

Wayne State University

**Financial Report
with Supplemental Information
September 30, 2014**

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WAYNE STATE UNIVERSITY

This report summarizes the financial position and results of operation of Wayne State University for the fiscal years ended September 30, 2014 and September 30, 2013. These financial statements have been audited by Plante & Moran PLLC, Certified Public Accountants who have again issued an unmodified opinion regarding Wayne State's statements. Management's discussion and analysis of these financial statements and results begins on page 4 and provides details regarding the operation of the University during the past three years. These financial statements discretely show the results and financial position of the Wayne State University Foundation separate from the University in accordance with GASB Statement No. 61.

Wayne State's net position decreased \$29.2 million in fiscal year 2014 principally because of shortfalls in enrollment and indirect cost recovery, as well as spending of amounts set aside in previous years for capital projects and research initiatives. Wayne State's "AA-" credit rating from Standard and Poor's was reaffirmed in December, 2014; however Moody's downgraded the University from "Aa2" to "Aa3".

The University's new Advanced Technology Education Center (ATEC) located in Macomb County opened in September, 2014 and now provides an opportunity for students to earn a 4 year Wayne State degree in Macomb County. Work continues on our new Integrative BioSciences Center (IBio, formerly MBRB) and renovation of the Student Center and both will be completed in fiscal year 2015.

Student success, including improvement both in retention and graduation rates, remains the critical focus of the University's academic mission. Our academic advising initiative has resulted in hiring 40 academic advisors over a three year period. Our investments in student success have yielded an 8 percentage point increase in the six-year graduation rate for full-time FTIACs over the past three years. Moreover, student retention rates into the third and fourth years are at a 16-year high. Students are showing academic gains as well, in both GPA and in the number of credit hours earned for new students entering in recent years.

The gains in student success are bolstered by several initiatives to enhance enrollment. The new ATEC building, which houses engineering and technology programs, now enrolls more than 400 students. Both ATEC and a new partnership with Schoolcraft College are examples of how the University is working with community colleges to expand pathways into WSU to a broader section of the transfer student market. Finally, the 2014 entering class had the strongest academic profile in Wayne State history, and Fall 2014 enrollment stabilized at 2013 levels and exceeded budget.

The University spent the second half of 2014 developing a new strategic plan which will be launched early in 2015. Strategic focus areas will include Student Success, Research, Teaching Excellence, Diversity & Inclusion, Entrepreneurship, Community Engagement and Financial Sustainability.



Rick Nork
Vice President for Finance and Business Operations
Treasurer and Chief Financial Officer
January 26, 2015

Independent Auditor's Report

To the Board of Governors
Wayne State University

Report on the Financial Statements

We have audited the accompanying financial statements of Wayne State University (the "University") and its discretely presented component unit as of and for the years ended September 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise Wayne State University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Wayne State University and its discretely presented component unit as of September 30, 2014 and 2013 and the respective changes in its financial position and, where applicable, cash flows, for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the basic financial statements, effective October 1, 2013, the University adopted new accounting guidance under GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities. Our opinion is not modified in respect to this matter.

To the Board of Governors
Wayne State University

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Wayne State University's basic financial statements. The other supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2015 on our consideration of the Wayne State University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Wayne State University's internal control over financial reporting and compliance.

Plante & Moran, PLLC

January 26, 2015

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, 2014 and the results of its operations and cash flows for the year then ended. Selected comparative information is provided for the year ended September 30, 2013. 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 2014 financial report.

Wayne State University is a nationally recognized public research university with urban roots and a global reputation. The main campus, located in Detroit's University Cultural Center, includes more than 350 undergraduate, graduate, doctoral, certificate, and professional programs offered through the University's schools and colleges. With fall 2014 enrollment of approximately 27,600 students, the University ranks among the top 75 public and private not-for-profit universities in the nation in terms of enrollment and has the most diverse student body of any university in Michigan. As the seventh largest employer in the city of Detroit, as ranked by the 2013 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 2012 National Science Foundation Research and Development Expenditures Survey, the University ranked 84th among all universities and 55th 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 2012 National Science Foundation Research and Development Expenditures Survey ranked the University 51st in the medical sciences category. Based on the most recent Carnegie Classification of Higher Education, Wayne State University ranked within the top 2.3 percent of the nation's universities and colleges with the Carnegie classification of RU/VH (Research Universities, Very High research activity). Wayne State University, Michigan State University, and the University of Michigan, the state's three largest research universities, are partners in the University Research Corridor (URC). The URC is an alliance among these three universities to spark regional economic development through invention, innovation, and technology transfer, by educating a work force prepared for the "knowledge economy," and by attracting smart and talented people to Michigan.

Using this Report

The University's financial report includes three basic financial statements: the statement of net position, which presents the assets, liabilities, and net position of the University at September 30, 2014, the statement of revenues, expenses, and changes in net position, which reflects revenues and expenses recognized during the fiscal year, and the statement of cash flows, which provides information on the major sources and uses of cash during the fiscal year. The report also includes notes to the financial statements, which are an integral component of the report. These financial statements and accompanying notes are prepared in accordance with the principles of the Governmental Accounting Standards Board (GASB). Consistent with the GASB principles, the Wayne State University Foundation (the "Foundation") as a controlled corporate organization is considered a component unit of the University and its statement of financial position and statement of activities and changes in net position are discretely presented in the University's financial statements. The management's discussion and analysis refers to the University only (excluding the Foundation), unless otherwise noted. Additional supplemental information, which provides the statement of net position and operating information for the various funds of the University, is also included in the report.

Wayne State University

Management's Discussion and Analysis - Unaudited (Continued)

Overall Financial Highlights

The University's financial position remained stable and strong at September 30, 2014 with assets and liabilities of \$1.4 billion and \$0.8 billion, respectively. Net position, which represents the residual interest in the University's assets after liabilities are deducted, was \$576.6 million as of September 30, 2014, a decrease of \$29.2 million compared with the prior year. The University has credit ratings of "Aa3" and "AA-" with the rating services of Moody's and Standard & Poor's, respectively as of December 2014.

Financial Position

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

	2014	2013	2012
	(in millions)		
Total assets	\$ 1,391.5	\$ 1,411.4	\$ 1,331.5
Total liabilities	814.9	805.6	700.6
Net position	576.6	605.8	630.9

Specific discussion and analysis of the changes in the components of the assets, liabilities, and net position categories are provided on pages 6-10.

Operations

A summary of revenues and expenses, including the operating, nonoperating, and other categories for the years ended September 30, 2014, 2013, and 2012, is as follows:

	2014	2013	2012
	(in millions)		
Revenues:			
Operating revenues	\$ 546.6	\$ 554.9	\$ 535.2
Nonoperating revenues	259.3	260.1	269.5
Other	3.1	3.5	0.3
Total revenues	<u>\$ 809.0</u>	<u>\$ 818.5</u>	<u>\$ 805.0</u>
Expenses:			
Operating expenses	\$ 817.7	\$ 823.1	\$ 803.2
Nonoperating expenses	20.5	20.5	20.5
Total expenses	<u>\$ 838.2</u>	<u>\$ 843.6</u>	<u>\$ 823.7</u>

During fiscal year 2014, total revenues decreased \$9.5 million (1.2 percent) compared to 2013, while total expenses decreased \$5.4 million (0.6 percent). During fiscal year 2013, total revenues increased \$13.5 million (1.7 percent) compared to 2012, while total expenses increased \$19.9 million (2.4 percent). Specific discussion and analysis of the changes in the components of the revenue and expense categories are provided on pages 11-17.

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 and liabilities of the University. The difference between total assets and total liabilities, 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 and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less accumulated depreciation.

A summarized comparison of the University's assets, liabilities, and net position at September 30, 2014, 2013, and 2012 is as follows:

	2014	2013	2012
	(in millions)		
Current assets	\$ 503.6	\$ 529.6	\$ 540.9
Noncurrent assets:			
Investments	34.5	79.6	5.6
Capital assets - Net of depreciation	821.5	771.9	753.5
Other	31.9	30.3	31.5
Total assets	<u>\$ 1,391.5</u>	<u>\$ 1,411.4</u>	<u>\$ 1,331.5</u>
Current liabilities	\$ 290.1	\$ 272.1	\$ 269.0
Noncurrent liabilities:			
Long-term debt - Net of current portion	474.3	485.4	386.8
Other	50.5	48.1	44.8
Total liabilities	814.9	805.6	700.6
Net position	<u>576.6</u>	<u>605.8</u>	<u>630.9</u>
Total liabilities and net position	<u>\$ 1,391.5</u>	<u>\$ 1,411.4</u>	<u>\$ 1,331.5</u>

Wayne State University

Management's Discussion and Analysis - Unaudited (Continued)

Current Assets and Liabilities

Current assets are comprised primarily of cash and temporary investments and receivables. In 2014, current assets decreased \$26.0 million (4.9 percent) to \$503.6 million compared with \$529.6 million at September 30, 2013. The decrease consisted of a decline in cash and temporary investments of \$17.6 million and a decrease in net current receivables of \$9.3 million, offset partially by an increase in prepaid expenses and deposits of \$0.9 million. Changes in cash and temporary investments are the result of the University's overall operating performance and timing. The decrease in net current receivables (see Note 4) resulted from several contributing factors including a decrease of \$8.8 million for the Medicaid Disproportionate Share Hospital subsidy (DSH program) because of the timing of reimbursement which was received subsequent to September 30 in 2013, a decrease of \$6.9 million in receivables related to pending temporary investment trades which settled after year end, combined with a decrease in pledge gifts receivable of \$1.8 million, offset partially by increases in grants and contracts, student accounts, and other receivables of \$2.2 million, \$2.5 million, and \$3.5 million, respectively.

In 2013, current assets decreased \$11.3 million (2.1 percent) to \$529.6 million compared with \$540.9 million at September 30, 2012. The decrease consisted of a \$21.5 million decrease in cash and temporary investments and a decrease of \$3.7 million in prepaid expenses and deposits, offset partially by increases in net current receivables and inventories of \$13.6 million and \$0.3 million, respectively. The increase in net current receivables resulted from several factors including an increase in other receivables of \$12.0 million principally because of the timing of reimbursement for the DSH program which was received subsequent to September 30, 2013 and temporary investment pending trades receivable of \$7.9 million related to 2013 trades which settled after year end, combined with an increase in grants and contracts receivable of \$7.3 million principally because of the renewal of a second 10-year contract to continue to house the Perinatology Research Branch, offset partially by decreases in student accounts receivable and pledge gifts receivable of \$3.4 million and \$2.3 million, respectively.

Current liabilities are comprised of amounts payable within one year and consist primarily of accounts payable, accrued liabilities, and unearned revenue. In 2014, total current liabilities increased by \$18.0 million (6.6 percent) to \$290.1 million compared with \$272.1 million at September 30, 2013. The increase consisted of a \$12.0 million increase in accounts payable and accrued liabilities and an increase of \$6.2 million in unearned revenue, combined with a slight increase in deposits of \$0.2 million, offset partially by a moderate decrease in the current portion of long-term debt of \$0.4 million. The increase in accounts payable and accrued liabilities was driven largely by the high volume of construction projects in process or completed late in 2014 which resulted in an increase of unpaid invoices and contractor retentions of approximately \$17.8 million, offset partially by a decrease in other routine and trade accounts payable of \$5.8 million. Unearned revenue primarily consists of 75 percent of student tuition and fees for the current fall term received or due prior to October 2014. The increase in unearned revenue was attributable principally to fall 2014 tuition and fee rate increases for undergraduate and graduate students of 3.2 percent.

In 2013, total current liabilities increased by \$3.1 million (1.2 percent) to \$272.1 million compared with \$269.0 million at September 30, 2012. The increase consisted of a \$5.0 million increase in unearned revenue associated with fall 2013 tuition and fee rate increases of 8.9 percent and 4.0 percent for undergraduate and graduate students, respectively, combined with slight increases in deposits and the current portion of long-term debt of \$0.2 million and \$0.5 million, respectively, offset partially by a moderate decrease in accounts payable and accrued liabilities of \$2.6 million.

The University's current ratio, a measure of liquidity, declined to 1.7 at September 30, 2014 compared with a ratio of 1.9 and 2.0 at September 30, 2013 and 2012, respectively.

Wayne State University

Management's Discussion and Analysis - Unaudited (Continued)

Noncurrent Assets and Liabilities

Noncurrent Assets

Notable changes from 2013 to 2014 in noncurrent assets included a decrease in total investments of \$45.1 million and an increase in net capital assets of \$49.6 million.

Investments

Investments are categorized in either the Endowment Fund or the Plant Fund. The Endowment Fund investments consist of gift annuity and 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 the endowment fund investments are managed by the University.

The composition of noncurrent investments at September 30, 2014, 2013, and 2012 is as follows:

	2014	2013	2012
	(in millions)		
Endowment Fund	\$ 3.5	\$ 2.8	\$ 2.6
Plant Fund - Invested bond proceeds	<u>31.0</u>	<u>76.8</u>	<u>3.0</u>
Total noncurrent investments	<u>\$ 34.5</u>	<u>\$ 79.6</u>	<u>\$ 5.6</u>

The invested bond proceeds component of noncurrent investments decreased \$45.8 million in 2014 as funds were spent for planned capital projects.

The increase in invested bond proceeds of \$73.8 million from 2012 to 2013 resulted from proceeds of \$90.4 million received from the Series 2013A bonds issued in June 2013, net of expenditures for related construction 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, 2014, 2013, and 2012 is as follows:

	2014	2013	2012
	(in millions)		
Endowment Fund investments	<u>\$ 302.7</u>	<u>\$ 284.9</u>	<u>\$ 260.1</u>

In 2014, the Foundation Endowment Fund investments increased \$17.8 million (6.2 percent) to \$302.7 million compared with \$284.9 million and \$260.1 million at September 30, 2013 and 2012, respectively. The 2014 increase is principally because of net investment income (\$21.5 million) and new gifts (\$6.4 million), offset partially by net distributions to the University (\$9.5 million).

Wayne State University

Management's Discussion and Analysis - Unaudited (Continued)

In 2013, the increase of \$24.8 million was principally because of net investment income (\$25.3 million) and new gifts (\$10.5 million), offset partially by distributions to the University (\$10.9 million).

Capital Assets

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

Capital additions during 2014 totaled \$104.9 million, compared to \$79.3 million in 2013 and \$41.3 million in 2012. The 2014 capital additions included expenditures for the Integrative Biosciences Center (IBio), formerly known as the Multidisciplinary Biomedical Research Building (\$42.3 million), renovations of the Advanced Technology Education Center (\$11.4 million), Manoogian Hall second floor renovations (\$5.7 million), and the Student Center Building (\$9.6 million), as well as renovations and upgrades to several parking structures (\$6.9 million) and other university buildings (\$29.0 million).

In 2013, capital additions included a capital lease for a medical office building (\$22.5 million) at Tolan Park, construction of the Integrative Biosciences Center (\$17.4 million), Physics Lab Renovation projects (\$2.4 million), State Hall renovation projects (\$2.5 million), and renovations and upgrades to various parking facilities (\$4.7 million).

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

Noncurrent Liabilities

A notable change in the noncurrent liability section of the balance sheet from 2013 to 2014 included a decrease in long-term debt of \$11.1 million, offset partially by an increase in other noncurrent liabilities of \$2.4 million.

Long-term Debt

Long-term debt totaled \$486.0 million, \$497.5 million, and \$398.4 million at September 30, 2014, 2013, and 2012, respectively.

The \$11.5 million decrease in long-term debt in 2014 primarily represents principal payments made during the year. In 2013, long-term debt increased by \$99.1 million. The increase was attributable principally to the issuance of the Series 2013A bonds (more fully discussed below) of \$83.7 million, and the related bond premium of \$6.7 million, combined with a new capital lease liability of \$22.0 million for a medical office building (more fully discussed below), offset partially by principal payments of \$11.7 million.

In its role of financial steward, the University works to manage its financial resources effectively, including the use of debt to finance capital projects. As more fully discussed in Note 6 to the financial statements, the University issued Series 2013A bonds on June 12, 2013. The bonds were issued to partially finance the construction of the Integrative Biosciences Center (\$31.0 million), renovation of the Student Center Building (\$19.0 million), construction of a new Science and Engineering classroom building and related laboratory renovations (\$23.5 million), the Advanced Technology Education Center renovation (\$9.0 million), and other smaller projects.

Wayne State University

Management's Discussion and Analysis - Unaudited (Continued)

On March 19, 2012, the University entered into a capital lease agreement for a medical office building. The lease period commenced on March 12, 2013 with an initial term of 25 years. The capital lease is included as a long-term debt and the related capital asset is included in Buildings.

Net Position

Net position represents the difference between assets and liabilities. The University's net position at September 30, 2014, 2013, and 2012 is summarized as follows:

	2014	2013	2012
	(in millions)		
Net investment in capital assets	\$ 348.1	\$ 345.9	\$ 357.8
Restricted:			
Nonexpendable	11.5	14.3	13.6
Expendable	61.9	62.1	56.9
Unrestricted	155.1	183.5	202.6
Total net position	<u>\$ 576.6</u>	<u>\$ 605.8</u>	<u>\$ 630.9</u>

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

- **Net Investment in Capital Assets** - The University's investment in capital assets, net of accumulated depreciation, and outstanding principal balances of debt issued for the acquisition, construction, or improvement of those assets. Changes from year to year result from capital additions, issuance and payments of long-term debt, retirement of assets, and depreciation expense.
- **Restricted:**
 - **Nonexpendable** - The corpus portion of gifts to the University's permanent true endowment funds, certain University funds which have been specifically allocated and restricted pursuant to specific agreements with individuals or entities, and the University's required funding match for federal student loans and donor-restricted University loans.
 - **Expendable** - Gifts and sponsored and governmental grants and contracts, which are subject to externally imposed restrictions governing their use (scholarships, academic and research programs, and capital projects). This category of net position also includes undistributed accretion from investments of permanent true endowments and funds functioning as endowments with externally imposed restrictions.

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

- **Unrestricted** - Funds which are not subject to externally imposed restrictions; however, most of the University's unrestricted net position is designated by the Board of Governors and/or management for various academic, research, and administrative programs and capital projects.

Wayne State University

Management's Discussion and Analysis – Unaudited (Continued)

Statement of Revenues, Expenses, and Changes in Net Position

The statement of revenues, expenses, and changes in net position presents the revenues and expenses recognized during fiscal year 2014. Prior fiscal years' data are provided for comparative purposes.

Revenues

Consistent with GASB principles, revenues are categorized as operating, nonoperating, or other. Operating revenues generally result from exchange transactions, such as revenues received for tuition and fees or grants and contracts revenue for services performed on sponsored programs. Nonoperating revenues are primarily non-exchange 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, 2014, 2013, and 2012 are presented below:

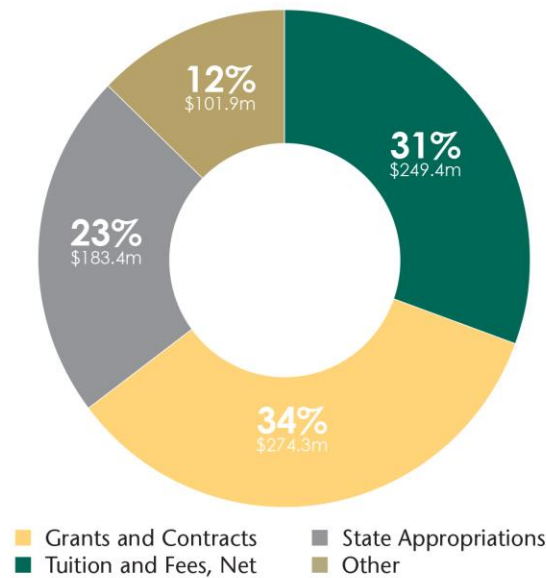
	2014	2013	2012
	(in millions)		
Operating Revenues			
Student tuition and fees - Gross	\$ 343.1	\$ 329.7	\$ 321.8
Less scholarship allowances	(93.7)	(93.4)	(90.5)
Net student tuition and fees	249.4	236.3	231.3
Grants and contracts	238.1	263.4	248.7
Departmental activities, auxiliary enterprises, and other	59.1	55.2	55.2
Total operating revenues	546.6	554.9	535.2
Nonoperating Revenues			
State operating appropriation	183.4	183.4	182.0
Federal Pell grants	36.2	38.1	38.6
Gifts	17.5	24.0	19.7
Investment income:			
Income and realized gains	11.8	11.8	9.9
Unrealized gain (loss)	0.4	(7.4)	7.2
Change in fair value of derivatives	0.5	(0.7)	1.0
Net distributions from the Foundation	9.5	10.9	10.0
Other	-	-	1.1
Total nonoperating revenues	259.3	260.1	269.5
Other			
Capital and endowment gifts	3.1	3.5	0.3
Total other	3.1	3.5	0.3
Total revenues	<u>\$ 809.0</u>	<u>\$ 818.5</u>	<u>\$ 805.0</u>

Wayne State University

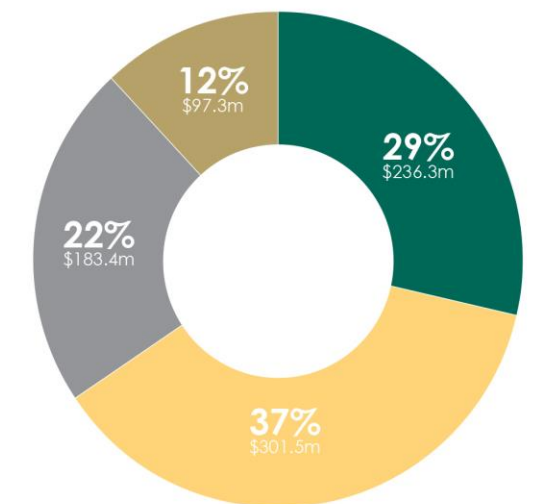
Management's Discussion and Analysis - Unaudited (Continued)

The charts below graphically depict total revenue by source for the years ended September 30, 2014, 2013, and 2012:

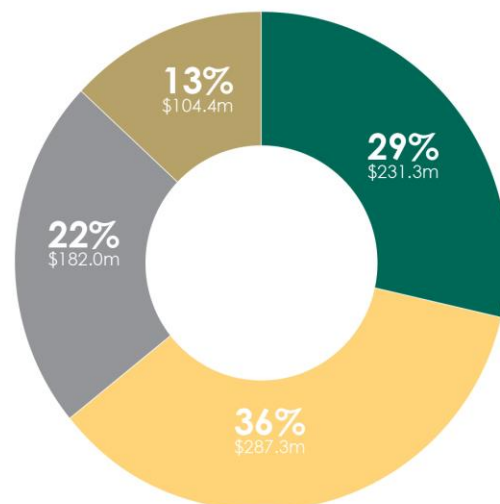
Total Revenue



2014 - \$809.0 million



2013 - \$818.5 million



2012 - \$805.0 million

Wayne State University

Management's Discussion and Analysis - Unaudited (Continued)

Primary Revenue Sources

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

Operating Revenues

Operating revenues totaled \$546.6 million in 2014 compared to \$554.9 and \$535.2 million in 2013 and 2012, respectively. The 2014 decrease in total operating revenues of \$8.3 million (1.5 percent) from 2013 was attributable to several factors:

Student Tuition and Fees - In fiscal year 2014, gross student tuition and fees increased \$13.4 million and scholarship allowances increased by \$0.3 million, resulting in an increase in net student tuition and fees of \$13.1 million. The increase in gross student tuition and fees was attributable principally to the fall 2013 undergraduate and graduate tuition rate increases of 8.9 percent and 4.0 percent, respectively, offset by a slight decline in credit hours. The 2013 increase in gross student tuition and fees of \$7.9 million resulted primarily from the fall 2012 undergraduate and graduate tuition rate increases of 3.9 percent, offset partially by a decline in credit hours.

For financial reporting purposes, student tuition and fees and auxiliary enterprise revenue are reduced by "scholarship allowances." These scholarship allowances represent financial aid granted to students which is applied directly to their accounts to pay tuition and fee assessments (in the General Fund) and room and board assessments (in the Auxiliary Activities Fund).

The University continues to provide a substantial amount of financial aid to mitigate the impact of tuition rate increases. In 2014, 2013, and 2012, the University provided total scholarships and fellowships of \$107.5 million, \$108.0 million, and \$102.7 million, respectively. For 2014, the \$0.5 million decrease represents a 0.5 percent decrease in financial aid. Percentage changes totaled a 5.2 percent increase for 2013 and a 5.2 percent reduction for 2012. The decrease in 2014 is attributable principally to a reduction in federal Pell grant awards of \$1.9 million, offset partially by a net increase in University scholarships and other financial aid awards of \$1.4 million. The increase in 2013 is attributable principally to an overall increase in university scholarships and other financial aid to help minimize the impact of rising tuition rates for students in need and to provide incentives to increase student retention.

Grants and Contracts - Grants and contracts revenues decreased \$25.3 million (9.6 percent) from 2013 to 2014. The decrease consisted of several factors including a decrease in state and local grants of \$12.1 million attributable principally to the timing of certain state grants (\$11.2 million), a decrease in nongovernmental grants and contracts of \$5.8 million partially attributable to the timing of certain revenue (\$2.0 million) and a slight decrease in salary reimbursement activity (\$1.7 million), combined with a decline in federal grants and contracts of \$7.4 million resulting from an overall reduction in federal grants and contract projects on-going or awarded to the University in 2014. In 2013, grants and contracts revenues increased \$14.7 million (5.9 percent). The increase consisted of several factors including an increase in state and local grants of \$12.2 million attributable principally to the timing of certain state grants as 2012 revenue was delayed until 2013 (\$11.2 million), an increase in nongovernmental grants and contracts partially attributable to a delay in 2012 revenue which was recognized in 2013 (\$3.9 million) combined with an overall increase in activity resulting from routine and cyclical fluctuations (\$4.7 million), offset partially by a decline in federal grants and contracts of \$6.1 million resulting from the government sequestration.

Wayne State University

Management's Discussion and Analysis - Unaudited (Continued)

Departmental Activities, Auxiliary Enterprises, and Other - In 2014, departmental activities, auxiliary enterprises, and other revenue increased \$3.9 million to \$59.1 million compared with \$55.2 million in both 2013 and 2012. The increase consisted of a \$2.4 million increase in other student fees, combined with increases of \$1.0 million and \$0.5 million in auxiliary enterprises and other revenue, respectively. The increase in other student fees was attributable principally to a full year of revenue for the Engineering, Sciences, and Honors support fees which were new in fall 2013 compared to a partial year of revenue in 2013 (\$1.5 million), combined with increased revenue from the fall 2014 replacement of the graduation and orientation fee with a matriculation fee for new undergraduate freshmen (\$0.5 million) and collection fees generated from the University's in-house student accounts receivable collections department which was established in 2014 (\$0.5 million).

Nonoperating and Other Revenues

Nonoperating and other revenues were \$262.4 million in 2014, compared to \$263.6 million and \$269.8 million in 2013 and 2012, respectively. Factors affecting this change are as follows:

Nonoperating Revenues

- The state operating appropriation, totaling \$183.4 million in both 2014 and 2013, and \$182.0 million in 2012, is the most significant component of the University's nonoperating and other revenues. In 2014, the base state operating appropriation remained flat with no increase from the prior year's appropriation amount. In 2013, the base state operating appropriation amount increased slightly (\$1.4 million) compared to the 2012 amount.
- Net distributions from the Foundation consist of endowment distributions received from the Foundation based on the University's endowment rate spending policy, offset by transfers from the University to establish or increase endowment funds held by the Foundation. Net distributions from the Foundation decreased \$1.4 million in 2014 and increased \$0.9 million in 2013.
- 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)		
	<u>2014</u>	<u>2013</u>	<u>2012</u>
	(in millions)		
Net investment income:			
Income and realized gains	\$ 11.8	\$ 11.8	\$ 9.9
Unrealized gain (loss)	0.4	(7.4)	7.2
Change in fair value of derivatives	<u>0.5</u>	<u>(0.7)</u>	<u>1.0</u>
Total net investment income including the change in fair value of derivatives	<u>\$ 12.7</u>	<u>\$ 3.7</u>	<u>\$ 18.1</u>

Investment income is attributable principally to cash pool investments. The 2014 change in unrealized gain of \$7.8 million was attributable principally to favorable interest rate changes. The 2013 decrease in net investment income of \$12.7 million was attributable principally to a rising interest rate environment during 2013 which adversely impacted the market value of the cash pool portfolio.

Wayne State University

Management's Discussion and Analysis - Unaudited (Continued)

Expenses

Operating and nonoperating expenses for the years ended September 30, 2014, 2013, and 2012 are summarized below:

	2014	2013	2012
	(in millions)		
Operating expenses	\$ 817.7	\$ 823.1	\$ 803.2
Nonoperating expenses:			
Interest expense	19.8	19.0	19.1
Other	0.7	1.5	1.4
Total nonoperating expenses	20.5	20.5	20.5
Total expenses	<u>\$ 838.2</u>	<u>\$ 843.6</u>	<u>\$ 823.7</u>

Operating expenses by both functional and natural classification for the years ended September 30, 2014, 2013, and 2012 are as follows:

	2014		2013		2012	
	Dollars	% of Total Operating Expenses	Dollars	% of Total Operating Expenses	Dollars	% of Total Operating Expenses
	(in millions)					
Natural Classification						
Compensation and benefits	\$ 566.3	69.3%	\$ 565.2	68.7%	\$ 551.8	68.7%
Supplies, services, and other	186.5	22.8%	187.3	22.7%	185.5	23.1%
Depreciation	55.0	6.7%	59.9	7.3%	57.3	7.1%
Scholarships and fellowships ⁽¹⁾	9.9	1.2%	10.7	1.3%	8.6	1.1%
Total	<u>\$ 817.7</u>	<u>100%</u>	<u>\$ 823.1</u>	<u>100%</u>	<u>\$ 803.2</u>	<u>100.0%</u>
Functional Classification						
Instruction	\$ 291.6	35.8%	\$ 293.6	35.5%	\$ 282.3	35.1%
Research	150.7	18.4%	155.6	18.9%	153.4	19.1%
Public service	51.2	6.3%	46.1	5.6%	47.9	5.9%
Academic support	60.5	7.4%	63.2	7.7%	64.2	8.0%
Student services	37.9	4.6%	35.9	4.4%	33.7	4.2%
Institutional support	71.2	8.7%	68.2	8.3%	68.2	8.5%
Operation and maintenance of plant	65.8	8.0%	67.1	8.2%	65.5	8.2%
Scholarships and fellowships ⁽¹⁾	9.9	1.2%	10.7	1.3%	8.6	1.1%
Auxiliary enterprises	23.9	2.9%	22.8	2.8%	22.1	2.8%
Depreciation	55.0	6.7%	59.9	7.3%	57.3	7.1%
Total	<u>\$ 817.7</u>	<u>100%</u>	<u>\$ 823.1</u>	<u>100%</u>	<u>\$ 803.2</u>	<u>100.0%</u>

⁽¹⁾ Excludes "scholarship allowances" applied directly to students' tuition and room and board (see pages 11, 13, and 16).

Wayne State University

Management's Discussion and Analysis - Unaudited (Continued)

Operating Expenses

Compensation and benefit expenses increased \$1.1 million (0.2 percent) in 2014 to \$566.3 million compared to \$565.2 million and \$551.8 million in 2013 and 2012, respectively. The slight increase in 2014 was attributable principally to salary and benefit inflationary cost increases, offset partially by a reduction in employee headcount. The moderate increase in 2013 was attributable principally to salary and benefit inflationary cost increases.

Supplies, services, and other expenses decreased \$0.8 million (0.4 percent) to \$186.5 million in 2014 compared to \$187.3 million and \$185.5 million in 2013 and 2012, respectively. The expenses in 2014 and 2013 remained relatively flat.

Depreciation expense decreased \$4.9 million (8.2 percent) to \$55.0 million in 2014 compared to \$59.9 million and \$57.3 million in 2013 and 2012, respectively. The decrease in depreciation expense in 2014 is attributable principally to certain construction and renovation projects which were fully depreciated in 2013. Conversely, in 2013, depreciation expense increased \$2.6 million related to projects completed in 2012 which recognized a partial year of expense in 2012 compared to a full year in 2013.

Total scholarships and fellowships granted in 2014 decreased \$0.5 million (0.5 percent) to \$107.5 million, compared to \$108.0 million in 2013. As discussed previously, the decrease in 2014 is attributable principally to a reduction in federal Pell grant awards, offset partially by an increase in University scholarships and other financial aid. Total scholarships and fellowships granted in 2013 increased \$5.3 million (5.2 percent) to \$108.0 million, compared to \$102.7 million in 2012. As discussed previously, the increase in 2013 is attributable principally to an overall increase in University scholarships and other financial aid.

Total scholarships and fellowships granted have two components. The scholarships and fellowships reflected on the table on page 15 of \$9.9 million, \$10.7 million, and \$8.6 million are disbursed directly to students and are reported as operating expenses in 2014, 2013, and 2012, respectively. The remaining amounts for 2014, 2013, and 2012 of \$97.6 million, \$97.3 million, and \$94.1 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 revenues, expenses, and changes in net position on page 20.

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

Wayne State University

Management's Discussion and Analysis - Unaudited (Continued)

In this regard, combined expenditures for instruction decreased \$2.0 million (0.7 percent) to \$291.6 million in 2014 and increased \$11.3 million (4.0 percent) to \$293.6 million in 2013, compared to \$282.3 million in 2012. The 2014 decrease was attributable principally to cost reduction measures which more than offset an increase in compensation-related expenses. The increase in 2013 was attributable principally to an increase in compensation-related expenses of approximately \$5.9 million combined with the impact of a 2012 graduate medical education program credit (\$2.5 million) that did not recur in 2013.

Research expenditures decreased \$4.9 million (3.1 percent) in 2014 to \$150.7 million compared to \$155.6 million and \$153.4 million in 2013 and 2012, respectively. The 2014 decrease is attributable principally to a reduction in compensation-related expenses and direct expenses of \$4.5 million and \$0.4, respectively, driven largely by an overall decrease in research related grant and contract activity. The expenses in 2013 remained relatively flat.

Public service expenses increased \$5.1 million (11.1 percent) to \$51.2 million in 2014, compared to \$46.1 million and \$47.9 million in 2013 and 2012, respectively. The 2014 increase was attributable principally to an increase in salary reimbursement activity in the Designated Fund of \$2.9 million, combined with an increase in other compensation-related expenses of \$1.2 million, and an increase in direct expenditures of \$1.0 million. The 2013 decrease was attributable to a reduction in compensation-related expenses of approximately \$1.0 million combined with a reduction in direct expenses of \$0.8 million.

Institutional support expenses increased \$3.0 million (4.4 percent) in 2014 to \$71.2 million compared to \$68.2 million in both 2013 and 2012. The increase in 2014 was attributable principally to compensation-related expenses related to inflationary cost increases and increased headcount to support the University's capital campaign (\$2.2 million) combined with an increase in direct expenditures of \$0.8 million. In 2013, compensation-related expenses increased \$2.7 million, offset by a decrease in direct expenses, as there was no recurrence of certain one-time costs from 2012.

Nonoperating Expenses

Interest expense totaled \$19.8 million, \$19.0 million, and \$19.1 million in 2014, 2013, and 2012, respectively. Interest expense was net of a federal subsidy related to the Series 2009B Build America Bonds of \$0.5 million in 2014 and \$0.6 million in 2013 and 2012.

Wayne State University

Management's Discussion and Analysis - Unaudited (Continued)

Statement of Cash Flows

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

A comparative summary of the statement of cash flows for the years ended September 30, 2014, 2013, and 2012 is as follows:

	2014	2013	2012
	(in millions)		
Cash and temporary investments (used in) provided by:			
Operating activities	\$ (208.1)	\$ (219.0)	\$ (205.1)
Noncapital financing activities	245.9	259.0	254.2
Capital and related financing activities	(113.4)	8.3	(68.4)
Investing activities	<u>58.0</u>	<u>(69.8)</u>	<u>17.0</u>
Net decrease in cash and temporary investments	(17.6)	(21.5)	(2.3)
Cash and temporary investments - Beginning of year	<u>370.8</u>	<u>392.3</u>	<u>394.6</u>
Cash and temporary investments - End of year	<u><u>\$ 353.2</u></u>	<u><u>\$ 370.8</u></u>	<u><u>\$ 392.3</u></u>

Cash flows used in operating activities reflect tuition and fees, grants and contracts, and auxiliary and departmental activities. Major uses include payment of wages, employee benefits, supplies, utilities, and scholarships. The most significant source of cash flows provided by noncapital financing activities is the state operating appropriation, which totaled \$183.4 million in both 2014 and 2013, and \$182.0 million in 2012. Cash flows from capital and related financing activities represent Plant Fund and related long-term debt activities and capital gifts. The 2013 increase in capital and related financing activities was attributable to the Series 2013A bond proceeds. Consequently, the decrease in 2014 was attributable principally to bond funds being spent for related construction projects. Cash flows from investing activities includes uses of cash to purchase investments, increases in cash and equivalents as a result of selling investments, and income earned on cash and temporary investments. Investing activities also include cash proceeds from the sale of bond-related investments to finance construction expenditures.

Economic Factors That Will Affect the Future

The Michigan economy continues to recover and is expected to have a positive impact on state revenues. The University is optimistic regarding the possibility of future increases in state appropriations for higher education, as well as an increasing share of performance funding based on improvement in metrics.

Wayne State University

Statement of Net Position

	September 30, 2014			September 30, 2013		
	Wayne State University		Total	Wayne State University		Total
	University	Foundation		University	Foundation	
Assets						
Current Assets						
Cash and temporary investments (Note 2)	\$ 353,181,925	\$ -	\$ 353,181,925	\$ 370,794,226	\$ -	\$ 370,794,226
Current receivables - Net (Note 4)	113,591,297	2,032,093	115,623,390	122,967,345	1,449,415	124,416,760
Inventories	1,743,420	-	1,743,420	1,668,037	-	1,668,037
Prepaid expenses and deposits	35,066,737	-	35,066,737	34,168,675	-	34,168,675
Total current assets	503,583,379	2,032,093	505,615,472	529,598,283	1,449,415	531,047,698
Noncurrent Assets						
Investments (Note 2 and Note 3)	34,514,068	302,687,030	337,201,098	79,554,335	284,902,210	364,456,545
Noncurrent receivables - Net (Note 4)	31,958,625	-	31,958,625	30,428,975	-	30,428,975
Capital assets - Net (Note 5)	821,513,928	-	821,513,928	771,856,608	-	771,856,608
Total noncurrent assets	887,986,621	302,687,030	1,190,673,651	881,839,918	284,902,210	1,166,742,128
Total assets	<u>\$ 1,391,570,000</u>	<u>\$ 304,719,123</u>	<u>\$ 1,696,289,123</u>	<u>\$ 1,411,438,201</u>	<u>\$ 286,351,625</u>	<u>\$ 1,697,789,826</u>
Liabilities and Net Position						
Current Liabilities						
Accounts payable and accrued liabilities	\$ 110,579,880	\$ 200,175	\$ 110,780,055	\$ 98,567,622	\$ 271,543	\$ 98,839,165
Unearned revenue	160,131,977	-	160,131,977	153,923,519	-	153,923,519
Deposits	7,695,077	-	7,695,077	7,427,368	-	7,427,368
Long-term debt - Current portion (Note 6)	11,725,543	-	11,725,543	12,149,802	-	12,149,802
Total current liabilities	290,132,477	200,175	290,332,652	272,068,311	271,543	272,339,854
Noncurrent Liabilities						
Federal portion of student loan funds	31,687,913	-	31,687,913	30,262,052	-	30,262,052
Accrued employee benefits and other liabilities	18,114,180	-	18,114,180	16,683,744	-	16,683,744
Long-term debt - Net of current portion (Note 6)	474,275,336	-	474,275,336	485,393,498	-	485,393,498
Derivative instruments (Note 7)	723,429	-	723,429	1,221,942	-	1,221,942
Total noncurrent liabilities	524,800,858	-	524,800,858	533,561,236	-	533,561,236
Total liabilities	814,933,335	200,175	815,133,510	805,629,547	271,543	805,901,090
Net Position						
Net investment in capital assets	348,065,298	-	348,065,298	345,925,658	-	345,925,658
Restricted:						
Nonexpendable	11,575,435	156,906,472	168,481,907	14,242,995	149,817,840	164,060,835
Expendable	61,901,380	139,960,360	201,861,740	62,122,605	128,845,860	190,968,465
Unrestricted	155,094,552	7,652,116	162,746,668	183,517,396	7,416,382	190,933,778
Total net position	576,636,665	304,518,948	881,155,613	605,808,654	286,080,082	891,888,736
Total liabilities and net position	<u>\$ 1,391,570,000</u>	<u>\$ 304,719,123</u>	<u>\$ 1,696,289,123</u>	<u>\$ 1,411,438,201</u>	<u>\$ 286,351,625</u>	<u>\$ 1,697,789,826</u>

Wayne State University

Statement of Revenues, Expenses, and Changes in Net Position

	Year Ended September 30, 2014			Year Ended September 30, 2013		
	Wayne State University			Wayne State University		
	University	Foundation	Total	University	Foundation	Total
Operating Revenues						
Student tuition and fees	\$ 343,113,206	\$ -	\$ 343,113,206	\$ 329,660,697	\$ -	\$ 329,660,697
Less scholarship allowances	(93,699,884)	-	(93,699,884)	(93,398,248)	-	(93,398,248)
Net student tuition and fees	249,413,322	-	249,413,322	236,262,449	-	236,262,449
Federal grants and contracts	106,223,672	-	106,223,672	113,615,119	-	113,615,119
State and local grants and contracts	10,379,503	-	10,379,503	22,480,929	-	22,480,929
Nongovernmental grants and contracts	121,507,341	-	121,507,341	127,302,349	-	127,302,349
Departmental activities	21,988,913	-	21,988,913	20,500,314	-	20,500,314
Auxiliary enterprises - Net of scholarship allowances of \$3,930,945 in 2014 and \$3,856,624 in 2013	33,370,953	-	33,370,953	32,322,658	-	32,322,658
Other operating revenues	3,709,058	-	3,709,058	2,399,279	-	2,399,279
Total operating revenues	546,592,762	-	546,592,762	554,883,097	-	554,883,097
Operating Expenses (Note 11)						
Instruction	291,589,616	-	291,589,616	293,573,564	-	293,573,564
Research	150,737,120	-	150,737,120	155,643,759	-	155,643,759
Public service	51,223,967	-	51,223,967	46,158,161	-	46,158,161
Academic support	60,540,517	-	60,540,517	63,166,615	-	63,166,615
Student services	37,945,130	-	37,945,130	35,863,885	-	35,863,885
Institutional support	71,163,672	-	71,163,672	68,235,535	-	68,235,535
Operation and maintenance of plant	65,746,095	-	65,746,095	67,064,947	-	67,064,947
Scholarships and fellowships	9,874,922	-	9,874,922	10,741,718	-	10,741,718
Auxiliary enterprises	23,882,913	-	23,882,913	22,771,601	-	22,771,601
Depreciation	54,954,575	-	54,954,575	59,869,474	-	59,869,474
Total operating expenses	817,658,527	-	817,658,527	823,089,259	-	823,089,259
Operating Loss	(271,065,765)	-	(271,065,765)	(268,206,162)	-	(268,206,162)
Nonoperating Revenues (Expenses)						
State operating appropriation	183,398,300	-	183,398,300	183,398,300	-	183,398,300
Federal Pell grants	36,176,846	-	36,176,846	38,072,333	-	38,072,333
Gifts	17,482,322	83,284	17,565,606	23,984,313	74,524	24,058,837
Investment income including change in fair value of derivatives of \$498,513 in 2014 and (\$696,790) in 2013	12,716,547	21,511,607	34,228,154	3,727,812	25,324,569	29,052,381
Net distributions from the Foundation	9,546,782	(9,546,782)	-	10,956,704	(10,956,704)	-
Interest on capital asset - Related debt	(19,757,375)	-	(19,757,375)	(18,970,371)	-	(18,970,371)
Loss on capital assets retired	(307,207)	-	(307,207)	(1,018,242)	-	(1,018,242)
Other	(498,714)	-	(498,714)	(521,779)	-	(521,779)
Net nonoperating revenues	238,757,501	12,048,109	250,805,610	239,629,070	14,442,389	254,071,459
(Loss) Income Before Other	(32,308,264)	12,048,109	(20,260,155)	(28,577,092)	14,442,389	(14,134,703)
Other						
Capital gifts	2,995,393	-	2,995,393	3,367,645	-	3,367,645
Gifts for permanent endowments	140,882	6,390,757	6,531,639	95,621	10,448,686	10,544,307
Total other	3,136,275	6,390,757	9,527,032	3,463,266	10,448,686	13,911,952
(Decrease) Increase in Net Position	(29,171,989)	18,438,866	(10,733,123)	(25,113,826)	24,891,075	(222,751)
Net Position						
Beginning of year	605,808,654	286,080,082	891,888,736	630,922,480	261,189,007	892,111,487
End of year	\$ 576,636,665	\$ 304,518,948	\$ 881,155,613	\$ 605,808,654	\$ 286,080,082	\$ 891,888,736

Statement of Cash Flows

	Year Ended September 30	
	2014	2013
Cash Flows from Operating Activities		
Tuition and fees - Net	\$ 258,261,206	\$ 243,225,760
Grants and contracts	245,132,956	252,638,749
Auxiliary enterprises	34,099,207	32,002,825
Departmental activities	26,564,852	13,306,823
Loans issued to students	(6,037,274)	(3,313,768)
Collection of loans from students	(706,926)	2,712,617
Scholarships and fellowships	(10,767,653)	(10,671,196)
Payments to suppliers	(194,935,350)	(188,005,233)
Payments to employees and benefit providers	(563,414,587)	(563,306,915)
Other receipts	3,709,005	2,399,300
Net cash used in operating activities	(208,094,564)	(219,011,038)
Cash Flows from Noncapital Financing Activities		
State operating appropriation	183,398,300	183,398,300
Federal Pell grants	36,176,846	38,072,333
Gifts	17,920,659	24,449,365
Gifts for permanent endowments	-	33,815
External student lending receipts	208,140,444	225,103,928
External student lending disbursements	(210,661,952)	(223,520,445)
Payments to the University	9,546,782	10,956,704
Other	1,360,354	509,822
Net cash provided by noncapital financing activities	245,881,433	259,003,822
Cash Flows from Capital and Related Financing Activities		
Capital gifts and grants	2,203,804	5,475,385
Proceeds from issuance of debt and other long-term obligations	-	89,541,394
Expenditures for capital assets	(85,441,478)	(57,675,510)
Principal paid on capital debt	(10,520,000)	(10,980,000)
Interest paid on capital debt	(19,673,247)	(18,047,059)
Net cash (used in) provided by capital and related financing activities	(113,430,921)	8,314,210
Cash Flows from Investing Activities		
Investment income - Net	12,854,762	3,847,044
Proceeds from sales and maturities of investments	45,942,992	16,706,488
Purchase of investments	(766,003)	(90,400,303)
Net cash provided by (used in) investing activities	58,031,751	(69,846,771)
Net Decrease in Cash and Temporary Investments	(17,612,301)	(21,539,777)
Cash and Temporary Investments - Beginning of year	370,794,226	392,334,003
Cash and Temporary Investments - End of year	\$ 353,181,925	\$ 370,794,226
Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating loss	\$ (271,065,765)	\$ (268,206,162)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation expense	54,954,575	59,869,474
Decrease (increase) in assets of current operating funds:		
Receivables - Net	1,298,410	(13,760,069)
Prepaid expenses and inventories	1,258,520	3,608,739
(Decrease) increase in liabilities of current operating funds:		
Accounts payable and accrued liabilities	(5,803,389)	(4,558,863)
Deposits	113,115	294,016
Unearned income	10,896,065	4,316,775
Accrued employee benefits and other assets	253,905	(574,948)
Net cash used in operating activities	\$ (208,094,564)	\$ (219,011,038)

Note I - Basis of Presentation and Significant Accounting Policies

Overview

Wayne State University (the "University") is a state-supported institution with a fall 2014 enrollment of approximately 27,600 students. The financial statements include the individual schools, colleges, and departments and the controlled organization. The controlled organization of the University is the Wayne State University Foundation (the "Foundation"), which manages approximately 99 percent of the University's endowment funds. The Foundation is a legally separate, tax-exempt entity which meets the criteria set forth for component units under GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, as amended by GASB No. 61. The Foundation provides financial support for the objectives, purposes, and programs of the University. The University controls the timing and amount of its receipts from the Foundation, and the resources (and income thereon) which the Foundation holds and invests are dedicated to benefit the University. Because the resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and its statement of net position and statement of activities and changes in net position are discretely presented in the University's financial statements. The Foundation does not issue its own financial statements.

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

Basis of Presentation

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

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

- **Net Investment in Capital Assets** - The University's investment in capital assets, net of accumulated depreciation, and outstanding principal balances of debt issued for the acquisition, construction, or improvement of those assets. Changes from year to year result from capital additions, issuance and payments of long-term debt, retirement of assets, and depreciation expense.
- **Restricted Nonexpendable** - The corpus portion of gifts to the University's permanent true endowment funds, certain University funds which have been specifically allocated and restricted pursuant to specific agreements with individuals or entities, and the University's required funding match for federal student loans and donor-restricted University loans.

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

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

Summary of Significant Accounting Policies

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

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

Operating activities, as reported in the statement of 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 non-exchange in nature. State appropriation, Pell grant revenue, gifts, and investment activity are non-exchange transactions.

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

Change in Accounting Policy - Effective October 1, 2013, the University implemented the provisions of Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement required the University to address financial reporting related to the reclassification, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognize, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The University applied this statement as of October 1, 2013. Accordingly, unamortized bond issue costs of \$1,093,748 which were reported in assets on the statement of net position as of September 30, 2013 were recognized as an expense in the statement of revenues, expenses, and changes in net position in fiscal year 2014.

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

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.

For donor-restricted endowments, the Uniform Prudent Management of Institutional Funds Acts, as adopted in Michigan on September 15, 2009, permits the Board of Governors to spend an amount of realized and unrealized endowment appreciation as they deem prudent. The University's policy is to retain the realized and unrealized appreciation with the endowment after the spending policy distributions are applied. The University's endowment rate spending policy provides for an annual distribution of 5.00 percent of a three-year moving average of the market value of endowment assets, measured at quarterly intervals. Of this annual distribution, 4.50 percent is transferred to the beneficiary or operating program accounts and 0.5 percent is used for administration of the University's development efforts. The Foundation follows the spending policy established by the University.

Commencing with the quarter ending December 31, 2013, the annual distribution rate will begin to be reduced from 5 percent of the one-quarter lagged three-year moving average fair value of fund shares to 4.5 percent. Distributions will be managed toward the new rate by keeping quarter-to-quarter distributions per share unchanged and moving toward the 4.5 percent rate when increases in the value of fund shares would otherwise result in higher per-share distributions. To protect endowment principal in the event of a prolonged market downturn, distributions are limited to 5.0 percent of the current fair value of fund shares.

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

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

Note I - 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.

Inventories - Inventories are stated at the lower of cost or market, determined by the first-in, first-out method.

Prepaid Expenses and Deposits - Prepaid expenses and deposits primarily represent cash payments made in advance of when the related expenditures are recognized for financial statement purposes. The balances at fiscal year end consist primarily of prepaid student financial aid which is paid to students at the beginning of the fall term each fiscal year, with the expense recognized for accounting purposes over the financial reporting period (fall semester) to which it relates.

Capital Assets - Capital assets are recorded at cost or, if acquired by gift, at the fair market value as of the date of donation. Depreciation is computed on the straight-line method over the estimated service lives (5 to 40 years) of the respective assets.

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 \$210,661,000 and \$223,520,000 in 2014 and 2013, respectively, for student loans through the U.S. Department of Education federal direct lending and federal guaranteed student loan programs. These disbursements and the related receipts are not included as revenue or expenditures in the accompanying statement of revenues, expenses, and changes in net position. The disbursements and related receipts are reflected in the noncapital financing activities section of the statement of cash flows.

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

Reclassifications - Certain noncurrent asset amounts from 2013 have been reclassified to current assets to conform to the current year's presentation.

Note 2 - Cash and Investments

Cash and investments, by classification and investment type, at September 30, 2014 and 2013 are as follows:

Classification	2014	2013
Cash and temporary investments	\$ 353,181,925	\$ 370,794,226
Investments:		
Endowment Fund	3,553,581	2,816,455
Plant Fund - Invested bond proceeds and related earnings	30,960,487	76,737,880
Total investments	<u>34,514,068</u>	<u>79,554,335</u>
Total cash and investments	<u>\$ 387,695,993</u>	<u>\$ 450,348,561</u>
Type	2014	2013
Fixed income	\$ 354,391,300	\$ 402,047,008
Certificates of deposit and savings accounts	111,500	110,923
Real estate investment pool and other investments	44,900	44,900
Other	4,684,355	3,539,834
Cash and checks issued - Net	<u>28,463,938</u>	<u>44,605,896</u>
Total cash and investments	<u>\$ 387,695,993</u>	<u>\$ 450,348,561</u>

The University's cash and temporary investments provided a return of 2.9 percent and 0.6 percent for the fiscal years ended September 30, 2014 and 2013, respectively. Investments in the Plant Fund consist of invested bond proceeds and related earnings which are restricted for capital projects.

Note 2 - Cash and Investments (Continued)**Investment Policies**

Cash and temporary investments and bond proceed investments are managed in accordance with the Board of Governors' cash management policy. This policy sets a general target allocation for its investments as follows:

Asset Class	Quality Limits (Standard & Poor's/Moody's)	Target	Range	Actual at September 30, 2014
Short-term liquidity portfolio	A/A	30%	15% - 70%	24%
Core portfolio	BBB-/Baa3	62%	30% - 85%	68%
Opportunistic portfolio	B-/B3	8%	0% - 12%	8%

The investment policy permits investments in money market funds, U.S. government and government agency obligations, municipal obligations, certificates of deposit, commercial paper, corporate debt and securitized investments, certain additional securitized investments and fixed-income funds with intermediate duration, multi-strategy, and short-term high-yield strategies.

Custodial Credit Risk

For amounts deposited in commercial banks, custodial credit risk is the risk that, in the event of a bank failure, the University's deposits may not be available or returned to it. The University does not have a deposit policy governing custodial credit risk. At September 30, 2014 and 2013, the carrying amount of these deposits totaled \$33,647,041 and \$48,609,758, respectively. Of these amounts, \$32,790,757 and \$47,858,991, respectively, were uninsured and not collateralized.

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 \$171,153,243 and \$190,050,829 of its portfolio at September 30, 2014 and 2013, respectively. These investments are either held in the name of the University or a nominee's name for the benefit of the University, and would not be subject to any general creditor claims.

Note 2 - Cash and Investments (Continued)

Credit Risk

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

Fixed-income investments classified by credit ratings at September 30, 2014 and 2013 were as follows:

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

Investment Type	2013 Credit Rating					Total
	AAA	AA	A	BBB	Below BB	
U.S. Treasuries	\$ 35,541,715	\$ -	\$ -	\$ -	\$ -	\$ 35,541,715
U.S. government-sponsored enterprises	-	908,035	-	-	-	908,035
Securitized investments	9,167,355	3,564,429	1,460,969	553,701	-	14,746,454
Money market mutual funds	65,024,271	-	-	-	-	65,024,271
Corporate securities	514,160	10,861,340	56,267,653	61,978,079	382,012	130,003,244
Fixed-income institutional bond funds	6,125,844	60,016,201	43,158,577	12,081,808	-	121,382,430
High yield short-term fund	-	-	-	-	10,987,133	10,987,133
Non-U.S. fixed-income securities	1,492,153	3,694,386	10,897,751	7,369,436	-	23,453,726
Investments by rating	<u>\$ 117,865,498</u>	<u>\$ 79,044,391</u>	<u>\$ 111,784,950</u>	<u>\$ 81,983,024</u>	<u>\$ 11,369,145</u>	<u>\$ 402,047,008</u>

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 and investment in the securities of a single issuer shall not be in excess of 5 percent of the total market value of the assets under management at the time of purchase (excluding U.S. Treasury and agency obligations and commingled funds). Total funds in any investment mandate shall not constitute more than 30 percent of the cash pool. Commingled funds' concentration of credit risk is managed in accordance with the fund managers' policies.

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

As of September 30, 2014 and 2013, the University's combined cash and temporary investments did not have investments with a particular issuer which equaled or exceeded 5 percent.

Interest Rate Risk

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

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

Note 2 - Cash and Investments (Continued)

The University held the following types of fixed-income investments and maturities at September 30, 2014 and 2013:

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

Investment Type	2013 Maturities (in Years)				Total
	Less Than 1	1-5	6-10	More Than 10	
U.S. Treasuries	\$ -	\$ 35,541,715	\$ -	\$ -	\$ 35,541,715
U.S. government-sponsored enterprises	326,979	581,056	-	-	908,035
Securitized investments ⁽¹⁾	-	4,300,683	468,070	9,977,701	14,746,454
Money market mutual funds ⁽²⁾	65,024,271	-	-	-	65,024,271
Corporate securities	26,293,656	90,328,015	11,676,225	1,705,348	130,003,244
Fixed-income institutional bond funds ⁽²⁾	6,125,844	103,174,778	12,081,808	-	121,382,430
High yield short-term fund ⁽²⁾	-	10,987,133	-	-	10,987,133
Non-U.S. fixed-income securities	2,053,068	18,038,863	3,361,795	-	23,453,726
Total fixed-income investments	\$ 99,823,818	\$ 262,952,243	\$ 27,587,898	\$ 11,683,049	\$ 402,047,008

⁽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. The cash and temporary investments portfolio included investments denominated in a foreign currency totaling \$2,066,430 and \$2,678,996 at September 30, 2014 and 2013, respectively. The 2014 balance includes investments denominated in the Canadian dollar (\$1.4 million), the New Zealand dollar (\$0.5 million), the Mexican peso (\$0.5 million), and the Australian dollar (\$0.3 million). The 2013 balance includes investments denominated in the Canadian dollar (\$1.3 million), the New Zealand dollar (\$0.5 million), the Australian dollar (\$0.3 million), and the Mexican peso (\$0.2 million).

Note 3 - Foundation Investments

The Foundation's investments, by balance sheet classification and investment type, at September 30, 2014 and 2013 are as follows:

Type	2014	2013
Fixed income	\$ 77,729,265	\$ 84,200,700
Equity securities	123,547,279	116,411,717
Other investment instrument types not included above:		
Mutual funds	47,096,654	45,935,817
Limited partnerships	35,306,115	23,738,637
Commingled funds	19,007,717	14,615,339
Total investments	\$ 302,687,030	\$ 284,902,210

The Foundation's investments provided a return of 7.5 percent and 9.5 percent for the years ended September 30, 2014 and 2013, 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. This policy sets a general target allocation for its investments as follows:

Investment Instrument	Target	Range	Actual at September 30, 2014
U.S. equities	30%	20% - 40%	25%
Non-U.S. equities	15%	10% - 30%	16%
Fixed-income securities	20%	10% - 50%	24%
Global asset allocation strategies	15%	0% - 20%	15%
Hedge funds	15%	5% - 25%	5%
Real assets	5%	0% - 15%	10%
Opportunistic investments	0%	0% - 15%	4%
Cash	0%	0% - 25%	1%

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

Note 3 - Foundation Investments (Continued)

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

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

Custodial Credit Risk

Custodial credit risk for investments was discussed previously in Note 2 - University cash and investments. The Foundation's investment policies do not limit the value of investments that may be held by an outside party. The Foundation's counterparties held \$53,724,177 and \$59,362,852 of its portfolio at September 30, 2014 and 2013, respectively. These investments are held in a nominee's name for the benefit of the Foundation, and would not be subject to any general creditor claims.

Credit Risk

As discussed previously, the Foundation's investment policy does not specifically limit the credit risk that an issuer or counterparty to an investment assumes.

Fixed-income investments classified by credit ratings at September 30, 2014 and 2013 were as follows:

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

Investment Type	2013 Credit Rating					Total
	AAA	AA	A	BBB	Below BB	
Money market mutual funds ⁽¹⁾	\$ 2,284,752	\$ -	\$ -	\$ -	\$ -	\$ 2,284,752
Corporate securities	-	-	-	1,215,498	-	1,215,498
Fixed-income institutional bond funds ⁽¹⁾	-	28,588,223	10,404,619	18,337,681	-	57,330,523
High yield short-term fund ⁽¹⁾	-	-	-	-	23,369,927	23,369,927
Investments by rating	<u>\$ 2,284,752</u>	<u>\$ 28,588,223</u>	<u>\$ 10,404,619</u>	<u>\$ 19,553,179</u>	<u>\$ 23,369,927</u>	<u>\$ 84,200,700</u>

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

Note 3 - Foundation Investments (Continued)

Concentration of Credit Risk

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

As of September 30, 2014 and 2013, the Foundation's investment portfolio did not have investments with a particular issuer which equaled or exceeded 5 percent.

Interest Rate Risk

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

The Foundation held the following types of fixed-income investments and maturities at September 30, 2014 and 2013:

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

Investment Type	2013 Maturities (in Years)				Total
	Less Than 1	1-5	6-10	More Than 10	
Money market mutual funds	\$ 2,284,752	\$ -	\$ -	\$ -	\$ 2,284,752
Corporate securities	1,215,498	-	-	-	1,215,498
Fixed-income institutional bond funds ⁽¹⁾	-	38,992,842	18,337,681	-	57,330,523
High yield short-term fund ⁽¹⁾	-	23,369,927	-	-	23,369,927
Total fixed-income investments	<u>\$ 3,500,250</u>	<u>\$ 62,362,769</u>	<u>\$ 18,337,681</u>	<u>\$ -</u>	<u>\$ 84,200,700</u>

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

Note 3 - Foundation Investments (Continued)

Foreign Currency Risk

As discussed previously, the Foundation's investment policy does not specifically limit foreign currency risk. The Foundation's investments in non-U.S. equity funds totaled \$47,233,225 and \$44,589,763, which was approximately 16 percent of the Foundation's total endowment fund investments at both September 30, 2014 and 2013. Included in these amounts at September 30, 2014 was foreign currency exposure to the European Union euros (\$7.7 million), the United Kingdom British pound sterling (\$5.5 million), and the Japanese yen (\$5.2 million). Included in these amounts at September 30, 2013 was foreign currency exposure to the European Union euros (\$7.2 million), the United Kingdom British pound sterling (\$5.4 million), and the Japanese yen (\$5.2 million).

The Foundation investments in fixed-income institutional bond funds with foreign currency exposure totaled \$20,079,081 and \$19,977,173 at September 30, 2014 and 2013, respectively. Included in the amount at September 30, 2014 was foreign currency exposure to the European Union euro (\$6.8 million), the Mexican peso (\$3.5 million), the Canadian dollar (\$3.2 million), and the Brazilian real (\$3.2 million). Included in the amount at September 30, 2013 was foreign currency exposure to the European Union euro (\$5.9 million), the Brazilian real (\$4.0 million), the Canadian dollar (\$2.4 million), and the Japanese yen (\$2.0 million). Other foreign currency exposures were less significant.

The Foundation had approximately \$6,576,000 and \$5,698,000 of investment commitments outstanding at September 30, 2014 and 2013, respectively.

Note 4 - Receivables

At September 30, 2014 and 2013, receivables consist of the following:

	2014	2013
Grants and contracts receivable	\$ 30,960,504	\$ 29,089,447
Pledged gifts receivable	10,674,338	14,384,035
Student notes receivable	29,732,047	26,919,663
Student accounts receivable	63,186,889	61,094,795
Other	<u>23,814,778</u>	<u>37,304,296</u>
Total	158,368,556	168,792,236
Less:		
Provision for loss on receivables	(12,544,407)	(14,958,444)
Unamortized discount to present value on pledged gifts receivable	<u>(274,227)</u>	<u>(437,472)</u>
Total	145,549,922	153,396,320
Less net current portion of receivables	<u>(113,591,297)</u>	<u>(122,967,345)</u>
Net noncurrent receivables	<u>\$ 31,958,625</u>	<u>\$ 30,428,975</u>

Note 4 - Receivables (Continued)

Payments on pledged gifts receivable at September 30, 2014 are expected to occur in the following fiscal years:

2015	\$ 7,861,592
2016-2025	<u>2,812,746</u>
Total	<u>\$ 10,674,338</u>

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

Note 5 - Capital Assets

Capital asset activity for the years ended September 30, 2014 and 2013 was as follows:

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

Note 5 - Capital Assets (Continued)

	Balance September 30, 2012	Additions	Retirements	Balance September 30, 2013
Land improvements	\$ 24,897,619	\$ 928,541	\$ -	\$ 25,826,160
Buildings	1,128,493,540	51,665,465	(1,810,011)	1,178,348,994
Library materials	142,417,085	6,679,583	(148,800)	148,947,868
Equipment and software	176,180,946	9,405,705	(497,724)	185,088,927
Subtotal - Depreciable assets	1,471,989,190	68,679,294	(2,456,535)	1,538,211,949
Land	36,110,105	982,071	-	37,092,176
Construction in progress	14,639,431	9,596,889	-	24,236,320
Subtotal - Nondepreciable assets	50,749,536	10,578,960	-	61,328,496
Total	1,522,738,726	79,258,254	(2,456,535)	1,599,540,445
Less accumulated depreciation:				
Land improvements	15,258,157	781,553	-	16,039,710
Buildings	494,297,885	45,113,102	(997,526)	538,413,461
Library materials	118,938,715	3,661,628	-	122,600,343
Equipment and software	140,757,899	10,313,191	(440,767)	150,630,323
Total accumulated depreciation	769,252,656	59,869,474	(1,438,293)	827,683,837
Net capital assets	<u>\$ 753,486,070</u>	<u>\$ 19,388,780</u>	<u>\$ (1,018,242)</u>	<u>\$ 771,856,608</u>

Construction in progress represents expenditures for new projects that are underway but not yet completed. As projects are completed, they are removed from construction in progress and recorded as "additions" and reflected in the applicable asset classification. Interest of \$2,815,000 and \$729,000 was capitalized in 2014 and 2013, respectively.

Several buildings on campus were financed through the issuance of bonds by the State of Michigan Building Authority (SBA). The SBA bonds are secured by a pledge of rentals to be received from the State of Michigan pursuant to a lease agreement entered into among the SBA, the State of Michigan, and the University. During the lease term, the SBA holds title to the buildings, the State of Michigan makes all lease payments directly to the SBA, and the University is responsible for all operating and maintenance costs. At the expiration of the lease, the SBA will transfer title to the buildings to the University.

Note 6 - Long-term Debt

Long-term debt activity for the years ended September 30, 2014 and 2013 was as follows:

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

Note 6 - Long-term Debt (Continued)

	2013					
	Beginning Balance	Additions	Reductions	Ending Balance	Current	Portion
General Revenue Bonds, Series 2013A, with interest ranging from 3.0% to 5.0%, maturing November 15, 2044	\$ -	\$ 83,670,000	\$ -	\$ 83,670,000	\$ -	-
General Revenue Bonds, Series 2009A, with interest ranging from 3.0% to 5.0%, maturing November 15, 2029	104,620,000	-	4,120,000	100,500,000		3,890,000
Taxable General Revenue Build America Bonds, Series 2009B, with interest ranging from 2.903% to 6.536%, maturing November 15, 2039	29,615,000	-	650,000	28,965,000		660,000
General Revenue Bonds, Series 2008, with interest ranging from 5.0% to 5.25%, maturing November 15, 2035	167,625,000	-	3,695,000	163,930,000		3,885,000
General Revenue Bonds, Series 2007A, with interest ranging from 4.0% to 5.0%, maturing November 15, 2037	28,880,000	-	1,190,000	27,690,000		695,000
Taxable General Revenue Bonds, Series 2007B, with interest at 6.01%, maturing November 15, 2030	4,220,000	-	-	4,220,000		-
General Revenue Bonds, Series 2006, with interest ranging from 4.25% to 5.0%, maturing November 15, 2036	47,690,000	-	1,005,000	46,685,000		1,055,000
Taxable General Revenue Bonds, Series 2003B, with interest at 5.02%, maturing November 15, 2018	2,620,000	-	320,000	2,300,000		335,000
Capital Lease Payable, with interest at 3.8%, expiring March 11, 2038	-	22,024,923	722,210	21,302,713		1,316,036
Various notes payable with varying interest rates maturing from 2014 through 2015	1,007,628	4,985	689,950	322,663		313,766
Gross long-term debt	386,277,628	105,699,908	12,392,160	479,585,376		12,149,802
Plus unamortized bond premium - Net	12,086,530	6,691,992	820,598	17,957,924		-
Total long-term debt	\$ 398,364,158	\$ 112,391,900	\$ 13,212,758	\$ 497,543,300	\$	12,149,802

During the fiscal year ended September 30, 2013, the University issued the Series 2013A bonds on June 12, 2013. The Series 2013A bonds are tax-exempt bonds that were issued at \$83,670,000. The bonds were issued to partially finance the construction of the Integrative Biosciences Center (IBio), formerly the Multidisciplinary Biomedical Research Building, renovation of the Student Center Building, construction of the Science and Engineering classroom building and related laboratory renovations, the Advanced Technology Education Center renovation, and other smaller projects.

On March 19, 2012, the University entered into a capital lease agreement for a medical office building. The lease period commenced on March 12, 2013 with an initial term of 25 years. The capital lease is included in long-term debt and the related asset is included in Buildings with cost and accumulated depreciation of approximately \$22,000,000 and \$341,000, respectively, as of September 30, 2014.

Note 6 - Long-term Debt (Continued)

Principal and interest maturities on long-term debt at September 30, 2014 are as follows:

Fiscal Years	Bond and various notes payable		Capital Lease
	Principal	Interest*	Minimum Payments
2015	\$ 11,178,334	\$ 21,646,996	\$ 1,351,189
2016	12,981,192	21,091,503	1,351,189
2017	13,530,000	20,456,277	1,351,189
2018	14,205,000	19,764,747	1,359,909
2019	14,920,000	19,042,870	1,366,900
2020-2024	83,800,000	83,551,955	6,858,934
2025-2029	106,835,000	60,069,606	6,937,491
2030-2034	97,080,000	34,500,650	7,016,049
2035-2039	64,800,000	12,487,492	4,871,351
2040-2045	28,345,000	3,463,298	-
Total	<u>\$ 447,674,526</u>	<u>\$ 296,075,394</u>	32,464,201
		Less amount representing interest	<u>11,306,832</u>
		Present value of minimum lease payments	<u>\$ 21,157,369</u>

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

Interest paid on long-term debt was \$21,664,000 in 2014 and \$18,795,000 in 2013.

On November 27, 2012, the University executed a \$25.0 million line of credit facility with a financial institution with a borrowing interest rate of .25 percent in excess of the one-month LIBOR. This agreement has a three-year term with a maturity date of December 1, 2015. As of September 30, 2014 and 2013, there were no borrowings outstanding under this facility.

Note 7 - Derivative Instruments

Interest Rate Swaps

The University currently holds two interest rate swap instruments that are associated with its Series 2006 bonds. The University entered into these swap agreements at the same time and for the same amount as the issuance of the related bonds, with the intent of lowering its borrowing cost by creating a cash flow hedge, at a net interest rate that is lower than the fixed rate on the debt that was issued. The swap agreements are not effective hedges. The ineffective swap agreements did not have consistent critical terms. In accordance with GASB Statement No. 53, an interest rate swap is considered an effective cash flow hedge if the swap payments received substantially offset the payments made on the associated debt and 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, 2014 and 2013, classified by type and the change in fair value associated with the Series 2006 bonds, are shown below:

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

Investment Derivative Instrument	Change in Fair Value		Fair Value at September 30, 2013		
	Classification	Amount	Classification	Amount	Notional
Series 2006 - Pay-variable, receive variable/fixed annuity	Net investment loss	\$ (696,790)	Liability	\$ (1,221,942)	\$ 46,685,000

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

Terms for the years ended September 30, 2014 and 2013 were as follows:

Associated Bond Issue	Effective Date	Type	Objective	Pay Terms	Receive Terms	Maturity Date	Counterparty Credit Rating*
Series 2006 (2 swaps)	9/18/2006	Pay variable, receive variable plus fixed annuity	Cash flow hedge for Series 2006 bonds	SIFMA	67% LIBOR plus 40.73 bps	11/15/2036	AAA/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, 2014 and 2013 were as follows:

The Series 2006 swaps are tax-basis swaps, which were executed with the objective of reducing the financing cost of the Series 2006 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, 2014 and 2013.

Credit Risk - As of September 30, 2014 and 2013, the University was not exposed to any credit risk from swap counterparties because the existing swaps had a negative fair value of \$723,429 and \$1,221,942, respectively. The University executes swap transactions with various counterparties. At September 30, 2014, there were two outstanding swaps with two counterparties. The first counterparty held one swap that represented approximately 70 percent of the notional amount of swaps outstanding. This counterparty is rated "AAA" by Standard & Poor's and "Aa2" by Moody's (downgraded from Aa1 in June 2012). A second counterparty held one swap that represented approximately 30 percent of the notional amount of the swaps outstanding. This counterparty was rated "A+" by Fitch, "A" by Standard & Poor's (downgraded from A+ in December 2011), and "A2" by Moody's.

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

Termination - The swap termination date for the Series 2006 bonds is November 2036. The derivative contracts are documented by the International Swap Dealers Associations (ISDA) Master Agreement which includes standard termination events such as failure to pay and bankruptcy. The schedule to the Master Agreement also provides that the swaps may be terminated by the University if the counterparty's credit quality rating falls below certain specified levels. The University or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If at the time of termination the swap has a negative fair value, the University is liable for a payment equal to the swap's fair value.

Note 8 - Defined Contribution Retirement Plan

The University offers pension benefits for substantially all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment results. Employees are eligible to participate after they reach 26 years of age. Eligible employees that contribute at least 1 percent of their salary will receive a University matching contribution equal to two times their contribution up to a maximum University contribution of 10 percent. The University's contribution is not vested until the employee has completed two years of service. University contributions to the plan for the years ended September 30, 2014 and 2013 were \$31,423,000 and \$30,857,000, respectively.

Note 9 - Commitments

Construction Commitments

Approximately \$43,478,000 was committed to current University construction projects at September 30, 2014. This amount includes approximately \$21,381,000 for the Integrative Biosciences Center, \$17,089,000 for the Student Center Building Renovation project, and various smaller construction projects. Commitments will be funded through a combination of resources including external long-term financing, gifts, state capital appropriations, investment income, and various other University sources.

Lease Obligations

The University leases various buildings, office space, and equipment under operating lease agreements. Operating lease expenses totaled \$5,889,000 and \$6,242,000 for the years ended September 30, 2014 and 2013, respectively. Future minimum lease payments under noncancelable operating leases are expected to be paid in the following years ended September 30:

<u>Fiscal Years</u>	<u>Minimum Lease Obligation</u>
2015	\$ 2,165,000
2016	957,000
2017	739,000
2018	583,000
2019	538,000
2020-2022	<u>807,000</u>
Total	<u>\$ 5,789,000</u>

Note 10 - Contingencies

Insurance Program

In conjunction with the conduct of its operations, the University is exposed to various risks of loss and legal actions. To mitigate such risks, the University participates with 10 other Michigan public universities in the Michigan Universities Self-Insurance Corporation (MUSIC). This corporation provides comprehensive general liability, errors and omissions, property and vehicle liability, and excess liability insurance. The University participates in all of the aforementioned insurance programs except property insurance. The University maintains property insurance with FM Global. MUSIC loss coverages are structured on a three-layer basis with each member retaining a portion of its losses, MUSIC covering the second layer, and commercial carriers covering the third. Comprehensive general liability coverage is provided on an occurrence basis, errors and omissions coverage is provided on a claims-made basis, and property coverage is provided on a blanket basis. Each MUSIC member university is responsible for its regular anticipated losses, determined actuarially, for both general liability and errors and omissions. The aggregate retention amounts for each member are actuarially determined annually. MUSIC provides coverage for claims in excess of these retentions. By agreements with MUSIC, in the event the insurance reserves established by MUSIC are insufficient to meet its second-tier obligations, each of the participating universities shares this obligation. Participating universities are subject to additional assessments if the obligations and expenses (claims) of MUSIC exceed the combined periodic payments and accumulated operational reserves for any given year. The maximum possible additional assessment for the University for the year ended September 30, 2014 is approximately \$894,000. The University has not been subjected to additional assessments since the formation of MUSIC in 1987.

The University is self-insured for certain employee benefits. Claim expenditures and liabilities are recorded when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. This would include an estimate of any significant claims that have been incurred but not reported. The University's recorded reserves for its self-insured workers' compensation, dental, and certain medical insurance programs at September 30, 2014 and 2013 totaled approximately \$3,742,000 and \$4,089,000, respectively. Specific excess (umbrella) coverage has been purchased by the University for its self-insured workers' compensation and medical insurance programs. For those risks that the University has purchased commercial insurance, settled claims have not exceeded the commercial coverage in any of the past three years.

Pending Litigation

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

Loan Guarantees

The University has guaranteed an operating line of credit of \$2.25 million and a term loan of \$6.0 million for the Research and Technology Park in the City of Detroit, Inc., a 501(c)(3) organization. As of September 30, 2014, guaranteed funds drawn against the operating line of credit and the term loan totaled \$1.2 million and \$5.3 million, respectively. As of September 30, 2013, guaranteed funds drawn against the operating line of credit and the term loan totaled \$1.5 million and \$5.5 million, respectively.

Note 10 - Contingencies (Continued)**Derivative Instruments**

One of the University's derivative instrument agreements requires the University to post collateral when the University credit rating is suspended, withdrawn, or downgraded to BBB+ or below by Standard & Poor's or Baa1 or below by Moody's in order to preclude an Additional Termination Event from occurring. The collateral would be posted in the amount of the fair value of the hedging instrument in a liability position over a specified threshold, which varies with the University's credit rating. The collateral could be posted in the form of cash, U.S. Treasury securities, agency notes, or other securities to which the parties may agree, and the valuation percentage allowed would vary by the creditworthiness and maturities of the underlying securities used for collateral. An Additional Termination Event would occur if the University's rating is suspended, withdrawn, or downgraded to BBB- or below by Standard & Poor's or Baa3 or below by Moody's. The other University derivative instrument agreement does not require the University to post collateral. However, this agreement provides that an Additional Termination Event occurs when the University credit rating is suspended, withdrawn, or downgraded below BBB- by Standard & Poor's or below Baa3 by Moody's. In order to preclude this Additional Termination Event from terminating the swap, the University would need to provide the counterparty with an acceptable Credit Support Document.

At September 30, 2014, the aggregate negative fair value of all hedging derivative instruments with these collateral posting provisions is \$723,429. If the collateral posting requirements were triggered at September 30, 2014 for the swap agreement for which the University would need to provide an acceptable Credit Support Document, the amount of that credit support would be \$506,696. In addition, the other counterparty would require the University to post approximately \$216,733 based upon the fair value of the hedging instrument in a liability position. The University's credit ratings are AA-/Aa2; therefore, no collateral has been posted at September 30, 2014.

Note 11 - Natural Classification of Expenses

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

	2014	2013
Compensation and benefits	\$ 566,352,248	\$ 565,174,657
Supplies, services, and other	186,476,782	187,303,410
Depreciation	54,954,575	59,869,474
Scholarships and fellowships	9,874,922	10,741,718
Total operating expenses	<u>\$ 817,658,527</u>	<u>\$ 823,089,259</u>

Note 12 - Postemployment Benefits Other Than Pensions

The University offers a postemployment benefit of a fixed payout life insurance policy to its retirees. The University obtained an actuarial valuation as of September 30, 2014 to determine its future obligations for these benefits. The aggregate unfunded accrued liability which has been recorded as accrued employee benefits on the statement of net position was \$8,825,300 and \$7,318,000 at September 30, 2014 and 2013, respectively. The related expense was \$1,507,300 for 2014 and \$368,000 for 2013.

In addition, the University makes available a plan under which certain retirees may receive healthcare coverage. There is no implicit rate subsidy and the employees pay 100 percent of the cost. As a result, there is no required or recorded liability relating to the retiree healthcare plan.

Note 13 - Restricted Net Position

Restricted net position for the years ended September 30, 2014 and 2013 is as follows:

	2014	2013
Restricted - Nonexpendable:		
Scholarships, research, and academic support	\$ 2,164,244	\$ 2,027,113
Loans	9,411,191	12,215,882
Restricted - Expendable:		
Scholarships, research, and academic support	53,534,380	55,448,890
Capital projects	8,367,000	6,673,715
Total restricted net position	<u>\$ 73,476,815</u>	<u>\$ 76,365,600</u>

Note 14 - Subsequent Events

Subsequent to September 30, 2014, the University made a commitment to issue Series 2015A bonds on February 5, 2015 with a par amount of \$50,620,000. The Series 2015A bonds will be issued to finance the refunding of the University's outstanding Series 2006 bonds and to finance research laboratory renovations and strategic acquisitions of property.

Supplemental Information

Combining Statement of Net Position (Deficit) September 30, 2014 (with comparative totals for September 30, 2013)

	2014												2013	
	General Fund	Designated Fund	Auxiliary Activities Fund	Independent Operations Fund	Expendable Restricted Fund	Subtotal Current Funds	Plant Fund	Student Loan Fund	Endowment and Similar Funds	Agency Fund	University Total	Wayne State University Foundation Total	Total	Total
Assets														
Current Assets														
Cash and temporary investments	\$ 189,737,160	\$ 28,255,806	\$ (6,160,334)	\$ (1,585,518)	\$ 42,404,196	252,651,310	\$ 70,478,632	\$ 12,323,577	\$ 1,307,022	\$ 16,421,384	\$ 353,181,925	\$ -	\$ 353,181,925	\$ 370,794,226
Current receivables - Net	61,809,631	14,033,871	5,012,078	476,951	31,254,951	112,587,482	723,477	103,056	191	177,091	113,591,297	2,032,093	115,623,390	124,416,760
Inventories	1,193,169	-	550,251	-	-	1,743,420	-	-	-	-	1,743,420	-	1,743,420	1,668,037
Prepaid expenses and deposits	32,268,356	85,670	125,365	14,968	67,610	32,561,969	2,184,912	-	-	319,856	35,066,737	-	35,066,737	34,168,675
Total current assets	285,008,316	42,375,347	(472,640)	(1,093,599)	73,726,757	399,544,181	73,387,021	12,426,633	1,307,213	16,918,331	503,583,379	2,032,093	505,615,472	531,047,698
Noncurrent Assets														
Investments	-	-	-	-	-	-	30,960,487	-	3,553,581	-	34,514,068	302,687,030	337,201,098	364,456,545
Noncurrent receivables - Net	-	591,870	-	12,446	1,642,701	2,247,017	342,382	29,369,326	-	-	31,958,625	-	31,958,625	30,428,975
Capital assets - Net	-	-	-	-	-	-	821,513,928	-	-	-	821,513,928	-	821,513,928	771,856,608
Total noncurrent assets	-	591,870	-	12,446	1,642,701	2,247,017	852,816,697	29,369,326	3,553,581	-	887,986,621	302,687,030	1,190,673,651	1,166,742,128
Total assets	\$ 285,008,316	\$ 42,967,217	\$ (472,640)	\$ (1,081,153)	\$ 75,369,458	\$ 401,791,198	\$ 926,203,718	\$ 41,795,959	\$ 4,860,794	\$ 16,918,331	\$ 1,391,570,000	\$ 304,719,123	\$ 1,696,289,123	\$ 1,697,789,826
Liabilities and Net Position (Deficit)														
Current Liabilities														
Accounts payable and accrued liabilities	\$ 35,327,968	\$ 5,851,582	\$ 2,560,635	\$ 187,408	\$ 12,985,716	\$ 56,913,309	\$ 40,657,574	\$ -	\$ 81,517	\$ 12,927,480	\$ 110,579,880	\$ 200,175	\$ 110,780,055	\$ 98,839,165
Unearned revenue	142,205,873	551,385	7,354,181	-	9,969,751	160,081,190	50,787	-	-	-	160,131,977	-	160,131,977	153,923,519
Deposits	2,884,674	500,000	317,209	-	2,343	3,704,226	-	-	-	3,990,851	7,695,077	-	7,695,077	7,427,368
Long-term debt - Current portion	-	-	-	-	-	-	11,725,543	-	-	-	11,725,543	-	11,725,543	12,149,802
Total current liabilities	180,418,515	6,902,967	10,232,025	187,408	22,957,810	220,698,725	52,433,904	-	81,517	16,918,331	290,132,477	200,175	290,332,652	272,339,854
Noncurrent Liabilities														
Federal portion of student loan funds	-	-	-	-	-	-	-	31,687,913	-	-	31,687,913	-	31,687,913	30,262,052
Accrued employee benefits and other liabilities	16,125,052	344,082	134,810	17,935	898,495	17,520,374	-	-	593,806	-	18,114,180	-	18,114,180	16,683,744
Long-term debt - Net of current portion	-	-	-	-	-	-	474,275,336	-	-	-	474,275,336	-	474,275,336	485,393,498
Derivative instruments	-	-	-	-	-	-	723,429	-	-	-	723,429	-	723,429	1,221,942
Total noncurrent liabilities	16,125,052	344,082	134,810	17,935	898,495	17,520,374	474,998,765	31,687,913	593,806	-	524,800,858	-	524,800,858	533,561,236
Total liabilities	196,543,567	7,247,049	10,366,835	205,343	23,856,305	238,219,099	527,432,669	31,687,913	675,323	16,918,331	814,933,335	200,175	815,133,510	805,901,090
Net Position (Deficit)														
Net investment in capital assets	-	-	-	-	-	-	348,065,298	-	-	-	348,065,298	-	348,065,298	345,925,658
Restricted:														
Nonexpendable	-	-	-	-	-	-	-	9,411,191	2,164,244	-	11,575,435	156,906,472	168,481,907	164,060,835
Expendable	-	-	-	-	51,513,153	51,513,153	8,367,000	-	2,021,227	-	61,901,380	139,960,360	201,861,740	190,968,465
Unrestricted	88,464,749	35,720,168	(10,839,475)	(1,286,496)	-	112,058,946	42,338,751	696,855	-	-	155,094,552	7,652,116	162,746,668	190,933,778
Total net position (deficit)	88,464,749	35,720,168	(10,839,475)	(1,286,496)	51,513,153	163,572,099	398,771,049	10,108,046	4,185,471	-	576,636,665	304,518,948	881,155,613	891,888,736
Total liabilities and net position (deficit)	\$ 285,008,316	\$ 42,967,217	\$ (472,640)	\$ (1,081,153)	\$ 75,369,458	\$ 401,791,198	\$ 926,203,718	\$ 41,795,959	\$ 4,860,794	\$ 16,918,331	\$ 1,391,570,000	\$ 304,719,123	\$ 1,696,289,123	\$ 1,697,789,826

Combining Statement of Revenues, Expenses, Transfers, and Changes in Net Position (Deficit) Year Ended September 30, 2014 (with comparative totals for the year ended September 30, 2013)

	Year Ended September 30													2013
	2014													
	General Fund	Designated Fund	Auxiliary Activities Fund	Independent Operations Fund	Expendable Restricted Fund	Subtotal Current Funds	Plant Fund	Student Loan Fund	Endowment and Similar Funds	Adjustments	University Total	Wayne State University Foundation Total	Total	
Operating Revenues														
Student tuition and fees	\$ 339,088,634	\$ -	\$ 3,873,192	\$ -	\$ -	\$ 342,961,826	\$ 151,380	\$ -	\$ -	\$ -	\$ 343,113,206	\$ -	\$ 343,113,206	\$ 329,660,697
Less scholarship allowances	-	-	-	-	-	-	-	-	-	(93,699,884)	-	-	(93,699,884)	(93,398,248)
Net student tuition and fees	339,088,634	-	3,873,192	-	-	342,961,826	151,380	-	-	(93,699,884)	249,413,322	-	249,413,322	236,262,449
Federal grants and contracts	-	-	-	-	105,674,211	105,674,211	549,461	-	-	-	106,223,672	-	106,223,672	113,615,119
State and local grants and contracts	-	-	-	-	10,379,503	10,379,503	-	-	-	-	10,379,503	-	10,379,503	22,480,929
Nongovernmental grants and contracts	-	51,938,569	-	-	69,568,772	121,507,341	-	-	-	-	121,507,341	-	121,507,341	127,302,349
Departmental activities	8,577,627	11,023,866	-	1,079,510	1,307,910	21,988,913	-	-	-	-	21,988,913	-	21,988,913	20,500,314
Auxiliary enterprises (net of scholarship allowances)	-	-	37,301,898	-	-	37,301,898	-	-	(3,930,945)	-	33,370,953	-	33,370,953	32,322,658
Recovery of indirect costs of sponsored programs	31,638,042	-	-	-	(31,638,042)	-	-	-	-	-	-	-	-	-
Other operating revenues	3,644,407	-	-	-	-	3,644,407	-	64,651	-	-	3,709,058	-	3,709,058	2,399,279
Total operating revenues	382,948,710	62,962,435	41,175,090	1,079,510	155,292,354	643,458,099	700,841	64,651	-	(97,630,829)	546,592,762	-	546,592,762	554,883,097
Operating Expenses														
Instruction	217,847,298	31,557,733	-	-	42,865,486	292,270,517	-	-	(680,901)	-	291,589,616	-	291,589,616	293,573,564
Research	49,233,208	1,532,581	-	-	105,471,464	156,237,253	-	-	(5,500,133)	-	150,737,120	-	150,737,120	155,643,759
Public service	1,631,186	30,099,815	-	2,267,979	17,312,956	51,311,936	-	-	(87,969)	-	51,223,967	-	51,223,967	46,158,161
Academic support	60,343,663	4,092,782	-	-	3,674,810	68,111,255	-	-	(7,570,738)	-	60,540,517	-	60,540,517	63,166,615
Student services	37,176,740	520,732	-	-	262,580	37,960,052	-	-	(14,922)	-	37,945,130	-	37,945,130	35,863,885
Institutional support	69,334,610	1,956,118	-	-	69,540	71,360,268	-	-	(196,596)	-	71,163,672	-	71,163,672	68,235,535
Operation and maintenance of plant	54,993,404	979,243	-	-	775,808	56,748,455	9,671,056	-	(673,416)	-	65,746,095	-	65,746,095	67,064,947
Scholarships and fellowships	61,918,894	162,604	-	-	45,424,253	107,505,751	-	-	(97,630,829)	-	9,874,922	-	9,874,922	10,741,718
Auxiliary enterprises	-	-	23,920,007	-	-	23,920,007	-	-	(37,094)	-	23,882,913	-	23,882,913	22,771,601
Depreciation	-	-	-	-	-	-	54,954,575	-	-	-	54,954,575	-	54,954,575	59,869,474
Capital additions - Net	-	-	-	-	-	-	(14,761,769)	-	14,761,769	-	-	-	-	-
Transfers out (in):														
Debt service	19,123,773	985,982	11,991,739	-	-	32,101,494	(32,101,494)	-	-	-	-	-	-	-
Loan matching	168,608	-	-	-	-	168,608	-	(168,608)	-	-	-	-	-	-
Plant improvement and extension	12,762,125	14,700,562	9,546,948	-	146,194	37,155,829	(37,155,829)	-	-	-	-	-	-	-
Other	140,919	-	-	-	(762,365)	(621,446)	-	621,446	-	-	-	-	-	-
Total operating expenses	584,674,428	86,588,152	45,458,694	2,267,979	215,240,726	934,229,979	(19,393,461)	452,838	-	(97,630,829)	817,658,527	-	817,658,527	823,089,259
Operating (Loss) Income	(201,725,718)	(23,625,717)	(4,283,604)	(1,188,469)	(59,948,372)	(290,771,880)	20,094,302	(388,187)	-	-	(271,065,765)	-	(271,065,765)	(268,206,162)

Combining Statement of Revenues, Expenses, Transfers, and Changes in Net Position (Deficit) (Continued) Year Ended September 30, 2014 (with comparative totals for the year ended September 30, 2013)

	Year Ended September 30														
	2014												2013		
	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	\$ 183,165,416	\$ -	\$ -	\$ -	\$ 232,884	\$ 183,398,300	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 183,398,300	\$ -	\$ 183,398,300	\$ 183,398,300
Federal Pell grant	-	-	-	-	36,176,846	36,176,846	-	-	-	-	-	-	-	36,176,846	38,072,333
Gifts	-	6,267,265	11,330	1,360,640	9,216,767	16,856,002	-	1,320	625,000	-	17,482,322	83,284	17,565,606	24,058,837	
Investment income (loss):															
Change in fair value of derivatives	-	-	-	-	-	-	498,513	-	-	-	498,513	-	498,513	(696,790)	
Endowment and similar funds	-	-	-	-	56,014	56,014	-	-	(56,014)	-	-	-	-	-	
Other	6,869,482	2,153,775	13,349	1,157,472	10,194,078	1,776,009	136,683	111,264	-	12,218,034	21,511,607	33,729,641	29,749,171		
Net Distributions from the Foundation	1,243,811	(121,749)	-	5,714	10,758,651	11,886,427	40,901	(2,390,127)	9,581	9,546,782	(9,546,782)	-	-		
Interest on capital asset - Related debt	-	-	-	-	-	-	(19,757,375)	-	-	(19,757,375)	-	(19,757,375)	(18,970,371)		
Loss on capital assets retired	-	-	-	-	-	-	(307,207)	-	-	(307,207)	-	(307,207)	(1,018,242)		
Other	-	-	-	-	-	-	(171,028)	(69,332)	(258,354)	-	(498,714)	-	(521,779)		
Net nonoperating revenues (expenses)	191,278,709	8,299,291	24,679	1,366,354	57,598,634	258,567,667	(17,920,187)	(2,321,456)	431,477	238,757,501	12,048,109	250,805,610	254,071,459		
(Loss) Income Before Other	(10,447,009)	(15,326,426)	(4,258,925)	177,885	(2,349,738)	(32,204,213)	2,174,115	(2,709,643)	431,477	(32,308,264)	12,048,109	(20,260,155)	(14,134,703)		
Other															
Capital gifts	-	-	-	-	-	-	2,995,393	-	-	2,995,393	-	2,995,393	3,367,645		
Gifts for permanent endowments	-	-	-	-	-	-	-	-	140,882	-	6,390,757	6,531,639	10,544,307		
Total other	-	-	-	-	-	-	2,995,393	-	140,882	3,136,275	6,390,757	9,527,032	13,911,952		
(Decrease) Increase in Net Position	(10,447,009)	(15,326,426)	(4,258,925)	177,885	(2,349,738)	(32,204,213)	5,169,508	(2,709,643)	572,359	(29,171,989)	18,438,866	(10,733,123)	(222,751)		
Net Position (Deficit) - Beginning of year	98,911,758	51,046,594	(6,580,550)	(1,464,381)	53,862,891	195,776,312	393,601,541	12,817,689	3,613,112	605,808,654	286,080,082	891,888,736	892,111,487		
Net Position (Deficit) - End of year	\$ 88,464,749	\$ 35,720,168	\$ (10,839,475)	\$ (1,286,496)	\$ 51,513,153	\$ 163,572,099	\$ 398,771,049	\$ 10,108,046	\$ 4,185,471	\$ 576,636,665	\$ 304,518,948	\$ 881,155,613	\$ 891,888,736		

Combining Statement of Net Position (Deficit) September 30, 2013

	2013												
	General Fund	Designated Fund	Auxiliary Activities Fund	Independent Operations Fund	Expendable Restricted Fund	Subtotal Current Funds	Plant Fund	Student Loan Fund	Endowment and Similar Funds	Agency Fund	University Total	Wayne State University Foundation Total	Total
Assets													
Current Assets													
Cash and temporary investments	\$ 197,320,848	\$ 38,152,126	\$ (2,576,577)	\$ (1,728,189)	\$ 46,013,859	277,182,067	\$ 59,821,695	\$ 16,408,681	\$ 1,272,069	\$ 16,109,714	\$ 370,794,226	\$ -	\$ 370,794,226
Current receivables - Net	65,641,639	20,286,943	4,509,479	447,158	28,469,442	119,354,661	3,381,044	103,004	17	128,619	122,967,345	1,449,415	124,416,760
Inventories	1,158,941	-	509,096	-	-	1,668,037	-	-	-	-	1,668,037	-	1,668,037
Prepaid expenses and deposits	29,981,422	213,617	180,186	11,400	150,470	30,537,095	3,358,775	-	-	272,805	34,168,675	-	34,168,675
Total current assets	294,102,850	58,652,686	2,622,184	(1,269,631)	74,633,771	428,741,860	66,561,514	16,511,685	1,272,086	16,511,138	529,598,283	1,449,415	531,047,698
Noncurrent Assets													
Investments	-	-	-	-	-	-	76,737,880	-	2,816,455	-	79,554,335	284,902,210	364,456,545
Noncurrent receivables - Net	-	1,026,969	-	13,989	2,520,743	3,561,701	299,218	26,568,056	-	-	30,428,975	-	30,428,975
Capital assets - Net	-	-	-	-	-	-	771,856,608	-	-	-	771,856,608	-	771,856,608
Total noncurrent assets	-	1,026,969	-	13,989	2,520,743	3,561,701	848,893,706	26,568,056	2,816,455	-	881,839,918	284,902,210	1,166,742,128
Total assets	\$ 294,102,850	\$ 59,679,655	\$ 2,622,184	\$ (1,255,642)	\$ 77,154,514	\$ 432,303,561	\$ 915,455,220	\$ 43,079,741	\$ 4,088,541	\$ 16,511,138	\$ 1,411,438,201	\$ 286,351,625	\$ 1,697,789,826
Liabilities and Net Position (Deficit)													
Current Liabilities													
Accounts payable and accrued liabilities	\$ 39,618,203	\$ 7,564,462	\$ 2,669,900	\$ 194,211	\$ 13,136,758	63,183,534	\$ 22,841,928	\$ -	\$ 58,154	\$ 12,484,006	\$ 98,567,622	\$ 271,543	\$ 98,839,165
Unearned revenue	137,978,569	320,506	6,097,051	-	9,280,884	153,677,010	246,509	-	-	-	153,923,519	-	153,923,519
Deposits	2,790,995	500,000	296,784	-	3,333	3,591,112	-	-	-	3,836,256	7,427,368	-	7,427,368
Long-term debt - Current portion	-	-	-	-	-	-	12,149,802	-	-	-	12,149,802	-	12,149,802
Total current liabilities	180,387,767	8,384,968	9,063,735	194,211	22,420,975	220,451,656	35,238,239	-	58,154	16,320,262	272,068,311	271,543	272,339,854
Noncurrent Liabilities													
Federal portion of student loan funds	-	-	-	-	-	-	-	30,262,052	-	-	30,262,052	-	30,262,052
Accrued employee benefits and other liabilities	14,803,325	248,093	138,999	14,528	870,648	16,075,593	-	-	417,275	190,876	16,683,744	-	16,683,744
Long-term debt - Net of current portion	-	-	-	-	-	-	485,393,498	-	-	-	485,393,498	-	485,393,498
Derivative instruments	-	-	-	-	-	-	1,221,942	-	-	-	1,221,942	-	1,221,942
Total noncurrent liabilities	14,803,325	248,093	138,999	14,528	870,648	16,075,593	486,615,440	30,262,052	417,275	190,876	533,561,236	-	533,561,236
Total liabilities	195,191,092	8,633,061	9,202,734	208,739	23,291,623	236,527,249	521,853,679	30,262,052	475,429	16,511,138	805,629,547	271,543	805,901,090
Net Position (Deficit)													
Net investment in capital assets	-	-	-	-	-	-	345,925,658	-	-	-	345,925,658	-	345,925,658
Restricted:													
Nonexpendable	-	-	-	-	-	-	-	12,215,882	2,027,113	-	14,242,995	149,817,840	164,060,835
Expendable	-	-	-	-	53,862,891	53,862,891	6,673,715	-	1,585,999	-	62,122,605	128,845,860	190,968,465
Unrestricted	98,911,758	51,046,594	(6,580,550)	(1,464,381)	-	141,913,421	41,002,168	601,807	-	-	183,517,396	7,416,382	190,933,778
Total net position (deficit)	98,911,758	51,046,594	(6,580,550)	(1,464,381)	53,862,891	195,776,312	393,601,541	12,817,689	3,613,112	-	605,808,654	286,080,082	891,888,736
Total liabilities and net position (deficit)	\$ 294,102,850	\$ 59,679,655	\$ 2,622,184	\$ (1,255,642)	\$ 77,154,514	\$ 432,303,561	\$ 915,455,220	\$ 43,079,741	\$ 4,088,541	\$ 16,511,138	\$ 1,411,438,201	\$ 286,351,625	\$ 1,697,789,826

Combining Statement of Revenues, Expenses, Transfers, and Changes in Net Position (Deficit) Year Ended September 30, 2013

Year Ended September 30														
2013														
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	\$ 325,808,111	\$ -	\$ 3,681,949	\$ -	\$ -	\$ 329,490,060	\$ 170,637	\$ -	\$ -	\$ -	\$ -	\$ 329,660,697	\$ -	\$ 329,660,697
Less scholarship allowances	-	-	-	-	-	-	-	-	-	(93,398,248)	-	(93,398,248)	-	(93,398,248)
Net student tuition and fees	325,808,111	-	3,681,949	-	-	329,490,060	170,637	-	-	(93,398,248)	-	236,262,449	-	236,262,449
Federal grants and contracts	-	-	-	-	112,955,580	112,955,580	659,539	-	-	-	-	113,615,119	-	113,615,119
State and local grants and contracts	-	-	-	-	22,480,929	22,480,929	-	-	-	-	-	22,480,929	-	22,480,929
Nongovernmental grants and contracts	-	52,993,815	-	-	74,308,534	127,302,349	-	-	-	-	-	127,302,349	-	127,302,349
Departmental activities	6,907,309	10,928,823	-	1,260,063	1,404,119	20,500,314	-	-	-	-	-	20,500,314	-	20,500,314
Auxiliary enterprises (net of scholarship allowances)	-	-	36,179,282	-	-	36,179,282	-	-	-	(3,856,624)	-	32,322,658	-	32,322,658
Recovery of indirect costs of sponsored programs	34,656,561	-	-	-	(34,656,561)	-	-	-	-	-	-	-	-	-
Other operating revenues	2,324,587	-	-	-	-	2,324,587	-	74,692	-	-	-	2,399,279	-	2,399,279
Total operating revenues	369,696,568	63,922,638	39,861,231	1,260,063	176,492,601	651,233,101	830,176	74,692	-	(97,254,872)	-	554,883,097	-	554,883,097
Operating Expenses														
Instruction	216,527,763	29,128,293	-	-	48,897,621	294,553,677	-	-	-	(980,113)	-	293,573,564	-	293,573,564
Research	49,626,847	1,117,955	-	-	111,248,200	161,993,002	-	-	-	(6,349,243)	-	155,643,759	-	155,643,759
Public service	1,829,909	26,594,547	-	2,480,503	15,274,796	46,179,755	-	-	-	(21,594)	-	46,158,161	-	46,158,161
Academic support	62,461,393	3,311,333	-	-	4,729,912	70,502,638	-	-	-	(7,336,023)	-	63,166,615	-	63,166,615
Student services	35,534,951	225,179	-	-	194,601	35,954,731	-	-	-	(90,846)	-	35,863,885	-	35,863,885
Institutional support	60,214,584	8,002,457	-	-	26,407	68,243,448	-	-	-	(7,913)	-	68,235,535	-	68,235,535
Operation and maintenance of plant	54,261,174	500,099	-	-	1,461,071	56,222,344	10,848,241	-	-	(5,638)	-	67,064,947	-	67,064,947
Scholarships and fellowships	61,466,595	174,000	-	-	46,355,995	107,996,590	-	-	-	(97,254,872)	-	10,741,718	-	10,741,718
Auxiliary enterprises	-	-	22,816,151	-	-	22,816,151	-	-	-	(44,550)	-	22,771,601	-	22,771,601
Depreciation	-	-	-	-	-	-	59,869,474	-	-	-	-	59,869,474	-	59,869,474
Capital additions - Net	-	-	-	-	-	-	(14,835,920)	-	-	14,835,920	-	-	-	-
Transfers out (in):														
Debt service	15,973,773	985,982	12,001,739	-	-	28,961,494	(28,961,494)	-	-	-	-	-	-	-
Loan matching	75,996	-	-	-	-	75,996	-	(75,996)	-	-	-	-	-	-
Plant improvement and extension	16,902,371	2,162,726	9,318,549	-	508,072	28,891,718	(28,891,718)	-	-	-	-	-	-	-
Other	150,297	(18,536)	-	-	(150,297)	(18,536)	-	-	18,536	-	-	-	-	-
Total operating expenses	575,025,653	72,184,035	44,136,439	2,480,503	228,546,378	922,373,008	(1,971,417)	(75,996)	18,536	(97,254,872)	-	823,089,259	-	823,089,259
Operating (Loss) Income	(205,329,085)	(8,261,397)	(4,275,208)	(1,220,440)	(52,053,777)	(271,139,907)	2,801,593	150,688	(18,536)	-	-	(268,206,162)	-	(268,206,162)

Combining Statement of Revenues, Expenses, Transfers, and Changes in Net Position (Deficit) (Continued) Year Ended September 30, 2013

	Year Ended September 30												
	2013											Total	
	General Fund	Designated Fund	Auxiliary Activities Fund	Independent Operations Fund	Expendable Restricted Fund	Subtotal Current Funds	Plant Fund	Student Loan Fund	Endowment and Similar Funds	Adjustments	University Total		Wayne State University Foundation Total
Nonoperating Revenues (Expenses)													
State operating appropriation	\$ 183,165,411	\$ -	\$ -	\$ -	\$ 232,889	\$ 183,398,300	\$ -	\$ -	\$ -	\$ -	\$ 183,398,300	\$ -	\$ 183,398,300
Federal Pell grant	-	-	-	-	38,072,333	38,072,333	-	-	-	-	38,072,333	-	38,072,333
Gifts	-	12,746,408	54,750	1,374,253	9,802,433	23,977,844	-	6,469	-	-	23,984,313	74,524	24,058,837
Investment income (loss):													
Change in fair value of derivatives	-	-	-	-	-	-	(696,790)	-	-	-	(696,790)	-	(696,790)
Endowment and similar funds	-	-	-	-	52,802	52,802	-	-	(52,802)	-	-	-	-
Other	6,959,547	(5,186,379)	12,248	(222)	737,898	2,523,092	1,459,599	182,321	259,590	-	4,424,602	25,324,569	29,749,171
Net distributions from the Foundation	1,196,398	6,271	-	4,621	9,800,764	11,008,054	90,163	(117,580)	(23,933)	-	10,956,704	(10,956,704)	-
Interest on capital asset - Related debt	-	-	-	-	-	-	(18,970,371)	-	-	-	(18,970,371)	-	(18,970,371)
Loss on capital assets retired	-	-	-	-	-	-	(1,018,242)	-	-	-	(1,018,242)	-	(1,018,242)
Other	(3,000,000)	-	-	-	-	(3,000,000)	2,462,964	52,527	(37,270)	-	(521,779)	-	(521,779)
Net nonoperating revenues (expenses)	188,321,356	7,566,300	66,998	1,378,652	58,699,119	256,032,425	(16,672,677)	123,737	145,585	-	239,629,070	14,442,389	254,071,459
(Loss) Income Before Other	(17,007,729)	(695,097)	(4,208,210)	158,212	6,645,342	(15,107,482)	(13,871,084)	274,425	127,049	-	(28,577,092)	14,442,389	(14,134,703)
Other													
Capital gifts	-	-	-	-	-	-	3,367,645	-	-	-	3,367,645	-	3,367,645
Gifts for permanent endowments	-	-	-	-	-	-	-	-	95,621	-	95,621	10,448,686	10,544,307
Total other	-	-	-	-	-	-	3,367,645	-	95,621	-	3,463,266	10,448,686	13,911,952
(Decrease) Increase in Net Position	(17,007,729)	(695,097)	(4,208,210)	158,212	6,645,342	(15,107,482)	(10,503,439)	274,425	222,670	-	(25,113,826)	24,891,075	(222,751)
Net Position (Deficit) - Beginning of year	115,919,487	51,741,691	(2,372,340)	(1,622,593)	47,217,549	210,883,794	404,104,980	12,543,264	3,390,442	-	630,922,480	261,189,007	892,111,487
Net Position (Deficit) - End of year	\$ 98,911,758	\$ 51,046,594	\$ (6,580,550)	\$ (1,464,381)	\$ 53,862,891	\$ 195,776,312	\$ 393,601,541	\$ 12,817,689	\$ 3,613,112	\$ -	\$ 605,808,654	\$ 286,080,082	\$ 891,888,736