

CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands)	Year Ended June 30,	
	2016	2015
Cash Flows From Operating Activities		
Student tuition and fees	\$ 1,166,315	\$ 1,141,704
Federal, state and local grants and contracts	902,253	840,144
Nongovernmental sponsored programs	RESTRICTED 201,683	201,852
Sales and services of educational departments and other	340,514	354,555
Patient care revenues	RESTRICTED 3,588,770	3,284,591
Student residence fees	108,481	98,801
Payments to employees	(3,511,163)	(3,374,825)
Payments for benefits	(1,006,801)	(936,342)
Payments to suppliers	(1,826,563)	(1,771,937)
Payments for scholarships and fellowships	(132,228)	(132,758)
Student loans issued	(19,730)	(22,942)
Student loans collected	19,656	19,206
Student loan interest and fees collected	2,065	2,879
Net Cash Used in Operating Activities	(165,748)	(295,072)
Cash Flows From Investing Activities		
Interest and dividends on investments, net	77,309	50,605
Proceeds from sales and maturities of investments	4,809,747	5,763,848
Purchases of investments	(4,670,131)	(5,530,132)
Net (increase) decrease in cash equivalents from noncurrent investments	(109,039)	5,701
Net increase in deposits of affiliates and other	8,522	968
Net Cash Provided by Investing Activities	EXCLUDED 116,418	290,990
Cash Flows From Capital and Related Financing Activities		
State capital appropriations	27,494	
Private gifts and other receipts	43,397	44,154
Proceeds from issuance of capital debt	558,249	136,915
Principal payments on capital debt	(437,000)	(100,640)
Interest payments on capital debt	(57,652)	(54,801)
Federal subsidies for Build America Bonds interest	7,545	7,603
Payments for bond refunding and related costs	(911)	
Purchases of capital assets	(591,336)	(652,241)
Proceeds from sales of capital assets	898	1,995
Net Cash Used in Capital and Related Financing Activities	EXCLUDED (449,316)	(617,015)
Cash Flows From Noncapital Financing Activities		
State educational appropriations	344,802	336,834
Federal Pell grants	43,265	44,061
Private gifts and other receipts	RESTRICTED 298,926	277,284
Student direct lending receipts	281,898	304,656
Student direct lending disbursements	(292,106)	(303,638)
Amounts received for annuity and life income funds	9,743	9,136
Amounts paid to annuitants and life beneficiaries and related expenses	(7,509)	(7,533)
Net Cash Provided by Noncapital Financing Activities	679,019	660,800
Net increase in cash and cash equivalents	180,373	39,703
Cash and Cash Equivalents, Beginning of Year	105,465	65,762
Cash and Cash Equivalents, End of Year	\$ 285,838	\$ 105,465

The accompanying notes are an integral part of the consolidated financial statements.

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Net Cash Used in Operating Activities + Net Cash Provided by Noncapital Financing Activities

$$\$ -165,748 + \$679,019 = \$513,271 \text{ or } \$513\text{M}$$

The \$513 million figure that is referenced by One U Campaign Leaders is an *inaccurate* portrayal of U-M's financial position. The figure is arrived at by hand picking **some categories from the Statement of Cash Flows in the publicly available annual report while excluding other categories.** This Statement of Cash Flows includes cash flows from the *entire* university, including Michigan Medicine, Athletics, and the Ann Arbor, Flint, and Dearborn campuses.

The \$513 million figure is calculated by selectively constructing a number by adding together "Net Cash Used in Operating Activities" and "Net Cash Provided by Noncapital Financing Activities" (highlighted in blue).

The \$513 million figure includes revenue sources that are restricted in terms of how the funds can be used or the segment of the university's operations that they can be used for, such as patient care revenues or gifts designated for specific purposes (highlighted in green).

The \$513 million figure excludes two key categories, which include significant obligations that are vital to the university's operations (such as purchase of capital assets including equipment and library materials) and are mandatory (such as payment of debt).

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT CASH FLOWS, CONTINUED

(in thousands)	Year Ended June 30,	
	2016	2015
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (874,765)	\$ (769,844)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	501,631	493,629
Changes in assets and liabilities:		
Accounts receivable, net	(4,440)	(13,716)
Prepaid expenses and other assets	(9,425)	(19,257)
Accounts payable	65,143	(16,927)
Accrued compensation and other	20,671	261
Unearned revenue	37,419	11,132
Insurance and benefits reserves	10,298	(1,759)
Obligations for postemployment benefits	87,720	21,409
Net cash used in operating activities	\$ (165,748)	\$ (295,072)

Through selectively constructing a false number in this way, it appears there is a surplus available for general use. And yet, if you remove even just one revenue line from the statement – such as patient care revenues, which must be spent on patient care and are not available for general use – the bottom line is red. That is why the “surplus” is not an accurate figure and no such number exists.