

Submitted by: Bill Decatur, Vice President, Finance and Business Operations

Audited Financial Report for Fiscal Year 2016

In accordance with Board of Governors Statutes, the Administration is submitting the Combined Financial Statements, along with additional information reflecting the individual fund statements of Wayne State University as of September 30, 2016 and for the year then ended, together with the report of Plante Moran, L.L.P.

The statements were presented to the Board's Audit Subcommittee on February 8, 2017 were approved at that meeting, and are transmitted in the attached.

Discussion

The financial statements, as prepared by Finance and Business Operations and audited by Plante Moran, L.L.P., are attached. The auditors have again issued an unqualified opinion that the financial statements present fairly the financial position of the University at September 30, 2016 and its financial operations for the year then ended.

The firm of Alan Young P.C. assisted Plante Moran, L.L.P. with the audit as a subcontractor. Representatives of Plante Moran, L.L.P. are in attendance and will respond to questions as needed.

Fiscal Year 2016 Financial Statements

Independent Auditor's Report

☐ Clearly identifies responsibilities for the Financial Statements

- WSU – *“Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America.....”*
- Auditors – *“Our responsibility is to express an opinion on these financial statements based on our audits”*.

☐ WSU financial statements have been audited by the external audit firm Plante Moran, PLLC. We received an Unmodified (“Clean”) Opinion.

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

Consolidated Summary of Revenue, Expenses and Change in Net Position - FY 2016
compared with FY 2015:

(in millions)	Year ended September 30, 2015			Year ended September 30, 2016			Change
Fiscal Year	University	Foundation	Consolidated	University	Foundation	Consolidated	Consolidated
Operating Revenues	\$560.9	\$0.0	\$560.9	\$553.0	\$0.0	\$553.0	(\$7.9)
Nonoperating and Other Revenues	302.2	(4.1)	298.1	322.8	42.7	365.5	67.4
Total Revenues	\$863.1	(\$4.1)	\$859.0	\$875.8	\$42.7	\$918.5	\$59.5
Operating Expenses	\$836.4	\$0.0	\$836.4	\$824.8	\$0.0	\$824.8	(\$11.6)
Nonoperating and Other Expenses	20.2	10.5	30.7	21.4	10.5	31.9	1.2
Total Expenses	\$856.6	\$10.5	\$867.1	\$846.2	\$10.5	\$856.7	(\$10.4)
Increase (Decrease) in Net Position	\$6.5	(\$14.6)	(\$8.1)	\$29.6	\$32.2	\$61.8	\$69.9

Statement of Revenues and Expenses – FY 2016 compared with FY 2015**Combined University and Foundation**

- **Operating Revenues decreased \$7.9M**
 - Net Tuition and Fees (+\$6.3M)
 - Grants and Contracts (-\$13.6M): State & Local (-\$2.3M), Nongovernmental (-\$11.3M)
 - Department, Auxiliaries, and Other (-\$0.6M): Department (-\$0.6M), Auxiliaries (-\$0.3M), Other (+\$0.3M)
- **Non-operating and Other Revenues increased \$67.4M**
 - State Appropriations (-\$23.5M): Capital (-\$24.4M), Operating (+\$0.9M)
 - Increased University Gifts (+\$37.5M): Mike Ilitch \$35.0 million pledge to construct School of Business
 - Higher Investment Income (+\$7.8M): Unrealized gain (+\$9.2M), Derivatives (-\$0.9M), Realized (-\$0.5M)
 - Other (-\$1.3M)
 - Foundation revenues increased (+\$46.9M): Investment Income (+\$38.4M), Gifts (+\$8.5M)
- **Operating Expenses decreased \$11.6M**
 - Decreased compensation and benefits (-\$5.5M) attributable principally to the 2015 one-time costs related to the AVRIP program and the 2016 impact of the headcount reduction, offset partially by inflationary increases in compensation costs
 - Decrease in Supplies, Services and Other Expenses (-\$6.4M): Uncapitalized project expenses (-1.9M), Aramark non-recurring costs in FY15 (\$-2.1M), Other (\$-2.4M)
 - Other (+0.3M)

Total net position increased \$61.8 million in 2016. The Foundation's net position increased \$32.2M, while the University's net position increased by \$29.6M.

Statement of Revenues and Expenses – FY 2016 compared with FY 2015

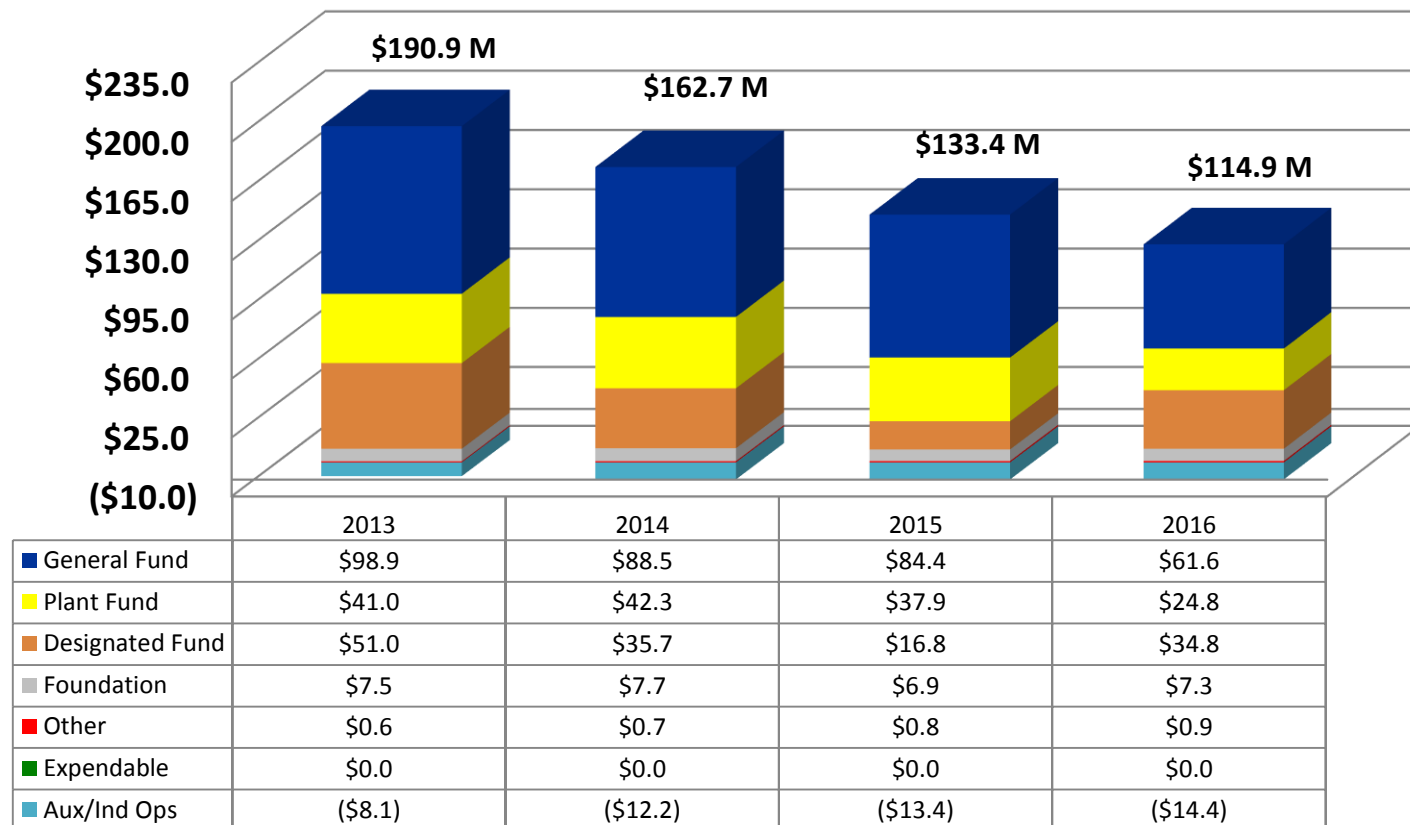
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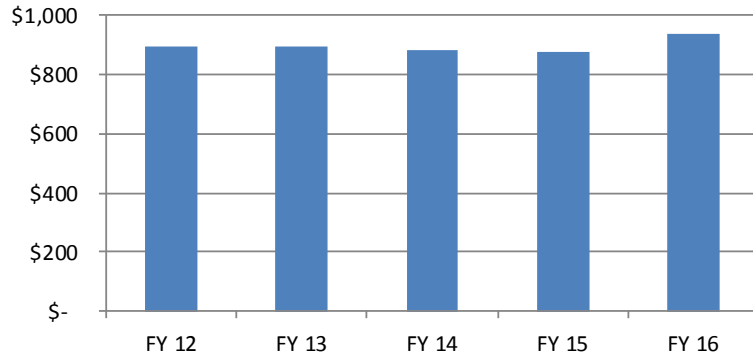
Unrestricted Net Position (Net Assets):

- ❑ The majority of the unrestricted net assets are committed or designated for specific programs, projects and/or functions.
- ❑ The chart below summarizes unrestricted net assets by fund for the past four fiscal years (in millions):

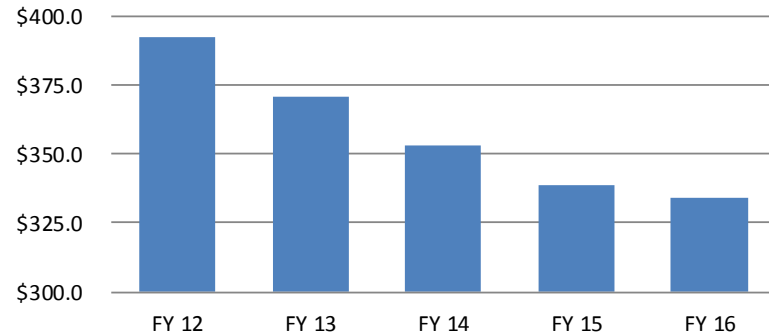


➤ Financial Performance Summary

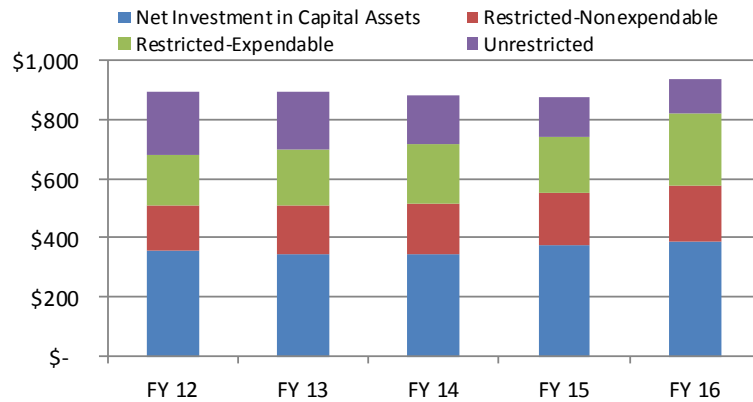
Total Net Position - Consolidated
(dollars in millions)



Cash and Temporary Investments - University
Cash Pool Balance
(dollars in millions)



Net Position by Component - Consolidated
(dollars in millions)



Cash and Temporary Investments - University
Investment Income and Realized Gains
(Does Not Include Unrealized Gains)
(dollars in millions)

