

Missouri State University
A Component Unit of the State of Missouri

Independent Auditor's Report and Financial Statements

June 30, 2020 and 2019

Missouri State University
A Component Unit of the State of Missouri
June 30, 2020 and 2019

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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 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, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the 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, 2020 and 2019, 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, and other postemployment 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 audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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. The Condensed Schedules by Campus have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

BKD, LLP

Springfield, Missouri
November 30, 2020

Missouri State University
A Component Unit of the State of Missouri
Management's Discussion and Analysis
Years Ended June 30, 2020 and 2019

We are providing Missouri State University's (the "University") discussion and analysis of our financial statements and related notes as of June 30, 2020 and 2019, 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, 2020, 2019, and 2018. 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, 2020, 2019, and 2018:

Statements of Net Position
As of June 30, 2020, 2019, and 2018
(In Millions)

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Current Assets	\$ 220.9	\$ 134.3	\$ 86.6
Noncurrent Assets	563.9	656.0	668.8
Deferred Outflows of Resources	<u>61.2</u>	<u>80.5</u>	<u>91.9</u>
Total Assets and Deferred Outflows of Resources	<u>846.0</u>	<u>870.8</u>	<u>847.3</u>
Current Liabilities	60.6	63.1	60.8
Noncurrent Liabilities	491.3	472.7	438.9
Deferred Inflows of Resources	<u>4.9</u>	<u>7.6</u>	<u>5.2</u>
Total Liabilities and Deferred Inflows of Resources	<u>556.8</u>	<u>543.4</u>	<u>504.9</u>
Net Position			
Net investment in capital assets	382.2	378.1	382.6
Restricted	15.2	21.7	15.9
Unrestricted	<u>(108.2)</u>	<u>(72.4)</u>	<u>(56.1)</u>
Total Net Position	<u>\$ 289.2</u>	<u>\$ 327.4</u>	<u>\$ 342.4</u>

Comparative Analysis of Fiscal Years 2020, 2019, and 2018

Current Assets – Current assets for Fiscal Year 2020 totaled \$220.9 million which is an increase of \$86.6 million from Fiscal Year 2019. The increase is preliminarily the result of increased cash, restricted short-term investments due to a favorable depository rate. Current assets for Fiscal Year 2019 totaled \$134.3 million which is an increase of \$47.7 million from Fiscal Year 2018. The increase is preliminarily the result of increased cash, restricted short-term investments, and accounts receivable.

Noncurrent Assets – Noncurrent assets for Fiscal Year 2020 totaled \$563.9 million which is a decrease of \$92.1 million from Fiscal Year 2019. The decrease is the result of reduced long-term investments. Noncurrent assets for Fiscal Year 2019 totaled \$656.0 million which is a decrease of \$12.8 million from Fiscal Year 2018 noncurrent assets. The decrease is the result of restricted long-term investments now classified as short-term and increased net capital assets.

Deferred Outflows of Resources – Deferred outflows of resources for Fiscal Year 2020 totaled \$61.2 million which is a decrease of \$19.3 million from Fiscal Year 2019 deferred outflows of resources. The decrease is primarily the result of GASB 68 in the amount of \$20.1 million. 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. The decrease is the result of GASB 68 in the amount of \$11.0 million.

Current Liabilities – Current liabilities for Fiscal Year 2020 totaled \$60.6 million which is a decrease of \$2.5 million from Fiscal Year 2019 current liabilities. This decrease is primarily attributable to a decrease in deferred revenue. Current liabilities for Fiscal Year 2019 totaled \$63.1 million which is an increase of \$2.3 million from Fiscal Year 2018 current liabilities. This increase is primarily attributable to an increase in revenue bonds payable-current and unearned revenue offset by reduced accounts payables.

Noncurrent Liabilities – Noncurrent liabilities for Fiscal Year 2020 totaled \$491.3 million which is an increase of \$18.6 million from Fiscal Year 2019 noncurrent liabilities. The increase is primarily the adoption of GASB Statement Nos. 68, 71, and 75 with an increase of the accrued pension liability of \$21.8 million and decreased revenue bonds payable of \$4.6 million. Noncurrent liabilities for Fiscal Year 2019 totaled \$472.7 million which is an increase of \$33.8 million from Fiscal Year 2018 noncurrent liabilities. 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.

Deferred Inflows of Resources – Deferred inflows of resources for Fiscal Year 2020 totaled \$4.9 million, a decrease of \$2.7 million from Fiscal Year 2019. This amount is related to the adoption of GASB Statement Nos. 68, 71, and 75. 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.

Net Position – Net Position totaled \$289.2 million for Fiscal Year 2020, \$327.4 million for Fiscal Year 2019, and totaled \$342.4 million for Fiscal Year 2018.

Overall, two significant noncash items have impacted the Fiscal Years 2020, 2019, and 2018 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, 2020, 2019, and 2018
(In Millions)

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Decrease in Net Position	\$ (38.2)	\$ (15.0)	\$ (6.9)
Noncash Items Impacting Results			
GASB 68 Unfunded Pension Expense	39.1	30.8	26.5
Depreciation	28.5	28.5	26.9
Other Nonoperating Revenue in			
Accounts Receivables	<u>-</u>	<u>(5.2)</u>	<u>-</u>
Adjusted Increase in Net Position			
for Noncash Expenses	<u>\$ 29.4</u>	<u>\$ 39.1</u>	<u>\$ 46.5</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, 2020, 2019, and 2018, are as follows:

Operating Results Years Ended June 30, 2020, 2019, and 2018 (In Millions)

	June 30, 2020	June 30, 2019	June 30, 2018
Operating Revenue			
Tuition and fees	\$ 170.0	\$ 174.1	\$ 170.7
Scholarship allowances	(38.7)	(40.5)	(37.9)
Net tuition and fees	131.3	133.6	132.8
Sales and services	13.3	18.2	16.8
Grants and contracts	42.6	31.4	29.4
Auxiliary enterprises	33.6	39.5	40.2
Other	4.8	4.8	4.3
Total Operating Revenues	225.6	227.5	223.5
Operating Expenses	394.7	376.5	362.2
Operating Loss	(169.1)	(149.0)	(138.7)
Nonoperating Revenue (Expenses)			
State appropriations	79.3	81.5	80.9
Federal grants and contracts	39.7	31.9	32.6
Loss on disposal/impairment of fixed assets	-	-	(0.7)
Other nonoperating expenses and losses	0.1	7.4	(2.2)
Gifts	6.9	9.3	8.8
Investment income	5.6	6.7	0.9
Interest on capital asset – related debt	(7.3)	(6.5)	(4.7)
Net Nonoperating Revenues	124.3	130.3	115.6
Capital Grants, Gifts, and Appropriations	6.6	3.7	16.2
Increase in Net Position	(38.2)	(15.0)	(6.9)
Net Position, Beginning of Year, as Previously Reported	327.4	342.4	356.0
Cumulative Effect of Change in Accounting Principle (GASB 75) (2018)	-	-	(6.7)
Net Position, Beginning of Year, as Restated for GASB 75 (2018)	327.4	342.4	349.3
Net Position, End of Year	\$ 289.2	\$ 327.4	\$ 342.4

Comparative Analysis of Fiscal Years 2020, 2019, and 2018

Operating Revenues – Operating Revenues for Fiscal Year 2020 totaled \$224.6 million which is an increase of \$1.9 million from Fiscal Year 2019 operating revenues. The decrease in operating revenues is caused primarily of increased federal grants offset by lower net tuition and fees and auxiliary enterprise revenue. Operating Revenues for Fiscal Year 2019 totaled \$227.5 million which is an increase of \$4.0 million from Fiscal Year 2018 operating revenues. The increase in operating revenues is caused primarily by tuition and fee rate increases in 2019 offset by lower residence life occupancy.

Nonoperating Revenues – Nonoperating Revenues for Fiscal Year 2020 totaled \$124.3 million which is a decrease of \$6.0 million from Fiscal Year 2019 nonoperating revenues. Included in Nonoperating Revenue for Fiscal Year 2020 is \$12.1 million of federal CARES Act grant. Nonoperating Revenues for Fiscal Year 2019 totaled \$130.3 million which is an increase of \$14.7 million from Fiscal Year 2018 nonoperating revenues. State appropriations were \$79.3 million, \$81.5 million, and \$80.9 million for Fiscal Years 2020, 2019, and 2018, respectively.

Operating Expenses Years Ended June 30, 2020, 2019, and 2018

	June 30, 2020	June 30, 2019	June 30, 2018
Salaries	\$ 155.8	\$ 152.8	\$ 149.3
Benefits	98.0	87.5	81.7
Scholarships and fellowships	38.0	30.4	30.6
Utilities	7.1	7.6	7.5
Supplies and other services	67.3	69.7	66.2
Depreciation	<u>28.5</u>	<u>28.5</u>	<u>26.9</u>
Total	<u>\$ 394.7</u>	<u>\$ 376.5</u>	<u>\$ 362.2</u>

Operating Expenses – Operating Expenses for Fiscal Year 2020 totaled \$394.7 million which is an increase of \$18.2 million from Fiscal Year 2019 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. Included in benefits are the GASB 68 unfunded pension expense of \$39.1 million, \$30.8 million, and \$26.5 million for Fiscal Years 2020, 2019, and 2018, respectively.

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, 2020, 2019, and 2018, are as follows:

Cash Flows
Years Ended June 30, 2020, 2019, and 2018
(In Millions)

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Cash Provided By (Used In)			
Operating activities	\$ (102.0)	\$ (81.2)	\$ (79.8)
Noncapital financing activities	126.1	124.9	120.0
Capital and related financing activities	(34.4)	(31.7)	(51.6)
Investing activities	<u>97.2</u>	<u>13.9</u>	<u>(4.2)</u>
Increase (Decrease) in Cash and Cash Equivalents	86.9	25.9	(15.6)
Cash and Cash Equivalents, Beginning of Year	<u>73.4</u>	<u>47.5</u>	<u>63.1</u>
Cash and Cash Equivalents, End of Year	<u>\$ 160.3</u>	<u>\$ 73.4</u>	<u>\$ 47.5</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 2020 the University issued \$6.8 million of educational bonds was used to advance refund the 2010 Build America Bonds and issued \$15.9 million of auxiliary enterprise system bonds to advance refund the 2010 Build America Bonds. In addition, the University made the final construction draws of \$4.0 million under the 2018A auxiliary enterprise system bonds for renovations of a residence life building. 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.

The following table summarizes the construction in progress and capital assets, net as of June 30, 2020, 2019, and 2018.

Capital Assets
As of June 30, 2020, 2019, and 2018
(In Millions)

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Capital Assets			
Construction in progress	\$ 21.0	\$ 8.7	\$ 29.0
Capital assets, net	542.7	556.0	521.3

On June 30, 2020, the University had 25 construction projects in progress with costs totaling approximately \$21.0 million incurred to date. The project costs budgeted for these projects totals \$37.0 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
Intersection Improvement Broadmoor & KS Expwy	\$ 122,139	\$ -	\$ 122,139
Ellis Hall Renovation	586,851	-	586,851
Health and Wellness Ctr	146,321	-	146,321
Ellis Hall Technology	44	-	44
Greenwood Addition	5,065	-	5,065
KOZK Fordland Reassign	3,351,670	1,409,419	1,942,251
KOZL Joplin Reassign	1,025,928	884,393	141,535
Temple Greenhouse Expansion	39,427	-	39,427
Res Hall 2020 Infill	4,925,000	2,257,116	2,667,884
IPTV	600,000	597,485	2,515
Outdoor Arts Pavilion	437,000	226,214	210,786
JVIC Building #4	144,400	150,800	(6,400)
Ozarks Educational Ctr Bull Shoals	2,200,000	2,411,326	(211,326)
South Rec Field Seating	8,652	-	8,652
Greenwood Multi-Purpose	6,784,000	4,406,527	2,377,473
McQueary Classroom Addition	6,250,000	4,272,242	1,977,758
Plaster Ctr Ph II & III	4,250,000	3,220,086	1,029,914
Indoor Practice Facility	172,000	131,294	40,706
Food Court Refresh	106,724	-	106,724
Replace Boiler Controls, Power House	535,000	467,943	67,057
Roof Replacement, Hill Hall	900,000	389,255	510,745
Darr Agri Magnet School	4,000,000	152,625	3,847,375
Glass Hall Elevators	12,490	13,035	(545)
Woods House Ph II	289,879	-	289,879
WP Amphitheatre	68,632	-	68,632
	<u>\$ 36,961,222</u>	<u>\$ 20,989,760</u>	<u>\$ 15,971,462</u>

Key Events Related to COVID-19

- The University began monitoring the Coronavirus in early January. The first case of Coronavirus in the United States was reported on January 20 in the state of Washington. On January 29, the University canceled all China travel and advised the campus community to take health precautions to protect themselves and others from the virus.
- On February 26, the University updated the campus community on Coronavirus developments and again urged individuals to take appropriate health precautions. At that time there were 14 confirmed cases in the United States, 12 of which were travel related.
- On March 2, the University initiated its emergency management plan, and the core executive team began regular meetings to analyze current information and develop the University's Coronavirus response.

- On March 13, the University established additional travel restrictions, suspending all University travel that exceeded 150 miles. The University also canceled all events with greater than 250 attendees and established a process to assess risk for events with less than 250 attendees. Subsequently, all campus events were canceled through June 30.
- Spring break March 14-22, 2020 - Extended spring break one additional week as a result of COVID-19 for faculty to have additional time to prepare for alternative methods of course delivery.
- March 30, 2020, all seated classes converted to online/alternative instruction.
- The vast majority of students living on campus moved out of their residence halls in March and April.
- Spring 2020 semester ended as scheduled on May 14, 2020.
- During April, May, and June 2020, the Governor of the State of Missouri withheld a total of \$11.9 million of state appropriations from the University as a result of the impact of COVID-19.
- During April and May 2020, the University system was awarded \$15.5 million of CARES Act funds from the federal Department of Education. Approximately 50 percent of the funds are to be used to provide emergency financial aid grants to students for expenses related to the disruption of campus operations due to Coronavirus including cost of attendance, food, and housing. During the year ended June 30, 2020, approximately \$12.1 million has been disbursed to students, including food and housing refunds.
- The University elected to defer the payment of the employer’s portion of social security taxes from April 2020 through December 31, 2020, as provided under the CARES Act. Payment of the deferred social security tax is due in two equal payments by December 31, 2021, and December 31, 2020. As of June 30, 2020, the deferred amount was \$2.2 million.
- All summer 2020 classes were converted to online/alternative instruction.
- Springfield campus summer 2020 semester enrolled 8,696 students, an increase of 317 from summer 2019.
- During July 2020, the State of Missouri awarded the University system \$11.5 million of funds from the State’s federal CARES Act funds. The State allowed reimbursement of costs related to the disruption from COVID-19.
- The University has been awarded over \$1 million in various county funds related to the federal CARES Act.
- The University modified instruction methods for the fall 2020 semester to allow for more social distancing. The following is a comparison of the instruction method to fall 2019 based upon credit hours:

	Fall 2019	Fall 2020
Traditional Seated	77%	36%
Blended (Seated/Online)	4%	26%
Online	19%	38%
	<u>100%</u>	<u>100%</u>

- Springfield campus fall 2020 semester enrolled 24,163 students, an increase of 37 from fall 2019.
- Held on campus graduation for spring and summer 2020 graduates in October 2020.

Missouri State University
A Component Unit of the State of Missouri
Statements of Net Position
June 30, 2020 and 2019

Assets

	University 2020	University 2019	Component Unit Foundation 2020	Component Unit Foundation 2019
Current Assets				
Cash and cash equivalents	\$ 159,119,520	\$ 69,539,406	\$ 23,070,670	\$ 11,722,498
Restricted cash and cash equivalents	1,141,776	3,913,358	-	-
Short-term investments	5,386,947	6,000,000	19,493,033	14,500,000
Restricted short-term investments	24,625,000	24,000,000	-	-
Accounts and other receivables, net	19,668,784	20,977,934	5,679	6,069
Pledges receivable	-	-	8,959,071	7,036,451
Grants receivable	3,037,147	2,587,042	-	-
Accrued interest receivable	84,995	552,587	108,218	120,412
Inventories	5,669,011	4,619,542	-	-
Deposits	-	-	3,000,000	-
Prepaid expenses	2,201,518	2,122,709	2,479,293	2,401,542
Assets held for sale	-	-	139,181	143,126
	<u>220,934,698</u>	<u>134,312,578</u>	<u>57,255,145</u>	<u>35,930,098</u>
Total current assets				
Noncurrent Assets				
Pledges receivable, net	-	-	25,171,763	11,697,214
Restricted long-term investments	-	-	83,898,578	94,128,538
Investments held in trust	-	-	1,799,253	1,946,074
Other long-term investments	-	91,134,025	410,884	424,054
Due from Foundation	199,762	199,762	-	-
Construction in progress	20,989,760	8,710,990	150,443	40,987
Capital assets, net	<u>542,711,774</u>	<u>555,956,207</u>	<u>1,584,630</u>	<u>1,624,770</u>
	<u>563,901,296</u>	<u>656,000,984</u>	<u>113,015,551</u>	<u>109,861,637</u>
Total noncurrent assets				
	<u>784,835,994</u>	<u>790,313,562</u>	<u>170,270,696</u>	<u>145,791,735</u>
Total assets				
Deferred Outflows of Resources				
Loss on refunding of bonds	2,743,082	3,157,928	-	-
Deferred outflows of resources related to pensions	56,960,356	77,097,131	-	-
Deferred outflows of resources related to other postemployment benefits	<u>1,461,082</u>	<u>251,328</u>	<u>-</u>	<u>-</u>
	<u>61,164,520</u>	<u>80,506,387</u>	<u>-</u>	<u>-</u>
Total deferred outflows of resources				

See Notes to Financial Statements

Liabilities

	University 2020	University 2019	Component Unit Foundation 2020	Component Unit Foundation 2019
Current Liabilities				
Accounts payable and accrued expenses	\$ 12,256,706	\$ 12,744,059	\$ 3,053,292	\$ 1,147,491
Accrued compensated absences - current	5,653,885	5,555,530	-	-
Accrued payroll	6,262,962	6,014,628	-	-
Unearned revenue	20,944,475	22,946,399	992,549	47,877
Deposits	471,486	535,792	-	-
Accrued interest payable	1,593,677	1,738,339	-	-
Capital lease obligations - current	1,277,197	1,251,283	-	-
Revenue bonds payable - current	9,973,059	9,617,385	-	-
Annuity obligations - current	-	-	77,448	77,581
Insurance claims payable	2,167,229	2,714,763	-	-
Total current liabilities	<u>60,600,676</u>	<u>63,118,178</u>	<u>4,123,289</u>	<u>1,272,949</u>
Noncurrent Liabilities				
Accrued compensated absences	7,321,469	5,975,514	-	-
Annuity obligations	-	-	353,164	430,479
Capital lease obligations	4,551,148	5,828,345	-	-
Revenue bonds payable	168,446,359	172,988,197	-	-
Net pension liability	299,767,062	278,020,399	-	-
Total other postemployment benefits liability	11,166,590	9,885,748	-	-
Due to Missouri State University	-	-	199,762	199,762
Total noncurrent liabilities	<u>491,252,628</u>	<u>472,698,203</u>	<u>552,926</u>	<u>630,241</u>
Total liabilities	<u>551,853,304</u>	<u>535,816,381</u>	<u>4,676,215</u>	<u>1,903,190</u>
Deferred Inflows of Resources				
Deferred inflows of resources related to other postemployment benefits	263,167	178,965	-	-
Deferred inflows of resources related to pensions	4,694,860	7,473,957	-	-
Total deferred inflows of resources	<u>4,958,027</u>	<u>7,652,922</u>	<u>-</u>	<u>-</u>
Net Position				
Net investment in capital assets	382,196,853	378,139,916	1,735,073	1,665,757
Restricted for				
Nonexpendable				
Scholarships and fellowships	199,762	199,762	44,935,281	40,905,816
Other	-	-	20,558,874	19,792,311
Expendable				
Scholarships and fellowships	-	-	31,959,600	24,435,787
Loans	607,687	660,680	-	-
Capital projects	14,401,567	20,807,171	-	-
Other	-	-	57,842,218	48,545,646
Unrestricted	<u>(108,216,686)</u>	<u>(72,456,883)</u>	<u>8,563,435</u>	<u>8,543,228</u>
Total net position	<u>\$ 289,189,183</u>	<u>\$ 327,350,646</u>	<u>\$ 165,594,481</u>	<u>\$ 143,888,545</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, 2020 and 2019

	University 2020	University 2019	Component Unit Foundation 2020	Component Unit Foundation 2019
Operating Revenues				
Student tuition and fees	\$ 169,965,420	\$ 174,149,339	\$ -	\$ -
Less scholarship allowances	(38,708,481)	(40,541,750)	-	-
Total net student tuition and fees	131,256,939	133,607,589	-	-
Sales and services of educational departments	13,351,825	18,188,678	-	-
Federal grants and contracts	24,234,929	11,608,640	-	-
State and local grants and contracts	11,309,396	12,692,779	-	-
Nongovernmental grants and contracts	7,080,776	7,087,572	-	-
Gifts and contributions	-	-	16,931,126	15,313,086
Auxiliary enterprises				
Residential life (net of scholarship allowances of \$5,897,710 in 2020 and \$7,296,763 in 2019)	20,665,203	26,572,893	-	-
Bookstore (net of scholarship allowances of \$1,692,804 in 2020 and \$1,839,261 in 2019)	1,079,820	1,433,615	-	-
Parking (net of scholarship allowances of \$308,464 in 2020 and \$417,232 in 2019)	1,487,559	2,043,164	-	-
Magers Health and Wellness Center	2,034,478	2,011,231	-	-
Athletics	5,141,418	4,964,533	-	-
Recreational facilities	2,377,968	1,709,402	-	-
Student union	847,989	760,345	-	-
Other operating revenues	4,754,136	4,834,148	2,709,674	3,022,215
Total operating revenues	225,622,436	227,514,589	19,640,800	18,335,301
Operating Expenses				
Salaries	155,821,157	152,820,559	-	-
Benefits	97,954,063	87,527,087	-	-
Scholarships and fellowships	38,006,921	30,474,936	2,558,923	2,422,492
Utilities	7,092,813	7,549,637	122,089	134,304
Supplies and other services	67,341,520	69,662,758	1,836,945	4,365,028
Depreciation	28,531,983	28,522,726	144,382	113,584
Total operating expenses	394,748,457	376,557,703	4,662,339	7,035,408
Operating Income (Loss)	(169,126,021)	(149,043,114)	14,978,461	11,299,893
Nonoperating Revenues (Expenses)				
State appropriations	79,298,664	81,488,737	-	-
Federal grants and contracts	39,732,469	31,868,580	-	-
Gifts	6,921,180	9,334,350	-	-
Investment income (loss)	5,574,566	6,736,911	(722,384)	4,828,017
Interest on capital asset-related debt	(7,312,153)	(6,463,655)	-	-
Gain (loss) on assets held in trust	-	-	(27,192)	255,583
Other nonoperating revenues and expenses	102,958	7,404,444	(644,165)	(1,631,847)
Expenditures to Missouri State University	-	-	(6,921,180)	(9,334,350)
Loss on disposal of capital assets	(10,413)	(20,989)	-	-
Net nonoperating revenues (expenses)	124,307,271	130,348,378	(8,314,921)	(5,882,597)
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(44,818,750)	(18,694,736)	6,663,540	5,417,296

Missouri State University
A Component Unit of the State of Missouri
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2020 and 2019

	<u>University</u> <u>2020</u>	<u>University</u> <u>2019</u>	<u>Component</u> <u>Unit</u> <u>Foundation</u> <u>2020</u>	<u>Component</u> <u>Unit</u> <u>Foundation</u> <u>2019</u>
Other Revenues, Expenses, Gains, or Losses				
Capital gifts	\$ 4,001,992	\$ 1,861,762	\$ 14,248,360	\$ -
Expenditures for capital projects to Missouri State University	-	-	(4,001,992)	(5,076,266)
Capital grants and contracts	345,172	1,190,280	-	-
Capital appropriations	2,310,123	602,928	-	-
Additions to permanent endowments	-	-	4,796,028	2,504,581
	<u>6,657,287</u>	<u>3,654,970</u>	<u>15,042,396</u>	<u>(2,571,685)</u>
Total other revenues, expenses, gains, or losses				
Increase (Decrease) in Net Position	(38,161,463)	(15,039,766)	21,705,936	2,845,611
Net Position, Beginning of Year	<u>327,350,646</u>	<u>342,390,412</u>	<u>143,888,545</u>	<u>141,042,934</u>
Net Position, End of Year	<u>\$ 289,189,183</u>	<u>\$ 327,350,646</u>	<u>\$ 165,594,481</u>	<u>\$ 143,888,545</u>

Missouri State University
A Component Unit of the State of Missouri
Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating Activities		
Tuition and fees	\$ 130,499,859	\$ 138,119,621
Sales and services of educational departments	13,351,825	18,188,678
Federal grants and contracts	23,784,824	11,482,481
State and local grants and contracts	11,309,396	12,692,779
Nongovernmental grants and contracts	7,080,776	7,087,572
Payments to suppliers	(113,906,254)	(106,228,780)
Payments to employees	(211,993,253)	(208,208,896)
Collections of loans to students	-	59,492
Auxiliary enterprise charges		
Residential Life	20,665,203	26,572,893
Bookstore	1,079,820	1,433,615
Parking	1,487,559	2,043,164
Magers Health and Wellness Center	2,034,478	2,011,231
Athletics	5,141,418	4,964,533
Recreational facilities	2,377,968	1,709,402
Student union	847,989	760,345
Other receipts	4,206,602	6,124,911
	<u>(102,031,790)</u>	<u>(81,186,959)</u>
Net cash used in operating activities		
Noncapital Financing Activities		
State appropriations	79,298,664	81,488,737
Federal grants and contracts	39,732,469	31,868,580
Other nonoperating revenues and expenses	102,958	2,241,035
Gifts and grants received for other than capital purposes	6,921,180	9,334,350
	<u>126,055,271</u>	<u>124,932,702</u>
Net cash provided by noncapital financing activities		
Capital and Related Financing Activities		
Cash received from disposal of capital assets	-	51,399
Purchase of capital assets	(6,565,880)	(25,120,469)
Construction in progress	(21,161,484)	(22,011,457)
Capital appropriations	2,310,123	602,928
Gifts and grants received for capital purposes	4,347,164	3,052,042
Principal paid on capital debt and leases	(34,775,488)	(8,525,107)
Proceeds from issuance of new capital debt	29,766,167	27,342,570
Interest paid on capital debt and leases	(8,299,787)	(7,109,158)
	<u>(34,379,185)</u>	<u>(31,717,252)</u>
Net cash used in capital and related financing activities		

Missouri State University
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Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Investing Activities		
Proceeds from sales and maturities of investments	\$ 121,108,660	\$ 55,282,965
Purchases of investments	(30,044,239)	(44,861,858)
Interest on investments	6,099,815	3,494,715
Net cash provided by investing activities	<u>97,164,236</u>	<u>13,915,822</u>
Increase in Cash and Cash Equivalents	86,808,532	25,944,313
Cash and Cash Equivalents, Beginning of Year	<u>73,452,764</u>	<u>47,508,451</u>
Cash and Cash Equivalents, End of Year	<u>\$ 160,261,296</u>	<u>\$ 73,452,764</u>
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position		
Cash and cash equivalents	\$ 159,119,520	\$ 69,539,406
Restricted cash and cash equivalents	<u>1,141,776</u>	<u>3,913,358</u>
Total cash and cash equivalents	<u>\$ 160,261,296</u>	<u>\$ 73,452,764</u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	\$ (169,126,021)	\$ (149,043,114)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation expense	28,531,983	28,522,726
Changes in operating assets and liabilities		
Accounts receivable	1,309,150	1,885,095
Loans to students	-	59,492
Federal and state grants receivable	(450,105)	(126,159)
Inventories	(1,049,469)	967,765
Prepaid expenses	(78,809)	577,426
Accounts payable and accrued expenses	(336,722)	(86,640)
Accrued compensated absences	1,444,310	405,806
Accrued payroll	248,334	258,327
Unearned revenue	(2,001,924)	2,673,534
Deposits	(64,306)	(46,597)
Insurance claims payable	(547,534)	1,290,763
Total other postemployment benefits	1,280,842	65,943
Deferred outflows of resources	19,756,713	11,821,425
Deferred inflows of resources	(2,694,895)	2,498,314
Net pension liability	<u>21,746,663</u>	<u>17,088,935</u>
Net Cash Used in Operating Activities	<u>\$ (102,031,790)</u>	<u>\$ (81,186,959)</u>
Noncash Investing, Capital, and Financing Activities		
Accounts payable incurred for purchase of capital assets	\$ 3,857,281	\$ 4,007,912
Gifts in kind of capital assets	\$ -	\$ 632,849

Missouri State University
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2020 and 2019

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, 2020 and 2019, the Foundation provided \$10,923,172 and \$11,196,112, 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 \$1,173,817 as of June 30, 2020 and 2019, respectively.

Missouri State University
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2020 and 2019

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 \$3,121,416 and \$3,008,611 for the years ended June 30, 2020 and 2019, 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, 2020 and 2019, 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, 2020 and 2019

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 \$2,975,310 and \$3,560,738 at June 30, 2020 and 2019, 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 \$0 and \$2,173,708 at June 30, 2020 and 2019, respectively, to reflect the expenses of returning all Perkins loans to the Department of Education. All but one loan was accepted by the Department of Education as of June 30, 2020. 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
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Notes to Financial Statements
June 30, 2020 and 2019

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

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.

Missouri State University
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2020 and 2019

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 in 2020 and 2019, respectively, and tenant remodeling improvements of \$83,695 for each of the years ended June 30, 2020 and 2019, respectively. Real estate and equipment for the years ended June 30, 2020 and 2019, also includes building costs of \$3,661,926 and \$3,513,202 and land of \$135,684 and \$180,167, 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.

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

Missouri State University
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Notes to Financial Statements
June 30, 2020 and 2019

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 on its statement of net position. 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 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.

Missouri State University
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2020 and 2019

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, Federal Perkins Loan Programs, and Higher Education Emergency Relief Funds as part of the CARES Act.

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 \$46,607,459 and \$49,192,580 at June 30, 2020 and 2019, 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.

Bad Debt Expense

Bad debt expense is \$1,555,509 and \$2,044,990 for the years ended June 30, 2020 and 2019, respectively, and is netted against tuition and fee revenues.

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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 2020, the Foundation adopted Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* using a modified prospective basis to all agreements not completed as of July 1, 2019, or entered into after July 1, 2019. ASU 2018-08 provides guidance that unless the grantor is directly receiving value in the same amount as the services provided (an exchange transaction), the grant should be considered a contribution. In addition, if the grantor incorporates barriers into the contract and has a right of return, the transaction is considered to be a conditional contribution. Under the accounting guidance, conditional contributions are not recorded as revenue until the condition has been met.

Adoption of ASU 2018-08 resulted in changes in disclosures in the notes to the financial statements. The Foundation's adoption of the ASU had no impact on the previously issued 2019 financial statements.

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.

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At June 30, 2020 and 2019, 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 2020 and 2019. 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:

	2020	2019
Uninsured and uncollateralized	\$ 132,929	\$ 114,755

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 \$132,929 and \$114,755 of foreign deposits denominated in Chinese Yuan at June 30, 2020 and 2019, respectively.

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, 2020 and 2019, the University had the following investments and maturities:

		June 30, 2020		
		Maturities in Years		
Type	Fair Value	Less than 1	1-5	6-10
Government-sponsored enterprises obligations	\$ 30,011,947	\$ 30,011,947	\$ -	\$ -
	\$ 30,011,947	\$ 30,011,947	\$ -	\$ -
		June 30, 2019		
		Maturities in Years		
Type	Fair Value	Less than 1	1-5	6-10
Government-sponsored enterprises obligations	\$ 111,134,025	\$ 30,000,000	\$ 81,134,025	\$ -
Money market treasury funds	10,000,000	10,000,000	-	-
	\$ 121,134,025	\$ 40,000,000	\$ 81,134,025	\$ -

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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.

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, 2020 and 2019, because there were no foreign investments in the University's investment portfolio at any time during these two fiscal years.

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Summary of Carrying Values

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

	2020	2019
Carrying value		
Deposits	\$ 160,261,296	\$ 73,452,764
Investments	30,011,947	121,134,025
	<u>\$ 190,273,243</u>	<u>\$ 194,586,789</u>

Included in the following statements of net position captions:

	2020	2019
Cash and cash equivalents	\$ 159,119,520	\$ 69,539,406
Restricted cash and cash equivalents	1,141,776	3,913,358
Short-term investments	5,386,947	6,000,000
Restricted short-term investments	24,625,000	24,000,000
Long-term investments	-	91,134,025
	<u>\$ 190,273,243</u>	<u>\$ 194,586,789</u>
Cash, cash equivalents, and investments total		

Investment Income

Investment income for the years ended June 30, 2020 and 2019, consisted of:

	2020	2019
Interest and dividend income	\$ 5,141,168	\$ 3,606,419
Fair value adjustment	433,398	3,130,492
	<u>\$ 5,574,566</u>	<u>\$ 6,736,911</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, 2020 and 2019:

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	<u>2020</u>	<u>2019</u>
Pooled investments at market value	\$ 85,167,049	\$ 86,290,846
Number of pool shares	388,141	364,129
Market value per pool share	\$ 219	\$ 237
Fiscal year return	-1.71%	4.87%
Interest and dividend earnings	\$ 1,838,791	\$ 2,079,422
Net gains (losses)	\$ (3,157,466)	\$ 1,756,115

Foundation Investments and Investment Return

The Foundation measures securities, other than investments that qualify for the equity method of accounting, at fair value. Investments in private equity funds and hedge funds are recorded at net asset value (NAV), as a practical expedient, to determine fair value of the investments.

Net investment return includes dividend and interest income 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. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method. 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.

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Investments are summarized as follows at June 30:

	2020	2019
Accrued income	\$ 168,255	\$ 235,967
Money market accounts	2,722,039	1,969,589
U.S. equity mutual funds	26,617,530	24,444,004
Non-U.S. equity mutual funds	23,605,965	28,530,950
Real estate funds	4,442,502	5,518,918
U.S. Treasury securities	32,017,480	34,916,233
Corporate bonds	6,869,374	6,891,879
Hedge funds	2,618,040	2,521,652
Private equity	4,435,144	3,716,258
Other	3,500	3,500
	<u>\$ 103,499,829</u>	<u>\$ 108,748,950</u>

Investment return consists of the following:

	2020	2019
Investment income	\$ 2,596,839	\$ 3,030,269
Realized and unrealized gains on investments reported at fair value	(3,062,993)	2,079,605
Investment expenses	(256,230)	(281,857)
	<u>\$ (722,384)</u>	<u>\$ 4,828,017</u>

Investments held in trust are deposited with The Northern Trust Company, BancorpSouth Wealth Management, 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, 2020 and 2019.

	June 30, 2020			
	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	\$ 4,503,964	\$ 4,503,964	\$ -	\$ -
Investments by fair value level				
Money market funds	2,722,039	2,722,039	-	-
U.S. equity mutual funds	26,617,530	26,617,530	-	-
Non-U.S. equity mutual funds	23,605,965	23,605,965	-	-
U.S. Treasury securities	32,017,480	-	32,017,480	-
Corporate bonds	6,869,374	-	6,869,374	-
Real estate funds	4,442,502	4,442,502	-	-
Other	3,500	3,500	-	-
Investments held in trust				
Mutual funds	1,075,466	1,075,466	-	-
Other	723,787	406,838	224,180	92,769
Total investments by fair value level	<u>102,581,607</u>	<u>\$ 63,377,804</u>	<u>\$ 39,111,034</u>	<u>\$ 92,769</u>
Investments measured at the net asset value (NAV) (A)				
Hedge funds	2,618,040			
Private equity	4,435,143			
Total investments measured at the NAV	<u>7,053,183</u>			
Total assets	<u>\$ 109,634,790</u>			
Liabilities				
Annuity obligations	<u>\$ 430,612</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 430,612</u>

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	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	<u>3,716,258</u>			
Total investments measured at the NAV	<u>6,234,643</u>			
Total assets	<u>\$ 115,479,101</u>			
Liabilities				
Annuity obligations	<u>\$ 508,060</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 508,060</u>

(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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Investments

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.

Cash Equivalents

The carrying amount approximates fair 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 0.16 percent to 3.30 percent for the years ended June 30, 2020 and 2019. Pledges receivable consist of the following unconditional promises to give at June 30:

	2020	2019
Due in less than one year	\$ 8,959,071	\$ 7,036,451
Due in one to five years	17,702,278	10,212,715
Due in more than five years	9,309,028	2,757,167
	35,970,377	20,006,333
Less: Allowance for doubtful accounts	735,724	404,455
Unamortized discount	1,103,819	868,213
	1,839,543	1,272,668
	\$ 34,130,834	\$ 18,733,665

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Note 6: Foundation Endowment

The Foundation's endowment consists of approximately 1,107 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.

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, 2020, was:

	Without Donor Restrictions	With Donor Restrictions - Purpose or Time-Restricted	With Donor Restrictions - Perpetual in Nature	2020 Total
Donor-restricted endowment funds	\$ -	\$ 19,699,303	\$ 64,903,457	\$ 84,602,760
Board-designated endowment funds	3,040,545	-	-	3,040,545
Total endowment funds	<u>\$ 3,040,545</u>	<u>\$ 19,699,303</u>	<u>\$ 64,903,457</u>	<u>\$ 87,643,305</u>

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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	3,262,579	-	-	3,262,579
Total endowment funds	\$ 3,262,579	\$ 25,765,263	\$ 60,074,076	\$ 89,101,918

Changes in endowment net assets for the year ended June 30, 2020, were:

	Without Donor Restrictions	With Donor Restrictions - Purpose or Time-Restricted	With Donor Restrictions - Perpetual in Nature	2020 Total
Endowment net assets, beginning of year	\$ 3,262,579	\$ 25,765,263	\$ 60,074,076	\$ 89,101,918
Investment return				
Investment income	-	1,892,391	-	1,892,391
Net appreciation	(225,821)	(3,199,031)	-	(3,424,852)
Total investment return	(225,821)	(1,306,640)	-	(1,532,461)
Contributions	-	-	4,797,819	4,797,819
Other income	-	20,921	31,562	52,483
Appropriation of endowment assets for expenditure	-	(4,989,816)	-	(4,989,816)
Other additions	3,787	209,575	-	213,362
Endowment net assets, end of year	\$ 3,040,545	\$ 19,699,303	\$ 64,903,457	\$ 87,643,305

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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 depreciation	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>

Underwater Endowments

The governing body of the Foundation has interpreted SPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Foundation considers a fund to be underwater if the fair value of the fund is less than the sum of

- a. the original value of initial and subsequent gift amounts donated to the fund and
- b. any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument.

The Foundation has interpreted SPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law.

At June 30, 2020, funds with original gift value of \$6,530,270; fair value of \$6,193,826; and deficiency of \$336,444, were reported in net assets with donor restrictions. At June 30, 2019, funds with original gift value of \$1,948,514; fair value of \$1,884,497; and deficiency of \$64,017, were reported in net assets with donor restrictions. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after investment of new restricted contributions and continued appropriation for certain purposes that was deemed prudent by the governing body.

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The Foundation has a policy that does not permit spending from underwater endowment funds.

Investment and Spending Policies

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 for the years then ended June 30:

2020
Program Services

	Student Services	Instruction and Academic	Scholarships	Institutional Support	Capital Projects	Total Program Services
Personnel	\$ 334,498	\$ 245,762	\$ -	\$ 27,823	\$ -	\$ 608,083
Utilities	-	-	-	-	-	-
Travel	5,934	54,206	-	5,398	-	65,538
Educational supplies and service agreements	655	2,617,935	-	-	-	2,618,590
Supplies, services, and other	407,294	225,052	-	268,825	70,040	971,211
Broadcast services	-	1,220,095	-	-	-	1,220,095
Fundraising	84,980	67	-	151,200	-	236,247
Arena debt	-	-	-	-	297,000	297,000
Transfer to University	2,485,932	507,198	2,558,923	82,270	2,494,540	8,128,863
Total expenses	<u>\$ 3,319,293</u>	<u>\$ 4,870,315</u>	<u>\$ 2,558,923</u>	<u>\$ 535,516</u>	<u>\$ 2,861,580</u>	<u>\$ 14,145,627</u>

2020
Support Services

	Rental Expenses	Institutional Support	Total Support Services	Total
Personnel	\$ 115,047	\$ 2,850,142	\$ 2,965,189	\$ 3,573,272
Utilities	122,089	-	122,089	122,089
Travel	-	25,534	25,534	91,072
Educational supplies and service agreements	-	872	872	2,619,462
Supplies, services, and other	303,432	319,434	622,866	1,594,077
Broadcast services	-	-	-	1,220,095
Fundraising	-	236,991	236,991	473,238
Arena debt	-	-	-	297,000
Transfer to University	-	587,759	587,759	8,716,622
Total expenses	<u>\$ 540,568</u>	<u>\$ 4,020,732</u>	<u>\$ 4,561,300</u>	<u>\$ 18,706,927</u>

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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
Total expenses	<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
Total expenses	<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, 2020 and 2019, respectively, comprise the following:

	<u>2020</u>	<u>2019</u>
Financial assets at year-end		
Cash and cash equivalents	\$ 23,070,670	\$ 11,722,498
Accounts receivable, net	5,679	6,069
Pledges receivable, net	34,130,834	18,733,665
Investments	103,499,829	108,748,950
Total financial assets at year-end	<u>160,707,012</u>	<u>139,211,182</u>
Less amounts restricted or not available to be used within one year		
Pledges receivable, due after one year	25,171,763	(11,697,214)
Investments held in custodial and noncustodial annuities and trusts	41,622	(68,094)
Endowment investments	84,602,760	(86,117,454)
Investments in nonliquid securities	3,500	(7,954,930)
	<u>109,819,645</u>	<u>(105,837,692)</u>
Financial assets not available to meet general expenditures within one year	<u>109,819,645</u>	<u>(105,837,692)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 50,887,367</u>	<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.

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.

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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
- 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 \$3,164,629 and \$1,076,549 at June 30, 2020 and 2019, 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 multiple-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

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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 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 31.

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, 2020, was 21.77 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, 2019 and 2018, was 20.21 percent and 19.45 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 \$21,452,987 and \$19,449,045 for the years ended June 30, 2020 and 2019, respectively.

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

At June 30, 2020 and 2019, the University reported a liability of \$299,767,062 and \$278,020,399, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and 2018, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates.

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, 2019 and 2018. At June 30, 2019, the University's proportion was 4.9621 percent, which was a decrease of 0.0219 percent from its proportion measured as of June 30, 2018. 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.

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, 2019, valuation to 7.10 percent.

There were no changes in benefit terms during the MOSERS' plan year ended June 30, 2019, that effected the measurement of total pension liability.

For the years ended June 30, 2020 and 2019, the University recognized pension expense of \$60,590,377 and \$50,253,325, respectively. At June 30, 2020 and 2019, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ 255,579	\$ 3,484,640
Change in assumptions	11,977,827	-
Net difference between projected and actual earning on pension plan investments	23,273,963	-
Change in proportion and differences between the University's contributions and the University proportionate share of contributions	-	1,210,220
University's contributions subsequent to the measurement date	<u>21,452,987</u>	<u>-</u>
Total	<u>\$ 56,960,356</u>	<u>\$ 4,694,860</u>
	2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
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	<u>19,449,046</u>	<u>-</u>
Total	<u>\$ 77,097,131</u>	<u>\$ 7,473,957</u>

At June 30, 2020 and 2019, the University reported \$21,452,986 and \$19,449,045, 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, 2020 and 2019, respectively.

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Other amounts reported as deferred outflows of resources and deferred inflows of resources at June 30, 2020, related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	<u>Amount Recognized</u>
2020	\$ 17,124,027
2021	8,393,438
2022	2,779,564
2023	<u>2,515,480</u>
	<u><u>\$ 30,812,509</u></u>

Actuarial Assumptions

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

June 30, 2019	
Inflation	2.35%
Salary increases	2.85% to 8.35% including inflation
Wage inflation	2.35%
Investment rate of return	7.10% per year, compounded annually, net after investment expenses and including inflation
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

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, 2019, 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 7.25 percent to 7.10 percent and the adoption of the above mortality tables. The changes in assumptions recorded as deferred inflows and outflows of resources were

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due to these changes from the actuarial experience study.

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 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, 2019, 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%	8.30%	3.10%
Nominal bonds	44.00%	3.30%	1.50%
Commodities	20.00%	7.80%	1.60%
Inflation-linked bonds	39.00%	2.40%	0.90%
Alternative beta	31.00%	6.60%	2.00%
Cash and cash equivalents	-72.00%		-0.70%
	<u>100.00%</u>		<u>8.40%</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 7.10 percent and 7.25 percent at June 30, 2019 and 2018, 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 7.10 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 (6.10 percent) or 1 percent point higher (8.10 percent) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
University's proportionate share of the net pension liability	\$ 378,170,475	\$ 299,767,062	\$ 233,848,860

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, 6.00 percent, and 6.19 percent of the participant's salary to CURP for the years ended June 30, 2020, 2019, and 2018, respectively. The total contributed for years ended June 30, 2020, 2019, and 2018, was \$2,273,759, \$2,067,547, and \$1,917,811, respectively.

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.

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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, 2020 and 2019, are:

	2020	2019
Inactive employees or beneficiaries currently receiving benefit payments	96	113
Active employees	2,128	2,171
	2,224	2,284

Total OPEB Liability

The University's total OPEB liability of \$11,166,590 and \$9,885,748 was measured as of June 30, 2020 and 2019, respectively, for the years then ended, and was determined by an actuarial valuation as of June 30, 2020 and 2019, using census data from 2020 and 2018, respectively.

The total OPEB liability in the June 30, 2020 and 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	2020	2019
Inflation	3.00%	3.00%
Discount rate	2.21% (prior year 3.50%)	3.50% (prior year 3.87%)
Salary increases	3.50% per year	3.50% per year
Health care cost trend rates	6.0% for 2020, decreasing 0.5% per year to an ultimate rate of 4.5% for 2023 and later years	6.5% for 2019, 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 for the OPEB valuation as of June 30, 2019, were based on the RP-2014 generational table scaled using MP-2017 and applied on a gender-specific basis. For the OPEB valuation as of June 30, 2020, mortality rates were based on the Pub-2010 generational table scaled using MP-2019 and applied on a gender-specific basis.

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study from 2013.

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Changes in Total OPEB Liability

Changes in the total OPEB liability are:

	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 9,885,748	\$ 9,819,805
Service cost	365,564	330,279
Interest	347,666	375,108
Differences between expected and actual experience	(115,182)	-
Changes in assumptions or other inputs	1,318,793	275,284
Benefit payments	<u>(635,999)</u>	<u>(914,728)</u>
Net changes	<u>1,280,842</u>	<u>65,943</u>
Balance, end of year	<u><u>\$ 11,166,590</u></u>	<u><u>\$ 9,885,748</u></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 2.21 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	\$ 12,092,000	\$ 11,167,000	\$ 10,335,000

The total OPEB liability of the University has been calculated using health care cost trend rates of 6.50 percent decreasing to 4.50 percent.

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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.

	1% Decrease	Current Health Care Cost Trend Rates	1% Increase
University's total OPEB liability	\$ 10,100,000	\$ 11,167,000	\$ 12,408,000

OPEB Expense and Deferred Inflows of Resources Related to OPEB

For the years ended June 30, 2020, and June 30, 2019, the University recognized OPEB expense of \$791,289 and \$710,487, respectively. At June 30, 2020 and 2019, the University reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 103,057
Changes of assumptions	1,461,082	160,110
Total	\$ 1,461,082	\$ 263,167

	2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 251,328	\$ 178,965
Total	\$ 251,328	\$ 178,965

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Deferred outflows and deferred inflows of resources at June 30, 2020, related to OPEB will be recognized as a reduction in OPEB expense as follows:

2021	\$	78,059
2022		78,059
2023		78,059
2024		78,059
2025		78,059
Thereafter		<u>807,620</u>
		<u>\$ 1,197,915</u>

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, 2020 and 2019, is summarized as follows:

	<u>2020</u>	<u>2019</u>
Balance at beginning of year	\$ 2,714,763	\$ 1,424,000
Health and dental claims	25,126,315	22,894,053
Health insurance payments	<u>(25,673,849)</u>	<u>(21,603,290)</u>
Balance at end of year	<u>\$ 2,167,229</u>	<u>\$ 2,714,763</u>

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Note 13: Operating Expenses by Function

Operating expenses by functional classification for the year ended June 30, 2020, are summarized as follows:

	Salaries	Benefits	Scholarships and Fellowships	Utilities	Supplies and Other Services	Depreciation	2020 Total
Instruction	\$ 76,993,437	\$ 49,439,410	\$ -	\$ 8,866	\$ 12,464,113	\$ -	\$ 138,905,826
Research	4,459,896	2,804,737	-	2,849	12,393,259	-	19,660,741
Public service	5,774,394	3,296,167	-	33,674	5,237,725	-	14,341,960
Academic support	17,011,139	10,650,876	-	10,528	6,885,627	-	34,558,170
Student services	7,427,126	4,753,453	-	-	4,058,399	-	16,238,978
Institutional support	17,754,979	12,076,381	-	-	1,617,452	-	31,448,812
Operation and maintenance of plant	6,485,441	4,079,873	-	4,942,432	5,085,601	-	20,593,347
Scholarship and fellowships	880,994	88,677	32,458,500	-	68,177	-	33,496,348
Auxiliary enterprises	19,033,751	10,764,489	5,548,421	2,094,464	19,531,167	-	56,972,292
Depreciation	-	-	-	-	-	28,531,983	28,531,983
Total operating expenses for fiscal year 2020	\$ 155,821,157	\$ 97,954,063	\$ 38,006,921	\$ 7,092,813	\$ 67,341,520	\$ 28,531,983	\$ 394,748,457

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	\$ 152,820,559	\$ 87,527,087	\$ 30,474,936	\$ 7,549,637	\$ 69,662,758	\$ 28,522,726	\$ 376,557,703

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Note 14: Long-Term Liabilities

Long-term debt and other obligations consist of the following as of June 30, 2020:

	Bond Series	Interest Rate	Maturity	Beginning Balance July 1, 2019	Additions	Reductions	Ending Balance June 30, 2020	Current Portion
Auxiliary Enterprise System								
Revenue Bonds*								
2010	B	4.25%-6.25%	2035	\$ 18,995,000	\$ -	\$ 18,145,000	\$ 850,000	\$ 850,000
2015	A	2.00%-5.00%	2032	39,950,000	-	2,420,000	37,530,000	2,490,000
2016	A	2.00%-3.25%	2039	12,120,000	-	405,000	11,715,000	420,000
2017	A	2.15%-2.63%	2036	35,605,000	-	2,365,000	33,240,000	2,425,000
2018	A	3.35%	2037	15,000,000	4,000,000	865,000	18,135,000	805,000
2019	A	4.00%-5.00%	2035	-	15,980,000	-	15,980,000	-
				<u>121,670,000</u>	<u>19,980,000</u>	<u>24,200,000</u>	<u>117,450,000</u>	<u>6,990,000</u>
MOHEFA Bonds**								
2010	B	4.25%-6.25%	2036	7,605,000	-	7,265,000	340,000	340,000
2014	A	2.00%-4.00%	2039	19,215,000	-	625,000	18,590,000	650,000
2015		1.625%-3.80%	2041	15,320,000	-	510,000	14,810,000	520,000
2019	A	3.53%	2034	15,730,000	-	810,000	14,920,000	840,000
2019	B	2.375%-4.00%	2035	-	6,780,000	-	6,780,000	-
				<u>57,870,000</u>	<u>6,780,000</u>	<u>9,210,000</u>	<u>55,440,000</u>	<u>2,350,000</u>
2012	DNR	2%	2021	114,205	-	114,205	-	-
Total bonds and notes payable				179,654,205	26,760,000	33,524,205	172,890,000	9,340,000
Unamortized premium on bond issues				2,951,378	3,006,167	428,125	5,529,420	633,059
Total bonds and notes payable including unamortized premiums				<u>182,605,583</u>	<u>29,766,167</u>	<u>33,952,330</u>	<u>178,419,420</u>	<u>9,973,059</u>
Compensated absences				11,531,044	6,635,058	5,190,748	12,975,354	5,653,885
Capital lease obligations				7,079,628	-	1,251,283	5,828,345	1,277,196
Other postemployment benefits				9,885,748	1,280,842	-	11,166,590	-
Net pension liability				278,020,399	21,746,663	-	299,767,062	-
Total other obligations				<u>306,516,819</u>	<u>29,662,563</u>	<u>6,442,031</u>	<u>329,737,351</u>	<u>6,931,081</u>
Total long-term debt and other obligations				<u>\$ 489,122,402</u>	<u>\$ 59,428,730</u>	<u>\$ 40,394,361</u>	<u>\$ 508,156,771</u>	<u>\$ 16,904,140</u>

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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	0.50%-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%-3.80%	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	114,205	114,205
Total bonds and notes payable				161,326,665	25,730,000	7,402,460	179,654,205	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 premium				<u>164,650,103</u>	<u>25,730,000</u>	<u>7,774,520</u>	<u>182,605,583</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 post employment 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>\$ 489,122,402</u>	<u>\$ 16,424,198</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 B

On December 4, 2019, the University issued \$6,780,000 of Series B bonds through a public offering. The Bonds bear interest payable semiannually ranging from 2.75 to 4.0 percent annually. Principal maturity begins October 1, 2021, and continues until October 1, 2035. Proceeds from the issuance of these bonds was used to advance refund the 2010 Build America Bonds with maturities commencing October 1, 2021, through October 1, 2035.

2019 Auxiliary Enterprise System Revenue Bonds Payable – Series A

On December 4, 2019, the University issued \$15,980,000 of Series A bonds through a public offering. The Bonds bear interest payable semiannually ranging from 4.0 to 5.0 percent annually. Principal maturity begins October 1, 2021, and continues until October 1, 2035. Proceeds from the issuance of these bonds was used to advance refund the 2010 Build America Bonds with maturities commencing October 1, 2021, through October 1, 2035.

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 continues 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).

Notes from Direct Borrowings and Direct Placements

The University's outstanding notes from direct borrowings and direct placements of \$66,295,000 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 \$14,920,000 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 \$51,375,000 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 \$0 at June 30, 2020.

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The principal and interest requirements on notes and bonds payable to maturity at June 30, 2020, are as follows:

Year Ending June 30,	Bonds		Direct Placement		Total to be Paid
	Principal	Interest	Principal	Interest	
2021	\$ 5,270,000	\$ 3,915,240	\$ 4,070,000	\$ 1,992,112	\$ 15,247,352
2022	4,345,000	3,709,428	4,185,000	1,870,645	14,110,073
2023	5,370,000	3,500,621	4,315,000	1,745,447	14,931,068
2024	5,865,000	3,279,774	4,435,000	1,619,692	15,199,467
2025	6,105,000	3,042,103	3,920,000	1,483,594	14,550,697
2026 - 2030	34,150,000	11,551,014	20,110,000	5,624,610	71,435,624
2031 - 2035	28,690,000	5,363,250	21,885,000	2,308,556	58,246,806
2036 - 2040	15,825,000	1,466,151	3,375,000	110,981	20,777,132
2041 - 2043	975,000	18,525	-	-	993,525
	<u>\$ 106,595,000</u>	<u>\$ 35,846,106</u>	<u>\$ 66,295,000</u>	<u>\$ 16,755,638</u>	<u>\$ 225,491,744</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, 2020 and 2019, totaled \$8,420,277 and \$9,323,978, respectively, net of accumulated depreciation of \$9,115,848 in 2020 and \$8,331,510 in 2019.

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, 2020:

2021	\$ 1,412,244
2022	1,175,366
2023	1,175,366
2024	1,175,366
2025	1,175,366
2026 - 2030	<u>128,935</u>
Total minimum lease payments	6,242,643
Less amount representing interest	<u>414,298</u>
Present value of future minimum lease payments	<u>\$ 5,828,345</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, 2020, is as follows:

2021	\$	672,628
2022		136,179
2023		82,682
2024		68,147
2025		68,147
Thereafter		96,541

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 October 2019. 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, the Juanita K. Hammons Hall for the Performing Arts, 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, 2020 and 2019, is summarized as follows:

	<u>2020</u>	<u>2019</u>
Condensed Statements of Net Position		
Assets		
Current assets	\$ 52,609,093	\$ 52,303,684
Noncurrent assets	241,190,879	241,512,296
Total assets	<u>293,799,972</u>	<u>293,815,980</u>
Deferred Outflows of Resources		
Total assets and deferred outflows of resources	<u>8,546,551</u> <u>302,346,523</u>	<u>11,230,239</u> <u>305,046,219</u>
Liabilities		
Current liabilities	16,500,130	18,485,213
Long-term liabilities	142,948,774	146,855,473
Total liabilities	<u>159,448,904</u>	<u>165,340,686</u>
Deferred Inflows of Resources		
Total liabilities and deferred inflows of resources	<u>428,679</u> <u>159,877,583</u>	<u>726,483</u> <u>166,067,169</u>
Net Position		
Net investment in capital assets	118,234,937	116,267,848
Unrestricted	24,234,003	22,711,202
Total net position	<u>\$ 142,468,940</u>	<u>\$ 138,979,050</u>
	<u>2020</u>	<u>2019</u>
Condensed Statements of Revenues, Expenses, and Changes in Net Position		
Operating revenues	\$ 52,987,519	\$ 63,035,468
Operating expenses		
Depreciation	12,209,925	11,496,818
All other operating expenses	56,972,292	59,460,857
Total operating expenses	<u>69,182,217</u>	<u>70,957,675</u>
Operating income (loss)	(16,194,698)	(7,922,207)
Nonoperating revenues (expenses)	3,066,940	1,811,400
Excess (deficiency) of revenues over expenses	<u>(13,127,758)</u>	<u>(6,110,807)</u>
Transfer from other University units	9,760,510	4,246,972
Assets transferred to Auxiliary System	<u>6,857,138</u>	<u>-</u>
Increase (Decrease) in Net Position	3,489,890	(1,863,835)
Net Position, Beginning of Year	<u>138,979,050</u>	<u>140,842,885</u>
Net Position, End of Year	<u>\$ 142,468,940</u>	<u>\$ 138,979,050</u>

Missouri State University
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Note 16: Capital Assets

Capital asset activity for the year ended June 30, 2020, was as follows:

	2020				Ending Balance
	Beginning Balance	Additions	Retirements	Transfers	
Land	\$ 41,867,565	\$ -	\$ -	\$ -	\$ 41,867,565
Infrastructure	85,162,381	36,524	-	911,757	86,110,662
Buildings	719,164,885	91,737	-	7,677,428	726,934,050
Furniture, fixtures, and equipment	59,881,334	4,792,302	(1,103,511)	142,894	63,713,019
Library materials	67,436,230	1,632,819	-	-	69,069,049
Capitalized collections	2,094,255	66,022	-	-	2,160,277
Construction in progress	8,710,990	21,010,849	-	(8,732,079)	20,989,760
	<u>984,317,640</u>	<u>27,630,253</u>	<u>(1,103,511)</u>	<u>-</u>	<u>1,010,844,382</u>
Less accumulated depreciation					
Infrastructure	45,957,087	4,591,982	-	-	50,549,069
Buildings	267,729,925	18,816,542	-	-	286,546,467
Furniture, fixtures, and equipment	48,918,388	2,794,165	(1,044,736)	-	50,667,817
Library materials	56,350,794	2,158,777	-	-	58,509,571
Capitalized collections	694,249	175,675	-	-	869,924
Total accumulated depreciation	<u>419,650,443</u>	<u>28,537,141</u>	<u>(1,044,736)</u>	<u>-</u>	<u>447,142,848</u>
Net capital assets	<u>\$ 564,667,197</u>	<u>\$ (906,888)</u>	<u>\$ (58,775)</u>	<u>\$ -</u>	<u>\$ 563,701,534</u>

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>

Missouri State University
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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, 2020 and 2019:

Description	2020			
	Total	Level 1	Level 2	Level 3
Government-sponsored enterprises obligations	\$ 30,011,947	-	\$ 30,011,947	-
Total investments measured at fair value	<u>\$ 30,011,947</u>	<u>\$ -</u>	<u>\$ 30,011,947</u>	<u>\$ -</u>
Description	2019			
	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>

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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.

Construction Commitments

The University has outstanding commitments for various construction contracts of approximately \$16.0 million at June 30, 2020.

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, 2020 and 2019. On May 15, 2020, the Board of Governors amended the purchase agreement for the closing to occur on or before July 1, 2021, and to include a \$625,000 Holding Cost Payment.

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Note 19: Current Economic Conditions

As a result of the spread of the SARS-CoV-2 virus and the incidence of COVID-19, economic uncertainties have arisen which may negatively affect the financial position, results of operations, and cash flows of the University. These uncertainties include the levels of enrollment and state and federal funding. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

Note 20: Subsequent Events

Construction and Expansion of the Jordan Valley Innovation Center

In May 2017, Missouri State University, The Vecino Group, LLC (Vecino), and the Springfield Business Development Corporation entered into a Memorandum of Understanding (MOU) to explore the feasibility of a public-private partnership for the purpose of expanding IDEA Commons.

In December 2019, the Board of Governors approved execution of a legally Letter of Intent (LOI), which established the material terms of a development agreement for the development, design, financing, and construction of a roughly 30,000 square foot expansion of the University's Jordan Valley Innovation Center (JVIC #4), including a total project cost not to exceed \$14,397,284.

In May 2020, the Board of Governors approved the JVIC #4 Expansion.

In August 2020 the public-private partnership for the JVIC #4 Expansion was finalized and related contracts executed.

Required Supplementary Information

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

	2020	2019	2018
University's proportion of the net pension liability	4.9621%	4.9840%	5.0112%
University's proportionate share of the net pension liability	\$ 299,767,062	\$ 278,020,399	\$ 260,931,464
University's covered-employee payroll	\$ 98,543,808	\$ 96,398,396	\$ 98,849,750
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	304.20%	287.06%	263.97%
Plan fiduciary net position as a percentage of the total pension liability	56.72%	59.02%	60.41%
	2017	2016	2015
University's proportion of the net pension liability	5.0191%	4.9620%	4.8780%
University's proportionate share of the net pension liability	\$ 232,984,565	\$ 159,338,163	\$ 115,013,832
University's covered-employee payroll	\$ 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	239.14%	165.92%	120.40%
Plan fiduciary net position as a percentage of the total pension liability	63.60%	72.62%	79.49%

* The amounts presented for June 30, 2020, 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
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Schedule of University Contributions –
Missouri State Employees’ Retirement System
Last Seven Fiscal Years

	2020	2019	2018	2017
Contractually required contribution	\$ 21,452,987	\$19,449,045	\$ 18,853,579	\$ 16,698,515
Contributions in relation to the contractually required contribution	<u>21,452,987</u>	<u>19,449,045</u>	<u>18,853,579</u>	<u>16,698,515</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
University’s covered-employee payroll	\$ 98,543,808	\$96,398,396	\$ 96,849,465	\$ 98,400,206
Contributions as a percentage of covered-employee payroll	21.77%	20.21%	19.45%	16.97%
	2016	2015	2014	
Contractually required contribution	\$ 16,501,401	\$ 16,296,821	\$ 15,920,447	
Contributions in relation to the contractually required contribution	<u>16,501,401</u>	<u>16,296,821</u>	<u>15,920,447</u>	
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
University’s covered-employee payroll	\$ 97,238,662	\$ 96,031,717	\$ 93,529,298	
Contributions as a percentage of covered-employee payroll	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.

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

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.

Changes of Assumptions

The assumed investment rate of return was reduced from 7.25 percent to 7.10 percent for the June 30, 2019, valuation. The salary increase rate was reduced from 3.00 percent to 2.85 percent. The wage inflation rate was reduced from 2.50 percent to 2.35 percent. There were no other changes in actuarial assumptions for the June 30, 2019, valuation.

The assumed investment rate of return was reduced from 7.50 percent to 7.25 percent for the June 30, 2018, valuation. The salary increase rate was reduced from 3.25 percent to 3.00 percent. The wage inflation rate was reduced from 3.00 percent to 2.50 percent. There were no other changes in actuarial assumptions for the June 30, 2018, valuation.

The assumed investment rate of return was reduced from 7.65 percent to 7.50 percent for the June 30, 2017, valuation. There were no other changes in actuarial assumptions for the June 30, 2017, valuation.

Actuarial assumptions used in the June 30, 2016, valuation were changed as follows:

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

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

There were no changes to actuarial assumptions used in the June 30, 2014, valuation.

Missouri State University
A Component Unit of the State of Missouri
Schedule of Changes in the University's Total OPEB Liability and Related Ratios
Last Three Fiscal Years

	2020	2019	2018
Total OPEB Liability			
Service cost	\$ 365,564	\$ 330,279	\$ 317,973
Interest	347,666	375,108	387,922
Difference between expected and actual experience	(115,182)	-	-
Changes in assumptions or other inputs	1,318,793	275,284	(216,676)
Benefit payments	(635,999)	(914,728)	(750,762)
Net Change in Total OPEB Liability	1,280,842	65,943	(261,543)
Total OPEB Liability – Beginning	9,885,748	9,819,805	10,081,348
Total OPEB Liability – Ending	<u>\$ 11,166,590</u>	<u>\$ 9,885,748</u>	<u>\$ 9,819,805</u>
Covered-Employee Payroll	<u>\$ 120,117,915</u>	<u>\$ 118,720,000</u>	<u>\$ 114,704,876</u>
Total OPEB Liability as a Percentage of Covered-Employee Payroll	9.30%	8.33%	8.56%

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

Notes to Schedule:

Benefit Changes

There were no changes to benefit terms for the years ended June 30, 2020, 2019, and 2018.

Changes of Assumptions

Actuarial assumptions used in the June 30, 2020, valuation were changed as follows:

- The discount rate was updated from 3.50 percent to 2.21 percent.
- The retirement and termination rates were updated to the rates from the Missouri State Employees' Retirement Systems (MOSERS) Actuarial Valuation Report as of June 30, 2019.
- The mortality assumption was updated from RP-2014 mortality table with generational scale MP-2017 to Pub-2010 mortality table with generational scale MP-2019 to reflect the Society of Actuaries' recent mortality study.

Missouri State University
A Component Unit of the State of Missouri
Schedule of Changes in the University's Total OPEB Liability and Related Ratios
Last Three Fiscal Years

- The initial healthcare trend rates were updated to 6.50 percent from 7.00 percent for pre-65 and 5.50 percent from 6.00 percent for post-65 to align with anticipated, increasing future claims environment. The rates grade down by 0.50 percent per year until reaching the ultimate rate of 4.50 percent.
- The Excise Tax (Cadillac Tax on high cost employer sponsored health plans) assumptions were removed from the valuation as it was repealed by a Bill in December 2019.

There were no changes in assumptions used in the June 30, 2019, valuation.

There were no changes in assumptions used in the June 30, 2018, valuation except for a change in the discount rate used from 3.58 percent to 3.87 percent.

Other Information

Missouri State University
A Component Unit of the State of Missouri
Condensed Schedules by Campus
As of and for the Year Ended June 30, 2020

Condensed Statement of Net Position Information

	<u>Springfield</u>	<u>West Plains</u>	<u>Total</u>
Assets			
Current assets	\$ 216,114,015	\$ 4,820,683	\$ 220,934,698
Noncurrent assets	544,372,542	19,528,754	563,901,296
Total assets	<u>760,486,557</u>	<u>24,349,437</u>	<u>784,835,994</u>
Deferred Outflows of Resources			
Loss on refunding of bonds	2,743,082	-	2,743,082
Deferred outflows of resources related to other postemployment benefits	1,461,082	-	1,461,082
Deferred outflows of resources related to pension	54,292,118	2,668,238	56,960,356
Total deferred outflows of resources	<u>58,496,282</u>	<u>2,668,238</u>	<u>61,164,520</u>
Liabilities			
Current liabilities	58,924,185	1,676,491	60,600,676
Long-term liabilities	190,494,091	991,475	191,485,566
Accrued net pension liability	286,116,022	13,651,040	299,767,062
Total liabilities	<u>535,534,298</u>	<u>16,319,006</u>	<u>551,853,304</u>
Deferred Inflows of Resources			
Deferred inflows of resources related to other postemployment benefits	263,167	-	263,167
Deferred inflows of resources related to pension	4,496,360	198,500	4,694,860
Total deferred inflows of resources	<u>4,759,527</u>	<u>198,500</u>	<u>4,958,027</u>
Net Position			
Net investment in capital assets	363,659,575	18,537,278	382,196,853
Restricted			
Nonexpendable	199,762	-	199,762
Expendable	14,981,559	27,695	15,009,254
Unrestricted	<u>(100,151,882)</u>	<u>(8,064,804)</u>	<u>(108,216,686)</u>
Total net position	<u>\$ 278,689,014</u>	<u>\$ 10,500,169</u>	<u>\$ 289,189,183</u>

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

Operating Revenues	<u>\$ 220,143,598</u>	<u>\$ 5,478,838</u>	<u>\$ 225,622,436</u>
Operating Expenses			
Depreciation	27,609,107	922,876	28,531,983
All other operating expenses	349,935,363	16,281,111	366,216,474
Total operating expenses	<u>377,544,470</u>	<u>17,203,987</u>	<u>394,748,457</u>
Operating Income (Loss)	(157,400,872)	(11,725,149)	(169,126,021)
Nonoperating Revenues	128,749,760	9,526,951	138,276,711
Nonoperating Expenses	<u>(7,271,391)</u>	<u>(40,762)</u>	<u>(7,312,153)</u>
Excess (Deficiency) of Revenues Over Expenses	(35,922,503)	(2,238,960)	(38,161,463)
Transfer from Other University Units	<u>(13,124)</u>	<u>13,124</u>	<u>-</u>
Increase (Decrease) in Net Position	(35,935,627)	(2,225,836)	(38,161,463)
Net Position, Beginning of Year	<u>314,624,641</u>	<u>12,726,005</u>	<u>327,350,646</u>
Net Position, End of Year	<u>\$ 278,689,014</u>	<u>\$ 10,500,169</u>	<u>\$ 289,189,183</u>

Missouri State University
A Component Unit of the State of Missouri
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	7,339,606	313,316	7,652,922
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>
Net Position, End of Year	<u>\$ 314,624,460</u>	<u>\$ 12,726,186</u>	<u>\$ 327,350,646</u>