

Submitted by: Rebecca Cooke, Interim Vice President, Finance and Business Operations

Audited Financial Report for Fiscal Year 2019

In accordance with Board of Governors Statutes, the Administration is submitting the Combined Financial Statements, along with additional information reflecting the individual fund statements of Wayne State University as of September 30, 2019 and for the year then ended, together with the report of Plante Moran, L.L.P.

The statements were presented to the Board's Audit Subcommittee on February 13, 2019 were approved at that meeting, and are transmitted in the attached.

Discussion

The financial statements, as prepared by Finance and Business Operations and audited by Plante Moran, L.L.P., are attached. The auditors have again issued an unqualified opinion that the financial statements present fairly the financial position of the University at September 30, 2019 and its financial operations for the year then ended.

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



WAYNE STATE UNIVERSITY

FY 2019 Audited Financial Statements Overview

Bryan C. Dadey, CPA, MBA
Sr. AVP of Finance

FY 19 Audit Engagement

External Auditors: Plante Moran / Alan C. Young & Associates (WDET)

Responsibility: Provide reasonable assurance the financial statements are presented fairly in all material respects.

Engagement Includes:

**Annual Financial
Statements**

**Schedule of
Federal Awards**

WDET
(required by Corporation of
Public Broadcasting)

**NCAA Agreed
Upon
Procedures**



FY 19 Audit Results

Annual Financial Statements

- Unmodified Opinion – “Clean” Opinion (PG. 1)
- Highest level of assurance
- Passed adjustment: Exclusion of the *Nursing Practice Corporation* (annually)

Schedule of Federal Awards (Uniform Guidance)

- Covers ‘Student Financial Aid’ and ‘Research & Development’
- Finding (1): Financial Aid – Notification to National Student Loan Data System (within 30 days) (PG. 34)

WDET

- Unmodified Opinion – Highest level of assurance

NCAA – Agreed Upon Procedures

- Attestation procedures only (not an audit or review)
- Required every 3 years

Operating Results

Income Statement – Summarized

	University			Foundation			Combined	
	<u>2019</u>	<u>2018</u>	<u>% change</u>	<u>2019</u>	<u>2018</u>	<u>% change</u>	<u>2019</u>	<u>2018</u>
Operating Revenues	\$ 585,565	\$ 596,740	-1.9%	-	-		\$ 585,565	\$ 596,740
Operating Expenses	875,270	855,782	2.3%	-	-		875,270	855,782
Operating Loss	(289,705)	(259,042)	11.8%	-	-		(289,705)	(259,042)
Nonoperating Revenues (Expenses)	283,645	265,589	6.8%	\$ (6,510)	\$ 10,319	-163.1%	277,135	275,908
Income Before Other	(6,060)	6,547	-192.6%	(6,510)	10,319	-163.1%	(12,570)	16,866
Other	1,208	1,014	19.1%	14,076	18,986	-25.9%	15,284	20,000
(Decrease) Increase in Net Position	\$ (4,852)	\$ 7,561		\$ 7,566	\$ 29,305		\$ 2,714	\$ 36,866

Note: Summary of Page 20 – *Statement of Revenues, Expenses, and Changes in Net Position.*



Operating Results – Net Income

- Combined ‘increase in net position’ (net income) is \$2.7 million. (PG. 20)

Break-Down of Change in Net Positon (in thousands)

General Fund	\$	2,753 *
Designated Fund		(4,080)
Auxiliary Fund		(6,244) *
Independent Operations		1,598
Expendable Restricted		(908)
Plant Fund		1,729
Student Loan Fund		197
Endowments		103
		<hr/>
		(4,852)
Foundation		7,566
		<hr/>
	\$	<u>2,714</u>

* - BOG Approved Annual Budget



Operating Results – Revenue Notes

- **Net Tuition Revenue:** Flat
 - **Enrollment:** Increase in overall credit hours, but a change in student mix (more Undergraduate and less Graduate & Professionals).
 - **Tuition Rate:** 2.9% increase for FY 19
 - **Scholarships/Allowances:** Increase in need-based aid consistent with increase in tuition rate.
- **State Operating Appropriations:** FY 19 - 1.6% increase (FY 20 - 0.4% increase)
- **Non-Governmental Contracts:** Down overall \$14.7 million compared to FY 18
 - **Salary Reimbursement:** Affiliates no longer reimbursing Medical School faculty salaries. (**\$23.9 million**)
- **Investment Income:** \$22.5 million - 4.8% return on the Cash Pool.

Operating Results – Expense Notes

- Higher Education Price Index (HEPI) for 2019 = 2.5%
- **Total Operating Expenses** (less scholarships and depreciation) increased by 2.0%.
 - Compensation and Benefits increased by 2.9%
 - Operating Expenses decreased by 0.81%.
- **General Fund Operating Expenses** (less scholarships) increased by 2.4%, lower than HEPI.



Balance Sheet - Summarized

	University			Foundation		
	<u>2019</u>	<u>2018</u>	<u>% change</u>	<u>2019</u>	<u>2018</u>	<u>% change</u>
Current Assets	\$ 587,341	\$ 595,886	-1.4%	\$ 5,452	\$ 3,883	40.4%
Noncurrent Assets	1,106,475	1,066,784	3.7%	394,359	388,061	1.6%
Deferred Outflows	13,735	14,405	-4.7%	-	-	
	<u>\$ 1,707,551</u>	<u>\$ 1,677,075</u>	<u>1.8%</u>	<u>\$ 399,811</u>	<u>\$ 391,944</u>	<u>2.0%</u>
Current Liabilities	\$ 313,650	\$ 312,320	0.4%	\$ 591	\$ 290	103.8%
Noncurrent Liabilities	505,842	521,114	-2.9%	-	-	
Deferred Inflows	226,237	176,967	27.8%	-	-	
Net Position	<u>661,822</u>	<u>666,674</u>	<u>-0.7%</u>	<u>399,220</u>	<u>391,654</u>	<u>1.9%</u>
	<u>\$ 1,707,551</u>	<u>\$ 1,677,075</u>	<u>1.8%</u>	<u>\$ 399,811</u>	<u>\$ 391,944</u>	<u>2.0%</u>

- Corvias Concessionaire agreement / Anthony Wayne Phase II – impacts **Noncurrent Assets** and **Deferred Inflows**.
 - Deferred Inflows – future revenues that are realized over time
- **Noncurrent Liabilities** lower based on debt amortization. (Note: 2019 Bond issuance occurred after the fiscal year)

Note: Summary of page 19 - *Statement of Net Position*

Balance Sheet – Net Position (net assets)

- Unrestricted Net Position (net assets)

(in millions)	2018		2019	
	\$	%	\$	%
Designated Fund	\$ 92.3	46.5%	\$ 88.2	45.8%
General Fund	\$ 78.2	39.4%	\$ 81.0	42.1%
Plant Fund	\$ 21.4	10.8%	\$ 21.0	10.9%
Foundation	\$ 7.6	3.8%	\$ 7.8	4.1%
Student Loan Fund	\$ 1.5	0.8%	\$ 1.5	0.8%
Independent Operations	\$ (1.0)	-0.5%	\$ 0.6	0.3%
Auxiliary Fund	\$ (1.5)	-0.8%	\$ (7.7)	-4.0%
	<u>\$ 198.5</u>	<u>100%</u>	<u>\$ 192.4</u>	<u>100.0%</u>

- Majority of unrestricted nets assets are designated to schools/colleges/divisions (carryforward) or designated to specific projects and programs.

