3,070
2024-2031		<u>1,656</u>
Total	\$	<u>4,726</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.

The University leases land, building space, and equipment to external parties. In accordance with GASB 87, the University records lease receivables which totaled \$36,166,000 and \$24,214,000 at September 30, 2022 and 2021, respectively. Of the total balances, noncurrent accounts receivable were \$34,951,000 and \$23,517,000 at September 30, 2022 and 2021, respectively. The expected receipts over the term of the respective leases are discounted to present value, using the interest rate stated on the lease, if available or otherwise discounted using the university's incremental borrowing rate. Variable payments are excluded from the valuations unless they are fixed in substance. During the fiscal years ended September 30, 2022 and 2021, the University recognized revenues related to these lease agreements totaling \$3,227,000 and \$1,710,000, respectively.

Note 5 - Capital Assets

Capital asset activity for the years ended September 30, 2022 and 2021 (as restated) was as follows (in thousands):

	Balance September 30, 2021	Additions	Retirements	Transfers	Balance September 30, 2022
Non-depreciated capital assets:					
Land	\$ 43,933	\$ -	\$ -	\$ -	\$ 43,933
Construction in progress	34,667	35,413	-	(3,285)	66,795
Total - Nondepreciable assets	<u>78,600</u>	<u>35,413</u>	<u>-</u>	<u>(3,285)</u>	<u>110,728</u>
Depreciable capital assets:					
Land improvements	33,417	-	-	-	33,417
Buildings	1,739,807	13,356	-	3,285	1,756,448
Library materials	205,749	8,056	-	-	213,805
Equipment and software	208,296	11,416	(9,422)	-	210,290
Right-to-use assets - Building	14,419	-	-	-	14,419
Total - Depreciable assets	<u>2,201,688</u>	<u>32,828</u>	<u>(9,422)</u>	<u>3,285</u>	<u>2,228,379</u>
Less accumulated depreciation:					
Land improvements	22,730	959	-	-	23,689
Buildings	853,544	49,297	-	-	902,841
Library materials	167,226	6,870	-	-	174,096
Equipment and software	174,230	9,584	9,412	-	174,402
Right-to-use assets - Building	3,992	3,691	-	-	7,683
Total accumulated depreciation	<u>1,221,722</u>	<u>70,401</u>	<u>(9,412)</u>	<u>-</u>	<u>1,282,711</u>
Total depreciable capital assets, Net	<u>979,966</u>	<u>(37,573)</u>	<u>(10)</u>	<u>3,285</u>	<u>945,668</u>
Net capital assets	<u>\$ 1,058,566</u>	<u>\$ (2,160)</u>	<u>\$ (10)</u>	<u>\$ -</u>	<u>\$ 1,056,396</u>

Note 5 - Capital Assets

	Balance September 30, 2020	Additions	Retirements	Transfers	Balance September 30, 2021
Non-depreciated capital assets:					
Land	\$ 39,870	\$ 4,063	\$ -	\$ -	\$ 43,933
Construction in progress	69,408	21,784	-	(56,525)	34,667
Total - Nondepreciable assets	109,278	25,847	-	56,525	78,600
Depreciable capital assets:					
Land improvements	33,328	89	-	-	33,417
Buildings	1,646,423	36,859	-	56,525	1,739,807
Library materials	198,897	6,856	(4)	-	205,749
Equipment and software	197,758	13,188	(2,650)	-	208,296
Right-to-use assets - Building	14,419	-	-	-	14,419
Total - Depreciable assets	2,090,825	56,992	(2,654)	56,525	2,201,688
Less accumulated depreciation:					
Land improvements	21,740	990	-	-	22,730
Buildings	805,023	48,521	-	-	853,544
Library materials	160,614	6,612	-	-	167,226
Equipment and software	167,565	9,264	2,599	-	174,230
Right-to-use assets - Building	-	3,992	-	-	3,992
Total accumulated depreciation	1,154,942	69,379	2,599	-	1,221,722
Total depreciable capital assets, Net	935,883	12,387	55	56,525	979,966
Net capital assets	\$ 1,045,161	\$ 13,460	\$ (55)	\$ -	\$ 1,058,566

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.

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.

The University leases building space from external parties. In accordance with GASB 87, the University records right-to-use assets and lease liabilities (see Note 6) based on the present value of expected payments over the term of the respective leases. The expected payments are discounted using the interest rate charged on the lease, if available, and are otherwise discounted using the University's incremental borrowing rate. Variable payments are excluded from the valuations unless they are fixed in substance. For leases featuring payments tied to an index or market rate, the valuation is based on the initial index or market rate. The University does not have any leases subject to a residual value guarantee. The right-to-use assets are amortized over the shorter of the lease term or the underlying asset useful life.

Note 6 - Long-term Debt

Long-term debt activity for the years ended September 30, 2022 and 2021 was as follows (in thousands):

	2022				
	Beginning Balance (as restated)	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	\$ -	\$ 2,655	\$ 112,330	\$ 2,685
General Revenue and Refunding Bonds, Series 2019A, with interest ranging from 3.375% to 5.0%, maturing November 15, 2039	61,750	-	2,525	59,225	3,150
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	118,415	-	2,040	116,375	2,150
General Revenue and Refunding Bonds, Series 2016A, with interest ranging from 2.5% to 5.0%, maturing on November 15, 2037	86,730	-	3,035	83,695	5,880
General Revenue and Refunding Bonds, Series 2016B, with interest ranging from 1.5% to 4.0%, maturing on November 15, 2037	9,255	-	465	8,790	480
General Revenue and Refunding Bonds, Series 2015A, with interest ranging from 3.0% to 5.0%, maturing on November 15, 2036	43,270	-	1,850	41,420	1,950
General Revenue Bonds, Series 2013A, with interest ranging from 3.0% to 5.0%, maturing on November 15, 2044	74,425	-	1,800	72,625	1,885
Taxable General Revenue Bonds, Series 2007B, with interest at 6.01%, maturing on November 15, 2030	4,220	-	-	4,220	-
Financed purchase payable, with interest at 3.8%, expiring on March 11, 2038 and 2.9% expiring on April 13, 2023	17,215	-	962	16,253	943
Right-to-use lease liability	10,629	-	3,620	7,009	2,624
Various notes payable with varying interest rates maturing through 2024	560	-	524	36	22
Gross long-term debt	567,139	-	19,476	547,663	21,769
Plus unamortized bond premium - Net	41,453	60	2,282	39,231	2,221
Total long-term debt	<u>\$ 608,592</u>	<u>\$ 60</u>	<u>\$ 21,758</u>	<u>\$ 586,894</u>	<u>\$ 23,990</u>

Note 6 - Long-term Debt (Continued)

	2021 (as restated)				
	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	\$ 2,655
General Revenue and Refunding Bonds, Series 2019A, with interest ranging from 3.375% to 5.0%, maturing November 15, 2039	62,450	-	700	61,750	2,525
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	120,370	-	1,955	118,415	2,040
General Revenue and Refunding Bonds, Series 2016A, with interest ranging from 2.5% to 5.0%, maturing on November 15, 2037	89,620	-	2,890	86,730	3,035
General Revenue and Refunding Bonds, Series 2016B, with interest ranging from 1.5% to 4.0%, maturing on November 15, 2037	9,715	-	460	9,255	465
General Revenue and Refunding Bonds, Series 2015A, with interest ranging from 3.0% to 5.0%, maturing on November 15, 2036	45,030	-	1,760	43,270	1,850
General Revenue Bonds, Series 2013A, with interest ranging from 3.0% to 5.0%, maturing on November 15, 2044	76,150	-	1,725	74,425	1,800
Taxable General Revenue Bonds, Series 2007B, with interest at 6.01%, maturing on November 15, 2030	4,220	-	-	4,220	-
Financed purchase, with interest at 3.8%, expiring on March 11, 2038 and 2.9% expiring on April 13, 2023	18,145	-	930	17,215	962
Right-to-use lease liability	14,419	-	3,790	10,629	3,620
Various notes payable with varying interest rates maturing through 2024	77	505	22	560	527
Gross long-term debt	580,866	505	14,232	567,139	19,479
Plus unamortized bond premium - Net	43,673	61	2,281	41,453	2,221
Total long-term debt	\$ 624,539	\$ 566	\$ 16,513	\$ 608,592	\$ 21,700

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, 2022 or 2021.

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.

Note 6 - Long-term Debt (Continued)

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.

On March 19, 2012, the University entered into a financed purchase agreement for a medical office building. The finance period commenced on March 12, 2013 with an initial term of 25 years. The financed purchase 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 \$5,270,000 and \$4,721,000 as of September 30, 2022 and 2021, respectively.

On October 13, 2017, the University entered into a financed purchase agreement for lighting retrofit in certain University parking facilities. The financed period commenced on July 13, 2018 with an initial term of 5.5 years. The financed purchase 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 \$778,000 and \$591,000 as of September 30, 2022 and 2021.

The University leases land, building space, and equipment from external parties. In accordance with GASB 87, the University records right-to-use assets and lease liabilities based on the present value of expected payments over the term of the respective leases. The expected payments are discounted using the interest rate charged on the lease, if available, and are otherwise discounted using the University's incremental borrowing rate. Variable payments are excluded from the valuations unless they are fixed in substance. For leases featuring payments tied to an index or market rate, the valuation is based on the initial index or market rate. The University does not have any leases subject to a residual value guarantee.

Principal and interest maturities on long-term debt at September 30, 2022 are as follows (in thousands):

Fiscal Years	Bond and Various Notes Payable		Right-to-Use Liability		Financed Purchase	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 18,202	\$ 21,436	\$ 2,624	\$ 98	\$ 944	\$ 612
2024	18,994	20,625	2,263	58	801	582
2025	19,835	19,766	2,122	19	831	551
2026	20,760	18,850			863	520
2027-2031	112,790	79,238			4,891	2,078
2032-2036	110,400	56,463			5,978	1,070
2037-2041	84,175	35,573			1,945	97
2042-2046	81,305	18,464			-	-
2047-2051	57,940	4,418	-	-	-	-
Total	\$ 524,401	\$ 274,833	\$ 7,009	\$ 175	\$ 16,253	\$ 5,510

Interest paid on long-term debt was \$22,780,000 and \$22,684,000 in 2022 and 2021, 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 had three-year terms with a maturity date of March 2022. The University extended the terms on both lines to March 2025. Borrowing rates are .40 percent in excess of one-month Bloomberg Short-Term Bank Yield and .50 percent in excess of one-month Secured Overnight Financing Rate. As of September 30, 2022 and 2021, 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.

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, 2022 and 2021, classified by type and the change in fair value, are shown below (in thousands):

Investment Derivative Instrument	Change in Fair Value		Classification	Fair Value at September 30, 2022 (in thousands)	
	Classification	Amount		Amount	Notional
Series 2015A# - Pay-variable, receive variable/fixed annuity	Net investment income (loss)	\$ (781)	Liability	\$ (253)	\$ 34,140

Investment Derivative Instrument	Change in Fair Value		Classification	Fair Value at September 30, 2021 (in thousands)	
	Classification	Amount		Amount	Notional
Series 2015A# - Pay-variable, receive variable/fixed annuity	Net investment income (loss)	\$ (332)	Asset	\$ 528	\$ 36,690

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, 2022 and 2021 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

Note 7 - Derivative Instruments (Continued)

Associated Risk - The associated risks of the outstanding swaps as of September 30, 2022 and 2021 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 negative fair value at September 30, 2022 and a positive fair value at September 30, 2021.

Credit Risk - As of September 30, 2022 and 2021, the University was exposed to some credit risk from swap counterparties because the existing swaps had a negative fair value of \$253,000 and a positive fair value \$528,000, respectively. The University executes swap transactions with various counterparties. At September 30, 2021, 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, 2022 and 2021, the notional value of these contracts was \$0 and \$38,202,000, respectively. The notional values associated with these derivative financial instruments are generally not recorded on the financial statements; however, the 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, 2022 and 2021 was \$0 and \$6,036,000, respectively, which are recorded as endowment investment in the statement of net position.

Note 7 - Derivative Instruments (Continued)

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

Note 8 - Defined Contribution Retirement Plan

The University offers pension benefits for substantially all of its full-time employees through a defined contribution 403(b) 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, 2022 and 2021 were approximately \$33,549,000 and \$33,811,000, respectively.

The University also offers a 457(b) retirement savings plan to substantially all of its full-time employees which is fully funded by employee contributions. The University does not contribute to this plan.

Note 9 - Commitments

Construction Commitments

Approximately \$28,092,000 was committed to current University construction projects at September 30, 2022. This amount includes approximately \$14,331,000 for the Hilberry Gateway project, \$7,922,000 for the Art Building HVAC improvement 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.

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, 2022, is approximately \$2,667,000. The University has not been subjected to additional assessments since the formation of MUSIC in 1987.

Note 10 - Contingencies (Continued)

The University is self-insured for certain employee benefits. Claim expenditures and liabilities are recorded when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. This would include an estimate of any significant claims that have been incurred but not reported. The University's recorded reserves for its self-insured workers' compensation, dental, and certain medical insurance programs at September 30, 2022 and 2021, totaled approximately \$3,638,000 and \$3,399,000, 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.

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, 2022, the aggregate negative fair value of all hedging derivative instruments with these collateral posting provisions was \$253,000. At September 30, 2021, the aggregate positive fair value of all hedging derivative instruments with these collateral posting provisions was \$528,000. 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, 2022 and 2021 are summarized as follows (in thousands):

	2022	2021 (as restated)
Compensation and benefits	\$ 581,200	\$ 583,773
Supplies, services, and other	190,539	163,952
Depreciation and amortization	70,401	69,379
Scholarships and fellowships	52,653	29,175
Total operating expenses	<u>\$ 894,793</u>	<u>\$ 846,279</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, 2022, the University's reported OPEB liability was estimated based on an actuarial valuation date of October 1, 2021 and measurement date of September 30, 2021. For the year ended September 30, 2021, the University's reported OPEB liability was estimated based on an actuarial valuation date of October 1, 2019 and measurement date of September 30, 2020.

The total OPEB accrued liability, which has been recorded as accrued employee benefits on the statement of net position, was \$10,940,000 and \$10,684,000 at September 30, 2022 and 2021, respectively. The discount rates used in determining the total reported OPEB liability were 2.26 and 2.21 percent for fiscal year 2022 and 2021, respectively. The total OPEB expense in fiscal year 2022 and 2021 was \$1,342,000 and \$917,000, 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 \$5,483,000 and \$5,714,000 as of September 30, 2022 and 2021, 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, 2022 and 2021. 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, 2022 and 2021 (in thousands):

Investments by Fair Value Level	Fair Market Measurements Using:			Total Fair Value at September 30, 2022
	Level 1	Level 2	Level 3	
Fixed-income securities:				
U.S. government securities	\$ -	\$ 6,532	\$ -	\$ 6,532
Corporate bond funds	211,181	124,602	-	335,783
Money market mutual funds	7,158	-	-	7,158
Total fixed-income investments	218,339	131,134	-	349,473
Equity securities:				
U.S.	-	21,255	-	21,255
Non-U.S.	-	26,346	-	26,346
Total equity securities	-	47,601	-	47,601
Real Assets:				
Liquid Real Assets	-	17,802	-	17,802
Total real assets	-	17,802	-	17,802
Other assets:				
Beneficial interest in charitable remainder trust	-	-	10,331	10,331
Total other assets	-	-	10,331	10,331
Investments measured by fair value level	\$ 218,339	\$ 196,537	\$ 10,331	425,207
Investments Measured at Net Asset Value (NAV) or Equivalent				
Equity securities				133
Multistrategy hedge funds				11,306
Total investments measured at NAV				11,439
Total investments measured at fair value				\$ 436,646
Hedging Derivative Instruments				
Interest rate swaps		\$ (253)		

Note 14 - Fair Value (Continued)

Investments by Fair Value Level	Fair Market Measurements Using:			Total Fair Value at September 30, 2021
	Level 1	Level 2	Level 3	
Fixed-income securities:				
U.S. government securities	\$ -	\$ 7,297	\$ -	\$ 7,297
Corporate bond funds	247,367	122,294	-	369,661
Money market mutual funds	3,872	-	-	3,872
Total fixed-income investments	251,239	129,591	-	380,830
Equity securities:				
U.S.	-	26,616	-	26,616
Non-U.S.	2,708	12,093	-	14,801
Total equity securities	2,708	38,709	-	41,417
Real Assets:				
Liquid Real Assets	-	19,383	-	19,383
Total real assets	-	19,383	-	19,383
Other assets:				
Beneficial interest in charitable remainder trust	-	-	10,475	10,475
Total other assets	-	-	10,475	10,475
Investments measured by fair value level	\$ 253,947	\$ 187,683	\$ 10,475	452,105
<u>Investments Measured at Net Asset Value (NAV) or Equivalent</u>				
Equity securities				19,641
Multistrategy hedge funds				11,496
Total investments measured at NAV				31,137
Total investments measured at fair value				\$ 483,242
<u>Hedging Derivative Instruments</u>				
Interest rate swaps		\$ 528		

Note 14 - Fair Value (Continued)

The Foundation has the following recurring fair value measurements as of September 30, 2022 and 2021 (in thousands):

Investments by Fair Value Level	Fair Market Measurements Using:			Total Fair Value at September 30, 2022
	Level 1	Level 2	Level 3	
Fixed-income securities:				
U.S. government securities	\$ -	\$ -	\$ -	\$ -
Money market mutual funds	6,401	-	-	6,401
Total fixed-income investments	6,401	-	-	6,401
Equity securities:				
U.S.	-	-	-	-
Non-U.S.	-	-	-	-
Total equity securities	-	-	-	-
Exchange traded funds:				
Exchange traded funds	-	-	-	-
Total exchange traded funds	-	-	-	-
Investments measured by fair value level	\$ 6,401	\$ -	\$ -	6,401

<u>Investments Measured at Net Asset Value (NAV) or Equivalent</u>		
Equity and fixed-income securities		330,870
Credit and loan private investments		2,165
Multistrategy hedge funds		43,422
Equity private investments		22,158
Real assets comingled funds and private investments		40,723
Total investments measured at NAV		439,338
Total investments measured at fair value		\$ 445,739

Investments by Fair Value Level	Fair Market Measurements Using:			Total Fair Value at September 30, 2021
	Level 1	Level 2	Level 3	
Fixed-income securities:				
U.S. government securities	\$ 34,813	\$ -	\$ -	\$ 34,813
Money market mutual funds	24,161	-	-	24,161
Total fixed-income investments	58,974	-	-	58,974
Equity securities:				
U.S.	17,611	-	-	17,611
Non-U.S.	2,059	-	-	2,059
Total equity securities	19,670	-	-	19,670
Exchange traded funds:				
Exchange traded funds	-	-	-	-
Total exchange traded funds	-	-	-	-
Investments measured by fair value level	\$ 78,644	\$ -	\$ -	78,644

<u>Investments Measured at Net Asset Value (NAV) or Equivalent</u>		
Equity and fixed-income securities		279,677
Credit and loan private investments		4,750
Multistrategy hedge funds		71,516
Equity private investments		14,997
Real assets comingled funds and private investments		64,779
Total investments measured at NAV		435,719
Total investments measured at fair value		\$ 514,363

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, 2022 and 2021 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, 2022 and 2021 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, 2022 and 2021 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, 2022 and 2021 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, 2022 and 2021, 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, 2022	Redemption Policy at September 30, 2022
	2022	2021		
Equity and fixed-income securities	\$ 133	\$ 19,641	\$ -	Primarily daily/monthly Redemption notice of two calendar months
Multistrategy hedge funds	11,306	11,496	-	
Total investments measured at the NAV	<u>\$ 11,439</u>	<u>\$ 31,137</u>	<u>\$ -</u>	

At September 30, 2022 and 2021, 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, 2022	Redemption Policy at September 30, 2022
	2022	2021		
Equity and fixed-income securities	\$ 330,870	\$ 279,677	\$ -	Primarily monthly with a maximum of 30 days notice Redemptions are not permitted
Credit and loan private investments	2,165	4,750	425	
Multistrategy hedge funds	43,422	71,516	-	Quarterly with 90 days notice
Equity private investments	22,158	14,997	34,613	Redemptions are not permitted
Commodities private investments	40,724	64,779	24,067	Maximum of quarterly with 90 days notice
Total investments measured at the NAV	<u>\$ 439,339</u>	<u>\$ 435,719</u>	<u>\$ 59,105</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, 2022 and 2021 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, 2022 and 2021 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, 2022 and 2021 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, 2022 and 2021 real assets investments include investments in comingled funds and private investments that invest in inflation-linked fixed-income instruments, commodity derivative instruments, and real estate funds. The fair values of the investments in this class have been estimated using the net asset value of the University's ownership interest in partners' capital. The Foundation's real assets investments have a variety of redemption policies and notification periods, the most restrictive of which permit quarterly redemptions with a 90-day notification period.

Note 15 - Service Concession Arrangement

On November 30, 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.

Note 15 - Service Concession Arrangement (Continued)

In accordance with the SCA, Corvias constructed and renovated housing projects on campus. The budget for the housing projects was \$151,350,000, and all projects were planned for completion by 2020. There were no project costs in 2022. In 2021, Corvias provided \$555,000 in final costs towards the Chatsworth renovation project which was recorded in capital assets as of September 30, 2021. The total consideration provided by Corvias of \$555,000, in 2021 was reflected as deferred inflow of resources. The University amortized \$6,661,000 and \$6,659,000 of the deferred inflow in 2022 and 2021, respectively, leaving a remaining deferred inflow of resources balance of \$234,005,000 and \$240,666,000 at September 30, 2022 and 2021, respectively.

Note 16 - Future Accounting Pronouncements

In March 2020, the GASB issued Statement No. 93, Replacement of Interbank Offered Rates. The Statement amends accounting guidance that will be impacted by global reference rate reform and the related end of the London Interbank Offered Rate (LIBOR). The University will be required to implement the provisions of this statement when LIBOR ceases to be determined by the ICE Benchmark Administration. The University is in the process of determining the full impact of this standard on its financial statements.

In March 2020, the GASB issued Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, to bring a uniform guidance on how to report public-private and public-public partnership arrangements. As a result, transferors in public-private or public-public arrangements will recognize receivables for installment payments, deferred inflows of resources, and, when applicable, capital assets. Operators will recognize liabilities for installment payments and intangible right-to-use assets, and when applicable, deferred outflows of resources and liabilities for assets being transferred. This statement also provides guidance for accounting and financial reporting for availability payment arrangements, in which a government compensates an operator for services such as designing, constructing, financing, maintaining, or operating an underlying asset for a period of time in an exchange of exchange-like transaction. The provisions of this statement are effective for the University's financial statements for the year ending September 30, 2023.

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.

In June 2022, the Governmental Accounting Standards Board issued GASB Statement No. 101, Compensated Absences, which updates the recognition and measurement guidance for compensated absences under a unified model. This Statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means and establishes guidance for measuring a liability for leave that has not been used. It also updates disclosure requirements for compensated absences. The provisions of this statement are effective for the University financial statements for the year ending September 30, 2025.

Required Supplementary Information

Schedule of Changes in the University's Total OPEB Liability and Related Ratios September 30, 2022

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

	2022	2021	2020	2019	2018
Service cost	\$ 718,000	\$ 725,000	\$ 194,000	\$ 215,000	\$ 380,000
Interest cost	252,000	273,000	323,000	296,000	254,000
Effect of plan changes	730,000	-	-	-	-
Difference between expected and actual plan experience	(1,203,000)	(542,000)	(318,000)	(393,000)	(385,000)
Changes in assumptions	(221,000)	679,000	1,847,000	(510,000)	(627,000)
Benefit payments	(20,000)	(19,000)	(8,000)	(10,000)	(11,000)
Net changes	<u>\$ 256,000</u>	<u>\$ 1,116,000</u>	<u>\$ 2,038,000</u>	<u>\$ (402,000)</u>	<u>\$ (389,000)</u>
Total liability - Beginning of year	\$ 10,684,000	\$ 9,568,000	\$ 7,530,000	\$ 7,932,000	\$ 8,321,000
Total liability - End of year	\$ 10,940,000	\$ 10,684,000	\$ 9,568,000	\$ 7,530,000	\$ 7,932,000
Covered employee payroll	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Total liability as a percentage of covered employee payroll	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

Discount rates used in determining the total reported liability for postemployment benefits obligations were 2.26, 2.21, 2.66, 4.18, and 3.64 percent at the measurement dates of September 30, 2022, 2021, 2020, 2019, and 2018, respectively. Effective for the September 30, 2022 measurement date, the plan was amended to allow for a special early retirement window offering a different life insurance payout amount for participants who retired during a specified period which increased the liability by approximately \$730,000. 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, 2022 (with comparative total for the year ended September 30, 2021) (in thousands)

	2022													2021
														(as restated)
	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	\$ 263,803	\$ 34,668	\$ 4,992	\$ 316	\$ 78,710	\$ 382,489	\$ 80,537	\$ 10,941	\$ 1,572	\$ 53,134	\$ 528,673	\$ 7,068	\$ 535,741	\$ 486,399
Current receivables - Net	54,974	16,473	3,761	685	30,263	106,156	1,295	120	-	5,183	112,754	458	113,212	158,754
Inventories	831	-	320	-	-	1,151	-	-	-	-	1,151	-	1,151	1,115
Prepaid expenses and deposits	47,544	126	229	58	480	48,437	25	-	-	262	48,724	-	48,724	52,293
Total current assets	367,152	51,267	9,302	1,059	109,453	538,233	81,857	11,061	1,572	58,579	691,302	7,526	698,828	698,561
Noncurrent Assets														
Investments	-	-	1,528	-	-	1,528	106,652	-	7,831	-	116,011	445,739	561,750	666,591
Noncurrent receivables - Net	-	5,650	-	3	784	6,437	34,979	16,454	-	-	57,870	90	57,960	48,841
Derivative instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	528
Capital assets - Net	-	-	-	-	-	-	1,056,396	-	-	-	1,056,396	-	1,056,396	1,058,566
Total noncurrent assets	-	5,650	1,528	3	784	7,965	1,198,027	16,454	7,831	-	1,230,277	445,829	1,676,106	1,774,526
Total assets	367,152	56,917	10,830	1,062	110,237	546,198	1,279,884	27,515	9,403	58,579	1,921,579	453,355	2,374,934	2,473,087
Deferred Outflows of Resources	1,324	-	-	-	-	1,324	11,705	-	-	-	13,029	-	13,029	14,151
Liabilities														
Current Liabilities														
Accounts payable and accrued liabilities	46,792	1,967	2,388	195	11,429	62,771	26,291	-	233	53,107	142,402	657	143,059	133,691
Unearned revenue	126,170	8,123	2,067	92	22,187	158,639	(296)	-	-	-	158,343	-	158,343	182,055
Deposits	1,960	202	64	-	3	2,229	-	-	-	5,472	7,701	-	7,701	7,845
Long-term debt - Current portion	-	-	-	-	-	-	23,990	-	-	-	23,990	-	23,990	21,700
Total current liabilities	174,922	10,292	4,519	287	33,619	223,639	49,985	-	233	58,579	332,436	657	333,093	345,291
Noncurrent Liabilities														
Federal portion of student loan funds	-	-	-	-	-	-	-	16,803	-	-	16,803	-	16,803	19,152
Accrued employee benefits and other liabilities	24,124	-	3,201	-	-	27,325	(4,475)	-	2,912	-	25,762	-	25,762	24,486
Long-term debt - Net of current portion	-	-	-	-	-	-	562,904	-	-	-	562,904	-	562,904	586,892
Derivative instruments	-	-	-	-	-	-	253	-	-	-	253	-	253	-
Total noncurrent liabilities	24,124	-	3,201	-	-	27,325	558,682	16,803	2,912	-	605,722	-	605,722	630,530
Total liabilities	199,046	10,292	7,720	287	33,619	250,964	608,667	16,803	3,145	58,579	938,158	657	938,815	975,821
Deferred Inflow of Resources	1,949	-	10,616	-	-	12,565	263,813	-	491	-	276,869	-	276,869	272,152
Net Position (Deficit)														
Net investment in capital assets	-	-	-	-	-	-	365,030	-	-	-	365,030	-	365,030	375,183
Restricted:														
Nonexpendable	-	-	-	-	-	-	-	6,809	2,019	-	8,828	265,524	274,352	259,541
Expendable	-	-	-	-	76,618	76,618	7,556	-	3,748	-	87,922	169,015	256,937	337,434
Unrestricted	167,481	46,625	(7,506)	775	-	207,375	46,523	3,903	-	-	257,801	18,159	275,960	267,107
Total net position (deficit)	\$ 167,481	\$ 46,625	\$ (7,506)	\$ 775	\$ 76,618	\$ 283,993	\$ 419,109	\$ 10,712	\$ 5,767	\$ -	\$ 719,581	\$ 452,698	\$ 1,172,279	\$ 1,239,265

Combining Statement of Revenues, Expenses, Transfers, and Changes in Net Position (Deficit) Year Ended September 30, 2022 (with comparative totals for the year ended September 30, 2021) (in thousands)

Year Ended September 30													
2022													2021 (as restated)
	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	\$ 401,616	\$ -	\$ 8,401	\$ -	\$ -	\$ 410,017	\$ 132	\$ -	\$ -	\$ -	\$ 410,149	\$ -	\$ 410,149
Less scholarship allowances	-	-	-	-	-	-	-	-	-	(130,401)	(130,401)	-	(130,401)
Net student tuition and fees	401,616	-	8,401	-	-	410,017	132	-	-	(130,401)	279,748	-	279,748
Federal grants and contracts	-	-	-	-	115,721	115,721	-	-	-	-	115,721	-	115,721
State and local grants and contracts	-	-	-	-	33,897	33,897	-	-	-	-	33,897	-	33,897
Nongovernmental grants and contracts	5,546	76,591	-	-	39,224	121,361	-	-	-	-	121,361	-	121,361
Departmental activities	11,734	10,566	-	1,620	1,256	25,176	52	-	-	-	25,228	-	25,228
Auxiliary enterprises - Net of scholarship allowances of \$968 in 2022 and \$696 in 2021	-	-	18,182	-	-	18,182	-	-	-	(968)	17,214	-	17,214
Recovery of indirect costs of sponsored programs	36,288	-	-	-	(36,288)	-	-	-	-	-	-	-	-
Other operating revenues	4,634	-	-	-	-	4,634	25	44	-	-	4,703	-	4,703
Total operating revenues	459,818	87,157	26,583	1,620	153,810	728,988	209	44	-	(131,369)	597,872	-	597,872
Operating Expenses													
Instruction	231,783	28,355	-	-	15,233	275,371	-	-	-	(2,102)	273,269	-	273,269
Research	46,443	1,692	-	-	110,050	158,185	-	-	-	(6,922)	151,263	-	151,263
Public service	1,830	16,431	-	3,931	38,175	60,367	-	-	-	(391)	59,976	-	59,976
Academic support	74,485	3,133	-	-	826	78,444	-	-	-	(9,060)	69,384	-	69,384
Student services	39,571	584	-	-	376	40,531	-	-	-	(33)	40,498	-	40,498
Institutional support	83,609	5,596	-	-	51	89,256	-	-	-	(860)	88,396	-	88,396
Operation and maintenance of plant	58,675	1,868	-	-	294	60,837	10,143	-	-	(3,212)	67,768	-	67,768
Scholarships and fellowships	102,436	185	-	-	81,401	184,022	-	-	-	(131,369)	52,653	-	52,653
Auxiliary enterprises	-	-	21,212	-	-	21,212	-	-	-	(27)	21,185	-	21,185
Depreciation	-	-	-	-	-	-	70,401	-	-	-	70,401	-	70,401
Capital additions - Net	-	-	-	-	-	-	(22,607)	-	-	22,607	-	-	-
Transfers out (in):													
Debt service	28,180	542	6,592	-	-	35,314	(35,314)	-	-	-	-	-	-
Loan matching	13	-	-	-	-	13	-	(13)	-	-	-	-	-
Plant improvement and extension	9,962	3,664	921	-	23	14,570	(14,570)	-	-	-	-	-	-
Other	(7,859)	(20,501)	(146)	-	28,474	(32)	-	32	-	-	-	-	-
Total operating expenses	669,128	41,549	28,579	3,931	274,903	1,018,090	8,053	19	-	(131,369)	894,793	-	894,793
Operating (Loss) Income	(209,310)	45,608	(1,996)	(2,311)	(121,093)	(289,102)	(7,844)	25	-	-	(296,921)	-	(296,921)

Wayne State University

Combining Statement of Revenues, Expenses, Transfers, and Changes in Net Position (Deficit) (Continued) Year Ended September 30, 2022 (with comparative totals for the year ended September 30, 2021) (in thousands)

	Year Ended September 30											2021		
	2022											(as restated)		
	General Fund	Designated Fund	Auxiliary Activities Fund	Independent Operations Fund	Expendable Restricted Fund	Subtotal Current Funds	Plant Fund	Student Loan Fund	Endowment and Similar Funds	Adjustments	University Total	Wayne State University Foundation Total	Total	Total
Nonoperating Revenues (Expenses)														
State operating appropriation	\$ 205,245	\$ -	\$ -	\$ -	\$ 287	\$ 205,532	\$ -	\$ -	\$ -	\$ -	\$ 205,532	\$ -	\$ 205,532	\$ 211,422
Federal Pell grant	-	-	-	-	38,054	38,054	-	-	-	-	38,054	-	38,054	39,309
Federal economic relief funds	-	-	-	-	57,386	57,386	-	-	-	-	57,386	-	57,386	40,687
Gifts	-	17,521	13	2,259	13,729	33,522	-	10	1,026	-	34,558	715	35,273	25,310
Investment income (loss):														
Change in fair value of derivatives	-	-	-	-	-	-	(781)	-	-	-	(781)	-	(781)	(332)
Endowment and similar funds	-	-	-	-	111	111	-	-	(111)	-	-	-	-	-
Other	9,456	(54,228)	10	-	644	(44,118)	180	183	(199)	-	(43,954)	(68,401)	(112,355)	128,463
Net distributions from the Foundation	1,883	(9,137)	-	7	16,724	9,477	44	3	(626)	-	8,898	(8,898)	-	-
Interest on capital asset - Related debt	-	-	-	-	-	-	(23,234)	-	-	-	(23,234)	-	(23,234)	(20,564)
Gain (loss) on capital assets retired	-	-	-	-	-	-	(10)	-	-	-	(10)	-	(10)	(55)
Other	-	-	-	-	-	-	10,962	(96)	(717)	-	10,149	-	10,149	10,042
Net nonoperating revenues (expenses)	216,584	(45,844)	23	2,266	126,935	299,964	(12,839)	100	(627)	-	286,598	(76,584)	210,014	434,282
Income (Loss) Before Other	7,274	(236)	(1,973)	(45)	5,842	10,862	(20,683)	125	(627)	-	(10,323)	(76,584)	(86,907)	153,629
Other														
State capital appropriation	-	-	-	-	-	-	4,171	-	-	-	4,171	-	4,171	2,413
Capital gifts	-	-	-	-	-	-	600	-	-	-	600	-	600	334
Gifts for permanent endowments	-	-	-	-	-	-	-	-	-	-	-	15,150	15,150	12,362
Total other	-	-	-	-	-	-	4,771	-	-	-	4,771	15,150	19,921	15,109
Increase (Decrease) in Net Position	7,274	(236)	(1,973)	(45)	5,842	10,862	(15,912)	125	(627)	-	(5,552)	(61,434)	(66,986)	168,738
Net Position (Deficit) - Beginning of year	160,207	46,861	(5,533)	820	70,776	273,131	435,021	10,587	6,394	-	725,133	514,132	1,239,265	1,070,527
Net Position (Deficit) - End of year	\$ 167,481	\$ 46,625	\$ (7,506)	\$ 775	\$ 76,618	\$ 283,993	\$ 419,109	\$ 10,712	\$ 5,767	\$ -	\$ 719,581	\$ 452,698	\$ 1,172,279	\$ 1,239,265

Wayne State University

Combining Statement of Net Position (Deficit) Year Ended September 30, 2021 (in thousands)

	2021 (as restated)												
	General Fund	Designated Fund	Auxiliary Activities Fund	Independent Operations Fund	Expendable Restricted Fund	Subtotal Current Funds	Plant Fund	Student Loan Fund	Endowment and Similar Funds	Agency Fund	University Total	Wayne State University Foundation Total	Total
Assets													
Current Assets													
Cash, cash equivalents, and investments	\$ 264,500	\$ 33,641	\$ 6,237	\$ 616	\$ 43,591	\$ 348,585	\$ 84,167	\$ 11,198	\$ 1,530	\$ 40,919	\$ 486,399	\$ -	\$ 486,399
Current receivables - Net	86,286	12,124	4,649	835	48,716	152,610	1,713	103	-	3,967	158,393	361	158,754
Inventories	849	-	266	-	-	1,115	-	-	-	-	1,115	-	1,115
Prepaid expenses and deposits	51,240	87	159	25	468	51,979	50	-	-	264	52,293	-	52,293
Total current assets	402,875	45,852	11,311	1,476	92,775	554,289	85,930	11,301	1,530	45,150	698,200	361	698,561
Noncurrent Assets													
Investments	-	-	1,523	-	-	1,523	142,718	-	7,987	-	152,228	514,363	666,591
Noncurrent receivables - Net	-	6,256	-	1	459	6,716	23,557	18,438	-	-	48,711	130	48,841
Derivative instruments	-	-	-	-	-	-	528	-	-	-	528	-	528
Capital assets - Net	-	-	-	-	-	-	1,058,566	-	-	-	1,058,566	-	1,058,566
Total noncurrent assets	-	6,256	1,523	1	459	8,239	1,225,369	18,438	7,987	-	1,260,033	514,493	1,774,526
Total assets	402,875	52,108	12,834	1,477	93,234	562,528	1,311,299	29,739	9,517	45,150	1,958,233	514,854	2,473,087
Deferred Outflows of Resources	1,773	-	-	-	-	1,773	12,378	-	-	-	14,151	-	14,151
Liabilities													
Current Liabilities													
Accounts payable and accrued liabilities	52,691	2,046	2,393	151	9,065	66,346	25,916	-	178	40,529	132,969	722	133,691
Unearned revenue	165,409	1,760	1,797	-	13,390	182,356	(301)	-	-	-	182,055	-	182,055
Deposits	1,723	1,441	57	-	3	3,224	-	-	-	4,621	7,845	-	7,845
Long-term debt - Current portion	-	-	-	506	-	506	21,194	-	-	-	21,700	-	21,700
Total current liabilities	219,823	5,247	4,247	657	22,458	252,432	46,809	-	178	45,150	344,569	722	345,291
Noncurrent Liabilities													
Federal portion of student loan funds	-	-	-	-	-	-	-	19,152	-	-	19,152	-	19,152
Accrued employee benefits and other liabilities	23,306	-	3,201	-	-	26,507	(4,475)	-	2,454	-	24,486	-	24,486
Long-term debt - Net of current portion	-	-	-	-	-	-	586,892	-	-	-	586,892	-	586,892
Total noncurrent liabilities	23,306	-	3,201	-	-	26,507	582,417	19,152	2,454	-	630,530	-	630,530
Total liabilities	243,129	5,247	7,448	657	22,458	278,939	629,226	19,152	2,632	45,150	975,099	722	975,821
Deferred Inflow of Resources	1,312	-	10,919	-	-	12,231	259,430	-	491	-	272,152	-	272,152
Net Position (Deficit)													
Net investment in capital assets	-	-	-	-	-	-	375,183	-	-	-	375,183	-	375,183
Restricted:													
Nonexpendable	-	-	-	-	-	-	-	7,165	2,501	-	9,666	249,875	259,541
Expendable	-	-	-	-	70,776	70,776	7,860	-	3,893	-	82,529	254,905	337,434
Unrestricted	160,207	46,861	(5,533)	820	-	202,355	51,978	3,422	-	-	257,755	9,352	267,107
Total net position (deficit)	\$ 160,207	\$ 46,861	\$ (5,533)	\$ 820	\$ 70,776	\$ 273,131	\$ 435,021	\$ 10,587	\$ 6,394	\$ -	\$ 725,133	\$ 514,132	\$ 1,239,265

Wayne State University

Combining Statement of Revenues, Expenses, Transfers, and Changes in Net Position (Deficit) Year Ended September 30, 2021 (in thousands)

	Year Ended September 30												
	2021 (as restated)												
	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	\$ 407,031	\$ -	\$ 7,698	\$ -	\$ -	\$ 414,729	\$ 126	\$ -	\$ -	\$ -	\$ 414,855	\$ -	\$ 414,855
Less scholarship allowances	-	-	-	-	-	-	-	-	-	(133,178)	(133,178)	-	(133,178)
Net student tuition and fees	407,031	-	7,698	-	-	414,729	126	-	-	(133,178)	281,677	-	281,677
Federal grants and contracts	-	-	-	-	104,094	104,094	-	-	-	-	104,094	-	104,094
State and local grants and contracts	-	-	-	-	31,172	31,172	-	-	-	-	31,172	-	31,172
Nongovernmental grants and contracts	3,297	60,177	-	-	49,130	112,604	-	-	-	-	112,604	-	112,604
Departmental activities	9,515	7,067	-	862	1,096	18,540	438	-	-	-	18,978	-	18,978
Auxiliary enterprises - Net of scholarship allowances of \$696 in 2021 and \$1,299 in 2020	-	-	13,169	-	-	13,169	-	-	-	(696)	12,473	-	12,473
Recovery of indirect costs of sponsored programs	35,707	-	-	-	(35,707)	-	-	-	-	-	-	-	-
Other operating revenues	4,577	-	-	-	-	4,577	-	51	-	-	4,628	-	4,628
Total operating revenues	460,127	67,244	20,867	862	149,785	698,885	564	51	-	(133,874)	565,626	-	565,626
Operating Expenses													
Instruction	233,715	27,280	-	-	16,307	277,302	-	-	-	(1,589)	275,713	-	275,713
Research	42,090	2,176	-	-	107,021	151,287	-	-	-	(8,204)	143,083	-	143,083
Public service	2,067	18,036	-	3,256	39,906	63,265	-	-	-	(687)	62,578	-	62,578
Academic support	69,842	1,793	-	-	864	72,499	-	-	-	(7,863)	64,636	-	64,636
Student services	40,462	725	-	-	353	41,540	-	-	-	(398)	41,142	-	41,142
Institutional support	79,892	5,358	-	-	1,794	87,044	-	-	-	(299)	86,745	-	86,745
Operation and maintenance of plant	54,856	1,429	-	-	161	56,446	4,201	-	-	(3,440)	57,207	-	57,207
Scholarships and fellowships	97,448	160	-	-	65,441	163,049	-	-	-	(133,874)	29,175	-	29,175
Auxiliary enterprises	-	-	16,700	-	-	16,700	-	-	-	(79)	16,621	-	16,621
Depreciation	-	-	-	-	-	-	69,379	-	-	-	69,379	-	69,379
Capital additions - Net	-	-	-	-	-	-	(22,559)	-	-	22,559	-	-	-
Loss on impaired asset	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers out (in):													
Debt service	25,372	542	5,708	-	-	31,622	(31,622)	-	-	-	-	-	-
Loan matching	-	-	-	-	-	-	-	-	-	-	-	-	-
Plant improvement and extension	21,627	17,791	621	-	114	40,153	(40,153)	-	-	-	-	-	-
Other	(23,187)	4,473	(2,944)	-	21,613	(45)	-	45	-	-	-	-	-
Total operating expenses	644,184	79,763	20,085	3,256	253,574	1,000,862	(20,754)	45	-	(133,874)	846,279	-	846,279
Operating (Loss) Income	(184,057)	(12,519)	782	(2,394)	(103,789)	(301,977)	21,318	6	-	-	(280,653)	-	(280,653)

Wayne State University

Combining Statement of Revenues, Expenses, Transfers, and Changes in Net Position (Deficit) (Continued) Year Ended September 30, 2021 (in thousands)

Year Ended September 30													
2021 (as restated)													
	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	\$ 211,173	\$ -	\$ -	\$ -	\$ 249	\$ 211,422	\$ -	\$ -	\$ -	\$ -	\$ 211,422	\$ -	\$ 211,422
State Cares appropriation	-	-	-	-	-	-	-	-	-	-	-	-	-
Federal Pell grant	-	-	-	-	39,309	39,309	-	-	-	-	39,309	-	39,309
Federal economic relief funds	-	-	-	-	40,687	40,687	-	-	-	-	40,687	-	40,687
Gifts	-	10,884	22	2,416	10,994	24,316	-	4	25	-	24,345	965	25,310
Investment income (loss):													
Change in fair value of derivatives	-	-	-	-	-	-	(332)	-	-	-	(332)	-	(332)
Endowment and similar funds	-	-	-	-	107	107	-	-	(107)	-	-	-	-
Other	8,627	19,069	15	(1)	669	28,379	1,371	139	589	-	30,478	97,985	128,463
Net distributions from the Foundation	1,750	(24)	-	7	15,071	16,804	42	8	971	-	17,825	(17,825)	-
Interest on capital asset - Related debt	-	-	-	-	-	-	(20,564)	-	-	-	(20,564)	-	(20,564)
Gain (loss) on capital assets retired	-	-	-	-	-	-	(55)	-	-	-	(55)	-	(55)
Other	-	-	-	-	-	-	10,021	(124)	145	-	10,042	-	10,042
Net nonoperating revenues (expenses)	221,550	29,929	37	2,422	107,086	361,024	(9,517)	27	1,623	-	353,157	81,125	434,282
Income (Loss) Before Other	37,493	17,410	819	28	3,297	59,047	11,801	33	1,623	-	72,504	81,125	153,629
Other													
State capital appropriation	-	-	-	-	-	-	2,413	-	-	-	2,413	-	2,413
Capital gifts	-	-	-	-	-	-	334	-	-	-	334	-	334
Gifts for permanent endowments	-	-	-	-	-	-	-	-	-	-	-	12,362	12,362
Total other	-	-	-	-	-	-	2,747	-	-	-	2,747	12,362	15,109
Increase (Decrease) in Net Position	37,493	17,410	819	28	3,297	59,047	14,548	33	1,623	-	75,251	93,487	168,738
Net Position (Deficit) - Beginning 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
Net Position (Deficit) - End of year	\$ 160,207	\$ 46,861	\$ (5,533)	\$ 820	\$ 70,776	\$ 273,131	\$ 435,021	\$ 10,587	\$ 6,394	\$ -	\$ 725,133	\$ 514,132	\$ 1,239,265



WAYNE STATE
UNIVERSITY

wayne.edu
877-WSU-INFO