

Missouri State University
A Component Unit of the State of Missouri

Independent Auditor's Report and Financial Statements

June 30, 2019 and 2018

Missouri State University
A Component Unit of the State of Missouri
June 30, 2019 and 2018

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Independent Auditor's Report

Board of Governors
Missouri State University
Springfield, Missouri

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Missouri State University (the "University"), collectively a component unit of the state of Missouri, as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise Missouri State University's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of Missouri State University as of June 30, 2019 and 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The Condensed Schedules by Campus as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

BKD, LLP

Springfield, Missouri
December 3, 2019

Missouri State University
A Component Unit of the State of Missouri
Management's Discussion and Analysis
Years Ended June 30, 2019 and 2018

We are providing Missouri State University's (the "University") discussion and analysis of our financial statements and related notes as of June 30, 2019 and 2018, and for the fiscal years then ended. Three statements are described in the following discussion and analysis: The Statement of Net Position, which presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position of the institution as of the end of the fiscal year, the Statement of Revenues, Expenses and Changes in Net Position, which reflects revenues and expenses recognized during the fiscal year and the Statement of Cash Flows, which provides information on 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. As you read through the next few pages, please review and refer to the Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position and Statements of Cash Flows in addition to the Notes to the Financial Statements that we have described above.

Overview

Missouri State University is a comprehensive institution with a Carnegie classification of doctoral/professional offering undergraduate and graduate programs, including the professional doctorate with an enrollment of over 26,000 students. The University educates students to be global citizen scholars committed to the public affairs mission. The University's Mission, Vision and Values are detailed on the following link:

<https://www.missouristate.edu/about/mission-statement.htm>.

The Missouri State University campuses are structured to address the special needs of the urban and rural populations they serve. Missouri State University-Springfield is a selective-admissions, graduate level teaching and research institution. Missouri State University-West Plains is an open admissions campus serving seven counties in south central Missouri. Missouri State University-Mountain Grove serves Missouri's fruit industry through operation of the State Fruit Experiment Station. The Extended Campus provides anytime, anyplace learning opportunities through telecourses, internet-based instruction and through its interactive video network (BearNet). The University also operates various other special facilities, such as the Darr Agricultural Center in southwest Springfield, the Jordan Valley Innovation Center in downtown Springfield, the Bull Shoals Field Station near Forsyth, Baker's Acres and Observatory near Marshfield, the Missouri State University Graduate Center in Joplin and a branch campus at Liaoning Normal University in Dalian, China. In addition, Missouri State has the operations and program offerings of one entire academic department, its Department of Defense and Strategic Studies, located near Washington, D.C., in Fairfax, Virginia.

Management's Discussion and Analysis

This discussion and analysis of the Missouri State University's financial statements provides a comparative overview of the University's financial performance during the years ended June 30, 2019, 2018 and 2017. Since the management's discussion and analysis is designed to focus on current activities, resulting changes and current known facts, please read it in conjunction with the University's basic financial statements and the footnotes. These financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) pronouncements.

In 2018, the University adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which was effective for fiscal year 2018 and established standards for the recognition of liabilities, deferred outflows and inflows of resources and expenses related to postemployment benefit plans other than pensions. Prior year financial statements contained herein have not been restated for the adoption of GASB Statement No. 75 because it was not practical to do so.

Statements of Net Position

The Statement of Net Position presents the financial position of the University at a point in time. The Statement of Net Position has five major components which include 1.) Assets, 2.) Deferred Outflows of Resources, 3.) Liabilities, 4.) Deferred Inflows of Resources and 5.) Net Position. A description of each component is as follows:

Assets – Current assets are those anticipated to be liquidated within one year or less and include items such as cash and cash equivalents, investments, accounts receivable, inventories, loans to students and prepaid expenses. Noncurrent assets include that portion of accounts receivable, investments, loans to students and prepaid expenses not expected to liquidate within one year plus capital assets such as buildings, building improvements, infrastructure, equipment, etc.

Deferred Outflows of Resources – Deferred outflows of resources are those applicable to a future reporting period and include losses on bond refunding and pension and OPEB items required to be reported under GASB Statement Nos. 68 and 75, respectively.

Liabilities – Current liabilities are those anticipated to be recognized within one year or less and include items such as accounts payable and accrued liabilities, accrued compensated absences, unearned revenue, interest payable, student deposits, the current portion of long-term debt and accrued settlements. Noncurrent liabilities include that portion of accrued liabilities, compensated absences and long-term debt that are not due within one year.

Deferred Inflows of Resources – Deferred inflows of resources are those applicable to a future reporting period and include pension and OPEB items required to be reported under GASB Statement Nos. 68 and 75, respectively.

Net Position – Net Position represents University total assets and deferred outflows of resources less total liabilities and deferred inflows of resources. Net Position are classified in three major categories which include 1.) Net Investment in Capital Assets, 2.) Restricted and 3.) Unrestricted.

- 1.) Net Investment in Capital Assets represents buildings, building improvements, equipment, etc., that is net of accumulated depreciation and related debt.
- 2.) Restricted Net Position are that whose purpose has been determined by an outside party for a specific use such as scholarships, loans and capital projects.

- 3.) Unrestricted Net Position represents balances from operational activities that have not been restricted by parties external to the University. This includes funds that have been designated for specific purposes as well as amounts that have been contractually committed for goods and services not yet received.

A summary of the University's assets, deferred outflows, liabilities, deferred inflows and net position at June 30, 2019, 2018 and 2017:

Statements of Net Position
As of June 30, 2019, 2018 and 2017
(In Millions)

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Current Assets	\$ 134.3	\$ 86.6	\$ 104.0
Noncurrent Assets	656.0	668.8	632.9
Deferred Outflows of Resources	<u>80.5</u>	<u>91.9</u>	<u>87.0</u>
Total Assets and Deferred Outflows of Resources	<u>870.8</u>	<u>847.3</u>	<u>823.9</u>
Current Liabilities	63.1	60.8	58.5
Noncurrent Liabilities	472.7	438.9	407.3
Deferred Inflows of Resources	<u>7.6</u>	<u>5.2</u>	<u>2.1</u>
Total Liabilities and Deferred Inflows of Resources	<u>543.4</u>	<u>504.9</u>	<u>467.9</u>
Net Position			
Net investment in capital assets	378.1	382.6	348.2
Restricted	21.7	15.9	16.2
Unrestricted	<u>(72.4)</u>	<u>(56.1)</u>	<u>(8.4)</u>
Total Net Position	<u>\$ 327.4</u>	<u>\$ 342.4</u>	<u>\$ 356.0</u>

Comparative Analysis of Fiscal Years 2019, 2018 and 2017

Current Assets – Current assets for Fiscal Year 2019 totaled \$134.3 million which is an increase of \$47.7 million. The increase is preliminarily the result of increased cash, restricted short-term investments and accounts receivable. Fiscal Year 2018 totaled \$86.6 million which is a decrease of \$17.4 million from Fiscal Year 2017 current assets of \$104.0 million. The decrease is primarily the result of restricted cash and restricted investments from bond proceeds in 2017 spent on the capital projects in 2018.

Noncurrent Assets – Noncurrent assets for Fiscal Year 2019 totaled \$656.0 million which is a decrease of \$12.8 million from Fiscal Year 2018 noncurrent assets of \$668.8 million. The decrease is the result of restricted long-term investments now classified as short-term and increased net capital assets. Noncurrent assets for Fiscal Year 2018 totaled \$668.8 million which is an increase of \$35.9 million from Fiscal Year 2017 noncurrent assets of \$632.9 million. The increase is primarily due to an increase in long-term investments and increased construction in progress and/or capital assets.

Deferred Outflows of Resources – Deferred outflows of resources for Fiscal Year 2019 totaled \$80.5 million which is a decrease of \$11.4 million from Fiscal Year 2018 deferred outflows of resources of \$91.9 million. The decrease is the result of GASB 68 in the amount of \$11.0 million. Deferred outflows of resources for Fiscal Year 2018 totaled \$91.9 million which is an increase of \$4.9 million from Fiscal Year 2017 deferred outflows of resources of \$87.0 million. The increase is the result of GASB 68 in the amount of \$4.4 million.

Current Liabilities – Current liabilities for Fiscal Year 2019 totaled \$63.1 million which is an increase of \$2.3 million from Fiscal Year 2018 current liabilities of \$60.8 million. This increase is primarily attributable to an increase in revenue bonds payable-current and unearned revenue offset by reduced accounts payables. Current liabilities for Fiscal Year 2018 totaled \$60.8 million which is an increase of \$2.3 million from Fiscal Year 2017 current liabilities of \$58.5 million. This increase is primarily attributable to an increase in accounts payable and unearned revenue offset by reduced current portion of bond payments.

Noncurrent Liabilities – Noncurrent liabilities for Fiscal Year 2019 totaled \$472.7 million which is an increase of \$33.8 million from Fiscal Year 2018 noncurrent liabilities of \$438.9 million. The increase is primarily the adoption of GASB Statement Nos. 68, 71 and 75 with an increase of the accrued pension liability of \$17.1 million and increased revenue bonds payable of \$16.1 million. Noncurrent liabilities for Fiscal Year 2018 totaled \$438.9 million which is an increase of \$31.6 million from Fiscal Year 2017 noncurrent liabilities of \$407.3 million. The increase is primarily the adoption of GASB Statement Nos. 68, 71 and 75 with an increase of the accrued pension liability of \$27.9 million and recording \$6.7 million for GASB 75, postemployment benefits.

Deferred Inflows of Resources – Deferred inflows of resources for Fiscal Year 2019 totaled \$7.6 million, an increase of \$2.4 million from Fiscal Year 2018. This amount is related to the adoption of GASB Statement Nos. 68, 71 and 75. Deferred inflows of resources for Fiscal Year 2018 totaled \$5.2 million an increase of \$3.1 million from Fiscal Year 2017. This amount is related to the adoption of GASB Statement Nos. 68, 71 and 75.

Net Position – Net Position totaled \$327.4 million for Fiscal Year 2019, totaled \$342.4 million for Fiscal Year 2018, \$356.0 million for Fiscal Year 2017.

Overall, two significant noncash items have impacted the Fiscal Years 2019, 2018 and 2017 financial results. In order to reflect a comparable comparison of the change in net position on the Statements of Revenues, Expenses and Changes in Net Position, the following table adjusts for the two items:

Operating Results
Years Ended June 30, 2019, 2018 and 2017
(In Millions)

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Increase in Net Position	\$ (15.0)	\$ (6.9)	\$ 4.1
Noncash Items Impacting Results			
GASB 68 Unfunded Pension Expense (Note 7)	30.8	26.5	19.6
Depreciation	28.5	26.9	25.9
Other nonoperating revenue in accounts receivables	<u>(5.2)</u>	<u>-</u>	<u>-</u>
Adjusted Increase in Net Position for Noncash Expenses	<u>\$ 39.1</u>	<u>\$ 46.5</u>	<u>\$ 49.6</u>

Statements of Revenues, Expenses and Changes in Net Position

The Statements of Revenues, Expenses and Changes in Net Position (SRECNP) present the operating results of the University as a whole. The statements, prepared in accordance with GASB, distinguish revenues and expenses between operating and nonoperating categories and provide a view of the University's operating margin. Comparative summary statements of revenue, expenses and changes in net position for the years ended June 30, 2019, 2018 and 2017, are as follows:

Operating Results Years Ended June 30, 2019, 2018 and 2017 (In Millions)

	June 30, 2019	June 30, 2018	June 30, 2017
Operating Revenue			
Tuition and fees	\$ 174.1	\$ 170.7	\$ 161.6
Scholarship allowances	(40.5)	(37.9)	(34.6)
Net tuition and fees	133.6	132.8	127.0
Sales and services	18.2	16.8	14.0
Grants and contracts	31.4	29.4	30.4
Auxiliary enterprises	39.5	40.2	40.7
Other	4.8	4.3	4.1
Total Operating Revenues	227.5	223.5	216.2
Operating Expenses	376.5	362.2	346.4
Operating Loss	(149.0)	(138.7)	(130.2)
Nonoperating Revenue (Expenses)			
State appropriations	81.5	80.9	83.2
Federal grants and contracts	31.9	32.6	29.8
Loss on disposal/impairment of fixed assets	-	(0.7)	(1.4)
Other nonoperating expenses and losses	7.4	(2.2)	-
Gifts	9.3	8.8	8.4
Investment income	6.7	0.9	(0.5)
Interest on capital asset – related debt	(6.5)	(4.7)	(5.3)
Net Nonoperating Revenues	130.3	115.6	114.2
Capital Grants, Gifts and Appropriations	3.7	16.2	20.1
Increase in Net Position	(15.0)	(6.9)	4.1
Net Position, Beginning of Year, as Previously Reported	342.4	356.0	351.9
Cumulative Effect of Change in Accounting Principle (GASB 75) (2018)	-	(6.7)	-
Net Position, Beginning of Year, as Restated for GASB 75 (2018)	342.4	349.3	351.9
Net Position, End of Year	\$ 327.4	\$ 342.4	\$ 356.0

Comparative Analysis of Fiscal Years 2019, 2018 and 2017

Operating Revenues – Operating Revenues for Fiscal Year 2019 totaled \$227.5 million which is an increase of \$4.0 million from Fiscal Year 2018 operating revenues of \$223.5 million. The increase in operating revenues is caused primarily by tuition and fee rate increases in 2019 offset by lower residence life occupancy. Operating Revenues for Fiscal Year 2018 totaled \$223.5 million which is an increase of \$7.3 million from Fiscal Year 2017 operating revenues of \$216.2 million. The increase in operating revenues is caused primarily by tuition and fee rate increases in 2018.

Nonoperating Revenues – Nonoperating Revenues for Fiscal Year 2019 totaled \$130.3 million which is an increase of \$14.7 million from Fiscal Year 2018 nonoperating revenues of \$115.6 million. Nonoperating Revenues for Fiscal Year 2018 totaled \$115.6 million which is an increase of \$1.4 million from Fiscal Year 2017 nonoperating revenues of \$114.2 million. State appropriations were \$81.5 million, \$80.9 million and \$83.2 million for Fiscal Years 2019, 2018 and 2017, respectively.

Operating Expenses Years Ended June 30, 2019, 2018 and 2017

	June 30, 2019	June 30, 2018	June 30, 2017
Salaries	\$ 152.8	\$ 149.3	\$ 150.1
Benefits	87.5	81.7	70.4
Scholarships and fellowships	30.4	30.6	30.7
Utilities	7.6	7.5	7.0
Supplies and other services	69.7	66.2	62.3
Depreciation	28.5	26.9	25.9
	<u>376.5</u>	<u>362.2</u>	<u>346.4</u>
Total	<u>\$ 376.5</u>	<u>\$ 362.2</u>	<u>\$ 346.4</u>

Operating Expenses – Operating Expenses for Fiscal Year 2019 totaled \$376.5 million which is an increase of \$14.3 million from Fiscal Year 2018 operating expenses of \$362.2 million. Operating Expenses for Fiscal Year 2018 totaled \$362.2 million which is an increase of \$15.8 million from Fiscal Year 2017 operating expenses of \$346.4 million. Included in benefits are the GASB 68 unfunded pension expense of \$30.80 in fiscal year 2019, \$26.5 million in Fiscal Year 2018 and \$19.6 million in Fiscal Year 2017.

Statements of Cash Flows

The Statements of Cash Flows report the major sources and uses of cash and reveal 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, noncapital financing, capital and related financing and investing activities. Comparative summary statements of cash flows for the years ended June 30, 2019, 2018 and 2017, are as follows:

Cash Flows			
Years Ended June 30, 2019, 2018 and 2017			
(In Millions)			
	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Cash Provided By (Used In)			
Operating activities	\$ (81.2)	\$ (79.8)	\$ (82.9)
Noncapital financing activities	124.9	120.0	121.3
Capital and related financing activities	(31.7)	(51.6)	(28.2)
Investing activities	<u>13.9</u>	<u>(4.2)</u>	<u>(8.4)</u>
Increase (Decrease) in Cash and Cash Equivalents	25.9	(15.6)	1.8
Cash and Cash Equivalents, Beginning of Year	<u>47.5</u>	<u>63.1</u>	<u>61.3</u>
Cash and Cash Equivalents, End of Year	<u>\$ 73.4</u>	<u>\$ 47.5</u>	<u>\$ 63.1</u>

The Statement of Cash Flows shows the sources and uses of University cash. The statement presents a beginning and ending cash balance.

Debt and Capital Activities

During Fiscal Year 2019 the University issued \$15.7 million of educational bonds which was used to purchase the Brick City buildings in downtown Springfield which is the home of the art and design department. The facilities were previously leased. In addition, the University made construction draws of \$10.0 million under the 2018A auxiliary enterprise system bonds for renovations of a residence life building. The University also entered into a capitalize lease in the amount of \$1.6 million for the purchase of Steinway pianos. During Fiscal Year 2018 the University issued \$41.2 million of auxiliary enterprise system bonds which \$36.2 million was used to advance refund the 2005 and the majority of the 2014 series bonds. During Fiscal Year 2017 the University issued \$12.7 million of auxiliary system enterprise bonds.

The following table summarizes the construction in progress and capital assets, net as of June 30, 2019, 2018 and 2017.

Capital Assets			
As of June 30, 2019, 2018 and 2017			
(In Millions)			
	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Capital Assets			
Construction in progress	\$ 8.7	\$ 29.0	\$ 55.6
Capital assets, net	556.0	521.3	465.4

On June 30, 2019, the University had 34 construction projects in progress with costs totaling approximately \$8.7 million incurred to date. The project costs budgeted for these projects totals \$27.7 million. These projects are being funded by bond proceeds, pledged gifts, restricted and unrestricted net position and capital appropriations.

Project Name	Project Budget (Not Capitalized)	Amount Expended (Construction in Progress)	Project Balance
Intrsectn Imprv Broadmoor & Kansas	\$ 122,139	\$ -	\$ 122,139
Hammons Transitway	71,177	-	71,177
University Welcome Center	258,398	-	258,398
Glass Hall Renovation & Addition	300,242	-	300,242
Occupational Therapy Building	1,104,819	-	1,104,819
Hill Hall Renovation	348,253	-	348,253
Ellis Hall Renovation	697,047	-	697,047
Health And Wellness Center	146,321	-	146,321
Ellis Hall Technology	3,893	-	3,893
Greenwood Addition	9,322	-	9,322
Library Classroom Technology	3	-	3
KOZK Fordland Reassign	3,351,670	1,185,924	2,165,746
KOZJ Joplin Reassign	1,025,928	940,538	85,390
Woods House Renovation	609,223	-	609,223
Plaster Ctr Mechanical Eng	10,340	-	10,340
Temple Greenhouse Expansion	78,891	-	78,891
NPHC Plots McDonald	8,548	-	8,548
Res Hall 2020	121,564	121,564	-
Kemper Reno CNAS/ COB	405,870	169,909	235,961
IPTV Contract	600,000	597,485	2,515
Tent Theatre, Permanent	53,076	53,076	-
JVIC Building #4	144,400	144,400	-
Ozarks Educational Ctr Bull Shoals	2,200,000	611,956	1,588,044
South Rec Field Seating	350,000	300,073	49,927
PSU Air Handling Unit	86,216	-	86,216
Greenwood Multi-Purpose	6,784,000	360,695	6,423,305
McQueary Classroom Addition	388,500	345,800	42,700
Plaster Ctr Ph II & III	233,650	122,667	110,983
FY19 Lot Prev Mtene	390,000	2,775	387,225
Indoor Practice Facility	172,000	122,994	49,006
Food Court Refresh	1,100,000	149,349	950,651
Woods House Ph II	6,450,000	3,481,785	2,968,215
Hass-Darr Hall Renovation	8,097	-	8,097
WP Amphitheatre	107,170	-	107,170
	<u>\$ 27,740,757</u>	<u>\$ 8,710,990</u>	<u>\$ 19,029,767</u>

Missouri State University
A Component Unit of the State of Missouri
Statements of Net Position
June 30, 2019 and 2018

Assets

	University 2019	University 2018	Component Unit Foundation 2019	Component Unit Foundation 2018
Current Assets				
Cash and cash equivalents	\$ 69,539,406	\$ 43,167,781	\$ 11,722,498	\$ 19,764,910
Restricted cash and cash equivalents	3,913,358	4,340,670	-	-
Short-term investments	6,000,000	9,905,195	14,500,000	11,176,598
Restricted short-term investments	24,000,000	272,355	-	-
Accounts and other receivables, net	20,977,934	17,699,620	6,069	5,881
Pledges receivable	-	-	7,036,451	5,330,939
Grants receivable	2,587,042	2,460,883	-	-
Accrued interest receivable	552,587	486,154	120,412	198,752
Inventories	4,619,542	5,587,307	-	-
Prepaid expenses	2,122,709	2,700,135	2,401,542	1,662,584
Assets held for sale	-	-	143,126	123,126
Total current assets	<u>134,312,578</u>	<u>86,620,100</u>	<u>35,930,098</u>	<u>38,262,790</u>
Noncurrent Assets				
Pledges receivable, net	-	-	11,697,214	15,965,499
Restricted long-term investments	-	24,000,000	94,128,538	87,970,616
Investments held in trust	-	-	1,946,074	744,635
Other long-term investments	91,134,025	94,201,819	424,054	467,307
Loans to students, net	-	59,492	-	-
Due from Foundation	199,762	199,762	-	-
Construction in progress	8,710,990	28,985,867	40,987	362,044
Capital assets, net	<u>555,956,207</u>	<u>521,295,466</u>	<u>1,624,770</u>	<u>933,588</u>
Total noncurrent assets	<u>656,000,984</u>	<u>668,742,406</u>	<u>109,861,637</u>	<u>106,443,689</u>
Total assets	<u>790,313,562</u>	<u>755,362,506</u>	<u>145,791,735</u>	<u>144,706,479</u>
Deferred Outflows of Resources				
Loss on refunding of bonds	3,157,928	3,595,217	-	-
Deferred outflows of resources related to pensions	77,097,131	88,295,306	-	-
Deferred outflows of resources related to other postemployment benefits	<u>251,328</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred outflows of resources	<u>80,506,387</u>	<u>91,890,523</u>	<u>-</u>	<u>-</u>

See Notes to Financial Statements

Liabilities

	University 2019	University 2018	Component Unit Foundation 2019	Component Unit Foundation 2018
Current Liabilities				
Accounts payable and accrued expenses	\$ 12,744,059	\$ 16,981,647	\$ 1,147,491	\$ 3,301,916
Accrued compensated absences - current	5,555,530	5,378,837	-	-
Accrued payroll	6,014,628	5,756,301	-	-
Unearned revenue	22,946,399	20,272,865	47,877	21,547
Deposits	535,792	582,389	-	-
Accrued interest payable	1,738,339	1,574,492	-	-
Capital lease obligations - current	1,251,283	1,019,152	-	-
Revenue bonds payable - current	9,617,385	7,774,521	-	-
Annuity obligations - current	-	-	77,581	25,729
Insurance claims payable	2,714,763	1,424,000	-	-
Total current liabilities	<u>63,118,178</u>	<u>60,764,204</u>	<u>1,272,949</u>	<u>3,349,192</u>
Noncurrent Liabilities				
Accrued compensated absences	5,975,514	5,746,401	-	-
Annuity obligations	-	-	430,479	114,591
Capital lease obligations	5,828,345	5,570,553	-	-
Revenue bonds payable	172,988,197	156,875,582	-	-
Net pension liability	278,020,399	260,931,464	-	-
Total other postemployment benefits liability	9,885,748	9,819,805	-	-
Due to Missouri State University	-	-	199,762	199,762
Total noncurrent liabilities	<u>472,698,203</u>	<u>438,943,805</u>	<u>630,241</u>	<u>314,353</u>
Total liabilities	<u>535,816,381</u>	<u>499,708,009</u>	<u>1,903,190</u>	<u>3,663,545</u>
Deferred Inflows of Resources				
Deferred inflows of resources related to other postemployment benefits	178,965	197,821	-	-
Deferred inflows of resources related to pensions	7,473,957	4,956,787	-	-
Total deferred inflows of resources	<u>7,652,922</u>	<u>5,154,608</u>	<u>-</u>	<u>-</u>
Net Position				
Net investment in capital assets	378,139,916	382,636,742	1,665,757	1,295,632
Restricted for				
Nonexpendable				
Scholarships and fellowships	199,762	199,762	40,905,816	38,896,201
Other	-	-	19,792,311	19,297,345
Expendable				
Scholarships and fellowships	-	-	24,435,787	23,956,985
Loans	660,680	1,166,625	-	-
Capital projects	20,807,171	14,505,494	-	-
Other	-	-	48,545,646	48,303,942
Unrestricted	<u>(72,456,883)</u>	<u>(56,118,211)</u>	<u>8,543,228</u>	<u>9,292,829</u>
Total net position	<u>\$ 327,350,646</u>	<u>\$ 342,390,412</u>	<u>\$ 143,888,545</u>	<u>\$ 141,042,934</u>

Missouri State University
A Component Unit of the State of Missouri
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2019 and 2018

	University 2019	University 2018	Component Unit Foundation 2019	Component Unit Foundation 2018
Operating Revenues				
Student tuition and fees	\$ 174,149,339	\$ 170,737,851	\$ -	\$ -
Less scholarship allowances	(40,541,750)	(37,927,630)	-	-
Total net student tuition and fees	133,607,589	132,810,221	-	-
Sales and services of educational departments	18,188,678	16,846,379	-	-
Federal grants and contracts	11,608,640	12,124,303	-	-
State and local grants and contracts	12,692,779	10,531,089	-	-
Nongovernmental grants and contracts	7,087,572	6,711,983	-	-
Gifts and contributions	-	-	15,313,086	17,510,014
Auxiliary enterprises				
Residential life (net of scholarship allowances of \$7,296,763 in 2019 and \$7,613,288 in 2018)	26,572,893	28,250,292	-	-
Bookstore (net of scholarship allowances of \$1,839,261 in 2019 and \$1,959,627 in 2018)	1,433,615	797,764	-	-
Parking (net of scholarship allowances of \$417,232 in 2019 and \$375,641 in 2018)	2,043,164	1,892,948	-	-
Magers Health and Wellness Center	2,011,231	1,995,259	-	-
Athletics	4,964,533	4,944,741	-	-
Recreational facilities	1,709,402	1,534,020	-	-
Student union	760,345	737,046	-	-
Other operating revenues	4,834,148	4,270,933	3,022,215	1,506,097
Total operating revenues	227,514,589	223,446,978	18,335,301	19,016,111
Operating Expenses				
Salaries	152,820,559	149,292,548	-	-
Benefits	87,527,087	81,728,100	-	-
Scholarships and fellowships	30,474,936	30,624,207	2,422,492	1,878,657
Utilities	7,549,637	7,467,202	134,304	140,986
Supplies and other services	69,662,758	66,208,358	4,365,028	3,404,728
Depreciation	28,522,726	26,892,052	113,584	90,451
Total operating expenses	376,557,703	362,212,467	7,035,408	5,514,822
Operating Income (Loss)	(149,043,114)	(138,765,489)	11,299,893	13,501,289
Nonoperating Revenues (Expenses)				
State appropriations	81,488,737	80,899,028	-	-
Federal grants and contracts	31,868,580	32,555,744	-	-
Gifts	9,334,350	8,807,876	-	-
Investment income (loss)	6,736,911	881,583	4,828,017	6,622,275
Interest on capital asset-related debt	(6,463,655)	(4,689,629)	-	-
Gain (loss) on assets held in trust	-	-	255,583	-
Other nonoperating revenues and expenses	7,404,444	(2,173,708)	(1,631,847)	(12,316,476)
Expenditures to Missouri State University	-	-	(9,334,350)	(8,807,876)
Gain (loss) on disposal of capital assets	(20,989)	(708,759)	-	-
Net nonoperating revenues (expenses)	130,348,378	115,572,135	(5,882,597)	(14,502,077)
Income (Loss) Before Other Revenues, Expenses, Gains or Losses	(18,694,736)	(23,193,354)	5,417,296	(1,000,788)

Missouri State University
A Component Unit of the State of Missouri
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2019 and 2018

	University 2019	University 2018	Component Unit Foundation 2019	Component Unit Foundation 2018
Other Revenues, Expenses, Gains or Losses				
Capital gifts	\$ 1,861,762	\$ 5,352,440	\$ (5,076,266)	\$ (5,352,440)
Capital grants and contracts	1,190,280	843,591	-	-
Capital appropriations	602,928	10,030,083	-	-
Additions to permanent endowments	-	-	2,504,581	4,379,078
	<hr/>	<hr/>	<hr/>	<hr/>
Total other revenues, expenses, gains or losses	3,654,970	16,226,114	(2,571,685)	(973,362)
	<hr/>	<hr/>	<hr/>	<hr/>
Increase (Decrease) in Net Position	(15,039,766)	(6,967,240)	2,845,611	(1,974,150)
	<hr/>	<hr/>	<hr/>	<hr/>
Net Position, Beginning of Year	342,390,412	349,357,652	141,042,934	143,017,084
	<hr/>	<hr/>	<hr/>	<hr/>
Net Position, End of Year	\$ 327,350,646	\$ 342,390,412	\$ 143,888,545	\$ 141,042,934
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Missouri State University
A Component Unit of the State of Missouri
Statements of Cash Flows
Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Operating Activities		
Tuition and fees	\$ 138,119,621	\$ 130,800,334
Sales and services of educational departments	18,188,678	16,846,379
Federal grants and contracts	11,482,481	12,486,020
State and local grants and contracts	12,692,779	10,531,089
Nongovernmental grants and contracts	7,087,572	6,711,983
Payments to suppliers	(106,228,780)	(98,977,901)
Payments to employees	(208,208,896)	(204,527,410)
Collections of loans to students	59,492	2,308,231
Auxiliary enterprise charges		
Residential Life	26,572,893	28,250,292
Bookstore	1,433,615	797,764
Parking	2,043,164	1,892,948
Magers Health and Wellness Center	2,011,231	1,995,259
Athletics	4,964,533	4,944,741
Recreational facilities	1,709,402	1,534,020
Student union	760,345	737,046
Other receipts	6,124,911	3,888,085
	<u>(81,186,959)</u>	<u>(79,781,120)</u>
Net cash used in operating activities		
Noncapital Financing Activities		
State appropriations	81,488,737	80,899,028
Federal grants and contracts	31,868,580	32,555,744
Other nonoperating revenues and expenses	2,241,035	(2,173,708)
Gifts and grants received for other than capital purposes	9,334,350	8,807,876
	<u>124,932,702</u>	<u>120,088,940</u>
Net cash provided by noncapital financing activities		
Capital and Related Financing Activities		
Cash received from disposal of capital assets	51,399	67,674
Purchase of capital assets	(25,120,469)	(8,543,659)
Construction in progress	(22,011,457)	(47,899,553)
Capital appropriations	602,928	10,030,083
Gifts and grants received for capital purposes	3,052,042	6,196,031
Principal paid on capital debt and leases	(8,525,107)	(45,378,582)
Proceeds from issuance of new capital debt and leases	27,342,570	41,190,000
Interest paid on capital debt and leases	(7,109,158)	(7,233,260)
	<u>(31,717,252)</u>	<u>(51,571,266)</u>
Net cash used in capital and related financing activities		

Missouri State University
A Component Unit of the State of Missouri
Statements of Cash Flows
Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Investing Activities		
Proceeds from sales and maturities of investments	\$ 55,282,695	\$ 43,255,997
Purchases of investments	(44,861,858)	(49,941,930)
Interest on investments	3,494,715	2,444,163
Net cash provided by (used in) investing activities	<u>13,915,552</u>	<u>(4,241,770)</u>
Increase (Decrease) in Cash and Cash Equivalents	25,944,043	(15,505,216)
Cash and Cash Equivalents, Beginning of Year	<u>47,508,451</u>	<u>63,013,667</u>
Cash and Cash Equivalents, End of Year	<u>\$ 73,452,494</u>	<u>\$ 47,508,451</u>
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position		
Cash and cash equivalents	\$ 69,539,406	\$ 43,167,781
Restricted cash and cash equivalents	<u>3,913,358</u>	<u>4,340,670</u>
Total cash and cash equivalents	<u>\$ 73,452,764</u>	<u>\$ 47,508,451</u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	\$ (149,043,114)	\$ (138,765,489)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation expense	28,522,726	26,892,052
Changes in operating assets and liabilities		
Accounts receivable	1,885,095	(5,136,038)
Loans to students	59,492	2,308,231
Federal and state grants receivable	(126,159)	361,717
Inventories	967,765	3,493,316
Prepaid expenses	577,426	(496,468)
Accounts payable and accrued expenses	(86,640)	2,325,018
Accrued compensated absences	405,806	83,778
Accrued payroll	258,327	20,067
Unearned revenue	2,673,534	3,129,390
Deposits	(46,597)	(3,239)
Insurance claims payable	1,290,763	(382,848)
Total other postemployment benefits	65,943	(261,195)
Deferred outflows of resources	11,821,425	(4,369,803)
Deferred inflows of resources	2,498,314	3,073,492
Net pension liability	<u>17,088,935</u>	<u>27,946,899</u>
Net Cash Used in Operating Activities	<u>\$ (81,186,959)</u>	<u>\$ (79,781,120)</u>
Noncash Investing, Capital and Financing Activities		
Accounts payable incurred for purchase of capital assets	\$ 4,007,912	\$ 8,185,860
Gifts in kind of capital assets	\$ 632,849	\$ 2,931,140

Missouri State University
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2019 and 2018

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 and West Plains and locations in Mountain Grove, Missouri, and Dalian, China. A nine-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, 2019 and 2018, the Foundation provided \$11,196,112 and \$14,160,316, 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 ASC Topic 958, *Not-for-Profit Entities*. 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.

The Missouri State University Development Corporation (the “Corporation”) is fully controlled by the University and considered a component unit of the University and is blended in the University’s financial statements.

The purpose of the Corporation is to foster, cooperate and assist in the physical and functional growth development and advancement of Missouri State University. The Corporation owns four unimproved lots in downtown Springfield with a value of \$1,173,817 and \$275,310 as of June 30, 2019 and 2018, respectively.

Missouri State University
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2019 and 2018

Basis of Accounting and Presentation

The financial statements of the University have been prepared on the accrual basis of accounting. Revenues, expenses, gains, losses, assets, liabilities and deferred inflows and outflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated or voluntary nonexchange transactions (principally federal and state grants and state appropriations) are recognized when all applicable eligibility requirements are met. Internal activity and balances are eliminated in preparation of the financial statements.

Operating revenues and expenses include exchange transactions and program-specific, government-mandated or voluntary nonexchange transactions. Government-mandated or voluntary nonexchange transactions that are not program specific (such as state appropriations), investment income and interest on capital asset-related debt are included in nonoperating revenues and expenses. The University first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

The Foundation applies ASU 2013-06, *Services Received from Personnel of an Affiliate*, which requires recognition of personnel services received from an affiliate for which the Foundation was not charged. The Foundation received contributed personnel services from the University of \$3,008,611 and \$2,975,375 for the years ended June 30, 2019 and 2018, respectively. The contributed personnel services are based on costs incurred and expense recognized by the University. The Foundation receives administrative support outside of personnel services from the University without charge.

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, liabilities and deferred inflows and outflows of resources 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 position during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The University and Foundation consider all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2019 and 2018, the Foundation's cash equivalents consisted primarily of money market accounts with brokers.

Missouri State University
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2019 and 2018

Investments and Investment Income

Investments in debt securities are carried at fair value. Fair value is determined using quoted market prices. Investments in nonnegotiable certificates of deposit are carried at cost. Investment income consists of interest income and the net change for the year in the fair value of investments carried at fair value.

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 \$3,560,738 and \$3,069,667 at June 30, 2019 and 2018, respectively. The University reserves for uncollectible accounts that 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. All 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 charges are not paid in full by that date, a finance charge is assessed on the remaining balance. 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.

Loans 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. The Perkins Program ended in September 2017. The University has submitted all Perkins loans back to the Department of Education and awaits the final settlement of the returned loans. When the Perkins Loan Program commenced, the University recorded the loans as assets on the books of the University. This was acceptable to record the loans as assets since there was no indication the program would cease. Since the program has ceased and the loans and or cash collections are required to be returned to the Department of Education, the University submitted the loans back to the Department of Education. The University recorded a nonoperating expense in the amounts of \$2,173,708 and \$1,372 at June 30, 2019 and 2018, respectively, to reflect the expenses of returning all Perkins loans to the Department of Education. During 2018, the University provided an allowance for uncollectible loans totaling \$3,196,794 representing the return of all loans as of June 30, 2018. All but one loan was accepted by the Department of Education as of June 30, 2019. The loan purchased was included in funds returned to the Department of Education as part of the liquidation of the Federal Perkins Loan Program.

Missouri State University
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2019 and 2018

Inventories

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

Capital Assets

Capital assets purchased by the University are recorded at cost as the date of acquisition. 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 acquisition 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 with depreciation beginning 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

Prior to July 1, 2018, the University capitalized 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 was capitalized net of interest income earned on resources set aside for this purpose. During 2019, the University adopted GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. Total interest capitalized was \$0 and \$1,275,590 for the years ended June 30, 2019 and 2018, respectively.

Missouri State University
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2019 and 2018

Deferred Outflows of Resources

The University reports the consumption of net position that relates to a future reporting period as deferred outflows of resources in a separate section of its statements of net position.

Loss on Refinancing

Losses on refinancing incurred on the bond issues have been deferred and are being amortized over the life of the bonds and are included in deferred outflows of resources.

Foundation Real Estate and Equipment

Buildings, improvements and equipment are stated at cost and are depreciated over the estimated useful life of each asset. Annual depreciation is computed using the straight-line method. Real estate and equipment include equipment of \$645,828 and \$442,208 in 2019 and 2018, respectively, and tenant remodeling improvements of \$83,695 for each of the years ended June 30, 2019 and 2018, respectively. Real estate and equipment for the years ended June 30, 2019 and 2018, also includes building costs of \$3,513,202 and \$2,948,718 and land of \$180,167 and \$176,483, respectively.

Foundation Valuation of Gifts and 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.

Unearned Revenue

Unearned revenue includes unearned student fees, advances on program tickets and unamortized revenue contributions for dining services capital projects.

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.

Missouri State University
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2019 and 2018

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.

Defined Benefit Pension Plan

As a component unit of the State of Missouri, the University participates in the Missouri State Employees' Plan (MSEP), a single-employer defined benefit pension plan as defined by GASB Statement No. 68. MSEP is administered by the Missouri State Employee's Retirement System (MOSERS), also a component unit of the State of Missouri. In accordance with the provisions of GASB Statement No. 68, the University accounts for and reports its participation in the single-employer plan as if it was a cost-sharing employer. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of MOSERS and additions to/deductions from MOSERS' fiduciary net position has been determined on the same basis as they are reported by MOSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

Defined Benefit Other Postemployment Benefit Plan Non-Trusted Single-Employer - GASB 75

The University has a single-employer defined benefit other postemployment benefit (OPEB) plan, providing health insurance to retirees (the "OPEB Plan"). For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

Deferred Inflows of Resources

The University reports the acquisition of net position that relates to a future reporting period as deferred inflows of resources in a separate section of its statements of net position.

Net Position

Net position of the University is classified in four components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any borrowings used to finance the purchase or construction of those assets. Restricted expendable net position is made up of noncapital assets that must be used for a particular purpose as specified by creditors, grantors or donors external to the University, including amounts

Missouri State University
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2019 and 2018

deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings. Restricted nonexpendable net position consists of noncapital assets that are required to be maintained in perpetuity as specified by parties external to the University, such as the federal portion of loan funds. Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted.

The Foundation's net assets, which under FASB standards are reported as either with or without donor restrictions 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 and (3) 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 Direct Loan and Federal Perkins Loan Programs.

Tuition Revenue

Tuition revenue is recognized in the term to which it relates. The summer term is allocated by number of days falling within each fiscal year.

Scholarship Allowances

Student tuition and fees and auxiliary enterprise revenues, presented net of scholarships and fellowships of \$49,192,580 and \$47,876,176 at June 30, 2019 and 2018, 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 included in unearned revenues.

Missouri State University
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2019 and 2018

Bad Debt Expense

Bad debt expense is \$2,044,990 and \$1,503,543 for the years ended June 30, 2019 and 2018, respectively, and is netted against tuition and 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 and a similar provision of state law. However, the University is subject to federal income tax on any unrelated business taxable income.

Note 2: Foundation Change in Accounting Principle

In 2019, the Foundation adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. A summary of the changes is as follows:

Statement of Financial Position

- The statement of financial position distinguishes between two classes of net assets – those with donor-imposed restrictions and those without. This is a change from the previously required three classes of net assets – unrestricted, temporarily restricted and permanently restricted.

Statement of Activities

- Investment income is shown net of external and direct internal investment expense. Disclosure of the expenses netted against investment income is no longer required.

Notes to the Financial Statements

- Expenses are reported by both nature and function in one location.
- Enhanced quantitative and qualitative disclosures provide additional information useful in assessing liquidity and cash flows available to meet operating expenses for one-year from the date of the Statement of Financial Position.

This change had no impact on previously reported total change in net assets.

Missouri State University
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2019 and 2018

Note 3: Deposits, Investments and Investment Income

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 having a population of not less than 2,000, 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, 2019 and 2018, none of the University's bank balances held by the current domestic 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 2019 and 2018. 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:

	2019	2018
Uninsured and uncollateralized	\$ 114,755	\$ 85,946

Foreign Currency Risk. This risk relates to adverse effects 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 \$114,755 and \$85,946 of foreign deposits denominated in Chinese Yuan at June 30, 2019 and 2018, respectively.

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Investments

Investment policies are established by the Board of Governors. The University may invest in certificates of deposit, United States Treasury and U.S. agency securities, repurchase agreements, corporate bonds, commercial paper, banker's acceptances and money market funds.

At June 30, 2019 and 2018, the University had the following investments and maturities:

Type	Fair Value	June 30, 2019		
		Maturities in Years		
		Less than 1	1-5	6-10
Government-sponsored enterprises obligations	\$ 111,134,025	\$ 30,000,000	\$ 81,134,025	\$ -
U.S. Treasury obligations	<u>10,000,000</u>	<u>10,000,000</u>	<u>-</u>	<u>-</u>
	<u>\$ 121,134,025</u>	<u>\$ 40,000,000</u>	<u>\$ 81,134,025</u>	<u>\$ -</u>

Type	Fair Value	June 30, 2018		
		Maturities in Years		
		Less than 1	1-5	6-10
Government-sponsored enterprises obligations	\$ 128,107,014	\$ 9,905,195	\$ 118,201,819	\$ -
Money market treasury funds	<u>272,355</u>	<u>272,355</u>	<u>-</u>	<u>-</u>
	<u>\$ 128,379,369</u>	<u>\$ 10,177,550</u>	<u>\$ 118,201,819</u>	<u>\$ -</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. The University uses nationally recognized rating organizations to evaluate credit risk for non-U.S. governmental agency investments. Minimums are established for each investment type.

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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. In accordance with its policy, the University minimizes custodial credit risk by establishing limitations on the types of instruments held by qualifying institutions.

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 U.S. agency securities, repurchase agreements, corporate bonds, commercial paper, banker’s acceptance and money market funds. It is the University’s policy that no more than 15 percent of the total portfolio will be held in any one bank, unless a safekeeping custody agreement is in place. 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 percent of the portfolio will be held in corporate bonds or banker’s acceptances with no more than 5 percent of the portfolio to be held with any one issuer. No more than 30 percent of the portfolio will be held in commercial paper, with no more than 5 percent of the portfolio to be held with any one issuer. Money market funds must be SEC 2a-7 compliant and no more than \$4,000,000 to be held in money market funds.

Foreign Currency Risk. This risk relates to adverse effects 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, 2019 and 2018, 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 position as follows:

	2019	2018
Carrying value		
Deposits	\$ 73,452,764	\$ 47,508,451
Investments	121,134,025	128,379,369
	<u>\$ 194,586,789</u>	<u>\$ 175,887,820</u>

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Included in the following statements of net position captions:

	2019	2018
Cash and cash equivalents	\$ 69,539,406	\$ 43,167,781
Restricted cash and cash equivalents	3,913,358	4,340,670
Short-term investments	6,000,000	9,905,195
Restricted short-term investments	24,000,000	272,355
Long-term investments	91,134,025	94,201,819
Restricted long-term investments	-	24,000,000
	<hr/>	<hr/>
Cash, cash equivalents and investments total	<u>\$ 194,586,789</u>	<u>\$ 175,887,820</u>

Investment Income

Investment income for the years ended June 30, 2019 and 2018, consisted of:

	2019	2018
Interest and dividend income	\$ 3,606,419	\$ 2,799,676
Fair value adjustment	3,130,492	(1,918,093)
	<hr/>	<hr/>
	<u>\$ 6,736,911</u>	<u>\$ 881,583</u>

Foundation Pooled Investments

Funds treated as endowment by the Foundation are managed as a pooled investment fund. This pool includes funds from the with or without donor restrictions net asset classes. 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 for the years ended June 30, 2019 and 2018:

	2019	2018
Pooled investments at market value	\$ 86,290,846	\$ 84,523,814
Number of pool shares	364,129	352,804
Market value per pool share	\$ 237	\$ 240
Fiscal year return	4.87%	8.44%
Interest and dividend earnings	\$ 2,079,422	\$ 1,611,500
Net gains (losses)	\$ 1,756,115	\$ 4,896,612

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Foundation Investments and Investment Return

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Other investments are valued at the lower of cost (or fair value at the time of donation, if acquired by contribution) or fair value.

Investments in private equity funds, hedge funds and some mutual funds are recorded at net asset value (NAV), as a practical expedient.

Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments, less external and direct internal investment expenses.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reflected in the statements of activities as with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

The Foundation maintains pooled investment accounts for its endowments. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated monthly to the individual endowments based on the relationship of the fair value of the interest of each endowment to the total fair value of the pooled investments accounts, as adjusted for additions to or deductions from those accounts.

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:

	2019	2018
Accrued income	\$ 235,967	\$ 198,752
Money market accounts	1,969,589	11,176,598
U.S. equity mutual funds	24,444,004	21,670,577
Non-U.S. equity mutual funds	28,530,950	26,169,142
Other mutual funds	-	1,550,929
Real estate funds	5,518,918	3,187,357
U.S. Treasury securities	34,916,233	-
Corporate bonds	6,891,879	6,182,755
Hedge funds	2,521,652	1,231,713
Private equity	3,716,258	2,666,930
Governmental issues and similar bonds	-	25,307,713
Other	3,500	3,500
	<u>\$108,748,950</u>	<u>\$ 99,345,966</u>

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Investment return consists of the following:

	2019	2018
Investment income	\$ 3,030,269	\$ 2,263,330
Realized and unrealized gains on investments reported at fair value	2,079,605	4,645,826
Investment expenses	(281,857)	(286,881)
	\$ 4,828,017	\$ 6,622,275

Investments held in trust are deposited with The Northern Trust Company, Benjamin F. Edwards & Co., and Bank of America, N.A.

Note 4: Foundation Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities.
- Level 2** Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

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Recurring Measurements

The following tables present the fair value measurements of assets recognized in the accompanying statement of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2019 and 2018.

	June 30, 2019			
	Fair Value Measurements Using			
	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Cash equivalents	\$ 5,020,043	\$ 5,020,043	\$ -	\$ -
Investments by fair value level				
Money market funds	1,969,589	1,969,589	-	-
U.S. equity mutual funds	24,444,004	24,444,004	-	-
Non-U.S. equity mutual funds	28,530,950	28,530,950	-	-
U.S. Treasury securities	34,916,233	-	34,916,233	-
Corporate bonds	6,891,879	-	6,891,879	-
Real estate funds	5,518,918	5,518,918	-	-
Hedge Funds	3,267	-	3,267	-
Other	3,500	3,500	-	-
Investments held in trust				
Mutual funds	1,175,046	1,175,046	-	-
Other	771,029	426,557	250,997	93,475
Total investments by fair value level	<u>109,244,458</u>	<u>\$ 67,088,607</u>	<u>\$ 42,062,376</u>	<u>\$ 93,475</u>
Investments measured at the net asset value (NAV) (A)				
Hedge funds	2,518,385			
Private equity	3,716,258			
Total investments measured at the NAV	<u>6,234,643</u>			
Total investments	<u>\$ 115,479,101</u>			
Liabilities				
Annuity obligations	\$ 508,060	\$ -	\$ -	\$ 508,060

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	June 30, 2018 Fair Value Measurements Using			
	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Cash equivalents	\$ 4,008,648	\$ 4,008,648	\$ -	\$ -
Money market funds	11,176,598	11,176,598	-	-
U.S. equity mutual funds	21,670,577	21,670,577	-	-
Non-U.S. equity mutual funds	26,169,142	26,169,142	-	-
U.S. Treasury securities	25,307,713	-	25,307,713	-
Corporate bonds	6,182,755	-	6,182,755	-
Real estate funds	3,184,883	3,184,883	-	-
Other	3,500	3,500	-	-
Investments held in trust				
Mutual funds	369,517	369,517	-	-
Other	375,118	280,662	-	94,456
Total investments by fair value level	98,448,451	\$ 66,863,527	\$ 31,490,468	\$ 94,456
Investments measured at the net asset value (NAV) (A)				
Non-U.S. equity mutual funds	1,550,929			
Other mutual funds	2,473			
Real estate	1,231,713			
Private equity	2,666,930			
Total investments measured at the NAV	5,452,045			
Total investments	\$ 103,900,496			

(A) Certain investments that are measured using the net assets value per share (or equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above are intended to permit reconciliations of the fair value hierarchy to the amounts presented in the statements of financial position.

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Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include cash equivalents, money market funds, equity securities, hedge funds and mutual funds. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. Inputs used to value Level 2 securities include interest rates for similar debt securities and Treasury obligations with similar maturities.

Investments Held in Trust

Fair value is estimated at the present value of the future distributions expected to be received over the term of the agreement. Due to the nature of the valuation inputs, the investments are classified as Level 1, Level 2 and Level 3 of the hierarchy. The Level 3 investments are the Foundation's beneficial interest in trusts. Fair value is determined based on the market value of the securities held in the trusts and the Foundation's proportional beneficial interest.

Unobservable (Level 3) Inputs

The following tables present quantitative information about unobservable inputs used in recurring Level 3 fair value measurements at June 30, 2019.

	Fair Value at 6/30/2019	Valuation Technique	Unobservable Inputs	Range (Weighted Average)
Investments held in trust	\$ 93,475	Market value of underlying securities	Liquidation Discount Rate	0%

Fair Value of Financial Instruments

The following method and assumptions were used to estimate the fair value of all other financial instruments recognized in the accompanying statement of financial position at amounts other than fair value.

Cash Equivalents

The carrying amount approximates fair value.

Pledges Receivable

The carrying amount is a reasonable estimate of fair value as described in the Foundation's footnotes, which is estimated by discounting the cash flows of the future payments expected to be received.

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Annuities and Trusts Payable

Fair values of the annuity and trust obligations are based on the present value of the estimated annuity or other payments under such obligations. The valuations are based on such factors as the life expectancy of the annuitants and grantors and utilize discount factors to calculate present value.

Note 5: Foundation Pledges Receivable

Pledges receivable are a credit risk to the extent donors choose not to complete their pledge payments. Discount rates ranged from 0.66 percent to 3.30 percent for the years ended June 30, 2019 and 2018. Pledges receivable consist of the following unconditional promises to give at June 30:

	2019	2018
Due in less than one year	\$ 7,036,451	\$ 5,330,939
Due in one to five years	10,212,715	14,200,129
Due in more than five years	2,757,167	3,502,142
	20,006,333	23,033,210
Less: Allowance for doubtful accounts	404,455	297,697
Unamortized discount	868,213	1,439,075
	1,272,668	1,736,772
	\$ 18,733,665	\$ 21,296,438

Note 6: Foundation Endowment

The Foundation's endowment consists of approximately 1,057 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the governing body to function as endowments (Board-designated endowment funds). As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including Board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

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The Foundation's governing body has interpreted the State of Missouri Prudent Management of Institutional Funds Act (SPMIFA) as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of donor-restricted endowment funds is classified as net assets with donor restrictions - purpose or time-restricted for future periods until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the Foundation and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Foundation
7. Investment policies of the Foundation

The composition of net assets by type of endowment fund at June 30, 2019, was:

	Without Donor Restrictions	With Donor Restrictions - Purpose or Time-Restricted	With Donor Restrictions - Perpetual in Nature	2019 Total
Donor-restricted endowment funds	\$ -	\$ 25,765,263	\$ 60,074,076	\$ 85,839,339
Board-designated endowment funds	<u>3,262,579</u>	<u>-</u>	<u>-</u>	<u>3,262,579</u>
Total endowment funds	<u>\$ 3,262,579</u>	<u>\$ 25,765,263</u>	<u>\$ 60,074,076</u>	<u>\$ 89,101,918</u>

The composition of net assets by type of endowment fund at June 30, 2018, was:

	Without Donor Restrictions	With Donor Restrictions - Purpose or Time-Restricted	With Donor Restrictions - Perpetual in Nature	2018 Total
Donor-restricted endowment funds	\$ (49,823)	\$ 26,158,615	\$ 57,567,186	\$ 83,675,978
Board-designated endowment funds	<u>3,263,090</u>	<u>-</u>	<u>-</u>	<u>3,263,090</u>
Total endowment funds	<u>\$ 3,213,267</u>	<u>\$ 26,158,615</u>	<u>\$ 57,567,186</u>	<u>\$ 86,939,068</u>

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Changes in endowment net assets for the year ended June 30, 2019, were:

	Without Donor Restrictions	With Donor Restrictions - Purpose or Time-Restricted	With Donor Restrictions - Perpetual in Nature	2019 Total
Endowment net assets, beginning of year	\$ 3,213,267	\$ 26,158,615	\$ 57,567,186	\$ 86,939,068
Investment return				
Investment income	-	2,464,336	-	2,464,336
Net appreciation	19,053	1,672,300	-	1,691,353
Total investment return	19,053	4,136,636	-	4,155,689
Contributions	-	-	2,472,405	2,472,405
Other income	23,786	60,286	34,485	118,557
Appropriation of endowment assets for expenditure	-	(4,699,048)	-	(4,699,048)
Other additions	6,473	108,774	-	115,247
Endowment net assets, end of year	<u>\$ 3,262,579</u>	<u>\$ 25,765,263</u>	<u>\$ 60,074,076</u>	<u>\$ 89,101,918</u>

Changes in endowment net assets for the year ended June 30, 2018, were:

	Without Donor Restrictions	With Donor Restrictions - Purpose or Time-Restricted	With Donor Restrictions - Perpetual in Nature	2018 Total
Endowment net assets, beginning of year	\$ 3,161,071	\$ 23,873,897	\$ 53,211,125	\$ 80,246,093
Investment return				
Investment income	-	1,613,899	-	1,613,899
Net depreciation	20,324	4,875,369	-	4,895,693
Total investment return	20,324	6,489,268	-	6,509,592
Contributions	-	-	4,320,662	4,320,662
Other income	23,465	21,639	35,399	80,503
Appropriation of endowment assets for expenditure	-	(4,451,925)	-	(4,451,925)
Other additions	8,407	225,736	-	234,143
Endowment net assets, end of year	<u>\$ 3,213,267</u>	<u>\$ 26,158,615</u>	<u>\$ 57,567,186</u>	<u>\$ 86,939,068</u>

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The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds the Foundation must hold in perpetuity or for donor-specified periods, as well as those of Board-designated endowment funds. Under the Foundation's policies, endowment assets are invested in a manner that is intended to produce results that exceed the endowment's financial requirement over time, while assuming a moderate level of investment risk. The Foundation expects its endowment funds to provide a rate of return between 6.4 percent annually over time. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Foundation has a policy (the spending policy) of appropriating for expenditure each year 5.7 percent of its endowment fund's average fair value over the prior 36 months through the month end preceding the month in which expenditure is planned. In establishing this policy, the Foundation considered the long-term expected return on its endowment. The Foundation expects the current spending policy to allow its endowment to grow at a rate approximating the inflationary rate over the long term. This is consistent with the Foundation's objective to maintain the purchasing power of endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

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Note 7: Foundation Functional Expenses

The Foundation's financial statements report certain categories of expenses that are attributed to more than one program or supporting function. The tables below present expenses by both their nature and their function. Program and support services expenses consist of the following:

	2019					
	Program Services					
	Student Services	Instruction and Academic	Scholarships	Institutional Support	Capital Projects	Total Program Services
Personnel	\$ 300,462	\$ 184,804	\$ -	\$ 29,974	\$ -	\$ 515,240
Utilities	-	-	-	-	-	-
Travel	12,863	70,900	-	14,889	-	98,652
Educational supplies and service agreements	945	2,244,962	-	360,233	-	2,606,140
Supplies, services and other	382,220	406,083	-	407,478	76,370	1,272,151
Broadcast services	-	864,287	-	-	-	864,287
Fundraising	107,024	5,065	-	-	-	112,089
Arena debt	-	-	-	-	1,800,000	1,800,000
Transfer to University	3,147,470	1,311,821	2,422,492	722,718	5,616,192	13,220,693
	<u>\$ 3,950,984</u>	<u>\$ 5,087,922</u>	<u>\$ 2,422,492</u>	<u>\$ 1,535,292</u>	<u>\$ 7,492,562</u>	<u>\$ 20,489,252</u>

	2019			
	Support Services			
	Rental Expenses	Institutional Support	Total Support Services	Total
Personnel	\$ 110,015	\$ 2,752,968	\$ 2,862,983	\$ 3,378,223
Utilities	134,304	-	134,304	134,304
Travel	-	5,643	5,643	104,295
Educational supplies and service agreements	-	248,790	248,790	2,854,930
Supplies, services and other	367,468	-	367,468	1,639,619
Broadcast services	-	-	-	864,287
Fundraising	-	346,195	346,195	458,284
Arena debt	-	-	-	1,800,000
Transfer to University	-	-	-	13,220,693
	<u>\$ 611,787</u>	<u>\$ 3,353,596</u>	<u>\$ 3,965,383</u>	<u>\$ 24,454,635</u>

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Note 8: Foundation Liquidity and Availability

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of June 30, 2019, comprise the following:

Financial assets at year end	
Cash and cash equivalents	\$ 11,722,498
Accounts receivable, net	6,069
Pledges receivable, net	18,733,665
Investments	<u>108,748,950</u>
Total financial assets at year end	<u>139,211,182</u>
Less amounts restricted or not available to be used within one year	
Pledges receivable, due after one year	(11,697,214)
Investments held in custodial and noncustodial annuities and trusts	(68,094)
Endowment investments	(86,117,454)
Investments in nonliquid securities	<u>(7,954,930)</u>
Financial assets not available to meet general expenditures within one year	<u>(105,837,692)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 33,373,490</u>

The Foundation receives significant contributions with donor restrictions to be used in accordance with the associated purpose restrictions. It also receives gifts to establish endowments that will exist in perpetuity. In addition, the Foundation receives support without donor restrictions. Contributions and the income generated from endowments are used to provide scholarships, faculty support, improve facilities and to support student programs. Such support has historically represented approximately 85 percent of annual program funding needs, with the remainder funded by investment income without donor restrictions and appropriated earnings from gifts with donor restrictions.

The Foundation considers investment income without donor restrictions, appropriated earnings from donor-restricted and Board-designated (quasi) endowments, contributions without donor restrictions and contributions with donor restrictions to meet ongoing obligations, major and central to its annual operations to be available to meet cash needs for general expenditures. General expenditures include instruction and academic program support, student services, institutional support, scholarships, rental expenses and capital projects expected to be paid in the subsequent year. Annual operations are defined as activities occurring during the Foundation's fiscal year.

The Foundation manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets, and

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- Maintaining sufficient reserves to provide reasonable assurance that long-term commitments and obligations under endowments with donor restrictions and quasi-endowments that support mission fulfillment will continue to be met, ensuring the sustainability of the Foundation.

The Foundation strives to maintain financial assets available to meet general expenditures at a level that represents 100 percent of annual expenses.

Note 9: Related Party Transactions

In 1982, the University's Board of Governors 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 position as amounts due from the Foundation, in 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.

Additionally, the Foundation owed the University approximately \$1,076,549 and \$2,911,712 at June 30, 2019 and 2018, 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 position as current assets and is included in accounts receivable.

Note 10: Pension Plans

MOSERS

Plan Description

The Missouri State Employees' Plan (MSEP) is a single-employer, defined benefit public employee retirement plan with two benefit structures known as the MSEP (closed plan) and MSEP 2000, which are administered by the Missouri State Employees' Retirement System (MOSERS or the System) in accordance with Sections 104.010 and 104.312 to 104.1215 of the Revised Statutes of Missouri (RSMo). In accordance with the provisions of GASB 68, the University accounts for and records its participation in the single-employer plan as if it was a cost-sharing plan. As established under Section 104.320, RSMo, MOSERS is a body corporate and an instrumentality of the state. In the System are vested the powers and duties specified in Sections 104.010 and 104.312 to 104.1215, RSMo and such other powers as may be necessary or proper to enable it, its officers, employees and agents to carry out fully and effectively all the purposes of Sections 104.010 and 104.312 to 104.1215, RSMo. Responsibility for the operation and administration of the System is vested in the 11-member MOSERS Board of Trustees as defined by state law. Due

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to the nature of MOSERS' reliance on funding from the state of Missouri and other state government agencies and the overall control of the plan document by the legislative and executive branches of state government, the MSEP is considered a component unit of the state of Missouri financial reporting entity and is included in the state's financial reports as a pension trust fund.

Generally, all full-time state employees hired before July 2000, who were not covered under another state-sponsored retirement plan, are eligible for membership in the MSEP (closed plan). Full-time state employees hired after July 2000, and before January 2011, are eligible for membership in the MSEP 2000. Employees hired for the first time on or after January 2011 are eligible for membership in the MSEP 2011 tier of the MSEP 2000. The MSEP provides retirement, survivor and disability benefits. MOSERS issues an annual Comprehensive Annual Financial Reporting (CAFR), a publicly available financial report that can be obtained at www.mosers.org.

Benefits Provided

MOSERS provides retirement, disability and life insurance benefits to eligible employees. The base retirement benefits are calculated by multiplying the employee's final average pay by a specific factor multiplied by the years of credited service. The factor is based on the specific funding structure in which the employee participates, which is based on the employee's hire date. Information on the three funding structures administered by MOSERS (MSEP, MSEP 2000 and MSEP 2011) and how eligibility and the benefit amount is determined for each funding structure may be found in the Notes to the Financial Statements of MOSERS' CAFR starting on page 30.

Contributions

Per Chapter 104.436 of the Revised Statutes of Missouri, contribution requirements of the active employees and the participating employers are established and may be amended by the MOSERS' Board. No employee contribution is required for the MSEP and MSEP 2000 plans. Employees in the MSEP 2011 plan are required to contribute 4.00 percent of their annual pay. The University's required contribution rate for all plans for the year ended June 30, 2019, was 20.21 percent of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The contribution rate for the MOSERS' plan years ended June 30, 2018 and 2017, was 19.45 percent and 16.97 percent, respectively, for all plans, which was the years of measurement for the net pension liability. Contributions to the pension plan from the University were \$19,449,045 and \$18,853,579 for the years ended June 30, 2019 and 2018, respectively.

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2019 and 2018, the University reported a liability of \$278,020,399 and \$260,931,464, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 and 2017, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates.

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The University's proportion of the net pension liability was based on the University's actual share of contributions to the pension plan relative to the actual contributions of all participating employers for MOSERS' plan year ended June 30, 2018 and 2017. At June 30, 2018, the University's proportion was 4.9840 percent, which was a decrease of 0.0272 percent from its proportion measured as of June 30, 2017. At June 30, 2017, the University's proportion was 5.0112 percent, which was a decrease of 0.0079 percent from its proportion measured as of June 30, 2016.

Senate Bill 62 (SB 62), which contained changes to the benefit structure for MSEP 2011, was passed by the 2017 legislature. The provisions of the bill decreased vesting from ten to five years of service, but also included provisions that essentially offset the cost of the vesting change. As a result, SB 62 had no impact on the employer contribution rate and created a decrease to the UAAL of \$1.6 million.

The Board reduced the investment return assumption used in the June 30, 2018, valuation to 7.25 percent.

During the MOSERS' plan year ended June 30, 2017, the vesting requirements were changed for the MSEP 2011 plan from ten years of credited services to five years for members employed on or after January 1, 2018. There were no other changes in benefit terms during the MOSERS' plan year ended June 30, 2017, that effected the measurement of total pension liability.

For the years ended June 30, 2019 and 2018, the University recognized pension expense of \$50,253,325 and \$45,345,808, respectively. At June 30, 2019 and 2018, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 632,728	\$ 6,582,170
Change in assumptions	23,960,703	-
Net difference between projected and actual earning on pension plan investments	32,698,695	-
Change in proportion and differences between the University's contributions and the University proportionate share of contributions	355,959	891,787
University's contributions subsequent to the measurement date	19,449,046	-
Total	\$ 77,097,131	\$ 7,473,957

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	2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,445,586	\$ 4,109,560
Change in assumptions	22,896,404	654,883
Net difference between projected and actual earning on pension plan investments	43,710,014	-
Change in proportion and differences between the University's contributions and the University proportionate share of contributions	1,389,723	192,344
University's contributions subsequent to the measurement date	18,853,579	-
Total	\$ 88,295,306	\$ 4,956,787

At June 30, 2019 and 2018, the University reported \$19,449,045 and \$18,853,579, respectively, as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the years ending June 30, 2019 and 2018, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources at June 30, 2019, related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount Recognized
2020	\$ 31,459,325
2021	13,733,523
2022	4,963,549
2023	17,731
	\$ 50,174,128

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Actuarial Assumptions

The total pension liability in the June 30, 2018 and 2017, actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

June 30, 2018

Inflation	2.50%
Salary increases	3.00% to 8.50% including inflation
Wage inflation	2.50%
Investment rate of return	7.25% per year, compounded annually, net after investment expenses and including inflation

June 30, 2017

Inflation	2.50%
Salary increases	3.25% to 8.75% including inflation
Wage inflation	3.00%
Investment rate of return	7.50% per year, compounded annually, net after investment expenses and including inflation

Mortality: Mortality rates for postretirement mortality are based on the RP-2014 Healthy Annuitant mortality table, projected to 2026 with Scale MP-2015 and scaled by 120 percent. The preretirement mortality table used is the RP-2014 Employee mortality table, projected to 2026 with Scale MP-2015 and scaled by 95 percent for males and 90 percent for females.

The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2015. As a result of this actuarial experience study, the MOSERS' Board made various demographic assumption changes to more closely reflect actual experience. The most significant changes included lowering the assumed annual investment rate from 7.50 percent to 7.25 percent and the adoption of the above mortality tables. The changes in assumptions recorded as deferred inflows and outflows of resources were due to these changes from the actuarial experience study.

The actuarial assumptions used in the June 30, 2017, valuation were based on the results of an actuarial experience study for the period July 1, 2010, to June 30, 2015. As a result of this actuarial experience study, the MOSERS' Board made various demographic and economic assumption changes to more closely reflect actual experience. The most significant changes included lowering the assumed annual investment rate of return from 7.65 percent to 7.50 percent and the adoption of the above mortality tables. The changes in assumptions recorded as deferred inflows and outflows of resources were due to these changes from the actuarial experience study.

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The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates rates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in MOSERS' target asset allocation as of June 30, 2018, are summarized in the following table:

Asset Class	Policy Allocation	Long-Term Expected Real Rate of Return *	Weighted Average Long-Term Expected Real Rate of Return
Opportunistic global equity	38.00%	5.50%	2.10%
Nominal bonds	44.00%	1.00%	0.50%
Commodities	20.00%	4.50%	0.90%
Inflation-linked bonds	39.00%	0.80%	0.30%
Alternative beta	31.00%	4.50%	1.40%
	<u>172.00%</u>		<u>5.20%</u>

*Represent best estimates of geometric rates of return for each major asset class included.

Discount Rate

The discount rate used to measure the total pension liability was 7.25 percent and 7.50 percent at June 30, 2018 and 2017, respectively. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from employers will be made at required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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Sensitivity of the University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the University's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percent point lower (6.25 percent) or 1 percent point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
University's proportionate share of the net pension liability	\$ 355,148,645	\$ 278,020,399	\$ 213,164,363

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MOSERS' financial report.

CURP

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 noncontributory 401(a) defined contribution retirement plan which uses TIAA-CREF as its third-party administrator. 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).

The University was required to contribute 6.00 percent, 6.19 percent and 5.67 percent of the participant's salary to CURP for the years ended June 30, 2019, 2018 and 2017, respectively. The total contributed for years ended June 30, 2019, 2018 and 2017, was \$2,067,547, \$1,917,811 and \$1,712,511, respectively.

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Note 11: Other Postemployment Benefit Plan

Plan Description: The University contributes to the Missouri State University Employee Benefit Plan (the “OPEB Plan”), a single-employer defined benefit OPEB plan covering substantially all employees. The OPEB Plan is administered through a commercial insurance carrier. Benefit provisions are contained in the plan document and were established and can be amended by action of the University’s governing body. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Benefits Provided: The OPEB Plan provides medical and prescription drug benefits to eligible retirees and their dependents. Benefits are provided through a third-party insurer, and retirees contribute premiums ranging between \$448 for a single person to \$946 for retiree and family. For employees who retire before reaching age 65, their insurance will be continued until the earlier of the date the plan is canceled or until their 65th birthday.

The employees covered by the benefit terms at June 30, 2019 and 2018, are:

	2019	2018
Inactive employees or beneficiaries currently receiving benefit payments	113	118
Active employees	2,171	2,216
	2,284	2,334

Total OPEB Liability

The University’s total OPEB liability of \$9,885,748 and \$9,819,805 was measured as of June 30, 2019 and 2018, respectively, for the years then ended, and was determined by an actuarial valuation as of June 30, 2019 and 2018, using census data from 2018 for both years.

The total OPEB liability in the June 30, 2019 and 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	2019	2018
Inflation	3.00%	3.00%
Discount rate	3.50% (prior year 3.87%)	3.50% (prior year 3.87%)
Salary increases	3.50% per year	3.50% per year
Health care cost trend rates	6.5% for 2019, decreasing 0.5% per year to an ultimate rate of 4.5% for 2023 and later years	7.0% for 2018, decreasing 0.5% per year to an ultimate rate of 4.5% for 2023 and later years

This discount rate used for the plan was the 20-year, tax-exempt municipal bond rate as there are no assets in the plan.

Mortality rates were based on the RP-2014 generational table scaled using MP-2017 and applied on a gender-specific basis.

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The actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study from 2013.

Changes in Total OPEB Liability

Changes in the total OPEB liability are:

	<u>2019</u>	<u>2018</u>
Balance, beginning of year	\$ 9,819,805	\$ 10,081,348
Service cost	330,279	317,973
Interest	375,108	387,922
Changes in assumptions or other inputs	275,284	(216,676)
Benefit payments	(914,728)	(750,762)
Net changes	<u>65,943</u>	<u>(261,543)</u>
Balance, end of year	<u>\$ 9,885,748</u>	<u>\$ 9,819,805</u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate and Health Care Cost Trend Rates

The total OPEB liability of the University has been calculated using a discount rate of 3.50 percent. The following present the total OPEB liability using a discount rate 1 percent higher and 1 percent lower than the discount rate.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
University's total OPEB liability	\$ 10,669,000	\$ 9,885,748	\$ 9,186,000

The total OPEB liability of the University has been calculated using health care cost trend rates of 7.00 percent decreasing to 4.50 percent. The following presents the total OPEB liability using health care cost rates 1 percent higher and 1 percent lower than the current health care cost trend rates.

	<u>1% Decrease</u>	<u>Current Health Care Cost Trend Rates</u>	<u>1% Increase</u>
University's total OPEB liability	\$ 8,976,000	\$ 9,885,748	\$ 11,176,000

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OPEB Expense and Deferred Inflows of Resources Related to OPEB

For the years ended June 30, 2019 and June 30, 2018, the University recognized OPEB expense of \$710,487 and \$687,040, respectively. At June 30, 2019 and 2018, the University reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	251,328	178,965
Benefit payments subsequent to the measurement date	-	-
Total	\$ 251,328	\$ 178,965
	2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	197,821
Benefit payments subsequent to the measurement date	-	-
Total	\$ -	\$ 197,821

Deferred outflows and deferred inflows of resources at June 30, 2019, related to OPEB will be recognized as a reduction in OPEB expense as follows:

2020	\$ 5,100
2021	5,100
2022	5,100
2023	5,100
2024	5,100
Thereafter	46,863
	\$ 72,363

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Note 12: 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, 2019 and 2018, is summarized as follows:

	2019	2018
Balance at beginning of year	\$ 1,424,000	\$ 1,806,848
Health and dental claims	22,894,053	20,292,216
Health insurance payments	<u>(21,603,290)</u>	<u>(20,675,064)</u>
Balance at end of year	<u>\$ 2,714,763</u>	<u>\$ 1,424,000</u>

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Note 13: Operating Expenses by Function

Operating expenses by functional classification for the year ended June 30, 2019, are summarized as follows:

	Salaries	Benefits	Scholarships and Fellowships	Utilities	Supplies and Other Services	Depreciation	2019 Total
Instruction	\$ 76,169,461	\$ 44,608,942	\$ -	\$ 1,065	\$ 15,789,365	\$ -	\$ 136,568,833
Research	4,202,251	2,408,435	-	2,853	5,482,458	-	12,095,997
Public service	5,433,331	2,873,243	-	32,305	4,740,111	-	13,078,990
Academic support	17,136,542	9,602,821	-	2,678	6,961,154	-	33,703,195
Student services	7,541,777	4,307,317	-	16	5,160,498	-	17,009,608
Institutional support	16,998,305	10,545,127	-	-	2,250,892	-	29,794,324
Operation and maintenance of plant	6,086,808	3,590,503	-	5,161,849	5,784,288	-	20,623,448
Scholarship and fellowships	852,648	63,873	24,709,969	-	73,235	-	25,699,725
Auxiliary enterprises	18,399,436	9,526,826	5,764,967	2,348,871	23,420,757	-	59,460,857
Depreciation	-	-	-	-	-	28,522,726	28,522,726
Total operating expenses for fiscal year 2019	<u>\$ 152,820,559</u>	<u>\$ 87,527,087</u>	<u>\$ 30,474,936</u>	<u>\$ 7,549,637</u>	<u>\$ 69,662,758</u>	<u>\$ 28,522,726</u>	<u>\$ 376,557,703</u>

Operating expenses by functional classification for the year ended June 30, 2018, are summarized as follows:

	Salaries	Benefits	Scholarships and Fellowships	Utilities	Supplies and Other Services	Depreciation	2018 Total
Instruction	\$ 74,454,919	\$ 42,089,860	\$ -	\$ 3,030	\$ 13,307,742	\$ -	\$ 129,855,551
Research	3,884,638	2,248,094	-	47,233	5,283,116	-	11,463,081
Public service	5,472,333	2,743,315	-	17,325	4,487,998	-	12,720,971
Academic support	16,479,133	9,109,392	-	5	7,088,041	-	32,676,571
Student services	7,394,491	4,007,304	-	-	4,182,920	-	15,584,715
Institutional support	16,542,569	9,198,189	-	-	2,384,363	-	28,125,121
Operation and maintenance of plant	5,980,217	3,408,383	-	4,984,078	6,641,856	-	21,014,534
Scholarship and fellowships	795,181	(44,295)	25,255,675	-	15,810	-	26,022,371
Auxiliary enterprises	18,289,067	8,967,858	5,368,532	2,415,531	22,816,512	-	57,857,500
Depreciation	-	-	-	-	-	26,892,052	26,892,052
Total operating expenses for fiscal year 2018	<u>\$ 149,292,548</u>	<u>\$ 81,728,100</u>	<u>\$ 30,624,207</u>	<u>\$ 7,467,202</u>	<u>\$ 66,208,358</u>	<u>\$ 26,892,052</u>	<u>\$ 362,212,467</u>

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Note 14: Long-Term Liabilities

Long-term debt and other obligations consist of the following as of June 30, 2019:

	Bond Series	Interest Rate	Maturity	Beginning Balance July 1, 2018	Additions	Reductions	Ending Balance June 30, 2019	Current Portion
Auxiliary Enterprise System								
Revenue Bonds*								
2010	B	4.25%-6.25%	2035	\$ 19,790,000	\$ -	\$ 795,000	\$ 18,995,000	\$ 820,000
2014	A	.50%-4.20%	2036	2,010,000	-	2,010,000	-	-
2015	A	2.00%-5.00%	2032	42,270,000	-	2,320,000	39,950,000	2,420,000
2016	A	2.00%-3.25	2039	12,515,000	-	395,000	12,120,000	405,000
2017	A	2.15%-2.63%	2036	35,915,000	-	310,000	35,605,000	2,365,000
2018	A	3.35%	2037	5,000,000	10,000,000	-	15,000,000	865,000
				<u>117,500,000</u>	<u>10,000,000</u>	<u>5,830,000</u>	<u>121,670,000</u>	<u>6,875,000</u>
MOHEFA Bonds**								
2010	B	4.25%-6.25%	2036	7,925,000	-	320,000	7,605,000	330,000
2014	A	2.00% -4.00%	2039	19,815,000	-	600,000	19,215,000	625,000
2015		1.625%-3.800%	2041	15,820,000	-	500,000	15,320,000	510,000
2019	A	3.53%	2034	-	15,730,000	-	15,730,000	810,000
				<u>43,560,000</u>	<u>15,730,000</u>	<u>1,420,000</u>	<u>57,870,000</u>	<u>2,275,000</u>
2012	DNR	2%	2021	266,665	-	152,460	114,204	114,205
Total bonds and notes payable				161,326,665	25,730,000	7,402,460	179,654,204	9,264,205
Unamortized premium on bond issues				3,323,438	-	372,060	2,951,378	353,180
Total bonds and notes payable including unamortized premiums				<u>164,650,103</u>	<u>25,730,000</u>	<u>7,774,520</u>	<u>182,605,582</u>	<u>9,617,385</u>
Compensated absences				11,125,238	6,533,306	6,127,500	11,531,044	5,555,530
Capital lease obligations				6,589,705	1,612,570	1,122,647	7,079,628	1,251,283
Other postemployment benefits				9,819,805	65,943	-	9,885,748	-
Net pension liability				260,931,464	17,088,935	-	278,020,399	-
Total other obligations				<u>288,466,212</u>	<u>25,300,754</u>	<u>7,250,147</u>	<u>306,516,819</u>	<u>6,806,813</u>
Total long-term debt and other obligations				<u>\$ 453,116,315</u>	<u>\$ 51,030,754</u>	<u>\$ 15,024,667</u>	<u>\$ 489,122,401</u>	<u>\$ 16,424,198</u>

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Long-term debt and other obligations consist of the following as of June 30, 2018:

	Bond Series	Interest Rate	Maturity	Beginning Balance July 1, 2017	Additions	Reductions	Ending Balance June 30, 2018	Current Portion
Auxiliary Enterprise System Revenue Bonds								
1988 Note Payable		3.00%	2018	\$ 181,500	\$ -	\$ 181,500	\$ -	\$ -
2005	A	2.75%-4.05%	2025	1,625,000	-	1,625,000	-	-
2010	B	4.25%-6.25%	2035	20,565,000	-	775,000	19,790,000	795,000
2010	C	1.00%-2.80%	2017	3,135,000	-	3,135,000	-	-
2014	A	.50%-4.20%	2036	36,425,000	-	34,415,000	2,010,000	2,010,000
2015	A	2.00%-5.00%	2032	44,500,000	-	2,230,000	42,270,000	2,320,000
2016	A	2.00%-3.25	2039	12,720,000	-	205,000	12,515,000	395,000
2017	A	2.15%-2.63%	2036	-	36,190,000	275,000	35,915,000	310,000
2018	A	3.35%	2037	-	5,000,000	-	5,000,000	-
				<u>119,151,500</u>	<u>41,190,000</u>	<u>42,841,500</u>	<u>117,500,000</u>	<u>5,830,000</u>
MOHEFA Bonds								
2010	B	4.25%-6.25%	2036	8,235,000	-	310,000	7,925,000	320,000
2014	A	1%	2017	20,390,000	-	575,000	19,815,000	600,000
2015		2.00% -4.00%	2039	16,310,000	-	490,000	15,820,000	500,000
				<u>44,935,000</u>	<u>-</u>	<u>1,375,000</u>	<u>43,560,000</u>	<u>1,420,000</u>
2012	DNR	2%	2021	416,123	-	149,458	266,665	152,460
Total bonds and notes payable				164,502,623	41,190,000	44,365,958	161,326,665	7,402,460
Unamortized premium on bond issues				3,713,269	-	389,831	3,323,438	372,061
Total bonds and notes payable including unamortized premium				<u>168,215,892</u>	<u>41,190,000</u>	<u>44,755,789</u>	<u>164,650,103</u>	<u>7,774,521</u>
Compensated absences				11,041,460	6,124,040	6,040,262	11,125,238	5,378,837
Capital lease obligations		1.87% - 2.22%	2024	7,602,329	-	1,012,624	6,589,705	1,019,152
Other post employment benefits				3,420,000	6,661,000	261,195	9,819,805	-
Net pension liability				232,984,565	27,946,899	-	260,931,464	-
Total other obligations				<u>255,048,354</u>	<u>40,731,939</u>	<u>7,314,081</u>	<u>288,466,212</u>	<u>6,397,989</u>
Total long-term debt and other obligations				<u>\$ 423,264,246</u>	<u>\$ 81,921,939</u>	<u>\$ 52,069,870</u>	<u>\$ 453,116,315</u>	<u>\$ 14,172,510</u>

* All auxiliary enterprise system revenue bonds are secured by the net revenues pledged of the auxiliary enterprise system.

** All MOHEFA bonds are general unsecured obligations of the University.

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2019 MOHEFA Revenue Bonds Payable - Series A

On January 23, 2019, the University issued \$15,730,000 of Series A bonds through a direct placement with Capital One. The Bonds bear interest payable semiannually at 3.53 percent annually which began April 1, 2019. Principal maturity begins October 1, 2019, and continue until October 1, 2033. Proceeds from the issuance of these bonds will be used to purchase a building referred to as Brick City in downtown Springfield for the arts and design department. The educational bonds are issued by MOHEFA and are general unsecured obligations of the University and the full faith and credit of the University (except funds appropriated to the University by the State of Missouri and funds pledged to payment of the University's revenue bonds).

2018 Auxiliary Enterprise System Revenue Bonds Payable – Series A

On May 24, 2018, the University executed an agreement with Regions Bank for a direct placement in the principle amount of \$19,000,000 to be fully drawn by September 30, 2019. The Bonds bear interest payable annually at 3.35 percent annually which began on October 1, 2018. Principal maturity began on October 1, 2019, and continue until October 1, 2036. As of June 30, 2019, \$15,000,000 was drawn, and as of September 30, 2019, subsequent to year end, the full amount of \$19,000,000 was drawn. Proceeds from the issuance of these bonds will be used to renovate an existing dormitory building and make improvements to existing auxiliary enterprise facilities. All auxiliary enterprise system revenue bonds are secured by the net revenues pledged of the auxiliary enterprise system.

Notes from Direct Borrowings and Direct Placements

The University's outstanding notes from direct borrowings and direct placements of \$66,335,000 contain a provision and remedies that in an event of default, outstanding amounts become due within 30 days if the University is unable to make payment.

The University's outstanding educational, MOHEFA bonds, from direct borrowings of \$15,730,000 are general unsecured obligations of the University and the full faith and credit of the University (except funds appropriated to the University by the State of Missouri and funds pledged to payment of the University's revenue bonds).

The University's outstanding auxiliary enterprise system revenue bonds from direct borrowings of \$50,605,000 are secured by the net revenues pledged of the auxiliary enterprise system.

Note Payable to the State of Missouri

The note payable to the State of Missouri DNR bank in the outstanding amount of \$114,205 at June 30, 2019, is payable with principal and interest at 2.0 percent semiannually.

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The principal and interest requirements on notes and bonds payable to maturity at June 30, 2019, are as follows:

Year Ending June 30,	Bonds		Direct Placement		Notes Payable		Total to be Paid
	Principal	Interest	Principal	Interest	Principal	Interest	
2020	\$ 5,110,000	\$ 4,556,403	\$ 4,040,000	\$ 1,944,034	\$ 114,205	\$ 1,510	\$ 15,766,152
2021	5,270,000	4,378,753	3,895,000	1,852,755	-	-	15,396,508
2022	5,475,000	4,143,421	4,000,000	1,737,698	-	-	15,356,119
2023	5,710,000	3,893,553	4,125,000	1,619,173	-	-	15,347,726
2024	5,915,000	3,655,522	4,240,000	1,498,901	-	-	15,309,423
2025 - 2029	33,025,000	14,419,249	18,670,000	5,747,771	-	-	71,862,020
2030 - 2034	31,335,000	7,515,922	21,485,000	2,718,907	-	-	63,054,829
2035 - 2039	17,775,000	2,174,759	5,880,000	250,384	-	-	26,080,143
2040 - 2043	3,590,000	103,522	-	-	-	-	3,693,522
	<u>\$ 113,205,000</u>	<u>\$ 44,841,104</u>	<u>\$ 66,335,000</u>	<u>\$ 17,369,623</u>	<u>\$ 114,205</u>	<u>\$ 1,510</u>	<u>\$ 241,866,442</u>

Capital Lease Obligations

The University is obligated under three leases accounted for as capital leases. Two leases provide financing primarily for utility system improvements to the Springfield campus. The third lease entered into in July 2018 financed the purchase of 52 Steinway pianos for the College of Arts and Letters music department. Assets under capital leases at June 30, 2019 and 2018, totaled \$9,323,978 and \$8,604,332, respectively, net of accumulated depreciation of \$8,331,510 in 2019 and \$7,340,507 in 2018.

The following is a schedule by year of future minimum lease payments under the capital leases including interest together with the present value of the future minimum lease payments as of June 30, 2019:

2020	\$ 1,412,355
2021	1,412,244
2022	1,175,366
2023	1,175,366
2024	1,175,366
2025 - 2029	<u>1,304,301</u>
Total minimum lease payments	7,654,998
Less amount representing interest	<u>575,370</u>
Present value of future minimum lease payments	<u>\$ 7,079,628</u>

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Foundation Leases

Noncancelable leases for space in the Kenneth E. Meyer Alumni Center expire in various years through 2025. Several of these leases contain renewal options for periods ranging from one to three years. Future minimum lease income at June 30, 2019, is as follows:

2020	\$	672,627
2021		136,179
2022		128,657
2023		82,682
2024		68,147
Thereafter		68,147

Note 15: 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 May 2018. 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 11 residence halls, 4 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 the Magers 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 Bill R. Foster and Family Recreation Center, Hammons Student Center, the Plaster Stadium, the JQH Arena, Betty and Bobby Allison Recreation Fields 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.

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Financial information for the Auxiliary Enterprise System for June 30, 2019 and 2018, is summarized as follows:

	<u>2019</u>	<u>2018</u>
Condensed Statements of Net Position		
Assets		
Current assets	\$ 52,303,684	\$ 46,270,670
Noncurrent assets	241,512,296	244,711,698
Total assets	<u>293,815,980</u>	<u>290,982,368</u>
Deferred Outflows of Resources		
Total assets and deferred outflows of resources	<u>11,230,239</u> <u>305,046,219</u>	<u>12,707,503</u> <u>303,689,871</u>
Liabilities		
Current liabilities	18,485,213	21,001,013
Long-term liabilities	146,855,473	141,403,594
Total liabilities	<u>165,340,686</u>	<u>162,404,607</u>
Deferred Inflows of Resources		
Total liabilities and deferred inflows of resources	<u>726,483</u> <u>166,067,169</u>	<u>442,379</u> <u>162,846,986</u>
Net Position		
Net investment in capital assets	116,267,848	123,340,465
Unrestricted	<u>22,711,202</u>	<u>17,502,420</u>
Total net position	<u>\$ 138,979,050</u>	<u>\$ 140,842,885</u>
	<u>2019</u>	<u>2018</u>
Condensed Statements of Revenues, Expenses and Changes in Net Position		
Operating revenues	<u>\$ 63,035,468</u>	<u>\$ 64,882,044</u>
Operating expenses		
Depreciation	11,496,818	11,003,549
All other operating expenses	<u>59,460,857</u>	<u>57,857,500</u>
Total operating expenses	<u>70,957,675</u>	<u>68,861,049</u>
Operating income (loss)	(7,922,207)	(3,979,005)
Nonoperating revenues (expenses)	<u>1,811,400</u>	<u>1,227,946</u>
Excess (deficiency) of revenues over expenses	(6,110,807)	(2,751,059)
Transfer from other University units	<u>4,246,972</u>	<u>5,620,507</u>
Increase (Decrease) in Net Position	(1,863,835)	2,869,448
Net Position, Beginning of Year	<u>140,842,885</u>	<u>137,973,437</u>
Net Position, End of Year	<u>\$ 138,979,050</u>	<u>\$ 140,842,885</u>

Missouri State University
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Notes to Financial Statements
June 30, 2019 and 2018

Note 16: Capital Assets

Capital asset activity for the year ended June 30, 2019, was as follows:

	2019				Ending Balance
	Beginning Balance	Additions	Retirements	Transfers	
Land	\$ 40,968,906	\$ 898,659	\$ -	\$ -	\$ 41,867,565
Infrastructure	82,373,032	-	-	2,789,349	85,162,381
Buildings	666,220,475	17,604,742	-	35,339,668	719,164,885
Furniture, fixtures and equipment	56,445,354	4,510,608	(1,081,000)	6,372	59,881,334
Library materials	65,769,229	1,667,001	-	-	67,436,230
Capitalized collections	1,706,198	388,057	-	-	2,094,255
Construction in progress	28,985,867	17,860,512	-	(38,135,389)	8,710,990
	<u>942,469,061</u>	<u>42,929,579</u>	<u>(1,081,000)</u>	<u>-</u>	<u>984,317,640</u>
Less accumulated depreciation					
Infrastructure	41,354,512	4,602,575	-	-	45,957,087
Buildings	249,400,914	18,329,011	-	-	267,729,925
Furniture, fixtures and equipment	46,754,508	3,223,891	(1,060,011)	-	48,918,388
Library materials	54,143,556	2,207,238	-	-	56,350,794
Capitalized collections	534,238	160,011	-	-	694,249
Total accumulated depreciation	<u>392,187,728</u>	<u>28,522,726</u>	<u>(1,060,011)</u>	<u>-</u>	<u>419,650,443</u>
Net capital assets	<u>\$ 550,281,333</u>	<u>\$ 14,406,853</u>	<u>\$ (20,989)</u>	<u>\$ -</u>	<u>\$ 564,667,197</u>

Capital asset activity for the year ended June 30, 2018, was as follows:

	2018				Ending Balance
	Beginning Balance	Additions	Retirements	Transfers	
Land	\$ 38,023,092	\$ 2,945,814	\$ -	\$ -	\$ 40,968,906
Infrastructure	79,768,280	119,077	(2,258,121)	4,743,796	82,373,032
Buildings	595,070,779	1,238,867	(127,992)	70,038,821	666,220,475
Furniture, fixtures and equipment	54,862,636	2,219,910	(850,639)	213,447	56,445,354
Library materials	64,108,036	1,661,193	-	-	65,769,229
Capitalized collections	1,356,937	349,261	-	-	1,706,198
Construction in progress	55,558,593	48,423,338	-	(74,996,064)	28,985,867
	<u>888,748,353</u>	<u>56,957,460</u>	<u>(3,236,752)</u>	<u>-</u>	<u>942,469,061</u>
Less accumulated depreciation					
Infrastructure	38,349,388	4,791,628	(1,786,504)	-	41,354,512
Buildings	232,371,100	17,106,876	(77,062)	-	249,400,914
Furniture, fixtures and equipment	44,720,195	2,640,604	(606,291)	-	46,754,508
Library materials	51,887,119	2,256,437	-	-	54,143,556
Capitalized collections	437,730	96,508	-	-	534,238
Total accumulated depreciation	<u>367,765,532</u>	<u>26,892,053</u>	<u>(2,469,857)</u>	<u>-</u>	<u>392,187,728</u>
Net capital assets	<u>\$ 520,982,821</u>	<u>\$ 30,065,407</u>	<u>\$ (766,895)</u>	<u>\$ -</u>	<u>\$ 550,281,333</u>

Missouri State University
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Notes to Financial Statements
June 30, 2019 and 2018

Note 17: Disclosure About Fair Value of Assets

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities.
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities.

Recurring Measurements

The following tables present the fair value measurements of assets recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2019 and 2018:

2019				
Description	Total	Level 1	Level 2	Level 3
U.S. Treasury obligations	\$ 10,000,000	\$ -	\$ 10,000,000	\$ -
Government-sponsored enterprises obligations	<u>111,134,025</u>	<u>-</u>	<u>111,134,025</u>	<u>-</u>
Total investments measured at fair value	<u>\$121,134,025</u>	<u>\$ -</u>	<u>\$121,134,025</u>	<u>\$ -</u>
2018				
Description	Total	Level 1	Level 2	Level 3
Government-sponsored enterprises obligations	<u>\$ 128,107,014</u>	<u>\$ -</u>	<u>\$ 128,107,014</u>	<u>\$ -</u>
Total investments measured at fair value	<u>\$ 128,107,014</u>	<u>\$ -</u>	<u>\$ 128,107,014</u>	<u>\$ -</u>

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Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 are not available, securities are classified within Level 3 of the hierarchy.

Note 18: 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.

During fiscal 2016, the U.S. Department of Education performed a program review of the Student Financial Assistance program at the University's West Plains campus. During fiscal 2018 the University repaid \$199,000 per the U.S. Department of Education's final report. This matter was closed as of June 30, 2018.

Construction Commitments

The University has outstanding commitments for various construction contracts of approximately \$19.0 million at June 30, 2019.

Missouri State University
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June 30, 2019 and 2018

Real Estate Purchase Agreement Commitments

On May 17, 2018, the Board of Governors approved the University entering into a build to suit real estate purchase agreement to construct a 402-bed facility adjacent to the Springfield campus for \$24,000,000 with a closing to occur on or before July 2, 2020. The University has classified \$24,000,000 as restricted investments for this purchase at June 30, 2019 and 2018.

Note 19: Subsequent Events

- During October 2019, the University reached a settlement and release agreement with the interested insurers regarding the sustained loss of the collapse of the broadcast tower in Fordland, Missouri, and received payments for the full settlement. This settlement was included in accounts and other receivables on the statement of net position and in other nonoperating revenues and expenses on the statement of revenues, expenses and changes in net position.
- On October 25, 2019, the Board of Governors approved the following:
 - The issuance of educational Facilities Revenue Bonds, Series 2019B in an aggregate amount not to exceed \$7,500,000 for the purpose of providing funds to refund the Series 2010B Bonds maturing on and after October 1, 2021, and associated costs of issuance.
 - The issuance of Auxiliary Enterprise System Revenue Bonds, Series 2019A educational facilities revenue bonds. Series 2019B in an aggregate amount not to exceed \$18,400,000 for the purpose of providing funds to refund the Series 2010B Bonds maturing on and after October 1, 2021, and associated costs of issuance.

The bond sale occurred on November 19, 2019, and the bond closing and transfer of funds is expected to occur on December 4, 2019, in the amounts of \$6,780,000 and \$15,980,000 for the B and A bonds, respectively.

Required Supplementary Information

Missouri State University
A Component Unit of the State of Missouri
Schedule of University's Proportionate Share of the Net Pension Liability –
Missouri State Employees' Retirement System
Last Five Fiscal Years*

	2019	2018	2017	2016	2015
University's proportion of the net pension liability	4.9840%	5.0112%	5.0191%	4.9620%	4.8780%
University's proportionate share of the net pension liability	\$ 278,020,399	\$ 260,931,464	\$ 232,984,565	\$ 159,338,163	\$ 115,013,832
University's covered-employee payroll	\$ 96,398,396	\$ 98,849,750	\$ 97,425,261	\$ 96,031,717	\$ 95,529,298
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	287.06%	263.97%	239.14%	165.92%	120.40%
Plan fiduciary net position as a percentage of the total pension liability	59.02%	60.41%	63.60%	72.62%	79.49%

* The amounts presented for June 30, 2019, 2018, 2017, 2016 and 2015, were determined as of the end of the preceding fiscal year.

This schedule presents the information available to the University and will include ten-year trend information once available.

Missouri State University
A Component Unit of the State of Missouri
Schedule of University Contributions –
Missouri State Employees' Retirement System
Last Six Fiscal Years

	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 19,449,045	\$18,853,579	\$ 16,698,515	\$ 16,501,401	\$ 16,296,821	\$ 15,920,447
Contributions in relation to the contractually required contribution	<u>19,449,045</u>	<u>18,853,579</u>	<u>16,698,515</u>	<u>16,501,401</u>	<u>16,296,821</u>	<u>15,920,447</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
University's covered-employee payroll	\$ 96,398,396	\$96,849,465	\$ 98,400,206	\$ 97,238,662	\$ 96,031,717	\$ 93,529,298
Contributions as a percentage of covered-employee payroll	20.21%	19.45%	16.97%	16.97%	16.97%	17.02%

This schedule presents information available to the University and will include ten-year trend information once available.

Notes to Schedule:

Benefit Changes

Senate Bill 62 (SB 62), which contained changes to the benefit structure for MSEP 2011, was passed by the 2017 legislature. The provision of the bill decreased vesting from ten to five years of service, but also included provisions that essentially offset the cost of the vesting change. As a result, SB 62 had no impact on the employer contribution rate and created a decrease to the UAAL of \$1.6 million.

During the MOSERS plan year ended June 30, 2017, the vesting requirements were changed for the MSEP 2011 plan from 10 years of credit service to 5 years for members employed on or after January 1, 2018. There were no other changes in benefit terms during the MOSERS' plan year ended June 30, 2017, that affected the measurement of total pension liability.

There were no changes to benefit terms for MOSERS for the other years presented above.

Missouri State University
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Schedule of University Contributions –
Missouri State Employees' Retirement System
June 30, 2016 and 2015

Changes of Assumptions

The Board reduced the investment return assumption used in the June 30, 2018, valuation to 7.25 percent.

Actuarial assumptions used in the June 30, 2017, valuation were changed as follows:

Salary increases:	3.25 percent to 8.75 percent including inflation
Wage inflation:	3.00 percent
Investment rate of return:	7.65 percent
Post-retirement mortality tables:	RP-2014 Healthy Annuitant projected to 2026 with Scale MP-2015 and scaled by 120 percent
Preretirement mortality tables:	RP-2014 Employee projected to 2026 with Scale MP-2015 and scaled by 95 percent for males and 90 percent for females

The Board reduced the investment return assumption used in the June 30, 2017, valuation to 7.50 percent.

There were no changes to actuarial assumptions used in valuation reports for the year ended June 30, 2015, other than the assumption that there would be no pay increases for fiscal year ending June 30, 2016, only.

Missouri State University
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Schedule of Changes in the University's Total OPEB Liability and Related Ratios
(GASB 75)
Year Ended June 30, 2019

Total OPEB Liability	
Service cost	\$ 330,279
Interest	375,108
Changes in assumptions or other inputs	275,284
Benefit payments	<u>(914,728)</u>
Net Change in Total OPEB Liability	65,943
Total OPEB Liability – Beginning	<u>9,819,805</u>
Total OPEB Liability – Ending	<u><u>\$ 9,885,748</u></u>
Covered-Employee Payroll	<u><u>\$ 118,720,000</u></u>
Total OPEB Liability as a Percentage of Covered-Employee Payroll	8.00%

Notes to Schedule:

Benefit Changes

There were no changes to benefit terms for the year ended June 30, 2019.

Changes of Assumptions

There were no changes in assumptions for the year ended June 30, 2019.

Other Information

Missouri State University
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Condensed Schedules by Campus
As of and for the Year Ended June 30, 2019

Condensed Statement of Net Position Information

	<u>Springfield</u>	<u>West Plains</u>	<u>Total</u>
Assets			
Current assets	\$ 130,056,638	\$ 4,255,940	\$ 134,312,578
Noncurrent assets	636,235,934	19,765,050	656,000,984
Total assets	<u>766,292,572</u>	<u>24,020,990</u>	<u>790,313,562</u>
Deferred Outflows of Resources			
Loss on refunding of bonds	3,157,928	-	3,157,928
Deferred outflows of resources related to pension	73,815,378	3,533,081	77,348,459
Total deferred outflows of resources	<u>76,973,306</u>	<u>3,533,081</u>	<u>80,506,387</u>
Liabilities			
Current liabilities	62,410,615	707,563	63,118,178
Long-term liabilities	193,623,213	1,054,591	194,677,804
Accrued net pension liability	265,267,803	12,752,596	278,020,399
Total liabilities	<u>521,301,631</u>	<u>14,514,750</u>	<u>535,816,381</u>
Deferred Inflows of Resources			
Deferred inflows of resources related to pension	<u>7,339,606</u>	<u>313,316</u>	<u>7,652,922</u>
Net Position			
Net investment in capital assets	359,476,461	18,663,455	378,139,916
Restricted			
Nonexpendable	199,762	-	199,762
Expendable	21,441,071	26,780	21,467,851
Unrestricted	<u>(66,492,653)</u>	<u>(5,964,230)</u>	<u>(72,456,883)</u>
Total net position	<u>\$ 314,624,641</u>	<u>\$ 12,726,005</u>	<u>\$ 327,350,646</u>

Condensed Statement of Revenues, Expenses and Changes in Net Position Information

Operating Revenues	<u>\$ 223,797,332</u>	<u>\$ 3,717,257</u>	<u>\$ 227,514,589</u>
Operating Expenses			
Depreciation	27,777,432	745,294	28,522,726
All other operating expenses	333,298,116	14,736,861	348,034,977
Total operating expenses	<u>361,075,548</u>	<u>15,482,155</u>	<u>376,557,703</u>
Operating Income (Loss)	(137,278,216)	(11,764,898)	(149,043,114)
Nonoperating Revenues	130,128,301	10,338,702	140,467,003
Nonoperating Expenses	<u>(6,399,267)</u>	<u>(64,388)</u>	<u>(6,463,655)</u>
Excess (Deficiency) of Revenues Over Expenses	(13,549,182)	(1,490,584)	(15,039,766)
Transfer from Other University Units	<u>(240,308)</u>	<u>240,308</u>	<u>-</u>
Increase (Decrease) in Net Position	(13,789,490)	(1,250,276)	(15,039,766)
Net Position, Beginning of Year	<u>328,413,950</u>	<u>13,976,462</u>	<u>342,390,412</u>
Ending Net Position	<u>\$ 314,624,460</u>	<u>\$ 12,726,186</u>	<u>\$ 327,350,646</u>

Missouri State University
A Component Unit of the State of Missouri
Condensed Schedules by Campus
June 30, 2018

Condensed Statement of Net Position Information

	<u>Springfield</u>	<u>West Plains</u>	<u>Total</u>
Assets			
Current assets	\$ 80,869,605	\$ 5,750,495	\$ 86,620,100
Noncurrent assets	649,839,535	18,902,871	668,742,406
Total assets	<u>730,709,140</u>	<u>24,653,366</u>	<u>755,362,506</u>
Deferred Outflows of Resources			
Loss on refunding of bonds	3,595,217	-	3,595,217
Deferred outflows of resources related to pension	84,216,468	4,078,838	88,295,306
Total deferred outflows of resources	<u>87,811,685</u>	<u>4,078,838</u>	<u>91,890,523</u>
Liabilities			
Current liabilities	59,450,138	1,314,066	60,764,204
Noncurrent liabilities	176,793,393	1,218,948	178,012,341
Accrued net pension liability	248,913,798	12,017,666	260,931,464
Total liabilities	<u>485,157,329</u>	<u>14,550,680</u>	<u>499,708,009</u>
Deferred Inflows of Resources			
Deferred inflows of resources related to pension	4,949,546	205,062	5,154,608
Net Position			
Net investment in capital assets	364,881,553	17,755,189	382,636,742
Restricted			
Nonexpendable	199,762	-	199,762
Expendable	15,645,792	26,327	15,672,119
Unrestricted	<u>(52,313,157)</u>	<u>(3,805,054)</u>	<u>(56,118,211)</u>
Total net position	<u>\$ 328,413,950</u>	<u>\$ 13,976,462</u>	<u>\$ 342,390,412</u>

Condensed Statement of Revenues, Expenses and Changes in Net Position Information

Operating Revenues	<u>\$ 219,047,341</u>	<u>\$ 4,399,637</u>	<u>\$ 223,446,978</u>
Operating Expenses			
Depreciation	26,191,532	700,520	26,892,052
All other operating expenses	320,501,902	14,818,513	335,320,415
Total operating expenses	<u>346,693,434</u>	<u>15,519,033</u>	<u>362,212,467</u>
Operating Income (Loss)	(127,646,093)	(11,119,396)	(138,765,489)
Nonoperating Revenues	124,926,953	11,560,925	136,487,878
Nonoperating Expenses	<u>(4,651,074)</u>	<u>(38,555)</u>	<u>(4,689,629)</u>
Excess (Deficiency) of Revenues Over Expenses	(7,370,214)	402,974	(6,967,240)
Transfer from Other University Units	<u>464,978</u>	<u>(464,978)</u>	<u>-</u>
Increase (Decrease) in Net Position	(6,905,236)	(62,004)	(6,967,240)
Net Position, Beginning of Year	<u>335,319,186</u>	<u>14,038,466</u>	<u>349,357,652</u>
Ending Net Position	<u>\$ 328,413,950</u>	<u>\$ 13,976,462</u>	<u>\$ 342,390,412</u>