



2006—2007 FINANCIAL REPORT

Missouri State[™]
U N I V E R S I T Y



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Missouri State University is a public, comprehensive university system with a mission in public affairs, whose purpose is to develop educated persons while achieving five major goals:

- ❖ democratizing society
- ❖ incubating new ideas
- ❖ imagining Missouri's future
- ❖ making Missouri's future
- ❖ modeling ethical and effective behavior as a public institution

Management's Discussion and Analysis



Dr. Michael T. Nietzel
Missouri State University
President

We are providing Missouri State University's (the University) discussion and analysis of our financial statements and related notes as of June 30, 2007 and 2006, and for the fiscal years then ended. Three statements are described in the following discussion and analysis: The Statement of Net Assets, which presents the assets, liabilities, and net assets of the institution as of the end of the fiscal year; the Statement of Revenues, Expenses, and Changes in Net Assets, which reflects revenues and expenses recognized during the fiscal year; and the Statement of Cash Flows, which provides information on all of the cash inflows and outflows for the institution by major category during the fiscal year.

We hope this information will assist you as you seek to understand the University's financial position and operating activities, accomplishments and challenges. We are also presenting financial information of the Missouri State University Foundation, Inc. (the Foundation). The Foundation is a legally separate support organization that raises and holds funds to support the University. As you read through the next few pages, please review and refer to the Statements of Net Assets, Revenues, Expenses and Changes in Net Assets, and Cash Flows in addition to the Notes to the Financial Statements that we have described above.

Financial Overview

In the fiscal year ended June 30, 2007, the University experienced an increase in student enrollment. Combined with an increase in required student fee charges, the University's net student tuition and fees increased in fiscal year 2007 by \$9 million or 13.78%. This is the fourth year of increases in tuition and fees revenues. The University received \$79.8 million State of Missouri appropriations (a 2.4% increase) compared with \$77.9 million the previous two years.

Fiscal Year 2007's operating revenues of \$163.7 million were \$16 million more than the \$147.7 million operating revenues in fiscal year 2006 and \$24.2 million more than the operating revenues of \$139.5 million in fiscal year 2005. Operating expenses for the year ended June 30, 2007 increased \$16 million to \$231.4 million from \$215.4 million in fiscal year 2006. Operating expenses for fiscal year 2005 totaled \$204.0 million. As was the case in prior years, the increases in salaries, fringe benefits and grant and contracts supplies and services accounted for the change in operating expenses in fiscal year 2007. Net non-operating revenues and capital

gifts, grants and contracts totaled \$95.2, \$93.6 and \$86.1 million in fiscal years 2007, 2006 and 2005, respectively. The increase in fiscal year 2007 over 2006 was primarily from increases in state appropriations and investment revenue net of a reduction in capital grants and contracts. Most of the fiscal year 2006 increase over 2005 came from investment revenue and the absence of a loss from the write off of undepreciated capital assets that resulted from fiscal year 2005's change in the equipment capitalization threshold from \$1,000 to \$5,000. Net assets increased \$27.4 million for the year ended June 30, 2007, compared to \$25.9 million in for the year ended June 30, 2006, and \$21.7 million for the year ended June 30, 2005.

Net assets on June 30, 2007, totaled \$320.4 million compared to \$293.0 million on June 30, 2006 and \$267.1 million on June 30, 2005. From June 30, 2005 to June 30, 2007, net assets increased \$53.3 million. Unrestricted net assets increased \$30.4 million, restricted assets decreased \$6.6 million and the University's investment in capital assets, net of related debt increased \$29.5 million.

	University			Foundation		
	2007	2006	2005	2007	2006	2005
Total operating revenues	\$ 163,654,322	\$ 147,735,581	\$ 139,527,475	\$ 42,172,969	\$ 9,091,014	\$ 8,652,506
Total operating expenses	231,394,347	215,434,312	203,992,700	4,299,204	3,613,463	4,056,219
Net operating income (loss)	(67,740,025)	(67,698,731)	(64,465,225)	37,873,765	5,477,551	4,596,287
Total nonoperating revenues (expenses) and capital endowment activities	95,173,221	93,559,289	86,146,141	4,714,580	5,951,298	1,467,315
Increase in net assets	\$ 27,433,196	\$ 25,860,558	\$ 21,680,916	\$ 42,588,345	\$ 11,428,849	\$ 6,063,602

At the end of fiscal year 2005, the Foundation completed its first comprehensive fund-raising campaign with the attainment of the \$50 million goal for *The Campaign for SMS: Imagine the Possibilities*. The Foundation announced that \$51,340,744 was received or committed for the campaign. In fiscal year 2007, bolstered by a \$30 million pledge of a gift for the construction of a new arena, revenue from gifts totaled \$41.1 million. This is \$33 million more than the \$8.1 million in fiscal year 2006 and \$7.6 million in fiscal year 2005. The strong equity markets resulted in substantial investment gains and other investment income totaling \$8.6 million during fiscal year June 30, 2007 and \$5.2 million during fiscal year June 30, 2006 compared to \$4.6 million during fiscal year June 30, 2005. Net assets increased more than \$42.6 million in fiscal year 2007 to more than \$111.2 million on June 30, 2007.

The University's current assets on June 30, 2007 of \$153.1 million were \$56.7 million (58.8%) more than the \$96.4 million on June 30, 2006 and \$66.8 million (77.4%) more than the \$86.3 million on the same date in 2005. The growth from the end of fiscal year 2005 to 2006 reflects a strengthening of the University's financial condition. The large change from 2006 to 2007

reflects the short-term nature of current investments from unspent bond proceeds for the construction of an arena and the continued strengthening of the University's financial condition. The value of non-current assets on June 30, 2007, 2006 and 2005 were \$312.9 million, \$284.7 million, and \$272.7 million, respectfully. Current liabilities on June 30, 2007 of \$37.1 million were just over \$1.4 million more than on June 30, 2006. Current liabilities on June 30, 2005 totaled \$34.6 million. Non-current liabilities at June 30, 2007 of \$108.6 million include \$58.1 million of the \$59.4 million revenue bonds for the construction of an arena. Non-current liabilities were \$4.9 million less on June 30, 2006 than the \$57.2 million on June 30, 2005. Total liabilities on June 30, 2007 of \$145.6 million were \$57.5 million more than the \$88.1 million on June 30, 2006. Total liabilities on June 30, 2006, were approximate \$3.8 million less than the amount on June 30, 2005.

Assets of the Foundation exceeded \$112.3 million on June 30, 2007, approximately \$42.3 million more than the \$70 million on June 30, 2006 and \$53.3 million more than the \$59 million on June 30, 2005. The Foundation's liabilities totaled \$1.1 million, \$1.6 million and \$1.8 million on June 30, 2007, 2006 and 2005, respectfully.

	University			Foundation		
	2007	2006	2005	2007	2006	2005
Current assets	\$ 153,129,801	\$ 96,360,923	\$ 86,312,969	\$ 18,412,440	\$ 14,224,049	\$ 12,247,008
Noncurrent assets						
Endowment and other investments	13,536,339	582,134	618,178	92,871,947	54,631,923	45,305,192
Capital assets, net	296,630,426	281,589,628	268,824,888	1,042,577	1,312,967	1,388,098
Other	2,743,125	2,533,569	3,246,721			622
Total assets	466,039,691	381,066,254	359,002,756	112,326,964	70,168,939	58,940,920
Current liabilities	37,056,603	35,726,015	34,648,507	455,434	867,755	1,051,659
Noncurrent liabilities	108,577,379	52,367,726	57,242,294	676,879	694,878	711,804
Total liabilities	145,633,982	88,093,741	91,890,801	1,132,313	1,562,633	1,763,463
Net assets	\$ 320,405,709	\$ 292,972,513	\$ 267,111,955	\$ 111,194,651	\$ 68,606,306	\$ 57,177,457

Statement of Net Assets

Comparing the current assets on June 30, 2007 with current assets as of June 30, 2006, cash and investments are \$136.4 million, an increase of \$55 million. The increase from June 30, 2005 to June 30, 2006 was \$8.1 million. Accounts receivable, net of related allowances for uncollectible accounts decreased a little less than \$100 thousand from June 30, 2005 to 2006 and increased almost \$2 million from June 30, 2006 to 2007. Inventories decreased \$1.2 million from June 30, 2005 to 2006 and increased \$587 thousand from June 30, 2006 to 2007. Non-

current investments which were approximately the same at the end of fiscal year 2005 and 2006, increased \$13 million to \$13.3 million at the end of fiscal year 2007. Construction in progress at the end of fiscal year 2006 totaled \$8.8 million and at the end of fiscal year 2005 totaled \$31 million. At the end of June 30, 2007, construction in progress totaled \$24.4 million.

The following table shows the breakdown of net assets at June 30, 2007, 2006 and 2005 for both the University and Foundation.

Amounts in \$ millions	University			Foundation		
	2007	2006	2005	2007	2006	2005
Invested in Capital Assets, Net of Related Debt	\$ 236.8	\$ 226.1	\$ 207.3	\$ 1.0	\$ 1.3	\$ 1.2
Restricted						
Unexpendable	0.2	3.2	3.6	31.5	28.9	22.5
Expendable	11.1	6.5	14.3	73.5	34.8	30.2
Unrestricted	72.3	57.2	41.9	5.2	3.6	3.3
Total Net Assets	\$ 320.4	\$ 293.0	\$ 267.1	\$ 111.2	\$ 68.6	\$ 57.2

Capital and Debt Activities

During the fiscal year ended June 30, 2007, the University acquired capital assets totaling approximately \$28.8 million, including \$451 thousand in land, infrastructure, and buildings, \$3.5 million of furniture, fixtures and equipment, \$2.0 million in library materials, and \$22.8 million of construction. During the fiscal year 2007, assets that cost \$1.2 million with an undepreciated value of \$169 thousand were sold, abandoned or otherwise retired. Construction projects with a cost totaling approximately \$7.3 million were capitalized. Note 10, Capital Assets, shows the capital asset changes for the fiscal years ended June 30, 2007 and 2006.

During the year, depreciation expense, the systematic allocation of a capital assets cost over its estimated useful life, totaling \$13.6 million was recorded in the financial statements. This is \$1.4 million more than the \$12.2 million recorded during the fiscal year ended June 30, 2006.

On June 30, 2007, the University had 11 construction projects in progress with costs totaling approximately \$24.4 million incurred to date. The remaining project costs budgeted for these projects totals \$68 million. These projects are being funded by restricted net assets of \$55.1 million and unrestricted net assets of \$12.9 million. A table of the construction projects is provided for your analysis.

During 2007, the University issued taxable and nontaxable auxiliary enterprise system revenue bonds at a net premium of \$1.6 million with a par value of \$3 million and \$56.4 million, respectively. The University will use the proceeds of these bonds and gift revenue to construct a \$67 million arena. Total bonds payable increased \$56.2 million from \$42.9 million to \$99.1 million. Compensated absences, earned but untaken vacation and vested sick leave, increased slightly from \$7.3 million on June 30, 2006 to \$7.9 million on June 30, 2007. Capital lease obligations decreased from \$11.1 million to \$11.0 million. Note 8, Long-term Liabilities, illustrate the changes in long-term liabilities for the fiscal years ended June 30, 2007 and 2006.

Project Name	Project Budget (Not Previously Capitalized)	Amount Expended (Construction in Progress)	Project Balance
Jordan Valley Innovation Center	\$ 14,688,760	\$ 11,496,663	\$ 3,192,097
University Recreation Center	75,000	64,481	10,519
Darr Agriculture Center Parking	630,250	49,551	580,699
Bear Park North Security Camera	89,229	89,229	
JQH Arena	67,000,000	9,053,431	57,946,569
Blair House Elevator Repair	291,475	120,151	171,324
Freudenburger Renovation – Main	1,230,000	481,364	748,636
Blair-Shannon East Wall Repair	875,000	301,313	573,687
Hill Hall Repair	725,000	60,099	664,901
Enterprise Resource Planning System	6,766,370	2,666,563	4,099,807
Hammons Student Center HPER Renovation		22,273	(22,273)
Total	\$ 92,371,084	\$ 24,405,118	\$ 67,965,966

Statement of Revenues, Expenses, and Changes in Net Assets

The statement of revenues, expenses, and changes in net assets presents the University's results of operations, as well as the non-operating revenues and expenses. State appropriations are classified as non-operating revenues as required by the Governmental Accounting Standards Board accounting principles even though these revenues are used to support the operations of the University.

Revenues from operating and non-operating sources (total revenues) totaled \$261.5 million for the year ended June 30, 2007, \$243.2 million for June 30, 2006, and \$231.7 million for June 30, 2005. State Appropriations, Student Fees net of scholarships and Sales and Services of Educational and Auxiliary Activities make up the lion's share of our sources of funds. Student Fees, after subtracting \$24.2 million of scholarship allowances, were \$9.4 million more in FY 2007 than FY 2006 and generated 29.69% of these revenues (compared to 28.06% for the prior year). When comparing the same amounts to FY 2005, the increase is \$16.7 million.

Increases in Net Student Fees made up 51.4% of the \$18.3 million increase in total revenues in FY 2007 when compared with FY 2006. The State of Missouri provided 30.51% of total revenues (down from 32.05% in FY 2006 and 33.62% in FY 2005). Sales and services (residence hall, intercollegiate athletics, student union, parking, bookstore, health center) revenues made up 17.62% of the funds in FY 2007. Our grants and contracts revenue for FY 2007 totals 14.18% of our total revenues. Approximately \$11.7 million of the \$37.1 million grants and contracts revenue in FY 2007 was generated from Pell grants. Almost \$9.2 million of the grants and contracts revenue resulted from research and development grants and contracts.

Statement of Cash Flows

The Statement of Cash Flows reports the major sources and uses of cash and reveals further information for assessing the University's ability to meet financial obligations as they become due. Inflows and outflows of cash are summarized by operating, non-capital financing, capital and related financing, and investing activities.

Year Ended June 30, 2007			
	Operating	Nonoperating	Total
Revenues			
Net student tuition and fees	\$ 77,624,110	\$	\$ 77,624,110
State appropriations		79,792,171	79,792,171
Grants and contracts	37,076,873		37,076,873
Sales and services	46,076,558		46,076,558
Gifts		4,738,063	4,738,063
Investment income		5,394,985	5,394,985
Other	2,876,781		2,876,781
Revenues supporting core activities	163,654,322	89,925,219	253,579,541
Expenses			
Compensation and benefits	144,702,496		144,702,496
Scholarships and benefits	10,215,742		10,215,742
Supplies and services	57,105,669		57,105,669
Utilities	5,751,294		5,751,294
Interest expense		2,673,293	2,673,293
Depreciation	13,619,146		13,619,146
Expenses associated with core activities	231,394,347	2,673,293	234,067,640
Income (loss) from core activities	(67,740,025)	87,251,926	19,511,901
Other Nonoperating Activities and Changes in Net Assets			
Gain (loss) on disposal of fixed assets		(87,864)	87,864
Capital gifts		1,749,554	1,749,554
Capital grants and contracts		6,083,877	6,083,877
Increase in net assets	\$ (67,740,025)	\$ 95,173,221	27,433,196
Net assets			
Beginning of Year			292,972,513
End of Year			\$ 320,405,709

Year Ended June 30, 2006			
	Operating	Nonoperating	Total
Revenues			
Net student tuition and fees	\$ 68,225,134	\$	\$ 68,225,134
State appropriations		77,933,951	77,933,951
Grants and contracts	32,693,596		32,693,596
Sales and services	43,574,977		43,574,977
Gifts		4,154,974	4,154,974
Investment income		3,663,654	3,663,654
Other	3,241,874		3,241,874
Revenues supporting core activities	147,735,581	85,752,579	233,488,160
Expenses			
Compensation and benefits	137,986,858		137,986,858
Scholarships and benefits	7,289,934		7,289,934
Supplies and services	51,615,601		51,615,601
Utilities	6,367,494		6,367,494
Interest expense		1,741,847	1,741,847
Depreciation	12,174,425		12,174,425
Expenses associated with core activities	215,434,312	1,741,847	217,176,159
Income (loss) from core activities	(67,698,731)	84,010,732	16,312,001
Other Nonoperating Activities and Changes in Net Assets			
Gain (loss) on disposal of fixed assets		(141,838)	(141,838)
Capital gifts		1,312,854	1,312,854
Capital grants and contracts		8,377,541	8,377,541
Increase in net assets	\$ (67,698,731)	\$ 93,559,289	25,860,558
Net assets			
Beginning of Year			267,111,955
End of Year			\$ 292,972,513

Year Ended June 30, 2005			
	Operating	Nonoperating	Total
Revenues			
Net student tuition and fees	\$ 60,917,422	\$	\$ 60,917,422
State appropriations		77,909,024	77,909,024
Grants and contracts	33,844,179		33,844,179
Sales and services	41,760,930		41,760,930
Gifts		4,150,553	4,150,553
Investment income		1,375,883	1,375,883
Other	3,004,944		3,004,944
Revenues supporting core activities	139,527,475	83,435,460	222,962,935
Expenses			
Compensation and benefits	132,712,981		132,712,981
Scholarships and benefits	6,212,675		6,212,675
Supplies and services	43,948,502		43,948,502
Utilities	5,661,230		5,661,230
Interest expense		1,479,059	1,479,059
Depreciation	15,457,312		15,457,312
Expenses associated with core activities	203,992,700	1,479,059	205,471,759
Income (loss) from core activities	(64,465,225)	81,956,401	17,491,176
Other Nonoperating Activities and Changes in Net Assets			
Gain (loss) on disposal of fixed assets		(4,570,550)	(4,570,550)
Capital gifts		575,542	575,542
Capital grants and contracts		8,184,748	8,184,748
Increase in net assets	\$ (64,465,225)	\$ 86,146,141	21,680,916
Net assets			
Beginning of Year			245,431,039
End of Year			\$ 267,111,955

Economic Factors That Will Affect the Future

In September 2006, Missouri State University's Board of Governors adopted its strategic plan, *Imagining and Making Missouri's Future, A Long-Range Vision and Five-Year Plan (2006-2011)*. The plan confirmed the University's statewide mission in public affairs, whose purpose is to develop educated persons while achieving five goals:

- ◆ **Democratizing Society** – Higher education will be increasingly crucial to individuals being successful participants in 21st century society, and Missouri State will accomplish this goal by ensuring access to high-quality public education for well-prepared students from diverse backgrounds. A Missouri State education will enable its graduates to live successful, mindful lives in what will be a more challenging and demanding world.
- ◆ **Incubating New Ideas** – Universities will continue to be the source of most new scientific discoveries and technological innovations. Toward that end, Missouri State will expand and focus its research investments so that its faculty and students will be able to discover, advance, and synthesize knowledge. We will become an engine for knowledge.
- ◆ **Imagining Missouri's Future** – Missouri State will be an institution where we educate one another about the crucial issues and choices that confront the modern world. We will be an institution that encourages students to weigh priorities, explore alternative views, and ultimately understand the basis for their personal values through open and informed dialogue and scholarly engagement. We will promote imaginative learning.
- ◆ **Making Missouri's Future** – Missouri State graduates should be well-informed, confident and conscientious leaders, prepared not just to take good jobs upon graduation, but to make good jobs through the application of their knowledge and the pursuit of their ambitions. Missouri State will cultivate these leaders through a breadth of opportunities and a depth of learning that comes from rigorous standards in the classroom, in research, and in extracurricular activities. Our graduates will be committed to learning throughout their lifetimes, pursuing the personal curiosities that were awakened at Missouri State.
- ◆ **Modeling Ethical and Effective Institutional Behavior** – To be true to the University's statewide mission in public affairs, we must be an institution known not just for the quality of our outcomes, but also the constant integrity of how we do our work, especially when it comes to inclusiveness, social progress, and the effective stewardship of our resources. Missouri State University will maintain and publish a Public Scorecard of important outcomes by which all stakeholders will be able to monitor and judge the institution's progress in becoming a public university that is respected for the way it conducts its business.

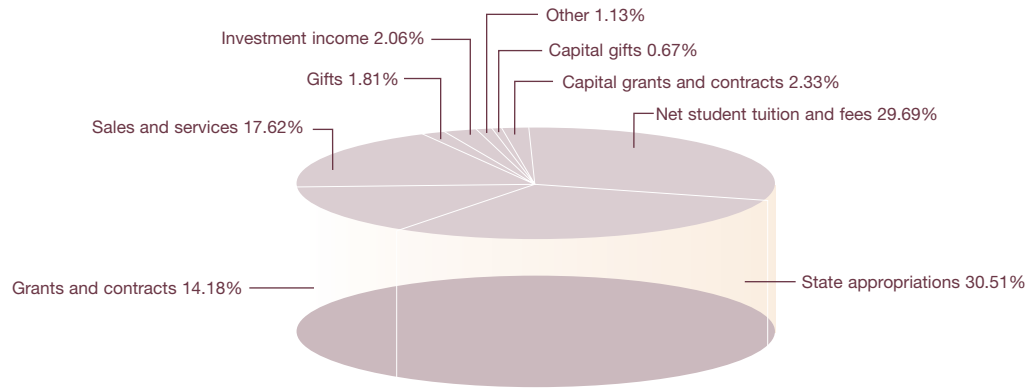
In order to accomplish these five goals, Missouri State will focus on the following priorities:

- ◆ **Faculty and Staff Salaries (including associated fringe benefits)** – Attracting and retaining outstanding faculty and staff is essential to the University's success now and in the future. Unfunded growth has not allowed salaries to keep pace with competition.
- ◆ **Instructional, Research, Service, Facilities, and Academic, Student and Institutional Support Expenses** – The Consumer Price Index, as published by the Bureau of Labor Statistics, for All Urban Consumers (CPI-U) increased by 2.7% for the one year period ending June 2007 (www.bls.gov/cpi). The percentage increases in costs of medical care, other goods and services, energy and food exceeded 2.7%. In order to provide an unchanged level of service to our students, an increase in funding these expenses is necessary.
- ◆ **Utilities** – The cost of utilities has increased at a rate far greater than the consumer price index. Although the University has invested in energy saving measures through the installation of a chill-loop heating and cooling system and centralized building control thermostats, we continue to experience increases of 8% in the cost of providing this necessary and essential service.
- ◆ **Institutional Scholarships, Fellowships and Waivers** – The University has implemented a number of competitive and need-based scholarships, fellowships and waivers designed to attract, assist and retain students. An increase in funding for these programs equal to the increase in student fees is necessary.

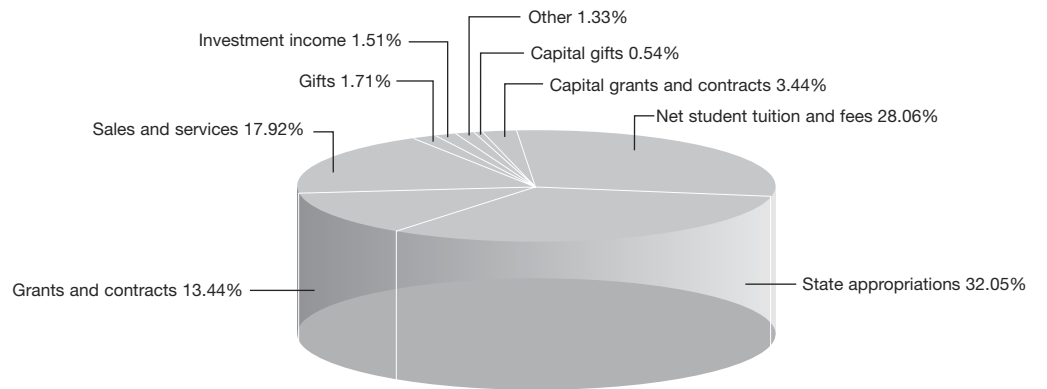
The State of Missouri appropriates funds each year to the University for operating costs and capital expenditures. For the year ending June 30, 2008, the University was appropriated an increase of 4.2 percent more than the previous year. This level of state appropriations for fiscal year 2007 (\$79.8 million) is still \$5.3 million less than the amount received in fiscal year 2001. The economy of Missouri is continuing to improve and the University is hopeful this improvement will result in additional appropriations for fiscal year 2008 and beyond. However, as in prior years, there is the possibility that state funding will fall short. When this happens, the state withholds payments to institutions of higher education and state agencies as directed by the governor. If the state were to withhold state appropriations, the University would implement various cost-saving measures to balance its budget.

Economic pressures of rising retirement plan costs and health care benefits appear to have tapered off for fiscal year 2007. Unfortunately, utility costs due to rising costs of natural gas, coal and transportation will require substantially more resources during the next few years. Rising gasoline prices will also have a negative effect on travel and other transportation expenses, such as our transit system. The University was able to fund a four percent salary increase pool through reallocations and from the increase in student fees and state appropriations.

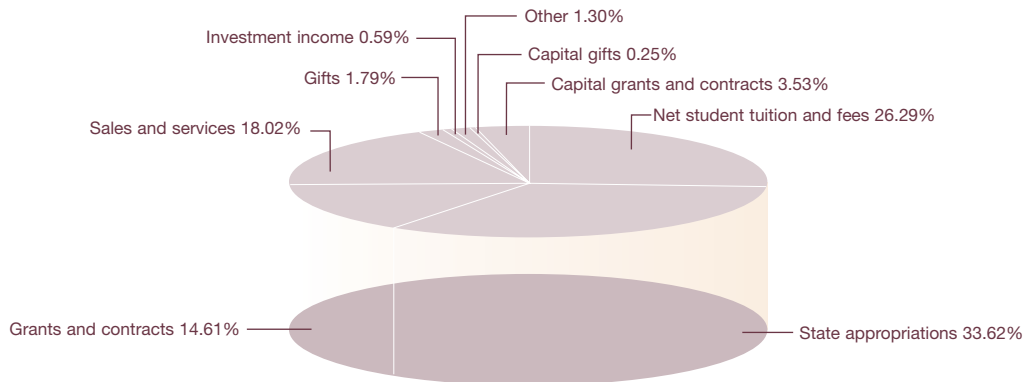
FY 2007 Operating and Nonoperating Revenues



FY 2006 Operating and Nonoperating Revenues



FY 2005 Operating and Nonoperating Revenues





Independent Accountants' Report on Financial Statements and Supplementary Information

The Board of Governors
Missouri State University
Springfield, Missouri

We have audited the accompanying basic financial statements of Missouri State University (University) and its discretely presented component unit, collectively a component unit of the State of Missouri, as of and for the years ended June 30, 2007 and 2006, as listed in the table of contents. These financial statements are the responsibility of the University's management. 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of Missouri State University Foundation, which comprises the financial statements of the discretely presented component unit, were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Missouri State University and of its discretely presented component unit as of June 30, 2007 and 2006, and the respective changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2007, on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

BKD, LLP

November 8, 2007

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Statements of Net Assets

June 30, 2007 and 2006

	University 2007	University 2006	Component Unit Foundation 2007	Component Unit Foundation 2006
Assets				
Current assets:				
Cash and cash equivalents	\$ 50,874,745	\$ 44,722,956	\$ 10,164,279	\$ 8,499,276
Restricted cash and cash equivalents	54,514,069	4,584,123		
Short-term investments	25,910,180	27,677,777	2,809,109	2,798,785
Restricted short-term investments	5,111,680	4,429,818		
Funds held in trust		244,544		
Accounts receivable, net	7,550,927	5,636,429	28,061	330,925
Pledges receivable, net			4,647,469	1,809,388
Grants receivable	3,335,353	3,408,593		
Accrued interest receivable-unrestricted	787,943	358,825	98,903	71,167
Accrued interest receivable-restricted	16,176	43,167		
Inventories	3,711,215	3,123,741		
Loans to students, net	622,532	625,463		
Deposits recoverable	18,657	18,657		
Prepaid expenses	676,324	1,486,830		
Assets for resale			664,619	714,508
Total current assets	153,129,801	96,360,923	18,412,440	14,224,049
Noncurrent assets:				
Restricted cash and cash equivalents			2,836,535	1,943,559
Pledges receivable, net			35,417,051	5,975,856
Restricted long-term investments			53,124,611	45,224,970
Investments held in trust			1,002,321	1,024,209
Other long-term investments	13,336,577	382,372	491,429	463,329
Deferred bond issue costs and discounts	1,345,530	828,992		
Loans to students, net	1,397,595	1,704,577		
Due from Foundation	199,762	199,762		
Construction in progress	24,405,118	8,845,373		
Capital assets, net	272,225,308	272,744,255	1,042,577	1,312,967
Total noncurrent assets	312,909,890	284,705,331	93,914,524	55,944,890
Total assets	466,039,691	381,066,254	112,326,964	70,168,939
Liabilities				
Current liabilities:				
Accounts payable and accrued expenses	7,272,630	7,339,674	399,904	812,367
Accrued compensated absences	4,285,057	4,065,215		
Accrued payroll	7,871,497	8,348,719		
Deferred revenue	9,309,461	8,385,383		
Deposits	531,856	540,762		
Accrued interest payable	1,367,617	1,224,933		
Long-term liabilities-current portion	5,243,936	4,859,040	55,530	55,388
Insurance claims payable	1,174,549	962,289		
Total current liabilities	37,056,603	35,726,015	455,434	867,755
Noncurrent liabilities:				
Accrued compensated absences	3,640,586	3,213,391		
Annuity obligations			477,117	495,116
Capital lease obligations	10,372,294	10,998,557		
Revenue bonds payable	94,564,499	38,155,778		
Due to Missouri State University			199,762	199,762
Total noncurrent liabilities	108,577,379	52,367,726	676,879	694,878
Total liabilities	145,633,982	88,093,741	1,132,313	1,562,633
Net Assets				
Invested in capital assets, net of related debt	236,803,822	226,109,260	1,042,577	1,312,967
Restricted for:				
Nonexpendable:				
Scholarships and fellowships	199,762	199,762	19,959,876	18,214,233
Other			11,557,731	10,621,302
Expendable:				
Research	853,191	1,023,871		
Scholarships and fellowships			18,717,311	14,819,064
Loans	2,984,079	3,181,853		
Capital projects	3,346,032	2,845,874		
Debt service	3,959,799	2,442,458		
Other			54,730,291	20,007,199
Unrestricted	72,259,024	57,169,435	5,186,865	3,631,541
Total net assets	\$ 320,405,709	\$ 292,972,513	\$ 111,194,651	\$ 68,606,306

See Notes to Financial Statements

Statements of Revenues, Expenses and Changes in Net Assets

For the Years Ended June 30, 2007 and 2006

	University 2007	University 2006	Component Unit Foundation 2007	Component Unit Foundation 2006
Operating Revenues				
Student tuition and fees	\$ 101,784,529	\$ 94,192,525	\$	\$
less scholarship allowances	(24,160,419)	(25,967,391)		
Total student tuition and fees	77,624,110	68,225,134		
Sales and services of educational departments	12,596,222	11,506,065		
Federal grants and contracts	27,787,381	23,465,250		
State and local grants and contracts	1,772,990	2,197,198		
Nongovernmental grants and contracts	7,516,502	7,031,148		
Gifts and contributions			41,088,635	8,090,392
Auxiliary enterprises:				
Residential life (net of scholarship allowances of \$3,137,109 in 2007 and \$2,506,584 in 2006)	19,840,182	19,265,559		
Bookstore (net of scholarship allowances of \$572,008 in 2007 and \$434,232 in 2006)	3,016,817	2,800,652		
Parking (net of scholarship allowances of \$194,704 in 2007 and \$180,760 in 2006)	3,062,663	2,783,518		
Taylor Health and Wellness Center (net of scholarship allowances of \$125,793 in 2007 and \$147,653 in 2006)	1,240,278	1,124,833		
Athletics	5,138,676	5,111,811		
Recreational facilities	262,984	196,522		
Student Union	918,736	786,017		
Other operating revenues	2,876,781	3,241,874	1,084,334	1,000,622
Total operating revenues	163,654,322	147,735,581	42,172,969	9,091,014
Operating Expenses				
Salaries	112,535,237	107,653,975		
Benefits	32,167,259	30,332,883		
Scholarships and fellowships	10,215,742	7,289,934	1,442,866	1,180,034
Utilities	5,751,294	6,367,494	129,166	129,863
Supplies and other services	57,105,669	51,615,601	2,654,036	2,228,435
Depreciation	13,619,146	12,174,425	73,136	75,131
Total operating expenses	231,394,347	215,434,312	4,299,204	3,613,463
Operating income (loss)	(67,740,025)	(67,698,731)	37,873,765	5,477,551
Nonoperating Revenues (Expenses)				
State appropriations	79,792,171	77,933,951		
Gifts	4,738,063	4,154,974		
Investment income	5,394,985	3,663,654	8,663,934	5,214,889
Interest on capital asset-related debt	(2,673,293)	(1,741,847)		(2,625)
Gain (loss) on assets held in trust			3,479	(8,951)
Other nonoperating expenses and losses			(147,288)	(157,310)
Expenditures to Missouri State University			(4,738,063)	(4,154,974)
Gain (loss) on disposal of fixed assets	87,864	(141,838)		
Net nonoperating revenues	87,339,790	83,868,894	3,782,062	891,029
Income before other revenues, expenses, gains, or losses	19,599,765	16,170,163	41,655,827	6,368,580
Capital gifts	1,749,554	1,312,854	(1,749,554)	(1,312,854)
Capital grants and contracts	6,083,877	8,377,541		
Additions to permanent endowments			2,682,072	6,373,123
Increase in net assets	27,433,196	25,860,558	42,588,345	11,428,849
Net Assets				
Net assets — beginning of year	292,972,513	267,111,955	68,606,306	57,177,457
Net assets — end of year	\$ 320,405,709	\$ 292,972,513	\$ 111,194,651	\$ 68,606,306

See Notes to Financial Statements

Statements of Cash Flows

For the Years Ended June 30, 2007 and 2006

	2007	2006
Cash Flows From Operating Activities		
Tuition and fees	\$ 76,624,784	\$ 68,875,606
Sales and services of educational departments	12,596,222	11,506,065
Federal grants and contracts	27,860,621	20,952,281
State grants and contracts	1,772,990	2,197,198
Nongovernmental grants and contracts	7,516,502	7,031,148
Payments to suppliers	(71,878,890)	(64,732,112)
Payments to employees	(144,532,681)	(136,931,532)
Loans issued to students	(275,446)	(164,931)
Collection of loans to students	585,359	685,309
Auxiliary enterprise charges:		
Residential life	19,840,182	19,265,559
Bookstore	3,016,817	2,800,652
Parking	3,062,663	2,783,518
Taylor Health and Wellness Center	1,240,278	1,124,833
Athletics	5,138,676	5,111,811
Recreational facilities	262,984	196,522
Student Union	918,736	786,017
Other receipts	3,089,041	3,163,099
Net cash used by operating activities	(53,161,162)	(55,348,957)
Cash Flows From Noncapital Financing Activities		
State appropriations	79,792,171	77,933,951
Gifts and grants received for other than capital purposes	4,738,063	4,154,974
Net cash provided by noncapital financing activities	84,530,234	82,088,925
Cash Flows From Capital and Related Financing Activities		
Cash received from disposal of fixed assets	256,500	384,329
Purchase of capital assets	(5,645,986)	(4,590,181)
Construction in progress	(23,451,411)	(20,058,024)
Capital grants and contracts	6,083,877	8,377,541
Gifts of cash	1,415,766	1,312,854
Proceeds from capital debt	59,420,000	
Cash received on bond premium	1,581,852	
Principal paid on capital debt and lease	(5,024,002)	(5,914,793)
Interest paid on capital debt and lease	(2,378,778)	(1,522,119)
Deferred bond issuing expense	(669,543)	
Net cash (used) provided by capital and related financing activities	31,588,275	(22,010,393)
Cash Flows From Investing Activities		
Proceeds from sales and maturities of investments	66,608,387	30,745,925
Purchase of investments	(78,677,108)	(38,881,099)
Interest on investments	5,193,109	3,102,435
Net cash used by investing activities	(6,875,612)	(5,032,739)
Net (decrease) increase in cash and cash equivalents	56,081,735	(303,164)
Cash and cash equivalents—beginning of year	49,307,079	49,610,243
Cash and cash equivalents—end of year	\$ 105,388,814	\$ 49,307,079

Statements of Cash Flows (continued)

For the Years Ended June 30, 2007 and 2006

	2007	2006
Reconciliation of net operating revenues (expenses) to net cash used by operating activities:		
Operating loss	\$ (67,740,025)	\$ (67,698,731)
Adjustments to reconcile net loss to net cash used by operating activities:		
Funds held in trust	244,544	
Depreciation expense	13,619,146	12,174,425
Change in operating assets and liabilities		
Accounts receivable	(1,914,498)	71,328
Loans to students	309,913	520,378
Funds held in trust		2,726
Appropriations due from State of Missouri		6,419
Federal and state grants receivable	73,240	(2,512,969)
Inventories	(587,474)	1,160,689
Prepaid expenses	810,506	(322,339)
Accounts payable and accrued expenses	726,239	(297,433)
Accrued compensated absences	647,037	346,015
Accrued payroll	(477,222)	709,311
Deferred revenue	924,078	556,917
Deposits	(8,906)	13,082
Insurance claims payable	212,260	(78,775)
Net cash used by operating activities	\$ (53,161,162)	\$ (55,348,957)
Supplemental Cash Flows Information		
Increase (decrease) in accounts payable incurred for capital asset purchases	\$ (793,283)	\$ 25,713
Gifts in kind of capital assets	\$ 333,788	

See Notes to Financial Statements

Notes to Financial Statements June 30, 2007 and 2006

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Institution

Missouri State University (the University) is a state assisted University with campuses in Springfield, West Plains and Mountain Grove, Missouri. An eight-member Board of Governors, appointed by the Governor and confirmed by the Senate of the State of Missouri, governs the University, a component unit of the State of Missouri.

Component Units

The Missouri State University Foundation Inc. (the Foundation) is a legally separate, tax-exempt component unit of the University. The Foundation's primary function is to raise and hold funds to support the University and its programs. The board of the Foundation is self-perpetuating and consists of graduates and friends of the University.

Although the University does not control the timing or amount of receipts from the Foundation, the majority of the Foundation's resources and related income are restricted by donors for the benefit of the University. Because these restricted 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 is discretely presented in the University's financial statements.

During the years ended June 30, 2007 and 2006, the Foundation provided \$6,487,617 and \$5,467,828, respectively, of support to the University. Complete financial statements of the Foundation may be obtained from its Administrative Office at the following address: 901 S. National, Springfield, MO 65897.

The Foundation is a private nonprofit organization that reports under Financial Accounting Standards Board (FASB) standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from Governmental Accounting Standards Board (GASB) revenue recognition criteria and presentation features. No modifications have been made to the Foundation's statements in the University's financial reporting entity for these differences.

JVIC, Inc., A Missouri Innovation Center, is a legally separate, tax-exempt component unit of the University. The mission of JVIC, Inc. is to support advanced product development with a focus on advancing the competitiveness of Missouri-based industries and supporting technology based entrepreneurs while providing interdisciplinary work experiences for Missouri State University students. The board of JVIC, Inc. is self-perpetuating and consists of graduates and friends of the University.

The University does not control the timing or amount of transactions for JVIC, Inc. Since this entity will establish resources to maintain a Missouri innovation center program at Missouri State University and provide work experiences for Missouri State University students, JVIC, Inc. is considered a component unit of the University and will be discretely presented in the University's financial statements.

There were no financial transactions for JVIC, Inc. for the fiscal years ended June 30, 2007 and 2006. If financial transactions occur in the future, JVIC, Inc. is a private nonprofit organization which will report under Financial Accounting Standards Board (FASB) standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from Governmental Accounting Standards Board (GASB) revenue recognition criteria and presentation features. No modifications will be made to the JVIC, Inc. statements in the University's financial reporting entity for these differences.

Basis of Presentation

The financial statements have been prepared to incorporate all fund groups utilized internally by the University. These statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the GASB. The University prepares its financial statements as a business-type activity in conformity with applicable pronouncements of GASB. Pursuant to GASB Statement No. 20, these reports are based on all applicable GASB pronouncements as well as applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Review Boards of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Measurement Focus and Basis of Accounting

The financial statements of the University have been prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place while those from government-mandated nonexchange transactions (principally state appropriations) are recognized when all applicable eligibility requirements are met. Internal activity and balances are eliminated in preparation of the financial statements unless they relate to services provided and used internally. Government-mandated nonexchange transactions that are not program specific such as state appropriations, gifts, investment income, and interest on capital asset-related debt are included in nonoperating revenues and expenses. Revenues for nonexchange transactions are recognized when all eligibility requirements have been satisfied. The University first applies restricted net assets when an expense or outlay is incurred for purposes for which both restricted and unrestricted net assets are available.

Operating revenues of the University consist of student fees, sales and services of educational activities, grants and contracts that are exchange transactions and auxiliary enterprise revenues. Transactions related to capital and financing activities, noncapital financing activities, investing activities and state appropriations are components of nonoperating income.

Use of Estimates

The 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The University considers all liquid investments with original maturities of three months or less to be cash equivalents.

Notes to Financial Statements June 30, 2007 and 2006

Investments

The University accounts for its investments at fair value, as determined by quoted market prices, in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gain (loss) on the carrying value of the investments are reported as a component of investment income in the statement of revenues, expenses and changes in net assets.

Student Accounts and Notes Receivable

Student accounts receivable consists of fees charged to students and charges for auxiliary enterprise services provided to students, faculty, and staff. Accounts receivable also include amounts due from the Federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts of \$1,804,509 and \$1,778,877 at June 30, 2007 and 2006, respectively. The University writes off accounts that have no activity within the last year and are at least 90 days past due.

Student accounts receivable are stated at the amount billed to the students less applied scholarships and loan proceeds. The University provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Required student fees and residence hall charges are due at the beginning of the semester unless the student is enrolled in the Deferred Payment Plan. Fee payment deadlines vary depending upon when the student registers. If the required student fees are not paid in full by that date, a finance charge is assessed on the remaining balance. Miscellaneous charges are due when billed. A finance charge is assessed on the next statement date after a miscellaneous charge is first billed. Charges that are past due without payments for one year and have had no response to the due diligence process are considered delinquent. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the student.

Notes receivable consists of amounts due under the Federal Perkins Loan Program and institutional loan programs and are stated at their outstanding principal amount, net of an allowance for doubtful notes. Loans are made to students based on demonstrated financial need for both Perkins and institutional loans and satisfaction of federal eligibility requirements for the Federal Perkins Loan Program. Principal and interest payments on Federal Perkins Loans generally do not commence until after the borrower graduates or otherwise ceases enrollment. The University provides an allowance for doubtful notes which is based upon a review of outstanding loans, historical collection information and existing economic conditions. Interest income is recorded as received which is not materially different from the amount that would have been recognized on the accrual basis. Loans that are delinquent continue to accrue interest. Loans that are past due for at least one payment are considered delinquent. Delinquent institutional loans are written off based on individual credit evaluation and specific circumstances of the student. Loans receivable are recorded net of estimated uncollectible amounts. The allowance for uncollectible loans netted against loans to students was \$1,425,030 and \$1,393,839 at June 30, 2007, and 2006, respectively.

Inventories

Nonauxiliary inventories consist of supplies for use by the University and merchandise available for sale consisting of art supplies and pharmacy stock. These inventories are stated at the lower of cost, determined using the first-in, first-out method, or market.

Auxiliary enterprises inventories consist of merchandise available for sale at the bookstore, student union and recreation facilities. These inventories are stated at the lower of cost, determined using the first-in, first-out method, or market.

Capital Assets

Land is stated at cost. Buildings and improvements are stated at June 30, 1953, replacement costs with subsequent additions stated at cost. Library books are stated at June 30, 1978, estimated historical cost, with subsequent additions stated at cost.

Building additions and improvements with a cost in excess of \$200,000 are capitalized if the life of the building is extended. Equipment with a cost in excess of \$5,000 with a useful life greater than one year is capitalized. Donated assets are transferred from the Missouri State University Foundation and are recorded at the fair value at the date of donation to the Foundation. Infrastructure assets are included in the financial statements and are depreciated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Depreciation is computed using the straight-line method over the estimated useful life of the asset. Assets under capital lease obligations are depreciated over the shorter of the lease term or their respective estimated useful lives. Expenditures for construction in progress are capitalized when the project is completed. The following estimated useful lives are being used by the University:

Land improvements	20 years
Buildings and improvements	7–40 years
Furniture, fixtures and equipment	3–15 years
Infrastructure	20 years
Library materials	10 years

The University capitalizes interest costs as a component of construction in progress, based on either the weighted-average rates paid for long-term borrowing or the rates associated with specific debt. Interest expense is capitalized net of interest income earned on resources set aside for this purpose. Total interest capitalized for the year ended June 30, 2007 was \$190,678 and for the year ended June 30, 2006 was \$571,775.

Notes to Financial Statements June 30, 2007 and 2006

Foundation Real Estate and Equipment

Buildings, improvements and equipment are depreciated over the estimated useful life of each asset. Annual depreciation is computed using the straight-line method. Real estate and equipment includes tenant remodeling improvements of \$74,695 and equipment of \$442,208. Real estate and equipment also includes \$220,000 for a residence on the West Plains campus used to house administration. The residence was transferred to the University in 2007. Depreciation for the residence for the years ended June 30, 2007 and 2006, totaled \$3,509 and \$5,263 and is included in institutional support.

Foundation Valuation of Gifts of Property

Gifts of real and personal property are reported at their estimated fair value as of the date the property is received. Fair value is determined either by a staff member of the University with expertise in the valuation of the particular property, or by appropriate documentation furnished by the donor.

Deferred Revenue

Deferred revenue represents unearned student fees and advances on program tickets.

Compensated Absences

It is the University's policy to permit employees to accumulate earned but unused sick and vacation pay benefits using the vesting method. Accrued vacation is the amount earned by all eligible employees through June 30. All eligible employees can accrue an unlimited amount of sick leave. Employees who retire under one of the University's public retirement plans will be paid for 40 percent of any accumulated unused sick leave rounded up or down to the nearest full day (up to a maximum of 48 days) and the remaining unused sick leave will be reported to Missouri State Employees' Retirement System (MOSERS) for inclusion as creditable service in accordance with MOSERS' policies regarding the reporting of unused sick leave. Accrued sick leave is based on a historic factor with these policies taken into consideration.

Deferred Bond Issue Costs

Bond issue costs incurred on the revenue bond issues have been deferred and are being amortized over the life of the bonds using the effective interest method. Total amortization for the year ended June 30, 2007 was \$367,968 and for the year ended June 30, 2006, was \$383,202.

Noncurrent Liabilities

Noncurrent liabilities include (1) principal amounts of revenue bonds payable and capital lease obligations with contractual maturities greater than one year and (2) estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year.

Net Assets

The University's net assets are classified as follows:

Invested in capital assets, net of related debt — This represents the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted net assets - nonexpendable — Nonexpendable restricted net assets consist of the federal portion of the Federal Perkins Loan program and endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. The endowment funds represent the amount of endowment given to the University before the organization of the Missouri State University Foundation.

Restricted net assets - expendable — Restricted expendable net assets include resources in which the University is legally and contractually obligated to spend in accordance with restrictions imposed by external third parties.

Unrestricted net assets — Unrestricted net assets represent resources derived from student fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the University, and may be used at the discretion of the governing board to meet current expenses for any purpose. Auxiliary enterprises, which are substantially self-supporting activities, provide services for students, faculty and staff.

The Foundation's net assets, which under FASB standards are reported as either unrestricted, temporarily restricted, or permanently restricted based on the presence or absence of donor restrictions, have been presented based on the GASB classifications with like characteristics.

Classification of Revenues

The University has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating revenues — Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student fees, net of scholarship allowances, (2) sales and services of auxiliary enterprises, (3) interest on student loans, and (4) grants and contracts meeting certain criteria.

Nonoperating revenues — Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as grants, gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Government Entities That Use Proprietary Funds Accounting*, and GASB No. 34, such as state appropriations and investment income.

Federal Financial Assistance Programs

The University participates in the following federal student financial aid programs: Federal Pell Grant, Federal Supplemental Educational Opportunity Grant, Federal Work Study, Federal Family Education Loan, Federal Direct Loan, and Federal Perkins Loan Programs. Federal programs are audited in accordance with the Single Audit Act Amendments of 1996, the U. S. Office of Management and Budget Revised Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations*, and the *Compliance Supplement*.

Notes to Financial Statements June 30, 2007 and 2006

Scholarship Allowances

Student tuition and fees and auxiliary enterprise revenues, presented net of scholarships and fellowships of \$28,190,035 and \$29,236,620 at June 30, 2007 and 2006, respectively, are applied to student accounts, while stipends and other payments made directly to students are reported as scholarships and fellowships expense. Net tuition and fees, except for summer session, are recognized as revenues as they are assessed. The portion of summer session tuition and fees applicable to the following fiscal year is deferred.

Bad Debt Expense

Bad debt expense is \$399,903 and \$428,225 for the years ended June 30, 2007 and 2006, respectively, and is shown as a reduction of tuition and other fee revenues.

Income Taxes

As a state institution of higher education, the income of the University is generally exempt from federal and state income taxes under Section 115(a) of the Internal Revenue Code; however, income generated from activities unrelated to the University's exempt purpose is subject to income taxes under Internal Revenue Code Section 511(a)(2)(B).

Reclassifications

Certain reclassifications have been made to the 2006 financial statements to conform to the 2007 financial statement presentation. These reclassifications had no effect on net earnings.

Note 2: Deposits and Investments

Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The University's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities or the state of Missouri; bonds of any city, county, school district or special road district of the state of Missouri; bonds of any state; or a surety bond having an aggregate value at least equal to the amount of the deposits.

At June 30, 2007 and 2006, none of the University's bank balances held by the current depository, a United States financial institution, were exposed to custodial credit risk. All of these domestic deposits were fully collateralized at the end of fiscal year 2007 and 2006. The funds held by international banks for the University's foreign education activities were not collateralized. The University is exposed to custodial credit risk for these deposits as follows:

	2007	2006
Uninsured and uncollateralized	\$ 72,037	\$ 467,778

Foreign Currency Risk. This risk relates to adverse affects on the fair value of a deposit from changes in exchange rates. The University does not have any policies related to foreign currency risk. The University has \$72,037 and \$467,778 of foreign deposits denominated in Chinese Yuan and the Hong Kong Dollar at June 30, 2007 and 2006, respectively.

Investments

The University may invest in United States Treasury and Federal Agency securities, repurchase agreements, corporate bonds, commercial paper, and bankers acceptances.

At June 30, 2007 and 2006, the University had the following investments and maturities:

June 30, 2007				
Maturities in Years				
Type	Fair Value	Less than 1	1-5	6-10
U.S. Treasury obligations	\$ 345,633	\$	\$ 67,746	\$ 277,887
U.S. agencies obligations	44,012,804	31,021,860	12,990,944	
	<u>\$ 44,358,437</u>	<u>\$ 31,021,860</u>	<u>\$ 13,058,690</u>	<u>\$ 277,887</u>

June 30, 2006				
Maturities in Years				
Type	Fair Value	Less than 1	1-5	6-10
U.S. Treasury obligations	\$ 382,372	\$	\$ 85,971	\$ 296,401
U.S. agencies obligations	32,107,595	32,107,595		
	<u>\$ 32,489,967</u>	<u>\$ 32,107,595</u>	<u>\$ 85,971</u>	<u>\$ 296,401</u>

Interest Rate Risk. As a means of limiting its exposure to fair value losses, the University's investment policy limits the type of investments to those which are not exposed to fair value losses arising from increasing interest rates. The maturities are structured to meet the cash flow needs of the University. The prohibition of speculative investments precludes pursuit of gain or profit through unusual risk. Investment trading in response to changes in market value or market direction is warranted under active portfolio managements. Interest rate risk is not specifically discussed in the University's investment policy.

Credit Risk. Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. It is the University's policy to limit its investment in bankers acceptances to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs). At June 30, 2007 and 2006, the University's investments not directly guaranteed by the U.S. government were rated either A1+ or Aaa by Standard & Poor's and/or either P1 or Aaa by Moody's Investors Service and/or F1+ or Aaa by Fitch Investors Service.

Notes to Financial Statements June 30, 2007 and 2006

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the University will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The University had no investments exposed to custodial credit risk at the end of June 30, 2007 or 2006.

Concentration of Credit Risk. The University's investment policy places maximum percentages on the total investment funds held in each type of instrument. The type of investments that can be held in the University's portfolio include U.S. Treasury and Federal Agency Securities, repurchase agreements, corporate bonds, commercial paper and bankers acceptance. It is the University's policy that no more than 15% of the total portfolio will be held in any one bank. There are no restrictions on direct obligations of the U.S. Government, U.S. Government Agency issues or U.S. Government guaranteed securities.

There are no restrictions for repurchase agreements which are fully collateralized by U.S. Government securities. No more than 20% of the portfolio will be held in corporate bonds or bankers acceptances with no more than 5% of the portfolio to be held with any one issuer. No more than 30% of the portfolio will be held in commercial paper, with no more than 5% of the portfolio to be held with any one issuer.

Foreign Currency Risk. This risk relates to adverse affects on the fair value of an investment from changes in exchange rates. The University's exposure to foreign currency risk did not exist at June 30, 2007 or 2006 because there were no foreign investments in the University's investment portfolio at any time during these two fiscal years.

Summary of Carrying Values

The carrying values of deposits and investments shown above are included in the statements of net assets as follows:

	2007	2006
Carrying Value:		
Deposits	\$105,388,814	\$ 49,307,079
Investments	44,358,437	32,489,967
	\$149,747,251	\$ 81,797,046

Included in the following statements of net assets captions

	2007	2006
Cash and cash equivalents	\$ 50,874,745	\$ 44,722,956
Restricted cash and cash equivalents	54,514,069	4,584,123
Short-term investments	25,910,180	27,677,777
Restricted short-term investments	5,111,680	4,429,818
Long-term investments	13,336,577	382,372
Cash, cash equivalents and investments total	\$149,747,251	\$ 81,797,046

Investment Income

Investment income for the years ended June 30, 2007 and 2006, consisted of:

	2007	2006
Interest and dividend income	\$ 5,593,748	\$ 3,422,760
Net increase (decrease) in fair value of investments	(198,763)	240,894
	<u>\$ 5,394,985</u>	<u>\$ 3,663,654</u>

Foundation Pooled Investments

Funds treated as endowment by the Foundation are managed as a pooled investment fund. The various subsidiary accounts purchase shares in the investment pool when additions are received. The investment pool is operated on a unit market basis. The following schedule summarizes data related to the investment pool as of and for the years ended June 30:

	2007	2006
Pooled investments at market value	\$ 55,299,440	\$ 46,790,891
Number of pool shares	189,783	178,945
Market value per pool share	\$ 291.38	\$ 261.48
Fiscal year return	16.7%	11.1%
Interest and dividend earnings	\$ 340,202	\$ 354,859
Net gains	\$ 7,683,372	\$ 4,422,990

Endowment assets consist of the following as of June 30, 2007 and 2006:

Pooled investments from above	\$ 55,299,440	\$ 46,790,891
Non-pooled endowment assets	5,593,788	5,264,823
Total endowment assets	<u>\$ 60,893,228</u>	<u>\$ 52,055,714</u>

Notes to Financial Statements June 30, 2007 and 2006

Foundation Investments and Investment Return

Investments in equity securities and debt securities are carried at fair value.

While the Foundation does not invest directly in derivative securities, it may, through investment holdings with various money managers, indirectly hold these securities. The Foundation has significant investments in marketable securities, which are subject to price fluctuation. These instruments could potentially subject the Foundation to significant concentrations of market risk. This risk is controlled through a diversified portfolio and regular monitoring procedures.

Investments are summarized as follows at June 30:

	2007	2006
Accrued income	\$ 172,979	\$ 153,616
Money market accounts	6,447,219	5,449,024
Mutual funds	47,502,478	36,975,543
Real estate	2,699,851	3,287,084
U.S. Treasury securities	787,515	2,360,118
Corporate bonds	1,014,906	1,554,641
Hedge funds	4,337,161	3,846,369
Other	3,500	3,500
	<u>\$ 62,965,609</u>	<u>\$ 53,629,895</u>
Investment return consists of the following:		
Investment income	\$ 970,344	\$ 845,315
Net realized and unrealized gains on investments reported at fair value	7,693,590	4,369,574
	<u>\$ 8,663,934</u>	<u>\$ 5,214,889</u>

Investments held in trust are deposited with A. G. Edwards' balanced fund or are in municipal bonds and other investments.

Investment expenses incurred for the years ended June 30, 2007 and 2006 totaled \$149,163 and \$119,742, respectively.

Note 3: Foundation Pledges Receivable

Pledges receivable for the Foundation are a credit risk to the extent donors choose not to complete their pledge payments. Pledges receivable consist of the following unconditional promises to give at June 30:

	2007	2006
Due in less than one year	\$ 6,236,342	\$ 3,828,016
Due in one to five years	15,439,158	4,164,169
Due in more than five years	39,933,936	641,613
	61,609,436	8,633,798
Less: Allowance for doubtful accounts	298,996	217,805
Unamortized discount	21,245,920	630,749
	21,544,916	848,554
	\$ 40,064,520	\$ 7,785,244

Note 4: Related Party Transactions

In 1982, the University's Board of Regents authorized the transfer of its endowment fund of \$199,762 to the Foundation for management purposes. This balance is shown on the University's statements of net assets as noncurrent assets. All investment earnings from these funds have been recorded in the accounting records of the Foundation and are not shown on the University's financial statements. All endowment additions since 1982, including gifts and other income, have been recorded in the Foundation's accounting records. The total endowment fund managed by the Foundation at June 30, 2007 is \$60,893,228 and at June 30, 2006, was \$52,055,714.

Additionally, the Foundation owed the University approximately \$350,000 and \$488,000 at June 30, 2007 and 2006, respectively for pledges receivable and expenses paid by the University for costs to be funded by the Foundation. The balance is shown on the University's statements of net assets as current assets, and is included in accounts receivable.

Note 5: Pension and Post-Retirement Plan

The University participates in the Missouri State Employees' Retirement System (MOSERS), a cost-sharing, multiple-employer, defined-benefit, public employee retirement system. MOSERS is administered by an 11-member Board of Trustees. A publicly available financial report that includes the financial statements and required supplemental information is issued. This report may be obtained by writing to P.O. Box 209, Jefferson City, MO 65102, or calling (573) 751-2342.

MOSERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by state statute which may be changed by the Missouri legislature with concurrence of the Governor.

The University was required to contribute 12.78, 12.59 and 10.64 percent of eligible salaries for the years ended June 30, 2007, 2006 and 2005, respectively. No employee contributions are required or permitted. Contributions, which equaled the contribution requirements for years ended June 30, 2007, 2006, and 2005 were \$10,559,054, \$10,734,570 and \$9,057,228, respectively.

Notes to Financial Statements June 30, 2007 and 2006

Beginning July 1, 2002, all faculty on full-time, regular appointment are enrolled in the College and University Retirement Plan (CURP) if they have not previously been enrolled in MOSERS. CURP is a non-contributory 401(a) defined contribution retirement plan which uses TIAA-CREF as its third party administrator. The University was required to contribute 7.84%, 7.81% and 7.57% of the participants salary to CURP for the years ended June 30, 2007, 2006 and 2005 respectively. The total contributed for years ended June 30, 2007, 2006, and 2005 was \$860,910, \$723,167 and \$490,395, respectively. CURP provides a retirement program which offers interstate portability, immediate vesting, and no minimum service requirement. Contributions made by the University are self-directed by participants into their selected individual accounts. After participating in CURP for at least six years, a faculty member may elect to become a member of the Missouri State Employees' Retirement System (MOSERS).

In addition to the pension benefits described above, the Board of Governors has authorized the University to provide post-retirement health care benefits to enrolled employees who are eligible for normal retirement under either MOSERS or the Public School Retirement System (PSR), who have applied for and have been accepted to the program, and who have retired by a specified date. Currently, a limited number of retirees meet those eligibility requirements. The University pays the retirees' health insurance premiums through the month of their 65th birthday. Expenditures for post-retirement health care benefits are recognized as the premiums are paid and are not considered material. This program is currently closed to additional participants.

Note 6: Risk Management

The University is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental and accidental benefits. Commercial insurance coverage is purchased for claims arising from such matters other than those related to general liability, workers' compensation, natural disasters and employee health benefits.

Settled claims have not exceeded this commercial coverage in any of the three preceding years. Additional coverage is provided through the State Self Insurance program, through the Risk Management Division of the Department of Administration Services, in Jefferson City. The State of Missouri self-insures the workers' compensation benefits for all state employees, including University employees. Claims are administered by the Missouri Office of Administration, Risk Management Section.

Liabilities for employee health and dental benefits are included in liabilities for claims incurred but not yet reported or paid. The liability is estimated based on subsequent payments and historical information. Changes in the balance of claims liabilities for the years ended June 30, 2007 and 2006, is summarized as follows:

	2007	2006
Balance at beginning of year	\$ 962,289	\$ 1,041,064
Health and dental claims	11,778,798	10,997,148
Health insurance payments	(11,566,538)	(11,075,923)
Balance at end of year	\$ 1,174,549	\$ 962,289

Note 7: Operating Expenses by Function

Operating expenses by functional classification for the years ended June 30, 2007 and 2006 are summarized as follows:

	Salaries	Benefits	Scholarships and Fellowships	Utilities	Supplies and other Services	Depreciation	2007 Total	2006 Total
Instruction	\$ 56,337,591	\$ 15,611,442	\$ 100,007	\$ 42,857	\$ 10,165,387	\$	\$ 82,257,284	\$ 80,640,000
Research	4,336,428	1,272,777	25,060	2,203	9,091,695		14,728,163	10,497,033
Public service	3,588,780	1,106,554	233,497	113,135	3,577,981		8,169,947	8,426,249
Academic support	13,355,396	4,028,807	140,722	1,106	5,561,034		23,087,065	23,369,503
Student services	5,191,270	1,701,108	142,446		4,428,841		11,463,665	11,685,142
Institutional support	12,146,106	3,198,281	23,054	17,461	2,910,495		18,295,397	15,119,904
Operation and maintenance of plant	4,816,925	1,877,142	1,539	3,399,268	6,733,913		16,828,787	15,145,771
Scholarships and fellowships	186,136	3,888	8,184,076		41,148		8,415,248	5,298,324
Auxiliary enterprises	12,576,605	3,367,260	1,365,341	2,175,264	14,595,175		34,079,645	33,077,961
Depreciation						13,619,146	13,619,146	12,174,425
Total operating expenses for fiscal year 2007	\$ 112,535,237	\$ 32,167,259	\$ 10,215,742	\$ 5,751,294	\$ 57,105,669	\$ 13,619,146	\$ 231,394,347	
Total operating expenses for fiscal year 2006	\$ 107,653,975	\$ 30,332,883	\$ 7,289,934	\$ 6,367,494	\$ 51,615,601	\$ 12,174,425		\$ 215,434,312

Notes to Financial Statements June 30, 2007 and 2006

Note 8: Long-term Liabilities

Long-term debt and other obligations consist of the following as of June 30, 2007:

	Bond Series	Interest Rate	Maturity	Beginning Balance July 1, 2006	Additions	Reductions	Ending Balance June 30, 2007	Current Portion
Revenue Issue								
Auxiliary Enterprise System								
1988 Note Payable		3%	2018	\$ 1,858,765	\$	\$ 130,805	\$ 1,727,960	\$ 134,759
2002	A	1.45 to 3.2%	2010	8,460,000		2,810,000	5,650,000	1,355,000
2005	A	2.0 to 4.05%	2025	30,390,000		1,665,000	28,725,000	1,525,000
2007	A	4.0 to 5.0%	2032		56,420,000		56,420,000	
2007	B	5.0 to 5.16%	2010		3,000,000		3,000,000	1,300,000
				40,708,765	59,420,000	4,605,805	95,522,960	4,314,759
Classroom Building 2002		1.35 to 4.35%	2016	4,430,000		345,000	4,085,000	350,000
Total Bonds Payable				45,138,765	59,420,000	4,950,805	99,607,960	4,664,759
Unamortized premium on bond issue					1,581,852	25,462	1,556,390	101,245
Unamortized loss on prior bond defeasance				(2,247,144)		(214,966)	(2,032,178)	(198,331)
Total Bonds Payable less unamortized loss				42,891,621	61,001,852	4,761,301	99,132,172	4,567,673
Compensated absences				7,278,606	5,185,308	4,538,271	7,925,643	4,285,057
Capital lease obligations		4.392%		11,121,754		73,197	11,048,557	676,263
Total other obligations				18,400,360	5,185,308	4,611,468	18,974,200	4,961,320
Total long-term debt and other obligations				\$ 61,291,981	\$ 66,187,160	\$ 9,372,769	\$ 118,106,372	\$ 9,528,993

Long-term debt and other obligations consist of the following as of June 30, 2006:

	Bond Series	Interest Rate	Maturity	Beginning Balance July 1, 2005	Additions	Reductions	Ending Balance June 30, 2006	Current Portion
Revenue Issue								
Auxiliary Enterprise System								
1988 Note Payable		3%	2018	\$ 1,985,733	\$	\$ 126,968	\$ 1,858,765	\$ 130,805
2002	A	1.45 to 3.2%	2010	11,200,000		2,740,000	8,460,000	2,810,000
2005	A	2.0 to 4.05%	2025	32,850,000		2,460,000	30,390,000	1,665,000
				46,035,733		5,326,968	40,708,765	4,605,805
Classroom Building 2002		1.35 to 4.35%	2016	4,765,000		335,000	4,430,000	345,000
Total Bonds Payable				50,800,733		5,661,968	45,138,765	4,950,805
Unamortized loss on prior bond defeasance				(2,462,106)		(214,962)	(2,247,144)	(214,962)
Total Bonds Payable less unamortized loss				48,338,627		5,447,006	42,891,621	4,735,843
Compensated absences				6,932,591	4,964,679	4,618,664	7,278,606	4,065,215
Capital lease obligations		4.392%		11,154,940	219,639	252,825	11,121,754	123,197
Total other obligations				18,087,531	5,184,318	4,871,489	18,400,360	4,188,412
Total long-term debt and other obligations				\$ 66,426,158	\$ 5,184,318	\$ 10,318,495	\$ 61,291,981	\$ 8,924,255

The University has bonds, notes, and capital lease obligations due in the total amount of \$110,180,729 and \$54,013,375 as of June 30, 2007 and 2006, respectively. These bonds and notes bear interest at rates ranging from 1.35 percent to 5.16 percent annually, and mature at various dates through fiscal year 2032. The revenue bonds are payable, both as to principal and interest, solely and only out of net income arising from the operation of the various revenue funds.

The revenue bond issues and the 1988 Housing System note payable require the University to establish and fund various Debt Service Reserve Funds. At June 30, 2007 and 2006, all Debt Service Reserve Funds have been fully funded. The University also is required to maintain certain rate covenants related to the Auxiliary Enterprise System bonds.

During 1991, revenue bonds totaling \$8,106,000 were defeased. At June 30, 2007 and 2006, the current outstanding balance of these defeased bonds was \$166,000 and \$251,000, respectively.

During 1998, Recreation Building 1991 bonds of \$4,475,000 and Parking System 1993 bonds of \$2,990,000 were defeased. At June 30, 2007 and 2006, the current outstanding balance of these defeased bonds was \$2,915,000 and \$3,490,000, respectively.

During 2003, Auxiliary System bonds, series 1993A and 1993B of \$5,295,000 and \$14,235,000 respectively and Classroom Building 1996 bonds of \$5,155,000 were defeased. At June 30, 2007 and 2006, the current outstanding balance of these defeased bonds was \$12,350,000 and \$15,685,000, respectively.

During 2005, Auxiliary System bonds series 1997A and 1999A of \$13,960,000 and \$16,835,000 respectively were defeased. At June 30, 2007 and 2006, the current outstanding balance of these defeased bonds was \$27,685,000 and \$29,075,000, respectively.

In accordance with accounting principles generally accepted in the United States of America, the outstanding balances of the defeased bonds are not reflected on the statement of net assets of the University.

The principal and interest requirements on notes and bonds payable to maturity at June 30, 2007 are as follows:

	Principal	Interest	Total
2008	\$ 4,664,758	\$ 3,886,627	\$ 8,551,385
2009	4,818,832	3,851,749	8,670,581
2010	4,993,028	3,684,390	8,677,418
2011	5,057,351	3,516,893	8,574,244
2012	5,001,805	3,346,747	8,348,552
2013–2017	26,930,685	13,918,408	40,849,093
2018–2022	15,341,501	9,578,492	24,919,993
2023–2027	14,905,000	6,264,035	21,169,035
2028–2032	17,895,000	2,483,248	20,378,248
	<u>\$ 99,607,960</u>	<u>\$ 50,530,589</u>	<u>\$ 150,138,549</u>

Notes to Financial Statements June 30, 2007 and 2006

Capital Lease Obligations

The University is obligated under leases accounted for as capital leases. Assets under capital leases at June 30, 2007 and 2006, totaled \$11,391,100 and \$12,009,513, respectively, net of accumulated depreciation of \$621,377 in 2007 and \$2,965 in 2006. The following is a schedule by year of future minimum lease payments under the capital leases including interest at the rate of 4.392% together with the present value of the future minimum lease payments as of June 30, 2007:

2008	\$ 1,151,869
2009	1,101,869
2010	1,096,869
2011	1,076,507
2012 – 2016	5,259,344
2028 – 2032	5,259,344
Total minimum lease payments	14,945,802
Less amount representing interest	3,897,245
Present value of future minimum lease payments	<u>\$11,048,557</u>

Foundation Leases

Noncancelable leases for space in the Kenneth E. Meyer Alumni Center expire in various years through 2010. Several of these leases contain renewal options for periods ranging from one to three years. Future minimum lease income at June 30, 2007, is as follows: 2008–\$523,049; 2009–\$31,710; 2010–\$2,642.

Note 9: Auxiliary Enterprise System

The outstanding debt of the University consists of Auxiliary Enterprise System Revenue Bonds. The most recent Auxiliary Enterprise System Revenue Bonds were issued in accordance with a Resolution adopted by the Board of Governors in April 2007.

The Resolution provides that the bonds are payable from the gross income and revenues derived from the housing, parking, health center and recreational facilities serving the University and its students. The housing facilities consist of 14 residence halls, four dining facilities, and the Student Union Building. The parking facilities consist of all facilities, lots and equipment for the parking of vehicles and the movement of passengers around campus. The health center consists of a Taylor Health and Wellness Center facility which provides medical and wellness services to students and their spouses, and University employees and their spouses and eligible dependents. The recreational facilities include the Hammons Student Center, the Plaster Sports Complex, the JQH Arena and the athletic programs of the University. The Auxiliary Enterprise System also includes the University's Bookstore and certain auxiliary operations at the University's West Plains campus.

Financial information for the Auxiliary Enterprise System for June 30, 2007 and 2006 is summarized as follows:

	2007	2006
Condensed Statement of Net Assets		
Assets:		
Current assets	\$ 81,569,440	\$ 23,543,998
Noncurrent assets	99,244,408	91,018,188
Total assets	180,813,848	114,562,186
Liabilities:		
Current liabilities	12,063,247	9,482,199
Noncurrent liabilities	91,290,708	34,263,555
Total liabilities	103,353,955	43,745,754
Net assets:		
Invested in capital assets, net of related debt	55,205,718	55,001,120
Restricted -		
Expendable	6,473,920	2,725,522
Unrestricted	15,780,255	13,090,290
Total net assets	77,459,893	70,816,932
Total liabilities and net assets	\$ 180,813,848	\$ 114,562,686

Condensed Statement of Revenues, Expenses and Changes in Net Assets

	2007	2006
Operating revenues	\$ 35,542,755	\$ 33,708,692
Operating expenses:		
Depreciation	2,760,948	2,811,929
All other operating expenses	34,079,645	33,077,961
Total operating expenses	36,840,593	35,889,890
Operating income (loss)	(1,297,838)	(2,181,198)
Nonoperating revenues (expenses)	2,592,958	3,370,558
Excess (deficit) of revenues over expenses	1,295,120	1,189,360
Transfer from other University units	5,347,841	5,601,344
Increase in net assets	6,642,961	6,790,704
Net assets, beginning of year	70,816,932	64,026,228
Net assets, end of year	\$ 77,459,893	\$ 70,816,932

Notes to Financial Statements June 30, 2007 and 2006

Note 10: Capital Assets

Capital asset activity for the year ended June 30, 2007 was as follows:

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Land	\$ 29,229,498	\$ 103,000	\$	\$ 172,382	\$ 29,504,880
Infrastructure	33,786,089			1,081,336	34,867,425
Buildings	305,162,699	348,010		6,042,177	311,552,886
Furniture, fixtures, and equipment	27,164,392	3,502,404	1,169,479		29,497,317
Library materials	39,490,262	2,019,526			41,509,788
Capitalized collections	391,858				391,858
Construction in progress	8,845,373	22,855,640		(7,295,895)	24,405,118
Total	444,070,171	28,828,580	1,169,479		471,729,272

Less accumulated depreciation:

Infrastructure	7,886,711	1,623,293			9,510,004
Buildings	104,236,702	7,803,982			112,040,684
Furniture, fixtures, and equipment	21,315,304	2,233,646	1,000,843		22,548,107
Library materials	28,969,891	1,919,039			30,888,930
Capitalized collections	71,935	39,186			111,121
Total accumulated depreciation	162,480,543	13,619,146	1,000,843		175,098,846
Capital assets, net	\$ 281,589,628	\$ 15,209,434	\$ 168,636		\$ 296,630,426

Capital asset activity for the year ended June 30, 2006 was as follows:

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Land	\$ 29,072,604	\$	\$ 27,020	\$ 183,914	\$ 29,229,498
Infrastructure	15,307,915			18,478,174	33,786,089
Buildings	280,938,574	227,910	745,319	24,741,534	305,162,699
Furniture, fixtures, and equipment	26,109,814	1,971,292	916,714		27,164,392
Library materials	37,435,520	2,054,742			39,490,262
Capitalized collections	119,892	271,966			391,858
Construction in progress	31,309,573	20,939,422		(43,403,622)	8,845,373
Total	420,293,892	25,465,332	1,689,053		444,070,171

Less accumulated depreciation:

Infrastructure	7,113,591	773,120			7,886,711
Buildings	97,116,536	7,531,648	411,482		104,236,702
Furniture, fixtures, and equipment	20,122,769	1,943,939	751,404		21,315,304
Library materials	27,056,162	1,913,729			28,969,891
Capitalized collections	59,946	11,989			71,935
Total accumulated depreciation	151,469,004	12,174,425	1,162,886		162,480,543
Capital assets, net	\$ 268,824,888	\$ 13,290,907	\$ 526,167		\$ 281,589,628

Note 11: Commitments and Contingencies

Claims and Litigation

As is common with most large governmental entities, various parties have asserted claims against the University through litigation and by other means. The University is vigorously defending each of these matters, the eventual outcomes of which management presently believes will not be material.

Government Grants

The University is currently participating in numerous grants from various departments and agencies of the federal and state governments. The expenditures of grant proceeds must be for allowable and eligible purposes. Single audits and audits by the granting department or agency may result in requests for reimbursement of unused grant proceeds or disallowed expenditures. Upon notification of final approval by the granting department or agency, the grants are considered closed.

Construction Commitments

The University has outstanding commitments for various construction contracts at June 30, 2007, including major outstanding contracts of approximately \$48.8 million at June 30, 2007, related to the construction of the JQH Arena. Of these contracts, approximately \$43.8 million are still to be incurred at June 30, 2007. ■

PRIVATE GIVING

The loyalty of alumni and friends of the University was evident during Fiscal Year 2007. The Missouri State University Foundation received 34,288 gifts, totaling \$10,960,508 (cash basis) for students, faculty and programs at Missouri State University. As part of that number, the Annual Fund, which supports annual needs of academic and other programs, received the highest gift amount ever: \$6,143,606. The other approximate \$4.8 million was designated for special campaigns or were one-time gifts. An additional \$1,229,220 was recorded in deferred gift commitments during the fiscal year, which will provide further support at some point in the future. These kinds of commitment and participation of alumni, faculty, staff, students, parents, businesses, foundations and the community allow the University and its students many opportunities to advance and excel.

Endowed funds are essential to ongoing institutional planning and support. At the end of the fiscal year, the market value of the endowment pool assets stood at \$55,299,440. In addition to providing scholarship support, endowments provide critical program support, fund ongoing maintenance and equipment needs, bring in guest artists and lecturers, and fund faculty growth and development. Continued growth in the endowment parallels continued progress for the University.

The gifts received this past fiscal year came in many sizes and benefited students and programs across all campuses. Several donors established or contributed to endowed funds and scholarships to support programs in Chemistry, including a summer undergraduate research fellowship. An endowed professorship in the College of Education was established to ensure education majors have sufficient language skills in both English and Spanish to effectively teach in bilingual classroom environments. Greenwood Lab School received an endowed fund to establish the girls' soccer program. An endowed scholarship in History was created to honor former University President Duane G. Meyer. Also, several scholarships were established or continued receiving support in the areas of accounting, agriculture, athletics, band, marketing, music, religious studies, University libraries and West Plains programs, just to name a few. JQH Arena received several gifts in support of concourses, the club, the grand entrance, suites and the Hall of Fame. Other annual gifts continued for critical support of programs in the areas of KSMU, Ozarks Public Television, The Performance Society and The Bears Fund.

Whether gifts are made for immediate use, designated for permanent needs by funding endowments or planned through a deferred gift vehicle, all gifts are important to Missouri State University, both now and in the future. Across the University, many giving opportunities exist along with a range of giving vehicles, from cash to stock to deferred. All gifts advance the possibilities for Missouri State University students and enhance the University.

Fiscal Year 2007 was a tremendous year in which alumni, parents and friends of Missouri State demonstrated their loyalty to the University and its students, faculty and programs, with their gifts. ■

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Missouri State University is a community of people with respect for diversity. The University emphasizes the dignity and equality common to all persons and adheres to a strict nondiscrimination policy regarding the treatment of individual faculty, staff, and students. In accord with federal law and applicable Missouri statutes, the University does not discriminate on the basis of race, color, religion, sex, national origin, ancestry, age, disability, or veteran status in employment or in any program or activity offered or sponsored by the University. In addition, the University does not discriminate on any basis (including, but not limited to, political affiliation and sexual orientation) not related to the applicable educational requirements for students or the applicable job requirements for employees. This policy shall not be interpreted in a manner as to violate the legal rights of religious organizations or military organizations associated with the Armed Forces of the United States of America. The University maintains a grievance procedure incorporating due process available to any person who believes he or she has been discriminated against. Missouri State University is an Equal Opportunity/Affirmative Action employer. Inquiries concerning the grievance procedure, Affirmative Action Plan, or compliance with federal and state laws and guidelines should be addressed to Jana Estergard, Equal Opportunity Officer, Sicheluff Hall 296, 901 South National Avenue, Springfield, Missouri 65897, 417-836-4252.